



**Saudi Arabian Cooperative Insurance Company
(SAICO)**

**Annual Report of the Board of Directors
for the year 2021**





Board of Directors

H.H Prince Ahmad Bin Khalid Bin Abdullah Al-Saud
Mr. Abdulaziz Bin Ali Abussuud
Dr. George Shaheen Medawar
Mr. Saleh Bin Abdul Rahman Al-Helaissi
Mr. Khalid Bin Saleh Al-Ghurair

(Chairman)
(Vice-Chairman)
(Member)
(Member)
(Member)



Annual Report of the Board of Directors for the financial year ended December 31, 2021

The Board of Directors of the Saudi Arabian Cooperative Insurance Company (SAICO) is pleased to present its annual report on the Company's business results, the auditors' report and the financial statements for the year ended December 31, 2021.

I. Major Business Activities

Saudi Arabian Cooperative Insurance Company (SAICO) is a listed Saudi Joint Stock Company registered in the Commercial Register in Riyadh under # 1010237214 on 07/08/1428. Its paid-up capital is 300 million Saudi Riyals. SAICO is licensed by the Saudi Central Bank (SAMA) to engage in all classes of insurance and related services as per license # 20079 dated 29/08/1428.

The company is engaged in the following classes of insurance in the Kingdom of Saudi Arabia:

- 1) **General Insurance:** It includes, but is not limited to, motor vehicle insurance, engineering insurance, energy, aviation, property, fire, marine cargo and hull insurance.
- 2) **Health Insurance:** It provides health insurance programs that are in line with the needs of the market as well as in accordance with the cooperative health insurance law and the directions of the Council of Cooperative Health Insurance.
- 3) **Protection and Savings Insurance:** It offers term-life protection insurance.

II. Future Assumptions and Expectations

For 2022, the company plans to expand in Motor and other General lines of business while at the same time pruning the loss making policies in the Medical and other insurance line of business.

Premium rates for corporate medical and motor lines of business have become very competitive. We, therefore, will focus on growing auto lease business through the bank assurance model and with specific auto dealerships. We also plan to develop personal lines like Personal Accident, Home owners insurance etc.

We plan to rationalize our headcount to achieve cost savings and also plan to reduce our acquisition costs. We will introduce a compensation scheme for the sales force to reward them based on performance. We plan to operationalize a new core system in middle of 2022 for the General lines of business along with digital portals for ease of doing business.

III. Significant Business Developments:

- 1- The Company secured on 30/11/2021, the renewal of its license by the Saudi Central Bank to practice insurance activity in the Kingdom of Saudi Arabia to engage in the following insurance lines: (General insurance - Health insurance - Protection & Savings insurance) for three years from 26/08/1443H to 25/08/1446H.



- 2- The Company signed a Bancassurance agreement with Arab National Bank on 02/11/2021, for a period of three years from the date of signing, pursuant to which insurance products will be distributed and sold through the bank, noting that the agreement value & financial impact cannot be determined precisely due to the difference in the value of the monthly insurance applications received by the bank.
- 3- The Company received the final approval of SAMA on a travel insurance product.
- 4- The Company signed a Bancassurance agreement with AlRajhi Bank on 10/10/2021, for a period of one year. Under this agreement, the Company shall, upon the Bank's request, submit quotations for insurance coverage on private motor vehicles owned by the Bank and leased to its clients under the "Lease with a Promise to Own" programme offered by the Bank.
- 5- The Company received on 30/08/2021, Al-Rajhi Bank's notification to provide Motor insurance coverage for the vehicles leased by the bank through its approved lease financing program, provided that the coverage begins on 01/09/2021 for a period of one calendar year.
- 6- The Company received SAMA's final approval for the Cyber Risk insurance product and Political Violence insurance product.
- 7- The Company announced that in the meeting held by the Board of Directors (BoD) on Wednesday 31/03/2021, the BoD didn't recommend the distribution of dividends for the financial year ending on 31/12/2020, so as to use the realized profits to strengthen the company's financial position and to finance its future development plans. On 30/05/2021 the General Assembly approved the BoD recommendation.
- 8- The Company announced that on March 04, 2021 the Board of Directors approved, by circulation, the resignation of the member of the Board of Directors Mr. Khalid Saleh Al-Khattaf from the membership of the Board of Directors and the committees because of his other work obligations, and the company announced on 20/06/2021 the appointment of a new board member namely Mr. Khalid Saleh Al-Ghurair to fill the vacant position for the current session of the BoD after, receiving SAMA's approval.

The company announced on 22/02/2021 the retirement of the CEO effective 31 December 2021. Then, following mutual agreement, the company announced the postponement of the CEO's retirement until further notice.

1) Financial Department:

The company is committed to hiring skilled and knowledgeable staff for positions of control, accounting, and investment. A range of control, accounting, monetary, and investment procedures will be enforced by the Company to enhance financial efficiency in all areas and activities. The Company will also continue to adhere to the instructions received from the supervisory authorities.

2) Human Resources:

HR Department pays great attention to localizing jobs. The Saudization rate is currently 72.7% of the total number of employees, which reached 399 employees in 2021, of whom 290 are Saudi employees. These compare to 397 employees in 2020 out of whom 282 were Saudi employees. Saudi competencies hold 81% of the executive and senior positions in the company. This is in line with the directives of



SAMA and the company's BOD to localize this industry by supporting Saudization programs and creating the appropriate environment to provide the opportunity for trained national competencies and encourage them to work in the various departments.

Employees	Saudis	Foreigners	Total Employees Number	Saudization%
2020	282	115	397	71.03%
2021	290	109	399	72.7%

The company is also keen to continue training most of its employees to obtain the "IFCE" certificate, and to provide training courses for all the company employees in the field of Anti-money laundering and terrorist financing, and a course in anti-fraud. In addition, the Company ensures providing specialized courses in motor vehicle insurance underwriting and claims for employees of the same departments, as well as courses for communication skills, sales and complaints handling for customer service, front lines and call center employees. The company also conducts training for insurance selling products for the concerned departments. The specialized different insurance underwriting training has been made available for the concerned professions. The company recently launched "Ethraie E-learning portal" from the Institute of Public Administration to all SAICO employees. The company is collaborating with the Human Resources Development Fund (HRDF) to provide the leadership programs aimed at enhancing and diversifying the competence of SAICO's female employees. The company continues to provide opportunities for obtaining internationally recognized professional insurance certificates and encourage Saudi employees to obtain professional certificates in the field of their job specialization. The company encourages employee's engagement by providing many benefits & programs, including life insurance for employees to give them a sense of security and job stability, in addition to providing a subscription to "Wala plus" program for exclusive offers and discounts to all SAICO employees.

3) Collection and Legal Department:

I. Collection:

The collection department works effectively to improve the company's cash flow, at the same time the department works to ensure the satisfaction of its 4500+ clients.

Regarding the receivables, the collection department automatically records these based on the amount and age, then follows the collection procedures. These procedures include friendly reminders to the clients, payments warnings, phone calls and emails, that business needs.

The department held quarterly meetings to determine the status of the defaulters, and to set proper measures to avoid further deterioration and to modify the collection measures as may be needed.



The collectors in all of the company's branches are pursuing regularly the collection operation for the accounts outstanding for (90) or more days. In 2021, the department collected SR 50,239,919 (Saudi Riyals Fifty million two hundred thirty nine thousand nine hundred nineteen).

II. Legal Affairs:

The Legal Department plays an important role in the financial affairs of the company. In 2021, it was involved in 435 cases for a total amount of SAR 115 M. The Legal Department endeavors to protect the interests of the company in many ways including reviewing new business relations and representing the company before governmental, non-governmental and judicial bodies.

The Department also reviews the new contracts that the company intends to enter into during the year, as well as all documents that affect the future of the company.

4) Quality and Customer Service Department

Customer care and the improvement of the quality of services have been and will always be the central interest of SAICO management based on customer centric strategy that emphasizes the fulfilling of customer needs and acts continuously to attain customer satisfaction and loyalty.

From this perception the following points refer to the relevant accomplishments in 2021:

1. Developing advanced version of the call queuing system in all branches and claim centers to ensure the speed of services that are centrally monitored by a Quality team.
2. Contracting with vendor to serve customer through WhatsApp, to ease communication with customers around the clock. This service will be available by the beginning of March 2022
3. Customers can always interact with our customer service through our social media accounts
4. Working closely with the Medical Insurance Department to improve the measures that cause delays of medical treatment approval process.
5. Expanding CRM workflow to route quotation requests for all business lines besides policy admin requests to stream line and monitor the quality and speed of the quotation process, mentioning that CRM unit have communicated 22138 requests in 2021
6. In spite of the increase of the number of complaints received through "SAMA CARES", SAICO performance reports are showing notable improvement
7. As per the internal customer satisfaction survey the satisfaction level about the call center services has reached 65.5%
8. There is a remarkable increase in the number of complaints received through CCHI that are attributable to the shortage of medical approval doctors and corrective actions have been taken in this regard.
9. In 2021, the Call center agents successfully served 156,403 calls out of total calls received of 162,371. The abandoned ratio reached 5.67% which is acceptable as per international standards.



IV. Current and Future Risks and Risk Management

RISK MANAGEMENT IN SAICO DURING THE YEAR – 2021:

It has been SAICO's policy to understand how to protect the company against the risk of financial & business loss and to take care of all sorts of business risks which it may encounter. The Board, Risk Management Committee, Management and Risk Management Department are taking all necessary precautionary steps to avoid the effects of such risks on the company.

Our major Enterprise Risk Management (ERM) objectives are to:

- ❖ Protect the capital base by ensuring that risks are not taken beyond SAICO's risk tolerance.
- ❖ Enhance value creation and contribute to an optimal risk-return profile by providing the basis for an efficient utilization of capital.
- ❖ Support the company's decision-making processes by providing consistent, reliable and timely risk information.
- ❖ Protect SAICO's reputation and brand by promoting a sound culture of risk awareness and disciplined and informed risk taking.
- ❖ Ensure that ERM is not isolated from strategy, planning, or day-to-day decision making, nor is it about compliance, as ERM is part of an organization's culture, just as making decisions to attain objectives is part of an organization's culture.
- ❖ Ensure effective implementation of Risk Appetite Framework (RAF) that will help and benefit SAICO in managing and mitigating key risks.

In order to achieve the strategic objectives of the Risk Appetite Framework, the areas to be considered in Risk Appetite statement are:

- A Clear view and definition of risk appetite, reflecting the objectives and strategies of the business set by executive management.
- Key tools to enable the company to cascade the risk appetite as operational limits and embed the framework at the business unit and business activity level.
- Reasonable vigilance and precautions during all insurance & reinsurance transactions to avoid any loss of business, reputation as well as any irregularity from the point of view of regulatory agencies.
- A built-in process for regularly updating and reviewing the assessment based on new developments or actions taken
- Stress Testing and Scenario Analysis: SAICO's policy will be to calculate scenarios for the most likely large insurance losses which could impact the business.



The risks faced by the Company during 2021, and the way these risks are mitigated by management are summarized below:

a) Insurance Risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The Company purchases reinsurance as part of its risks mitigation program. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

Frequency and severity of claims

Concentration of insurance risk

The Company monitors concentration of insurance risks primarily by class of business. The major concentration lies in medical and motor segment.

The Company also monitors concentration of risk by evaluating multiple risks covered in the same geographical location. 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 marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk. The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

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



Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the statement of financial position date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the statement of financial position date.

Process used to decide on assumptions

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

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.



The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analyzed by accident years, but can also be further analyzed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

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

Sensitivity analysis

The Company believes that the claim liabilities under insurance contracts outstanding at the year end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The insurance claim liabilities are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process.

b) Reinsurance Risk

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

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



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

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

Furthermore, the financial strength and managerial and technical expertise as well as historical performance of the reinsurers, wherever applicable, are thoroughly reviewed by the Company and agreed to pre-set requirements of the Company's Board of Directors before approving them for exchange of reinsurance business. As at 31 December 2021 there is no significant concentration of reinsurance balances.

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

c) Commission Rate Risk

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

The Company has murabaha deposits and investment in Sukuk, with the exception of restricted deposits which are required to be maintained in accordance with regulations in Saudi Arabia on which the Company does not earn any commission. Management limits commission rate risk by monitoring changes in commission rates in the currencies in which its deposits are denominated. The Company had no deposits in currencies other than Saudi Riyal.

The following information demonstrates the sensitivity of statement of income to possible changes in commission rates, with all other variables held constant.

Increase/(decrease) in commission rates by 100 basis points.

d) Credit Risk

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

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

- a. To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers. Accordingly, as a pre-requisite, the



parties with whom reinsurance is effected are required to have a minimum acceptable security rating level affirming their financial strength.

- b. The Company seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.
- c. Cash and cash equivalents are maintained with local banks approved by the management. Accordingly, as a pre-requisite, the bank with which cash and cash equivalents are maintained is required to have a minimum acceptable security rating level affirming its financial strength.

The Company does not have an internal credit ratings assessment process, and accordingly, amounts which are neither past due nor impaired, in respect of client balances, are from individuals and unrated corporate counter parties. Balances due from reinsurers are with counterparties who have investment grade credit ratings issued by external rating agencies.

e) Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management believes that there is minimal risk of significant losses due to exchange rate fluctuation, as the majority of monetary assets and liabilities are in currencies linked to the Saudi Riyals.

f) Market Price Risk

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

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

g) Capital Management

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

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



The Company manages its capital to ensure that it is able to continue as going concern and comply with the regulators' capital requirements of the markets in which the Company operates while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital, reserves and retained earnings.

As per guidelines laid out by SAMA in Article 66 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

- Minimum Capital Requirement SAR 100,000,000
- The total of the written premiums.
- Claims.

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

h) Regulatory Framework Risk

The operations of the Company are subject to local regulatory requirements in Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise. The Company is compliant of minimum capital adequacy prescribed by the regulator.

i) Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors. The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility encompasses the controls in the following areas:



- Requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified;
- Ethical and business standards; and
- Risk mitigation policies and procedures.

Senior Management ensures that the Company's members of staff have adequate training and experience and fosters effective communication related to operational risk management.

j) Fair Value of Financial Instruments

Fair value is the price that would be received, to sell an asset or paid, to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transactions take place either:

- in the accessible principal market for the asset or liability, or
- in the accessible principal market, in the most advantageous accessible market for the asset or liability.

The management assessed that cash and cash equivalent, accrual and other liabilities and other financial assets and liabilities approximate their carrying amounts largely due to the short term maturities of these instruments.

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

Level 1: Quoted market prices in an active market (that are unadjusted) 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), and

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

During the year ended 31 December 2021, 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.



V. Financial Indicators:

1. The following table shows the comparison for the income statement items (in thousands of Saudi riyals):

Statement	2017	2018	2019	2020	2021
Gross premiums written	804,577	949,993	834,341	795,038	777,538
Net premiums earned	525,945	602,518	628,479	528,398	567,044
Commission income and other income	67,994	53,457	34,330	37,926	24,761
Total revenues	593,939	655,975	662,809	573,217	607,987
Total paid claims	466,957	467,720	646,925	446,868	550,518
Net incurred claims	350,331	474,280	491,516	343,890	463,481
Total cost and expenses	540,700	674,365	678,357	517,446	663,525
Net profit / (loss) from insurance operations for the year	53,238	(18,390)	(15,549)	55,771	(65,013)
Net profit/(loss)from shareholders for the year before Zakat	51,927	(13,012)	(2,382)	57,584	(55,538)

2. The following table shows the comparison for the financial position statement items (in thousands of Saudi Riyals):

Insurance operations assets	2017	2018	2019	2020	2021
Reinsurers' share of unearned premiums, Reinsurers' share of outstanding claims and reserves, Reinsurers' share of claims incurred but not reported	361,910	483,827	440,187	421,955	470,151
Deferred policy acquisition costs	18,726	21,312	16,877	18,459	23,086
Premiums and reinsurers' receivable - net	269,494	258,113	217,877	245,872	261,412
Murabaha deposits	133,000	168,805	171,005	134,474	96,524
Held-to-maturity investment, Available for sale investment and others	17,782	17,400	12,116	22,346	22,158



investment					
Cash and cash equivalents	85,822	171,227	34,551	47,691	41,770
Other assets	47,785	48,102	61,656	70,145	88,500
Total assets of insurance operations	934,519	1,168,786	954,269	960,942	1,003,601
Shareholders' Operations assets	2017	2018	2019	2020	2021
Statutory deposit	25,000	30,000	30,000	30,000	30,000
Murabaha deposits	283,304	285,089	222,000	207,442	158,442
Cash and cash equivalents	3,259	4,701	9,639	2,309	10,258
Investments at fair value through profit and loss and held-to-maturity investment	0	0	90,672	105,137	147,956
Prepayments and other assets, Accrued income from statutory deposit	2,448	3,402	4,999	5,602	5,187
Total shareholders 'assets	314,011	323,192	357,310	350,490	351,843
Total assets of insurance operations and shareholders operations	1,248,530	1,491,978	1,311,579	1,311,432	1,355,444
Liabilities of insurance operations	2017	2018	2019	2020	2021
Technical reserves	703,292	976,507	806,599	768,867	847,254
Unearned reinsurance commissions	8,642	6,916	6,714	6,759	5,257
Reinsurance balances payable	77,413	54,992	93,268	53,730	53,286
Employees' end-of-service benefits, Policyholders' claims payable, accrued expenses and other liabilities	95,958	113,597	81,558	98,472	144,578
Surplus distribution payable	11,474	7,730	-	5,577	-
Total liabilities of insurance operations	896,779	1,159,742	988,139	940,164	1,050,375
Liabilities of Shareholders' operations	2017	2018	2019	2020	2021
Provision for zakat	8,804	8,708	9,048	10,518	8,416



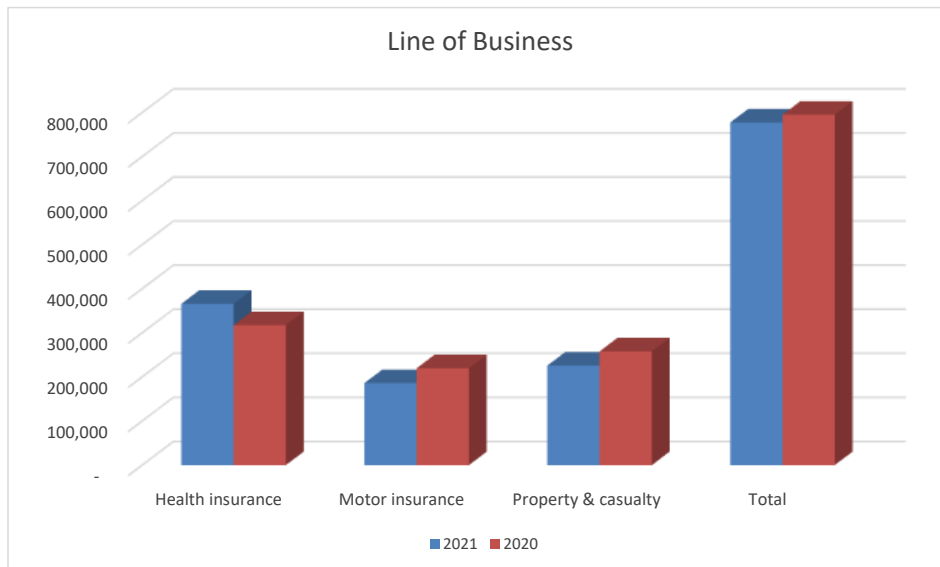
Accounts payable and Accrued commission income payable to SAMA	2,139	2,975	3,771	4,246	3,917
EQUITY	2017	2018	2019	2020	2021
Share capital	250,000	300,000	300,000	300,000	300,000
Statutory reserve and (Accumulated losses)/retained earnings	91,485	19,768	9,133	56,454	(6,180)
Investments fair value reserve, Re-measurement reserve of end-of-service benefits	(678)	785	1,488	50	(1,085)
Total shareholders' liabilities and equity	352,751	332,236	323,440	371,268	305,068
Total liabilities, insurance operations, shareholders' operations and equity	1,248,530	1,491,978	1,311,579	1,311,432	1,355,444

3. **Gross premiums written:**

Total Gross premiums written during 2021 was 777,538 thousand riyals, compared to 795,038 thousand riyals for the previous year, a decrease of (2) %. This is due to a 12% decrease in total Gross premiums written for Property & casualty insurance and a 15% decrease in Motor insurance.

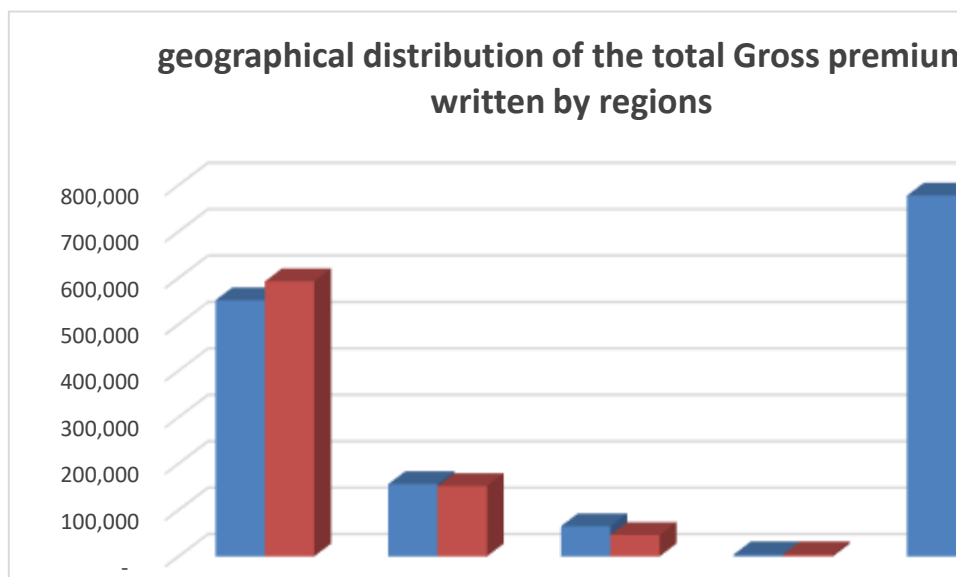
4. **The following table shows the distribution of Gross premiums written by line of business (in thousands of Saudi riyals):**

Sector	2021	2020	Changes 2021	Change percentage 2021%
Health insurance	365,821	317,435	48,386	%15
Motor insurance	185,916	219,704	(33,788)	%(15)
Property & casualty	225,801	257,899	(32,098)	%(12)
Total	777,538	795,038	(17,500)	%(2)



5. The following table shows the geographical distribution of the total Gross premiums written by regions (in thousands of Saudi riyals):

Year	Geographical analysis of the company's total <u>Gross premiums written</u>				
	Central Region	Eastern Region	Western Region	Other Regions	Total Revenue
2021	552,143	155,913	64,981	4,501	777,538
2020	609,632	173,130	49,647	1,932	834,341





6. Substantial Differences in Operational Results (in thousand SAR):

Sector	2021	2020	Changes in 2021	Percent age of Change %	Reasons
Total Gross premiums written	777,538	795,038	(17,500)	(2)%	Total Gross premiums written during 2021 was 777,538 thousand riyals, compared to 795,038 thousand riyals for the previous year, a decrease of (2) %. This is due to a 12% decrease in total Gross premiums written for Property & casualty insurance and a 15% decrease in Motor insurance.
Net premiums earned	567,044	528,398	38,646	7%	The net premiums earned during the year 2021 was 567,044 thousand riyals, an increase of 7% over the year 2020 due to the increase in the net premiums earned for the property and accident insurance by 5% and the increase in medical insurance by 24%
Total revenues	607,987	581,978	26,009	4%	Total revenues during the year was 607,987 thousand riyals, an increase of 4% from the year 2020 due to the increase in net earned premiums by 7% and the increase in investment income by 8%
Net claims incurred	463,481	343,890	119,591	35%	The net claims incurred during the year 2021 was 463,481 thousand riyals, an increase of 35% compare to the year 2020, due to the increase in net claims incurred for property and accident insurance by 480%, the increase in net claims incurred for medical insurance by 51% and the increase in net claims incurred for motor insurance by 5%.
Total costs and	663,525	524,394	139,131	27%	The total costs and expenses



expenses					during 2021 was 663,525 thousand riyals, an increase of 27% compare to the year 2020, due to an increase in net claims incurred by 35% and an increase in the provision for doubtful debts by 132% and an increase in general and administrative expenses by 16%
Surplus (deficit) of insurance operations minus the revenues of policy holders' investments (operational procedures results)	(67,664)	51,969	(119,633)	(230)%	The (deficit) of insurance operations, minus the return on investments of policyholders during the year 2021, was (67,664) thousand riyals, compared to a surplus of 51,969 thousand riyals for the previous year due to the increase in net claims incurred by 35%, an increase in Policy acquisition costs by 5%, and an increase in General and administrative expenses by 16%, an increase in Inspection and supervision fees by 6%, increase in doubtful debts by 132%, decrease in reinsurance commissions by 24%, decrease in other underwriting income by 82%, and decrease in other income by 16%. Despite the increase in net premiums earned by 7%, the increase in net investment income by 8%.
Net Profit (Loss) of Policy Holders Investment	2,651	3,802	(1,151)	(30)%	The net profit of Policy Holders investments during the year 2021 was 2,651 thousand riyals, a decrease of (30%) compare to the year 2020.
Surplus / (deficit) from insurance operations	(65,013)	55,771	(120,784)	(217)%	-
Shareholders'	(65,013)	50,194	(115,207)	(230)%	-



share from surplus(deficit) attributable to shareholders before zakat					
Net Profit (loss) of Shareholders Capital Investment	10,943	8,761	2,182	25%	The net profit of shareholders' investment during 2021 was 10,943 thousand riyals, an increase of 25% compare to the year 2020
Total (loss)/income for the year before zakat	(55,538)	57,584	(113,122)	(196)%	The reason for the net loss before zakat during the current year 2021 compared to the net profit for the previous year of 2020 was mainly due to the Increase in Net claims incurred by 35%, an Increase in Policy acquisition costs by 5%, an Increase in General and administrative expenses by 16%, an Increase in Inspection and supervision fees by 6%, and an Increase in doubtful debts by 132%, a decrease in Reinsurance commissions by 24%, a decrease in Other underwriting income by 82%, a decrease in Other income by 16%. , Despite the increase in Net premiums earned by 7%, an increase in Net Profit of Investment by 8%.

7. Earnings per Share

Basic and diluted (loss)/earning per share for the year have been calculated by dividing the total (loss)/income attributable to the shareholders after zakat by the weighted average number of shares in issue throughout the period.

	2021	2020
Basic and diluted (loss)/earning per share	(2.09)	1.58
Weighted average number of shares after issuance of priority rights (in thousands)	30,000	30,000

There are no diluted potential shares during the year ended 31 December 2021 and 2020.



VI. Sixth: Disclosure According to Statutory Regulation:

1) Corporate Governance Regulation:

The Extraordinary General Assembly of the company, held on 30/05/2021, endorsed the Board of Directors' resolution no. (75), dated 07/04/2020, to adopt the updated Corporate Governance Regulation and accompanying regulations and the accompanying Regulations and to bring them into force immediately.

The company has applied all the mandatory Articles of the Financial Market Authority Governance Regulations, as well as non-mandatory Articles, except the following guidance articles:

Article	Text of Article	Reasons for Non-application
85	The Company shall establish programs to develop and stimulate the participation and performance for its employees, including, in particular: 1) Establishment of committees or hold specialized workshops to hear and discuss the views of the company's employees on issues and topics that are the subject of important decisions. 2) Motivate employees. 3) Establishing social institutions for the Company's employees.	There are currently no social programs or institutions for employees, and the Company may consider this matter in due course.
87	The Ordinary General Assembly - based on a proposal from the Board of Directors - shall develop a policy to ensure a balance between its objectives and those to which the society intends to achieve; for developing the social and economic conditions of society.	A policy appropriate to the Company's future direction may be considered.
88	The Board of Directors shall develop programs and identify the means to launch the Company's initiatives in the area of social work, including: 1) Development of measurement indicators linking the Company's performance to its social work initiatives and comparing this with other companies of similar activity. 2) Communication of the objectives as the social responsibility adopted by the company and educating the Company's employees and make them aware thereof. 3) Disclose social responsibility plans in periodic reports relating to the Company's activities.	The development of such programs and initiatives may be effectively studied according to the Company's future direction.



	4) Develop community awareness programs to publicize the Company's social responsibility.	
41 (E)	The Board of Directors shall arrange for the assessment of its performance by a competent external authority every three years.	An external specialist may be outsourced to assess the future performance of the Board.
41 (F)	Non-executive members of the Board of Directors shall periodically assess the performance of the Chair of the Board after taking the views of the executive members - the Chair of the Board shall not attend the discussion devoted to this purpose - provided that the strengths and weaknesses are identified and suggested remedies are recommended, in accordance with the Company's interest.	The required assessment of the Chair of the Board's performance may be carried out at a later date.
95	In the event that the Board of Directors establishes a committee specialized in Corporate Governance, it shall delegate to it the terms of reference established under Article 94 of this Regulation. This committee shall follow up any topics relating to governance applications and provide the Board of Directors, at least annually, with its reports and recommendations.	Inapplicable. As the Board of Directors did not constitute a specialized committee on corporate governance.

Other than that, the Company is keen to adhere to the implementation of all the rules and regulations issued by the Regulatory and Supervisory Authorities. The Company has complied with the SAMA's Insurance Company Governance Regulations, as well as its own Governance Regulation.

2) Extra Ordinary General Assembly

The Extra Ordinary General Assembly held its second meeting remotely through modern means technological on 30/05/2021, due to the suspension of holding physical meeting, pursuant to the CMA's Circular, to address the emerging Corona Virus (COVID-19). The General Assembly resolved the following: -

1. Approval of the Financial Statements for the fiscal year ending on 31 December 2020.
2. Approval of External Auditors Report for the fiscal year ending on 31 December 2020.
3. Approval of the Board Annual Report for the fiscal year ending on 31 December 2020.
4. Approval of releasing liability of Board members for the year ending on 31 December 2020.



5. Approval of payment of total SAR (660,000) as remuneration to the members of the Board of Directors for the year ending on 31 December 2020.
6. Approval of the appointment of External Auditors from those nominated based on the recommendation of the Audit Committee to review and audit the financial statements of the second & third quarter and annual statements for the year 2021 and first quarter of 2022, and determination of their fees (attached).
7. Approval of the Board of Directors' recommendation not to distribute profits for the year 2020. (attached)
8. Approval of the business relationship between the Company and ACE Agent Company which the Chairman Prince Ahmed bin Khalid Al-Saud has indirect interest that he owns 10% of ACE, the business related to the Premiums by ACE that amounted to (2,316,935) SR as premiums received through agent, and (294,587) as commission expense, the contract for 5 years renewal automatically, and without any preferential treatment (attached).
9. Approval of the business relationship between the Company and ACE Broker Company which the Chairman Prince Ahmed bin Khalid Al-Saud has indirect interest that he owns 10% of ACE, the business related to the Premiums by ACE that amounted to (130,118,943) SR as premiums received through Broker, and (12,249,950) SR as commission expense, and (83,782,000) as premiums ceded through Broker, and (13,694,469) SR as commission received, the contract The contract is for an indefinite period unless one of the parties informs the other of its cancellation before 60 days, and without any preferential treatment (attached).
10. Approval of the business relationship between Saudi Arabian Insurance Company B.S.C. which the Chairman Prince Ahmed bin Khalid Al-Saud and Dr. George Shaheen Medawar have indirect interest, the deal is the amounts received and paid on behalf of Saudi Arabian Insurance Company B.S.C. amounted to (890,902) SR as premiums ceded, and (99,704) SR as commission received, and the deal is for an indefinite period, and without any preferential treatment (attached).
11. Approval to amend Article No. (1) of the Company's Articles of Association related to the incorporation. (attached)
12. Approval to amend Article No. (3) of the Company's Articles of Association related to the Purpose of the company. (attached)
13. Approval to amend Article No. (4) of the Company's Articles of Association related to participation and ownership in companies. (attached)
14. Approval to amend Article No. (5) of the Company's Articles of Association related to the company's headquarter. (attached)
15. Approval to amend Article No. (7) of the Company's Articles of Association related to company's investments. (attached)
16. Approval to amend Article No. (8) of the Company's Articles of Association related to the capital. (attached)
17. Approval to amend Article No. (9) of the Company's Articles of Association related to subscription to shares. (attached)
18. Approval to amend Article No. (12) of the Company's Articles of Association related to exchange shares. (attached)
19. Approval to amend Article No. (13) of the Company's Articles of Association related to the capital increase. (attached)



20. Approval to amend Article No. (14) of the Company's Articles of Association related to the capital reduction. (attached)
21. Approval to amend Article No. (15) of the Company's Articles of Association related to the company management. (attached)
22. Approval to amend Article No. (16) of the Company's Articles of Association related to the termination of the Board's membership. (attached)
23. Approval to amend Article No. (17) of the Company's Articles of Association related to vacant position in the Board. (attached)
24. Approval to amend Article No. (18) of the Company's Articles of Association related to the Board's Authorities. (attached)
25. Approval to amend Article No. (19) of the Company's Articles of Association related to the remunerations of the Board members and the remunerations of the Chairman and managing director. (attached)
26. Approval to amend Article No. (21) of the Company's Articles of Association related to the Board meetings. (attached)
27. Approval to amend Article No. (22) of the Company's Articles of Association related to the quorum of the Board meeting. (attached)
28. Approval to amend Article No. (24) of the Company's Articles of Association related to agreements and contracts. (attached)
29. Approval to amend Article No. (25) of the Company's Articles of Association related to the attendance of assemblies. (attached)
30. Approval to amend Article No. (26) of the Company's Articles of Association related to the Constituent Assembly. (attached)
31. Approval to amend Article No. (27) of the Company's Articles of Association related to the terms reference of the Constituent Assembly. (attached)
32. Approval to amend Article No. (28) of the Company's Articles of Association related to the terms reference of the Ordinary General Assembly. (attached)
33. Approval to amend Article No. (30) of the Company's Articles of Association related to inviting assemblies. (attached)
34. Approval to amend Article No. (32) of the Company's Articles of Association related to the quorum of the Ordinary General Assembly meeting. (attached)
35. Approval to amend Article No. (33) of the Company's Articles of Association related to the quorum of the Extraordinary General Assembly meeting. (attached)
36. Approval to amend Article No. (36) of the Company's Articles of Association related to discussion in the assemblies. (attached)
37. Approval to amend Article No. (37) of the Company's Articles of Association related to the presidency of assemblies and the preparation of minutes. (attached)
38. Approval to amend Article No. (39) of the Company's Articles of Association related to the appointment of the external auditor. (attached)
39. Approval to amend Article No. (41) of the Company's Articles of Association related to the obligations of the external auditor. (attached)
40. Approval to amend Article No. (43) of the Company's Articles of Association related to financial documents. (attached)



41. Approval to amend Article No. (45) of the Company's Articles of Association related to zakat and reserves. (attached)
42. Approval to amend Article No. (46) of the Company's Articles of Association related to the merit of profits. (attached)
43. Approval to amend Article No. (49) of the Company's Articles of Association related to the responsibility of the members of the Board of Directors. (attached)
44. Approval to amend Article No. (50) of the Company's Articles of Association related to the company's termination. (attached)
45. Approval to amend the company's Corporate Governance Regulation. (attached)
46. Approval to amend of the Board of Directors Regulation. (attached)
47. Approval to amend the Remuneration Policy for the members of the Board of Directors, the Committees, and the Executive Management. (attached)

3) Board of Directors:

- A) The Board of Directors was constituted for the fifth session that commenced on 25/06/2019 for 3 years as follows:

Member Name	Position	Its Effectiveness
His Highness Prince Ahmad bin Khalid bin Abdullah Al-Saud	Chairman	Non-executive
Mr. Abdulaziz Ali Abussuud	Vice-Chairman	Non-executive
Dr. George Shaheen Medawar	Member	Non-executive
Mr. Saleh Abdul Rahman Al-Helaissi	Member	Independent
Mr. Khalid Saleh Al-Ghurair*	Member	Independent
Mr. Khaild Saleh Al-Khataff **	Member	Independent

* Mr. Khalid Al-Ghurair joined to the BoD on 20/06/2021.

** Mr. Khaild Al-Khataff resigned from the BoD on 04/03/2021.

Board of Directors' Remuneration Policy:

The Board of Directors is keen to implement the remuneration policy for members of the Board of Directors, the Committees, and the Executive Management, as well as to ensure that there is a proportionality between the remuneration granted and the remuneration policy in force.

- Remuneration shall be determined based on the Remuneration and Nomination Committee's recommendation in the Company, which shall review the schedule of attendance of members to meetings of the Board and its Committees and the tasks and topics performed by them. The appropriate recommendation shall be submitted to the Board to determine the remuneration



for members of the Board of Directors. In making the recommendation and disbursement of the remuneration that each of the board members will receive, the Remuneration and Nomination Committee as well as the Board shall, take into account the following criteria:

- a) The remuneration shall be fair and proportionate to the member's competencies and the work and responsibilities that the board member carries out and assumes, in addition to the objectives set by the Board of Directors to be achieved during the financial year.
 - b) The remuneration shall be commensurate with the Company activity and the skill required to manage it.
 - c) The remuneration shall take into account the sector in which the Company operates, its size and the member's experience.
 - d) The remuneration shall be reasonably sufficient to attract, motivate and retain competent and experienced members.
- Members of the Board may not vote on the Board members' remuneration item in the General Assembly.
 - A member of the Board of Directors who has a professional license may obtain a remuneration for any executive, technical or consulting work or positions assigned to him in the Company, in addition to the remuneration that he can obtain as a member of the Board of Directors and / or in the committees constituted by the Board of Directors, according to the Companies Law and the Company's Articles of Association.
 - Members' remuneration may be of varying amount to reflect the experience, terms of reference, tasks entrusted to him, his independence, number of meetings attended and other considerations.
 - The independent board members' remuneration shall not be a proportion of the Company's profits, nor should it be directly or indirectly based on the Company's profitability.
 - If the remuneration disbursed to any member of the Board is found to be based on incorrect or misleading information brought to the General Assembly or contained in the annual report of the Board of Directors, the member of the Board shall return the same to the Company which shall be entitled to demand its refund. If the General Assembly decides to terminate the membership of any member of the Board of Directors, the member shall not be entitled to any remuneration and shall return all the remuneration paid to him for the period during which his membership was revoked.
 - Remuneration and allowances shall be disbursed to the Board members and Board Committees members on an annual basis.
 - The annual remuneration shall be divided between the two members of the Board of Directors in the event of resignation and the appointment of a new Board member, depending on the date of appointment, and among the members of the Board in the event of the end of the Board's session and the commencement of a new session, depending on the commencement date of the session.



The report of the Board of Directors shall include a comprehensive statement of all the remuneration, attendance allowance, expenses and other benefits obtained by members of the Board of Directors during the financial year, as well as a statement of what has been received by the members of the Board

as employees or administrators or for technical, administrative or consulting work previously approved by the Company's General Assembly.

Executive Management's Remuneration Policy:

- At the beginning of the year, the Company's overall objectives, the specific objectives of the executives, their individual performance indicator and the proportion of contribution of each sector or department in proportion to tasks and responsibilities shall be approved.
- At the end of each year, the Board of Directors shall decide whether it wishes to grant bonuses based on the Remuneration and Nomination Committee's recommendation according to the Company's success in achieving its objectives related to operations and net profits.
- The bonus values of the executives shall be proportional to the net profit of the Company, the contribution of the sector and the individual contribution of the executive to the achievement of the Company's objectives, as well as the duration of the active service of the executive in the evaluation year.
- The bonus is not intended to compensate for or add to the executive's remuneration, and the Board of Directors has the ultimate right to determine whether there should be bonus or not, the value and timing of payment of such bonus. If employees' bonuses are approved, it should not be assumed that any previous payment has established a pattern or set a precedent that requires the Company to pay future bonus.
- An annual bonus is not automatic and an executive may not receive any bonuses for any year in which the Company does not achieve net profits.
- Executives shall not be entitled to any annual bonus unless 80% of the financial target approved at the beginning of the year is met.
- No executive at the head of a sector that has not met 75% of its targets set at the beginning of the year, is rewarded.
- The bonus shall be discontinued or refunded if it was determined based on inaccurate information.

The bonus and its ratio shall be reconsidered in the light of the performance indicators if, in a given financial year, the Board of Directors decides to grant shares in the Company to the Executive Management members.



Board of Directors' Remuneration for the year 2021

Names	Variable Remuneration							Fixed Remuneration						End of Service Benefit	Grand Total	Expense Allowance
	Specific amount*	Allowance for attending Board sessions	Total allowance for attending committee sessions	In-kind Benefits	Remuneration for technical, administrative and consulting work	Remuneration for the Chairman of the Board, the Managing Director or the Secretary, if he is a member	Total	A Percentage of Profits	Periodic Remuneration	Short-term Incentive Plans	Long-term Incentive Plans	Awarded Shares (value is entered)	Total			
First: Independent Members																
1. Saleh Abdulrahman Al-Helaissi	137,500	15,000	25,500	-	-	-	178,000	-	-	-	-	-	-	-	178,000	-
2. Khalid Saleh Al-Ghuriar	87,500	9,000	19,500	-	-	-	116,000	-	-	-	-	-	-	-	116,000	-
3. Khalid Saleh Al-Khataff**	20,000	-	-	-	-	-	20,000	-	-	-	-	-	-	-	20,000	-
Total	245,000	24,000	45,000	-	-	-	314,000	-	-	-	-	-	-	-	314,000	-
Second: Non-executive Members																
1. Prince Ahmed bin Khalid Al-Saud	162,000	15,000	3,000	-	-	-	180,500	-	-	-	-	-	-	-	180,500	-
2. Abdul Aziz Ali Abussuud	137,500	15,000	18,000	-	-	-	170,500	-	-	-	-	-	-	-	170,500	-
3. Dr. George Shaheen Medawar	137,500	15,000	19,500	-	-	-	172,000	-	-	-	-	-	-	-	172,000	-
Total	437,500	45,000	40,500	-	-	-	523,000	-	-	-	-	-	-	-	523,000	-
Third: Executive Members																
-																-
Grand Total															837,000	

* The remuneration of the chairman and members of the BoD was amended in Article (19) of the company's articles of association and approved by the EGM that held on 05/30/2021, where the amount of (180,000) one hundred and eighty thousand Saudi riyals for the chairman and the amount of (120,000) one hundred and twenty thousand Saudi riyals for the members of the BoD, to become (150,000) one hundred and fifty thousand Saudi riyals for the chairman and members of the BoD.



Members of Committees' Remuneration for the year 2021

	Fixed Remunerations (except for the allowance for attending meetings)	Allowance for attending meetings	Total
Members of Audit Committee			
1.Dr. Khalil Abdel Fattah Kurdi	100,000	12,000	112,000
2.Walid Muhammad Al-Othaimin	100,000	12,000	112,000
3.Saleh Abdul Rahman Al-Helaissi	-	12,000	12,000
Total	200,000	36,000	236,000
Members of Remuneration and Nomination Committee			
1.Saleh bin Abdul Rahman Al-Helaissi	—	16,500	16,500
2.Dr. George Shaheen Medawar	—	6,000	6,000
3.Khalid Saleh Al-Ghuriar	—	15,000	15,000
Total	—	37,500	37,500
Members of Risk Management Committee			
1.Dr. George Shaheen Medawar	—	4,500	4,500
2. Abdul Aziz Ali Abussuud	—	6,000	6,000
3.Khalid Mohammed Al-Bawardi	—	3,000	3,000
4.Khalid Saleh Al-Ghurair (Ex-member)	—	1,500	1,500
Total	—	15,000	15,000
Members of Executive Committee			
1.Dr. George Shaheen Medawar	—	9,000	9,000
2. Abdul Aziz Ali Abussuud	—	9,000	9,000
3.Saleh Abdul Rahman Al-Helaissi	—	9,000	9,000
Total	—	27,000	27,000
Members of Investment Committee			
1.Prince Ahmed bin Khalid Al-Saud	—	3,000	3,000
2. Abdul Aziz Ali Abussuud	—	3,000	3,000
3.Khalid Saleh Al-Ghurair	—	3,000	3,000
Total	—	9,000	9,000



Chief Executives' Remuneration for the year 2021

Chief Executive Positions	Variable Remuneration				Fixed Remuneration						End of Service Benefit	Total Executives' Remuneration for the Board, if any	Grand Total
	Salaries	Allowances	In-kind Benefits	Total	Periodic* Remuneration	Profits	Short-term Incentive Plans	Long-term Incentive Plans	Awarded Shares (value is entered)	Total			
1.CEO	1,076,160	269,040	-	1,345,200	1,654,845	-	-	-	-	1,654,845	112,100	-	3,112,145
2. CFO	980,585	377,211	-	1,357,796	479,498	-	-	-	-	479,498	104,644	-	1,941,938
3.VP for Technical Affairs	837,600	293,177	-	1,130,777	339,448	-	-	-	-	339,448	89,750	-	1,559,975
4. VP for Sales	772,968	252,942	-	1,025,910	357,588	-	-	-	-	357,588	83,018	-	1,466,516
5.Head of HR & Admin	572,880	213,420	-	786,300	258,230	-	-	-	-	258,230	61,675	-	1,106,205
Total	4,240,193	1,405,790	-	5,645,983	3,089,609	-	-	-	-	3,089,609	451,187	-	9,186,779

* The periodic remunerations for the fiscal year 2020 were paid in the first quarter of the fiscal year 2021.



B) CVs For Board Members:

Prince Ahmed bin Khalid Al-Saud	Current Position
	Chairman of the BoD
Qualifications, experience and previous positions	
- B.S. in Business Administration - University of Southern California 1995 - Juris Doctor in Law – School of Law - Pepperdine University 1998 - LL.M. in Law - Harvard Law School - Harvard University 1990 • Chairman of the Board of Directors of the Saudi Arabian Amiantit Company (a listed joint stock company). • Former Chairman of the Board of Directors of the Saudi Chemical Company (a listed joint stock company). • Chairman of the Board of Directors of the Resources Corporation for Energy and Mining. • Chairman of the Board of Directors of American Express Saudi Arabia. • Chairman of the Board of Directors of the Saudi Arabian Insurance Company. (Bahraini closed Joint Stock Company). • Member of the Board of Directors of American Express Middle East Ltd.	

Mr. Abdulaziz Ali Abussuud	Current Position
	Vice Chairman of the BoD
Qualifications, experience and previous positions	
Abdulaziz bin Ali Abu Al-Saud graduated from the American University of Beirut in 1971 with a Bachelor's degree in Commerce and Business Administration. He passed a course in basic management from Merck Training and Consulting Co. in 1981. He also passed a course in marine insurance from Richards Hogg International Company in 1982. He obtained a certificate in risk management in the field of insurance from Scan Risk Co. in 1983. He also obtained a diploma in management from Skandia Insurance Company in 1983. For his keenness to keep up with the latest professional standards in the field of insurance and to get acquainted with the best international practices in his career, Abdulaziz obtained a number of professional memberships in committees, institutes, and leading professional societies in the field of insurance, including membership of the National Insurance Committee, based in Riyadh. Moreover, the membership of the London-based British Insurance Institute and the membership of the London-based British Insurance Brokers Association. Because of his long-standing experience in management and insurance, Abdulaziz served as a board member in a number of listed companies in the Kingdom of Saudi Arabia, most notably the Saudi Arabian Cooperative Insurance Company since 2007. He was a member of the Board of Directors of the Saudi Arabian Amiantit Company from 2008 until 2015 as well as a member of the Board of Directors of the Saudi Chemical Company from 2009 until 2015.	



Dr. George Shaheen Medawar	Current Position
	Member of the Board of Directors
Qualifications, experience and previous positions	
Dr. Medawar's professional experience extends over a period of 50 years, during which he worked in the public, private and academic sectors, and in many government agencies in the Middle East. He has studied economics at the American University of Beirut, where he obtained a bachelor's and master's degrees, and through a full scholarship, he continued his interest in financial and monetary economics at Cornell University, where he obtained a doctorate. He has many studies published in economic journals in the region. He has also authored a number of books on trade economics and agricultural economic policies, and lectured on an irregular basis in government agencies in Lebanon. In his early years of work, Dr. Medawar taught economics at the American University of Beirut, which is the oldest American university outside the United States of America. At the same time, he undertook several advisory assignments to various Lebanese ministries including the Ministries of Finance and Planning, and the Ministry of Agriculture in the Kingdom of Saudi Arabia. From 1969 to 1976, he served as Secretary General of the Advisory Board of the Central Bank of Lebanon. The United Nations Economic and Social Committee also requested Dr. Medawar to conduct research in planning the foreign trade sector in the Kingdom of Saudi Arabia. His clients in consulting work include Kidder Peabody & Co., Parsoner Beesle Foundation, Ital Consult, and numerous advisory agencies in many fields including monetary policy, financial advisory, agricultural policy and water management. He has research experiences outside the Middle East, through work he had undertook for Resources for the Future in Washington. In the mid-seventies of the last century, his work shifted from the academic and consulting field to the business world, as he moved to the Kingdom of Saudi Arabia to assume the position of Chairman of Al-Mawared Investment Company, a multi-disciplinary group headquartered in Riyadh. In the following years, Dr. Medawar served as a member of the board of directors of at least 12 companies, including the Saudi Arabian Aminatite Company, which is involved in producing pipes of various kinds, the Saudi Fisheris Company, and the Saudi Chemical Company. His membership in the boards of companies outside the Kingdom of Saudi Arabia, included Halston Progress International Company after its acquisition by the Al-Mawarid Group in 1991, where he served as Chairman of the Board of Directors and assumed the responsibilities of the Executive Director. In the nineties, Dr. Medawar was among the founding directors of Iridium, which was at the time the largest private company in the world providing satellite communications services via handheld units. Iridium services are widely used by civil and military organizations as well as companies and individuals. He also served as a member of the Board of Directors and Chairman of the Executive Committee of Orbit Communications Company at the beginning of its launch. This is considered as one of the leading companies in the services of digital encrypted broadcast by satellite. In 1987, Dr. Medawar moved his work to London, where he headed the Overseas Resources Group, and occupied the position of the Group's Senior Advisor in the Kingdom of Saudi Arabia.	



Mr. Khalid Saleh Al-Ghurair	Current Position
	Member of the Board of Directors
Qualifications, experience and previous positions	
EDUCATION 1985 – 1990 King Saud University, Riyadh, KSA, BS, Accounting major. Graduated spring 1990 1996 – 1999 King Saud University, Riyadh, KSA, MBA, Business School HONORS • Dean's list 6 semesters during My MBA program. • MBA graduate with honor, first on my Class with grade A+ (GPA 4.75/5) QUALIFICATIONS • Member of the American Institute of Certified Public Accountants (AICPA) since 1996 • Member of the Colorado state Board of Accountancy since 1995 (inactive status). • Several Executive & leadership Programs with IMD, INSEAD, LBS and other international institutions PROGRESS AND EXPERIENCE • Saudi Industrial Development Fund (SIDF), April 1990 – December 2001 • SIDF, Auditor April 1990 – April 1992 • ERNST & YOUNG (E&Y) Riyadh, Auditor (on job training), May 1992 – July 1992 • ERNST & YOUNG (E&Y) Los Angeles, Auditor (on job training), August 1992 – May 1994 • Senior audit consultant SIDF June 1994 - December 2001 • Saudi Telecom Co. (STC), January 2002 to February 2019 • Director Tariff & Interconnection, January 2002 to March 2007 • General Manager Financial Planning & Budgeting, April 2007 to April 2011 • Head of Investor Relations Unit (acting), November 2007 to April 2011 • General Manager Investor Relations, April 2011 to February 2018 • Administrative assistance to VP Finance operations, February 2018 to February 2019 BOARDS & COMMITTEES <u>Current</u> • Board Member FALCOM Holding Co. a closed joint stock company (March 2022 to date) • Board Member Saudi Arabian Cooperative Insurance Company (SAICO), listed Co. (June 2021 to date) • Nominations & Remuneration Committee Member SAICO (June 2021 to date) • Investment Committee Member SAICO (August 2021 to date) <u>Previous</u> • Deputy Chairman Alsaghayir Contracting & trading Co. a closed joint stock company (2009 to 2017) • Audit Committee chairman Alsaghayir Contracting & trading Co. (2011 to 2017) • Board & Audit Committee Member Cell C (Pty.) Ltd. , S. Africa (2008 – 2011) • Board & Audit Committee Member Virgin Mobile S. Africa (Pty.) Ltd. , MVNO operator (2008 – 2011) • Board member Saudi Telecommunication Commercial Investment Co. (2008 - 2013) • Board Member Agalat limited Co., owned 100% by STC (2013 to 2016) • Executive Committee Member, Saudi - Tunisian Business council (2014 to 2018) • Member, Saudi - Philippine Business council (2014 to 2017) • Member, Saudi - South Africa Business council (2014 to 2017) • Member, Saudi - British Business Council (2016 to 2018)	



Mr. Saleh Abdulrahman Al-Helaissi	Current Position
	Member of the Board of Directors
Qualifications, experience and previous positions	
Brief summary: • More than 25 years of experience as a professional administrator in the insurance sector. • Skills in strategic thinking, team building, motivation and negotiation. • Capabilities in Underwriting, Reinsurance and Claims Management • The ability to direct and negotiate complex projects from their inception to their full operational status. Education: Eton College, Windsor, UK University of Texas, BA in Economics, Austin, USA Related Experience and Achievements: • Working to establish regional offices for a financial consulting firm. • Supervising the submission of the file related to increasing the capital of Weqaya Insurance and Reinsurance Company (Weqaya). • Successfully addressing all regulatory requirements for Weqaya by following due diligence and Sharia review reports. • Working to coordinate Weqaya operations with the aim of establishing a credible and ethical organization. • Implementing conscious and alert procedures and processes for claims for protection, which resulted in savings that far exceeded 40 million Saudi riyals. • Responsible for the successful establishment and licensing of Sanad Insurance Co. • Direct management of an investment portfolio with an insurance premium of more than one billion Saudi riyals. • Working to create balance and control in the work, which resulted in a profit margin of 35%. • Supervising the employment of 145 employees and working to maintain them. • Provide advice and guidance to students on setting job-related goals. • Consolidating and maintaining administrative relations with international insurance companies. • Maintaining a strong relationship with major customers in the Kingdom of Saudi Arabia, such as Aramco, SABIC, Exxon Mobil, the Saudi Electricity Company, and the Saline Water Conversion Corporation and others. • Providing advisory support to the CEO of Sanad in 2012 regarding changes in the activity of the Saudi insurance market and SAMA.	
Job Positions: - Managing Director for Europe and the Middle East – Scheckman Stratton, October 2016 to date. - Member of the Board of Directors and the Audit Committee – Saudi Chemical Company, 2016. - CEO of Weqaya Insurance and Reinsurance Company, September 2014 – September 2016. - CEO of Sanad Insurance and Reinsurance Company – 2013-2014. - CEO of Tax and Finance Saudi Arabia (Switzerland) – 2010-2013. - CEO of Sanad Insurance and Reinsurance Company - 2006-2010. - Specialist in investment agreements for the General Investment Authority in Saudi Arabia 2004-2006. - General Manager, Lambert Fenchurch Insurance Brokers, 1999-2003. - Assistant General Manager – National Company for Cooperative Insurance, Saudi Arabia 1990-1999.	



C) CVs of members of the committees:

Prince Ahmed bin Khalid Al-Saud	Current Position
	Chairman of Investment Committee
Qualifications, experience and previous positions	
It was referred to above.	

Dr. George Shaheen Medawar	Current Position
	Chairman of the Executive Committee
	Chairman of the Risk Management Committee
	Member of the NRC
Qualifications, experience and previous positions	
It was referred to above.	

Mr. Abdulaziz Ali Abussuud	Current Position
	Member of the Executive Committee
	Member of the Risk Management Committee
	Member of the Investment Committee
Qualifications, experience and previous positions	
It was referred to above.	

Mr. Khalid Saleh Al-Ghuriar	Current Position
	Member of the NRC
	Member of the Investment Committee
Qualifications, experience and previous positions	
It was referred to above.	

Mr. Saleh Abdulrahman Al-Helissi	Current Position
	Chairman of the NRC
	Member of the Executive Committee
	Member of the Audit Committee
Qualifications, experience and previous positions	
It was referred to above.	



Dr. Khalil bin Abdul Fattah Kurdi	Current Position
	Chairman of the Audit Committee
Qualifications, experience and previous positions	
<u>Academic qualifications:</u> 1) Doctorate of Philosophy in Business Administration (majoring in accounting). University of Arizona, United States of America, 1979 2) Master of Accounting, University of Arizona 1974 3) Bachelor of Commerce – Department of Accounting and Business Administration - King Saud University, 1969 AD. <u>Work Experience and Jobs:</u> * Current position: Financial and Administrative Consultant / Owner and Head of the Albabe Office for Financial and Administrative Consultations 1993 AD. • Consultant of Al-Mawarid Group, (1993 –now). • Faculty member and head of the accounting department – College of Administrative Sciences (King Saud University) 1979-1983 AD. • Assistant Undersecretary for the General Auditing Bureau for Corporate Affairs and Public Institutions, March 1983 – June 1983. • Senior executive positions, including the chief financial officer in Al-Mawarid Group, 1983-1993. • Member of the Board of Directors and the Executive Committee of the Saudi Arabian Amiantit Company (1990 – now). • Chairman of the Audit Committee of the Saudi Arabian Amiantit Company (2009 – now). • Member of the Board of Directors, Executive Committee and Investment Committee of the Charitable Fund for Patient Treatment – Sultan Bin Abdulaziz Al Saud Charitable Foundation (2004 – now). • Member of the Board of Directors – Audi Capital Company (November 2011 – now). • Member of the Audit Committee and the Executive Committee – Audi Capital Company (Nov 2011 – now). • Member of the Saudi British Joint Business Council (2012 – now). • Chairman of the Audit Committee of the Saudi Arabian Cooperative Insurance Company (SAICO) (2019 - present) <u>Memberships and previous jobs:</u> 1) Consultant: Ministry of Finance, Audit Bureau, Saudi Consulting Services House 1399-1403; 1390-1391 2) Member of the Board of the College of Administrative Sciences, King Saud University, 1401-1403 3) Member of King Saud University Council, 1402-1403 4) Member of the Board of Directors of the Saudi Organization for Certified Public Accountants, 1417-1423 5) Member of the Board of Directors of the General Organization for Technical Education and Vocational Training, 1414-1416 6) Member of the Advisory Committee to join the World Trade Organization 1996 – 2000 7) Member of Madinah Region Council, 1418-1426 8) Member of the Consultative Group for Madinah Region 1418 – 1426 AH 9) Member of the Advisory Board of the Supreme Economic Council in the Kingdom of Saudi Arabia, 1420 – 1432	



- 10) Member of the Board of Directors of the Chamber of Commerce and Industry in Riyadh, 1414-1421
- 11) Member of the Board of Directors of the Council of Saudi Chambers, 1417-1421
- 12) Representative of the Saudi Chambers in the Economic Consultative Group for Companies at the International Chamber of Commerce (1996-2001).
- 13) Member of the Board of Directors of the Saudi American Bank and the Executive Committee and Chairman of the Audit Committee (1986-2001).
- 14) Member of the Board of Directors, the National Air Services Company (NASS) (1998-2001).
- 15) Chairman of the Board of Directors – The National Air Services Company (NAS) (2001-2006).
- 16) Member of the Board of Directors of the Disabled Child Care Association (1989-1995)
- 17) Chairman of the Audit Committee – The Saudi Investment Bank (2007-2012)
- 18) Member of the Board of Directors – Public Lighting Company (December 2011 – July 2014)
- 19) Member of the Board of Directors of the Saudi Development Fund (January 2009-2014)
- 20) Member of the Shura Council – Sixth Session.
- 21) Member of the Financial Committee of the Shura Council – Sixth Session.
- 22) Member of the Board of Directors – Saudi Telecom Company (April 2015 – April 2018).
- 23) Member of the Audit Committee – Saudi Telecom Company (April 2015 – April 2018).
- 24) Chairman of the Governance, Risk and Compliance Committee of the Saudi Telecom Company (June 2016 – April 2018)
- 25) Chairman of the Audit Committee – Saudi Chemical Company (2006 – 2018)
- 26) Chairman of the founding committee of the Saudi Accounting Association and president of the society 1401-1403 AH, College of Administrative Sciences, King Saud University.

Mr. Waleed Mohammad Al-Othaimin	Current Position
	Member of the Audit Committee
Qualifications, experience and previous positions	
<u>Qualification</u> Bachelor of Industrial Management – majoring in Accounting, King Fahd University of Petroleum and Minerals, 1989 <u>Practical experiences</u> - General Manager of the Saudi Gas Cylinders Factory, a closed joint stock company from 2019 until today. - Deputy General Manager, Saudi Gas Cylinders Factory, 2001-2018. - Director of Financial and Administrative Affairs 1995-2000. - Director of Finance 1993-1994. - Eastern Petrochemical Company, one of SABIC companies - Cost Control Department Supervisor 1989-1993 <u>Membership of councils and committees</u> 1- Member of the Board of Directors of the Mulkia Private Equity Fund – Education Sector 2- Chairman of the Audit Committee, Welspun Middle East Pipes LLC. 3- Member of the Audit Committee, Mulkia Investment Company. 4- Member of the audit committee of the Saudi Arabian Cooperative Insurance Company (SAICO). 5- Member of the audit Committee of the Takween Advanced Industries Company.	



D) CVS for the members of the executive management:

Hassan Abdullah Al-Somali	CEO
Qualifications, experience and previous positions	
He holds a bachelor's degree in economics in 1977 from Bocconi University, Italy from 2007 to date, he has been the CEO of the Saudi Arabian Cooperative Insurance Company (SAICO) (a listed Saudi joint stock company working in the insurance field). Prior to that, he held the position of General Manager of the Saudi Arabian Insurance Company BSC, Bahrain (a closed Bahraini joint stock company operating in the insurance field) during the period from 1988 to 2007. He held the position of Director of Al-Yamamah Insurance Company in the Kingdom of Saudi Arabia (a company that was operating in insurance field) during the period from 1981 until 1987. He worked as an insurance underwriting officer at the National Insurance Company in Jeddah (a joint stock company that was working in the insurance field) during the period from 1978 until 1981.	

Mohan Joseph Varghese	CFO
Qualifications, experience and previous positions	
He holds a master's degree in business administration from the Kellogg School of Business Administration from Northwestern University in America in 2004, and a bachelor's degree in commerce from the University of Bombay, India, in 1980. He earned the Fellowship of Certified Public Accountants in 1988 and the Indian Chartered Accountants Fellowship in 2004. Since 2012 to date, he has held the position of Chief Financial Officer of the Saudi Arabian Cooperative Insurance Company (SAICO) (a listed Saudi joint stock company working in the field of insurance). Prior to that, he held the position of Director of Accounting and Financial Reporting at the Kenworth Company in the United States of America (which is an American joint stock company working in the field of mortgage, medical and life insurance) during the period from 2005 until 2012. He held the position of Director of Financial Analysis and Reports for the American Reinsurance Unit at Sun Life Financial Group in Canada (a Canadian joint stock company operating in the field of medical and life insurance in Canada and America) from 1999 until 2005. Prior to that, he held the position of Financial Auditor for the Saudi Arabian Insurance Company BSC (C) in Riyadh (a closed Bahraini joint stock company operating in the insurance field) from the year 1988 until 1998. From 1985 to 1988, he worked as a chartered accountant in Ernst & Young (a financial and accounting consulting firm working in the field of legal audit).	



Janana Shaker	Executive Vice President for Technical Affairs
Qualifications, experience and previous positions	
Qualified Insurance Expert with Business Experience – about 28 years of experience in the insurance industry which includes underwriting, claims, reinsurance, strategies, business development, product development, customer service operations, human resource management, risk management, bank insurance, audit and compliance, corporate and individual banking operations. • A follow-up partner in reinsurance from (AICPCU – American Institute for Certified Property Rights Assurance), Pennsylvania, USA. • Associate Senior Insurance Specialist accredited by the Australian and New Zealand Institute of Insurance and Finance (2021). • Certified Property Accident Insurance Agent from AICPCU (2016). - Fellowship in Insurance (FCII) from the Chartered Insurance Institute, London (2014). • Associate of Risk Management (ARM) from AICPCU (2013). • Master's degree in Business Administration (Finance and Insurance) (MBA), India (2012). • Advanced Diploma in Insurance from the Chartered Insurance Institute, London (2010). • Certified Associate of the Indian Institute of Bankers, Mumbai, India (2002). • Master's degree in Banking Administration, India (2002). • Master's degree in Commerce, India (1997). • Fellowship in Insurance from the Indian Insurance Institute, Mumbai, India (1996).	

Khaled Ballow	Executive Vice President of Sales
Qualifications, experience and previous positions	
He holds an MBA from the Arab Academy for Science, Technology and Maritime Transport in Egypt in 2008. He holds a BA in Business Administration from King Saud University in Riyadh in 1998. Moreover, he holds a professional diploma in marketing from the Chamber of Commerce and Industry in Riyadh in 2003, and holds a professional insurance certificate issued by the British Royal Insurance Institute. He is the Vice President, Sales, at the Saudi Arabian Cooperative Insurance Company (SAICO) (a listed Saudi joint stock company working in the field of insurance). He held the position of Commercial Director of the Cooperative Insurance Company (a listed Saudi joint stock company operating in the field of insurance) from 1999 AD until 2007.	



A) Current or Previous Participation of the Chairman and Members of the Board of Directors in the Boards of Directors of Other Joint Stock Companies:

Member name	Names of companies inside or outside the Kingdom in which a member of the board of directors is or was a board member or a manager	Legal status	Names of companies inside or outside the Kingdom which a member of the board of directors was a board member or a manager	Legal status
Prince Ahmed bin Khalid Al-Saud	* Saudi Arabian Amiantit Company * American Express Saudi Arabia Company * American Express Middle East Company * Chairman of the Board of Directors of the Saudi Arabian Insurance Company – Bahrain	* A listed joint stock company * Unlisted joint stock company * A Bahraini company with limited liability * Bahraini closed joint-stock company	* Saudi Chemical Company * Otis Elevators Saudi Arabia Company	* Listed joint stock * With limited liability
Abdulaziz Ali Abussuud	* Saudi Arabian Company for Cooperative Insurance	* A listed joint stock company	* Saudi Chemical Company * Saudi Arabian Amiantit Company	* Listed joint stock * Listed joint stock
Dr. George Shaheen Medawar	* Saudi Arabian Company for Cooperative Insurance * The Saudi Arabian Insurance Company BSC (closed) * MIG Holding Limited	* A listed joint stock company * Bahraini closed joint-stock company * With Limited liability	* Saudi Chemical Co. * Saudi Arabian Amiantit Company * The Saudi Fish Co. * Halston Progress International Co. * Integrated Telecom Co.	* Listed joint stock * Listed joint stock * Listed joint stock * With limited liability * With limited liability
Khalid Saleh Al-Guhrair	* Saudi Arabian Company for Cooperative Insurance * FALCOM Holding Co.	* A listed joint stock company * A closed joint stock Co.	* Alsaghayir Contracting & trading Co. * Cell C,(Proprietary) ltd. the third mobile operator in S. Africa * Virgin Mobile S. Africa. (Proprietary) ltd. * Saudi Telecommunication Commercial Investment Co. * Agalat limited Co., owned 100% by STC	* A closed joint stock Co. * With limited ownership * With limited ownership * With limited liability * With limited liability
Saleh Abdulrahman Al-Helissi	* Saudi Arabian Company for Cooperative Insurance	* A listed joint stock company	* Saudi Chemical Company	* Listed Joint stock



B) The Board held Five meetings during the year 2021, and following is a list of the attendance record:

Member name	Number of meetings (5)					
	1 st meeting 17/3/2021	2 nd meeting 31/3/2021	3 rd meeting 14/7/2021	4 th meeting 15/11/2021	5 th meeting 15/12/2021	Total
Prince Ahmed bin Khalid Al-Saud	Attended	Attended	Attended	Attended	Attended	5
Mr. Abdulaziz Abussuud	Attended	Attended	Attended	Attended	Attended	5
Dr. George Medawar	Attended	Attended	Attended	Attended	Attended	5
Mr. Saleh Al-Helissi	Attended	Attended	Attended	Attended	Attended	5
Mr. Khalid Al-Ghurair	Not yet a member	Not yet a member	Attended	Attended	Attended	3
The date of the last meeting of the General Assembly (Sunday 30/05/2021)						



C) The table below shows the shareholdings of members of the board of directors, senior executives, and their wives and minor children in the company:

A description of any interest, contractual papers and subscription rights of board members and their relatives in the shares or debt instruments of the company							
	The name of whoever has the interest, contractual papers, or subscription rights	Beginning of the year		End of the year		Net changes	Change percent
1	Prince Ahmed Bin Khalid Al-Saud	-	-	-	-	-	-
2	Mr. Abdulaziz Ali Abussuud	3000	-	3000	-	-	-
3	Dr. George Shaheen Medawar	-	-	-	-	-	-
4	Mr. Saleh Abdulrahman Al-Helaissi	-	-	-	-	-	-
5	Mr. Khalid Saleh Al-Ghuriar	-	-	-	-	-	-
6	Mr. Khalid Saleh Al-Khattaf (former member)	-	-	-	-	-	-

- D) With the exception of the shares shown in Table (C), there is no interest for the members of the board of directors and their spouses and minor children in the shares or debt instruments of the company, and with the exception of the aforementioned, no change occurred during 2021.
- E) There is no interest, contractual papers and subscription rights belonging to the senior executives and their wives and minor children in the shares of the company.
- F) There were no interest belonging to the senior executives and their spouses and minor children in the shares or debt instruments of the company during the year 2021, nor has there been any change in that during the relevant year.
- G) There were no option and subscription rights belonging to members of the Board of Directors, senior executives, their spouses and minor children, in the shares or debt instruments of the company during the year 2021, and no change occurred in that during the relevant year.



4) Contracts in which the company is a party and there is an interest for one of the members of the board of directors:

There are no contracts between the company and any of the members of the board of directors or the executive management in which there is an interest for any of them, except for the company's contract with ACE Insurance Brokers Ltd., of which the Chairman of the Board of Directors owns indirectly 11.13% of the shares, and the term is not limited but cancellable by one of the parties giving the other party 60 days cancellation notice.

The contract has been formulated according to the requirements of SAMA regulations and does not have a specific value, as this depends on the annual sales of the broker, who gets a specific commission rate for each branch of insurance equal to or less than what is stipulated in the regulations for insurance agents and brokers issued by SAMA.

The main transactions in 2021 were as follows: the insurance premiums produced through the broker amounted to SAR 124,397,455 and commission expenses were SR 11,747,823. The premiums ceded through the broker amounted to SAR 45,866,391. The commission received amounted SAR 105,764.

The business dealings with Saudi Arabian Insurance Company B.S.C.(C), which is the main shareholder of the company, which took place, and which may please be permitted for 2021, during the year 2021, amounted to SAR 890,962, representing reinsurance premiums ceded and commission expenses amounting to SAR 99,704.

5) Board Committees:

The committees were reconstituted based on the Board of Directors decision taken on 06/26/2019, as follows:

A- The Executive Committee, which consists of:

Name	Position	Capacity
Dr. George Shaheen Medawar	Chairman of the committee	Non-executive
Mr. Abdulaziz Ali Abussuud	Member	Non-executive
Mr. Saleh Abdul Rahman Al-Helaissi	Member	Independent

- A brief description of the committee's duties and responsibilities:
 - Discussing and taking decisions on issues that require urgent action in emergency cases.
 - Taking decisions that may be required by the company's routine business.
 - Ensuring that the strategic plans of the company have been translated into actual actions aimed at achieving the company's interest.
- Reviewing and preparing recommendations for the Board of Directors on the strategic and operational issues of the company.

The Executive Committee exercises all the powers approved by SAMA and other supervisory and regulatory authorities or the company's board of directors and cooperates with the CEO within the limits of the powers assigned to it.



- The committee held (6) meetings during the year 2021

Name	Number of meetings (6)						Total
	1 st Meeting 16/3/2021	2 nd Meeting 30/6/2021	3 rd Meeting 13/7/2021	4 th Meeting 19/9/2021	5 th Meeting 3/11/2021	6 th Meeting 7/12/2021	
Dr. George Medawar	Attended	Attended	Attended	Attended	Attended	Attended	6
Mr. Abdulaziz Ali Abussuud	Attended	Attended	Attended	Attended	Attended	Attended	6
Mr. Saleh Abdulrahman Al-Helaissi	Attended	Attended	Attended	Attended	Attended	Attended	6

B- Audit committee, which consists of:

Name	Position	Capacity
Dr. Khalil Abdul Fattah Kurdi	Chairman of the committee	Non-Board Member / Independent
Mr. Waleed Mohammad Al-Othaimin	Member	Non-Board Member / Independent
Mr. Saleh Abdulrahman Al-Helaissi	Member	Board Member / Independent

A brief description of the committee's duties and responsibilities: -

- The primary function of the Audit Committee is to assist the Board of Directors in carrying out its supervisory duties efficiently and effectively. In particular, the committee is responsible for the integrity and completeness of the annual and quarterly financial statements, submitting periodic reports to the Board of Directors on the efficiency of internal control policies and procedures, and recommending the nomination of external auditors.
- The committee held (8) meetings during the year 2021.

Number of meetings (8)	Dr. Khalil Abdul Fattah Kurdi	Waleed Mohammad Al-Othaimin	Saleh Abdulrahman Al-Helissi
The 1 st meeting 19/1/2021	Attended	Attended	Attended
The 2 nd meeting 11/3/2021	Attended	Attended	Attended
The 3 rd meeting 28/3/2021	Attended	Attended	Attended
The 4 th meeting 3/5/2021	Attended	Attended	Attended
The 5 th meeting 11/8/2021	Attended	Attended	Attended
The 6 th meeting 8/9/2021	Attended	Attended	Attended
The 7 th meeting 15/9/2021	Attended	Attended	Attended
The 8 th meeting 3/11/2021	Attended	Attended	Attended
Total	8	8	8



C- The Remuneration and Nomination Committee consists of:

Name	Position	Capacity
Mr. Saleh Abdulrahman Al-Helaissi	Chairman of the committee	Independent
Dr. George Shaheen Medawar	Member	Non-Executive
Mr. Khalid Saleh Al-Ghurair	Member	Independent

A brief description of the committee's duties and responsibilities: -

- The Nomination and Remuneration Committee is considered as one of the committees that establish the future of the company, as it is concerned with building and maintaining the human element and preparing strategic plans to raise the company's performance and enable it to own the keys to success. This committee is concerned with administrative development, the financial return to employees, and succession programs, especially with regard to leadership of human resources that receive special attention. The Committee also helps in the process of attracting talented and capable human resources.
- The committee must annually verify the independence of independent members, develop job descriptions for all members of the board of directors and the executive management, identify strengths and weaknesses in the board of directors and propose solutions to address them.
- This committee may seek the help of the specialized expert consultants offices in questionnaires and strategic studies in this field, to lay down the appropriate frameworks for the implementation of development programs that are important to the company's current performance and to lay solid foundations for building a successful future.

- The committee held (4) meetings during the year 2021.

Number of meetings (4)	Mr. Saleh Abdul Rahman Al-Helaissi	Dr. George Shaheen Medawar	Mr. Khalid Saleh Al-Ghurair
The 1 st meeting 16/3/2021	Attended	Attended	Didn't join yet
The 2 nd meeting 3/8/2021	Attended	Attended	Attended
The 3 rd meeting 6/9/2021	Attended	Attended	Attended
The 4 th meeting 11/10/2021	Attended	Attended	Attended
Total	4	4	3

* Mr. Saleh Al-Helaissi & Mr. Khalid Al-Ghurair attended (7) interviews for candidates of the chief executive positions of the company.



D- The Investment Committee, which consists of:

Name	Position	Capacity
Prince Ahmed bin Khalid Al-Saud	Chairman of the committee	Non-Executive
Mr. Abdulaziz Ali Abussuud	Member	Independent
Mr. Khalid bin Saleh Al-Ghurair	Member	Independent

A brief description of the committee's duties and responsibilities: -

- Among the tasks of the Investment Committee is the carrying out of the tasks and duties stipulated in the investment regulations, including, for example:
 - Preparing and formulating the company's investment policy and following up on its implementation, after approval by the supervisory authorities and the Board of Directors.
 - Review the performance of asset classes and follow up the general investment risks.
 - Submit periodic reports to the Board of Directors on the performance of the investment portfolio.
- The committee held two meetings during the year 2021. In addition to the quarterly reports sent to the committee and reviewed by it:

Name	Number of meetings (2)		
	The 1 st meeting 15/11/2021	The 2 nd meeting 15/12/2021	Total
Prince Ahmed bin Khalid Al-Saud	Attended	Attended	2
Mr. Abdulaziz Ali Abussuud	Attended	Attended	2
Mr. Khalid Saleh Al-Ghurair	Attended	Attended	2

E- Risk Management Committee, which consists of:

Name	Position	Capacity
Dr. George Shaheen Medawar	Chairman of the committee	Non-executive
Mr. Abdulaziz Ali Abussuud	Member	Non-executive
Mr. Khalid Saleh Al-Ghurair (Resigned)	Member	Independent
Mr. Khalid Mohammad Al-Bawardi (New)	Member	Independent

A brief description of the committee's duties and responsibilities: -

- Supervising the company's risk management functions.
- Assisting the Board of Directors in taking decisions, by providing it with a risk assessment for all the company's activities.



- Provide advice to the Board of Directors regarding the effectiveness of the Company's risk management framework.

The committee held (4) meetings during the year 2021

Member name	Number of meetings (4)				
	1 st meeting 16/3/2021	2 nd meeting 22/6/2021	3 rd meeting 29/9/2021	4 th meeting 29/12/2021	Total
Dr. George Shaheen Medawar	Attended	Attended	Didn't Attend	Attended	3
Mr. Abdulaziz Ali Abussuud	Attended	Attended	Attended	Attended	4
Mr. Khalid Saleh Al-Ghurair	Didn't join yet	Attended	Moved to another committee	Moved to another committee	1
Mr. Khalid Mohammad Al-Bawardi	Didn't join yet	Didn't join yet	Attended	Attended	2

6) **Shareholders' Rights and the General Assembly:**

The corporate governance system and regulations and the articles of association of the company guarantee the general rights of the shareholders, of which all the rights related to the share are a part. They guarantee, in particular, the right to obtain a share of the profits to be distributed, the right to obtain a share of the company's assets upon liquidation, the right to attend shareholders' assemblies, participate in their deliberations and vote on their decision, the right to dispose of shares, the right to monitor the work of the board of directors and to file a liability lawsuit against the members of the board, and the right to inquire and request information that does not harm the interests of the company and does not conflict with the financial market law and its executive regulations.

For this purpose, the company does the following:

A. Facilitating shareholders' exercise of their rights and access to information:

1. The company's laws and regulations included the procedures and precautions necessary for all shareholders to exercise their statutory rights.
2. All information has been provided in full form to all shareholders, without discrimination, to enable them to fully exercise their rights, so that this information is complete, accurate and regularly updated, prior to the date of the meeting. The company is also keen to provide all information on a regular basis in accordance with the standards of disclosure, through annual reports, Tadawul website, the company's website, and readable media in a complete and accurate manner.
3. The company is keen to provide information to the shareholders without discrimination between them.



B. Shareholders' rights related to the general assembly meeting:

The Extraordinary General Assembly held its meeting on Sunday 30/05/2021.

The attending members:

Name	Attendance record
Prince Ahmed bin Khalid Al-Saud	Attended
Mr. Abdulaziz Ali Abussuud	Attended
Dr. George Shaheen Medawar	Attended
Mr. Saleh Abdulrahman Al-Helaissi	Attended
Dr. Khalil Abdul Fattah Kurdi	Attended

The number of the company's requests for the shareholders' register, the dates and reasons for those requests:

No.	Request date	Request reason
1	23/03/2021	Due to the Saudi Central Bank's request to identify some data
2	23/03/2021	Due to the Saudi Central Bank's request to identify some data
3	30/05/2021	Due to holding the company's general assembly
4	15/09/2021	Due to the Saudi Central Bank's request to identify some data

1. The company confirms that it did not receive from any of the company's external auditors a request to hold the general assembly during the year ending 31/12/2021. The company also confirms that it did not receive from shareholders who own 5% or more of the capital a request to hold the general assembly during the fiscal year ended on 31/12/2021. The company also confirms the existence of an internal auditor.
2. The company announced the date, venue, and agenda of the Extraordinary General Assembly at least twenty-one days before the date, and through:
 - Tadawul Website on 09/05/2021.
 - Riyadh Newspaper issue No. 19313 on 10/05/2021.
 - Company website on 09/05/2021.
3. The shareholders were informed, through the calls for the general assembly, of the rules governing the general assemblies and voting procedures.
4. The company facilitated the participation of the largest number of shareholders in the General Assembly, including by choosing the appropriate place and time, as the Extraordinary General Assembly was held at exactly 10:45 PM.



5. All the items on the agenda were presented, and the shareholders who own 5% or more of the company's shares did not ask to add subject(s) to the agenda of the general assembly when preparing it.
6. The vote counting committee was appointed, and shareholders were given the opportunity to participate therein.
7. The quorum was announced for the Extraordinary General Assembly (the second meeting) with an attendance rate of 34.70% of the company's capital. The meeting was held an hour after the time fixed for the first meeting, because the quorum required to hold the first meeting wasn't complete. The first meeting is valid if the quorum reaches 50% or more, and the second meeting will be quorate if attended by 25% or more shareholders, according to the company's Articles of Association. The total number of shares represented in person and by proxy and through electronic voting reached 10,412,587 shares, ten million four hundred and twelve thousand five hundred and eighty-seven shares.
8. The company enabled the shareholders to exercise their right to discuss the topics on the assembly's agenda and direct questions to the members of the board of directors and to the auditors. The Assembly's Chairman expressed his readiness to answer questions and inquiries from the shareholders.
9. All topics presented to the General Assembly were accompanied by sufficient information to enable the shareholders to take a decision.
10. A record has been written, which includes the deliberations and the decisions taken.
11. The company enables the shareholders to view the meeting minutes at the company's headquarters. The Capital Market Authority has also been provided with a copy of the minutes of the Extraordinary General Assembly within ten days from the meeting date on 07/06/2021.

C. Voting Rights:

1. The company confirms that there are no obstacles to a shareholder exercising his right to vote, and the company always strives to facilitate this matter for all shareholders.
2. The company confirms that it always ensures that the shareholders' Power of Attorney to attend the general assembly are for shareholders who are not members of the board of directors and who are not employees of the company.
3. It is not among the company's procedures to view the annual reports of investors from legal persons who act on behalf of others, such as investment funds, as the company believes that this procedure concerns the investors themselves and does not fall within the company's responsibilities.
4. There are no arrangements or agreements whereby any of the shareholders waived any rights to profits.



7) Results of the annual review of the effectiveness of internal oversight:

The Board of Directors has delegated the responsibility for internal oversight to a specialized department in order to ensure that the executive management follows an appropriate internal oversight system to ensure the effectiveness and efficiency of monitoring operations.

A) Independence, Authorities, Responsibilities:

The internal audit provides objective and independent services with the aim of assisting the board of directors, the audit committee, and the executive management in carrying out their responsibilities with a high degree of efficiency and effectiveness. The internal audit department is not subject to any influence from the executive management, and it has full powers for unrestricted full access to records (manual or electronic) and access to the company's own property and to the company employees, as may be required for the execution of the tasks assigned to it.

B) Responsibilities of internal audit:

- Preparing the strategic plan for the work of the internal audit.
- Executing examination according to the annual plan.
- Submitting reports on the examination results.
- Identifying the financial and operational risks, and cooperating with the executive management to provide effective control tools at an appropriate cost to reduce the effects of these risks and discover its occurrence immediately.
- Coordination between the various departments in the company and the external supervisory bodies, including the external auditor.
- Developing the policies and procedures for implementing the audit in order to comply with the best professional practices and using the available resources in line with the approved internal audit budget.

C) Scope of Work:

The Internal Audit Department adopted, upon carrying out its work, a systematic approach to evaluate and improve the effectiveness of internal control in order to achieve the objectives of the company and protect its assets. The audit committee did not discover, through the internal auditor's report, any defect in the company's internal control procedures.

D) Results of the Annual Internal Audit:

The internal audit department carries out its activities in accordance with the agreed upon action plan, and it is designed in a manner that covers all the main activities of the company over certain years, while taking into consideration the focus and granting priority to activities with high risks. Several substantive recommendations were developed that led to more valuable additions and improvement of the current internal oversight system. The internal audit department strengthened its work by implementing operations oversight, which led to the development and improvement of the efficiency of operations.

The internal audit department checks the adequacy and effectiveness of the internal oversight system in accordance with the scheduled audit plan approved by the audit committee. During 2021, an internal audit was conducted for the following departments:

1. Motor Underwriting Practices Q4, 2020



2. Motor Underwriting Practices Q1, 2021
3. Motor Underwriting Practices Q2, 2021
4. Motor Underwriting Practices Q3, 2021
5. Medical Underwriting Practices Q4, 2020
6. Medical Underwriting Practices Q1, 2020
7. Medical Underwriting Practices Q2, 2020
8. Medical Underwriting Practices Q3, 2020
9. Assessment of Fraud Risk for Insurance Service Providers.
10. Evaluation of IT Service Outsourced Contract to Spade InfoTech.
11. Review of Remuneration (For Executive Management).
12. Customer Care 2021.
13. Payments Review (Jan to Jun 2020).
14. HR & Admin Department Review 2021.
15. Surplus Distribution Review 2020.
16. Continuous follow-up on all pending notes.

Accordingly, the internal audit department confirms that the internal oversight system is reasonable and there were no substantial results or differences worth mentioning during 2021. The internal audit department also confirms that periodic reports have been submitted to the “audit committee” on developments including the necessary recommendations, and these recommendations have been submitted to the executive management, which has developed an action plan to implement the recommendations of the internal audit department.

In order to perform its duties, the internal audit department has conducted the following:

- Action has been taken to remedy the notes included in the audit reports.
It directed the internal audit work to activities and functions of high risk and to enhancing the effectiveness and efficiency of the company's operations.
- The internal audit department ensured full coordination with the external auditors in a satisfactory and effective manner.

* The Audit Committee has reviewed the internal control system of the company to ensure that it is sufficient and to assure its application in a sound and regular manner. The committee believes that the reports of the Internal Audit Department, the Finance Department and the Compliance Department provide a reasonable assurance that the internal control system meets the company's need for the effectiveness of its operational procedures, adherence to the applicable regulations, and the submission of reports to the relevant supervisory authorities at appropriate times.



8). Due and paid statutory Zakat and statutory payments:

The company does not have any loans or debts payable. The following table illustrates the statutory payments due during the year 2021.

Entity	2021		Brief description	Reasons for the amounts due
	Paid (thousands)	Due until the end of the annual financial period and hasn't been paid yet (thousands)		
Zakat, Tax and Customs Authority	9,198	8,416	Zakat	Represents the company's annual Zakat due according to the regulations of the Zakat, Tax and Customs Authority
Zakat, Tax and Customs Authority	185	(712)	Withholding tax	According to the regulations of the Zakat, Tax and Customs Authority
Saudi Central Bank	3,637	1,025	Supervision fees	The payable amounts represents the costs of the supervision fees
Council of Health Insurance	3,658	-	Supervision fees	The payable amounts represents the costs of the supervision fees
General Organization for Social Insurance	5,607	235	Social insurance	The payable amounts represents the social insurance subscriptions fees of the company's employees
Costs of visas, passports and labor office fees	1,309	-	Fees for visas, passports, and labor office fees	The payable amounts represents visas, passports and labor office fees for company employees
Total	23,594	8,964	-	-



9). Shares and Debt Instruments:

No debt instruments were issued by the company, and there is no interest for any persons in the category of shares entitled to vote. In addition, there is no interest or subscription option rights for members of the Board of Directors, senior executives or their family members in the shares of the company. There are also no debt instruments convertible into shares, any option rights, subscription right requests, or similar rights issued or granted by the company during the period. Also, there are no transfer or subscription rights under debt instruments convertible into shares, option rights, or similar rights certificates issued or granted by the company during the period. In addition, there is no refund, purchase or cancellation by the company of any refundable debt instruments.

10). External Auditors:

The Extraordinary General Assembly, in its meeting held on 30/05/2021, approved the audit committee's recommendation to re-appoint the external auditors Messrs. Ibrahim Ahmad Al Bassam and partners Co. - chartered accountants (Allied Accountants), and to appoint Abdullah Mohamed Al Azem & Salman Bandar Al-Sudairy & Musab Abdulrahman Al Sheikh (Al Azem & Al-Sudairy & Al Sheikh) and partners Co., registered public accountants and auditors, for a period of one year, up to the end of the first quarter of 2022.

11). Accounting Standards Applied:

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as amended by SAMA for accounting for zakat and income tax. The company acknowledges that the account records have been properly prepared and there is no reasonable doubt regarding the company's ability to continue its activity.

12). Dividend Policy:

The net profits of the company are distributed after deducting all general expenses and other costs as follows:

- A) Twenty percent (20%) of the net profits are retained to form a statutory reserve, and the Ordinary General Assembly may stop this retention whenever the said reserve equals the company's total paid capital.
- B) Likewise, a certain percentage of the net profits, as may be determined by the General Assembly each year, is allocated to form a consensual reserve to be allocated for the purposes that the General Assembly deems appropriate. This retention shall be ceased if the said reserve reaches a certain percentage of the capital as approved by the General Assembly.
- C) From the remainder, a first payment of not less than 5% of the paid-up capital shall be distributed to the shareholders.



- D) The balance is then distributed to the shareholders as a share in the profits or transferred to the retained earnings account.
- E) Dividends to be distributed to shareholders shall be paid at the place and dates specified by the Board of Directors.
- F) The company distributes profits according to the following considerations, in line with the articles of association:
- That the net profits after calculating the statutory provisions and extinguishing any carried forward losses are sufficient to ensure their ability to be distributed.
 - Availability of necessary liquidity.
 - That the profit distribution does not conflict with any bank agreements.
 - That the procedure of distributing profits to shareholders does not affect the company's ability to continue its growth and seize available opportunities.

Profits are distributed to shareholders through direct deposit in their portfolios automatically and in coordination with Tadawul.

13). The Names of the Significant Shareholders and their Ownership in the Company:

No.	Name	The Percentage of Ownership
1	Saudi Arabian Insurance Company B.S.C. (M))	30%



13) Information concerning any business or contract to which the Company is a party, or in which a member of the Board of Directors or Chief Executive, or any person related to any of them, has an interest, or any transaction between the Company and a related party, in Saudi Riyal during 2021:

No.	Nature of Work or Contract	Premiums	Commission received	Duration of Work or Contract	Conditions of Work or Contract	Member's Name / Chief Executive or any person related to any of them
1	Represents the insurance premiums ceded through the broker Insurance	45,866,391	105,764	The term is not limited unless one of the parties notifies the other party to cancel the agreement	None	Prince Ahmad Bin Khalid Al-Saud
2	Represents the insurance premiums produced by Ace Insurance Brokers Ltd. (broker) in favor of the Company	148,683	17,246	The term is not limited unless one of the parties notifies the other party to cancel the agreement	None	Prince Ahmad Bin Khalid Al-Saud
3	Represents the insurance premiums received	124,397,455	11,747,823	There is no contract	None	Prince Ahmad Bin Khalid Al-Saud (Chairman of the Board of Directors of Saudi Arabian Insurance Company B.S.C. (M)) Dr. George Shaheen Medawar (Member of the Board of Directors of Saudi Arabian Insurance Company B.S.C. (M))



14) Acknowledgments:

The Company acknowledges that:

- The accounts records have been prepared in the correct manner.
 - The internal control system has been prepared on a sound basis and has been effectively implemented.
 - There is no reasonable doubt about the Company's ability to continue its activity.
 - There is no interest in the category of shares eligible for voting for persons who notified the Company of those rights under Article 45 of the Registration and Listing Rules, or any change in those rights during the financial year 2021.
 - There is no interest, option rights, or subscription rights belonging to members of the Board of Directors, senior executives, their spouses and minor children, in the Company's shares or debt instruments, nor any change in these rights during the financial year 2021.
 - There are no categories for any debt instruments convertible into shares, and no option rights, subscription rights notes, or similar rights issued or granted by the company during the financial year 2021. Therefore, there are no offers obtained by the Company in exchange.
 - There is no transfer or subscription rights under debt instruments convertible into shares, option rights, subscription right notes, or similar rights issued or granted by the Company.
 - There is no refund, purchase or cancellation by the Company of any refundable debt instruments.
 - There is no arrangement or agreement whereby a member of the Board of Directors or a Senior Executive waived any salary or compensation.
 - There is no arrangement or agreement whereby one of the Company's shareholders waived any profit rights.
 - It does not have any outstanding or deferred loans, and the Company has not paid any amounts for any loans during the year 2021.
 - There are no qualifications to the annual financial statements in the Auditor's report.
 - The Board of Directors did not make any recommendation to change the auditors before the expiration of the contracted period.
 - There are no reserves or investments established for the benefit of the Company's employees.
- 15) The company made a strategy for it, and it is evaluated from a financial point of view, the mechanism of implementation. During the year 2021, the Board of Directors approved the company's business strategy for a period of 3 years.
- 16) The Board of Directors has assigned the Director of Shareholder Affairs to submit a periodic report on the Shareholders' proposals and observations about the Company, its performance and results, for consideration and appropriate action.



- 17) The company, together with a number of Government agencies and the Association of people of determination, has undertaken some initiatives and social contributions by participating in some activities including hiring and financing of some events.
- 18) During the Coronavirus (Covid-19) pandemic, the Company applied the utmost precautionary measures to its employees and customers, and also implemented remote work for employees to ensure the continuation of work without any effects that may arise.
- 19) The company, through its social responsibility on 11/07/2021, launched a campaign for its employees to donate blood.

20) Penalties and Sanctions:

Executive Rulings of the Saudi Central Bank					
Subject of Violation	Previous Financial Year 2020		Current Financial Year 2021		
	No. of Executive Decisions	Total amount of financial penalties in SAR	No. of Executive Decisions	Total amount of financial penalties in SAR	Remedies and avoidance in the future
Violation of SAMA's supervisory and control instructions	5	260,000	3	320,000	The company has taken the necessary corrective measures and applied the requirements to ensure that they do not happen in the future
Violation of SAMA's instructions for protecting customers	-	-	-	-	
Violation of SAMA's instructions for diligence instructions against money-laundering and terrorist financing	-	-	-	-	

- The Company also explains that no penalty or any precautionary restriction or sanction imposed on any of the members of the Board of Directors has been applied by any judicial, supervisory or regulatory authority related to the Company.



Conclusion

The Board of Directors extends its sincere thanks and appreciation to the esteemed Shareholders and all the Company's employees for their assistance and support to the Company. It also expresses its thanks and appreciation to the Saudi Central Bank, the Financial Market Authority, the Council of Cooperative Health Insurance and the Ministry of Commerce for their continued support in any development of the insurance sector in Saudi Arabia, which has had tangible results in this regard.

Board of Directors

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

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



Crowe

Al Azem, Al Sudairy, Al Shaikh & Partners
CPA's & Consultants
Member Crowe Global

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

Opinion

We have audited the financial statements of Saudi Arabian Cooperative Insurance Company (a Saudi Joint Stock Company) (the "Company"), which comprise the statement of financial position as at December 31, 2021, and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing ("ISA") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our 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 matter is the matter that, in our professional judgement, was of most significance in our audit of the financial statements of the current year. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, a description of how our audit addressed the matter is provided in that context:



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 Certified Public Accountants - Al-Bassam & Co.
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**INDEPENDENT AUDITORS' REPORT
 TO THE SHAREHOLDERS OF SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
 (A SAUDI JOINT STOCK COMPANY) - (CONTINUED)**

Key Audit Matter (continued)

The key audit matter	How the matter was addressed in our audit
<u>Valuation of ultimate claim liabilities arising from insurance contracts</u> The Company as at December 31, 2021 has gross technical reserves amounting to SR 593.123 million as reported in Note 7 of the financial statements, which includes outstanding claims, claims incurred but not reported (IBNR), additional premium and other technical reserves. 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. The valuation of technical reserves is a key judgmental area for the management given the level of subjectivity inherent in estimating the impact of claim events that have occurred for which the ultimate outcome remains uncertain. Due to the significance of the amounts involved and the exercise of significant judgment by the management in the process for determination of the technical reserves, we have determined it to be a key audit matter. <i>Refer to notes 2(d)(i) which discloses the estimated liability arising from claims under insurance contracts and note 3 which discloses accounting policies for claims.</i>	We evaluated the design and tested the implementation of key controls over the Company's processes for the claims processing and payment, including controls over the completeness and accuracy of the claim estimates recorded. We evaluated the appropriateness of the reserving methodologies used in estimating the insurance claim liability as part of our substantive procedures. We performed substantive tests on the amounts recorded for a sample of claims notified and paid; including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claims and technical reserves. To challenge management's methodologies and assumptions, we were assisted by an actuary engaged by us as auditors' expert to understand and evaluate the Company's actuarial practices and the provisions established. In order to gain comfort over the actuarial report issued by management's expert, our actuary performed the following: - Evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior periods, seeking sufficient justification for significant differences. - Assessed key actuarial assumptions including claims ratios, and expected frequency and severity of claims. We challenged these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge. - Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions. We also assessed the appropriateness of the financial statements disclosures relating to this matter against the requirements of IFRS that are endorsed in the Kingdom of Saudi Arabia.



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

Other Information

The Management of the Company are responsible for the other information. The other information comprises the information included in the annual report, other than 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 other information, 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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA) 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;
- 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;



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

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

- 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 Management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- 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 of 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.

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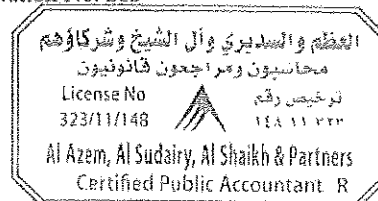
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Salman B. Al Sudairy
Certified Public Accountant
Registration No. 283

Sha'ban 20, 1443
March 23, 2022



**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

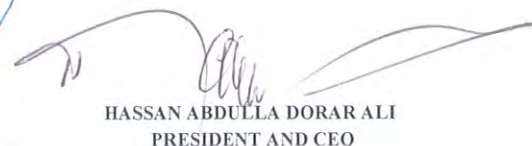
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2021	2020
ASSETS			
Cash and cash equivalents	4	52,028,429	49,999,727
Murabaha deposits	5	254,965,731	341,916,296
Premiums and reinsurers' receivable - net	6	261,411,771	245,872,196
Reinsurers' share of unearned premiums	7b	27,161,652	39,420,956
Reinsurers' share of outstanding claims	7a	377,883,139	339,166,728
Reinsurers' share of claims incurred but not reported	7a	65,106,710	43,367,257
Deferred policy acquisition costs	7d	23,086,197	18,459,055
Available-for-sale investments	8a	1,923,080	1,923,080
Fair value through profit or loss investments	8b	92,247,362	90,028,540
Held-to-maturity investment	8c	75,942,638	35,531,657
Prepayments and other assets	9	72,137,583	58,309,900
Property and equipment	10	7,063,954	4,833,267
Intangible assets	10	11,594,023	9,803,358
Statutory deposit	11	30,000,000	30,000,000
Accrued income on statutory deposit		2,891,455	2,799,638
TOTAL ASSETS		1,355,443,724	1,311,431,655
LIABILITIES			
Policyholders' claims payable		23,039,414	21,607,449
Accrued expenses and other liabilities	12	97,600,348	64,916,997
Surplus distribution payable	13	-	5,577,137
Reinsurance balances payable		53,286,182	53,730,084
Unearned premiums	7b	254,129,776	265,548,157
Unearned reinsurance commission	7c	5,256,973	6,759,142
Outstanding claims and reserves	7a	446,156,975	385,850,240
Claims incurred but not reported	7a	146,966,791	117,468,630
Accounts payable		1,025,583	1,445,922
Employees' end-of-service benefits	14	23,938,250	18,705,950
Provision for zakat	15	8,416,408	10,517,581
Accrued commission income payable to SAMA		2,891,455	2,799,639
TOTAL LIABILITIES		1,062,708,155	954,926,928
EQUITY			
Share capital	16	300,000,000	300,000,000
Statutory reserve	18	29,473,371	29,473,371
(Accumulated losses)/retained earnings		(35,652,959)	26,981,720
Re-measurement (loss)/reserve of end-of-service benefits		(1,084,843)	49,636
TOTAL EQUITY		292,735,569	356,504,727
TOTAL LIABILITIES AND EQUITY		1,355,443,724	1,311,431,655
COMMITMENTS AND CONTINGENCIES	25		



MOHAN VARGHESE
CHIEF FINANCIAL OFFICER


ABDULAZIZ A. ABUSSUD
BOARD MEMBER


HASSAN ABDULLA DORAR ALI
PRESIDENT AND CEO

The accompanying notes 1 to 27 form an integral part of these financial statements.

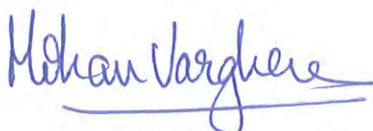
**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

STATEMENT OF INCOME

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

	Note	2021	2020
REVENUES			
Gross premiums written	7b	777,537,673	795,037,966
Reinsurance premiums ceded			
- Local		(49,499,918)	(54,518,400)
- International (includes ceded through local broker)		(131,371,652)	(170,236,024)
	7b	(180,871,570)	(224,754,424)
Excess of loss expenses			
- Local		(546,646)	(402,364)
- International		(28,234,261)	(36,896,403)
	7b	(28,780,907)	(37,298,767)
Net premiums written		567,885,196	532,984,775
Movement in unearned premiums, net		(840,923)	(4,587,025)
Net premiums earned		567,044,273	528,397,750
Reinsurance commissions	7c	23,516,514	31,057,481
Other underwriting income		1,244,494	6,868,488
NET REVENUES		591,805,281	566,323,719
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	7a	550,517,916	446,868,497
Reinsurers' share of claims paid	7a	(116,386,036)	(78,890,405)
Net claims paid		434,131,880	367,978,092
Movement in outstanding claims, IBNR and other reserves, net		29,349,032	(24,087,623)
Net claims incurred	7a	463,480,912	343,890,469
Policy acquisition costs	7d	61,085,624	58,236,814
Inspection and supervision fees		7,295,366	6,907,784
TOTAL UNDERWRITING COSTS AND EXPENSES		531,861,902	409,035,067
NET UNDERWRITING INCOME		59,943,379	157,288,652
OTHER INCOME/(EXPENSES)			
Income from investments		5,695,357	3,489,935
Unrealized gain/(loss) from change in fair value of FVTPL investments	8b	2,111,471	(643,061)
Income from murabaha deposits		5,787,496	9,716,035
Other income		2,588,003	3,091,691
General and administrative expenses	19	(122,319,117)	(105,749,193)
Provision for doubtful debts	6	(9,344,168)	(4,033,355)
TOTAL OTHER INCOME/(EXPENSES)		(115,480,958)	(94,127,948)
Total (loss)/income for the year		(55,537,579)	63,160,704
Surplus attributed to the insurance operations	13	-	(5,577,137)
Total (loss)/income for the year attributable to the shareholders before zakat		(55,537,579)	57,583,567
Zakat charge for the year	15	(7,097,100)	(10,261,216)
Total (loss)/income for the year attributable to the shareholders after zakat		(62,634,679)	47,322,351
(Loss)/earnings per share	17		
Basic and diluted (loss)/income per share		(2.09)	1.58
Weighted average number of shares in issue throughout the year (in thousands)		30,000	30,000



MOHAN VARGHESE
CHIEF FINANCIAL OFFICER


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**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

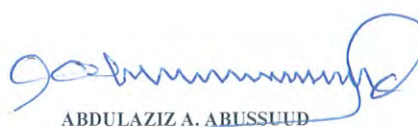
STATEMENT OF COMPREHENSIVE INCOME

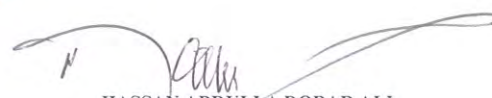
For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

	Note	2021	2020
Total (loss)/income for the year after zakat		(62,634,679)	52,899,488
Other comprehensive loss:			
<i>Items that will not be reclassified to statement of income in subsequent years</i>			
- Actuarial loss on remeasurement of employees' end-of-service benefits	14	(1,134,479)	(1,438,651)
<i>Items that may be reclassified to statements of income in subsequent years</i>		-	-
Total comprehensive (loss)/income for the year after zakat		(63,769,158)	51,460,837
Total comprehensive loss/(income) attributable to the insurance operations		1,134,479	(4,138,486)
Total comprehensive (loss)/income attributable to the shareholders after zakat		(62,634,679)	47,322,351


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**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
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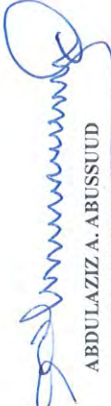
STATEMENT OF CHANGES IN EQUITY

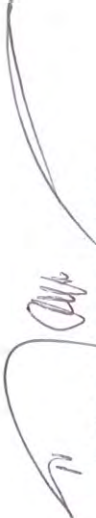
For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

	2021				
	Share capital	Statutory reserve	Retained earnings/ (accumulated losses)	Re-measurement (loss)/reserve of employees' end-of-service benefits	Total equity
Note					
Balance at the beginning of the year	300,000,000	29,473,371	26,981,720	49,636	356,504,727
Comprehensive loss for the year:					
Total loss for the year attributable to the shareholders after zakat	-	-	(62,634,679)	-	(62,634,679)
Actuarial loss on remeasurement of employees' end-of-service benefits	-	-	-	(1,134,479)	(1,134,479)
Total comprehensive loss for the year	-	-	(62,634,679)	(1,134,479)	(63,769,158)
Balance at the end of the year	300,000,000	29,473,371	(35,652,959)	(1,084,843)	292,735,569


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**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

	2020				
				Re-	
Note	Share capital	Statutory reserve	(Accumulated losses)/ retained earnings	measurement reserve of employees' end-of-service benefits	Total equity
Balance at the beginning of the year	300,000,000	20,008,901	(10,876,161)	1,488,287	310,621,027
Comprehensive income/(loss) for the year:					
Total income for the year attributable to the shareholders after zakat	-	-	47,322,351	-	47,322,351
Actuarial loss on remeasurement of employees' end-of-service benefits	-	-	-	(1,438,651)	(1,438,651)
Total comprehensive income/(loss) for the year	-	-	47,322,351	(1,438,651)	45,883,700
Transfer to statutory reserve	-	9,464,470	(9,464,470)	-	-
Balance at the end of the year	300,000,000	29,473,371	26,981,720	49,636	356,504,727


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SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

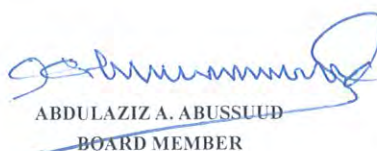
STATEMENT OF CASH FLOWS

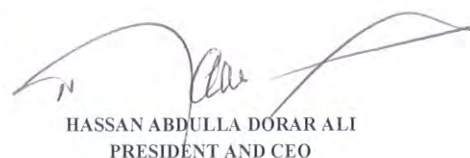
For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Total (loss)/income for the year before zakat		(55,537,579)	63,160,704
Adjustments for non-cash items:			
Depreciation of property and equipment	10	1,447,112	2,098,099
Amortization of intangible assets	10	1,687,966	1,876,845
Amortisation of held-to-maturity investment	8c	(410,981)	(338,721)
Provision for doubtful debts	6	9,344,168	4,033,355
Provision for employees' end-of-service benefits	14	5,015,990	4,257,890
Unrealized (gain)/loss from change in fair value of FVTPL investments	8b	(2,111,471)	643,061
Changes in operating assets and liabilities:			
Premiums and reinsurers' receivable		(24,883,744)	(32,028,508)
Reinsurers' share of unearned premiums		12,259,304	(5,327,802)
Reinsurers' share of outstanding claims and reserves		(38,716,411)	25,456,905
Reinsurers' share of claims incurred but not reported		(21,739,453)	(1,897,221)
Deferred policy acquisition costs		(4,627,142)	(1,582,004)
Prepayments and other assets		(13,827,683)	(5,679,912)
Policyholders claims payable		1,431,965	(1,724,202)
Accrued and other liabilities		32,683,351	21,773,266
Reinsurance balances payable		(443,902)	(39,537,937)
Unearned premiums		(11,418,381)	9,914,827
Unearned reinsurance commission		(1,502,169)	44,984
Outstanding claims and reserves		60,306,735	(42,352,053)
Claims incurred but not reported		29,498,161	(5,295,254)
Accounts payable		(420,339)	38,086
Cash used in operating activities		(21,964,503)	(2,465,592)
Surplus paid to policy holders	13	(5,577,137)	-
Employees' end-of-service benefits paid	14	(918,169)	(2,072,879)
Zakat paid	15	(9,198,273)	(8,791,559)
Net cash used in operating activities		(37,658,082)	(13,330,030)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions of property and equipment	10	(3,677,799)	(2,895,748)
Additions of intangible assets	10	(3,478,631)	(4,053,605)
Addition in held-to-maturity investment	8c	(40,000,000)	(35,000,000)
Proceed on maturity of held-to-maturity investment		-	10,000,000
Additions in fair value through profit or loss investments	8b	(107,351)	-
Additions in murabaha deposits		(183,000,000)	(676,448,739)
Proceed on disposal of murabaha deposits		269,950,565	727,537,604
Net cash from investing activities		39,686,784	19,139,512
Net change in cash and cash equivalents		2,028,702	5,809,482
Cash and cash equivalents at the beginning of the year	4	49,999,727	44,190,245
Cash and cash equivalents at the end of the year	4	52,028,429	49,999,727
Supplemental non-cash information:			
Actuarial loss on remeasurement of employees' end-of-service benefits	14	(1,134,479)	(1,438,651)
Bad debts written-off		(11,758,328)	-


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**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

Saudi Arabian Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration No. 1010237214 dated 7 Shaban 1428H. (corresponding to 20 August 2007). The registered office address of the Company is P.O. Box 58073, Riyadh 11594, Kingdom of Saudi Arabia. The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. The Company's principal lines of business include all classes of general and medical insurance. The Company was listed on the Saudi Stock Exchange ("Tadawul") on 20 Shaban 1428H. (corresponding to 3 September 2007).

Following are the details of the branches of the Company and their commercial registration numbers:

Branch Name	Branch	Commercial Registration Number	Date
Saudi Arabian Cooperative Insurance Company	Jeddah	4030208674	25 Safar 1432H (31 January 2011)
Saudi Arabian Cooperative Insurance Company	Khobar	2051044793	25 Safar 1432H (31 January 2011)
Saudi Arabian Cooperative Insurance Company	Qassim	1131034133	25 Safar 1432H (31 January 2011)

The Company has been licensed to conduct insurance business in the Kingdom of Saudi Arabia under co-operative principles in accordance with Royal Decree numbered 60/M dated 18 Ramadan 1427H (corresponding to 11 October 2006), pursuant to the Council of Ministers resolution number 233 dated 16 Ramadan 1427H (corresponding to 9 October 2006).

Following the completion of the public offering on 28 May 2007, the Ministry of Commerce and Investment ("MOCI") issued a resolution declaring the incorporation of the Company on 21 Rajab 1428H (corresponding to 5 August 2007).

On 29 Shaban 1428H (corresponding to 11 September 2007), the Saudi Central Bank ("SAMA") issued a formal approval to transact insurance business, thus authorizing the Company to commence operations as soon as product approval and related formalities are completed.

The Board of Directors approved the distribution of the surplus from insurance operations in accordance with the Implementing Regulations issued by SAMA, whereby the shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policy holders are to receive the remaining 10%. Any deficit arising on insurance operations is borne by the shareholders in full.

2 BASIS OF PREPARATION

(a) Basis of presentation and measurement

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), that are endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA), Law of Companies and the Company's by-laws.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

2 BASIS OF PREPARATION (continued)

(a) Basis of presentation and measurement (continued)

These financial statements are prepared under the going concern concept and the historical cost convention, except for the investments carried at fair value through profit or loss investments, available-for-sale investments and employees' end-of-service benefit recognised at the present value of future obligations using the projected unit credit method. 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 non-current: Held to maturity investments, Property and equipment, Intangible assets, Statutory deposit, Accrued income on statutory deposit, Employees' end-of-service benefits and Accrued commission income payable to SAMA. All other financial statement line items would generally be classified as current.

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 Insurance Operations and Shareholders' Operations and presents the financial statements accordingly (Note 26). 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, statement of income, statement of comprehensive income and statement of cash flows of the insurance operations and shareholders operations which are presented in Note 26 of the financial statements have been provided as supplementary financial information to comply with the requirements of the guidelines issued by 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 insurance operations and the shareholders operations. Accordingly, the statements of financial position, statements of income, statement of comprehensive income and statement of cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

In preparing the Company-level financial statements in compliance with IFRSs, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Inter-operation balances and transactions are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholders operations are uniform for like transactions and events in similar circumstances.

(b) Functional and presentation currency

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

(c) Fiscal year

The Company follows a fiscal year ending 31 December.

(d) Critical accounting judgments, estimates and assumptions

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

Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

2 BASIS OF PREPARATION (continued)

(d) Critical accounting judgments, estimates and assumptions (continued)

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

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

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

The provision for IBNR is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of interim condensed statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. A range of methods such as Chain Ladder Method, Bornhuetter-Ferguson Method and Expected Loss Ratio Method are used by the actuaries to determine these provisions. The actuary has also used a segmentation approach including analyzing cost per member per year for medical line of business. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

ii) *Impairment of investments*

The Company determines that financial assets are impaired when there has been a significant or prolonged decline in the fair values of the financial assets below its cost. The determination of what is 'significant' or 'prolonged' requires judgement. A period of 12 months or longer is considered to be prolonged and a decline of 30% from original cost is considered significant as per Company policy. In making this judgement, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

iii) *Impairment of receivables*

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

iv) *Fair value of financial instruments*

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

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

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

2 BASIS OF PREPARATION (continued)

(d) Critical accounting judgments, estimates and assumptions (continued)

v) Deferred policy acquisition costs

Certain acquisition costs related to sale of policies are recorded as deferred acquisition costs and are amortized over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment.

vi) Premium deficiency reserve

Estimation of the premium deficiency reserve, if any, is highly sensitive to a number of assumptions as to the future events and conditions. It is based on an expected loss ratio for the unexpired portion of the risks for written policies. To arrive at the estimate of the expected loss ratio, the actuary looks at the claims and premiums relationship which is expected to be realized in the future.

vii) Impact of Covid-19

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 and other 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 Kingdom is protected and kept intact.

The major impact of Covid-19 pandemic is seen in medical and motor line of business as explained below. As with any estimate, the projections and likelihoods of occurrence are underpinned by significant judgment and rapidly evolving situation and uncertainties surrounding the duration and severity of the pandemic, and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental, and the Company will continue to reassess its position and the related impact on a regular basis.

Medical technical reserve

Based on the management's assessment, the management believes that the Government's decision to assume the medical treatment costs for both Saudi citizens and expatriates has helped in reducing any unfavourable impact. During the lockdown, the Company saw a decline in medical reported claims (majorly elective and non-chronic treatment claims) which resulted in a drop in claims experience. However, subsequent to the lifting of lockdown since 21 June 2020, the Company is experiencing a surge in claims which is in line with the expectations of the Company's management. The Company's management has duly considered the impact of surge in claims in the current estimate of future contractual cash flows of the insurance contracts in force as at 31 December 2021 for its liability adequacy test. Based on the results, the Company has booked an amount of SR 9.54 million as a premium deficiency reserve.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

2 BASIS OF PREPARATION (continued)

(d) Critical accounting judgments, estimates and assumptions (continued)

vii) Impact of Covid-19 (continued)

Motor technical reserves

In response to the Covid-19 pandemic, SAMA issued a circular 189 (the "circular") dated 08 May 2020 to all insurance companies in the Kingdom of Saudi Arabia. Amongst other things, the circular instructed insurance companies to extend the period of validity of all existing retail motor insurance policies by further two months as well as providing a two-month additional coverage for all new retail motor policies written within one month of this circular.

The Management, in conjunction with its appointed actuary, deliberated on a variety of internal factors and concluded, that the Company considers the extension of two months in exiting motor policies as new policy and record a premium deficiency reserve based on the expected claims for the extended two months' period.

For new policies written as per above circular, the premium is earned over the period of coverage i.e 14 month as per the Company accounting policy.

The Company has performed a liability adequacy test using current estimates of future cash flows under its insurance contracts at an aggregated (or "segmented") level for motor line of business and recorded a Premium deficiency reserve amounting to SR 4.58 million as at 31 December 2021.

Financial assets

To cater for any potential impacts, the Covid-19 pandemic may have had on the financial assets of the Company, the Company has performed an assessment in accordance with its accounting policy, to determine whether there is an objective evidence that a financial asset or a group of financial assets has been impaired. For debt financial assets, these include factors such as, significant financial difficulties of issuers or debtors, default or delinquency in payments, probability that the issuer or debtor will enter bankruptcy or other financial reorganization, etc. In case of equities classified under available-for-sale, the Company has performed an assessment to determine whether there is a significant or prolonged decline in the fair value of financial assets below their cost.

Based on these assessments, the Company's management believes that the Covid-19 pandemic has had no material effects on Company's reported results for the year ended 31 December 2021. The Company's management continues to monitor the situation closely.

Credit risk management

The Company has strengthened its credit risk management policies to address the fast changing and evolving risks posed by the current circumstances. These include review of credit concentrations at the granular economic sector, region and counterparty level and the Company has taken appropriate action where required. Based on the review, the Company has identified the certain sectors such as government contracting, airlines, retail sector and hospitality industry as being impacted significantly by the Covid-19 pandemic and lower oil prices.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are summarised below. These policies have been consistently applied to each of the years presented. There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2021 but they do not have a material effect on the Company's Financial Statements. The Company has not early adopted any standard (interpretation) or amendments that has been issued but which are not yet effective.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective

The Company has chosen not to early adopt the amendments and revisions to the IFRSs, which have been published and are mandatory for compliance for the Company with effect from future dates.

Standard/ Interpretation/ Amendment	Description	Effective from periods beginning on or after the following date
IFRS 9	Financial Instruments (refer below)	1-Jan-23
IFRS 17	Insurance Contracts (refer below)	1-Jan-23

A. IFRS 9 - Financial Instruments

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

a. Classification and measurement:

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

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

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

- 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
- 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.

b. Impairment:

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

A. IFRS 9 - Financial Instruments (continued)

c. Hedge accounting:

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

Effective date

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

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

The Company has performed a detailed assessment as of reporting date:

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.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

A. IFRS 9 - Financial Instruments (continued)

Impact assessment

As at 31 December 2021, the Company has total financial assets and insurance related assets amounting to SR 570 million (31 December 2020: SR 603 million) and SR 639 million (31 December 2019: SR 585 million), respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables amounting to SR 423 million (31 December 2020: SR 461 million). Other financial assets consist of available for sale investments amounting to SR 1.9 million (31 December 2020: SR 1.9 million). The Company expect to use the FVOCI classification of these financial assets based on the business model of the Company for debt securities and strategic nature of equity investments. However, the Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPP test as required by IFRS 9. Investment in funds classified under available for sale investments will be at FVSI under IFRS 9. Other financial assets have a fair value of SR 92 million as at 31 December 2021 with a fair value change during the year of SR 2.1 million.

The Company financial assets have low credit risk as at 31 December 2021 and 31 December 2020. The above is based on high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects some effect of applying the impairment requirements of IFRS 9. However, the impact of the same is not expected to be significant. At present it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed review.

B. IFRS 17 - Insurance Contracts

Overview

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

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

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

B. IFRS 17 - Insurance Contracts (continued)

Measurement - continued

- b. the Contractual Service Margin (CSM) - The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately.

At the end of each subsequent reporting period, the carrying amount of a group of insurance contracts is re-measured 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. Since the CSM cannot be negative, changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss.

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

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

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

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

Effective date

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. The IASB is currently re-deliberating issues raised by stakeholders. For any proposed amendments to IFRS 17, the IASB will follow its normal due process for standard-setting. The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4 is currently 1 January 2021. Under the current exposure draft, it is proposed to amend the IFRS 17 effective date to reporting periods beginning on or after 1 January 2022. Further, on 17 March 2020, the (IASB) completed its discussions on the amendments to IFRS 17 and decided that the effective date of the Standard will be deferred to reporting periods beginning on or after 01 January 2023. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied. The Company intends to apply the Standard on its effective date.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

B. IFRS 17 - Insurance Contracts (continued)

Transition

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

Presentation and Disclosures

The Company expects that the new standard will result in a change to the accounting policies for insurance contracts and reinsurance, [and investment contracts with discretionary participating features, if applicable] together with amendments to presentation and disclosures.

Impact

The Company has performed an initial impact assessment of the application and implementation of IFRS 17. As of the date of the publication of these financial statements, the final financial impact of adopting the standard has yet to be fully assessed by the Company. The Company has undertaken an initial operational impact gap analysis and currently undergoing through detailed operational and financial impact assessment. Key gaps and their impact are as follows:

Impact Area	Summary of Impact
Financial Impact	The Company has ascertained the financial impact on reported balances of year 2018. As the Company's most of insurance contracts are short-termed and short tailed entitling for premium allocation approach (PAA) which is largely similar to current account practice, no significant impact is expected. The Company has also successfully finalized the reassessment of 2020 results as part of the 1st Dry-Run orchestrated by the regulator and submitted on 30 November 2021 to SAMA. Based on the conducted simulation, the financial impact of applying IFRS 17 compared to IFRS 4 was also not significant. The Company will solidify its view on the financial impact while completing the 2nd and 3rd dry-runs, planned before the end of 2022.
Data impact	IFRS 17 has additional data requirements (e.g. premium due date for initial recognition, premium receipt data for the IFRS 17, RI contracts held breakdown in to risk attaching or loss incurring for assessing contract boundaries, lower granularity to meet level of aggregation requirements and data for additional disclosures as per IFRS 17). Further extensive exercise has carried out to ensure the required data is available. No major data deficiencies or shortfalls were reported during the completion of the 1st dry-run simulation.
IT systems impact	Detailed assessment has been carried out of existing systems capabilities for IFRS 17 calculations, storage and reporting and whether new systems / calculation engines should be implemented. The tool has been implemented successfully and used for processing and extracting the simulated results for the 1st dry-run. In coordination with the Company's appointed advisor and appointed actuary, the Steering Committee is actively working to close any identified gaps before the due date of the 2nd dry-run simulation.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

B. IFRS 17 - Insurance Contracts (continued)

Impact (continued)

Process impact	The company has carried out an operational impact assessment exercise to assess the operational impact of implementing IFRS 17. Since, majority of the company's contracts would be measured under the premium allocation approach, the process impact is expected to be moderate. No major process impact was reported during the completion of the 1st dry-run simulation.
Impact on Reinsurance arrangements	Further assessment has carried out to confirm measurement approach for reinsurance arrangements where RI gross premium ceded does not automatically qualify for PAA.
Impact on policies and control frameworks	The Company's policies and procedures needs updating to accommodate the changes in the Company's processes and systems related to IFRS 17 implementation. Detailed exercise for the purpose has been carried out after ascertaining financial and operational gaps assessment.

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

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

The Company has started its implementation process and has set up a project team, supervised by Company's CEO. Furthermore, to assess financial and operational impact of IFRS-17, the Company has hired Deloitte & Touche Advisory Saudi Limited (Deloitte) as their consultants.

The effective interpretations/improvement/amendments do not have material impact on these financial statements of the company.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

The significant accounting policies used in preparing these financial statements are set out below have been consistently applied unless otherwise mentioned:

Cash and cash equivalents

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

Murabaha deposits

Murabaha deposits, with original maturity of more than three months, are initially recognised in the statement of financial position at fair value and are subsequently measured at amortised cost using effective interest method, less any impairment in value, whereas deposits with maturities not exceeding three months are reported under cash and cash equivalents.

Premiums and reinsurers' receivable - net

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

Deferred policy acquisition costs

Commissions and other costs directly and indirectly related to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate as premiums are earned. Amortization is recorded in the statement of income, as policy acquisition costs.

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 financial 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. Deferred policy acquisition cost is also considered in the liability adequacy test for each financial reporting period.

Liability adequacy test

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the insurance contracts liabilities net of related deferred policy acquisition costs. In performing these tests management uses current best estimates of future contractual cash flows and claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of income by establishing a provision for losses arising from liability adequacy tests accordingly. Where the liability adequacy test requires the adoption of new best estimate's assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

Investments and other financial assets

Initial recognition

Financial assets are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of the Company's financial assets except in case of financial assets at fair value through profit or loss. Company's financial assets include cash and cash equivalents, murabaha deposits, receivables, held-to-maturity investments and available-for-sale investments.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Classification and subsequent measurement

Financial assets are classified into the following specified categories: loans and receivables, available-for-sale and held to maturity financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

- a. **Loans and receivables** are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment and are included in current assets, except for maturities greater than 12 months after the end of the reporting period.
- b. **Available-for-sale investments ("AFS")** are non-derivative financial assets that are not classified as loans and receivables, held to maturity investment or financial assets at fair value through profit or loss. Changes in the carrying amount of the AFS financial asset are recognized in other comprehensive income. AFS equity investment that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.
- c. **Fair value through profit or loss ("FVTPL")** are non-derivative financial assets that are held for trading. All derivatives (except those designated hedging instruments) and financial assets acquired or held for the purpose of selling in the short term or for which there is a recent pattern of short-term profit taking are held for trading.
- d. **Held-to-maturity investments** are investments which have fixed or determinable payments that the Company has the positive intention and ability to hold to maturity are subsequently measured at amortized cost, less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on such investments is recognized in the statements of income when the investment is derecognized or impaired.

Impairment and un-collectability of financial assets

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

Evidence of impairment may include:

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

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

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

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

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Impairment and un-collectibility of financial assets (continued)

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

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

The determination of what is 'significant' or 'prolonged' requires judgement. A period of 12 months or longer is considered to be prolonged and a decline of 30% from original cost is considered significant as per Company policy. In making this judgement, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

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

Financial Liabilities

Initial recognition

Financial liabilities are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of the Company's financial liabilities.

Classification and subsequent measurement

Since the Company does not have financial liabilities classified at Fair value through Profit or loss, all financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Derecognition of financial instruments

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

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting

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 realize the assets and settle the liabilities simultaneously. Income and expense will not be offset in the statements of income and comprehensive income unless required or permitted by an accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

Fair values

The fair value of financial assets that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the financial reporting date. If quoted market prices are not available, reference is made to broker or dealer price quotations.

For financial assets where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's-length transactions, reference to the current market value of another instrument which is substantially the same and/or discounted cash flow analysis. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for similar assets.

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 statements of income as they are consumed or expire with the passage of time.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred. The cost of other items of property and equipment is depreciated on the straight line method to allocate the cost over estimated useful lives, as follows:

	Years
Leasehold improvements	Shorter of 3 or the relevant lease term
Furniture and fittings	10
Computer and office equipment	3 - 5
Vehicles	3

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

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

Capital work-in-progress

Capital work-in-progress includes property that is being developed for future use. When commissioned, capital work-in-progress will be transferred to the respective category within property and equipment, and depreciated in accordance with the Company's policy.

Intangibles assets

Intangible assets are stated at cost less accumulated amortization and impairment, if any. Amortization is provided over the estimated useful lives of the applicable intangible assets using the straight line method. The estimated useful lives of the intangible asset are between 3 to 5 years.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Statutory deposit

The statutory deposit, which is equal to 10% of the Company's paid up capital, consisted mainly of murabaha deposit maintained at a local bank in compliance with SAMA requirement.

Accrued and other liabilities

Accrued and other liabilities are recognized for amounts to be paid in the future for goods and services, whether billed by the supplier or not.

Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

Employees' 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.

Short term employee benefits

Short-term employee benefits, include leave pay and airfare, are current liabilities included in accrued expenses, measured at the undiscounted amount that the entity expects to pay as a result of the unused entitlement.

Employees' end-of-service benefits

The Company pays retirement contributions for its Saudi Arabian employees to the General Organization for Social Insurance. This represents a state-owned defined contribution plan. The payments made are expensed as incurred.

Zakat and tax

In accordance with the regulations of the Zakat, Tax and Customs Authority (the "ZATCA"), the Company is subject to zakat attributable to the Saudi shareholders and to income tax attributable to the foreign shareholders. Provision for zakat and income tax is charged to the statement of profit or loss. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. Zakat is computed on the Saudi shareholders' share of equity and/ or net income using the basis defined under the regulations of ZATCA. Income tax is computed on the foreign shareholders' share of net income for the year.

The Company withholds taxes on certain transactions with non-resident parties, including dividend payments to foreign shareholders, 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.

Statutory reserve

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

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.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Insurance contracts

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Revenue Recognition

Recognition of premium and commission revenue

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

Unearned premiums are calculated on a straight line method over the insurance policy coverage except for:

- Marine - Last three months premium at a reporting date is considered as unearned.
- Engineering - as per the guidelines provided by SAMA, pre-defined calculation for risks undertaken that extend beyond a single year. In accordance with this calculation, lower premiums are earned in the first year which gradually increases towards the end of the tenure of the policy; and

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

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

Investment income

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

Dividend income

Dividend income, if any, on equity instruments classified under available-for-sale investments is recognized when the right to receive payment is established.

Claims

Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries.

Gross outstanding claims comprise gross estimated cost of claims incurred but not settled at the reporting date together with related claims handling costs, whether reported or not. Provisions for reported claims not paid as of the financial reporting date are made on the basis of individual case estimates.

In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling IBNR as of financial reporting date. The ultimate liability may be in excess of or less than the amount provided. Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the statement of income for that year.

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

Further, the Company does not discount its liabilities for unpaid claims as substantially all claims are expected to be paid within one year of the financial reporting date.

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(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Salvage and subrogation reimbursement

Some insurance contracts permit the Company to sell (usually damaged) assets acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the outstanding claims liability. The allowance is the amount that can reasonably be recovered from the disposal of the asset.

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

Reinsurance contracts ceded

Reinsurance contracts are contracts entered into by the Company with reinsurers during the normal course of business under which the Company is compensated for losses on insurance contracts issued. Such reinsurance arrangements provide for greater diversification of business, allows management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. Reinsurance is distributed between treaty, facultative, stop loss and excess of loss reinsurance contract.

The benefits to which the Company is entitled under its reinsurance contracts ceded are recognized as reinsurance assets in the insurance operations' assets. These assets consist of balances due from reinsurers on settlement of claims and other receivables such as profit commissions and reinsurers' share of outstanding claims that are dependent on the expected claims and benefits arising under the related reinsured insurance contract. Amounts recoverable from or due to reinsurers are recognized consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

At each financial reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment is recognized in the statement of income.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Expense recognition

Expenses are recognized in statements of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in statements of income on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over the accounting period. Expenses in the statement of income are presented using the nature of expense method.

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.

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).

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental commission rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Company if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

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(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

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(All amounts in Saudi Riyals unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividend distribution

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

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to Saudi Riyals at the rate of exchange prevailing at the statement of financial position date. All differences are taken to the statements of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated.

Operating Segments

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

- Medical insurance provides health care cover to policyholders.
- Motor Insurance provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Fire and burglary insurance provides coverage against fire, and any other insurance included under this class of insurance.
- Marine Insurance provides cover for Marine Cargo in transit and ships against marine perils.
- Engineering Insurance provides coverage for loss or damage to construction works or erection and installation of plant & machinery.
- Public liability insurance provides cover for legal liability of the insured against third parties arising out of premises, business operations or projects handled.
- General accident insurance provides coverage against accidental death to individual and group of parties under Personal Accident Insurance.
- Others provide coverage for workmen compensation.

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.

Shareholders' Funds is a non-operating segment. Income earned from murabaha deposits is its only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate

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 operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments which will then be eliminated at the level of financial statements of the Company. As the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by operating segments only.

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

4 CASH AND CASH EQUIVALENTS

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

	2021	2020
Cash in banks	52,014,680	49,984,698
Cash on hand	13,749	15,029
	52,028,429	49,999,727

Cash in banks are placed with counterparties with sound credit ratings under Standard and Poor's and Moody's ratings methodology.

5 MURABAHA DEPOSITS

Murabaha deposits represents deposits with local banks that have investment grade credit ratings and have an original maturity of more than three months from date of acquisition. The deposits earn commission at rate ranging from 0.8% to 3.4% (31 December 2020: 1.2% to 3.4%) per annum.

6 PREMIUMS AND REINSURERS' RECEIVABLE - NET

Receivables comprise amounts due from the following:

	2021	2020
Policyholders	155,485,361	184,863,153
Brokers and agents	70,716,931	63,219,101
Related parties (note 20)	79,816,404	58,876,953
Receivables from reinsurers	27,688,737	13,622,811
	333,707,433	320,582,018
Less:		
Provision for doubtful receivables - policyholders	(31,595,125)	(37,503,691)
Provision for doubtful receivables - brokers and agents	(18,633,885)	(14,945,722)
Provision for doubtful receivables - related parties (note 20)	(16,516,338)	(19,632,503)
Provision for doubtful receivables - receivables from reinsurers	(5,550,314)	(2,627,906)
	(72,295,662)	(74,709,822)
	261,411,771	245,872,196

As at 31 December, the aging of receivables is as follows:

	Total	Past due but not impaired			Past due and impaired		
		Less than 30 days	31 - 60 days	61 - 90 days	91 - 180 days	181 - 360 days	More than 360 days
Policyholders	155,485,361	61,282,437	35,792,467	10,811,017	7,528,959	5,347,771	34,722,710
Brokers and agents	70,716,931	29,560,801	6,327,162	3,681,513	6,354,841	6,194,520	18,598,094
Related parties	79,816,404	14,448,816	10,831,265	16,806,710	8,264,050	12,032,582	17,432,981
Receivables from reinsurers	27,688,737	2,076,047	1,064,234	9,666,423	3,215,703	4,922,205	6,744,125
2021	333,707,433	107,368,101	54,015,128	40,965,663	25,363,553	28,497,078	77,497,910
Policyholders	184,863,153	38,770,391	50,017,896	26,722,337	11,895,767	17,409,218	40,047,544
Brokers and agents	63,219,101	30,843,089	2,338,036	3,313,300	5,604,435	3,864,287	17,255,954
Related parties	58,876,953	16,060,786	2,189,954	3,535,818	4,840,659	10,561,796	21,687,940
Receivables from reinsurers	13,622,811	1,501,768	1,009,182	3,162,559	2,201,188	2,590,854	3,157,260
2020	320,582,018	87,176,034	55,555,068	36,734,014	24,542,049	34,426,155	82,148,698

The movement in the provision for doubtful receivables is as follows:

	2021	2020
Balance at January 1	74,709,822	70,676,467
Provision made during the year	9,344,168	4,033,355
Bad debts written-off	(11,758,328)	-
Balance at December 31	72,295,662	74,709,822

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 accounts for 19% of the receivable as at 31 December 2021 (31 December 2020: 27%).

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

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7 MOVEMENT IN OUTSTANDING CLAIMS, UNEARNED PREMIUMS, UNEARNED REINSURANCE COMMISSION AND DEFERRED POLICY ACQUISITION COSTS

	2021			2020		
	Gross	RI share	Net	Gross	RI share	Net
a) Outstanding claims and reserves						
Outstanding claims at end of the year	446,696,580	(377,883,139)	68,813,441	387,537,289	(339,166,728)	48,370,561
Other reserves at end of the year	10,861,709	-	10,861,709	8,691,319	-	8,691,319
Outstanding claims and reserves at end of the year	457,558,289	(377,883,139)	79,675,150	396,228,608	(339,166,728)	57,061,880
Less: realizable value of salvage and subrogation at end of the year	(11,401,314)	-	(11,401,314)	(10,378,368)	-	(10,378,368)
Outstanding claims and reserves at end of the year	446,156,975	(377,883,139)	68,273,836	385,850,240	(339,166,728)	46,683,512
Claims incurred but not reported at end of the year	146,966,791	(65,106,710)	81,860,081	117,468,630	(43,367,257)	74,101,373
	593,123,766	(442,989,849)	150,133,917	503,318,870	(382,533,985)	120,784,885
Claims paid during the year	550,517,916	(116,386,036)	434,131,880	446,868,497	(78,890,405)	367,978,092
	(385,850,240)	339,166,728	(46,683,512)	(428,202,293)	364,623,633	(63,578,660)
Outstanding claims and reserves at beginning of the year	(117,468,630)	43,367,257	(74,101,373)	(122,763,884)	41,470,036	(81,293,848)
Claims incurred but not reported at beginning of the year	(503,318,870)	382,533,985	(120,784,885)	(550,966,177)	406,093,669	(144,872,508)
Claims incurred during the year	640,322,812	(176,841,900)	463,480,912	399,221,190	(55,330,721)	343,890,469
b) Unearned premiums						
Unearned premiums at beginning of the year	265,548,157	(39,420,956)	226,127,201	255,633,330	(34,093,154)	221,540,176
Premiums written during the year	777,537,673	(180,871,570)	596,666,103	795,037,966	(224,754,424)	570,283,542
Excess of loss expenses during the year	-	(28,780,907)	(28,780,907)	-	(37,298,767)	(37,298,767)
Premiums earned during the year	(788,956,054)	221,911,781	(567,044,273)	(785,123,139)	256,725,389	(528,397,750)
Unearned premiums at end of the year	254,129,776	(27,161,652)	226,968,124	265,548,157	(39,420,956)	226,127,201
c) Unearned reinsurance commission						
					2021	2020
Balance at January 1					6,759,142	6,714,158
Commission received during the year					22,014,345	31,102,465
Commission earned during the year					(23,516,514)	(31,057,481)
Balance at December 31					5,256,973	6,759,142

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)

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**7 MOVEMENT IN OUTSTANDING CLAIMS, UNEARNED PREMIUMS, UNEARNED REINSURANCE
COMMISSION AND DEFERRED POLICY ACQUISITION COSTS (continued)**

d) Deferred policy acquisition costs

	2021	2020
Balance at January 1	18,459,055	16,877,051
Incurred during the year	65,712,766	59,818,818
Amortized during the year	(61,085,624)	(58,236,814)
Balance at December 31	<u>23,086,197</u>	<u>18,459,055</u>

8 INVESTMENTS

(a) Available-for-sale investments

As at 31 December 2021 and 31 December 2020, Available-for-sale investment represents SR 1.9 million in respect of the Company's share in the capital of Najm for Insurance Services Company ("Najm") which represents a 3.85% capital holding in Najm.

(b) Fair value through profit or loss investments

	2021	2020
Balance at January 1	90,028,540	90,671,601
Acquired during the year	107,351	-
Unrealized gain/(loss) from change in fair value	2,111,471	(643,061)
Balance at December 31	<u>92,247,362</u>	<u>90,028,540</u>

As at 31 December 2021, Fair value through profit or loss investments represents SR 92.25 million (31 December 2020 : SR 90 million) in respect of quoted equity instruments of Saudi listed companies.

(c) Held-to-maturity investment

As at 31 December 2021, the Company's investment in Islamic bonds ("Sukuk"), issued by a local bank having a credit rating of "AA", amounted to SR 75 million (31 December 2020: SR 35 million) comprising of 75 Sukuk (31 December 2020: 35 Sukuk) denominated at Saudi Riyals 1 million each and a margin equivalent to 6 month SIBOR plus 195 basis points (31 December 2020: 6 month SIBOR plus 195 basis points), having maturity date of 27 May 2025.

	2021	2020
Balance at January 1	35,531,657	10,192,936
Additions	40,000,000	25,000,000
Amortisation, net	410,981	338,721
Balance at December 31	<u>75,942,638</u>	<u>35,531,657</u>

9 PREPAYMENTS AND OTHER ASSETS

	2021	2020
Recoverable expenses from reinsurers	41,822,779	31,008,578
Guarantee deposits	4,346,743	3,403,098
Accrued income from manafeth fund	4,269,430	8,237,902
Medical insurance	323,749	611,323
Employees' receivables	3,568,135	3,205,585
Accrued interest income from murabaha deposits	5,463,039	4,795,556
Excess of loss premium	1,856,457	1,053,090
Advance for IT operational expenses	2,529,557	2,437,851
Rentals	1,018,558	588,200
Receivable from hospitals	3,195,471	-
Others	3,743,665	2,968,717
	<u>72,137,583</u>	<u>58,309,900</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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10 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

	2021					
	Property and equipment			Intangible assets		
	Leasehold improvements	Furniture and fittings	Computer and office equipment	Vehicles	Capital work in progress	Total property and equipment
Cost						
1 January	7,602,496	2,756,280	16,298,495	675,600	1,896,995	29,229,866
Additions	-	-	-	-	3,677,799	3,677,799
31 December	<u>7,602,496</u>	<u>2,756,280</u>	<u>16,298,495</u>	<u>675,600</u>	<u>5,574,794</u>	<u>32,907,665</u>
Accumulated depreciation/amortisation						
1 January	7,552,757	2,250,106	13,918,136	675,600	-	24,396,599
Charge for the year	24,290	94,344	1,328,478	-	-	1,447,112
31 December	<u>7,577,047</u>	<u>2,344,450</u>	<u>15,246,614</u>	<u>675,600</u>	<u>-</u>	<u>25,843,711</u>
Net book value						
31 December	<u>25,449</u>	<u>411,830</u>	<u>1,051,881</u>	<u>-</u>	<u>5,574,794</u>	<u>7,063,954</u>

	2020					
	Property and equipment			Intangible assets		
	Leasehold improvements	Furniture and fittings	Computer and office equipment	Vehicles	Capital work in progress	Total property and equipment
Cost						
1 January	7,602,496	2,673,640	14,862,911	675,600	519,471	26,334,118
Additions	-	82,640	1,435,584	-	1,377,524	2,895,748
31 December	<u>7,602,496</u>	<u>2,756,280</u>	<u>16,298,495</u>	<u>675,600</u>	<u>1,896,995</u>	<u>29,229,866</u>
Accumulated depreciation/amortisation						
1 January	7,493,411	2,129,288	12,000,201	675,600	-	22,298,500
Charge for the year	59,346	120,818	1,917,935	-	-	2,098,099
31 December	<u>7,552,757</u>	<u>2,250,106</u>	<u>13,918,136</u>	<u>675,600</u>	<u>-</u>	<u>24,396,599</u>
Net book value						
31 December	<u>49,739</u>	<u>506,174</u>	<u>2,380,359</u>	<u>-</u>	<u>1,896,995</u>	<u>4,833,267</u>

The depreciation/amortisation charge for the year is included in general and administrative expenses in the statement of income (Note 19).

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)

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11 STATUTORY DEPOSIT

Statutory deposit represents 10% of the paid up share capital which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies implemented in the Kingdom of Saudi Arabia. The statutory deposit cannot be withdrawn without the consent of SAMA. The statutory deposit is placed with a counterparty having investment grade credit rating. Return on statutory deposit is shown as an asset and liability in the statement of financial position.

12 ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2021	2020
Payable to hospitals		-	936,954
Commission payable		26,738,459	24,482,391
Amounts due to related parties	20	42,846,342	10,295,082
Value Added Tax payable		13,549,435	11,839,610
Inspection and supervision fees		1,025,329	3,530,735
Accrued salaries and employees' benefits		41,531	45,832
Surveyors payable		3,324,285	1,186,402
Payable to workshops		69,017	652,140
Accrued professional fees		198,380	13,327
Others		9,807,570	11,934,524
		<u>97,600,348</u>	<u>64,916,997</u>

13 SURPLUS DISTRIBUTION PAYABLE

The movement in Surplus distribution payable during the year is as follows:

	2021	2020
Opening surplus distribution payable as at 1 January	5,577,137	-
Total income attributed to the insurance operations during the year	-	5,577,137
Surplus paid to policy holders	(5,577,137)	-
Closing surplus distribution payable as at 31 December	<u>-</u>	<u>5,577,137</u>

14 EMPLOYEES' END-OF-SERVICE BENEFITS

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

	2021	2020
Present value of defined benefit obligation	<u>23,938,250</u>	<u>18,705,950</u>
Movement of defined benefit obligation	2021	2020
Balance at January 1	18,705,950	15,082,288
Current service cost	4,434,715	3,704,750
Interest cost	581,275	553,140
Actuarial loss on remeasurement	1,134,479	1,438,651
Payment of benefits during the year	(918,169)	(2,072,879)
Balance at December 31	<u>23,938,250</u>	<u>18,705,950</u>
Principal actuarial assumptions	2021	2020
Valuation discount rate	2.5%	3.2%
Expected rate of increase in salary level across different age bands	0%	5%

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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14 EMPLOYEES' END-OF-SERVICE BENEFITS (continued)

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

	2021	2020
Valuation discount rate		
- Increase by 1%	(1,544,486)	(1,142,941)
- Decrease by 1%	1,780,248	1,316,605
Expected rate of increase in salary level across different age bands		
- Increase by 1%	1,726,120	1,279,313
- Decrease by 1%	(1,531,427)	(1,134,736)
Mortality rate		
- Increase by 20%	(5,937)	(3,225)
- Decrease by 20%	5,951	3,231
Employee turnover		
- Increase by 20%	(723,039)	(481,876)
- Decrease by 20%	804,383	521,122

15 PROVISION FOR ZAKAT

a) Charge for the year

The zakat payable by the Company has been calculated in accordance with the zakat regulations in Saudi Arabia.

The zakat provision for the year is based on the following:

	2021	2020
Shareholders' equity and opening provisions	449,870,863	394,483,736
Book value of long term assets and statutory deposit	(127,740,796)	(40,545,434)
	322,130,067	353,938,302
Adjusted income for the year	(38,246,084)	56,510,338
Zakat base	283,883,983	410,448,640
Zakat due at 2.5%	7,097,100	10,261,216

The difference between the financial and zakatable results is mainly due to provisions which are not allowed in the calculation of zakatable income. The Company is not subject to income tax being fully owned by Saudi and GCC shareholders.

b) Zakat payable

The movement in zakat payable during the year were as follows:

	2021	2020
Balance at beginning of the year	10,517,581	9,047,924
Charge for the year	7,097,100	10,261,216
Payments during the year	(9,198,273)	(8,791,559)
Balance at end of the year	8,416,408	10,517,581

c) Status of assessments

The Company has filed its zakat return for the financial years up to and including the year 2020 with the ZATCA and received the final zakat certificate from the ZATCA.

The Company has received final assessments for the years 2008 through 2019 with no additional zakat liability.

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16 SHARE CAPITAL

The authorized, issued and paid up capital of the Company was SR 300 million at 31 December 2021 (31 December 2020: SR 300 million) consisting of 30 million shares (31 December 2020: 30 million shares) of SR 10 each. Shareholding structure of the Company is as below:

	2021		2020	
	Authorised, issued and paid up		Authorised, issued and paid up	
	No. of Shares	SR'000	No. of Shares	SR'000
Saudi Arabian Insurance Company B.S.C	9,000,000	90,000,000	9,000,000	90,000,000
Others	21,000,000	210,000,000	21,000,000	210,000,000
	30,000,000	300,000,000	30,000,000	300,000,000

17 BASIC AND DILUTED (LOSS)/EARNING PER SHARE

Basic and diluted (loss)/earning per share for the year have been calculated by dividing the total (loss)/income attributable to the shareholders after zakat by the weighted average number of shares in issue throughout the period.

	2021	2020
Total (loss)/earning for the year attributable to the shareholders after zakat	(62,634,679)	47,322,351
Weighted average number of shares throughout the period (thousands)	30,000	30,000
Basic and diluted (loss)/earning per share	(2.09)	1.58

There are no diluted potential shares during the year ended 31 December 2021 and 2020.

18 STATUTORY RESERVE

In accordance with the Company's By-Laws and in compliance with Article 70(2)(g) of the Insurance Implementing Regulations issued by SAMA, the Company is required to allocate 20% of its net income for the year to the statutory reserve until it equals the value of share capital. Such transfer is only made at year end. The statutory reserve is not available for distribution to shareholders until liquidation of the Company.

19 GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2021	2020
Salaries and benefits		98,076,372	82,473,472
IT operational expenses		5,597,940	5,166,442
Depreciation	10	1,447,112	2,098,099
Amortisation	10	1,687,966	1,876,845
Rent		2,660,126	2,507,271
Communications		1,508,699	1,875,466
Audit fees		607,187	585,167
Legal and professional fees		2,572,591	2,351,520
Printing and stationery		194,154	280,654
Repairs and maintenance		393,060	323,303
Travel		379,351	234,832
Collectors' fees		327,700	75,625
Withholding tax		184,633	879,805
Subscription fees		359,221	343,370
Others		6,323,005	4,677,322
		122,319,117	105,749,193

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20 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, key management personnel of the Company and entities controlled, jointly controlled or subsequently influenced by such parties or the Company. All transactions with such related parties are conducted on normal terms and conditions and are approved by management.

The following are the details of the major related party transactions during the year and the related balances:

Related party	Nature of transactions	Amount of transaction		Balance	
		2021	2020	2021	2020
Amounts due to related parties are as follows (note 12):					
ACE Insurance & Reinsurance Brokers Limited ("Broker") (Affiliate)	Premiums ceded through Broker	45,866,391	83,782,000		
	Commission received	105,764	13,694,469	42,108,084	10,111,497
Saudi Arabian Insurance Company B.S.C (C) (Shareholder)	Premiums ceded	148,683	890,902		
	Commission received	17,346	99,704	682,756	128,083
ACE Insurance Agents Limited ("Agent") (Affiliate)	Premiums received through Agent	-	2,316,935		
	Commission expense	-	294,587	-	-
ACE Limited (Affiliate)				55,502	55,502
				42,846,342	10,295,082

Amounts due from related party are as follows (note 6):

ACE Insurance & Reinsurance Brokers Limited ("Broker") (Affiliate)	Premiums received through Broker, net	124,397,455	130,118,943		
	Commission expense	11,747,823	12,249,950	79,816,404	58,876,953
	Reversal of doubtful debts	3,116,165	421,018	(16,516,338)	(19,632,503)
				63,300,066	39,244,450
				63,300,066	39,244,450

Compensation of key management personnel

Key management personnel of the Company include all directors (executives and non-executives) and senior management. The summary of compensation of key management personnel for the year ended 31 December is as follows:

	BOD and committee members (Non-Executive)		Top Executives including the CEO and CFO	
	2021	2020	2021	2020
Short-term benefits	1,106,000	1,028,000	10,252,040	8,690,478
Bonus	-	-	3,758,860	1,746,000
Employees' end-of-service benefits	-	-	829,168	711,095
	1,106,000	1,028,000	14,840,068	11,147,573

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21 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 accident year at each statement of financial position date, together with cumulative payments to date. The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of the claims.

The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments.

Claims triangular analysis is by accident years spanning a number of financial years.

Claims development table gross of reinsurance (with IBNR and other reserves) for 2021:

	2015 & earlier	2016	2017	2018	2019	2020	2021	Total
Accident year								
At end of accident year	7,652,856,803	447,097,603	439,173,129	658,710,089	578,602,042	454,006,120	649,485,518	10,879,931,304
One year later	2,306,688,887	420,582,890	421,672,753	636,685,309	556,870,614	448,628,474		4,791,128,927
Two years later	2,283,859,310	399,910,956	453,304,829	635,368,472	558,884,779			4,331,328,346
Three years later	2,305,873,743	390,690,912	446,621,741	634,378,122				3,777,564,518
Four years later	2,423,656,404	388,658,482	444,957,137					3,257,272,023
Five years later	2,072,425,601	393,763,310						2,466,188,911
Six years later	2,062,364,796							2,062,364,796
Current estimate of cumulative claims	2,062,364,796	393,763,310	444,957,137	634,378,122	558,884,779	448,628,474	649,485,518	5,192,462,136
Cumulative payments to date	(1,930,592,812)	(380,862,870)	(432,716,926)	(584,751,034)	(534,915,450)	(392,430,310)	(343,068,968)	(4,599,338,370)
Gross outstanding claims and reserves recognized in the statement of financial position	131,771,984	12,900,440	12,240,211	49,627,088	23,969,329	56,198,164	306,416,550	593,123,766

Claims development table gross of reinsurance (with IBNR and other reserves) for 2020:

	2014 & earlier	2015	2016	2017	2018	2019	2020	Total
Accident year								
At end of accident year	5,559,148,605	311,795,029	447,097,603	439,173,129	658,710,089	578,602,042	454,006,120	8,448,532,617
One year later	1,781,913,169	458,933,766	420,582,890	421,672,753	636,685,309	556,870,614		4,276,658,501
Two years later	1,847,755,121	459,957,247	399,910,956	453,304,829	635,368,472			3,796,296,625
Three years later	1,823,902,063	452,947,977	390,690,912	446,621,741				3,114,162,693
Four years later	1,852,925,766	627,757,486	388,658,482					2,869,341,734
Five years later	1,795,898,918	624,013,469						2,419,912,387
Six years later	1,448,412,132							1,448,412,132
Current estimate of cumulative claims	1,448,412,132	624,013,469	388,658,482	446,621,741	635,368,472	556,870,614	454,006,120	4,553,951,030
Cumulative payments to date	(1,380,132,054)	(546,904,726)	(364,666,607)	(422,988,756)	(554,458,346)	(524,598,995)	(256,882,676)	(4,050,632,160)
Gross outstanding claims and reserves recognized in the statement of financial position	68,280,078	77,108,743	23,991,875	23,632,985	80,910,126	32,271,619	197,123,444	503,318,870

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21 CLAIMS DEVELOPMENT TABLE (continued)

(Claims development table net of reinsurance (with IBNR and other reserves) for 2021:

Accident year	2015 & earlier	2016	2017	2018	2019	2020	2021	Total
At end of accident year	4,660,961,162	345,348,350	366,938,363	477,262,346	504,142,371	352,879,225	464,448,610	7,171,980,427
One year later	1,767,006,396	324,545,373	376,779,178	467,228,061	504,574,163	345,499,693		3,785,632,864
Two years later	1,765,167,475	320,793,493	373,144,094	465,390,923	509,355,112			3,433,851,097
Three years later	1,765,664,505	321,547,294	370,448,217	466,294,831				2,923,954,847
Four years later	1,652,228,248	324,551,610	370,193,341					2,346,973,199
Five years later	1,411,956,756	324,924,004						1,736,880,760
Six years later	1,410,859,261							1,410,859,261
Current estimate of cumulative claims	1,410,859,261	324,924,004	370,193,341	466,294,831	509,355,112	345,499,693	464,448,610	3,891,574,852
Cumulative payments to date	(1,408,901,243)	(323,890,582)	(369,398,289)	(465,041,879)	(506,257,107)	(335,912,960)	(332,038,877)	(3,741,440,935)
Net outstanding claims and reserves recognized in the statement of financial position	1,958,018	1,033,422	795,052	1,252,952	3,098,005	9,586,733	132,409,733	150,133,917

(Claims development table net of reinsurance (with IBNR and other reserves) for 2020:

Accident year	2014 & earlier	2015	2016	2017	2018	2019	2020	Total
At end of accident year	2,901,363,427	453,129,658	345,348,350	366,938,363	477,262,346	504,142,371	352,879,225	5,401,063,740
One year later	1,306,468,077	457,148,755	324,545,373	376,779,178	467,228,061	504,574,163		3,436,743,607
Two years later	1,309,857,641	459,390,666	320,793,493	373,144,094	465,390,923			2,928,576,817
Three years later	1,305,776,809	460,095,444	321,547,294	370,448,217				2,457,867,764
Four years later	1,305,569,061	464,345,181	324,551,610					2,094,465,852
Five years later	1,187,883,067	461,527,170						1,649,410,237
Six years later	950,429,586							950,429,586
Current estimate of cumulative claims	950,429,586	461,527,170	324,551,610	370,448,217	465,390,923	504,574,163	352,879,225	3,429,800,894
Cumulative payments to date	(947,803,838)	(459,984,706)	(322,956,431)	(369,091,296)	(463,154,362)	(497,557,831)	(248,467,545)	(3,309,016,009)
Net outstanding claims and reserves recognized in the statement of financial position	2,625,748	1,542,464	1,595,179	1,356,921	2,236,561	7,016,332	104,411,680	120,784,885

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22 SEGMENT INFORMATION

Consistent with the Company's internal reporting process, operating segments have been approved by management in respect of the Company's activities, assets and liabilities as stated below. Segment results do not include income from investments, income from murabaha deposits, other income, general and administrative expenses, and provision for doubtful debts. Accordingly, they are included in unallocated income and expenses.

Segment assets do not include cash and cash equivalents, murabaha deposits, premiums and reinsurers' receivable - net, available for sale investment, held-to-maturity investment, due from related parties, prepayments and other assets, property and equipment, intangible assets, statutory deposit and accrued income from statutory deposit. Accordingly, they are included in unallocated assets.

Segment liabilities do not include accrued and other liabilities, surplus distribution payable, reinsurance balances payable, accounts payable, employees' end-of-service benefits, provision for zakat, accrued commission income payable to SAMA. Accordingly, they are included in unallocated liabilities. All of the Company's operating assets and principal activities are located in the Kingdom of Saudi Arabia.

Operating segment	2021				
	Medical	Motor	Property & casualty	Protection & savings	Shareholders' operations
Revenues					
Gross premiums written					
- Individual	824,240	58,848,635	1,395,448	-	-
- Micro enterprise	9,499,310	7,066,058	8,244,833	-	-
- Small enterprises	71,883,591	11,267,456	7,226,409	-	-
- Medium enterprises	158,159,103	37,929,611	29,671,740	-	-
- Large enterprise	125,454,907	70,804,232	179,262,100	-	-
	365,821,151	185,915,992	225,800,530	-	-
Reinsurance premiums ceded					
- Local	-	-	(49,499,918)	-	-
- International (includes premium ceded through local broker)	-	(300,751)	(131,070,901)	-	-
	-	(300,751)	(180,570,819)	-	-
Excess of loss expenses					
- Local	-	(459,756)	(86,890)	-	-
- International	(23,922,085)	(1,839,022)	(2,473,154)	-	-
	(23,922,085)	(2,298,778)	(2,560,044)	-	-
Net premiums written	341,899,066	183,316,463	42,669,667	-	-
					567,885,196

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22 SEGMENT INFORMATION (continued)

Operating segment	2021				
	Medical	Motor	Property & casualty	Protection & savings	Shareholders' operations
Net premiums written					
Movement in unearned premiums, net	341,899,066	183,316,463	42,669,667	-	-
	(4,830,096)	3,179,104	810,069	-	-
Net premiums earned	337,068,970	186,495,567	43,479,736	-	-
Reinsurance commissions	-	1,102,675	22,413,839	-	-
Other underwriting income	305,153	505,648	433,693	-	-
Net revenues	337,374,123	188,103,890	66,327,268	-	-
Underwriting costs and expenses					
Gross claims paid	286,709,855	146,157,951	117,650,110	-	-
Reinsurers' share of claims paid	-	(4,745,677)	(111,640,359)	-	-
Net claims paid	286,709,855	141,412,274	6,009,751	-	-
Movement in outstanding claims, IBNR and other reserves, net	26,480,340	1,219,339	1,649,353	-	-
Net claims incurred	313,190,195	142,631,613	7,659,104	-	-
Policy acquisition costs	18,450,843	22,411,326	20,223,455	-	-
Inspection and supervision fees	5,487,317	927,281	880,768	-	-
Total underwriting costs and expenses	337,128,355	165,970,220	28,763,327	-	-
Net underwriting income	245,768	22,133,670	37,563,941	-	-
Unallocated income					8,885,083
Unallocated expenses					(1,467,504)
Total loss for the year					
Surplus attributed to the insurance operations					16,182,327
Total loss for the year attributable to the shareholders before zakat					(131,663,285)
Zakat					(55,537,579)
Total loss for the year attributable to the shareholders after zakat					(187,200,864)

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22 SEGMENT INFORMATION (Continued)

Operating segment	2020				
	Medical	Motor	Property & casualty	Protection & savings	Shareholders' operations' Total
Revenues					
Gross premiums written					
- Individual	512,992	134,548,176	796,805	-	- 135,857,973
- Micro enterprise	7,510,373	6,443,914	10,926,262	-	- 24,880,549
- Small enterprises	62,204,335	12,423,199	7,156,555	-	- 81,784,089
- Medium enterprises	104,724,402	34,816,293	34,396,081	-	- 173,936,776
- Large enterprise	142,482,528	31,472,175	204,623,876	-	- 378,578,579
	317,434,630	219,703,757	257,899,579	-	- 795,037,966
Reinsurance premiums ceded					
- Local	-	-	(54,518,400)	-	- (54,518,400)
- International (includes premium ceded through local broker)	-	(10,050,582)	(160,185,442)	-	- (170,236,024)
	-	(10,050,582)	(214,703,842)	-	- (224,754,424)
Excess of loss expenses					
- Local	-	(375,636)	(26,728)	-	- (402,364)
- International	(35,712,945)	(1,502,544)	319,086	-	- (36,896,403)
	(35,712,945)	(1,878,180)	292,358	-	- (37,298,767)
Net premiums written	281,721,685	207,774,995	43,488,095	-	- 532,984,775
Movement in unearned premiums, net	(10,977,685)	8,335,475	(1,944,815)	-	- (4,587,025)
Net premiums earned	270,744,000	216,110,470	41,543,280	-	- 528,397,750
Reinsurance commissions	-	1,083,060	29,974,421	-	- 31,057,481
Other underwriting income	2,009,885	2,395,829	2,462,774	-	- 6,868,488
Net revenues	272,753,885	219,589,559	73,980,475	-	- 566,323,719

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22 SEGMENT INFORMATION (Continued)

Operating segment	2020				
	Medical	Motor	Property & casualty	Protection & savings	Shareholders' operations
Underwriting costs and expenses					
Gross claims paid	215,411,648	159,838,208	71,618,641	-	-
Reinsurers' share of claims paid	232,890	(11,461,320)	(67,661,975)	-	-
Net claims paid	215,644,538	148,376,888	3,956,666	-	-
Movement in outstanding claims, IBNR and other reserves, net	(8,725,864)	(12,725,336)	(2,636,423)	-	-
Net claims incurred	206,918,674	135,651,552	1,320,243	-	-
Policy acquisition costs	17,138,607	18,581,910	22,516,297	-	-
Inspection and supervision fees	4,761,522	1,095,310	1,050,952	-	-
Total underwriting costs and expenses	228,818,803	155,328,772	24,887,492	-	-
Net underwriting income	43,935,082	64,260,587	49,092,983	-	-
Unallocated income					8,760,720
Unallocated expenses					(1,371,382)
Total income for the year					63,160,704
Surplus attributed to the insurance operations					(5,577,137)
Total income for the year attributable to the shareholders before zakat					57,583,567
Zakat					(10,261,216)
Total income for the year attributable to the shareholders after zakat					47,322,351

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22 SEGMENT INFORMATION (Continued)

Operating segment	2021				
	Medical	Motor	Property & casualty	Protection & savings	Shareholders' operations
Assets					
Reinsurers' share of outstanding claims	-	5,728,845	372,154,294	-	-
Reinsurers' share of claims incurred but not reported	-	5,842,288	59,264,422	-	-
Reinsurers' share of unearned premiums	-	25,710	27,135,942	-	-
Deferred policy acquisition costs	6,862,191	12,452,377	3,771,629	-	-
Segment assets	6,862,191	24,049,220	462,326,287	-	-
Unallocated assets					351,842,629
Total assets					862,206,026
					<u>1,355,443,724</u>
Liabilities and equity					
Outstanding claims and reserves	32,566,993	25,832,226	387,757,756	-	-
Claims incurred but not reported	43,072,000	38,289,706	65,605,085	-	-
Unearned premiums	130,415,342	88,044,455	35,669,979	-	-
Unearned reinsurance commission	-	9,893	5,247,080	-	-
Segment liabilities	206,054,335	152,176,280	494,279,900	-	-
Unallocated liabilities and surplus					12,333,446
Total equity					293,820,412
Total liabilities and equity					<u>1,355,443,724</u>

Unallocated assets at 31 December 2021 consists mainly of murabaha deposits of SR 255 million, premiums and reinsurers' receivable - net of SR 261 million, cash and cash equivalents of SR 52 million, Available-for-sale investment of SR 1.9 million, FVTPL investment of SR 92 million, Held-to-maturity investment of SR 76 million and other assets of SR 124 million.

Unallocated liabilities and surplus at 31 December 2021 consists mainly of accrued and other liabilities of SR 97.6 million, reinsurance balances payable of SR 53.29 million, employees' end-of-service benefits of SR 23.94 million and other liabilities of SR 35.28 million.

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22 SEGMENT INFORMATION (Continued)

Operating segment	2020				
	Medical	Motor	Property & casualty	Protection & savings	Shareholders' operations
Assets					
Reinsurers' share of outstanding claims	-	6,872,863	332,293,865	-	-
Reinsurers' share of claims incurred but not reported	-	3,165,691	40,201,566	-	-
Reinsurers' share of unearned premiums	-	6,543,540	32,877,416	-	-
Deferred policy acquisition costs	8,051,824	6,452,608	3,954,623	-	-
Segment assets	8,051,824	23,034,702	409,327,470	-	-
Unallocated assets					350,489,737
Total assets					871,017,659
					1,311,431,655
Liabilities					
Outstanding claims and reserves	16,530,900	20,723,648	348,595,692	-	-
Claims incurred but not reported	32,627,753	40,646,366	44,194,511	-	-
Unearned premiums	125,585,246	97,741,386	42,221,525	-	-
Unearned reinsurance commission	-	1,019,378	5,739,764	-	-
Segment liabilities	174,743,899	160,130,778	440,751,492	-	-
Unallocated liabilities and surplus				14,763,142	-
Total equity				356,455,091	179,300,759
Total liabilities					356,504,727
					1,311,431,655

Unallocated assets at 31 December 2020 consists mainly of murabaha deposits of SR 342 million, premiums and reinsurers' receivable - net of SR 246 million, cash and cash equivalents of SR 50 million, Available-for-sale investment of SR 1.9 million, FVTPL investment of SR 90 million, Held-to-maturity investment of SR 35 million and other assets of SR 106 million.

Unallocated liabilities and surplus at 31 December 2020 consists mainly of accrued and other liabilities of SR 64.92 million, reinsurance balances payable of SR 53.73 million, employees' end-of-service benefits of SR 18.71 million and other liabilities of SR 41.95 million.

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23 RISK MANAGEMENT

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

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 strategic plan approved by the Board of Directors. The Company is exposed to insurance risk, reinsurance risk, special commission rate risk, credit risk, liquidity risk, currency risk, market price risk, capital management regulatory framework risk and operational risk.

- a. Risk management structure - a cohesive organizational structure is established within the Company in order to identify, assess, monitor and control risks.
- b. 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.
- c. Senior management - the senior management is responsible for the day to day operations towards achieving the strategic goals within the Company's pre-defined risk appetite.

a) Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The Company purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota share reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risks, civil riots etc. The Company manages these risk through the measures described above. The Company has limited its risk by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

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23 RISK MANAGEMENT (continued)

a) Insurance risk (continued)

Concentration of insurance risk

The Company monitors concentration of insurance risks primarily by class of business. The major concentration lies in medical and motor segment.

The Company also monitors concentration of risk by evaluating multiple risks covered in the same geographical location. 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 marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk. The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

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

Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the statement of financial position date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the statement of financial position date.

Process used to decide on assumptions

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

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

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23 RISK MANAGEMENT (continued)

a) Insurance risk (continued)

Process used to decide on assumptions (continued)

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

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

Sensitivity analysis

The Company believes that the claim liabilities under insurance contracts outstanding at the year end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The insurance claim liabilities are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process.

A hypothetical 5% change in the claim ratio, net of reinsurance, would impact net underwriting income/(loss) as follows:

	Change in assumptions	Increase/ (decrease) in net liabilities	Increase/ (decrease) in underwriting surplus
Ultimate loss ratio			
2021	+/- 5%	28,352,214	28,352,214
2020	+/- 5%	26,419,888	26,419,888

b) Reinsurance risk

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

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

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

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23 RISK MANAGEMENT (continued)

b) Reinsurance risk (continued)

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

Furthermore, the financial strength and managerial and technical expertise as well as historical performance of the reinsurers, wherever applicable, are thoroughly reviewed by the Company and agreed to pre-set requirements of the Company's Board of Directors before approving them for exchange of reinsurance business. As at 31 December 2021 and 2020, there is no significant concentration of reinsurance balances.

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

c) Commission rate risk

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

The Company have murabaha deposits and investment in Sukuks, with the exception of restricted deposits which are required to be maintained in accordance with regulations in Saudi Arabia on which the Company does not earn any commission. Management limits commission rate risk by monitoring changes in commission rates in the currencies in which its deposits are denominated. The Company had no deposits in currencies other than Saudi Riyal.

The following information demonstrates the sensitivity of statement of income to possible changes in commission rates, with all other variables held constant.

	2021	2020
Increase/(decrease) in commission rates by 100 basis points	2,549,657	3,419,163

d) Credit risk

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

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

- a. To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers. Accordingly, as a pre-requisite, the parties with whom reinsurance is effected are required to have a minimum acceptable security rating level affirming their financial strength.
- b. The Company seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.
- c. Cash and cash equivalents are maintained with local banks approved by the management. Accordingly, as a pre-requisite, the bank with whom cash and cash equivalents are maintained is required to have a minimum acceptable security rating level affirming its financial strength.

The Company does not have an internal credit ratings assessment process, and accordingly, amounts which are neither past due nor impaired, in respect of client balances, are from individuals and unrated corporate counter parties. Balances due from reinsurers are with counterparties who have investment grade credit ratings issued by external rating agencies.

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23 RISK MANAGEMENT (continued)

d) Credit risk (continued)

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

	2021	2020
Cash in banks	52,014,680	49,984,698
Murabaha deposits	254,965,731	341,916,296
Premiums and reinsurers' receivable - net	261,411,771	245,872,196
Reinsurers' share of outstanding claims and reserves	377,883,139	339,166,728
Reinsurers' share of claims incurred but not reported	65,106,710	43,367,257
Available-for-sale investments	1,923,080	1,923,080
Held-to-maturity investments	75,942,638	35,531,657
Statutory deposit	30,000,000	30,000,000
Other assets	62,537,111	53,213,489
	<u>1,181,784,860</u>	<u>1,140,975,401</u>

Credit quality

The credit quality of the financial assets is as follows:

<u>Credit quality</u>	<u>* Credit Rating</u>	2021	2020
Cash and cash equivalents			
Very strong	Aaa - A2	52,014,680	45,894,903
Satisfactory	A3 - Baa3	-	4,089,795
Unrated	Unrated	13,749	15,029
		<u>52,028,429</u>	<u>49,999,727</u>
Murabaha deposits			
Very strong	Aaa - A2	254,965,731	246,474,362
Satisfactory	A3 - Baa3	-	95,441,934
Unrated	Unrated	-	-
		<u>254,965,731</u>	<u>341,916,296</u>
Investments			
Very strong	Aaa - A2	168,028,972	125,560,197
Satisfactory	A3 - Baa3	161,028	-
Unrated	Unrated	1,923,080	1,923,080
		<u>170,113,080</u>	<u>127,483,277</u>

** Credit rating source: Moody's*

All other financial assets are unrated.

Very strong quality: Capitalization, earnings, financial strength, liquidity, management, market reputation and repayment ability are excellent.

Satisfactory quality: Require regular monitoring due to financial risk factors. Ability to repay remains at a satisfactory level.

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23 RISK MANAGEMENT (continued)

e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

Maturity Profiles

The table below summarizes the maturity profile of the financial assets and financial liabilities of the Company based on remaining contractual obligations. For insurance contract liabilities maturity profiles are determined based on the estimated timing of net cash outflows from the recognized insurance liabilities. The amount disclosed are the contractual undiscounted cash flows which equal their carrying balances as the impact of discounting is not significant.

	2021			2020		
	Less than one year	More than one year	Total	Less than one year	Less than one year	Total
FINANCIAL ASSETS						
Cash and cash equivalents	52,028,429	-	52,028,429	49,999,727	-	49,999,727
Murabaha deposits	254,965,731	-	254,965,731	341,916,296	-	341,916,296
Premiums and reinsurers' receivable - net	261,411,771	-	261,411,771	245,872,196	-	245,872,196
Reinsurers' share of outstanding claims	377,883,139	-	377,883,139	339,166,728	-	339,166,728
Available-for-sale investments	-	1,923,080	1,923,080	-	1,923,080	1,923,080
Fair value through profit or loss investments	-	92,247,362	92,247,362	-	90,028,540	90,028,540
Held-to-maturity investment	-	75,942,638	75,942,638	-	35,531,657	35,531,657
Statutory deposit	-	30,000,000	30,000,000	-	30,000,000	30,000,000
Other assets	62,537,111	-	62,537,111	53,213,489	-	53,213,489
	<u>1,008,826,181</u>	<u>200,113,080</u>	<u>1,208,939,261</u>	<u>1,030,168,436</u>	<u>157,483,277</u>	<u>1,187,651,713</u>
FINANCIAL LIABILITIES						
Policyholders claims payable	23,039,414	-	23,039,414	21,607,449	-	21,607,449
Accrued and other liabilities	97,600,348	-	97,600,348	64,916,997	-	64,916,997
Reinsurance balances payable	53,286,182	-	53,286,182	53,730,084	-	53,730,084
Outstanding claims and reserves	446,156,975	-	446,156,975	385,850,240	-	385,850,240
Accounts payable	1,025,583	-	1,025,583	1,445,922	-	1,445,922
Employees' end-of-service benefits	-	23,938,250	23,938,250	-	18,705,950	18,705,950
Provision for zakat	8,416,408	-	8,416,408	10,517,581	-	10,517,581
Accrued commission income payable to SAMIA	2,891,455	-	2,891,455	2,799,639	-	2,799,639
	<u>632,416,365</u>	<u>23,938,250</u>	<u>656,354,615</u>	<u>540,867,912</u>	<u>18,705,950</u>	<u>559,573,862</u>

Liquidity profiles

None of the liabilities on the statement of financial position are based on discounted cash flows and are payable on a current basis within 1 year except end-of-service benefits.

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23 RISK MANAGEMENT (continued)

f) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management believes that there is minimal risk of significant losses due to exchange rate fluctuation, as the majority of monetary assets and liabilities are in currencies linked to the Saudi Riyals.

g) Market price risk

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

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

h) Capital management

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

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

The Company manages its capital to ensure that it is able to continue as going concern and comply with the regulators' capital requirements of the markets in which the Company operates while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital, reserves and retained earnings.

As per guidelines laid out by SAMA in Article 66 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

- Minimum Capital Requirement of SR 100 million
- Premium Solvency Margin
- Claims Solvency Margin

The Company is in compliance with all externally imposed capital requirements with sound solvency margin. The capital structure of the Company as at 31 December 2021 consists of paid-up share capital of SR 300 million, statutory reserves of SR 29.5 million and accumulated losses of SR 35.7 million (31 December 2020: paid-up share capital of SR 300 million, statutory reserves of SR 29.5 million and retained earnings of SR 27 million) in the statement of financial position.

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

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23 RISK MANAGEMENT (continued)

i) Regulatory framework risk

The operations of the Company are subject to local regulatory requirements in Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise. The Company is compliant of minimum capital adequacy prescribed by the regulator.

j) Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors. The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility encompasses the controls in the following areas:

- Requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Ethical and business standards; and
- Risk mitigation policies and procedures.

Senior Management ensures that the Company's staff has adequate training and experience and fosters effective communication related to operational risk management.

24 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transactions take place either:

- in the accessible principal market for the asset or liability, or
- in the accessible principal market, in the most advantageous accessible market for the asset or liability

The management assessed that cash and cash equivalent, accrual and other liabilities and other financial assets and liabilities approximate their carrying amounts largely due to the short term maturities of these instruments.

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

Level 1: Quoted market prices in an active market (that are unadjusted) 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), and

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

During the year ended 31 December 2021 and 2020, 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.

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24 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

a) Carrying amounts and fair value

The following table summarizes the financial assets recorded at fair value as of 31 December 2021 and 2020 by level of the fair value hierarchy.

As at 31 December 2021	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets:					
FVTPL investments	92,247,362	92,247,362	-	-	92,247,362
	<u>92,247,362</u>	<u>92,247,362</u>	<u>-</u>	<u>-</u>	<u>92,247,362</u>
As at 31 December 2020	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets:					
FVTPL investments	90,028,540	90,028,540	-	-	90,028,540
	<u>90,028,540</u>	<u>90,028,540</u>	<u>-</u>	<u>-</u>	<u>90,028,540</u>

The fair values of other financial assets and liabilities, not included in the table above, are not materially different from the carrying values included in the financial statements.

b) Measurement of Fair values

Available-for-sale investment represents unquoted securities amounted to SR 1.9 million in respect of the Company's share in the capital of Najm. As at 31 December 2021 and 31 December 2020, the investment has not been measured at fair value in the absence of active market or other means of measuring their fair value reliably. However, the management believes that there is no major difference between the carrying value and fair value of the investment.

25 COMMITMENTS AND CONTINGENCIES

CONTINGENCIES

a. Legal proceedings and regulations

The Company operates in the insurance 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. As at 31 December 2021, performance guarantees amounting to SR 4.35 million (31 December 2020: SR 3.4 million) were issued to the customers on behalf of the Company. The Company pledged bank balances equivalent to the amount of performance guarantees to the bank for obtaining such guarantees.

COMMITMENTS

c. During 2020, the Company entered into an agreement for the construction of the commercial building on the land under deed No. 2/214 located at the Salahuddin Al-Ayyubi Road, Riyadh, Kingdom of Saudi Arabia.

The Company is committed to half of the incurred capital expenditure for the acquisition of land and construction of the building, and the transaction will be recognized as the development progresses and upon completion of the transfer of the underlying right and obligations.

The estimated commitment as at balance sheet date but not recognized in the financial statement are as follows:

	2021	2020
Acquisition of the Land	12,663,500	12,663,500
Construction of the Building	46,283,250	38,000,000
	<u>58,946,750</u>	<u>50,663,500</u>

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26 SUPPLEMENTARY INFORMATION

26.1 Statement of financial position

	Insurance Operations		Shareholders' Operations		Total	
	2021	2020	2021	2020	2021	2020
ASSETS						
Cash and cash equivalents	41,770,297	47,691,162	10,258,132	2,308,565	52,028,429	49,999,727
Murabaha deposits	96,523,796	134,474,361	158,441,935	207,441,935	254,965,731	341,916,296
Premiums and reinsurers' receivable - net	261,411,771	245,872,196	-	-	261,411,771	245,872,196
Reinsurers' share of unearned premiums	27,161,652	39,420,956	-	-	27,161,652	39,420,956
Reinsurers' share of outstanding claims and reserves	377,883,139	339,166,728	-	-	377,883,139	339,166,728
Reinsurers' share of claims incurred but not reported	65,106,710	43,367,257	-	-	65,106,710	43,367,257
Deferred policy acquisition costs	23,086,197	18,459,055	-	-	23,086,197	18,459,055
Available for sale investment	1,923,080	1,923,080	-	-	1,923,080	1,923,080
Fair value through profit or loss investments	161,027	-	92,086,335	90,028,540	92,247,362	90,028,540
Held-to-maturity investment	20,073,680	20,422,907	55,868,958	15,108,750	75,942,638	35,531,657
Prepayments and other assets	69,841,769	55,507,591	2,295,814	2,802,309	72,137,583	58,309,900
Property and equipment	7,063,954	4,833,267	-	-	7,063,954	4,833,267
Intangible assets	11,594,023	9,803,358	-	-	11,594,023	9,803,358
Statutory deposit	-	-	30,000,000	30,000,000	30,000,000	30,000,000
Accrued income from statutory deposit	-	-	2,891,455	2,799,638	2,891,455	2,799,638
TOTAL ASSETS	1,003,601,095	960,941,918	351,842,629	350,489,737	1,355,443,724	1,311,431,655

Above stated assets do not include "Due from insurance operations" amounting to SR 46,773,614 (31 December 2020: 20,778,132) to be consistent with total assets presented in the statement of financial position.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

26 SUPPLEMENTARY INFORMATION (continued)

26.1 Statement of financial position (continued)

	Insurance Operations		Shareholders' Operations		Total	
	2021	2020	2021	2020	2021	2020
LIABILITIES						
Policyholders' claims payable	23,039,414	21,607,449	-	-	23,039,414	21,607,449
Accrued and other liabilities	97,600,348	64,916,997	-	-	97,600,348	64,916,997
Surplus distribution payable	-	5,577,137	-	-	-	5,577,137
Reinsurance balances payable	53,286,182	53,730,084	-	-	53,286,182	53,730,084
Unearned premiums	254,129,776	265,548,157	-	-	254,129,776	265,548,157
Unearned reinsurance commission	5,256,973	6,759,142	-	-	5,256,973	6,759,142
Outstanding claims and reserves	446,156,975	385,850,240	-	-	446,156,975	385,850,240
Claims incurred but not reported	146,966,791	117,468,630	-	-	146,966,791	117,468,630
Accounts payable	-	-	1,025,583	1,445,922	1,025,583	1,445,922
Employees' end-of-service benefits	23,938,250	18,705,950	-	-	23,938,250	18,705,950
Provision for zakat	-	-	8,416,408	10,517,581	8,416,408	10,517,581
Accrued commission income payable to SAMIA	-	-	2,891,455	2,799,639	2,891,455	2,799,639
TOTAL LIABILITIES	1,050,374,709	940,163,786	12,333,446	14,763,142	1,062,708,155	954,926,928
EQUITY						
Share capital	-	-	300,000,000	300,000,000	300,000,000	300,000,000
Statutory reserve	-	-	29,473,371	29,473,371	29,473,371	29,473,371
(Accumulated losses)/retained earnings	-	-	(35,652,959)	26,981,720	(35,652,959)	26,981,720
Re-measurement reserve of end-of-service benefits	-	-	(1,084,843)	49,636	(1,084,843)	49,636
TOTAL EQUITY	-	-	292,735,569	356,504,727	292,735,569	356,504,727
TOTAL LIABILITIES AND EQUITY	1,050,374,709	940,163,786	305,069,015	371,267,869	1,355,443,724	1,311,431,655

Above stated liabilities do not include "Due to shareholders' operations" amounting to SR 46,773,614 (31 December 2020: 20,778,132) to be consistent with total liabilities presented in the statement of financial position.

(A SAUDI JOINT STOCK COMPANY)**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2021***(All amounts in Saudi Riyals unless otherwise stated)***26 SUPPLEMENTARY INFORMATION (continued)****26.2 Statement of income**

	Insurance Operations		Shareholders' Operations		Total	
	2021	2020	2021	2020	2021	2020
REVENUES						
Gross premiums written	777,537,673	795,037,966	-	-	777,537,673	795,037,966
Reinsurance premiums ceded						
- Local	(49,499,918)	(54,518,400)	-	-	(49,499,918)	(54,518,400)
- International (includes premium ceded through local broker)	(131,371,652)	(170,236,024)	-	-	(131,371,652)	(170,236,024)
	(180,871,570)	(224,754,424)	-	-	(180,871,570)	(224,754,424)
Excess of loss/ stop loss expenses						
- Local	(546,646)	(402,364)	-	-	(546,646)	(402,364)
- International	(28,234,261)	(36,896,403)	-	-	(28,234,261)	(36,896,403)
	(28,780,907)	(37,298,767)	-	-	(28,780,907)	(37,298,767)
Net premiums written	567,885,196	532,984,775	-	-	567,885,196	532,984,775
Movement in unearned premiums, net	(840,923)	(4,587,025)	-	-	(840,923)	(4,587,025)
Net premiums earned	567,044,273	528,397,750	-	-	567,044,273	528,397,750
Reinsurance commissions	23,516,514	31,057,481	-	-	23,516,514	31,057,481
Other underwriting income	1,244,494	6,868,488	-	-	1,244,494	6,868,488
NET REVENUES	591,805,281	566,323,719	-	-	591,805,281	566,323,719
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	550,517,916	446,868,497	-	-	550,517,916	446,868,497
Reinsurers' share of claims paid	(116,386,036)	(78,890,405)	-	-	(116,386,036)	(78,890,405)
Net claims paid	434,131,880	367,978,092	-	-	434,131,880	367,978,092
Movement in outstanding claims, net	29,349,032	(24,087,623)	-	-	29,349,032	(24,087,623)
Net claims incurred	463,480,912	343,890,469	-	-	463,480,912	343,890,469
Policy acquisition costs	61,085,624	58,236,814	-	-	61,085,624	58,236,814
Inspection and supervision fees	7,295,366	6,907,784	-	-	7,295,366	6,907,784
TOTAL UNDERWRITING COSTS AND EXPENSES	531,861,902	409,035,067	-	-	531,861,902	409,035,067
NET UNDERWRITING INCOME	59,943,379	157,288,652	-	-	59,943,379	157,288,652

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

26 SUPPLEMENTARY INFORMATION (continued)

26.2 Statement of income (continued)

	Insurance Operations		Shareholders' Operations		Total	
	2021	2020	2021	2020	2021	2020
OTHER INCOME/(EXPENSES)						
Income from investments	577,987	476,607	5,117,370	3,013,328	5,695,357	3,489,935
Unrealized gain/(loss) from change in fair value of FVTPL investments	53,676	-	2,057,795	(643,061)	2,111,471	(643,061)
Income from murabaha deposits	2,019,783	3,325,582	3,767,713	6,390,453	5,787,496	9,716,035
Other income	2,588,003	3,091,691	-	-	2,588,003	3,091,691
General and administrative expenses	(120,851,613)	(104,377,811)	(1,467,504)	(1,371,382)	(122,319,117)	(105,749,193)
Reversal of/(provision for) doubtful debts	(9,344,168)	(4,033,355)	-	-	(9,344,168)	(4,033,355)
TOTAL OTHER INCOME/(EXPENSES)	(124,956,332)	(101,517,286)	9,475,374	7,389,338	(115,480,958)	(94,127,948)
Total (loss)/income for the year	(65,012,953)	55,771,366	9,475,374	7,389,338	(55,537,579)	63,160,704
Total (loss)/income for the year attributable to shareholders before zakat	65,012,953	(50,194,229)	(65,012,953)	50,194,229	-	-
Total (loss)/income for the year before zakat	-	5,577,137	(55,537,579)	57,583,567	(55,537,579)	63,160,704
Zakat charge for the year	-	-	(7,097,100)	(10,261,216)	(7,097,100)	(10,261,216)
Total (loss)/income for the year after zakat	-	5,577,137	(62,634,679)	47,322,351	(62,634,679)	52,899,488

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

26 SUPPLEMENTARY INFORMATION (continued)

26.3 Statement of comprehensive income

	Notes	Insurance Operations		Shareholders' Operations		Total	
		2021	2020	2021	2020	2021	2020
Total (loss)/income for the year		-	5,577,137	(62,634,679)	47,322,351	(62,634,679)	52,899,488
Other comprehensive income / (loss) :							
Items that will not be reclassified to statement of income in							
- Actuarial losses on employees' end-of-service benefits	14	(1,134,479)	(1,438,651)	-	-	(1,134,479)	(1,438,651)
Items that may be reclassified to statement of insurance operations' surplus in subsequent period:							
- Change in fair value of available-for-sale investments, net	8	-	-	-	-	-	-
Total comprehensive loss)/income for the year		<u>(1,134,479)</u>	<u>4,138,486</u>	<u>(62,634,679)</u>	<u>47,322,351</u>	<u>(63,769,158)</u>	<u>51,460,837</u>

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

26 SUPPLEMENTARY INFORMATION (continued)

26.4 Statement of cash flows

	Notes	Insurance Operations		Shareholders' Operations		Total	
		2021	2020	2021	2020	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES							
Total (loss)/income for the year before zakat		(65,012,953)	55,771,366	9,475,374	7,389,338	(55,537,579)	63,160,704
Adjustments for non-cash items:							
Depreciation of property and equipment	10	1,447,112	2,098,099	-	-	1,447,112	2,098,099
Amortization of intangible assets	10	1,687,966	1,876,845	-	-	1,687,966	1,876,845
Amortisation of held-to-maturity investment	8c	(410,981)	(338,721)	-	-	(410,981)	(338,721)
Provision for doubtful receivables	6	9,344,168	4,033,355	-	-	9,344,168	4,033,355
Provision for employees' end-of-service benefits	14	5,015,990	4,257,890	-	-	5,015,990	4,257,890
Unrealized (gain)/loss from change in fair value of FVTPL investments	8b	-	-	(2,111,471)	643,061	(2,111,471)	643,061
Changes in operating assets and liabilities:							
Premiums and reinsurers' receivable		(24,883,744)	(32,028,508)	-	-	(24,883,744)	(32,028,508)
Reinsurers' share of unearned premiums		12,259,304	(5,327,802)	-	-	12,259,304	(5,327,802)
Reinsurers' share of outstanding claims and reserves		(38,716,411)	25,456,905	-	-	(38,716,411)	25,456,905
Reinsurers' share of claims incurred but not reported		(21,739,453)	(1,897,221)	-	-	(21,739,453)	(1,897,221)
Deferred policy acquisition costs		(4,627,142)	(1,582,004)	-	-	(4,627,142)	(1,582,004)
Prepayments and other assets		(14,334,178)	(5,513,912)	506,495	(166,000)	(13,827,683)	(5,679,912)
Policyholders claims payable		1,431,965	(1,724,202)	-	-	1,431,965	(1,724,202)
Accrued and other liabilities		32,683,351	21,773,266	-	-	32,683,351	21,773,266
Reinsurance balances payable		(443,902)	(39,537,937)	-	-	(443,902)	(39,537,937)
Unearned premiums		(11,418,381)	9,914,827	-	-	(11,418,381)	9,914,827
Unearned reinsurance commission		(1,502,169)	44,984	-	-	(1,502,169)	44,984
Outstanding claims and reserves		60,306,735	(42,352,053)	-	-	60,306,735	(42,352,053)
Claims incurred but not reported		29,498,161	(5,295,254)	-	-	29,498,161	(5,295,254)
Accounts payable		-	-	(420,339)	38,086	(420,339)	38,086
Cash (used in)/from operating activities		(29,414,562)	(10,370,077)	7,450,059	7,904,485	(21,964,503)	(2,465,592)

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

26 SUPPLEMENTARY INFORMATION (continued)

26.4 Statement of cash flows (continued)

	<i>Notes</i>	Insurance Operations		Shareholders' Operations		Total	
		2021	2020	2021	2020	2021	2020
Surplus paid to policy holders		(5,577,137)	-	-	-	(5,577,137)	-
Employees' end-of-service benefits paid	14	(918,169)	(2,072,879)	-	-	(918,169)	(2,072,879)
Zakat paid	15	-	-	(9,198,273)	(8,791,559)	(9,198,273)	(8,791,559)
Net cash used in operating activities		(35,909,868)	(12,442,936)	(1,748,214)	(887,074)	(37,658,082)	(13,330,030)
CASH FLOWS FROM INVESTING ACTIVITIES							
Additions of property and equipment	10	(3,677,799)	(2,895,748)	-	-	(3,677,799)	(2,895,748)
Additions of intangible assets	10	(3,478,631)	(4,053,605)	-	-	(3,478,631)	(4,053,605)
Addition in held-to-maturity investment		-	(20,000,000)	(40,000,000)	(15,000,000)	(40,000,000)	(35,000,000)
Proceed on maturity of held-to-maturity investment	8c	-	10,000,000	-	-	-	10,000,000
Additions in fair value through profit or loss investments		-	-	(107,351)	-	(107,351)	-
Additions in murabaha deposits		(45,000,000)	#####	(138,000,000)	#####	(183,000,000)	(676,448,739)
Proceed on disposal of murabaha deposits		82,950,565	544,030,800	187,000,000	183,506,804	269,950,565	727,537,604
Net cash from investing activities		30,794,135	19,581,447	8,892,649	(441,935)	39,686,784	19,139,512
CASH FLOWS FROM FINANCING ACTIVITY							
Due to shareholders' operations, net		(805,132)	6,001,331	805,132	(6,001,331)	-	-
Net cash (used in)/from financing activity		(805,132)	6,001,331	805,132	(6,001,331)	-	-
Net change in cash and cash equivalents		(5,920,865)	13,139,822	7,949,567	(7,330,340)	2,028,702	5,809,482
Cash and cash equivalents at the beginning of the year	4	47,691,162	34,551,340	2,308,565	9,638,905	49,999,727	44,190,245
Cash and cash equivalents at the end of the year	4	41,770,297	47,691,162	10,258,132	2,308,565	52,028,429	49,999,727
Supplemental non-cash information:							
Actuarial loss on remeasurement of employees' end-of-service benefits	14	(1,134,479)	(1,438,651)	-	-	(1,134,479)	(1,438,651)

27 APPROVAL OF FINANCIAL STATEMENTS

The financial statements was authorized for issue in accordance with a resolution of the Board of Directors on 18 Shaban 1443H (corresponding to 21 March 2022).