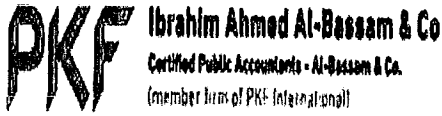


CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS PERIOD
ENDED 30 SEPTEMBER 2020 (UNAUDITED)
WITH
INDEPENDENT AUDITORS' REVIEW REPORT

**CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS'
REVIEW REPORT (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

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KPMG Al Fozan & Partners
Certified Public Accountants

**INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED
FINANCIAL STATEMENTS**

**TO: THE SHAREHOLDERS OF CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

Introduction

We have reviewed the accompanying interim condensed statement of financial position of **Chubb Arabia Cooperative Insurance Company** (the "Company") as at 30 September 2020, and the related interim condensed statements of income and comprehensive income for the three and nine months period then ended, and the related interim condensed statements of changes in equity and cash flows for nine month period then ended, and notes to the interim condensed financial statements. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34: *Interim Financial Reporting* ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410: *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements as at 30 September 2020 of the Company are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

Other matter

The interim condensed financial statements of the Company for the three and nine months period ended 30 September 2019 were reviewed by other auditors who expressed an unmodified conclusion on those interim condensed financial statements on 10 Rabi al-awwal 1441H (corresponding to 7 November 2019) and the financial statements of the Company for the year ended 31 December 2019 were audited by other auditors who expressed an unmodified opinion on those financial statements dated 27 Rajab 1441H (corresponding to 22 March 2020).

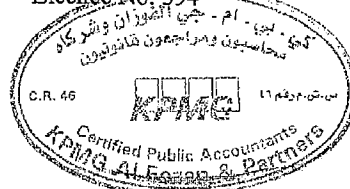
Al-Bassam & Co.
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Certified Public Accountant
Licence No. 337



KPMG Al Fozan & Partners
Certified Public Accountants
P. O. Box 4803
Al Khobar 31952
Kingdom of Saudi Arabia

Abdulaziz Abdullah Alnaim
Certified Public Accountant
Licence No. 394



9 November 2020G
23 Rabi al-awwal 1442H


CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

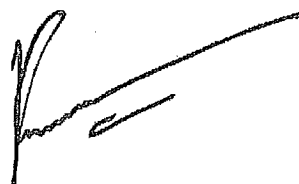
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Notes	30 September 2020 (Unaudited)	31 December 2019 (Audited)
ASSETS			
Cash and cash equivalents	5	124,466,486	105,651,008
Premiums and reinsurance balances receivable, net	6	89,284,577	102,144,942
Reinsurers' share of unearned premiums	17.2	70,275,988	74,196,879
Reinsurers' share of outstanding claims	17.1	46,307,439	37,167,238
Reinsurers' share of claims incurred but not reported	17.1	30,802,123	38,629,609
Deferred policy acquisition costs	17.3	7,109,649	5,323,677
Deferred excess of loss premiums		959,002	-
Investments held for trading	7	96,861,661	96,506,696
Investments available-for-sale	7	1,932,078	1,932,078
Prepayments and other assets		17,982,996	16,853,649
Term deposits		131,841,925	132,081,773
Property and equipment		707,611	589,134
Right-of-use-assets		1,348,124	2,156,999
Intangible assets		603,437	799,989
Goodwill	8	43,774,750	43,774,750
Statutory deposit	11	20,000,000	20,000,000
Accrued income on statutory deposit	11	2,140,458	1,854,812
TOTAL ASSETS		686,398,304	679,663,233

The interim condensed financial statements appearing on pages 1 to 38 were approved by the Board of Directors of the Company and have been signed on their behalf by:



Ghaleb A. Zummari
Chief Financial Officer



Kamran Mazhar
Chief Executive Officer



Abdul Aziz Elkhareiji
Board Member

The accompanying notes 1 to 24 form an integral part of these interim condensed financial statements.

CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (CONTINUED)

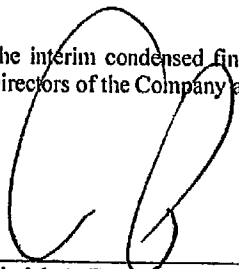
AS AT 30 SEPTEMBER 2020


(All amounts expressed in Saudi Riyals unless otherwise stated)

	Notes	30 September 2020 (Unaudited)	31 December 2019 (Audited)
<u>LIABILITIES</u>			
Accounts payable		22,504,338	22,146,161
Accrued expenses and other liabilities		8,282,955	11,954,914
Lease liabilities		1,108,045	2,195,455
Reinsurance balances payable	10	49,492,644	64,807,468
Unearned premiums	17.2	106,923,007	101,027,961
Unearned reinsurance commission income		9,820,106	8,851,869
Outstanding claims	17.1	57,324,092	49,002,619
Claims incurred but not reported	17.1	43,756,011	58,267,707
Additional premium reserves	17.1	5,203,482	3,088,645
Other technical reserves	17.1	1,629,406	1,801,064
End-of-service indemnities		8,256,230	8,410,730
Statutory deposit commission income payable	11	2,140,458	1,854,812
Provision for zakat and income tax	14	18,175,683	16,501,196
Accumulated surplus payable	15	7,274,586	9,184,671
TOTAL LIABILITIES		341,891,043	359,095,272
<u>EQUITY</u>			
Share capital	12	200,000,000	200,000,000
Statutory reserve		37,225,511	32,437,651
Retained earnings		109,128,055	89,976,615
EQUITY		346,353,566	322,414,266
Re-measurement reserve of end of service indemnities		(1,846,305)	(1,846,305)
TOTAL EQUITY		344,507,261	320,567,961
TOTAL LIABILITIES AND EQUITY		686,398,304	679,663,233

Contingencies and commitments 13

The interim condensed financial statements appearing on pages 1 to 38 were approved by the Board of Directors of the Company and have been signed on their behalf by:


Ghaleb A. Zumhari
Chief Financial Officer


Khamran Mazhar
Chief Executive Officer


Abdul Aziz Elkhareiji
Board Member

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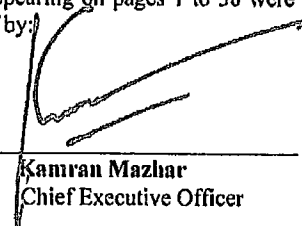
CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF INCOME (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Notes	For the three month period ended 30 September		For the nine month period ended 30 September	
		2020	2019	2020	2019
REVENUE					
Gross premiums written	9,16	40,469,454	36,094,970	187,071,723	179,999,824
Less: Reinsurance premiums ceded					
- Local		(1,501,809)	(905,113)	(6,112,016)	(4,780,004)
- Foreign		(21,478,293)	(22,197,318)	(104,400,673)	(96,622,883)
Excess of loss expenses		(958,998)	(924,624)	(3,131,826)	(2,793,004)
Net premiums written		16,538,354	12,067,915	73,427,208	75,803,933
Changes in unearned premiums		14,976,617	19,273,285	(5,895,046)	(13,969,365)
Changes in reinsurer share of unearned premiums		(11,536,072)	(9,610,509)	(3,920,891)	3,446,643
Net premiums earned		19,978,899	21,730,691	63,611,271	65,281,211
Reinsurance commission		4,850,010	5,501,842	16,721,108	16,435,538
TOTAL REVENUE		24,828,909	27,232,533	80,332,379	81,716,749
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid		(11,813,720)	(13,096,243)	(24,946,206)	(39,948,685)
Expenses incurred related to claims		(529,616)	(565,193)	(2,033,907)	(1,890,817)
Reinsurers' share of gross claims paid		3,863,194	5,803,343	7,152,669	17,444,578
Net claims and other benefits paid		(8,480,142)	(7,858,093)	(19,827,444)	(24,394,924)
Changes in outstanding claims		(2,001,709)	(6,599,776)	(8,321,473)	(3,313,269)
Changes in reinsurance share of outstanding claims		2,509,083	5,295,953	9,140,201	(76,197)
Changes in claims incurred but not reported ("IBNR")		8,380,819	-	14,511,696	7,128,087
Changes in reinsurance share of IBNR		(4,568,307)	-	(7,827,486)	(3,258,181)
Net claims incurred		(4,160,256)	(9,161,916)	(12,324,506)	(23,914,484)
Changes in additional premium reserves		754,270	-	(2,114,837)	(1,417,419)
Changes in other technical reserves		166,051	-	171,658	1,262,987
Policy acquisition costs	17.3	(3,863,986)	(3,667,295)	(12,067,979)	(11,042,933)
Other underwriting expenses		(1,347,926)	(502,298)	(2,887,212)	(2,162,001)
TOTAL UNDERWRITING COSTS AND EXPENSES		(8,451,847)	(13,331,509)	(29,222,876)	(37,273,850)
NET UNDERWRITING INCOME		16,377,062	13,901,024	51,109,503	44,442,899

The interim condensed financial statements appearing on pages 1 to 38 were approved by the Board of Directors of the Company and have been signed on their behalf by:


Ghaleb A. Zumhari
Chief Financial Officer


Kamran Mazhar
Chief Executive Officer


Abdul Aziz Elkhareiji
Board Member

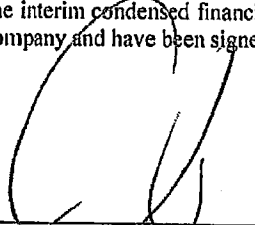
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CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF INCOME (UNAUDITED) (CONTINUED)
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Notes	For the three month period ended 30 September		For the nine month period ended 30 September	
		2020	2019	2020	2019
OTHER OPERATING (EXPENSES) / INCOME					
Reversal / (allowance) for doubtful debts		4,085,024	709,926	(2,795,741)	(5,703,404)
General and administrative expenses		(8,956,026)	(8,637,938)	(26,676,978)	(25,895,067)
Dividend, interest and commission income		1,811,684	2,376,010	5,945,203	7,280,099
Realized gains / (losses) gains on disposal of investments held for trading		-	122,737	(233,898)	202,863
Unrealised gains on investments held for trading		872,137	952,482	359,068	2,787,445
Other income, net		408,150	508,901	3,996,228	1,556,815
TOTAL OTHER OPERATING EXPENSES		(1,779,031)	(3,967,882)	(19,406,118)	(19,771,249)
Total income for the period before zakat, income tax and surplus attribution		14,598,031	9,933,142	31,703,385	24,671,650
Zakat	14	(1,207,672)	(1,032,013)	(2,718,492)	(2,839,157)
Income tax	14	(897,094)	(616,202)	(1,951,883)	(1,540,940)
Total income for the period		12,493,265	8,284,927	27,033,010	20,291,553
Total income attributed to insurance Operations for the period	21	(1,394,746)	(890,313)	(3,093,710)	(2,170,431)
Net income attributable to shareholders		11,098,519	7,394,614	23,939,300	18,121,122
Earnings per share					
Basic and Diluted EPS	20	<u>0.55</u>	<u>0.37</u>	<u>1.20</u>	<u>0.91</u>
Weighted average number of outstanding shares	12	<u>20,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>

The interim condensed financial statements appearing on pages 1 to 38 were approved by the Board of Directors of the Company and have been signed on their behalf by:


Ghaleb A. Zumari
Chief Financial Officer


Kamran Mazhar
Chief Executive Officer


Abdul Aziz Elkhereiji
Board Member

The accompanying notes 1 to 24 form an integral part of these interim condensed financial statements.

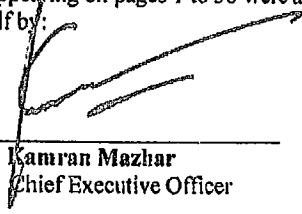
CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020
(All amounts expressed in Saudi Riyals unless otherwise stated)

	For the three month period ended 30 September		For the nine month period ended 30 September	
	2020	2019	2020	2019
Total income for the period	12,493,265	8,284,927	27,033,010	20,291,553
<i>Items that are or may be reclassified to interim condensed statements of income in subsequent periods</i>				
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	12,493,265	8,284,927	27,033,010	20,291,553
Net comprehensive income attributed to the insurance operations	(1,394,746)	(890,313)	(3,093,710)	(2,170,431)
Net comprehensive income for the period attributable to the shareholders	<u>11,098,519</u>	<u>7,394,614</u>	<u>23,939,300</u>	<u>18,121,122</u>

The interim condensed financial statements appearing on pages 1 to 38 were approved by the Board of Directors of the Company and have been signed on their behalf by:


Ghaleb A. Zummari
Chief Financial Officer


Kamran Mazhar
Chief Executive Officer


Abdul Aziz Elkhoreiji
Board Member


The accompanying notes 1 to 24 form an integral part of these interim condensed financial statements.

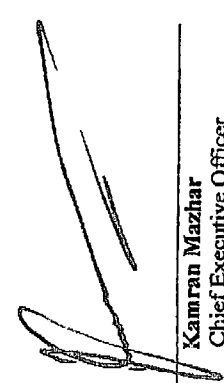
CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)


INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Equity	Re-measurement reserve of end-of-service indemnities	Total equity
Balance at 1 January 2020 (Audited)	200,000,000	32,437,651	89,976,615	322,414,266	(1,846,305)	320,567,961
Net income for the period attributable to shareholders	-	-	23,939,300	23,939,300	-	23,939,300
Other comprehensive income for the period	-	-	23,939,300	23,939,300	-	23,939,300
Total comprehensive income for the period	-	-	4,787,860	4,787,860	-	4,787,860
Transfer to statutory reserve	-	4,787,860	(4,787,860)	-	-	-
Balance at 30 September 2020 (Unaudited)	200,000,000	37,225,511	109,128,055	346,353,566	(1,846,305)	344,507,261
Balance at 1 January 2019 (Audited)	200,000,000	28,207,777	64,861,051	293,068,828	(899,371)	292,169,457
Net income for the period attributable to shareholders	-	-	18,121,122	18,121,122	-	18,121,122
Other comprehensive income for the period	-	-	18,121,122	18,121,122	-	18,121,122
Total comprehensive income for the period	-	-	3,624,224	3,624,224	-	3,624,224
Transfer to statutory reserve	-	3,624,224	(3,624,224)	-	-	-
Balance at 30 September 2019 (Unaudited)	200,000,000	31,832,001	79,357,949	311,189,950	(899,371)	310,290,579

The interim condensed financial statements appearing on pages 1 to 38 were approved by the Board of Directors of the Company and have been signed on their behalf by:


Ghaleb A. Zuhairi
Chief Financial Officer


Kamran Mazhar
Chief Executive Officer


Abdul Aziz Elkhereiji
Board Member

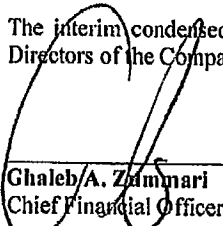
The accompanying notes 1 to 24 form an integral part of these interim condensed financial statements.

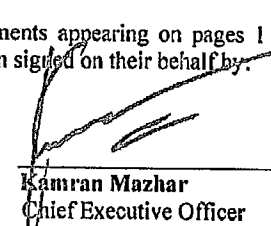
**CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020
(All amounts expressed in Saudi Riyals unless otherwise stated)**

	30 September 2020	30 September 2019
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period before zakat and income tax	31,703,385	24,671,650
Adjustments for non-cash items:		
Depreciation of property and equipment	153,422	158,915
Amortization of intangible assets	196,552	177,784
Depreciation of right-of-use-assets	808,875	808,875
Loss on sale of property and equipment	-	(84,550)
Allowance for doubtful debts	2,795,741	5,703,404
Unrealised losses / (gains) on investments held for trading	233,898	(2,787,445)
Realised gains on investments held for trading	(359,068)	(202,863)
Interest on lease obligations	34,817	61,342
Provision for end-of-service indemnities	1,060,602	1,010,691
	<u>36,628,224</u>	<u>29,517,803</u>
Changes in operating assets and liabilities:		
Premiums and insurance balances receivable	10,064,624	(10,673,829)
Reinsurers' share of unearned premiums	3,920,891	(3,446,643)
Reinsurers' share of outstanding claims	(9,140,201)	76,197
Reinsurers' share of claims incurred but not reported	7,827,486	3,258,181
Deferred policy acquisition costs	(1,785,972)	(2,075,004)
Deferred excess of loss premiums	(959,002)	(924,626)
Prepayments and other assets	(1,129,347)	(1,478,789)
Accounts payable	358,177	5,239,572
Accrued expenses and other liabilities	(3,671,958)	3,419,044
Reinsurance balances payable	(15,314,824)	(91,667)
Unearned premiums	5,895,046	13,969,365
Unearned reinsurance commission income	968,237	2,909,792
Outstanding claims	8,321,473	3,313,269
Claims incurred but not reported	(14,511,696)	(7,128,087)
Additional premium reserves	2,114,837	1,417,419
Other technical reserves	(171,658)	(1,262,987)
Cash generated from operations	<u>29,414,337</u>	<u>36,039,010</u>
Surplus distribution to policyholders	(5,003,795)	(791,131)
Zakat and income tax paid	(2,995,888)	(4,474,422)
End-of-service indemnities paid	(1,215,103)	(497,913)
Net cash generated from operating activities	<u>20,199,551</u>	<u>30,275,544</u>

The interim condensed financial statements appearing on pages 1 to 38 were approved by the Board of Directors of the Company and have been signed on their behalf by:


Ghaleb/A. Zammari
Chief Financial Officer


Kamran Mazhar
Chief Executive Officer


Abdul Aziz Elkhareiji
Board Member

The accompanying notes 1 to 24 form an integral part of these interim condensed financial statements.

**CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

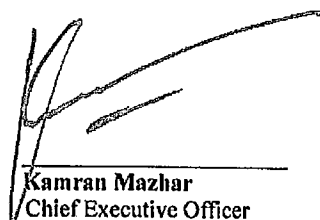
**INTERIM CONDENSED STATEMENT OF CASH FLOWS (CONTINUED) (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020
(All amounts expressed in Saudi Riyals unless otherwise stated)**

	<u>30 September 2020</u>	<u>30 September 2019</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments held for trading	(23,340,912)	(32,578,478)
Proceeds from disposal of investments held for trading	23,111,117	24,383,101
Proceeds from / (addition to) term deposits - net	239,848	(40,341,516)
Proceeds from disposal of property and equipment	-	84,550
Purchase of property and equipment	(271,899)	(38,265)
Purchase of intangible assets	-	(323,535)
Net cash used in investing activities	<u>(261,846)</u>	<u>(48,814,143)</u>
CASH FLOWS FROM FINANCING ACTIVITY		
Payment for lease liabilities	(1,122,227)	(1,122,227)
Net cash used in financing activity	<u>(1,122,227)</u>	<u>(1,122,227)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	18,815,478	(19,660,826)
Cash and cash equivalents at the beginning of the period	<u>105,651,008</u>	<u>141,510,319</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>124,466,486</u>	<u>121,849,493</u>

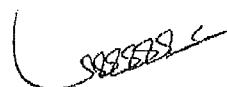
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Ghaleb A. Zumari
Chief Financial Officer



Kamran Mazhar
Chief Executive Officer



Abdul Aziz Elkhareiji
Board Member

The accompanying notes 1 to 24 form an integral part of these interim condensed financial statements.

CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020
(All amounts expressed in Saudi Riyals unless otherwise stated)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Chubb Arabia Cooperative Insurance Company ("the Company") is a Saudi Joint Stock Company registered on 28 Rajab 1430H (corresponding to 21 July 2009) under commercial registration number 2050066029 which was later amended to 2051043431 dated 9 Sha'aban 1431H (corresponding to 21 July 2010), issued in Al-Khobar, Kingdom of Saudi Arabia. The Company has been licensed to conduct cooperative insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree number 60/M dated 18 Ramadan 1427H (corresponding to 11 October 2006), pursuant to Council of Ministers resolution number 233 dated 16 Ramadan 1427H (corresponding to 9 October 2006).

The activities of the Company are to transact cooperative insurance operations and all related activities in accordance with the Law on Supervision of Cooperative Insurance Companies and its implementing regulations in the Kingdom of Saudi Arabia. On 21 Dhul-Hijjah, 1430H (corresponding to 8 December 2009), the Company received the license from Saudi Arabian Monetary Agency ("SAMA") to transact insurance business in the Kingdom of Saudi Arabia.

Surplus from insurance operations is distributed 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 policyholders are to receive the remaining 10%. Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

On Tuesday 18 February 2020, the Board of Directors of the Company resolved to enter into preliminary discussions with Al Ahli Takaful Company to study the possibility of merging the two companies. However, subsequent to period ended 30 September 2020, it was agreed between the Company and Al-Ahli Takaful Company to end the initial discussions and not to continue studying the two companies' merger.

2. ASSET PURCHASE AGREEMENT AND TRANSFER OF INSURANCE PORTFOLIO

The Company started its insurance operations on 1 February 2010. The Company acquired the insurance portfolio and the net assets of Ace Arabia Insurance Company BSC and International Insurance Company BSC with effect from 1 January 2009 as set forth in SAMA's guidelines in this respect, following the approval on the transfer from the respective authorities in 2012.

3. BASIS OF PREPARATION

(a) Basis of presentation

The interim condensed financial statements of the Company as at and for the period ended 30 September 2020 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

The interim condensed financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of available-for-sale investments, investment held for trading and end-of-service benefits on present value using projected unit credit method. The Company's interim condensed statement of financial position is not presented using a current / non-current classification. However, the Company's interim condensed statement of financial position is presented in order of liquidity. Except for property and equipment, right of use assets, intangible assets, statutory deposit, goodwill, investment available for sale accrued income on statutory deposit, end-of-service indemnities, lease liabilities, certain engineering related unearned premiums, reinsurance share of unearned premiums, reinsurance unearned commission, deferred policy acquisition cost and accrued commission income payable to SAMA, all other assets and liabilities are of short-term nature, unless, stated otherwise.

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3. BASIS OF PREPARATION (CONTINUED)

(a) Basis of presentation (continued)

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

The interim condensed statement of financial position, interim condensed statements of income, comprehensive income and cash flows of the insurance operations and shareholders' operations which are presented in note 21 of the financial statements have been provided only as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations require the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders' operations. Accordingly, the interim condensed statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

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

The interim condensed financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as of and for the year ended 31 December 2019.

Amounts in this interim condensed financial statements are expressed in Saudi Arabian Riyals ("SR") unless otherwise stated.

(b) Seasonality of operations

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

(c) Critical accounting judgements estimates and assumptions

The preparation of interim condensed financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed financial statements, the significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2019. However, the Company has reviewed the key sources of estimation uncertainties disclosed in the last annual financial statements against the backdrop of the COVID-19 pandemic. For further details please see note 22 to these interim condensed financial statements. Management will continue to assess the situation and reflect any required changes in future reporting periods.

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4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates and assumptions used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2019.

Standards issued but not yet effective

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

i) *IFRS 9 Financial Instruments*

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

Classification and measurement

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

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

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

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

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

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) IFRS 9 Financial Instruments (continued)

Impairment

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

Hedge accounting

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

Effective date

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

- 1) apply a temporary exemption from implementing IFRS 9 until the earlier of:
 - a) the effective date of a new insurance contract standard; or
 - b) annual reporting periods beginning on or after 1 January 2023. On 17 March 2020, the International Accounting Standards Board ("IASB") decided to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 from 1 January 2021 to 1 January 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are 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 is eligible and has chosen to apply temporary exemption under IFRS 9.

Impact assessment

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) IFRS 17 Insurance Contracts

Overview

This standard was published on 18 May 2017, it establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 – Insurance contracts.

The new standard applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features provided the entity also issues insurance contracts. It requires to separate the following components from insurance contracts:

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

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

Measurement

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

The General Measurement Model (GMM) is based on the following “building blocks”:

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

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

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

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) IFRS 17 Insurance Contracts (continued)

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

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

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

Effective date

The Company intends to apply the Standard on its effective date i.e. 1 January 2023. The IASB issued an Exposure Draft Amendments to IFRS 17 proposing certain amendments to IFRS 17 during June 2019 and received comments from various stakeholders. On 17 March 2020, the IASB completed its discussions on the amendments to IFRS 17 Insurance Contracts that were proposed for public consultation in June 2019. It decided that the effective date of the Standard will be deferred to annual reporting periods beginning on or after 1 January 2023. The IASB issued the amendments to IFRS 17 on 25 June 2020. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied.

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 assessment:

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

The Company has started its implementation process and has set up a project team, supervised by a steering committee.

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5. CASH AND CASH EQUIVALENTS

	Insurance operations	
	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Cash in hand	20,000	-
Cash at banks		
- Current accounts	11,324,574	14,073,914
- Time deposits	24,342,454	44,436,980
Total	35,687,028	58,510,894
	Shareholders' operations	
	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Cash at banks		
- Current accounts	4,420,649	2,607,805
- Time deposits	84,358,809	44,532,309
Total	88,779,458	47,140,114
Total cash and cash equivalents	124,466,486	105,651,008

Deposits are placed with local banks with maturities of less than three-months and earn financial income at rates ranging from 0.7% to 1.5% per annum (31 December 2019: 2.4% to 2.6% per annum). Bank balances are placed with counterparties with sound credit ratings.

6. PREMIUMS AND REINSURANCE BALANCES RECEIVABLE, NET

	Insurance operations	
	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Policyholders	32,710,648	25,718,715
Brokers	69,816,467	86,502,724
Receivables from insurance and reinsurance companies	1,305,486	1,567,753
Premiums and reinsurance receivables from related parties (note 9)	68,708	176,741
	103,901,309	113,965,933
Less: allowance for doubtful debts	(14,616,732)	(11,820,991)
Premium and reinsurance receivable, net	89,284,577	102,144,942

Movement in provision for doubtful receivables

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Balance at 1 January	11,820,991	9,248,567
Allowance for doubtful debts for the period / year	2,795,741	2,572,424
Closing balance	14,616,732	11,820,991

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7. INVESTMENTS

	Insurance operations	
	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Investments held for trading	38,097,853	38,013,460
Total	38,097,853	38,013,460
	Shareholders' operations	
	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Investments held for trading	58,763,808	58,493,236
Investments available for sale *	1,932,078	1,932,078
Total	60,695,886	60,425,314
Total investments held for trading	96,861,661	96,506,696
Total investments available for sale	1,932,078	1,932,078
Total investments	98,793,739	98,438,774

*This represents an investment in respect of the Company's shareholding in Najm for Insurance Services which provides loss determination services for motor class. This investment has been carried at cost in the absence of an active market or other means of reliably measuring its fair value. There has been no movement in this investment between the period ended 30 September 2020 and during the year ended 31 December 2019.

Investment securities are classified as follows:

i) Investments held for trading:

a) Category wise analysis is as follows:

<u>Insurance Operations</u>	Domestic		International		Total	
	30 September 2020 (Unaudited)	31 December 2019 (Audited)	30 September 2020 (Unaudited)	31 December 2019 (Audited)	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Sukuk and bonds	18,471,231	12,306,982	8,882,413	14,607,656	27,353,644	26,914,638
Equity securities	10,744,209	11,098,822	-	-	10,744,209	11,098,822
Total	29,215,440	23,405,804	8,882,413	14,607,656	38,097,853	38,013,460
	Domestic		International		Total	
	30 September 2020 (Unaudited)	31 December 2019 (Audited)	30 September 2020 (Unaudited)	31 December 2019 (Audited)	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Sukuk and bonds	31,710,617	23,581,682	11,522,855	18,950,019	43,233,472	42,531,701
Equity securities	15,530,336	15,961,535	-	-	15,530,336	15,961,535
Total	47,240,953	39,543,217	11,522,855	18,950,019	58,763,808	58,493,236

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7. INVESTMENTS (CONTINUED)

Movement in the investment held for trading balance is as follows

	Insurance operations		Shareholders' operations	
	30 September 2020 (Unaudited)	31 December 2019 (Audited)	30 September 2020 (Unaudited)	31 December 2019 (Audited)
At the beginning of the period / year	38,013,460	36,028,138	58,493,236	46,738,086
Purchase during the period / year	10,160,299	11,438,551	13,180,613	23,758,110
Disposals during the period / year	(10,060,269)	(10,613,964)	(13,050,848)	(13,769,137)
Unrealised gains	86,179	1,072,429	272,889	1,651,620
Realised (losses) / gains	(101,816)	88,306	(132,082)	114,557
At the end of the period / year	38,097,853	38,013,460	58,763,808	58,493,236

8. GOODWILL

The Company entered into a purchase agreement whereby it has purchased the insurance business operations in the Kingdom of Saudi Arabia of Ace Arabia Insurance Company BSC and International Insurance Company BSC. The purchase price was based on a valuation study conducted in accordance with the due diligence and valuation guidelines issued by SAMA and the value of goodwill was estimated at SR 43.77 million.

9. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent shareholders, companies related to shareholders ("affiliates") and key management personnel and the entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors. The following are the details of major related parties' transactions during the period and the related balances at the end of the period:

<u>Related parties</u>	<u>Nature of transactions</u>	For the nine-months period ended 30 September	
		2020 (Unaudited)	2019
Affiliates	Gross written premiums	320,703	335,303
	Rent	965,625	965,625
	Claim expenses	1,543,746	2,377,054
	Expenses	8,000	9,000
Board of Directors	Remuneration	1,068,750	1,068,750
	Meeting fee and expenses	1,267,600	1,433,320
Shareholders	Reinsurance premiums ceded	34,042,153	36,209,798
	Reinsurers' share of gross claims	1,830,219	3,532,979
	Reinsurance commission income	5,912,834	6,042,805

The following are the details of related party balances as at:

<u>Nature</u>	<u>Relationship</u>	30 September	31 December
		2020 (Unaudited)	2019 (Audited)
Premiums and reinsurance receivables	Affiliates	68,708	176,741
Reinsurance payables	Affiliates	17,538,445	12,856,490

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9. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Remuneration and compensation of BOD Members and Executives

Key management personnel of the Company includes all directors, executive and non-executive, and senior management. The following table shows the salaries, remuneration and allowances obtained by the Board members and key management personnel for the period ended 30 September 2020 and 2019:

<u>Period-ended 30 September 2020</u>	<u>BOD members (Executives) (Unaudited)</u>	<u>BOD members (Non-Executive) (Unaudited)</u>	<u>Key management (Unaudited)</u>
Salaries and compensation	-	-	2,608,972
End of service indemnities	-	-	258,805
Traveling expenses	15,165	137,685	-
Annual remuneration and meeting fees	248,750	1,934,750	-
Total	263,915	2,072,435	2,867,777

<u>Period-ended 30 September 2019</u>	<u>BOD members (Executives) (Unaudited)</u>	<u>BOD members (Non-Executive) (Unaudited)</u>	<u>Key management (Unaudited)</u>
Salaries and compensation	-	-	2,725,143
End of service indemnities	-	-	212,580
Traveling expenses	39,044	415,526	-
Annual remuneration and meeting fees	238,750	1,808,750	-
Total	277,794	2,224,276	2,937,723

10. REINSURANCE BALANCES PAYABLE

	<u>30 September 2020 (Unaudited)</u>	<u>31 December 2019 (Audited)</u>
Related parties (note 9)	17,538,445	12,856,490
Others	31,954,199	51,950,978
	49,492,644	64,807,468

11. STATUTORY DEPOSIT

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

In accordance with the instruction received from the Saudi Arabian Monetary Authority (SAMA) vide their circular dated 1 March 2016, the Company has disclosed the commission due on statutory deposit as at 30 September 2020 as an asset and a liability in these interim condensed financial statements.

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12. SHARE CAPITAL

The authorised, issued and paid-up share capital is SR 200 million at 30 September 2020 consisting of 20 million shares (31 December 2019: SR 200 million consisting of 20 million shares) of SR 10 each.

Shareholding structure of the Company is as below:

	30 September 2020 (Unaudited) / 31 December 2019 (Audited)		
	Authorized, issued and		Paid-up
	No. of Shares "000"	SR "000"	
International Corporation For Trade and Contract Services	1,000	10,000	10,000
El-Khereiji Construction Company	1,000	10,000	10,000
El-Khereiji Trading & Electronics Company	1,000	10,000	10,000
El-Khereiji Real Estate	1,000	10,000	10,000
El-Khereiji Investment Company	2,000	20,000	20,000
Chubb INA International Holding Ltd	6,000	60,000	60,000
General Public	8,000	80,000	80,000
Total	20,000	200,000	200,000

13. CONTINGENCIES AND COMMITMENTS

Legal proceedings

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

14. ZAKAT AND INCOME TAX

(a) Income tax has been provided for based on the estimated taxable profit at the rate of 20% per annum.

The differences between the financial results and taxable income are mainly due to adjustments for certain costs/claims based on the relevant fiscal regulations.

Movement in the provision for zakat and income tax during the period / year

The movement in zakat and income tax provision is as follows:

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
At the beginning of the period / year	16,501,196	18,134,513
Zakat charge for the period / year	2,718,492	955,945
Tax charge for the period / year	1,951,883	1,885,160
Paid during the period / year	(2,995,888)	(4,474,422)
At the end of the period / year	18,175,683	16,501,196

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14. ZAKAT AND INCOME TAX (CONTINUED)

(b) Shareholding subject to zakat and income tax

The following is the shareholding percentage for computation as at the end of the period / year:

	30 September 2020	31 December 2019
	%	%
Shareholding subject to zakat	<u>70</u>	<u>70</u>
Shareholding subject to income tax	<u>30</u>	<u>30</u>

(c) Status of assessments

In 2015, the General Authority of Zakat and Tax ("the GAZT") raised final assessments for the years ended 31 December 2009 to 2012 and claimed additional zakat and income tax liability including withholding tax amounting to SR 13.79 million. The management has filed an appeal against these assessments and believes that the outcome of this appeal will be in the favor of the Company. However, the Company has paid SR 14.9 million (including delay penalties and withholding tax) and also furnished a bank guarantee of SR 3.3 million in favor of GAZT to avoid any further delay penalties until the appeal against the assessments is finalized.

The Company has also received a provisional assessment for the years 2013 to 2015 where GAZT had requested for an additional zakat and income tax liability of SR 6.2 million. The management has also filed an appeal against this assessment. However, the Company has submitted an additional bank guarantee amounting to SR 6.2 million to cover the full additional liability and to avoid delay penalties.

Furthermore in 2020, the General Authority of Zakat and Tax ("the GAZT") raised final assessments for the years ended 31 December 2016 to 2018 and assessed additional zakat and income tax liability amounting to SR 10.6 million. The management will file appeals against these assessments and believes that the outcome of these appeals will be in the favor of the Company.

The Company has filed zakat and tax returns up to year ended 31 December 2019 and obtained zakat and tax clearance certificate valid till 30 April 2021. Zakat and income tax assessments have not been raised by the GAZT for the year 2019.

15. ACCUMULATED SURPLUS PAYABLE

	30 September 2020	31 December 2019
	(Unaudited)	(Audited)
Opening surplus distribution payable	9,184,671	6,764,250
Total income attributed to the insurance operations	3,093,710	3,211,552
Surplus paid to policy holders	<u>(5,003,795)</u>	<u>(791,131)</u>
Closing surplus distribution payable	<u>7,274,586</u>	<u>9,184,671</u>

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(All amounts expressed in Saudi Riyals unless otherwise stated)

16. GROSS PREMIUMS WRITTEN

Gross Premiums Written - For the three months period 30 September 2020 (Unaudited)						
Class	Individual	Very small	Small	Medium	Corporate	Total
Motor	1,212,095	153,985	585,230	1,010,633	5,957,891	8,919,834
Property and casualty	82,542	325,182	1,381,470	1,573,362	28,187,064	31,549,620
Total	1,294,637	479,167	1,966,700	2,583,995	34,144,955	40,469,454

Gross Premiums Written - For the three months period 30 September 2019 (Unaudited)						
Class	Individual	Very small	Small	Medium	Corporate	Total
Motor	1,148,595	138,327	621,083	163,697	4,327,044	6,398,746
Property and casualty	85,853	305,563	1,394,536	430,464	27,479,808	29,696,224
Total	1,234,448	443,890	2,015,619	594,161	31,806,852	36,094,970

Gross Premiums Written - For the nine months period 30 September 2020 (Unaudited)						
Class	Individual	Very small	Small	Medium	Corporate	Total
Motor	5,234,093	1,309,622	2,749,890	7,418,962	26,508,055	43,220,622
Property and casualty	228,808	3,320,829	7,491,891	7,092,243	125,717,330	143,851,101
Total	5,462,901	4,630,451	10,241,781	14,511,205	152,225,385	187,071,723

Gross Premiums Written - For the nine months period 30 September 2019 (Unaudited)						
Class	Individual	Very small	Small	Medium	Corporate	Total
Motor	6,624,100	823,079	2,846,285	7,110,360	37,684,205	55,088,029
Property and casualty	449,643	1,896,695	6,407,623	8,154,019	108,003,815	124,911,795
Total	7,073,743	2,719,774	9,253,908	15,264,379	145,688,020	179,999,824

17. TECHNICAL RESERVES

17.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Outstanding claims	59,074,562	50,194,024
Less: Realizable value of salvage and subrogation	(1,750,470)	(1,191,405)
	57,324,092	49,002,619
Claims incurred but not reported	43,756,011	58,267,707
Additional premium reserve	5,203,482	3,088,645
Other technical reserve	1,629,406	1,801,064
	107,912,991	112,160,035
Less:		
- Reinsurers' share of outstanding claims	(46,307,439)	(37,167,238)
- Reinsurers' share of claims incurred but not reported	(30,802,123)	(38,629,609)
Net outstanding claims and reserves	30,803,429	36,363,188

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17. TECHNICAL RESERVES (CONTINUED)

17.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	Nine-months ended 30 September 2020 (Unaudited)		
	Gross	Reinsurance	Net
Balance as at the beginning of the period	101,027,961	(74,196,879)	26,831,082
Premium written during the period	187,071,723	(110,512,689)	76,559,034
Premium earned during the period	(181,176,677)	114,433,580	(66,743,097)
Balance as at the end of the period	106,923,007	(70,275,988)	36,647,019
	Year-ended 31 December 2019 (Audited)		
	Gross	Reinsurance	Net
Balance as at the beginning of the year	77,264,897	(51,629,690)	25,635,207
Premium written during the year	258,223,251	(169,588,095)	88,635,156
Premium earned during the year	(234,460,187)	147,020,906	(87,439,281)
Balance as at the end of the year	101,027,961	(74,196,879)	26,831,082

17.3 Deferred policy acquisition costs

Movement in deferred policy acquisition costs comprise of the following:

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Balance as at the beginning of the period / year	5,323,677	4,305,281
Incurred during the period / year	13,853,951	15,988,375
Amortised during the period / year	(12,067,979)	(14,969,979)
Balance at the end of the period / year	7,109,649	5,323,677

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18. OPERATING SEGMENTS

For management purposes, the Company is organized into business segments classified as: Property, Engineering, Motor, Casualty and Others. Others include marine and other general insurance. These segments are the basis on which the Company reports its primary 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.

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

Segment assets do not include cash and cash equivalents, premiums and reinsurance balances receivable - net, due from shareholders' operations, prepayments investments and other assets, term deposits, property and equipment, rights-to-use assets, intangible assets, goodwill, statutory reserves and accrued commission income. Accordingly, they are included in unallocated assets.

Segment liabilities do not include accounts payables, accrued expenses and other liabilities, lease liabilities, reinsurance balances payable, due to shareholders' operations, end-of-service indemnities, statutory deposit commission income payable, provision for zakat and income tax and accumulated surplus from insurance. Accordingly, they are included in unallocated liabilities.

Segments do not include shareholders' assets and liabilities hence these are presented under unallocated assets/liabilities accordingly.

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

The segment statements provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at 30 September 2020 and 31 December 2019, its total revenues, expenses, and net income for the three and nine-months period ended 30 September 2020 and 30 September 2019 are as follows:

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18. OPERATING SEGMENTS (CONTINUED)

Interim condensed statement of income
for the three - months period ended 30
September 2020

	Property	Engineering	Motor	Casualty	Others	Total
	(Unaudited)					
REVENUE						
Gross written premiums	13,169,368	6,155,435	8,919,834	6,702,290	5,522,527	40,469,454
Less: Reinsurance premiums ceded						
Local	(664,213)	(640,056)	(19,899)	(14,251)	(163,390)	(1,501,809)
Foreign	(10,539,617)	(4,606,312)	32,607	(2,815,011)	(3,541,960)	(21,470,293)
Excess of loss expenses	(360,781)	(79,968)	(132,269)	(142,510)	(243,470)	(958,998)
Net premiums written	1,604,757	829,099	8,800,273	3,730,518	1,573,707	16,538,354
Change in unearned premiums,	10,481,963	(454,399)	3,268,547	4,096,563	(2,416,057)	14,976,617
Changes in reinsurer share of unearned premiums	(10,722,767)	262,865	(345,224)	(2,866,948)	2,136,002	(11,536,072)
Net premiums earned	1,363,953	637,565	11,723,596	4,960,133	1,293,652	19,978,899
Reinsurance commission income	2,859,559	1,024,482	99,847	562,206	303,916	4,850,010
TOTAL REVENUE	4,223,512	1,662,047	11,823,443	5,522,339	1,597,568	24,828,909
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(2,479,707)	(723,639)	(7,849,308)	(30,791)	(730,275)	(11,813,720)
Expenses incurred related to claims	(49,715)	(80,476)	(354,164)	(15,054)	(30,207)	(529,616)
Reinsurers' share of gross claims paid	2,252,159	727,682	482,663	19,432	381,258	3,863,194
Net claims and other benefits paid	(277,263)	(76,433)	(7,720,809)	(26,413)	(379,224)	(8,480,142)
Changes in outstanding claims	(3,981,193)	(1,257,100)	1,844,845	(318,283)	1,710,022	(2,001,709)
Changes in reinsurers' share of outstanding claims	3,637,537	1,048,701	(434,214)	300,112	(2,043,053)	2,509,083
Changes in claims incurred but not reported ("IBNR")	2,133,488	312,799	4,075,463	(662,420)	2,521,489	8,380,819
Changes in reinsurance share of IBNR	(2,125,263)	(473,828)	(198,818)	(40,235)	(1,730,163)	(4,568,307)
Net claims incurred	(612,694)	(445,861)	(2,433,533)	(747,239)	79,071	(4,160,256)
Changes in additional premium reserve	961,751	(1,582,145)	699,161	1,011,798	(336,295)	754,270
Changes in other technical reserves	3,216	(7,104)	112,452	(18,485)	75,972	166,051
Policy acquisition costs	(1,351,071)	(377,614)	(1,089,268)	(781,960)	(264,073)	(3,863,986)
Other underwriting expenses	(386,940)	(172,378)	(689,402)	(153,484)	54,278	(1,347,926)
TOTAL UNDERWRITING COSTS AND EXPENSES	(1,385,738)	(2,585,102)	(3,400,590)	(689,370)	(391,047)	(8,451,847)
NET UNDERWRITING INCOME	2,837,774	(923,055)	8,422,853	4,832,969	1,206,521	16,377,062
OTHER OPERATING (EXPENSES) / INCOME						
Reversal for doubtful debts						4,085,024
General and administrative expenses						(8,956,026)
Dividend, interest and commission income						1,811,684
Unrealised gains on investments held for trading						872,137
Other income, net						408,150
TOTAL OTHER OPERATING EXPENSES						(1,779,031)
Total income for the period before zakat and income tax						14,598,031
Zakat						(1,207,672)
Income tax						(897,094)
TOTAL INCOME FOR THE PERIOD						12,493,265
Total income for the period attributable to insurance operations						(1,394,746)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS						11,098,519

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18. OPERATING SEGMENTS (CONTINUED)

Interim condensed statement of income
for the nine months period ended 30
September 2020

	Property	Engineering	Motor	Casualty	Others	Total
	(Unaudited)					
REVENUE						
Gross written premiums	58,673,125	34,214,550	43,220,622	31,348,907	19,614,519	187,071,723
Less: Reinsurance premiums ceded						
Local	(3,893,687)	(1,600,656)	(59,687)	(42,753)	(515,233)	(6,112,016)
Foreign	(48,790,857)	(29,924,170)	(26,434)	(14,048,565)	(11,610,647)	(104,400,673)
Excess of loss expenses	(1,082,344)	(239,905)	(530,249)	(427,531)	(851,797)	(3,131,826)
Net premiums written	4,906,237	2,449,819	42,604,252	16,830,058	6,636,842	73,427,208
Change in unearned premiums, net	11,817,700	(15,418,527)	(5,381,624)	2,580,756	506,649	(5,895,046)
Changes in reinsurer share of unearned premiums	(12,772,734)	15,318,407	(2,270,505)	(3,506,849)	(689,210)	(3,920,891)
Net premiums earned	3,951,203	2,349,699	34,952,123	15,903,965	6,454,281	63,611,271
Reinsurance commission income	8,532,348	3,495,084	720,728	1,784,066	2,188,882	16,721,108
TOTAL REVENUE	12,483,551	5,844,783	35,672,851	17,688,031	8,643,163	80,332,379

UNDERWRITING COSTS AND EXPENSES

Gross claims paid	(2,787,595)	(1,114,629)	(18,259,576)	(844,900)	(1,939,506)	(24,946,206)
Expenses incurred related to claims	(86,749)	(137,662)	(1,086,495)	(589,448)	(133,553)	(2,033,907)
Reinsurers' share of gross claims paid	2,483,782	1,029,297	1,722,065	851,495	1,066,030	7,152,669
Net claims and other benefits paid	(390,562)	(222,994)	(17,624,006)	(582,853)	(1,007,029)	(19,827,444)
Changes in outstanding claims	(9,185,754)	(2,383,240)	2,388,558	3,857,468	(2,998,505)	(8,321,473)
Changes in reinsurers' share of outstanding claims	8,823,312	1,571,650	(939,760)	(2,417,996)	2,102,995	9,140,201
Changes in claims incurred but not reported ("IBNR")	5,613,220	(407,135)	5,834,841	671,127	2,799,643	14,511,696
Changes in reinsurance share of IBNR	(5,223,819)	247,071	(571,418)	(920,069)	(1,359,251)	(7,827,486)
Net claims incurred	(363,603)	(1,194,648)	(10,911,785)	607,677	(462,147)	(12,324,506)
Changes in additional premium reserve	1,890,835	(1,582,145)	(2,087,232)	-	(336,295)	(2,114,837)
Changes in other technical reserves	22,958	(48,189)	109,134	58,497	29,258	171,658
Policy acquisition costs	(3,933,267)	(1,158,155)	(3,250,296)	(2,412,779)	(1,313,482)	(12,067,979)
Other underwriting expenses	(724,792)	(441,011)	(1,012,325)	(409,714)	(299,370)	(2,887,212)
TOTAL UNDERWRITING COSTS AND EXPENSES	(3,107,869)	(4,424,148)	(17,152,504)	(2,156,319)	(2,382,036)	(29,222,876)
NET UNDERWRITING INCOME	9,375,682	1,420,635	18,520,347	15,531,712	6,261,127	51,109,503

OTHER OPERATING (EXPENSES) / INCOME

Allowance for doubtful debts	(2,795,741)
General and administrative expenses	(26,676,978)
Dividend, interest and commission income	5,945,203
Realized losses on disposal of investments held for trading	(233,898)
Unrealised gains on investments held for trading	359,068
Other income, net	3,996,228
TOTAL OTHER OPERATING EXPENSES	(19,406,118)
Total income for the period before zakat and income tax and surplus distribution	31,703,385
Zakat	(2,718,492)
Income tax	(1,951,883)
NET INCOME FOR THE PERIOD	27,033,010
Total income for the period attributable to insurance operations	(3,093,710)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS	23,939,300

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18. OPERATING SEGMENTS (CONTINUED)

Interim condensed statement of income
for the three - months period ended 30
September 2019

	Property	Engineering	Motor	Casualty	Others	Total
	(Unaudited)					
REVENUE						
Gross written premiums	15,119,855	3,813,057	6,398,744	7,566,991	3,196,323	36,094,970
Less: Reinsurance premiums ceded						
Local	(536,580)	(311,273)	-	-	(57,260)	(905,113)
Foreign	(12,974,562)	(2,654,655)	(961,069)	(3,919,670)	(1,687,362)	(22,197,318)
Excess of loss expenses	(356,850)	(83,775)	(207,069)	(119,181)	(157,749)	(924,624)
Net premiums written	1,251,863	763,354	5,230,606	3,528,140	1,293,952	12,067,915
Change in unearned premiums	6,489,135	173,133	8,909,810	2,627,111	1,074,096	19,273,285
Changes in reinsurer share of unearned premiums	(6,274,116)	(464,561)	(1,314,596)	(1,260,984)	(296,252)	(9,610,509)
Net premiums earned	1,466,882	471,926	12,825,820	4,894,267	2,071,796	21,730,691
Reinsurance commission income	2,830,720	694,599	688,037	708,768	579,718	5,501,842
TOTAL REVENUE	4,297,602	1,166,525	13,513,857	5,603,035	2,651,514	27,232,533
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(2,374,957)	(817,286)	(6,648,710)	(2,582,111)	(673,179)	(13,096,243)
Expenses incurred related to claims	(31,342)	(41,633)	(380,875)	(58,475)	(52,868)	(565,193)
Reinsurers' share of gross claims paid	2,118,364	711,610	1,043,830	1,622,315	307,224	5,803,343
Net claims and other benefits paid	(287,935)	(147,309)	(5,985,755)	(1,018,271)	(418,823)	(7,858,093)
Changes in outstanding claims	(1,603,423)	(637,700)	(3,013,470)	(2,011,389)	666,206	(6,599,776)
Changes in reinsurers' share of outstanding claims	1,649,631	529,923	265,435	3,102,357	(251,393)	5,295,953
Net claims incurred	(241,727)	(255,086)	(8,733,790)	72,697	(4,010)	(9,161,916)
Policy acquisition costs	(1,210,863)	(212,788)	(1,143,498)	(749,342)	(350,804)	(3,667,295)
Other underwriting expenses	(49,359)	(55,653)	(64,141)	(109,564)	(223,581)	(502,298)
TOTAL UNDERWRITING COSTS AND EXPENSES	(1,501,949)	(523,527)	(9,941,429)	(786,209)	(578,395)	(13,331,509)
NET UNDERWRITING INCOME	2,795,653	642,998	3,572,428	4,816,826	2,073,119	13,901,024
OTHER OPERATING (EXPENSES) / INCOME						
Reversal for doubtful debts						709,926
General and administrative expenses						(8,637,938)
Dividend, interest and commission Income						2,376,010
Realized gains on disposal of investment held for trading						122,737
Unrealised gains on investments held for trading						952,482
Other income, net						508,901
TOTAL OTHER OPERATING EXPENSES						(3,967,882)
Total income for the period before zakat and income tax and surplus distribution						9,933,142
Zakat						(1,032,013)
Income tax						(616,202)
TOTAL INCOME FOR THE PERIOD						8,284,927
Total income for the period attributable to insurance operations						(890,313)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS						7,394,614

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18. OPERATING SEGMENTS (CONTINUED)

Interim condensed statement of income
for the nine months period ended 30
September 2019

	Property	Engineering	Motor	Casualty	Others	Total
	(Unaudited)					
REVENUE						
Gross written premiums	63,314,697	14,038,291	55,088,029	31,325,312	16,233,495	179,999,824
Less: Reinsurance premiums ceded						
Local	(3,414,218)	(1,090,417)	-	-	(275,369)	(4,780,004)
Foreign	(54,096,150)	(10,619,950)	(8,269,136)	(15,011,306)	(8,626,341)	(96,622,883)
Excess of loss expenses	(1,070,548)	(251,327)	(621,209)	(357,541)	(492,379)	(2,793,004)
Net premiums written	4,733,781	2,076,597	46,197,684	15,956,465	6,839,406	75,803,933
Change in unearned premiums, net	(2,354,277)	(1,360,687)	(7,572,221)	(2,179,735)	(502,445)	(13,969,365)
Changes in reinsurer share of unearned Premiums	1,906,807	846,972	930,200	(522,081)	284,745	3,446,643
Net premiums earned	4,286,311	1,562,882	39,555,663	13,254,649	6,621,706	65,281,211
Reinsurance commission income	7,851,667	2,485,438	2,111,189	2,123,269	1,863,975	16,435,538
TOTAL REVENUE	12,137,978	4,048,320	41,666,852	15,377,918	8,485,681	81,716,749

UNDERWRITING COSTS AND EXPENSES

Gross claims paid and other expenses	(4,326,535)	(7,873,120)	(21,956,828)	(3,933,286)	(1,858,916)	(39,948,685)
Expenses incurred related to claims	(220,698)	(102,848)	(1,293,327)	(148,990)	(124,954)	(1,890,817)
Reinsurers' share of gross claims paid	4,216,939	7,219,369	3,226,106	1,742,519	1,039,645	17,444,578
Net claims and other benefits paid	(330,294)	(756,599)	(20,024,049)	(2,339,757)	(944,225)	(24,394,924)
Changes in outstanding claims	785,592	5,101,884	(4,407,412)	(5,416,702)	623,369	(3,313,269)
Changes in reinsurers' share of outstanding Claims	(758,173)	(5,323,618)	630,102	5,758,189	(382,697)	(76,197)
Changes in claims incurred but not reported ("IBNR")	5,683,283	979,765	2,809,506	(1,671,712)	(672,755)	7,128,087
Changes in reinsurance share of IBNR	(5,644,318)	(121,197)	(907,126)	2,693,022	721,438	(3,258,181)
Net claims incurred	(263,910)	(119,765)	(21,898,979)	(976,960)	(654,870)	(23,914,484)
Changes in additional premium reserve	(813,234)	111,661	-	-	(715,846)	(1,417,419)
Changes in other technical reserves	951,162	283,183	(20,137)	(15,887)	64,666	1,262,987
Policy acquisition costs	(3,433,111)	(772,445)	(3,632,119)	(2,167,158)	(1,038,100)	(11,042,933)
Other underwriting expenses	(491,458)	(278,911)	(491,027)	(436,902)	(463,703)	(2,162,001)
TOTAL UNDERWRITING COSTS AND EXPENSES	(4,050,551)	(776,277)	(26,042,262)	(3,596,907)	(2,807,853)	(37,273,850)
NET UNDERWRITING INCOME	8,087,427	3,272,043	15,624,590	11,781,011	5,677,828	44,442,899

OTHER OPERATING (EXPENSES) / INCOME

Allowance for doubtful debts	(5,703,404)
General and administrative expenses	(25,895,067)
Dividend, interest and commission Income	7,280,099
Realized gains on disposal of investments held for trading	202,863
Unrealised gains on investments held for trading	2,787,445
Other income, net	1,556,815
TOTAL OTHER OPERATING EXPENSES	(19,771,249)
Total income for the period before zakat and income tax and surplus distribution	24,671,650
Zakat	(2,839,157)
Income tax	(1,540,940)
NET INCOME FOR THE PERIOD	20,291,553
Total income for the period attributable to insurance operations	(2,170,431)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS	18,121,122

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18. OPERATING SEGMENTS (CONTINUED)

Statement of financial position as at 31 December 2019	Insurance operations						Shareholders' operations	Total
	Property	Engineering	Motor	Casualty	Others	Total - Insurance operations		
Assets								
Reinsurers' share of unearned premiums	44,033,459	10,224,197	2,386,904	12,862,604	4,689,715	74,196,879	-	74,196,879
Reinsurers' share of outstanding claims	26,168,110	2,550,818	942,172	6,358,210	1,147,928	37,167,238	-	37,167,238
Reinsurers' share of claims incurred but not reported	24,175,864	5,115,047	1,351,001	4,469,639	3,518,058	38,629,609	-	38,629,609
Deferred policy acquisition costs	1,386,577	1,052,385	1,145,218	1,284,766	454,731	5,323,677	-	5,323,677
Unallocated assets	-	-	-	-	-	205,725,674	318,620,156	524,345,830
Total assets	95,764,010	18,942,447	5,825,295	24,975,219	9,810,432	361,043,077	318,620,156	679,663,233
Liabilities								
Unearned premiums	46,140,915	11,721,970	15,910,079	20,443,319	6,811,678	101,027,961	-	101,027,961
Unearned reinsurance commission	3,561,862	2,611,072	736,419	1,158,582	783,934	8,851,869	-	8,851,869
Outstanding claims	27,349,511	3,323,214	5,352,364	10,667,271	2,310,259	49,002,619	-	49,002,619
Claims incurred but not reported	26,406,230	5,790,259	11,722,116	7,891,173	6,457,929	58,267,707	-	58,267,707
Additional premium reserves	2,986,238	-	102,407	-	-	3,088,645	-	3,088,645
Other technical reserves	901,822	155,450	274,941	297,558	171,293	1,801,064	-	1,801,064
Unallocated liabilities	-	-	-	-	-	115,269,900	21,785,507	137,055,407
Total liabilities	107,346,578	23,601,965	34,098,326	40,457,903	16,535,093	337,309,765	21,785,507	359,095,272

Geographical segments
All the assets and liabilities of the Company are located in the Kingdom of Saudi Arabia except for certain investments held in countries domiciled in the Gulf Cooperation Council ("GCC").

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19. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The fair values of on-balance sheet financial instruments are not significantly different from their carrying amounts included in the interim condensed financial statements.

Determination of fair value and fair value hierarchy

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

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

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

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

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	30 September 2020 (Unaudited)				
	Carrying value	Level 1	Level 2	Level 3	Total
Investments held for trading	96,861,661	96,861,661	-	-	96,861,661
	<u>96,861,661</u>	<u>96,861,661</u>	<u>-</u>	<u>-</u>	<u>96,861,661</u>

	31 December 2019 (Audited)				
	Carrying value	Level 1	Level 2	Level 3	Total
Investments held for trading	96,506,696	96,506,696	-	-	96,506,696
	<u>96,506,696</u>	<u>96,506,696</u>	<u>-</u>	<u>-</u>	<u>96,506,696</u>

During the period, there has been no transfer between level 1, level 2 and level 3.

20. EARNINGS PER SHARE

Earnings per share for the period has been calculated by dividing the net income for the period by the weighted average number of outstanding shares during the period.

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21. SUPPLEMENTARY STATEMENTS

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

	30 September 2020 - (Unaudited)			31 December 2019 - (Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
a) Statement of financial position						
ASSETS						
Cash and cash equivalents	35,687,028	88,779,458	124,466,486	58,510,894	47,140,114	105,651,008
Premiums and reinsurance balances receivable, net	89,284,577	-	89,284,577	102,144,942	-	102,144,942
Reinsurers' share of unearned premiums	70,275,988	-	70,275,988	74,196,879	-	74,196,879
Reinsurers' share of outstanding claims	46,307,439	-	46,307,439	37,167,238	-	37,167,238
Reinsurers' share of claims incurred but not reported	30,802,123	-	30,802,123	38,629,609	-	38,629,609
Deferred policy acquisition costs	7,109,649	-	7,109,649	5,323,677	-	5,323,677
Deferred excess of loss premiums	959,002	-	959,002	-	-	-
Investments held for trading	38,097,853	58,763,808	96,861,661	38,013,460	58,493,236	96,506,696
Investments available for sale	-	1,932,078	1,932,078	-	1,932,078	1,932,078
Due from insurance operations	-	34,942,895	34,942,895	3,324,349	28,903,966	32,228,315
Prepayments and other assets	5,427,069	12,555,927	17,982,996	3,510,256	13,343,393	16,853,649
Term deposits	25,333,510	106,508,415	131,841,925	-	132,081,773	132,081,773
Property and equipment	707,611	-	707,611	589,134	-	589,134
Right of use assets	1,348,124	-	1,348,124	2,156,999	-	2,156,999
Intangible assets	603,437	-	603,437	799,989	-	799,989
Goodwill	-	43,774,750	43,774,750	-	43,774,750	43,774,750
Statutory deposit	-	20,000,000	20,000,000	-	20,000,000	20,000,000
Statutory deposit commission income	-	2,140,458	2,140,458	-	1,854,812	1,854,812
TOTAL ASSETS	351,943,410	369,397,789	721,341,199	364,367,426	347,524,122	711,891,548
Less: inter-operations elimination	-	(34,942,895)	(34,942,895)	(3,324,349)	(28,903,966)	(32,228,315)
TOTAL ASSETS AS PER STATEMENT OF FINANCIAL POSITION	351,943,410	334,454,894	686,398,304	361,043,077	318,620,156	679,663,233

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21. SUPPLEMENTARY STATEMENTS (CONTINUED)

a) Statement of financial position (continued)	30 September 2020 - (Unaudited)			31 December 2019- (Audited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
LIABILITIES						
Accounts payable	22,504,338	-	22,504,338	22,146,161	-	22,146,161
Accrued expenses and other liabilities	5,554,873	2,728,082	8,282,955	8,525,416	3,429,498	11,954,914
Lease liabilities	1,108,045	-	1,108,045	2,195,455	-	2,195,455
Reinsurance balances payable	49,492,644	-	49,492,644	64,807,468	-	64,807,468
Unearned premiums	106,923,007	-	106,923,007	101,027,961	-	101,027,961
Unearned reinsurance commission income	9,820,106	-	9,820,106	8,851,869	-	8,851,869
Outstanding claims	57,324,092	-	57,324,092	49,002,619	-	49,002,619
Claims incurred but not reported	43,756,011	-	43,756,011	58,267,707	-	58,267,707
Additional premium reserves	5,203,482	-	5,203,482	3,088,645	-	3,088,645
Other technical reserves	1,629,406	-	1,629,406	1,801,064	-	1,801,064
Due to shareholders'	34,942,895	-	34,942,895	28,903,966	3,324,349	32,228,315
End-of-service indemnities	8,256,230	-	8,256,230	8,410,730	-	8,410,730
Statutory deposit commission income payable	-	2,140,458	2,140,458	-	1,854,812	1,854,812
Provision for zakat and income tax	-	18,175,683	18,175,683	-	16,501,196	16,501,196
Accumulated surplus from insurance operations	7,274,586	-	7,274,586	9,184,671	-	9,184,671
TOTAL LIABILITIES	353,789,715	23,044,223	376,833,938	366,213,732	25,109,855	391,323,587
Less: inter-operations elimination	(34,942,895)	-	(34,942,895)	(28,903,966)	(3,324,349)	(32,228,315)
TOTAL LIABILITIES AS PER STATEMENT OF FINANCIAL POSITION	318,846,820	23,044,223	341,891,043	337,309,766	21,785,506	359,095,272
EQUITY						
Share capital	-	200,000,000	200,000,000	-	200,000,000	200,000,000
Statutory reserve	-	37,225,511	37,225,511	-	32,437,651	32,437,651
Retained earnings	-	109,128,055	109,128,055	-	89,976,615	89,976,615
TOTAL EQUITY	-	346,353,566	346,353,566	-	322,414,266	322,414,266
Re-measurement of defined benefit obligation	(1,846,305)	-	(1,846,305)	(1,846,305)	-	(1,846,305)
TOTAL LIABILITIES AND EQUITY	317,000,515	369,397,789	686,398,304	335,463,461	344,199,772	679,663,233

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21. SUPPLEMENTARY STATEMENTS (CONTINUED)

b) Interim condensed statement of income	Nine months period ended 30 September 2020			Nine months period ended 30 September 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	(Unaudited)			(Unaudited)		
REVENUE						
Gross written premiums	187,071,723	-	187,071,723	179,999,824	-	179,999,824
Less: Reinsurance premiums ceded						
Local	(6,112,016)	-	(6,112,016)	(4,780,004)	-	(4,780,004)
Foreign	(104,400,673)	-	(104,400,673)	(96,622,883)	-	(96,622,883)
Excess of loss expenses	(3,131,826)	-	(3,131,826)	(2,793,004)	-	(2,793,004)
Net premiums written	73,427,208	-	73,427,208	75,803,933	-	75,803,933
Changes in unearned premiums	(5,895,046)	-	(5,895,046)	(13,969,365)	-	(13,969,365)
Changes in reinsurer share of unearned premiums	(3,920,891)	-	(3,920,891)	3,446,643	-	3,446,643
Net premiums earned	63,611,271	-	63,611,271	65,281,211	-	65,281,211
Reinsurance commissions	16,721,108	-	16,721,108	16,435,538	-	16,435,538
TOTAL REVENUE	80,332,379	-	80,332,379	81,716,749	-	81,716,749
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid and other expenses	(24,946,206)	-	(24,946,206)	(39,948,685)	-	(39,948,685)
Expenses incurred related to claims	(2,033,907)	-	(2,033,907)	(1,890,817)	-	(1,890,817)
Reinsurers' share of gross claims paid	7,152,669	-	7,152,669	17,444,578	-	17,444,578
NET CLAIMS AND OTHER BENEFITS PAID	(19,827,444)	-	(19,827,444)	(24,394,924)	-	(24,394,924)
Changes in outstanding claims	(8,321,473)	-	(8,321,473)	(3,313,269)	-	(3,313,269)
Changes in reinsurer outstanding claims	9,140,201	-	9,140,201	(76,197)	-	(76,197)
Changes in claims IBNR	14,511,696	-	14,511,696	7,128,087	-	7,128,087
Changes in reinsurer share of IBNR	(7,827,486)	-	(7,827,486)	(3,258,181)	-	(3,258,181)
Net claims incurred	(12,324,506)	-	(12,324,506)	(23,914,484)	-	(23,914,484)
Changes in additional premium reserve	(2,114,837)	-	(2,114,837)	(1,417,419)	-	(1,417,419)
Changes in other technical reserves	171,658	-	171,658	1,262,987	-	1,262,987
Policy acquisition costs	(12,067,979)	-	(12,067,979)	(11,042,933)	-	(11,042,933)
Other underwriting expenses	(2,887,212)	-	(2,887,212)	(2,162,001)	-	(2,162,001)
TOTAL UNDERWRITING COSTS AND EXPENSES	(29,222,876)	-	(29,222,876)	(37,273,850)	-	(37,273,850)
NET UNDERWRITING INCOME	51,109,503	-	51,109,503	44,442,899	-	44,442,899
OTHER OPERATING (EXPENSES) / INCOME						
Provision for doubtful debts	(2,795,741)	-	(2,795,741)	(5,703,404)	-	(5,703,404)
General and administrative expenses	(22,738,631)	(3,938,347)	(26,676,978)	(21,737,309)	(4,157,758)	(25,895,067)
Dividend, interest and Commission Income	1,381,380	4,563,823	5,945,203	1,882,803	5,397,296	7,280,099
Realized (loss)/ gain on disposal of investment held	(101,816)	(132,082)	(233,898)	88,306	114,557	202,863
Unrealised gains on investments held at fair value	86,179	272,889	359,068	1,174,198	1,613,247	2,787,445
Others income, net	3,996,228	-	3,996,228	1,556,815	-	1,556,815
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(20,172,401)	766,283	(19,406,118)	(22,738,591)	2,967,342	(19,771,249)
Total income for the period before zakat and income tax	30,937,102	766,283	31,703,385	21,704,308	2,967,342	24,671,650
Zakat	-	(2,718,492)	(2,718,492)	-	(2,839,157)	(2,839,157)
income tax	-	(1,951,883)	(1,951,883)	-	(1,540,940)	(1,540,940)
NET INCOME FOR THE PERIOD	30,937,102	(3,904,092)	27,033,010	21,704,308	(1,412,755)	20,291,553
Surplus transferred to Shareholders	(27,843,392)	27,843,392	-	(19,533,877)	19,533,877	-
Net result from insurance operations after transfer of surplus to shareholders	3,093,710	23,939,300	27,033,010	2,170,431	18,121,122	20,291,553
Weighted average number of outstanding shares	-	20,000,000	-	-	20,000,000	-
Earnings per share for the period		1.20			0.91	

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21. SUPPLEMENTARY STATEMENTS (CONTINUED)

c) Interim condensed statement of comprehensive income	Nine months ended 30 September 2020			Nine months ended 30 September 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	(Unaudited)			(Unaudited)		
Total income from the period	3,093,710	23,939,300	27,033,010	2,170,431	18,121,122	20,291,553
Items that are or may be reclassified to interim condensed statements of income in subsequent periods	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3,093,710	23,939,300	27,033,010	2,170,431	18,121,122	20,291,553

d) Interim condensed statement of income	Three months ended 30 September 2020			Three months ended 30 September 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	(Unaudited)			(Unaudited)		
REVENUE						
Gross written premiums	40,469,454	-	40,469,454	36,094,970	-	36,094,970
Less: Reinsurance premiums ceded						
Local	(1,501,809)	-	(1,501,809)	(905,113)	-	(905,113)
Foreign	(21,470,293)	-	(21,470,293)	(22,197,318)	-	(22,197,318)
Excess of loss expenses	(958,998)	-	(958,998)	(924,624)	-	(924,624)
Net premiums written	16,538,354	-	16,538,354	12,067,915	-	12,067,915
Changes in unearned premiums	14,976,617	-	14,976,617	19,273,285	-	19,273,285
Changes in reinsurer share of unearned premiums	(11,536,072)	-	(11,536,072)	(9,610,509)	-	(9,610,509)
Net premiums earned	19,978,899	-	19,978,899	21,730,691	-	21,730,691
Reinsurance commissions	4,850,010	-	4,850,010	5,501,842	-	5,501,842
TOTAL REVENUE	24,828,909	-	24,828,909	27,232,533	-	27,232,533
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(11,813,720)	-	(11,813,720)	(13,096,243)	-	(13,096,243)
Expenses incurred related to claims	(529,616)	-	(529,616)	(565,193)	-	(565,193)
Reinsurers' share of gross claims paid	3,863,194	-	3,863,194	5,803,343	-	5,803,343
NET CLAIMS AND OTHER BENEFITS PAID	(8,480,142)	-	(8,480,142)	(7,858,093)	-	(7,858,093)
Changes in outstanding claims	(2,001,709)	-	(2,001,709)	(6,599,776)	-	(6,599,776)
Changes in reinsurer share of outstanding claims	2,509,083	-	2,509,083	5,295,953	-	5,295,953
Changes in claims IBNR	8,380,819	-	8,380,819	-	-	-
Changes in reinsurer share of IBNR	(4,568,307)	-	(4,568,307)	-	-	-
Net claims incurred	(4,160,256)	-	(4,160,256)	(9,161,916)	-	(9,161,916)
Changes in additional premium reserve	754,270	-	754,270	-	-	-
Changes in other technical reserves	166,051	-	166,051	-	-	-
Policy acquisition costs	(3,863,986)	-	(3,863,986)	(3,667,295)	-	(3,667,295)
Other underwriting expenses	(1,347,926)	-	(1,347,926)	(502,298)	-	(502,298)
TOTAL UNDERWRITING COSTS AND EXPENSES	(8,451,847)	-	(8,451,847)	(13,331,509)	-	(13,331,509)
NET UNDERWRITING INCOME	16,377,062	-	16,377,062	13,901,024	-	13,901,024
OTHER OPERATING (EXPENSES) / INCOME						
Reversal of allowance for doubtful debts	4,085,024	-	4,085,024	709,926	-	709,926
General and administrative expenses	(7,649,163)	(1,306,863)	(8,956,026)	(7,260,102)	(1,377,836)	(8,637,938)
Dividend, interest and commission income	381,553	1,430,131	1,811,684	595,585	1,780,425	2,376,010
Realized gain on disposal of investment held for trading	-	-	-	53,427	69,310	122,737
Unrealised gains on investments held for trading	344,835	527,302	872,137	394,374	558,108	952,482
Other income, net	408,150	-	408,150	508,901	-	508,901

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21. SUPPLEMENTARY STATEMENTS (CONTINUED)

d) Interim condensed statement of income (continued)

	Three months ended 30 September 2020			Three months ended 30 September 2019		
	(Unaudited)			(Unaudited)		
TOTAL OTHER OPERATING (EXPENSES) / INCOME	(2,429,601)	650,570	(1,779,031)	(4,997,889)	1,030,007	(3,967,882)
Total income for the period before zakat and income tax	13,947,461	650,570	14,598,031	8,903,135	1,030,007	9,933,142
Zakat	-	(1,207,672)	(1,207,672)	-	(1,032,013)	(1,032,013)
Income tax	-	(897,094)	(897,094)	-	(616,202)	(616,202)
Total income/ (loss) for the period	13,947,461	(1,454,196)	12,493,265	8,903,135	(618,208)	8,284,927
Surplus transferred to Shareholders	(12,552,715)	12,552,715	-	(8,012,822)	8,012,822	-
Net result from insurance operations after shareholders' transfer of surplus to Shareholders	1,394,746	11,098,519	12,493,265	890,313	7,394,614	8,284,927
Weighted average number of outstanding shares	-	20,000,000	-	-	20,000,000	-
Earnings per share for the period	-	0.55	-	-	0.37	-

e) Interim condensed statement of comprehensive income

	Three months ended 30 September 2020			Three months ended 30 September 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	(Unaudited)			(Unaudited)		
Total income	1,394,746	11,098,519	12,493,265	890,313	7,394,614	8,284,927
<i>Items that are or may be reclassified to interim condensed statements of income in subsequent periods</i>						
Other comprehensive income	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,394,746	11,098,519	12,493,265	890,313	7,394,614	8,284,927

f) Interim condensed statement of cash flows

	30 September 2020			30 September 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	(Unaudited)			(Unaudited)		
OPERATING ACTIVITIES						
Net income for the period before zakat and income tax	3,093,710	28,609,675	31,703,385	2,170,431	22,501,219	24,671,650
Adjustments for:						
Depreciation of property and equipment	153,422	-	153,422	158,915	-	158,915
Amortisation of intangible assets	196,552	-	196,552	177,784	-	177,784
Depreciation and amortization right of use assets	808,875	-	808,875	808,875	-	808,875
Gain on sale of property and equipment	-	-	-	(84,550)	-	(84,550)
Allowance for/(Reversal of) doubtful debts	2,795,741	-	2,795,741	5,703,404	-	5,703,404
Unrealized gains on investments	(86,179)	(272,889)	(359,068)	(1,174,198)	(1,613,247)	(2,787,445)
Realized losses / (gains) on Investments	101,816	132,082	233,898	(88,306)	(114,557)	(202,863)
Interest on lease liabilities	34,817	-	34,817	61,342	-	61,342
Provision for end-of-service indemnities	1,060,602	-	1,060,602	1,010,691	-	1,010,691
	8,159,356	28,468,868	36,628,224	8,744,388	20,773,415	29,517,803
Working capital adjustments:						
Premiums and insurance balances receivable	10,064,624	-	10,064,624	(10,673,829)	-	(10,673,829)
Reinsurers' share of unearned premiums	3,920,891	-	3,920,891	(3,446,643)	-	(3,446,643)
Reinsurers' share of outstanding claims	(9,140,201)	-	(9,140,201)	76,197	-	76,197
Reinsurers' share of claims Incurred but not reported	7,827,486	-	7,827,486	3,258,181	-	3,258,181
Deferred policy acquisition costs	(1,785,972)	-	(1,785,972)	(2,075,004)	-	(2,075,004)
Deferred excess of loss premiums	(959,002)	-	(959,002)	(924,626)	-	(924,626)
Prepayments and other assets	(1,916,813)	787,466	(1,129,347)	(85,228)	(1,393,561)	(1,478,789)
Accounts payable	358,177	-	358,177	5,239,572	-	5,239,572
Accrued expenses and other liabilities	(2,970,541)	(701,417)	(3,671,958)	2,572,617	846,427	3,419,044
Reinsurance balances payable	(15,314,824)	-	(15,314,824)	(91,667)	-	(91,667)
Gross unearned premiums	5,895,046	-	5,895,046	13,969,365	-	13,969,365

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21. SUPPLEMENTARY STATEMENTS (CONTINUED)

f) Interim condensed statement of cash flows (continued)

	30 September 2020			30 September 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	(Unaudited)			(Unaudited)		
Unearned reinsurance commission income	968,237	-	968,237	2,909,792	-	2,909,792
Gross outstanding claims	8,321,473	-	8,321,473	3,313,269	-	3,313,269
Claims incurred but not reported	(14,511,696)	-	(14,511,696)	(7,128,087)	-	(7,128,087)
Additional premium reserves	2,114,837	-	2,114,837	1,417,419	-	1,417,419
Other technical reserves	(171,658)	-	(171,658)	(1,262,987)	-	(1,262,987)
Cash generated from operations	859,420	28,554,917	29,414,337	15,812,729	20,226,281	36,039,010
Surplus distribution payable to policyholders	(5,003,795)	-	(5,003,795)	(791,131)	-	(791,131)
Zakat and income tax paid	-	(2,995,888)	(2,995,888)	-	(4,474,422)	(4,474,422)
End-of-service indemnities paid	(1,215,103)	-	(1,215,103)	(497,913)	-	(497,913)
Net cash generated from operating activities	(5,359,478)	25,559,029	20,199,551	14,523,685	15,751,859	30,275,544
INVESTING ACTIVITIES						
Purchase of investments held for trading	(10,160,299)	(13,180,613)	(23,340,912)	(10,591,923)	(21,986,555)	(32,578,478)
Proceeds from disposal of investments held for trading	10,060,269	13,050,848	23,111,117	10,613,964	13,769,137	24,383,101
Proceeds from / (addition) to term deposits - net deposits	(25,333,510)	25,573,358	239,848	(8,061,293)	(32,280,223)	(40,341,516)
Proceeds from sale of property and equipment	-	-	-	84,550	-	84,550
Purchase of property and equipment	(271,899)	-	(271,899)	(38,265)	-	(38,265)
Purchase of intangible assets	-	-	-	(323,535)	-	(323,535)
Net cash generated / (used in) investing activities	(25,705,439)	25,443,593	(261,846)	(8,316,502)	(40,497,641)	(48,814,143)
CASH FLOWS FROM FINANCING ACTIVITIES						
Payment for lease liabilities	(1,122,227)	-	(1,122,227)	(1,122,227)	-	(1,122,227)
Interoperation balances	6,038,929	(6,038,929)	-	(25,500,278)	25,500,278	-
Due to / (from) shareholders/insurance operations	3,324,349	(3,324,349)	-	2,422,297	(2,422,297)	-
Net cash (used in) / generated from financing activities	8,241,051	(9,363,278)	(1,122,227)	(24,200,208)	23,077,981	(1,122,227)
NET CHANGE CASH AND CASH EQUIVALENTS						
Cash and cash equivalents at the beginning of the period	58,510,894	47,140,114	105,651,008	73,042,726	68,467,593	141,510,319
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	35,687,028	88,779,458	124,466,486	55,049,701	66,799,792	121,849,493

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22. 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 territories where the Company operates and its consequential disruption to the social and economic activities in those markets, the Company’s management has proactively assessed its impacts on its operations and has taken a series of proactive and preventative measures and processes to ensure:

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

The major impact of Covid-19 pandemic is seen in motor line of business as explained below. As with any estimate, the projections and likelihoods of occurrence are underpinned by significant judgement 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.

Motor technical reserves

In response to the Covid-19 pandemic, SAMA issued a circular 189 (the “circular”) dated 8 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.

For new retail motor policies issued as per above circular, the premium is earned over the period of 12 month as the impact of earnings over the period of coverage. i.e. 14 month are not considered significant by the management for the period ended 30 September 2020 and subsequent periods.

The Company has performed a liability adequacy test using current estimates of future cash flows under its insurance contracts at an aggregated, level for motor line of business and recorded an additional premium deficiency reserve amounting to SR 0.51 million as at 30 September 2020.

Impact of Covid-19 on financial assets

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 three and nine-months period ended 30 September 2020. The Company’s management continues to monitor the situation closely.

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23. COMPARATIVE BALANCES

Comparative figures have been reclassified to comply with the current period presentation, which are as follows:

Statement of Financial Position as at 31 December 2019	As previously stated	Effects due to reclassification	After reclassification
Property and equipment	2,746,133	(2,156,999)	589,134
Right-of-use-assets	-	2,156,999	2,156,999
Accrued expenses and other liabilities	14,150,369	(2,195,455)	11,954,914
Lease liabilities	-	2,195,455	2,195,455

24. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 1 November 2020G corresponding to 15 Rabi Al-awwal1442H.