

ALLIED COOPARTIVE INSURANCE GROUP

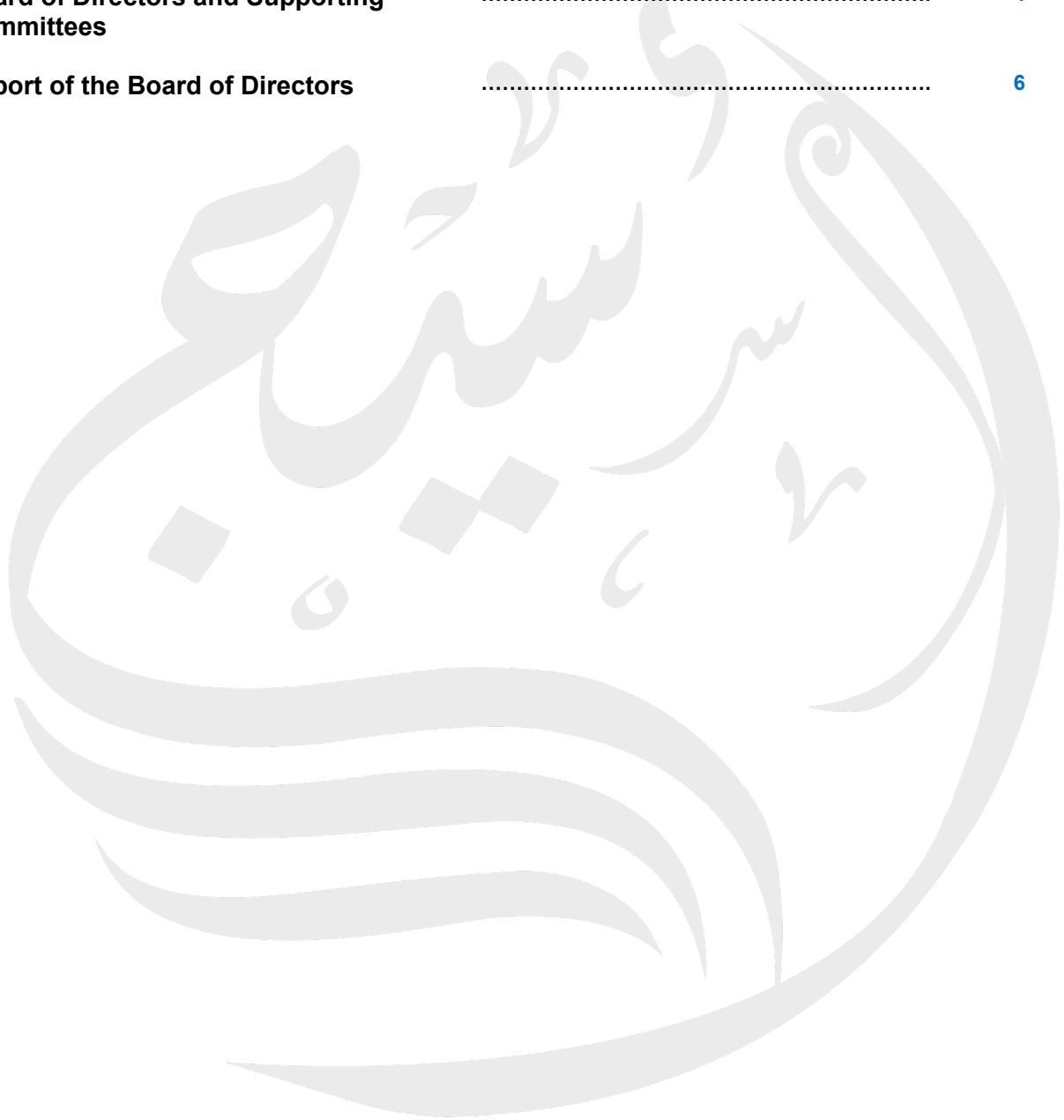


Report of the Board of Directors

1442 AH, 2020 AD

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The Speech of Board of director Chairman

Ladies and gentlemen / respected shareholders

Peace be upon you,

In my name and on behalf of the board of director's members, I have the honor to furnish you with the annual report of 2020 which provides an overview on the company performance and its main activities in addition to the financial statements of the fiscal year that ended on December, 31st 2020. We thank Allah for what has been achieved, looking forward for the best in the years to come, with the will of Allah.

On my own behalf and on behalf of the members of the board of directors, I express my gratitude to you, all supervisory and governmental authorities and the employees of the company for their support and the efforts that have contributed to the achievements of the year 2020.

May Allah grant us all with success,



Hussam Talal Ghazawi

Board of Directors and Supporting Committees

Board of Directors:

1. Ms. Nouf Saud Al-Haqbani,	Chairman of Board of Directors
2. Mr. Hussam bin Talal Al-Ghazawi,	Vice chairman of the Board
3. Eng. Muhammad Hani Bin Abdul Qadir Al-Bakri	Member
4. Mr. Abdullah Abd al-Rahman al-Rabdi	Member
5. Dr. Abdul-Latif bin Muhammad Al-Sheikh	Member
6. Mr. Adel Muhammad Rashid Jamjoom	Member
7. Mr. Fawaz Muhammad Al-Sharabi	Member
8. Mr. Khaled Suleiman Al-Jasser	Member
9. Mr. Hisham bin Mohammed Al-Sharif	Member and Chief Executive Officer
10. Mr. Abdullah Saleh Al-Harbi	Member

executive committee:

1. Eng. Muhammad Hani Bin Abdul Qadir Al-Bakri	Member of the Committee
2. Mr. Hussam bin Talal Al-Ghazawi	Member of the committee
3. Mr. Hisham bin Muhammad Al-Sharif	Member of the committee
4. Dr. Abdullatif bin Muhammad Al Al-Sheikh	Member of the committee

Auditing Committee:

1. Mr. Abdullah Al-Harbi	Chairman of the Committee
2. Mr. Nabil Nassif.	Member of the committee
3. Dr. Masum Billah,	Member of the committee
4. Mr. Abdullah Al-Shibili	Member of the committee

Nomination and Remuneration Committee:

1. Mr. Fawaz Muhammad Al-Sharabi,	Chairman of the Committee
2. Dr. Abdullatif bin Muhammad Al-Sheikh	Member of the committee
3. Mr. Nayef Al-Tamimi,	Member of the committee

Investment Committee:

1. Ms. Nouf Saud Al-Haqbani	Member of the committee
2. Mr. Hisham bin Muhammad Al-Sharif	Member of the committee
3. Mr. Abdullah Abdullrahman Rabdi	Member of the committee

Risk Management Committee:

1. Mr. Hussam bin Talal Al-Ghazzawi	Chairman of the committee
2. Mr. Hisham bin Muhammad Al-Sharif	Member of the committee
3. Dr. Youssef Basoudan,	Member of the committee

Report of the Board of Directors

First: Main Activities:

Allied Cooperative Insurance Group (ACIG), as a public shareholding company, carries out cooperative insurance business, according to the declaration issued by the Saudi Arabian Monetary Agency No. (ن م ن / 21/20095), dated 15/5/1430 H, corresponding to 11/5/2009 AD. The license was renewed for three consecutive years since the last renewal of the license ends on 12/05/1445 H.

The determination of the company's main activity includes health and general insurance including vehicle insurance, insurance of property against fire, theft, damage, etc., marine insurance, engineering insurance in addition to insurance against general accidents.

The effect of these main activities on the company's business and its contribution to the outcomes are as follows:

	Activity revenues (thousands of riyals)	The percentage
Vehicles	339,229	65.85%
medical	126,710	24.60%
General accidents	19,316	3.75%
Engineering	6,500	1.26%
Fire	20,843	4.05%
Marine	2413	0.47%
Others	106	0.02%
Total	515,117	100%

The company faces several risks by offering the general and health insurance such as market risks, including the great competition between more than thirty insurance companies. The company hopes to achieve its goals and follow up on its works in a way that achieves the interests of shareholders and those who are dealing with it.

Second: Description of the important plans and decisions of the company and future expectations of the company's works:

The company's new automated system has been launched which is expected to contribute to improving the customers' services level as well as increasing productivity and sales. It also aims to raise performance effectiveness and reduce the costs. Furthermore, it will facilitate the development process of the inner systems which will raise the company's competitiveness. The company's strategic plan has been approved for the next three years (2021-2023). Besides, the mechanisms have been put in place to monitor the achievement of the company's goals.

On 24/1/2021 AD, Mr. Hatem Mohammed Al-Wabel was appointed to work as a president of the internal auditing Department.

The Board of Directors of Allied Cooperative Insurance Group (ACIG) issued its decision by passing on 16/01/2020 AD corresponding to 21/5/1441 AH to recommend to the extraordinary general assembly to reduce the company's capital at a value of 59 million Saudi riyals to 141,000,000 Saudi riyals after deduction.

On 15/3/2020 AD, the company received the letter from the Saudi central bank No. 41050316, dated 20/7/1441 AH which included the institution's consent to reduce its capital by 59 million riyals so that the company's capital after the reduction will be 141 million Saudi riyals.

The extraordinary general assembly issued its following decisions in its meeting held on Wednesday 26/8/2020 AD by approving the recommendation of the company's board of directors to reduce the company's capital from 200,000,000 Saudi riyals to 141,000,000 Saudi Riyals.

On Thursday, 14/2/1442 AH corresponding to 1/10/2020 AD, the United Cooperative Insurance Group received the Saudi Arabian Monetary Agency approval regarding increasing the company's capital from 141 million Saudi riyals to 291 million Saudi riyals through the offering the shares of priority rights.

On Thursday, 16/5/1442 AH , corresponding to 31/12/2020 AD, the United Cooperative Insurance Group submitted the application file of the approval to increase the capital to the Saudi Capital Market Authority.

The Board of Directors of the company approved the resignation of the chairman of the board of directors, Ms. Nouf Bint Saud Al- Haqbani from the membership and presidency of the board of directors and the committees emanating from it in its meeting on 15/02/2021AD.

The Board also decided to appoint Eng. / Fawaz Al-Sharabi, the member of the board of directors as the chairman of the board of directors provided that the Saudi Central Bank consents in the same meeting.

The future expectations of the company's works:

1. Increasing the effectiveness of the telemarketing unit works and its contribution to attracting the insurances of the companies sector insurances through many products allocated to the commercial sector in addition to increasing the effectiveness of its works for increasing the insurance sales of the medical professions mistakes, the health insurance product for small groups, and the compulsory insurance on vehicles (of the third party).
2. Developing a unit that is specialized in direct marketing according to advanced digital mechanisms.
3. The continuous development of electronic sales to include all services required to be provided to customers.
4. Developing a multi-product mechanism through various sales channels.
5. Developing mechanisms and programs through the sites of price comparison.
6. Conducting intensive training courses for sales employees across the Kingdom on the terms and conditions of sale of the insurance companies.
7. Giving due care of the marketing campaigns of some insurance products related to individuals' segments. They must fulfill all the terms and conditions of the Saudi Arabian Monetary Agency.
8. Increasing the electronic marketing campaigns for increasing sales of non-obligatory products.
9. Establishing specialized departments according to the type of insurance product.

Third: A summary of the financial outcomes:

The table below points out a summary of the financial statements for the fiscal year that end on 31/12/2020 AD as follows:

1- A summary of the company's financial statements (in thousands of riyals)

Activity	2020	2019	2018	2017	2016
Assets of insurance operations	447,022	408,038	407,425	388,329	431,714
Shareholders' assets	160,388	154,792	144,791	141,468	127,456
Total assets	607,410	562,830	552,216	529,797	559,170
Total liabilities of insurance operations	448,086	408,869	407,785	388,329	431,714
Shareholders' liabilities	13,693	10,333	6,783	3,534	2,305
Shareholders' rights	146,695	144,459	138,008	137,934	125,151
Total liabilities and shareholders' rights	160,388	154,792	144,791	141,468	127,456
Total subscribed insurance premiums.	515,117	529,352	500,013	429,972	510,618
Net subscribed insurance premiums	449,460	470,867	456,012	365,917	431,792
Net revenue	455,793	473,101	450,305	370,159	450,687
Total paid claims	382,842	399,682	346,972	299,436	353,566
Net incurred claims	339,932	361,308	324,871	246,888	344,715
General and administrative expenses	73,469	79,932	79,150	76,247	62,442
Investments revenues and other revenues of insurance operations	2,150	4,605	4,157	2,570	6,584
Surplus (deficit) in the insurance operations minus the return on documents campaign investments(the results of the operational process)	2,420	668	4,347	14,975	6,519
Net profit (loss) of the year before zakat and income taxes	3,546	7,115	2,358	18,117	8,344

2- The following are some of the financial indicators and ratios of the previous figures: -

Statement	2020	2019	The value of the changes	Percentage of changes
	Value in thousand riyals	Value in thousand riyals	Value in thousand riyals	
Assets of insurance operations	447,022	408,038	38,984	10%
Shareholders' assets	160,388	154,792	5,596	4%
Total assets	607,410	562,830	44,580	8%
Total liabilities of insurance operations	448,086	408,869	39,217	10%
Shareholders' liabilities	13,693	10,333	3,360	33%
Shareholders' rights	146,695	144,459	2,236	2%
Total liabilities and shareholders' rights	160,388	154,792	5,596	4%

3- The substantial differences in operating results:

Statement	2020	2019	The value of changes	Percentage changes
	The value is in	The value is in	The value is in	

	thousand riyals	thousand riyals	thousand riyals	
Total subscribed premiums	515,117	529,352	-14,235	-3%
Net subscribed insurance premiums	449,460	470,867	-21,407	-5%
Net revenue	455,793	473,101	-17,308	-4%
Total paid claims	382,842	399,682	-16,840	-4%
Net claims incurred	339,932	361,308	-21,376	-6%
Total general expenses	73,469	79,932	-6,463	-8%
Insurance operations other revenues and investment	2,150	4,605	-2,455	-53%
The surplus in insurance operations minus the documents holders' investment return (operating results)	2,420	668	1,752	262%
Net profit of the year	3,546	7,115	-3,569	-50%

The reason for the decrease in net profit during this year compared to the previous year is the decrease in gross subscribed insurance premiums by 3%, the decrease in net subscribed insurance premiums by 5%, the decrease in net insurance premiums earned by 5% and the decrease in net profits resulting from funds investments of documents holders by 53%, the decrease in net profits from investments of shareholders' funds by 45% and the increase in the costs of documents acquisition by 21% in spite of the increase in commissions acquired from reinsurance by 10%, the decrease in net incurred demands by 6% , the increase in other subscription revenues by 178% , a decrease in general and administrative expenses by 8%, and the increase in restoring the provision of doubtful debts by 1818%.

The company sells all types of general and health insurance. The following is an analysis of the volume of works which the company implemented during 2016-2020:

Name	2020 (The value in thousand riyals)	2019 (The value in thousand riyals)	2018 (The value in thousand riyals)	2017 (The value in thousand riyals)	2016 (The value in thousand riyals)
Fire insurance	20,843	14,520	9,258	10,496	12,441
Engineering insurance	6,500	1,997	2,845	10,591	8,817
Marine insurance	2,413	2,620	1,656	1,054	1,134
General insurance	19,316	15,902	9,360	21,119	22,170
Cars Insurance	339,229	354,693	323,683	271,305	278,858
health insurance	126,710	139,036	152,751	115,155	186,765
Other types of insurance	106	584	460	252	433
Total			500,013	429,972	510,618

4- The following is an analysis of the volume of works geographically

Region name	The value in thousand riyals 2020
The Central Region	180,124
The Western Region	231,999
The Eastern Region	35,779
The Northern area	22,097
The Southern Region	45,118
Total	515,117

Fourth: statutory disclosures:

1- The provisions of the companies governance regulations that have or have not been applied and, and the reasons for that

The company, through the internal audit department and the commitment department, follows the issuance of all laws and regulations and ensures that they are applied in accordance with the requirements which the supervisory authorities set. The commitment department follows up the process of communication with the regulatory authorities to verify full commitment. The company has committed to with all that is contained in the companies governance regulations issued by the Capital Market Authority since the assembly, at the first extraordinary general assembly meeting which was held on Monday evening 21/217/1433 AH corresponding to 11/6/2012 AD, agreed to add an article with No. (37) of the articles of association of the company. This article is related to the cumulative voting in the general assemblies of the shareholders.

According to the company's articles of association and internal regulations, the shareholders are entitled to:

- Obtaining a proportion of the profits to be distributed.
- Obtaining a proportion of the company's assets upon liquidation
- Attending the general assemblies, participating in its deliberations and voting on their decisions.
- Disposal of stocks.
- Monitoring the works of the Board of Directors and file a liability lawsuit against their members.
- Inquiring and requesting information in a manner that does not harm the interests of the company, and does not contradicts with the market system and the executive regulations.

The general ordinary assembly met on Monday 7/4/1439 AH corresponding to 25-12/2017 AD and approved the amendments and additions to the company's governance regulation to keep up with the governance regulation issued by the Saudi Capital Market Authority, taking into consideration the insurance corporate governance regulations issued by the Saudi Arabian Monetary Agency.

The company applies all the provisions contained in the company's governance regulations issued by the Capital Market Authority, with the exception of the provisions listed below.

Article / paragraph number	Text of the article / paragraph	Reasons for non-application
Article twenty-four (paragraph C)	The board of directors must clearly determine the duties of the chairman of the Board of Directors, his deputy and the managing director, if any, and their responsibilities clearly if the company's articles of association do not have these means.	The functions of the Board chairman are stipulated in the article of association of the company. A policy is being prepared to ensure the powers of the chairman deputy
Article eighty-five	The company establishes programs to develop and encourage the participation and performance of the company's employees. They must include - in particular - the following: <ol style="list-style-type: none"> 1. Constituting committees or holding specialized workshops to listen to the opinions of company employees and discuss the issues and topics that are related to important decisions. 2. The programs that grant the employees shares in the company or a proportion of the profits it achieve and retirement programs in addition to establishing an independent fund for spending on these programs. 3. Establishing social institutions for the company employees 	The article is indicative
Article eighty-seven	The general ordinary assembly – according to a proposal from the Board of Directors - sets a policy that ensures a balance between its goals and the goals that society seeks to achieve with the aim of developing the social and economic conditions of the society.	The article is indicative
Article eighty-eight	The Board of Directors sets the programs and determines the necessary means to present the company's initiatives in the field	

	<p>of social work , including the following:</p> <ol style="list-style-type: none"> 1. Establishing measurement indicators linking the company's performance with its social work initiatives. Then , it compares this with other companies of similar activity 2. Disclosing the objectives of social responsibility adopted by the company to its employees, and their awareness and education. 3. Disclosing the plans for achieving the social responsibility in the periodic reports related to the company's activities <p>Setting community awareness programs to define the company's social responsibility.</p>	<p>The article is indicative</p>
<p>Article ninety- five</p>	<p>In the event that the Board of Directors forms a committee that is specialized in companies' governance. Then it must delegate to it the competencies established in accordance with article 94 of this regulation .The committee must follow up any issues regarding governance applications, and provide the Board of Directors, at least annually, with the reports and recommendations it attained</p>	<p>The article is indicative.</p>

2- Dividend Distribution Policies:

The company seeks to implement the policies mentioned in the company's articles of association, related to the distribution of shareholders 'profits in article (46) and with reference to paragraph (45) related to zakat and reserves as follows:

Article 45: Zakat and Reserve:

The company must:

1. Set aside Zakat and the determined income tax
2. Retain (20%) of the net profits to form a statutory reserve. The ordinary general assembly may stop this retention whenever the total reserve reaches 100% of the paid capital
3. The general ordinary assembly, when determining the proportion of shares in the net profits, may decide to create other reserves, to the extent that it serves the interest of the company or guarantees the distribution of fixed profits as possible to the shareholders.
4. Distribute the net annual profits of the company that it determines after deducting all general expenses and other costs and creating the necessary reserves to face the doubtful debts, investment losses and contingent liabilities that the Board of Directors holds essential according to the provisions of the Cooperative Insurance Companies Control Law and the judgments issued by the Saudi Arabian Monetary Agency. A ratio of no less than 5% of the paid capital is allocated, from the remainder of the profits after deducting the reserves determined in accordance with the relevant regulations and zakat, to be distributed to the shareholders according to what is proposed by the Board of Directors and decided by the General Assembly. If the remaining percentage of the profits owed to the shareholders is not sufficient to fulfill this percentage, the shareholders are not allowed to request paying it in the following year or years. The general assembly may not reduce the distribution of a percentage of the profits that exceeds what was proposed by the Board of Directors.

Article forty-six: Entitlement to Profits:

The shareholder is entitled to his share of the profits according to the decision of the general assembly issued in this regard. The decision specifies the due date and the date of distribution. The shareholders who are registered in the shareholders' records at the

end of the day specified for maturity are entitled to get these profits .The company informs the Capital Market Authority, without delay, of any profit distribution decisions or recommendations. The dividends determined to be distributed to the shareholders must be paid at the place and dates specified by the Board of Directors according to the instructions issued by the competent authority putting into consideration the prior written consent of the Saudi Arabian Monetary Agency.

3- The names of the Board of Directors' members, committee members, executive administration, their current and previous positions, qualifications and experience

A. The members of the Board of Directors

	Name	Current jobs	previous jobs	Qualifications	Experience
1	Ms. Nouf Saud Al-Haqbani	Partner in Bedaya Financial Company	Vice President at Credit Suisse Bank and Head of Investment at Tawuniya Insurance Company	Master of Finance	Vice President at Credit Suisse Bank and Head of Investment at Tawuniya Insurance Company
2	Mr. Hussam Talal Ghazzawi	The managing partner of Al-Ghazawi for legal Consulting, a member of the Board of Directors	The managing partner of Al-Azzawi for Legal Consulting, a member of the Board of Directors	Bachelor of Systems	Member of the Board of Directors from 1992 to date. Experience in legal work, business administration and development
3	Engineer / Muhammad Hani bin Abdul Qadir Al-Bakri	Member of the Board of Directors of Allied Cooperative Insurance Group - ACIG	Non	Bachelor of Nuclear Engineering 1982	Administrative and financial experience in managing several companies
4	Mr / Adel Mohamed Rashid Jamjoom	Acting Director of Conflict Division at the Islamic Development Bank	Ministry of Defense – Management of projects and international Airports.	Master of International Law Studies	Legal Researcher at the Ministry of Defense, Project Management, International Airports - Legal Adviser at the Islamic Development Bank - Acting Director of Disputes Division at the Islamic Development Bank
5	Mr / Hisham Mohammed Abdullah Al-Sharif	Chief Executive Officer of ACIG	Executive Vice President of the vehicles sector	High school	Executive Vice President of the vehicles Sector 2006 - 2011 Director of the vehicles Claims Department 2004 - 2006 -Director of Customer Service 2002-2004 - Director of Electronic Marketing and Sales 2001-2002
6	Dr. / Abdullatif bin Mohammed Al Sheikh	Chief Executive Officer of BE Systems Saudi Arabia for Development and Training	Executive Vice President for Strategy and Business Development, BA Systems	PhD in Business Administration	Experience in business development, strategy and business administration
7	Mr / Abdullah Abdulrahman Al-Rabdi	Member of the Board of Directors of Allied Cooperative Insurance Group (ACIG)	Chief Executive Officer of Al-Othaim Holding Company	Master's degree in International Management - Business Administration	Cief Executive Officer of CARE International - General Manager of the Saudi Paper Manufacturing Company
8	Mr / Khaled Suleiman Al-Jasser	Chairman of the Saudi Digital Payments Company	Chief Executive Officer of the Saudi Real Estate Company	Bachelor of Business Administration (Financial Management)	Chief Executive Officer of Bank Al-Bilad and the Arabian Centers Company
9	Mr/ Fawaz Mohammed	Managing Director of the Australian College of	Chief Executive Officer of the Saudi Aircraft Construction	Bachelor of Industrial	Member of the Board of Directors of the Middle East

	Al-Sharabi	Aviation (Aviation Australia)	and Maintenance Company	Engineering	Aircraft Engines Company, Chairman of the Board of Directors of the Helicopter Company
10	Mr/ Abdullah Saleh Al-Harbi	Chartered Accountant - Partner in Al- Awfi and Al- Harbi Company Chartered Accountants & Auditors	Internal audit Director at Al-Rajhi Bank and King Abdullah Financial District	Master in Accounting and Finance	Internal audit - zakat and tax – accounts audit – VAT /value added tax

B. Committees Members:

Auditing Committee

No.	Name	Current jobs	previous jobs	Qualifications	Experience
1	Mr. Abdullah Al-Harbi	Chartered Accountant - Partner in Al- Awfi and Al- Harbi Company Chartered Accountants & Auditors	Internal audit Director at Al-Rajhi Bank and King Abdullah Financial District	Master in Accounting and Finance	Internal audit - zakat and tax – accounts audit – VAT /value added tax
2	Mr. Nabil Nassif	Counselor	Deputy Secretary General of the Association of Districts Centers in Jeddah, the Islamic Development Bank	Master of Business Administration	The banking sector and the charitable sector
3	Dr. Masoum Bellah	Mr of Finance, Insurance and Islamic Economics, King Abdul Aziz University	Vice Chancellor - Octish Malaysia	PhD	Insurance
4	Mr. Abdullah Al-Shabili	Chief Executive Officer of the Saudi Society of Internal Auditors	Compliance Manager for Lockheed Martin, Internal Auditor for El Alam Information Security Company and Siemens, and Director of Operating Auditing for Mobily	Bachelor of Accounting	Internal auditing and commitment

Nominations and Remuneration Committee

No	Name	Current jobs	previous jobs	Qualifications	Experience
1	Mr / Fawaz Al-Sharabi	Managing Director of the Australian College of Aviation (Aviation Australia)	Chief Executive Officer of the Saudi Aircraft Construction and Maintenance Company	Bachelor of Industrial Engineering	Member of the Board of Directors of the Middle East Aircraft Engines Company - Chairman of the Board of Directors of the Helicopter Company
2	Mr / Naif Al-Tamimi	Head of Human Resources Department - Four Seasons Hotel,	Regional Director of Personnel Affairs - Intercontinental Hotel	Business Administration (Bachelors)	Human resources
3	Dr. / Abdullatif bin Mohammed Al Sheikh	Chief Executive Officer of Saudi BA Systems for Development and Training	Executive Vice President, Strategy and Business Development, BA Systems	Doctorate of Business Administration	Experience in business development, strategy and business administration

Risk Management Committee

No.	Name	Current jobs	previous jobs	Qualifications	Experience
1	Mr / Hussam Talal Ghazzawi	The managing partner, Al-Ghazawi for legal consulting, a member	The managing partner, Al-Ghazawi for legal consulting, a member of	Bachelor of Systems	Member of the Board of Directors from 1992 to date. Experience in legal

		of the Board of Directors	the Board of Directors		work, business administration and development
2	Mr / Hisham bin Mohammed Al-Sharif	Chief Executive Officer of (ACIG)	Executive Vice President of Vehicles 2006-2011 Director of vehicles Claims Department 2004- 2006 Director of Customer Service 2002 - 2004 Marketing and Electronic Sales Officer 2001- 32002	High school	Car subscription and claims - customer service - electronic marketing and sales
3	Dr. Youssef Basoudan	Retired - and currently contracting with King Abdul Aziz University / faculty member	Vice Dean of the Institute of Islamic Economics for Postgraduate Studies and Scientific Research - King Abdul Aziz University	PhD	Auditing and financial accounting

Investment Committee

No.	Name	Current jobs	previous jobs	Qualifications	Experience
1	Mr/ Nouf Saud Al-Haqbani	Partner in Bedaya Financial Company	Vice President at Credit Suisse Bank and Head of Investment at Tawuniya Insurance Company	Master of Finance	Vice President at Credit Suisse Bank and Head of Investment at Tawuniya Insurance Company
2	Mr / Hisham bin Mohammed Al-Sharif	Chief Executive Officer of ACIG	Executive Vice President, Vehicles Sector 2006 - 2011 Director of cars Claims Department 2004-2006 Director of Customer Service 2002-2004 Director of Marketing and Electronic Sales 2001-2002	High school	Car suscription and claims - customer service - electronic marketing and sales
3	Mr / Abdullah Abdul Rahman Al-Rabdi	Board Member, Allied Cooperative Insurance Group (ACIG)	Chief Executive Officer of Al-Othaim Holding Company	Master of International Management - Business Administration	Chief Executive Officer of CARE International - General Manager of the Saudi Paper Manufacturing Company

The Executive Committee

No	Name	Current jobs	previous jobs	Qualifications	Experience
1	Engineer / Muhammad Hani bin Abdul Qadir Al-Bakri	Member of the Board of Directors, Chairman of the Maritime Transport Committee at the Jeddah Chamber of Commerce and Industry	Mr Assistant at King Abdul Aziz University, Chairman of the Navigation Committee at the Jeddah Chamber of Commerce	Bachelor in Nuclear Engineering 1982	Member of the Board of Directors of a group of companies
2	Mr. Hussam Talal Ghazzawi	Managing Partner of Al-Ghazzawi Legal Consulting Member of the Board of Directors	Managing Partner of Al-Ghazzawi Legal Consulting Member of the Board of Directors	Bachelor of Systems	Member of the Board of Directors from 1992 to date Experience in legal work, business administration and development
3	Mr. Hisham Mohammed Abdullah Al-Sharif	Chief Executive Officer of (ACIG)	Executive Vice President, Vehicles Sector 2006 - 2011 Director of cars Claims Department 2004- 2006 Director of Customer Service 2002-2004 Director of Marketing and Electronic Sales 2001-2002	High school	Car subscription and claims - customer service - electronic marketing and sales

4	Dr. / Abdullatif bin Mohammed Al Sheikh	Chief Executive Officer of Saudi BA Systems for Development and Training	Executive Vice President of Strategy and Business Development of BA Systems	Doctorate of Business Administration	Experience in strategy, business development and business administration
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C. The Executive Management

SN	Name	Current jobs	previous jobs	Qualifications	Experience
1	Hisham Mohammed Abdullah Al-Sharif	Chief Executive Officer of ACIG	Executive Vice President, Vehicles Sector 2006 - 2011 Director of cars Claims Department 2004- 2006 Director of Customer Service 2002-2004 Director of Marketing and Electronic Sales 2001-2002	High school	Car subscription and claims - customer service - electronic marketing and sales
2	Mohammed bin Abdullah Al-Qadi	Head of Operations and Technical Affairs, Allied Cooperative Insurance Group (ACIG)	Regional Director of the Central Region- Al Tawenyia- Marketing Channel Manager - Al Tawenyia- Regional subscription Manager of the Central Region – Al Tawenyia IPO manager - Al Tawenyia- General subscription manager for commercial insurance - Al Tawenyia Senior Officer of subscription and Collaborative Client Relationships Al Tawenyia -Client Relationship Officer	* Bachelor of Marketing (1992) * Diploma in Customer Satisfaction & it's contribution to Profit (1995) * COP - London (1996) * PIC - London (2004) * Several advanced courses in subscription and strategic management (2004) - (2011) * Certified Trainer Certificates (2014)	*Designing insurance products *Insurance market study and forecasts *Spread and markets invasion. *Preparing budgets and strategic plans. *Technical department management *Sales and Marketing Department. *Control over all company operations *Continuous development of all systems, automation and application work related to facilitate operations. * Preparing reinsurance programs and controlling the distribution of risks Training and curriculum design Participant and speaker in some insurance conferences internally and externally Cooperative trainer certified by the Financial Institute in insurance training in all its branches
3	Hassan Awad Hassan Al Hazmi	Executive Vice President of Marketing and Sales	1- Information Technology at Irfan Group 2000-2002 2- Deputy General Manager, of the agent of Al Tawinyia for Insurance 2002-2006 3- Chief Executive Officer of Helwan Insurance Brokerage Company 2006-2009 4- Director of Individuals Insurance - ACIG 2009-2013 Executive Vice President of Marketing and Sales 2013 until now	Bachelor of Electrical Engineering - Department of Computers	Information Technology, Marketing and Electronic Sales, Insurance Sales
4	Shaqoul Hamid Sherif	Vice President of Finance and Investment	Accounts supervisor (two years) - auditor (two years) – accounts reviewer (6 years) - accounts manager (two years) - financial consultant	Master of Financial Management	Accounts, Finance and Auditing.

5	Ammar bin Maqtouf El sahn	Assistant Chief Executive Officer - Strategy and Business Development	(two years). General Manager - Al Rowad Company for Insurance Agency Business Development Manager – Al Tawinyia Insurance Experience of more than eighteen years in the insurance sector, during which he worked in several departments, including compensation, subscription, sales, marketing, strategy and business development	Bachelor's degree - Operations Research	Vehicle Compensation, Vehicle subscription, Sales and Marketing, Product Development, Strategy and Business Development, Automation Project Management and Digital Transformation
6	Majid Al-Shoudary	Chief of Information Security	A total of 19 years are as follows: * Chief Information Officer (Jabal Omar Development Company) * Acting Head of joint Services (Al-Muhaidib Contracting, Maintenance and Operation Company) * Specialist 3 - Information Security Governance (Yanbu Aramco Sinopec Petroleum Refining Company YASREF) * Director of Operations and Infrastructure Group Saudi Economic and Development Holding Company (SEDCO) * Cyber security Supervisor (National Commercial Bank)	* Information Risk Management - Harvard University * consultancy degree - Saudi Ministry of Commerce and Investment * consultancy Degree - Supreme Council of Global E-Commerce Consultants * Advisory degree - global digital business transformation organization * Postgraduate - Business Administration - University of Leicester, UK * Bachelor - Computer Science - King Abdul Aziz University Many professional courses in joint services in general, information security and technology in particular - 26 certificates	Commonly joint services, which include the following: 1. Information Security 2. information technology 3. Digital business transformation 4. Human resources 5. Project management 6. Internal and external communication 7. Contracts and purchases Operation
7	Abdulaziz Faraan Al-Anzi	Executive Vice President of the vehicles sector	Experience of more than 16 years in several departments of the vehicle insurance sector including claims and subscription of cars- Al Tawinyia for insurance	Diploma in Insurance, Bachelor of Business Administration – Electronic Commerce Allocation	Vehicles insurance

4- Board of Directors:

The company's board of directors is responsible for supervising the management of the company that runs its operational and financial affairs, taking all main decisions related to its policies. The chief responsibility of the board is represented in ensuring effective governance of the company's affairs in a way that accomplishes the interests of shareholders and the documents holders. It is also liable for balancing between the various interests of the beneficiaries such as the clients of the company and the institutions associated with it with commercial relations. The members of the company's board of directors, through all the procedures decided by the board care about taking appropriate measures to serve the company's interest in the best possible manner. The follow-up is done by the board and its committees, the executive administrative of the company in carrying out the decisions and strategies approved by the board of directors and its related committees ensuring its implementation as required.

This is the fifth session of the Board of Directors that was formed in the general ordinary assembly on 15/05/2019 AD. This session starts from 18/05/2019 AD and ends on 17/05/2022 AD (for a

period of three years). The members were elected as per the cumulative voting method. The number of the current Board of Directors is ten members which are classified as follows:

The formation of the board of directors and the classification of its members

Name	Membership classification (Executive / Non-Executive / Independent)
Nouf Saud Al-Haqbani	Independent
Hussam bin Talal Al-Ghazzawi	Non-Executive
Mohammed Hani bin Abdul Qadir Al-Bakri	Non-Executive
Abdullatif bin Mohammed Al Sheikh	Non-Executive
Fawaz Muhammad Al-Sharabi	Independent
Khaled Suleiman Al-Jasser	Independent
Adel Mohammed Rashid Jamjoom	Non-Executive
Abdullah Abdul Rahman Al-Rabdi	Independent
Abdullah Saleh Al-Harbi	Independent
Hisham bin Mohammed Al-Sharif	Executive

On 17/03/2020 AD, the Board of Directors of the company agreed to appoint Mr. Adel Mohammed Jamjoom as a non-executive member and Mr. Abdullah Abdul Rahman Al-Rabdi as an independent member in the Board of Directors, after the company received the Saudi Arabian Monetary Agency letter No. 41050503 on 21/7/1441 AH which states that the institution does not object to this appointment provided that

On 7/9/2020 AD, the Board of Directors approved the resignation of the Chairman of the Board of Directors, Eng. Thamer bin Abdullah bin Rayes, from membership of the Board of Directors. On this occasion, the Board expresses its sincere thanks and appreciation to his excellency for his efforts during his work as a president of the Council, wishing him continued success. The Vice-Chairman of the Board of Directors, Engineer Tariq bin Abdullah Al-Rumayem, will take over the duties of the Chairman of the Board until the appointment of a Chairman of the Board of Directors and approval of the relevant authorities.

On 20/10/2020 AD, the Board of Directors approved the resignation of the Vice-Chairman of the Board of Directors, Eng. Tariq bin Abdullah Al-Rumim, in charge of the presidency of the Board of Directors. The Board of Director, on this occasion, expresses its sincere gratitude and appreciation to his excellency, wishing him continued success in the years to come.

Ms. Nouf Al-Haqbani, the member of the Board of Directors, was chosen to take over the duties of the Chairman of the Board until a new chairman of the Board of Directors is appointed. The approvals are obtained from the relevant authorities.

The Board of Directors of the company approved, according to the Board Resolution No. (18/2020) on 29/11/2020 AD, to appoint Mr. Khaled Suleiman Al-Jasser as an independent member and Mr. Abdullah Saleh Al-Harbi as an independent member of the Board of Directors starting from the date of the decision, after the company received the electronic mail from the Central Bank of Saudi Arabia on 29/11/2020 AD which states that it does not object to this appointment, provided that this appointment is submitted to the shareholders for voting in the first meeting of the general assembly whose date will be announce later.

The Board of Directors of the company approved according to board resolution No. (18/2020) on 29/11/2020 AD, to appoint Ms. Nouf Saud Al-Haqbani, as a chairman of the Board, and Mr. Hussam Talal Ghazzawi, Vice-Chairman of the Board of Directors as of the date of the decision until 17/05/2022 AD after the company received the electronic email from the Central Bank of

Saudi Arabia on 29/11/2020 AD regarding the Saudi Central Bank's consent to appoint them in these positions.

The Board of Directors of the company approved the resignation of the Chairman of the Board of Directors, Ms. Nouf Bint Saud Al-Haqbani, from the membership and presidency of the Board of Directors and the committees emanating from it in its meeting on 15/02/2021 AD.

The Board also decided to appoint the member of the Board of Directors, Engineer / Fawaz Al-Sharabi, as Chairman of the Board of Directors provided that the Saudi Central Bank approves this appointment in the same meeting.

The number of shares owned by members of the Board of Directors

Name	The number of shares owned in the company
Mr Nouf Saud Al-Haqbani	12480 shares
Mr. Hussam bin Talal Al-Ghazzawi	705 shares
Engineer / Mohammed Hani bin Abdul Qadir Al-Bakri	-
Mr / Fawaz Muhammad Al-Sharabi	-
Dr. / Abdullatif bin Mohammed Al Sheikh	705 shares
Mr / Hisham bin Mohammed Al-Sharif	1410 shares
Mr / Adel Mohamed Rashid Jamjoom	23 shares
Mr / Abdullah Abdul Rahman Al-Rabdi	3,797 shares
Mr / Khaled Suleiman Al-Jasser	28 shares
Mr / Abdullah Saleh Al-Harbi	-

5- Names of companies inside or outside the Kingdom in which a member of the company's board of directors is a member of its current and previous boards of directors or of its managers

Name of a member of the Board of Directors name	Names of companies in which a Companies names in which the member of the board of directors is a member of their current boards of directors or of their directors	Inside the Inside / Outside the Kingdom	Legal Entity (Listed Legal Entity(Listed Joint Stock / Unlisted Joint Stock / Limited Liability Company)	Names of companies in which a Companies names in which the member of the board of directors is a member of their current boards of directors or of their directors	Inside the Inside / Outside the Kingdom	Legal Entity (Listed Joint Stock / Unlisted Joint Stock / Limited Liability Company)
	Australian Aviation College (Aviation Australia)	inside	Limited liability	Helicopter Corporation	inside	One person Closed shareholding
Fawaz Muhammad Al-Sharabi	Asbar Gulf Company	inside	Limited liability	Middle East Engines Company	inside	Limited liability
				Aircraft Limited Saudi Company for the preparation and maintenance of aircrafts	inside	Limited liability
				Nothing		
Muhammad	Rawafd Holding	inside	Limited			

Hani Abdul Qadir Bakri Al-Bakri	Company		liability			
	United International Trade and Technology Co., Ltd.	inside	Limited liability			
	North of England Protection and Indemnity Club	Outside	Cooperative			
	Azzelia Investment Bahrain	Outside	Limited liability			
	Arab Qods Trading Company Ltd.	inside	Limited liability			
	Al Dar Al Shafia Trading Company Ltd.	inside	Limited liability			
Hisham Mohammed Al-Sharif	Nothing			Nejm Insurance Services Company	inside	Unlisted Holding
				Al Tawinyia Insurance Company	inside	listed Holding
Hussam Talal Amin Ghazzawi	Al-Ghazzawi for legal investment	inside	A professional company			
	Al-Ghazzawi Development Company Ltd.	inside	Limited liability			
	Saudi Investment and Marketing Group Ltd.	inside	Limited liability			
Nouf Saud Al-Haqbani				Northern Trust	inside	Limited liability
	Nothing			Mid Gulf	inside	Listed Holding
Abdullilah Abdul Rahman Al-Rabdi	Sulaiman Bin Saleh Al Muhailib & sons Holding Company	inside	Closed Holding	Saudi Paper Manufacturing Company	inside	Holding
	Al-Bazai Motors Company	inside	Closed Holding	CARE International Co	inside	Closed Holding
	Pure Water Company	inside	Closed Holding	Al-Othaim Holding Company	inside	Closed Holding
Adel Mohammed Rashid Jamjoom	Islamic Development Bank	-	International institution			
Khaled Suleiman Al-Jasser	Saudi Digital Payments Company	inside	Limited liability	Saudi Real Estate Company	inside	Listed Holding
				Arabian Centers	inside	Listed

				Company		Holding
				Al Bilad Bank	inside	Listed Holding
Abdullah Saleh Al-Harbi	Alsharq Industries Company	inside	Limited liability	nothing		
	Al- Awfi and Al-Harbi Company Chartered Accountants & Auditors	inside	Limited liability			
Abdullatif Mohammed Al Sheikh	Saudi BAE Systems for Development and Training	inside	Limited liability	Aircraft Supplementary Equipment Company Ltd.	inside	Limited liability
				International Systems Engineering	inside	Limited liability
				Saudi Company for Training and Development	inside	Limited liability
				Advanced Electronics Company	inside	Limited liability

6- The procedures taken by the Board of Directors to inform its members - especially non-executives - of shareholders 'proposals and comments about the company and its performance

The Board has implemented this procedure to inform its members, especially non-executives according to the shareholders 'suggestions and observations about the company and its performance through discussions, inquiries and comments submitted by shareholders through the general assemblies of the company. The chairman of the assembly responds to these discussions and inquiries while being held. In the event that there is any proposal that is consistent with the company's policies, it is recorded in the meeting minutes and submitted to the first board meeting for discussion.

7- The disclosure of the remuneration and allowances of members of the Board of Directors, committees and senior executives:

A – The remuneration policy for members of the Board of Directors and committees in accordance with article (19) of the Company's articles of association

" The minimum annual remuneration of the chairman of the board of directors for the services he executes is an amount of one hundred and eighty (180,000) Saudi riyals annually. The minimum remuneration of each member of the board of directors for the service he carries out is in an amount of one hundred and twenty thousand (120,000) Saudi riyals annually provided that the maximum amount is five hundred thousand (500,000) Saudi riyals annually. These remunerations are granted due to their membership in the board of directors and their participation in its work, including the additional remuneration in the event that the member participates in any of the committees emanating from the board of directors.

In the event that the company achieves profits, a percentage equivalent to (10%) of the remaining net profit may be distributed after deducting the reserves decided by the general assembly so as to apply the

provisions of the Cooperative Insurance Companies Control Law and after distributing a profit to the shareholders of not less than (5%) of the company's paid-up capital provided that the entitlement to this reward is proportional to the number of sessions attended by the member attends. Each estimate that is contrary to that is held void.

In all cases, the total remuneration and financial or in-kind benefits and rewards which a member of the board of directors gets does not exceed an amount of (500,000 riyals) five hundred thousand riyals annually.

The maximum allowance of the sessions attendance of the council and its committees is (5000 riyals) five thousand riyals for each session. This allowance does not include travel and accommodation expenses.

Each member of the council in addition to the chairman of the council is entitled to the value of the actual expenses that they incur for attending the board meetings or the committees emanating from the board of directors including travel, accommodation and subsistence expenses.

The report of the board of directors submitted to the general ordinary assembly must include a comprehensive statement of all remunerations, expenses allowances and other benefits that the board members got during the financial year in addition to a statement of the amounts they got as workers or administrators or what they have received in return for technical, administrative or consulting works. Moreover, it must include a statement of the number of the board sessions and the number of sessions attended by each member from the date of the last meeting of the general assembly.

The remuneration policy for members of the board of directors, committees emanating from the board, and senior executives, approved by the general ordinary assembly on 2/4/2018AD.

First: Introduction:

The remuneration policy of the members of the board of directors, committees emanating from the board and senior executives has been prepared to comply with paragraph (1) of article (61) of the Corporate Governance Regulations issued by the Capital Market Authority, which stipulates that the remuneration and nominations committee " prepares a clear policy for the remuneration of the board of directors' members , committees emanating from the it and senior executives, and submitting them to the board of directors for considering and approving it from the general assembly ... "

Second: Objective:

This policy aims to determine clear standards for the remuneration of the members of the board of directors, the emanating committees, and senior executives according to the requirements of the companies' system and the rules and regulations of the Capital Market Authority. It also aims to attract individuals endowed with a degree of competence, ability and talent to work in the board of directors, committees emanating from the board and senior executives by adopting incentive plans and programs for rewards that is associated with performance which contributes to improving the company's performance and achieving the interests of its shareholders.

Third: General Standards for Rewards:

The job of the remuneration and nominations committee is to give recommendations to the board with regard to the remuneration of board members, the members of the committees and the senior executives of the company in accordance with the approved standards that can be summed up as follows:

1. The remuneration must be commensurate with the company's activity and the skills required for managing it.
2. The company takes into account the consistency of the remuneration with the company's strategy and objectives with the size, nature and degree of its risks.
3. The company considers the practices of other companies and what is prevailing in the labor market

- concerning the determination of remuneration.
4. The remunerations are determined according to the level of the job, the tasks and responsibilities, the educational qualifications, work experience, skills, and level of performance.
 5. The remuneration must be fair and commensurate with the member / employee's competencies and the works and responsibilities done by members of the board of directors or the committees and the senior executives in addition to the goals that have been specified by the board of directors to be accomplished during the financial year.
 6. The remuneration disbursement or recovery are suspended if they have been determined according to inaccurate information which a member board of directors or executive management submitted to eliminate the exploitation of the employees positions in receiving undue rewards.

Fourth: The remuneration of the board members:

1.	The members of the board of directors are entitled to a specified amount for attending the sessions and an additional allowance in case of travel.
2.	An annual remuneration to the chairman and the members of the council for the service they perform as stated in this policy in accordance with the included schedule.
3.	The remuneration of the members of the board of directors may also be a percentage of the profits, taking into account the provisions of article 19 of the articles of association of the company provided that the total rewards and financial and in-kind benefits that a member receives in all cases does not exceed an amount of (500,000) five hundred thousand Saudi riyals annually.
4.	The annual report of the board of directors submitted to the general assembly of shareholders must include a comprehensive statement of all rewards, expense allowance and other benefits that board members received during the financial year. It must also include a statement of what the board members received as workers, administrators, or for technical, administrative or consulting works (if any) as well as a statement of the number of the board sessions and the number of sessions.

Fifth: The remuneration of the committee members:

1. The remuneration of membership of committees emanating from the board of directors consists of allowances for attending meetings and an additional allowance for travel
2. Each member of the auditing committee, whether a member of the board or from outside the board of directors, deserves an annual remuneration as stated in this policy in accordance with the included schedule.
3. Each member of the other committees who is a member of the board of directors or the company administration is entitled to an annual remuneration as stipulated in this policy in accordance with the included schedule.
4. Each member of the other committees from outside the members of the board of directors is entitled to an annual remuneration as indicated in this policy in accordance with the included schedule.

Sixth: The Sharia supervisory board:

1. The remuneration of members of the Sharia supervisory board consists of the allowances for attending meetings and an additional allowance in case of travel.
2. An annual remuneration for the chairman of the Sharia Supervisory Board for the service he carries out as set in this policy as per the included.
3. Each member of the Sharia Supervisory Board is entitled to an annual remuneration as described in this policy according to the included schedule.

Seventh: remuneration of executive management:

The remuneration and nomination committee reviews the performance of the senior executives, specifies the incentive policies and plans and submits its recommendations to the board of directors. The annual reward system (based on the monthly basic salary) will rely on the relationship between the company's performance and the employee's performance level (for example , very good, excellent). The company's performance is determined by the level of net income output and is linked to the employee's performance level.

Eighth: A statement of remuneration details of the members of the board of directors and its committees:

1) The members of the board of directors:

A- An allowance for attending one session	3,000 SR
B - An additional allowance (travel) for those who are outside the city in which the meeting is held.	2,500 SR
C – An annual remuneration for the chairman of the board of directors	A minimum of 180,000 riyals
D - An annual reward for each member of the board of directors	A minimum of 120,000 riyals
E- A reward which is related to profits. A certain percentage of net profits is determined according to a recommendation from the Remuneration and Nominations Committee in the event the company achieves profits after fulfilling the statutory conditions and requirements.	

2) The members of the committees emanating from the board of directors:

A- Allowance for attending one session	SR 1500
B - An additional allowance (travel) for those who are outside the city in which the meeting is held.	SR 2500
C - Each member of the auditing committee, whether a member of the board or from outside the board of directors, is entitled to an annual remuneration.	SR 50,000
D- Each member of the other committees who is a member of the board of directors or the company's management is entitled to an annual remuneration	SR 15,000
E- Each member of the other committees from outside the board members is entitled to an annual reward	SR 30,000

3) The members of the Sharia Supervisory Board:

A- Allowance for attending one session	2,000 riyals
B - An additional allowance (travel) for those who are outside the city in which the meeting is held.	2,500 riyals
C – An annual reward for the president of the Sharia Supervisory Board	50,000 riyals
D- Each member of the Sharia Board is entitled to an annual remuneration	30,000 riyals

(B) The policy of remuneration of the members of the executive administration

The Remuneration and Nomination Committee reviews the performance of senior executives, sets the incentive policies and plans and submits its recommendations to the Board of Directors. the annual reward system (as per the monthly basic wage) depends on the relationship between the company's performance and the employee's performance level, for example (good, very good, excellent). The company's performance is determined by the level of net income output and is linked to the employee's performance level.

The remunerations and compensations paid to the members of the board of directors during 2020 (in Saudi riyals)

member name	A certain	Fixed rewards					Variable rewards					Total	End of ser	Grand total	Expense allowan ce
		Allowa nce for attendi	Total allowance for	In- kin d	Remunera tion for the	Total	percen tage of profits	Periodic reward	Short- term incentiv	Long- term incentiv	Awarde d shares (value is				

	amount	ng board sessions	attending committee sessions	benefits	chairman or managing director if he is a member				e plans	e plans	entered)		vice reward		
First: the independent members															
1	Tariq Abdullah Hussein Al-Rameem	12,000	12,000			24,000		120,000				120,000		144,000	
2	Fawaz Muhammad Al-Sharabi	12,000	6,000			18,000		120,000				120,000		138,000	
3	Nouf Saud Al-Haqbani	15,000	9,000			24,000		120,000				120,000		144,000	
4	Ziad Laban	-				-		50,000				50,000		50,000	
5	Abdullah Abdullrahman Al-Rabdi	9,000			-	9,000		-				-		9,000	
6	Khaled Suleiman Al-Jasser	-			-	-		-				-		-	
7	Abdullah Saleh Al-Harbi	-	13,500		-	13,500		-				-		13,500	
		48,000	40,500		-	88,500		410,000				410,000		498,500	-
Second: the non executive members															
1	Thamer Abdullah bin Rayes	12,000	15,000			27,000		180,000				180,000		207,000	
2	Mohammed Hani bin Abdul Qadir al-Bakri	15,000	4,500			19,500		120,000				120,000		139,500	
3	Hussam Talal Ghazzawi	15,000	13,500			28,500		120,000				120,000		148,500	
4	Adel Mohammed Rashid Jamjoom	9,000				9,000		100,000				100,000		109,000	
5	Dr. / Abdullatif bin Mohammed Al Sheikh	12,000	13,500			25,500		120,000				120,000		145,500	
		63,000	46,500		-	109,500		640,000				640,000		749,500	
Third: Executive members															
1	Hisham Mohammed Al-Sharif	15,000	22,500			37,500		120,000				120,000		157,500	
	Grand total	15,000	22,500		-	37,500		120,000				120,000		157,500	-
	Total	126,000	109,500		-	235,500		1,170,000				1,170,000		1,405,500	-

There is not any fundamental deviation between the rewards granted and the applicable remuneration policy since all members have received the minimum rewards. The periodic remuneration paid to the chairman and members of the board of directors in the above table represent the remuneration for membership of the board of directors. The remuneration of the committees will be disclosed separately.

(C) The benefits and rewards paid to five senior executives who received the highest remuneration and compensation in addition to the Chief Executive Officer and The Chief Financial Officer:

Senior Executive Jobs	Fixed rewards				Variable rewards						End of service reward	Total rewards of the executives for the board, in any	Grand total
	payroll	Allowances	In kind benefits	Total	Periodic reward	Profits	Short-term incentive plans	Long-term incentive plans	Awarded shares (value is entered)	Total			
Chief Executive Officer	1,440,000	568,008		2,008,008	120,000					120,000	167,792	120,000	2,415,800
Vice President for Financial Affairs and Investment	528,000	288,792	17,004	833,796						-	67,418		901,214
Vice President for Technical Affairs	660,000	295,008		955,008						-	79,802		1,034,810
Vice President of vehicles Sector	660,000	345,000		1,005,000						-	37,226		1,042,226
Vice President of Sales and Marketing	480,000	222,000		702,000						-	58,660		760,660
TOTAL	3,768,000	1,718,808	17,004	5,503,812	120,000	-	-	-	-	120,000	410,898	120,000	6,154,710

(D) Remuneration for members of the committees:

	Fixed remuneration (except for committee attendance allowance)	Allowance for attending sessions	Total
Members of the Auditing Committee			
Abdullah Al-Harbi	50,000	13,500	63,500
Nabil Nassif	50,000	10,500	60,500
Dr / Masoum Bellah	30,000	13,500	43,500
Abdullah Al-Shabli	50,000	13,500	63,500
Total	180,000	51,000	231,000

Members of the Auditing Committee

Fawaz Al-Sharabi	15,000	6,000	21,000
Dr. / Abdullatif Mohammed Al Sheikh	15,000	6,000	21,000
Tariq Abdullah Al-Rumim	15,000	3,000	18,000
Nayef Al-Tamimi	30,000	6,000	36,000
Total	75,000	21,000	96,000

Members of the Investment Committee

Thamer Abdullah bin Rayes	15,000	9,000	24,000
Nouf Saud Al-Haqbani	15,000	9,000	24,000
Tariq Abdullah Al-Rumim	15,000	9,000	24,000
Hisham Mohammed Al-Sharif	15,000	9,000	24,000
Abdullah Abdul Rahman Al-Rabdi	-	-	-

Total	60,000	36,000	96,000
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Members of the Risk Management Committee

Hussam Talal Al-Ghazzawi	15,000	4,500	19,500
Hisham Mohammed Al-Sharif	15,000	4,500	19,500
Dr. Youssef Basoudan	30,000	4,500	34,500
Total	60,000	13,500	73,500

Members of the Executive Committee

Thamer Abdullah bin Rayes	15,000	6,000	21,000
Muhammad Hani Abdul Qadir Al-Bakri	15,000	4,500	19,500
Hossam Talal Al Ghazzawi	15,000	9,000	24,000
Dr. / Abdul Latif Mohammed Al Sheikh	15,000	7,500	22,500
Hisham Mohammed Al-Sharif	15,000	9,000	24,000
Total	75,000	36,000	111,000

8- Board of directors meeting:

The board of directors held 5 meetings during 2020. The number of attendees is as follows:

No.	Member name	The first meeting 17/03/2020 AD	The Second meeting 02/06/2020 AD	The Third meeting 16/08/2020 AD	The Fourth meeting 26/10/2020 AD	The Fifth meeting 22/12/2020 AD	Number of times of attendance
1	Engineer Thamer bin Abdullah bin Rayes	Attended	Attended	Attended	Resignation	Resignation	3
2	Engineer Tariq bin Abdullah bin Hussein Al-Rumim	Attended	Attended	Attended	Resignation	Resignation	3
3	Mr Nouf Saud AlHaqbani	Attended	Attended	Attended	Attended	Attended	5
4	Mr Hisham bin Mohammed Al-Sharif	Attended	Attended	Attended	Attended	Attended	5
5	Engineer Muhammad Hani bin Abdul Qadir al-Bakri	Attended	Attended	Attended	Attended	Attended	5
6	Dr. Abdul Latif bin Mohammed Al Sheikh	Attended	Attended	Attended	Attended	Attended	5
7	Mr Hussam bin Talal AlGhazawi	Attended	Attended	Attended	Attended	Attended	5
8	Engineer / Fawaz Al-Sharabi	Did not attend	Attended	Attended	Attended	Attended	4
9	Mr / Abdullah Abdulrahman Muhammad AlRabdi	Not a member	Attended	Attended	Attended	Attended	4
10	Mr / Adel Mohamed Rashid Jamjoom	Not a member	Attended	Attended	Attended	Attended	4
11	Mr / Khaled Suleiman Al-Jasser	Not a member	Not a member	Not a member	Attended	Attended	1

12	Mr / Abdullah Saleh AlHarbi	Not a member	Not a member	Not a member	Attended	Attended	1
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A general ordinary assembly meeting was held on 9/6/2020 AD.

A general extraordinary assembly meeting was held on 26/8/2020 AD.

The board of directors has also taken several pass-through decisions, represented by nineteen decisions, which are as follows:

- 1- Board of Directors Decision No. 1/2020, dated 16/01/2020
- 2- Board of Directors Decision No. 2/2020, dated 19/01/2020
- 3- Board of Directors Decision No. 3/2020, dated 12/04/2020
- 4- Board of Directors Decision No. 4/2020, dated 11/06/2020
- 5- Board of Directors Decision No. 5/2020, dated 06/07/2020
- 6- Board of Directors Decision No. 6/2020, dated 25/08/2020
- 7- Board of Directors Decision No. 7/2020, dated 07/09/2020
- 8- Board of Directors Decision No. 8/2020, dated 08/09/2020
- 9- Board of Directors Decision No. 9/2020, dated 08/09/2020
- 10- Board of Directors Decision No. 10/2020, dated 08/09/2020
- 11- Board of Directors Decision No. 11/2020, dated 20/10/2020
- 12- Board of Directors Decision No. 12/2020, dated 26/10/2020
- 13- Board of Directors Decision No. 13/2020, dated 29/10/2020
- 14- Board of Directors Decision No. 14/2020, dated 29/10/2020
- 15- Board of Directors Decision No. 15/2020, dated 29/10/2020
- 16- Board of Directors Decision No. 16/2020, dated 02/11/2020
- 17- Board of Directors Decision No. 17/2020, dated 26/11/2020
- 18- Board of Directors Decision No. 18/2020, dated 29/11/2020
- 19- Board of Directors Decision No. 19/2020, dated 14/12/2020

9- A penalty, sanction, precautionary measure, or precautionary restriction imposed on the company

Punishment / penalty / precautionary measure / precautionary register	Reasons for the violation	Period	The signatory of the violation	Ways of its treatment it and avoiding its occurrence in the future
Penalty in amount SR 5000	Failure to implement employee distancing in accordance with the preventive precautions for the Corona pandemic	Fourth quarter of 2020	Saudi Central Bank	All corrective actions have been taken by distancing
Penalty in amount SR 10,000	Failure to comply with the implementation of	Fourth quarter of	Ministry of Human	In order to avoid committing such violations,

	the arrangements and decisions of the Ministry that organizes exceptional circumstances	2020	Resources and Social Responsibility	appropriate measures have been taken not to terminate an employee's contract by the Human Resources Department without the approval of the Legal Affairs Department, in order to verify the validity of the contract termination.
Penalty in amount SR 135,000	Violating the establishment's instructions regarding due diligence in combating money laundering and terrorist financing	Third Quarter of 2019	SAMA Saudi Arabian Monetary Agency	The company has developed a corrective plan to process and implement all requirements related to combating money laundering system and to ensure that they do not occur in the future

10 - The committees of the board of directors:

- The executive committee

The executive committee consists of four members of the board of directors, namely engineer Mohammed Hani Al-Bakri, Mr Hussam bin Talal Al-Ghazawi, Mr Hisham bin Mohammed Al-Sherif, and Dr. / Abdul-Latif Abdullah Al-Sheikh. The executive committee held six meetings during 2020 AD. The executive committee studies the issues submitted to the board of directors before discussing them in the board, and issues its recommendations which will facilitate the board's discussions. In addition, the committee takes decisions on matters assigned to it by the board from time to time including some powers according to the work need of the company.

No.	member name	The first meeting 17/03/2020 AD	The Second meeting 02/06/2020 AD	The Third meeting 16/08/2020 AD	The Fourth meeting 26/10/2020 AD	The Fifth meeting 24/12/2020 AD	The Sixth meeting 22/12/2020 AD	Number of times of attendance
1	Engineer Thamer bin Abdullah bin Reyes	Attended	Attended	Attended	Resignation	Resignation	Resignation	3
2	Mr / Hisham bin Mohammed Al-Sharif	Attended	Attended	Attended	Attended	Attended	Attended	6
3	Mr / Hussam Ghazzawi	Attended	Attended	Attended	Attended	Attended	Attended	6
4	Engineer Muhammad Hani bin Abdul Qadir Al-Bakri	Attended	Attended	Didn't Attended	Attended	Attended	Attended	5
5	Dr. / Abdul Latif Al Sheikh	Attended	Attended	Attended	Attended	Attended	Attended	6

Engineer Thamer bin Abdullah bin Reyes submitted his resignation from the committee on 7/9/2020 AD. The resignation was accepted and held effective on the same day of submittal.

▪ **Auditing Committee:**

▪ **The auditing committee consists of four independent members. All the members are from outside the board of directors, as follows:**

- | | |
|-----------------------------------|---------------------------|
| ▪ Mr. Abdullah Al-Harbi | Chairman of the Committee |
| ▪ Mr. Nabil bin Abdullilah Nassif | Member |
| ▪ Dr. Masum Billah | Member |
| ▪ Mr. Abdullah Al-Shibili | Member |

Whereas, on 30/5/2019 AD, the board decided to recommend submitting to the general assembly to vote on forming the Auditing Committee from the above-mentioned members, On 9/7/2019 AD, the general ordinary assembly approved the formation of the committee with the same names, which starts on 9/7/2019 until 17/5/2022.

The Auditing Committee held nine meetings during 2020 AD. It carried out the following tasks:

- Reviewing the company's financial statements and ensuring their safety, financial reporting procedures, internal accounting systems and financial control requirements in the company
- The annual independent review of the company's financial statements, seeking the help of external auditors, and evaluating the qualifications of the external auditors, their performance, and their independence.
- Recommending the appointment of the internal auditor and the regulatory controller in addition to the periodic review of their duties and responsibilities.
- The company's commitment to the legal and regulatory requirements such as the controls and procedures of the company's disclosure policy.
- The company's commitment to the controls of the policies and procedures determined in the company.
- **The data of members' attendance and meeting dates as illustrated in the table below:**

Name	Number of meetings								
	The first meeting 05/03/2020 AD	The Second meeting 18/04/2020 AD	The Third meeting 08/06/2020 AD	The Fourth meeting 27/07/2020 AD	The Fifth meeting 09/08/2020 AD	The Sixth meeting 20/08/2020 AD	The Seventh meeting 25/10/2020 AD	The Eighth meeting 01/11/2020 AD	The Ninth meeting 20/12/2020 AD
Abdullah Al-Harbi	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Mr. Nabil Nassif	Attended	Didn't Attend	Attended	Attended	Attended	Attended	Attended	Didn't Attend	Attended
Dr/ Massum Billah	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Mr. Abdullah Al-Shibili	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended

Auditing Committee:

- **The Remuneration Nomination Committee:**

The Nomination and Remuneration Committee consists of 3 members of the board of directors which are as follows:

- | | |
|---------------------------------|---------------------------|
| 1. Mr. Fawaz Al-Sharabi | Chairman of the Committee |
| 2. Dr. Abdul Latif Al Al-Sheikh | Member of the committee |
| 3. Mr. Nayef Al-Tamimi, | Member of the committee |

The committee held three meetings during 2020 AD executing the following tasks and responsibilities:

- Submitting the specific recommendations regarding those who are nominated for the membership of the board of directors to be submitted to the general assembly and those who are nominated for the senior executive management positions such as the chief executive officer and his deputies.
- Preparing clear procedures and policies for the purpose of developing remunerations policy of the board of directors
- Informing the board of directors of the annual review of the performance of the board, and submitting its recommendations to the board regarding candidates for membership of the board committees for their appointment.
- Recommendation to the board of directors to approve the policy and plans of annual compensation and rewards, and incentive plans to attract, maintain, and motivate the outstanding employees.
- Evaluating the skills and experiences of the members of the board of directors and senior executive management along with making recommendations with regard to the necessary training programs according to the evaluation results.
- Developing social responsibility programs and following up on their implementation in cooperation with the executive management.
- Ensuring that the company continuously complies with the requirements of company's governance, and then submitting them to the board of directors.
- **Data of members' attendance and meeting dates as indicated in the table below:**

Name	Number of meetings		
	The first meeting 01/01/2020 AD	The Second meeting 08/09/2020 AD	The Third meeting 18/10/2020 AD
Mr. Fawaz Al-Sharabi	Attended	Attended	Attended
Dr. Abdul Latif Mohammed Al Sheikh	Attended	Attended	Attended
Mr. Tariq Al-Rumim	Attended	Attended	Attended
Mr. Nayef Abdul Aziz Al-Tamimi	Didn't Attended	Attended	Attended

Mr. Tariq Abdullah Al-Rumim submitted his resignation from the committee's membership on 19/10/2020 AD. The resignation was approved and held effective on 20/10/2020 AD.

- **Investment Committee:**

The Investment Committee consists of three members, namely: Mr Nouf Saud Al-Haqbani, Mr Hisham bin Mohammed Al-Sherif, and Mr / Abdullah Abdul-Rahman Al-Rabdi. It deals with the company's entire investment file. The committee has all the powers in this respect in addition to its entitlement to appoint any experts regarding the investment file. The committee held seven meetings during 2020. The board of directors of the United Cooperative Insurance Group ACIG, held on 29/10/2020 AD, decided to appoint Mr. Abdullah Abdul Rahman Al-Rabdi as a member of the Investment Committee.

- **Data of members' attendance and meeting dates as indicated in the table below:**

Name	Number of meetings						
	The first meeting 26/02/2020 AD	The Second meeting 08/03/2020 AD	The Third meeting 10/03/2020 AD	The Fourth meeting 31/03/2020 AD	The Fifth meeting 02/04/2020 AD	The Sixth meeting 09/07/2020 AD	The Seventh meeting 17/09/2020 AD
Mr / Thamer Abdullah bin Rayes	Attended	Attended	Attended	Attended	Attended	Attended	Resigned
Mr. Tariq AlRumim	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Mr. Hisham AlSharif	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Mr. Nouf AlHaqbani	Attended	Attended	Attended	Attended	Attended	Attended	Attended

Engineer Thamer bin Abdullah bin Rayes submitted his resignation from the committee on 7/9/2020 AD .The resignation was accepted and held effective on the same day of its submittal. In addition, Mr. Tariq Abdullah Al-Rumim submitted his resignation from the committee's membership on 19/10/2020 AD. The resignation was accepted and became effective on October 20/10/2020 AD.

- **Risk Management Committee:**

The Risk Management Committee consists of three members: Mr. Hussam Talal Ghazzawi (Chairman of the Committee), and the membership of Mr. Hisham bin Mohammed Al-Sherif, and Dr. Youssef Basoudan, The committee is concerned with dealing with the risks of the company, adopting a comprehensive risk management strategy due to of market conditions and the available experience in handling the correlative risks that the company may be exposed to in addition to conducting periodic reviews and updates on the risk management strategy by paying attention to the inner and outer variables of the company. The committee held 3 meetings during 2020 AD.

- **The data of members 'attendance and meeting dates are as set in the table below:**

SN		The first meeting 17/03/2020 AD	The Second meeting 16/08/2020 AD	The Third meeting 30/11/2020 AD
1	Mr. Hussam AlGhazzawi	Attended	Attended	Attended
2	Mr. Hisham AlSharif	Attended	Attended	Attended
3	Dr.. Youssef Basoudan	Attended	Attended	Attended

11- The General Assembly:

During 2020, a meeting of one ordinary general assembly and one meetings of extraordinary general assembly were held as follows:

The ordinary general assembly meeting of the company was held during the six months following the end of the financial year in accordance with the articles of association of the company. The general assembly, held on 9/6/2020 AD, approved the following decisions:

1. Approving the board of directors' report for the financial year that ended on 31/12/2019 AD.
2. Approving the financial statements for the financial year that ended on 31/12/2019 AD.
3. Approving the company's auditors' report for the financial year that ended on 31/12/2019 AD.
4. The approval of the works and contracts that will be concluded between the company and Zuhair Qasim & partner for consulting Co. (Abyat) in which the member of the board of directors, Eng. Thamer bin Abdullah bin Rayes, has a direct interest in it. They are insurance policies. The total subscribed premiums during 2019 amounted to two thousand riyals without preferential terms.

5. Approving the works and contracts that will be concluded between the company and the Saudi Vogue Elevators and Escalators Company, in which the member of the board of directors, Eng. / Thamer bin Abdullah bin Rayes, has a direct interest in it. They are insurance policies. The total subscribed premiums during 2019 amounted to one thousand riyals without preferential terms.
6. Approving the works and contracts that will be concluded between the company and the Saudi Vogue Elevators and Escalators Company, in which the member of the board of directors, Eng. / Thamer bin Abdullah bin Rayes, has a direct interest in it. They are insurance policies. The total subscribed premiums during 2019 amounted to one hundred and eleven thousand riyals without preferential terms.
7. Approving the works and contracts that will be concluded between the company and Mayar Holding Company, in which the member of the board of directors, Eng. / Thamer bin Abdullah bin Rayes, has a direct interest in it. They are insurance policies. The total subscribed premiums during 2019 amounted to eighteen thousand riyals without preferential terms.
8. Approving the works and contracts that will be concluded between the company and Taya Agricultural Feed Factory in which the member of the board of directors, Eng. / Thamer bin Abdullah bin Rayes, has a direct interest in it. They are insurance policies. The total subscribed premiums during 2019 amounted to forty four thousand riyals without preferential terms.
9. Approving the works and contracts that will be concluded between the company and Taya Real State Co. in which the member of the board of directors, Eng. / Thamer bin Abdullah bin Rayes, has a direct interest in it. They are insurance policies. The total subscribed premiums during 2019 amounted to fifty four thousand riyals without preferential terms.
10. Approving the works and contracts that will be concluded between the company and Taya Holding Co. in which the member of the board of directors, Eng. / Thamer bin Abdullah bin Rayes, has a direct interest in it. They are insurance policies. The total subscribed premiums during 2019 amounted to twenty seven thousand riyals without preferential terms.
11. Approving the works and contracts that will be concluded between the company and AL Amah Company for Real Estate Investment works in which the member of the board of directors, Eng. / Thamer bin Abdullah bin Rayes, has a direct interest in it. They are insurance policies. The total subscribed premiums during 2019 amounted to five thousand riyals without preferential terms.
12. Approving the works and contracts that will be concluded between the company and Al-Hoda Charitable Establishment in which the member of the board of directors, Eng. / Thamer bin Abdullah bin Rayes, has a direct interest in it. They are insurance policies. The total subscribed premiums during 2019 amounted to four thousand riyals without preferential terms.
13. Approving the works and contracts that will be concluded between the company and the Saudi Wings Travel and Tourism Company in which the member of the board of directors, Eng. / Thamer bin Abdullah bin Rayes, has a direct interest in it. They are insurance policies. The total subscribed premiums during 2019 amounted to one thousand riyals without preferential terms.
14. Approving the works and contracts that will be concluded between the company and Taya Agricultural Company in which the member of the board of directors, Eng. / Thamer bin Abdullah bin Rayes, has a direct interest in it. They are insurance policies. The total subscribed premiums during 2019 amounted to one hundred and forty five thousand riyals without preferential terms.
15. Approving the works and contracts that will be concluded between the company and the Saudi Company for the Drip Irrigation System in which the member of the board of directors, Eng. / Thamer bin Abdullah bin Rayes, has a direct interest in it. They are insurance policies. The total subscribed premiums during 2019 amounted to one hundred and thirty three thousand riyals without preferential terms.
16. Approving the works and contracts that will be concluded between the company and the Red Sea Shipping Services Company, in which a member of the Board of Directors, Eng. / Mohammed Hani bin Abdul Qadir al-Bakri, has a direct interest. They are insurance policies. The total subscribed premiums during 2019 amounted to seventy two thousand riyals without preferential terms.

17. Approving the works and contracts that will be concluded between the company and the Arabian Gulf Maintenance and Contracting Company in which the member of the board of directors, Eng. / Thamer bin Abdullah bin Rayes, has a direct interest in it. They are insurance policies. The total subscribed premiums during 2019 amounted to twenty four thousand riyals without preferential terms.
18. Approving the works and contracts that will be concluded between the company and Eng. / Abdullah bin Rayes, in which the member of the board of directors, Eng. / Thamer bin Abdullah bin Rayes, has a direct interest in it. They are insurance policies. The total subscribed premiums during 2019 amounted to fifteen thousand riyals without preferential terms.
19. Approving the works and contracts that will be concluded between the company and the International Sea Company, in which a member of the Board of Directors, Eng. / Mohammed Hani bin Abdul Qadir al-Bakri, has a direct interest. They are insurance policies. The total subscribed premiums during 2019 amounted to twenty four thousand riyals without preferential terms.
20. Approving the works and contracts that will be concluded between the company and Adamah Utilities Company for Operation and Maintenance, in which the member of the board of directors, Eng. / Thamer bin Abdullah bin Rayes, has a direct interest in it. They are insurance policies. The total subscribed premiums during 2019 amounted to two thousand riyals without preferential terms.
21. Approving the works and contracts that will be concluded between the company and Nama Real Estate Company, in which the member of the board of directors, Eng. / Thamer bin Abdullah bin Rayes, has a direct interest in it. They are insurance policies. The total subscribed premiums during 2019 amounted to nineteen thousand riyals without preferential terms.
22. Approving the works and contracts that will be concluded between the company and Vali & partner for real estate appraisal and evaluation, in which the member of the board of directors, Eng. / Thamer bin Abdullah bin Rayes, has a direct interest in it. They are insurance policies. The total subscribed premiums during 2019 amounted to one thousand riyals without preferential terms.
23. Approving the works and contracts that will be concluded between the company and the Elevators Solutions Company for Operation and Maintenance, in which the Board Member Engineer / Thamer bin Abdullah bin Rayes has a direct interest. They are insurance policies. The total subscribed premiums during 2019 amounted to fifty three thousand riyals, without preferential terms.
24. The approval of the works and contracts that will be concluded between the company and the engineer / Thamer bin Abdullah bin Rayes (member of the board of directors), in which he has a direct interest in them, which are insurance documents. The total subscribed premiums during 2019 amounted to four thousand riyals without preferential terms.
25. Approving the works and contracts that will be concluded between the company and Dr. / Abdullatif bin Mohammed Al Al-Sheikh (member of the board of directors), in which he has a direct interest in them which are insurance documents. The total subscribed premiums during the 2019 amounted to five hundred riyals without preferential terms.
26. Approving the works and contracts that will be concluded between the company and Mr. Hisham Mohammed Abdullah Al-Sherif (member of the board of directors) and his family, which he has a direct interest in which are insurance documents. The total subscribed premiums during 2019 amounted to thirty thousand riyals without preferential terms.
27. Approving the works and contracts that will be concluded between the company and Bidaya Najd Medical Corporation Company, in which a member of the board of directors, Mr Nouf Saud Al-Haqbani, has a direct interest. They are insurance policies. The total subscribed premiums during 2019 amounted to four thousand riyals without preferential terms.
28. Approval of the appointment of auditors of the company: Ibrahim Ahmed Al-Bassam & partners Company, chartered accountants, Al-Azm office, Al-Sudairy and Al-Sheikh& partners, accountants and legal auditors, in order to examine, review and audit the financial statements of the second, third, fourth quarters and annual statements of the fiscal year 2020 AD and the first quarter of the fiscal year 2021 and determine their fees.
29. Approving disbursing an amount of 1,170,000 riyals as a reward to the members of the board of

directors for the fiscal year that ended on 31/12/2019 AD.

30. The approval of absolving the members of the board of directors from liability for the fiscal year that ended on 31/12/2019 AD.
31. Approving the amendment of the Company's Governance Regulations.
32. Approving the board of directors' decision to appoint Mr. Adel Mohammed Jamjoom (non-executive member) in the board of directors starting from the date of his appointment on 17/03/2020 AD to complete the board's session until the end of the current session on 17/5/2022 AD to succeed the previous member, Ms. Zain Iyad Imam (Non-Executive Member)
33. Approving the board of directors' decision to appoint Mr. Abdullah Abdul Rahman Al-Rabdi (Independent Member) in the board of directors starting from the date of his appointment on 17/3/2020 AD to complete the board's session until the end of the current session on 17/5/2022 AD to succeed the previous member Mr. Ziyad Al Labaan (Independent Member)

The extraordinary general assembly meeting of the company was held. The general assembly held on 26/8/2020 AD approved the following decisions:

1. Approving the recommendation of the company's board of directors to reduce the company's capital to become as follows:
 - A. A- The company's capital before the reduction is 200,000,000 Saudi riyal. The capital after the reduction is 141,000,000, at a reduction rate of 29.50% of the company's capital.
 - B. The number of shares before the reduction is 20,000,000 shares. The number of shares after the reduction is 14,100,000 shares.
 - C. The reason for capital reduction: The amortization of accumulated losses of 59,000,000 Saudi riyals.
 - D. Capital reduction method: Canceling 5,900,000 shares of the company's shares, (1) share will be reduced for each (3, 3898) shares.
 - E. The impact of capital reduction on the company's liabilities: There is no significant effect of reducing the company's capital on its financial liabilities.
 - F. Date of reduction: In the event that the company's shareholders agree in the extraordinary general assembly meeting to reduce the capital, the reduction decision will be effective on all the shareholders of the company registered in the company's records at the Securities Depository Center (Deposit Center) at the end of the second trading day following the meeting of the extraordinary general assembly in which the capital is reduced.
 - G. Approving the amendment of article (8) of the articles of association of the company related to the capital to comply with the reduction of the capital.
2. Approving the amendment of article No. (3) of the company's articles of association related to the company's purposes.
3. Rejecting the amendment of article No. (12) of the company's articles of association relating to stock trading
4. Rejecting the amendment of article No. (15) of the company's articles of association regarding the management of the company
5. Approving the amendment of article No. (18) of the Company's Articles of Association and related to the Board's powers.
6. Approving the amendment of article No. (19) of the company's Articles of association regarding the remuneration of board members.
7. Approving the amendment of article No. (22) of the Company's Articles of Association regarding the quorum of the Board meeting.

8. Approving the amendment of article No. (30) of the company's articles of association regarding inviting associations.
9. Approving the amendment of article No. (43) of the company's articles of association relating to financial documents.
10. Rejecting the amendment of article No. (45) of the Company's Articles of Association relating to zakat and reserves.
11. Approval of the amendment of the Audit Committee's work regulations.

3-The company's articles of association and internal regulations include the following:

1. The right to receive a share of the profits to be distributed.
2. The right to obtain a share of the company's assets upon liquidation.
3. The right to attend general assemblies, participate in its deliberations and vote on its decisions.
4. The right to dispose the shares.
5. The right to monitor the activities of the board of directors and file a liability lawsuit against members of the board
6. The right to inquire and request information in a manner that does not harm the interests of the company and does not conflict with the financial market system and its implementing regulations.

12- Activities of shares, debt instruments, loans and any of its subsidiaries:

The authorized and issued capital of the company is 141 million Saudi riyals as of 31/12/2020. It consists of 14 100,000 shares, with a nominal value of 10 Saudi riyals per share. The group's shares are owned by the Islamic Development Bank by 20% and by the public by 80%. During the fiscal year that ended on 31/12/2020 AD, there were no debt instruments issued by the company, and there was no interest in the category of shares eligible to vote for any persons, and there was no interest.

The option rights and the subscription rights belong to members of the board of directors and senior executives or their family members in the shares of the company.

In addition, there are no debt instruments convertible into shares, any option rights, subscription right notes, or similar rights issued by the company or granted during the fiscal year ending on that date. Also, there is no transfer or subscription rights under debt instruments convertible into shares, option rights, or similar rights certificates issued or granted by the company 2020 AD. There is no refund, purchase or cancellation by the company for any refundable debt instruments.

Also, there are no arrangements or agreements whereby any of the shareholders waived any rights of profits. The company has no financial obligations to others, loans, any debt instruments, or equity-related activities. The board of directors declares that there are no loans on the company.

A description of any interest of the members of the board of directors and their spouses and minor children in the shares or debt instruments of the company or any of its subsidiaries:

SN	Name of who has the interest	The beginning of the year		End of the year		Net change	Percentage change
		Number of Shares	Debt instruments	Number of Shares	Debt instruments		

1	Mr/ Nouf Saud Al-Haqbani	----	-----	12,480	-----	12,480	%100
2	Mr/ Hussam Talal Al-Ghazzawi	1,000	-----	705	-----	-295	%41-
3	Engineer/ Muhammad Hani Al-Bakri	----	----	----	----	----	----
4	Mr/ Hisham bin Mohammed Al-Sharif	2,000	-----	1,410	-----	590-	%41-
5	Mr/ Fawaz Muhammad Al-Sharabi	-----	-----	-----	-----	-----	-----
6	Dr. Abdul Latif Al Sheikh	1,000	-----	705	-----	295-	%41-
7	Mr/ Adel Mohamed Rashid Jamjoom	-----	-----	23	-----	23	%100
8	Professor / Abdullah Abdul Rahman Al-Rabdi	-----	-----	7,797	-----	7,797	%100
9	Khaled Suleiman Al-Jasser	-----	-----	28	-----	28	%100
10	Abdullah Saleh Al-Harbi	---	---	-----	-----	-----	-----

There is no interest related to the senior executives and their spouses and minor children in the shares or debt instruments of the company or any of its subsidiary companies.

13- Zakat, statutory payments and loans: -

statement	2020		Brief description	Statement of reasons
	Repaid	Due until the end of the annual financial period and has not been paid		
The value in thousand riyals				
Zakat	1,941	2,319		
Tax	-	25		
Value added tax	44,440	5,413	December dues	To be paid in February 2021
The Public Institution for Social Security	4,278	347		To be paid in February 2021
Costs of visas and passports	673	-		
Labor office fees	564	-		
Supervision fees for the Saudi central Bank	2,615	693	2020 remaining receivables	To be paid in February 2021
Supervision fees for the Cooperative Health Insurance Board	1,213	382	Fourth quarter receivables 2020	To be paid in February 2021
Deliberation fees	260	-		
Fines	15	-		
Withholding tax	1,618	12		To be paid in February 2021

A violation of the Ministry of Human Resources and Social Responsibility of 10,000 riyals due to non-compliance with the implementation of the Ministry's regulations and decisions issued in the organization for exceptional circumstances

A violation of the Saudi Central Bank of 5000 riyals due to the company's failure to comply with the instructions of the Central Bank based on the precautionary measures set by the Ministry of Health regarding combating the Corona virus

14- Acknowledgments

Allied Cooperative Insurance Group announces that:

1. It has not got any subsidiary company.
2. It is not required to pay for any loans, whether they are payable on demand or otherwise, and the company did not pay any amounts for loans during the fiscal year.
3. There are no debt instruments convertible into shares, nor are there any option rights, subscription right memoranda, or similar rights issued or granted by the company during the fiscal year 2020.
4. There are no transfer or subscription rights under debt instruments convertible into shares, rights or options, rights certificates, or similar rights, or those that the company issued or granted during the fiscal year 2020 AD.
5. The company has not redeemed, purchased or canceled any redeemable debt instruments, or any value of the remaining securities.
6. There is no personal interest in a class of eligible shares.
7. There are no option or subscription rights in which the issuer is a party belonging to members of the issuer's board of directors and senior executives and their spouses and minor children.
8. There is no arrangement or agreement under which one of the issuer's shareholders waived any rights regarding profits.
9. There are no investments or other reserves established for the benefit of the source employees.
10. There are no waivers of salaries or compensation.

15- The number of company requests for shareholders 'register, dates and reasons for those requests:

The number of company requests for shareholder register	Date of application	Reasons for the request
1	08 April 2020	Other
2	06 July 2020	Ordinary General Assembly
3	10 August 2020	Other
4	24 August 2020	Extra ordinary General Assembly
5	23 October 2020	Other
6	26 October 2020	Other
7	06 December 2020	Other
8	27 December 2020	Other

16- External Auditors and international standards for financial reports:

The ordinary general assembly, held on 09/06/2020 AD, approved the appointment of auditors of the company: Ibrahim Ahmed Al-Bassam & partners Company, chartered accountants, Al-Azm , Al-Sudairy and Al-Sheikh & partners, accountants and legal auditors to examine, review and audit

the financial statements of the annual, second, third, fourth quarters of the fiscal year 2020 AD and the first quarter of the fiscal year 2021 AD, and determine their fees.

The auditors issued their report with an unmodified opinion according to the following text:

We have reviewed the financial statements of the United Cooperative Insurance Group (ACIG) (a Saudi Joint Stock Company) (the "Company"), which include the statement of financial position as of 31/12/2020 AD, statements of income, other comprehensive income, changes in equity and cash flows for the year that ended on that date, a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements presents fairly, in all material aspects, the financial position of the company as on 31/12/2020 AD, its financial performance and its cash flows for the year that ended on that date, in accordance with the international financial reporting standards adopted in the Kingdom of Saudi Arabia, and other standards and publications approved by the Saudi Authority of certified Public Accountants.

The company acknowledges that:

- A. The account records were prepared correctly.
- B. The internal control system was prepared on a sound basis and was effectively implemented.
- C. There is no doubt about the issuer's ability to continue its activity

17- Effectiveness and efficiency of internal control procedures:

The scope of the internal audit department includes examining and evaluating the efficiency and effectiveness of the company's internal control systems during 2020 AD. The auditing were carried out according to a methodology that depends on identifying risks, assessing internal control systems, identifying weaknesses and evaluating them, and updating the procedures followed, in accordance with the standards followed and according to the internal audit department's regulations approved by the audit committee and the board of directors.

The internal audit department submits its quarterly reports to the audit committee emanating from the board of directors. These reports are based on the audit plan that is demonstrated at the beginning of each financial year by the internal auditing department with the approval and supervision of the auditing committee.

The reports will be sent in its final capacity to the auditing committee with a copy to the executive administration and the concerned departments. The audit committee discusses these reports in its quarterly meetings to approve them or recommend appropriate measures to be taken to address any observations.

The internal audit department also makes sure that the various departments apply the internal regulations of the company and has directed some departments that did not follow some written procedures to follow these procedures.

The internal audit department drew the attention of some departments that did not implement the requirements of the regulations and circulars of the Saudi Arabian Monetary Agency and the Health Insurance Council.

The executive administrations did not exceed the total general expenditures according to the approved estimated budget for the fiscal year ending on 31/12/2020.

The mechanisms of issuing medical insurance policies for small and medium groups have been revised and amended.

The addition of some documents required for subscription departments was reviewed before issuing the documents.

It was ensured that the instructions for the surplus distribution policy for the year 2019 were applied and the value had been paid to some customers upon their request. The value of the surplus was not deducted from the installment due upon renewal.

A special system for the company has been created to ensure that the persons that the company deals with are not listed on the money laundering and terrorist financing lists.

Ensuring that the technical departments follow the actuarial instructions and SAMA regulations and circulars.

The company, during 2020, completed an inventory of all fixed assets and placed a barcode on each asset, but the value of the asset has not been written in the fixed assets program yet.

The company has implemented remote work procedures due to the precautionary measures to combat the Corona pandemic.

The company implemented the procedures of distancing inside the main office and the company's branches after returning to the company's headquarters.

In general, ensuring that the company follows the instructions of the Ministry of Commerce and the instructions of the Capital Market Authority, the General Organization for Social Insurance, and other government agencies. According to the foregoing, the auditing committee believes that the internal control system applied by the company was prepared on sound bases and was implemented efficiently and effectively by ensuring the reliability of the financial reports and in compliance with the applicable regulations. The internal control system seeks to provide assurance that the means of control and monitoring within the company are appropriate to reduce risks.

18- Details of the company's social contributions

Community Initiatives in 2020:

- Sama and Najm's awareness campaign entitled (# Their lives do not stop it) - January 2020
- Awareness campaign (# Corona prevention) - March, April 2020
- Awareness Campaign (# We Are All Responsible) - March, April 2020
- Campaign during the blessed month of Ramadan (# Fasting Seha) - April, May 2020
- Awareness campaign (# Be at home) - April, May 2020
- Sama, Traffic and Najm Awareness Campaign entitled (# Security of Peace) - June, July, August 2020
- Awareness campaign (# We return with caution) - May, June 2020
- Awareness campaign (Corona Virus Scan (Covid-19) June 2020
- Awareness Campaign (Automated Monitoring - No Insurance) July, August 2020

- Awareness campaign (for those not licensed to practice the insurance profession) July, August 2020
- A campaign about the merits of the month of Dhu al-Hijjah July 2020
- SAMA (Legal Entity Identifier) awareness campaign (# To Know You) - September, October, November 2020
- Rainy driving awareness - November 2020
- Awareness campaign for World Breast Cancer Day - October 2020.

The company has trained the students. Five students have been trained during this year as follows:

Training						
SN		university	Specialization	Certificate	Training section	Supervisor
1	Badr bin Khalid Al-Shuwayaer	King Saud University	Science in actuarial mathematics and finance	Bachelor	Cars subscription	Hashem Al-Shehri
2	Iyad bin Abdulaziz Al-Luhaidan	King Saud University	Science in actuarial mathematics and finance	Bachelor	Cars subscription	Hashem Al-Shehri
3	Rahaf Bint Aoun Abu Qarnain	Princess Noura University	Business administration	Bachelor	Human resources	Mohammed Al-Abdulkarim
4	Muhannad Fahd bin Khalid	Mohammed Bin Saud Islamic University	Insurance and risk management	Bachelor	Technical management	Muhammad al-Qadi
5	Moaz Fahad Al-Dariwish	King Saud University		Bachelor	Technical management	Muhammad al-Qadi

19- Dates of the general assemblies of shareholders held during the last fiscal year and the names of the members of the board of directors attending these assemblies

Name	Ordinary general assembly meeting 9/6/ 2020 AD	The extraordinary general assembly meeting 26/8/2020 AD
M / Thamer Abdullah bin Rayes	Attended	Attended
Mr. Hisham Mohammed Al-Sharif	Attended	Attended
Mr. Nouf Saud Al-Haqbani	Attended	Attended
M / Muhammad Hani Al-Bakri	Absent	Absent
Mr. Hussam Talal Ghazzawi	Attended	Attended
M / Tariq Abdullah Hussein Al-Rumim	Attended	Attended
Dr. / Abdul Latif bin Mohammed Al Sheikh	Attended	Attended
Mr. Fawaz Muhammad Al-Sharabi	Attended	Attended
Mr. Adel Mohamed Jamjoom	Attended	Attended
A / Abdullah Abdul Rahman Al-Rabdi	Attended	Attended
Mr. Khaled Suleiman Al-Jasser	He was not a board member on this date	He was not a board member on this date
Mr. / Abdullah Saleh Al-Harbi	He was not a board member on this date	He was not a board member on this date

20- The future risks:

There is no doubt that there are future risks that may affect the performance of companies operating in the insurance sector, including the impact of global reinsurers with the influences of

global markets which may lead to the failure to adhere to the terms of reinsurance agreements. Although the company does not contract except with reinsurers with a high financial evaluation, the change in the general policies of reinsurers is considered one of the future risks that may affect the company's performance. Also, among the potential risks: the lack of qualified human resources in the Saudi insurance sector which is what the company seeks to reduce through training and qualification programs in addition to other risks such as technology risk, liquidity risk, legal and regulatory risks, and competitive risks.

The company established a risk management department because of the great importance of this department and an effective role in maintaining the stability of the company and the access to the most appropriate means to identify and study the risks facing the company and then working to control them.

The risks that the company may face:

RISK MANAGEMENT

(a) Insurance

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

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

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 36% of total reinsurance assets at the reporting date.

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risks, civil riots etc. The Company manages these risk through the measures described above. The company has limited its risk by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The overall aim is currently to restrict the impact of a single catastrophic event to approximately 15% of shareholders' equity on a gross basis and 3% on a net basis. In the event of such a catastrophe, counterparty exposure to a single reinsurer is estimated not to exceed 5% of shareholders' equity. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

Concentration of insurance risk

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

The Company also monitors concentration of risk by evaluating multiple risks covered in the same geographical location. For flood or earthquake risk, a complete city is classified as a single location. For fire

and property risk a particular building and neighboring buildings, which could be affected by a single claim incident, are considered as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk. The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

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



Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the statement of financial position date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Claims are payable to Policyholders and third parties depending upon the terms of the contract as contained in policy terms and conditions. The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence; changes in market factors such as public attitude to claiming; economic conditions; as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

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

Process used to decide on assumptions

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

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

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

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

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

Sensitivity analysis

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

A hypothetical 2% change in the claim ratio, net of reinsurance, would impact net underwriting income/ (loss) as follows;

Income from insurance operations	31 December 2020	31 December 2019
	SR'000	SR'000
Impact of change in claim ratio by - 2%		
Medical	(3,444)	9,462
Motor	72,688	70,774
General Accident	7,340	6,482
Others	3,846	2,971
	80,430	89,689
Income from insurance operations		
	31 December 2020	31 December 2019
	SR'000	SR'000
Impact of change in claim ratio by + 10%		
Medical	(14,677)	4,744
Motor	31,852	57,222
General Accident	6,200	6,122
Others	3,604	2,919
	26,980	71,007

(a) Reinsurance risk

In order to limit the financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for reinsuring its exposures.

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

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

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

Furthermore, the financial strength and managerial and technical expertise as well as historical performance of the reinsurers, wherever applicable, are thoroughly reviewed by the Company and agreed to pre-set requirements of the Company's Board of Directors before approving them for exchange of reinsurance business. As at 31 December 2019 and 2018, there is no significant concentration of reinsurance balances.

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

(b) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

- The Company's market risk policy sets out the assessment and determination of what constitutes market risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company's Board Investment Committee and Risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains for policyholders and shareholders which are in line with their expectations.
- The Company stipulates diversification benchmarks by type of instrument and geographical area, as the Company is exposed to guaranteed bonuses, cash and annuity options when interest rates fall.
- There is strict control over hedging activities (e.g., equity derivatives are only permitted to be held to facilitate portfolio management or to reduce investment risk).

The Board of Directors of the Company ensure that the overall market risk exposure is maintained at prudent levels and is consistent with the available capital. While the Board gives a strategic direction and goals, risk management function related to market risk is mainly the responsibility of Investment Committee team. The team prepares forecasts showing the effects of various possible changes in market conditions related to risk exposures. This risk is being mitigated through the proper selection of securities. Company maintains diversified portfolio and performs regular monitoring of developments in related markets. In addition, the key factors that affect stock and sukuk market movements are monitored, including analysis of the operational and financial performance of investees.

Market risk comprises of three types of risk: currency risk, commission rate risk and other price risk.

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company's transactions are principally in Saudi Arabian Riyals. So that the foreign currency risk is not significant.

Commission Rate Risk

The Company invests in securities and has deposits that are subject to commission rate risk. Commission rate risk to the Company is the risk of changes in commission rates reducing the overall return on its fixed commission rate bearing securities. The Commission rate risk is limited by monitoring changes in commission rates and by investing in floating rate instruments.

An increase or decrease of 50 basis points in interest yields would result in a change in the income for the year of SAR 1.1 million (2019: SAR 1.1 million).

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

	<u>Less than 1 year</u> <i>SR'000</i>	<u>More than 1 year</u> <i>SR'000</i>	<u>Total</u> <i>SR'000</i>
Insurance Operations			
2020	119,331	-	119,331
2019	138,920	-	138,920
Shareholders Operations			
2020	61,050	20,000	81,050
2019	55,663	25,000	80,663

Other Price Risk

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

The Company's investments amounting to SAR 27.3 million (2019: SAR 24.2 million) are susceptible to market price risk arising from uncertainty about the future value of invested securities. The Company limits this nature of market risk by diversifying its invested portfolio and by actively monitoring the developments in markets.

The impact of hypothetical change of a 10% increase and 10% decrease in the market prices of investments on Company's profit would be as follows:

	<u>Fair value change</u> <i>SR'000</i>	<u>Effect on Company's profit</u> <i>SR'000</i>
31 December 2020 +/- 10%		+/- 2,734
31 December 2019 +/- 10%		+/- 2,420

The sensitivity analysis presented is based upon the portfolio position as at 31 December 2020 and 2019. Accordingly, the sensitivity analysis prepared is not necessarily indicative of the effect on the Company's assets of future movements in the value of investments held by the Company

(c) Credit Risk

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

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

	2020	2019
	SR'000	SR'000
<u>ASSETS - INSURANCE OPERATIONS</u>		
Cash and cash equivalents	53,559	65,320
Premiums and reinsurers' receivable – net	98,638	88,140
Reinsurers' share of outstanding claims	11,908	9,718
Reinsurers' share of claims incurred but not reported	8,020	6,597
Prepayments and other receivables	60,076	46,270
Total	232,201	216,045
	2020	2019
	SR'000	SR'000
<u>ASSETS - SHAREHOLDERS' OPERATIONS</u>		
Cash and cash equivalents	14,201	12,159
Available-for-sale investments	49,259	51,106
Total	63,460	63,265

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. Approximately 100% (2019: approximately 100%) of the Company's underwriting activities are carried out in Saudi Arabia. The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

Credit risk exposure

	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Investment grade						
Non-investment grade						
Unrated						

Investments:

- Available for sale

Debt instruments	-	-	20,000	25,000	-	-
Equities	11,177	11,256	-	-	-	-
Other	16,159	12,927	-	-	1,923	1,923
emium and reinsurance						
Policyholders'	-	-	-	-	93,309	83,154
Value from a related party	-	-	-	-	1,985	1,760
Reinsurance receivables	-	-	-	-	5,329	4,986
<i>Total</i>	<u>27,336</u>	<u>24,183</u>	<u>20,000</u>	<u>25,000</u>	<u>102,546</u>	<u>91,823</u>

To manage the liquidity risk arising from financial liabilities mentioned above, the Company holds liquid assets comprising cash and cash equivalents and investment securities. These assets can be readily sold to meet liquidity requirements.

The assets with maturity less than one year are expected to realize as follows:

- Deposits are expected to be matured within 6 months from the date of placement.
- Cash and bank balances are available on demand.
- Reinsurers share of outstanding claims majorly pertain to property and casualty segment and are generally realized within 6 to 12 months based on settlement of balances with reinsurers.

The liabilities with maturity less than one year are expected to settle as follows:

- Reinsurers' balances payable are settled on a quarterly basis as per terms of reinsurance agreements.
- As per the Regulation, all insurance claims need to be settled within the time limits specified in this regard. Majority of gross outstanding claims are expected to be settled within the time limits set in this regard subject to meeting all the documentation requirements. Property and casualty policies due to the inherent nature are generally settled within 45 days from the date of receipt of loss adjustor report
- The claims payable, accrued expenses and other liabilities are expected to settle within a period of 1-3 months from the period end date.
- Surplus distribution payable is to be settled within 6 months of annual general meeting in which financial statements are approved.

(e) Operational Risk

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

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

- Requirements for appropriate segregation of duties between various functions, roles and responsibilities;

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

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

21- A description of any transaction between the company and a related party

Related party	Name of a member of the Board of Directors	Type of deal	Its duration	The value (thousands of Saudi riyals)
Al-Bakri Companies Group	Eng. Muhammad Hani Al-Bakri	Fidelity insurance, cash and car insurance	One Year	69
Rees Companies Group	Eng. Thamer Abdullah bin Rayes	Insurance on property, cars and medical insurance	One Year	241
The family of Mr. Hisham Al-Sherif	Mr. Hisham Al-Sharif	Car insurance	One Year	50

22- Information related to any works or contracts in which the company is a party or in which there is an interest of a member of the board of directors or a senior executive

The nature of work or contract	The amount of work or contract thousands of Saudi riyals	Duration of work or contract	Conditions of work or contract	Name of the member / senior executive
car insurance documents	5	One Year	Insurance according to the followed regulations	Mr. Hisham Al-Sharif
car insurance documents	6	One Year	Insurance according to the followed regulations	Mr. Adel Jamjoom
car insurance documents	1	One Year	Insurance according to the followed regulations	Mr. Khaled Al-Jasser
car insurance documents	1	One Year	Insurance according to	Dr. / Abdul Latif

			the followed regulations	Al Sheikh
car insurance documents	8	One Year	Insurance according to the followed regulations	Mr. Abdulaziz Al-Anezi
car insurance documents	2	One Year	Insurance according to the followed regulations	Mr. Saqoul Hamid
car insurance documents	1	One Year	Insurance according to the followed regulations	Mr. Muhammad Al-Qadi
car insurance documents	9	One Year	Insurance according to the followed regulations	Mr. The age of the dish
car insurance documents	4	One Year	Insurance according to the followed regulations	Mr. Hassan Al Hazmi

23- Investments:

The company invests its funds deposited in local banks in low-risk murabaha programs in accordance with the provisions of Islamic law in addition to investing in deeds and investing in listed securities and units in a local real estate fund available for sale. Acig also owns shares in Najm Insurance Services Company (a closed joint stock company) in which it owns 3.85% of the company's shares. The value of the nominal investment in the company's books is 1,923,000 Saudi riyals. Therefore, it has started its activities to engage in vehicle claims settlements as follows:

1. AVAILABLE-FOR-SALE INVESTMENT

All available-for-sale investments are in shareholders' operations

Investments of the shareholders' operations comprise the following:

	31 December 2020	31 December 2019
	SR'000	SR'000
Available-for-sale investments	49,259	51,106

a) Investment securities are classified as follows:

	<u>Domestic</u>		<u>Total</u>	
	2020	2019	2020	2019
	SR'000	SR'000	SR'000	SR'000
Investment in sukuk	20,000	25,000	20,000	25,000
Quoted securities	11,177	11,256	11,177	11,256
Unquoted securities	1,923	1,923	1,923	1,923
Units in quoted local real estate fund	16,159	12,927	16,159	12,927
Total	49,259	51,106	49,259	51,106

Movements in available-for-sale investments are as follows:

	<u>Investment in sukuk</u>	<u>Quoted securities</u>	<u>Unquoted Securities</u>	<u>Units in quoted local real estate fund</u>	<u>Total</u>
	SR'000	SR'000	SR'000	SR'000	SR'000
As at 1 January 2020	25,000	11,256	1,923	12,927	51,106
Disposals	(5,000)	-	-	-	(5,000)
Changes in fair value of investments	-	(79)	-	3,232	3,153
As at 31 December 2020	20,000	11,177	1,923	16,159	49,259

	<u>Investment in sukuk</u>	<u>Quoted securities</u>	<u>Unquoted Securities</u>	<u>Units in quoted local real estate fund</u>	<u>Total</u>
	SR'000	SR'000	SR'000	SR'000	SR'000
As at 1 January 2019	25,000	20,712	1,923	10,099	57,734
Purchases	-	10,218	-	-	10,218
Disposals	-	(21,578)	-	-	(21,578)

Changes in fair value of investments	-	1,904	-	2,828	4,732
As at 31 December 2019	<u>25,000</u>	<u>11,256</u>	<u>1,923</u>	<u>12,927</u>	<u>51,106</u>

2. TERM DEPOSITS

	31 December 2020	31 December 2019
	SR'000	SR'000
<i>Insurance Operations</i>		
Term deposits	<u>119,331</u>	<u>138,920</u>
<i>Shareholders' Operations</i>		
Term deposits	<u>-</u> <u>55,663</u>	
	<u>-</u> <u>194,583</u>	

The term deposits are held with the commercial banks. These term deposits are denominated in Saudi Arabian Riyals and have been an original maturity of more than three months and less than twelve months. The carrying amounts of these term deposits reasonably approximate their fair values at the reporting date. These deposit earn commission at an average of 2.67% per annum as at 31 December 2020 (31 December 2019: 3.11%)

Thus, the Board of Directors report on the company's works of 2020 ends, asking Allah Almighty to grant success.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)

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

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Allied Cooperative Insurance Group (ACIG)
(A Saudi Joint Stock Company)

Opinion

We have audited the financial statements of **Allied Cooperative Insurance Group (ACIG)**, (A Saudi Joint Stock Company) (the "Company"), which comprise the statement of financial position as at 31 December 2020, and the statements of income, other comprehensive income, changes in equity and cash flows for the year then ended and the summary of significant accounting policies and other explanatory information.

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

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics, as endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, a description of how our audit addressed the matter is provided in that context:

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholders of Allied Cooperative Insurance Group (ACIG)
 (A Saudi Joint Stock Company)

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the key audit matter
<p>Valuation of ultimate claim liabilities arising from insurance contracts</p> <p>As at 31 December 2020, outstanding claims, claims incurred but not reported (IBNR), premium reserves and other technical reserves amounted to Saudi Riyals 26 million, Saudi Riyals 68.6 million, Saudi Riyals 9.5 million and Saudi Riyals 2.4 million respectively as reported in Note 9 to the financial statements.</p> <p>The estimation of ultimate insurance contract liabilities involves a significant degree of judgment. The liabilities are based on the best-estimate of ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs.</p> <p>In particular, estimates of IBNR and the use of actuarial and statistical projections involve significant judgment. A range of actuarial methods are used by the actuary to determine these technical reserves. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.</p> <p>We considered this as a key audit matter since use of management assumptions and judgements could result in material overstatement / understatement of the Company's profitability.</p> <p><i>The Company's disclosures about the significant accounting policies of the above mentioned key audit matter are included in Note 3 to the financial statements.</i></p>	<p>We understood and evaluated key controls around the claims handling and technical reserve setting processes of the Company including completeness and accuracy of claims data used in the actuarial reserving process.</p> <p>We evaluated the competence, capabilities and objectivity of the management's expert by examining their professional qualifications and experiences</p> <p>In obtaining sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, we tested on sample basis, the completeness and accuracy of underlying claims data utilized by the Company's actuary in estimating the IBNR by comparing it to accounting records.</p> <p>In order to assess management's methodologies and assumptions, we were assisted by our actuary specialist to understand and evaluate the Company's actuarial practices and the technical reserves established. In order to obtain comfort over the Company's actuarial report, our actuarial specialist performed the following:</p> <ul style="list-style-type: none"> • Evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior periods. • Assessed key actuarial assumptions including claims historical experience, ratios and expected frequency and severity of claims. We assessed these assumptions by comparing them with our expectations based on the Company's current trends and our own industry knowledge. • Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholders of Allied Cooperative Insurance Group (ACIG)
(A Saudi Joint Stock Company)

Other information included in the Company's 2020 Annual Report

Management is responsible for the other information in the Company's annual report. Other information consists of the information included in the Company's 2020 annual report, other than the financial statements and our auditors' report thereon, which is expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Those charged with governance (i.e. Board of Directors) are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholders of Allied Cooperative Insurance Group (ACIG)
(A Saudi Joint Stock Company)

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholders of Allied Cooperative Insurance Group (ACIG)
(A Saudi Joint Stock Company)

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

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

Ibrahim Ahmed Al-Bassam & Co.

Certified Public Accountants
P.O.Box 69658
Riyadh 11557
Kingdom of Saudi Arabia

Ibrahim A. Al-Bassam
Certified Public Accountant
License No. 337

28 March 2021
15 Sha'aban, 1442H

Al Azem, Al Sudairy, Al Shaikh & Partners

Certified Public Accountants
P. O. Box 10504
Riyadh 11443
Kingdom of Saudi Arabia

Abdullah M. AlAzem
Certified Public Accountant
License No. 335



ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT 31 December 2020

	Notes	31 December 2020 SR' 000	31 December 2019 SR' 000
ASSETS			
Cash and cash equivalents	4	147,976	77,479
Term deposits	5	119,331	194,583
Premiums and reinsurers' receivable, net	6	98,638	88,140
Reinsurers' share of unearned premiums	8.2	27,393	21,323
Reinsurers' share of outstanding claims	8.1	11,908	9,718
Reinsurers' share of claims incurred but not reported	8.1	8,020	6,597
Deferred policy acquisition cost	8.3	31,659	14,157
Due from a related party	20	1,985	1,760
Property and equipment, net	9	5,314	3,598
Intangible assets	10	4,751	5,008
Right of use asset, net	11	5,222	7,227
Available-for-sale investments	7	49,259	51,106
Prepayments and other receivables		64,160	50,481
Accrued commission on statutory deposit		1,794	1,653
Statutory deposit	16	30,000	30,000
TOTAL ASSETS		607,410	562,830

Chief Financial Officer

Chief Executive Officer

Board member

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

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT 31 December 2020

	Notes	31 December 2020 SR' 000	31 December 2019 SR' 000
<u>LIABILITIES</u>			
Policyholders claim payable		10,142	1,506
Accrued and other payables	14	24,163	10,345
Reinsurance balances payable		16,661	16,470
Unearned commission income		1,426	1,339
Unearned premiums	8.2	264,469	254,360
Premium deficiency reserve	8.1	9,516	2,308
Other technical reserve	8.1	2,482	1,716
Outstanding claims	8.1	26,094	34,024
Claims incurred but not reported	8.1	68,643	61,887
Employees' terminal benefits	17	14,006	12,011
Lease liabilities	12	4,974	7,122
Surplus distribution payable	15	6,409	5,982
Zakat and income tax	22	11,000	8,479
Accrued commission on statutory deposit payable to SAMA		1,794	1,653
TOTAL LIABILITIES		461,779	419,202
<u>EQUITY</u>			
Share capital	23	141,000	200,000
Accumulated losses		(1,431)	(59,514)
Fair value reserve on available-for-sale investments		7,126	3,973
TOTAL SHAREHOLDERS' EQUITY		146,695	144,459
Re-measurement reserve of employees' terminal benefits		(1,064)	(831)
TOTAL EQUITY		145,631	143,628
TOTAL LIABILITIES AND EQUITY		607,410	562,830
COMMITMENTS AND CONTINGENCIES	13	2,998	2,998



Chief Financial Officer



Chief Executive Officer



Board member

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

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	31 December 2020 SR' 000	31 December 2019 SR' 000
<u>REVENUES</u>			
Gross premiums written		515,117	529,352
Reinsurance premiums ceded			
- Local		(4,096)	(4,486)
- Foreign		(57,037)	(49,716)
		(61,133)	(54,202)
Excess of loss premiums			
- Local		(2,344)	(1,713)
- Foreign		(2,180)	(2,570)
		(4,524)	(4,283)
NET PREMIUMS WRITTEN		449,460	470,867
Changes in unearned premiums, net		(4,039)	(3,768)
NET PREMIUMS EARNED		445,421	467,099
Reinsurance commission earned		4,112	3,751
Other underwriting income		6,260	2,251
NET REVENUES		455,793	473,101
<u>UNDERWRITING COSTS AND EXPENSES</u>			
Gross claims paid		382,842	399,682
Reinsurers' share of claims paid		(38,123)	(36,330)
NET CLAIMS PAID		344,719	363,352
Changes in outstanding claims, net		(10,120)	(7,569)
Changes in claims incurred but not reported, net		5,333	5,525
NET CLAIMS INCURRED		339,932	361,308
Changes in other technical reserves		766	(80)
Change in premium deficiency reserve		7,207	288
Policy acquisition costs		30,632	25,288
Other underwriting expenses		5,733	5,949
TOTAL UNDERWRITING COST AND EXPENSES		384,270	392,753
NET UNDERWRITING RESULTS		71,523	80,348



Chief Financial Officer



Chief Executive Officer



Board member

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

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF INCOME – (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

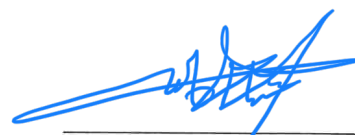
	Notes	31 December 2020 SR' 000	31 December 2019 SR' 000
OTHER OPERATING (EXPENSE) / INCOME			
Release of doubtful debts	6	4,354	227
General and administrative expenses	27	(76,591)	(82,197)
Commission income on deposits		2,648	6,174
Investment Income		2,056	3,063
Other income		12	25
TOTAL OTHER OPERATING (EXPENSES) / INCOME		(67,521)	(72,708)
TOTAL INCOME FOR THE YEAR BEFORE ZAKAT AND INCOME TAX AND SURPLUS ATTRIBUTION		4,002	7,640
Zakat charge for the year	22	(4,463)	(5,396)
TOTAL (LOSS) / INCOME FOR THE YEAR		(461)	2,244
NET (LOSS) / INCOME ATTRIBUTED TO THE INSURANCE OPERATIONS		(456)	(525)
NET (LOSS) / INCOME ATTRIBUTABLE TO THE SHAREHOLDERS		(917)	1,719
Weighted average number of ordinary shares outstanding	24	14,100	14,100
Basic and diluted (loss) / earnings per share for the year (SAR) (Restated) - 2019		(0.07)	0.12



Chief Financial Officer



Chief Executive Officer



Board member

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

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	31 December 2020 SR '000	31 December 2019 SR '000
Total (Loss) / income for the year		(461)	2,244
OTHER COMPREHENSIVE INCOME / (LOSS)			
ITEMS THAT WILL NOT BE RECLASSIFIED TO STATEMENT OF INCOME IN SUBSEQUENT YEAR			
- Actuarial losses on employees' terminal benefits	17	(233)	(471)
ITEMS THAT ARE OR MAY BE RECLASSIFIED TO STATEMENTS OF INCOME IN SUBSEQUENT YEAR			
<i>Available-for-sale investments:</i>			
- Net change in fair value	7	3,153	4,732
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,459	6,505
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE INSURANCE OPERATIONS		(223)	(54)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE SHAREHOLDERS		2,236	6,451



Chief Financial Officer



Chief Executive Officer




Board member


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

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Accumulated losses	Fair value reserve on available-for-sale investments	Re-measurement reserve of employees' terminal benefits	Total Equity
	SR'000	SR'000	SR'000	SR'000	SR'000
2020					
Balance as at 1 January 2020	200,000	(59,514)	3,973	(831)	143,628
Net loss for the year attributable to shareholders	-	(917)	-	-	(917)
Change in fair value reserve on available-for-sale investments – (note 7)	-	-	3,153	-	3,153
Actuarial losses on employees' terminal benefits – (note 17)	-	-	-	(233)	(233)
	-	(917)	3,153	(233)	2,003
Capital reduction by absorbing accumulated losses – (note 23)	(59,000)	59,000	-	-	-
Balance as at 31 December 2020	141,000	(1,431)	7,126	(1,064)	145,631
	Share capital	Accumulated losses	Fair value reserve on available-for-sale investments	Re-measurement reserve of employees' terminal benefits	Total Equity
	SR'000	SR'000	SR'000	SR'000	SR'000
2019					
Balance as at 1 January 2019	200,000	(61,233)	(759)	(360)	137,648
Net income for the year attributable to shareholders	-	1,719	-	-	1,719
Change in fair value reserve on available-for-sale investments – (note 7)	-	-	4,732	-	4,732
Actuarial losses on employees' terminal benefits – (note 17)	-	-	-	(471)	(471)
	-	1,719	4,732	(471)	5,980
Balance as at 31 December 2019	200,000	(59,514)	3,973	(831)	143,628


Chief Financial Officer


Chief Executive Officer


Board member

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

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	31 December 2020 SR '000	31 December 2019 SR '000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income for the year before zakat	4,002	7,640
Adjustments for non-cash items:		
Depreciation of property and equipment	1,726	2,226
Amortisation on right of use assets	2,093	2,758
Finance cost of lease liability	287	321
Amortisation of Intangible assets	989	914
Employees' terminal benefits	2,315	2,268
Release of doubtful debts	(4,354)	(227)
Changes in operating assets and liabilities:		
Premiums and reinsurers' receivable	(6,144)	6,065
Reinsurers' share of unearned premiums	(6,070)	1,415
Reinsurers' share of outstanding claims	(2,190)	825
Reinsurers' share of claims Incurred but not reported	(1,423)	(593)
Deferred policy acquisition cost	(17,502)	(2,107)
Due from a related party	(225)	631
Prepayments and other receivables	(13,679)	(15,832)
Policyholders claims payable	8,636	(7,235)
Accrued and other payables	13,817	(6,956)
Reinsurance balances payable	191	4,965
Unearned commission income	87	73
Unearned premiums	10,109	2,353
Premium deficiency reserve	7,208	288
Other technical reserves	766	(80)
Outstanding claims	(7,930)	(8,395)
Claims incurred but not reported	6,756	6,118
	(535)	(2,565)
Employees' terminal benefits paid	(553)	(517)
Surplus paid to policyholder	(29)	-
Zakat and income tax paid	(1,941)	(2,029)
Net cash used in operating activities	(3,058)	(5,111)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(3,442)	(379)
Purchase of Intangible assets	(732)	(1,358)
Addition in Right of use assets	(88)	-
Maturity / (placement) of term deposits	75,252	(7,344)
Purchase of available for sale investments	-	(10,218)
Proceed from sale of available-for-sale investments	5,000	21,578
Net cash generated from investing activities	75,990	2,279



Chief Financial Officer



Chief Executive Officer



Board member

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

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASHFLOWS – (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

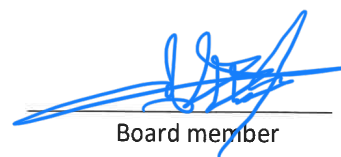
	31	31
	December	December
	2020	2019
	SR '000	SR '000
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in statutory deposits	-	(10,000)
Payment of lease liability	(2,435)	(3,184)
Net cash used in financing activities	(2,435)	(13,184)
Net change in cash and cash equivalents	70,497	(16,016)
Cash and cash equivalents at the beginning of the year	77,479	93,495
Cash and cash equivalents at the end of the year	147,976	77,479
NON – CASH INFORMATION:		
Change in fair value of available-for-sale investments	3,153	4,732



Chief Financial Officer



Chief Executive Officer



Board member

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

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Allied Cooperative Insurance Group (“the Company”) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030171999 dated 9 Shabaan 1428H, corresponding to 22 August 2007.

The activities of the Company are to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. On 4 April 2009, the Company received a license from the Saudi Central Bank (“SAMA”) to engage in insurance in Saudi Arabia. The Company commenced its commercial operations on 1 July 2009. The Company was listed on the Saudi Stock Exchange (Tadawul) on 27 August 2007.

There are 3 registered branches as set out below:

Branch	Commercial Registration Number	Place of issuance	Date
Branch of ACIG	2051043671	Al Khobar	12 Ramadan 1439 H
Branch of ACIG	5855035150	Khamis Mushayt	12 Ramadan 1439 H
Branch of ACIG	4030204059	Jeddah	12 Ramadan 1439 H

2. BASIS OF PREPARATION

a) Statement of compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants (“SOCPA”) and the Regulations for Companies in the Kingdom of Saudi Arabia.

b) Basis of presentation and measurement

These financial statements have been prepared under going concern basis and historical cost convention except for the measurement at fair value of investments held as fair value through statement of income (FVSI) and employees’ defined benefit obligations which is recognized at the present value of future obligations using the projected unit credit method. The Company’s statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, short term deposits, premiums and reinsurers’ receivable - net, reinsurers’ share of unearned premiums, deferred policy acquisition costs, deferred excess of loss premiums, prepaid expenses and other assets, policyholders payable, reinsurers balances payable, accrued and other liabilities, unearned premiums, unearned reinsurance commission, outstanding claims, claims incurred but not reported, premium deficiency reserve, other technical reserves and Zakat and income tax payable. All other financial statement line items would generally be classified as non-current unless stated otherwise.

The Company presents its statement of financial position in order of liquidity. As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for “Insurance Operations” and “Shareholders’ Operations” and presents the financial statements accordingly (note 30). Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

The statement of financial position, statements of income, statement of other comprehensive income and cash flows of the insurance operations and shareholders’ operations which are presented in Note 29 of the financial statements have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations require the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders’ operations. Accordingly, the statements of financial position, statements of income, statement of other 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. (Note 29)

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS – (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

2. BASIS OF PREPARATION – (continued)

b) Basis of presentation and measurement – (continued)

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. The accounting policies adopted for the insurance operations and shareholders' operations are uniform for like transactions and events in similar circumstances.

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

As per the by-laws of the Company, surplus arising from the Insurance Operations is distributed as follows:

Transfer to Shareholders' operations	90%
Transfer to Policyholders' operations	10%
	<hr/>
	100%

In case of deficit arising from the insurance operations, the entire deficit is allocated and transferred to the shareholders' operations in full.

In accordance with Article 70 of SAMA implementing regulations, the Company proposes to distribute, subject to the approval of SAMA, its annual net policyholders' surplus directly to policyholders at a time, and according to criteria, as set by its Board of Directors.

c) Functional and presentation currency

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

d) Fiscal year

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

e) Critical accounting judgments, estimates and assumptions

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

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

In preparing these financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied to the annual financial statements as at and for the year ended 31 December 2019. However, the Company has reviewed the key sources of estimation uncertainties disclosed in the last annual financial statements against the backdrop of the COVID-19 pandemic. For further details, please see note 34 to these financial statements. Management will continue to assess the situation and reflect any required changes in future reporting periods.

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

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

2. BASIS OF PREPARATION – (continued)

e) Critical accounting judgments, estimates and assumptions – (continued)

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

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

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

ii) Impairment financial assets

The Company determines that financial assets are impaired when there has been a significant or prolonged decline in the fair value of the financial assets below its cost. The determination of what is significant or prolonged requires judgment. A period of 12 months or longer is considered to be prolonged and a decline of 30% from the original cost is considered significant as per the Company's policy. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

iii) Impairment of receivables

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The Company is exposed to disputes with, and the possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

iv) Deferred policy acquisition costs

Certain acquisition costs related to the sale of new policies are recorded as deferred acquisition costs (DAC) and are amortized in the statement of insurance operations and accumulated surplus over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of insurance operations and accumulated surplus.

v) Premium deficiency reserve

Estimation of premium deficiency reserve is highly sensitive to a number of assumptions as to future events and conditions. It is based on an expected loss ratio for the unexpired portion of the risks for written policies. To arrive at the estimate of the expected loss ratio, the Company's actuarial team and the independent actuary, consider the claims and premiums relationship which is expected to apply on a monthly basis, and ascertain, at the end of the financial year, whether a premium deficiency reserve is required.

2. BASIS OF PREPARATION – (continued)

e) Critical accounting judgments, estimates and assumptions – (continued)

vi) Fair value of financial instruments

The fair value for financial instruments traded in active markets at the reporting date are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

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

vii) Useful lives of property and equipment and intangible assets

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

viii) Going concern

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

ix) Employees' terminal benefits

The employees' terminal benefits obligation is determined by an independent actuary using the projected unit credit method as recommended in IAS 19 "Employee benefits". The present value of the defined benefit obligation is determined by discounting the estimated cash outflows using interest rates of sovereign debt instruments that are denominated in Saudi Riyals and have maturity periods approximating that of the gratuity liability.

The present value of the defined benefit obligation depends on several factors that are determined by the actuary using assumptions such as discount rate, expected future salary increases, mortality rates and staff turnover etc. These estimates are subject to significant uncertainty due to their long-term nature and are reviewed at each reporting date.

f) Seasonality of operations

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

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS – (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Company for the preparation of these financial statements are in accordance with IFRS as endorsed in the KSA and are consistent with those used for the preparation of the annual financial statements for the year ended 31 December 2019 and new amended IFRS and IFRS Interpretations Committee Interpretations (IFRIC) as mentioned in note 3(a) which had no significant impact on the financial position or financial performance of the Company.

The accounting policies used in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2019, except where otherwise stated.

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

The following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board ("IASB"), as endorsed in the Kingdom of Saudi Arabia have been effective from 1 January 2020 and accordingly adopted by the Company, as applicable:

<u>Standard/ Amendments</u>	<u>Description</u>	<u>Effective for annual years beginning on or after</u>	<u>Summary of the amendment</u>
Amendments to IAS 1 & IAS 8	Definition of Material	1 January 2020	The amendments provided a new definition of material and clarified that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements.
Amendments to IFRS 3	Definition of a Business	1 January 2020	The amendment clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.
Amendment to IFRS 7, IFRS 9 and IAS 39	Interest Rate Benchmark Reforms	1 January 2020	The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.
Revised Conceptual Framework for Financial Reporting	Amendments to references Conceptual Framework in IFRS Standards and updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.	1 January 2020	The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.
IFRS 16	COVID-19-Related Rent Concessions	1 June 2020	The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. The amendment applies to annual reporting periods beginning on or after 1 June 2020 and earlier application is permitted.

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

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS – (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES – (continued))

(B) Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they are effective.

<u>Standard/ Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>	<u>Summary of the amendment</u>
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (see below)	Interest Rate Benchmark Reform – Phase 2	1 January 2021	These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract. These amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	1 January 2022	IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements IFRS 9: The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. IFRS 1: The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation difference.
IFRS 17	Insurance Contracts (note below)	1 January 2023	This is comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005.

IFRS 9 - Financial Instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES – (continued))

(B) Standards issued but not yet effective – (continued)

IFRS 9 - Financial Instruments – (continued)

a) Classification and measurement:

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

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

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

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

Debt financial 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, both debt and equity instrument 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 statement of income.

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 statement of income.

b) Impairment:

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

c) Hedge accounting

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

3. SIGNIFICANT ACCOUNTING POLICIES – (continued))

(B) Standards issued but not yet effective – (continued)

IFRS 9 - Financial Instruments – (continued)

Effective date

The published effective date of IFRS 9 was 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
 - the effective date of a new insurance contract standard; or
 - annual reporting periods beginning on or after 1 January 2021. 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. During the year, additional disclosures are required.

The Company has performed a detailed assessment beginning 1 January 2017: (1) The carrying amount of the Company’s liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives unbundled from insurance contracts) were compared to the total carrying amount of all its liabilities; and (2) the total carrying amount of the company’s liabilities connected with insurance were compared to the total carrying amount of all its liabilities. Based on these assessments the Company determined that it is eligible for the temporary exemption. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard. Disclosures related to financial assets required during the deferral period are included in the Company’s annual financial statements for the year ended 31 December 2019.

Impact assessment

Overall, the Company expects some impact of applying the impairment requirements of IFRS 9 on the financial statements of the Company. However, the impact of the same is not expected to be significant. At present it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued))

(B) Standards issued but not yet effective – (continued)

IFRS 17 - “Insurance Contracts”

Overview

This standard has been 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:

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

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

Measurement

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

The General model is based on the following “building blocks”:

- a. the fulfilment cash flows (FCF), which comprise:
 - probability-weighted estimates of future cash flows;
 - an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows;
 - and a risk adjustment for non-financial risk.
- b. the Contractual Service Margin (CSM). The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately. At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:
 - the liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date; and
 - the liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.

The CSM is adjusted subsequently for changes in cash flows related to future services but the CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss. Interest is also accreted on the CSM at rates locked in at initial recognition of a contract (i.e. discount rate used at inception to determine the present value of the estimated cash flows). Moreover, the CSM will be released into profit or loss based on coverage units, reflecting the quantity of the benefits provided and the expected coverage duration of the remaining contracts in the group.

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

- I. changes in the entity’s share of the fair value of underlying items; and
- II. changes in the effect of the time value of money and financial risks not relating to the underlying items.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued))

(B) Standards issued but not yet effective – (continued)

IFRS 17 - “Insurance Contracts” – (continued)

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 expects to issue the amendments to IFRS 17 in the second quarter of 2020. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied.

Transition

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

Presentation and Disclosures

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

Impact:

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 expects a material impact on measurement and disclosure of insurance and cession that will affect both the statement of income and the statement of financial position. The Company has decided not to early adopt this new standard.

The Company has started its implementation process and has set up a project team, supervised by an IFRS executive management committee.

Impact area	Summary of impact
Financial impact	As per the analysis on underwriting year 2018, the financial impact was observed to be minor in proportion to the overall equity as the Company's insurance contracts are mostly short-termed and short tailed entitling for premium allocation approach (PAA) which is largely similar to current account practice.
Data impact	IFRS 17 has additional data requirements (e.g. premium due date for initial recognition, premium receipt data for the LFRC, RI contracts held break down into risk attaching or loss incurring for assessing contract boundaries, lower granularity to meet level of aggregation requirements and data for additional disclosures as per IFRS 17). Further extensive exercise is being carried out to ensure the required data is made available.
IT systems impact	The company has identified the need for IFRS-17 accounting engine. A solution vendor is expected to be finalized by Q1 of 2021.
Process impact	The company carried out an operational impact assessment exercise to assess the operational impact of implementing IFRS 17. Since, majority of the company's contracts would be measured under the premium allocation approach, the process impact is expected to be moderate.
Impact on Reinsurance arrangements	Further assessment is being done to confirm measurement approach for reinsurance arrangements where RI gross premium ceded does not automatically qualify for PAA.
Impact on policies and control frameworks	The Company's policies and procedures needs update to accommodate the changes in the Company's processes and systems related to IFRS 17 implementation. Detailed exercise for the purpose is being carried out as part of Phase III of SAMA implementation guidelines.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued))

(B) Standards issued but not yet effective – (continued)

IFRS 17 - “Insurance Contracts” – (continued)

Impact: – (continued)

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – (continued))

i) Insurance contracts

Insurance contracts are defined as those containing insurance risk at the inception of the contract or those where at the inception of the contract there is a scenario with commercial substance of existence of insurance risk. This insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this year.

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

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

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover). For property insurance contracts, the main risks are fire, business interruption and burglary.

Motor insurance is designed to compensate contract holders for damages suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for fire or theft of their vehicles. In Saudi Arabia, it is compulsory for all vehicles to have minimum third party cover. The Company also issues comprehensive motor policies. Such motor policies cover damages to vehicles due to storm, tempest, flood, fire, theft and personal accident.

Accident insurance includes money insurance, fidelity guarantee insurance, business all risk insurance, business travel insurance and exhibition insurance. Liability insurance includes general third-party liability, product liability, workmen's compensation/employer's liability and professional indemnity cover protecting the insured's legal liability arising out of acts of negligence during their business operations.

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

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

Claim and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported and to estimate the expected ultimate cost of more complex claims that may be affected by external factors such as court decisions.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

ii) Reinsurance contracts held

In order to optimise financial exposure from large claims, the Company enters into reinsurance agreements with local and internationally reputable reinsurers. Claims receivable from reinsurers are estimated in a manner consistent with the claim liability and in accordance with the reinsurance contracts. These amounts, if any, are shown as “Reinsurers’ share of outstanding claims” in the statement of financial position until the claim is agreed and paid by the Company. Once the claim is paid, the amount due from the reinsurers in connection with the paid claim is transferred to amounts due from / (to) reinsurers.

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

iii) Revenue Recognition

Recognition of premium

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

- Last three months premium at a reporting date is considered as unearned in respect of marine cargo;
- Pre-defined calculation for Engineering class of business for risks undertaken that extend beyond a single year. In accordance with this calculation, lower premiums are earned in the first year which gradually increases towards the end of the tenure of the policy; and

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

Investment income

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

Dividend income

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

iv) Claims

Claims consist of amounts payable to policyholders and third parties and related loss adjustment expenses, net of salvage and other recoveries. Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the statement of financial position date together with related claims handling costs, whether reported by the insured or not. Provisions for reported claims not paid as of the statement of financial position date are made on the basis of individual case estimates. In addition, a provision based on management’s judgment and the Company’s prior experience is maintained for the cost of settling claims incurred but not reported including related claims handling costs at the statement of financial position date.

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

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

v) Salvage and subrogation reimbursement

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

vi) Deferred policy acquisition costs

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate, similar to premiums earned. All other acquisition costs are recognized as an expense when incurred. Amortization is recorded in the “Policy acquisition costs” in the statement of income. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in accounting estimate. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of income. Deferred policy acquisition costs are also considered in the liability adequacy test at each reporting date.

vii) Liability adequacy test

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

viii) Receivables

Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. Premiums and reinsurance balances receivable are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in “Other general and administrative expenses” in the statement of income. Receivable balances are derecognised when the Company no longer controls the contractual rights that comprise the receivable balance, which is normally the case when the receivable balance is sold, or all the cash flows attributable to the balance are passed through to an independent third party. Receivables disclosed in note 5 fall under the scope of IFRS 4 “Insurance contracts”.

ix) Investments

a) Available-for-sale investments

Available-for-sale financial assets are those non-derivative financial assets that are neither classified as held for trading or held to maturity or loans and receivables, nor are designated at fair value through profit or loss. Such investments are initially recorded at cost, being the fair value of the consideration given including transaction costs directly attributable to the acquisition of the investment and subsequently measured at fair value. Cumulative changes in fair value of such investments are recognized in other comprehensive income in the statement of comprehensive income under “Net change in fair value – Available for sale investments”. Realized gains or losses on sale of these investments are reported in the related statements of income under “Realized gain / (loss) on investments available for sale investments.” Dividend, commission income and foreign currency gain/loss on available-for-sale investments are recognized in the related statements of income or statement of comprehensive income - shareholder’s operations, as part of the net investment income / loss. Any significant or prolonged decline in fair value of available-for-sale investments is adjusted for and reported in the related statement of comprehensive income, as impairment charges. Fair values of available-for-sale investments are based on quoted prices for marketable securities or estimated fair values.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

ix) Investments – (continued)

a) Available-for-sale investments – (continued)

The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics. For unquoted investments, fair value is determined by reference to the market value of a similar investment or where the fair values cannot be derived from active markets, they are determined using a variety of valuation techniques. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Reclassification:

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

b) Held for sale

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

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

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

Reclassification:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

ix) Investments – (continued)

c) Held to maturity

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

Reclassification:

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

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

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

x) De-recognition of financial instruments

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

xi) Offsetting

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

xii) Trade date accounting

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

xiii) Impairment of financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

xiii) Impairment of financial assets – (continued)

Evidence of impairment may include:

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

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

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

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

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

xiv) Impairment of financial assets – (continued)

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

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

xiv) Impairment of financial assets – (continued)

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

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

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

xv) Intangible assets

Computer software are shown at historical cost. They have a finite useful life and are subsequent carried at cost less accumulated amortization and impairment losses. The Company amortizes computer software with a limited useful life using straight-line method over the following periods:

	Years
IT development and software	4

xvi) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred. Land is not depreciated. The cost of other items of property and equipment is depreciated on the straight line method to allocate the cost over estimated useful lives, as follows:

	Years
Motor Vehicles	4
Furniture, fittings and office equipment	7
Computers	4
Leasehold improvements	7

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the statement of insurance operations and accumulated surplus.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the statement of shareholders’ operations as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

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

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

xvii) Leases

Definition of lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange of consideration. The Company assess whether a contract is or contains a lease based on the new definition of a lease. On transition to IFRS 16, the Company elected to apply the practical expedients to grandfather the assessment of which transactions are leases.

As a lessee

The Company leases its offices, and as a lessee, the Company previously classified leases as operating leases based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases - i.e. these leases are on balance sheet.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted with certain remeasurements of lease liability. The cost of right-of-use assets includes the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of costs to dismantle, less any lease incentive received. The estimated useful life of right-of-use assets are determined considering the term of the lease.

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate (if the interest rate implicit in the lease is not available). The lease liability is subsequently increased by the interest cost on the lease liability and decreased by the lease payment made. It is remeasured when there is a change in the future lease payments arising from the change in an index or rate, a change in the estimate of the amount expected to be payable under residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or termination option is reasonably certain not to be exercised. The lessee will generally recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

xviii) Impairment of non-financial assets

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

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

xix) Employees' terminal benefits

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

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

xx) Zakat and income tax

The Company is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax (“GAZT”). Zakat is computed on the Saudi shareholders’ share of equity or net income using the basis defined under the Zakat regulations. Income taxes are computed on the foreign shareholders’ share of net adjusted income for the year. Zakat and income tax is accrued on a quarterly basis. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Zakat expense is charged to the profit or loss. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

xxi) Dividend distribution

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

xxii) Cash and cash equivalents

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

xxiii) Cash flow statement

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

xxiv) Provision

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

xxv) Foreign currencies

Transactions in foreign currencies are recorded in Saudi Arabian Riyals at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to Saudi Riyals at the rate of exchange prevailing at the statement of financial position date. All differences are taken to the statements of income and other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Foreign exchange gains or losses on available-for-sale investments are recognized in “Other income, net” in the statement of income and statement of other comprehensive income. As the Company’s foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant.

xxvi) Fair values

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

xxvii) Operating segments

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

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

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

xxviii) Statutory reserves

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

xxix) Accounts and other payables

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

xxx) Provision for outstanding claims

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

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

xxxi) Surplus from insurance operations

Ten-percent (10%) of the net surplus from insurance operations shall be distributed to the policyholders directly, or in the form of reduction in premiums for the next year. The remaining ninety-percent (90%) of the net surplus shall be transferred to the shareholders

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4. CASH AND CASH EQUIVALENTS

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

	31 December 2020 SR'000	31 December 2019 SR'000
Insurance operations		
Bank balances and cash	53,559	65,320
Deposits maturing within 3 months from the acquisition date	19,166	-
	<u>72,725</u>	<u>65,320</u>
Shareholders' operations		
Bank balances and cash	14,201	12,159
Deposits maturing within 3 months from the acquisition date *	61,050	-
	<u>75,251</u>	<u>12,159</u>
	<u>147,976</u>	<u>77,479</u>

These deposits earn commission at an average rate of (1.08%) per annum as at 31 December 2020 (31 December 2019: nil).

5. TERM DEPOSITS

	31 December 2020 SR'000	31 December 2019 SR'000
Insurance Operations		
Term deposits	119,331	138,920
Shareholders' Operations		
Term deposits	-	55,663
	<u>119,331</u>	<u>194,583</u>

The Term deposits are held with the commercial banks. These term deposits are denominated in Saudi Arabian Riyals and have been an original maturity of more than three months and less than twelve months. The carrying amounts of these term deposits reasonably approximate their fair values at the reporting date. These deposit earn commission at an average of 2.67% per annum as at 31 December 2020 (31 December 2019: 3.11%)

6. PREMIUMS AND REINSURERS' RECEIVABLE, NET

Receivables comprise amounts due from the following:

	31 December 2020 SR'000	31 December 2019 SR'000
Due from policyholders	78,842	74,438
Due from policyholders – related parties – (Note 21)	1,881	2,248
Due from brokers and agents	21,309	19,547
Receivables from reinsurers	5,329	4,984
	<u>107,361</u>	<u>101,217</u>
Provision for doubtful debts	(8,723)	(13,077)
Premiums and reinsurers' receivable – net	<u>98,638</u>	<u>88,140</u>

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6. PREMIUMS AND REINSURERS' RECEIVABLE, NET – (continued)

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

	31 December 2020 SR'000	31 December 2019 SR'000
Balance at the beginning of the year	13,077	13,304
Release for the year	(4,354)	(227)
Balance at the end of the year	8,723	13,077

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

	Total	Neither past due nor impaired	Past due but not impaired			Past due and impaired	
			Less than 30 days	31 - 90 days	91 - 180 days	181 - 360 days	More than 360 days
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Premium and reinsurance receivables, net							
- Due from policyholders	78,842	-	11,533	52,910	4,552	4,660	5,187
- Due from policyholders – related parties	1,881	-	-	-	5	5	1,871
- Due from Brokers and agents	21,309	-	1,804	15,412	1,173	1,572	1,348
- Receivables from reinsurers	5,329	-	1,805	-	-	1,154	2,370
- Provision for doubtful debts	(8,723)	-	-	-	(858)	(1,560)	(6,305)
2020	98,638	-	15,142	68,322	4,872	5,831	4,471

	Total	Neither past due nor impaired	Past due but not impaired			Past due and impaired	
			Less than 30 days	31 - 90 days	91 - 180 days	181 - 360 days	More than 360 days
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Premium and reinsurance receivables, net							
- Due from policyholders	74,438	-	41,540	3,043	20,863	6,206	2,786
- Due from policyholders – related parties	2,248	-	10	3	5	142	2,088
- Due from Brokers and agents	19,548	-	10,380	2,642	1,272	3,786	1,468
- Receivables from reinsurers	4,984	-	-	4,984	-	-	-
- Provision for doubtful debts	(13,078)	-	-	-	(5,789)	(2,533)	(4,756)
2019	88,140	-	51,930	10,672	16,351	7,601	1,586

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

The five largest customers accounts for 7% (31 December 2019: 15%) of the premiums receivable as at 31 December 2020.

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7. AVAILABLE-FOR-SALE INVESTMENT

All available-for-sale investments are in shareholders' operations and comprise the following:

	31 December 2020 SR'000	31 December 2019 SR'000
Available-for-sale investments	49,259	51,106

a) Investment securities are classified as follows:

	<u>Domestic</u>		<u>Total</u>	
	2020 SR'000	2019 SR'000	2020 SR'000	2019 SR'000
Investment in sukuk	20,000	25,000	20,000	25,000
Quoted securities	11,177	11,256	11,177	11,256
Unquoted securities	1,923	1,923	1,923	1,923
Units in quoted local real estate fund	16,159	12,927	16,159	12,927
Total	49,259	51,106	49,259	51,106

Movements in available-for-sale investments are as follows:

	<u>Investment in sukuk SR'000</u>	<u>Quoted securities SR'000</u>	<u>Unquoted Securities SR'000</u>	<u>Units in quoted local real estate fund SR'000</u>	<u>Total SR'000</u>
As at 1 January 2020	25,000	11,256	1,923	12,927	51,106
Disposals	(5,000)	-	-	-	(5,000)
Changes in fair value of investments	-	(79)	-	3,232	3,153
As at 31 December 2020	20,000	11,177	1,923	16,159	49,259

	<u>Investment in sukuks SR'000</u>	<u>Quoted securities SR'000</u>	<u>Unquoted Securities SR'000</u>	<u>Units in quoted local real estate fund SR'000</u>	<u>Total SR'000</u>
As at 1 January 2019	25,000	20,712	1,923	10,099	57,734
Purchases	-	10,218	-	-	10,218
Disposals	-	(21,578)	-	-	(21,578)
Changes in fair value of investments	-	1,904	-	2,828	4,732
As at 31 December 2019	25,000	11,256	1,923	12,927	51,106

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8. TECHNICAL RESERVES (INSURANCE OPERATIONS)

8.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	31 December 2020 SR'000	31 December 2019 SR'000
Gross outstanding claims	<u>26,094</u>	34,024
	26,094	34,024
Claims incurred but not reported	68,643	61,887
Premium deficiency reserves	9,516	2,308
Other technical reserves	<u>2,482</u>	1,716
	106,735	99,935
Less:		
- Reinsurers' share of outstanding claims	<u>(11,908)</u>	(9,718)
- Reinsurers' share of claims incurred but not reported	<u>(8,020)</u>	(6,597)
	<u>(19,928)</u>	(16,315)
Net outstanding claims and reserves	<u>86,807</u>	<u>83,620</u>

8.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	For the year ended 31 December 2020		
	Gross	Reinsurance	Net
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Balance as at the beginning of the year	254,360	(21,323)	233,037
Premium written during the year	515,117	(65,657)	449,460
Premium earned during the year	<u>(505,008)</u>	<u>59,587</u>	<u>(445,421)</u>
Balance as at the end of the year	<u>264,469</u>	<u>(27,393)</u>	<u>237,076</u>
	For the year ended 31 December 2019		
	Gross	Reinsurance	Net
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Balance as at the beginning of the year	252,007	(22,738)	229,269
Premium written during the year	529,352	(58,485)	470,867
Premium earned during the year	<u>(526,999)</u>	<u>59,900</u>	<u>(467,099)</u>
Balance as at the end of the year	<u>254,360</u>	<u>(21,323)</u>	<u>233,037</u>

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8. TECHNICAL RESERVES (INSURANCE OPERATIONS) – (continued)

8.3 Movement in deferred policy acquisition cost

	For the year ended 31 December 2020	
	Gross	Net
	SR'000	SR'000
Opening balance	14,157	14,157
Incurred during the year	30,632	30,632
Amortized during the year	(13,130)	(13,130)
Closing balance	<u>31,659</u>	<u>31,659</u>

	For the year ended 31 December 2019	
	Gross	Net
	SR'000	SR'000
Opening balance	12,050	12,050
Incurred during the year	25,288	25,288
Amortized during the year	(23,181)	(23,181)
Closing balance	<u>14,157</u>	<u>14,157</u>

9. PROPERTY AND EQUIPMENT, NET

	Motor Vehicles	Furniture, fittings and office equipment	Computer Equipment	Leasehold improvements	Total 2020	Total 2019
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Cost:						
1 January	116	7,281	6,493	5,491	19,381	19,002
Additions	-	135	572	2,735	3,442	379
31 December	<u>116</u>	<u>7,416</u>	<u>7,065</u>	<u>8,226</u>	<u>22,823</u>	<u>19,381</u>
Accumulated depreciation:						
1 January	114	6,502	4,453	4,714	15,783	13,557
Charge for the year	1	180	326	1,219	1,726	2,226
31 December	<u>115</u>	<u>6,682</u>	<u>4,779</u>	<u>5,933</u>	<u>17,509</u>	<u>15,783</u>
Net book value						
31 December 2020	<u>1</u>	<u>734</u>	<u>2,286</u>	<u>2,293</u>	<u>5,314</u>	-
31 December 2019	<u>2</u>	<u>779</u>	<u>2,040</u>	<u>777</u>	-	<u>3,598</u>

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10. INTANGIBLE ASSETS

	31 December 2020 SR'000	31 December 2019 SR'000
Cost:		
1 January	9,449	8,091
Additions	732	1,358
Disposals	-	-
31 December	<u>10,181</u>	<u>9,449</u>
Accumulated amortization		
1 January	4,441	3,527
Amortization charge	989	914
Disposals	-	-
31 December	<u>5,430</u>	<u>4,441</u>
Net book value	<u>4,751</u>	<u>5,008</u>

11. RIGHT OF USE ASSETS, NET

	31 December 2020 SR'000	31 December 2019 SR'000
Cost:		
At beginning of the year	9,985	-
Adoption of IFRS 16	-	9,985
Additions	88	-
As at end of year	<u>10,073</u>	<u>9,985</u>
Accumulated amortization		
At beginning of the year	(2,758)	-
Charge for the year	(2,093)	(2,758)
As at end of year	<u>(4,851)</u>	<u>(2,758)</u>
Net book value	<u>5,222</u>	<u>7,227</u>

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12. LEASE LIABILITIES

	31 December 2020 SR'000	31 December 2019 SR'000
Liability		
At beginning of the year	10,306	-
Impact of adoption of IFRS 16	-	9,985
Finance cost	287	321
At end of the year	10,593	10,306
Payments		
At beginning of the year	(3,184)	-
Paid during year	(2,435)	(3,184)
At end of the year	4,974	7,122

13. COMMITMENTS AND CONTINGENCIES

The Company's commitments and contingencies are as follows:

	31 December 2020 SR'000	31 December 2019 SR'000
Letters of guarantee	2,998	2,998

14. ACCRUED AND OTHER PAYABLES

	31 December 2020 SR'000	31 December 2019 SR'000
Surveyor fee	8,320	1,413
Brokers payable	6,883	2,922
Accrued expenses	3,697	1,561
Third party administrator (TPA) fees	2,625	-
VAT payable	-	187
Others	2,639	4,262
	24,164	10,345

15. SURPLUS DISTRIBUTION PAYABLE

	31 December 2020 SR'000	31 December 2019 SR'000
Opening surplus distribution payable as at 1 January	5,982	5,457
Total income attributed to the insurance operations during the year	456	525
Surplus paid during the year	(29)	-
Closing surplus distribution payable as at 31 December	6,409	5,982

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16. STATUTORY DEPOSIT

	31 December 2020 SR'000	31 December 2019 SR'000
<i>Shareholders' operations</i>		
Statutory deposit	<u>30,000</u>	<u>30,000</u>

As required by Saudi Arabian Insurance Regulations, the Company deposited 15% (31 December 2019: 15%) of its paid up capital, amounting to SR 30 million in a bank designated by the Saudi Central Bank (SAMA). The Company cannot withdraw this deposit without SAMA's approval and commission accruing on this deposit is payable to SAMA.

17. EMPLOYEES' TERMINAL BENEFITS

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

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

	31 December 2020 SR'000	31 December 2019 SR'000
Present value of defined benefit obligation	<u>14,006</u>	<u>12,011</u>

17.2 Movement of defined benefit obligation

	31 December 2020 SR'000	31 December 2019 SR'000
Opening balance	12,011	9,789
Charge to statement of income	2,243	2,268
Charge to statement of other comprehensive income	233	471
Payment of benefits during the year	<u>(481)</u>	<u>(517)</u>
Closing balance	<u>14,006</u>	<u>12,011</u>

17.3 Reconciliation of present value of defined benefit obligation

	31 December 2020 SR'000	31 December 2019 SR'000
Present value of defined benefit obligation as at 1 January	12,011	9,789
Current service costs	1,869	1,840
Financial costs	374	428
Actuarial (loss)/ gain from experience adjustments	233	471
Benefits paid during the year	<u>(481)</u>	<u>(517)</u>
Present value of defined benefit obligation as at 31 December	<u>14,006</u>	<u>12,011</u>

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17. EMPLOYEES' TERMINAL BENEFITS – (continued)

17.4 Principal actuarial assumptions

	31 December 2020 SR'000	31 December 2019 SR'000
Valuation discount rate	2.40%	3.2%
Expected rate of increase in salary level across different age bands	1.00%	1.40%

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

	2020 SR'000	2019 SR'000
Valuation discount rate		
- Increase by 1%	12,545	10,696
- Decrease by 1%	15,744	13,442
Expected rate of increase in salary level across different age bands		
- Increase by 1%	15,890	13,521
- Decrease by 1%	12,451	10,611
Mortality rate		
- 1 year Mortality age set back	14,013	11,963
- 1 year Mortality age set forward	14,000	11,913
Withdrawal turnover		
- Increase by 10%	14,018	11,948
- Decrease by 10%	13,992	11,932

18. CLAIMS DEVELOPMENT TABLE

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

The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The IBNR estimate pertains to claims liability for the periods beginning from year 2014 and earlier onwards whose claim experience has not been fully developed.

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18. CLAIMS DEVELOPMENT TABLE – (CONTINUED)

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

Claims development table gross of reinsurance:

2020

Accident year or Underwriting year	2014 & Earlier	2015	2016	2017	2018	2019	2020	Total
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Estimate of ultimate claims cost gross of reinsurance:								
At the end of accident year	321,511	287,332	351,010	267,868	331,435	387,920	344,741	2,291,817
One year later	343,396	317,234	328,798	266,333	325,348	392,016	-	1,973,125
Two years later	349,209	311,082	325,167	264,489	326,328	-	-	1,576,275
Three years later	350,195	317,782	325,018	265,417	-	-	-	1,258,412
Four years later	351,991	316,809	326,144	-	-	-	-	994,944
Five years later	285,324	318,367	-	-	-	-	-	603,691
Six years later	285,461	-	-	-	-	-	-	285,461
Current estimate of cumulative claims	285,461	318,367	326,144	265,417	326,328	392,016	344,741	2,258,474
Cumulative payments to date	(284,044)	(316,718)	(325,303)	(263,353)	(321,582)	(379,786)	(272,952)	(2,163,738)
Liability recognized in statement of financial position	1,417	1,649	841	2,064	4,746	12,230	71,789	94,736
Salvage and subrogation	4	9	91	57	90	8,234	8,257	16,742
Premium deficiency reserve	-	-	-	-	-	-	9,516	9,516
Outstanding Claims and Reserves	1,340	1,591	592	658	1,626	(4,406)	24,693	26,094

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
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18. CLAIMS DEVELOPMENT TABLE – (CONTINUED)

2019

Accident year or Underwriting year	2013 & Earlier	2014	2015	2016	2017	2018	2019	Total
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Estimate of ultimate claims cost gross of reinsurance:								
At the end of accident year	156,406	141,498	287,332	351,010	267,868	331,435	387,920	1,923,469
One year later	180,014	157,746	317,234	328,798	266,333	325,348	-	1,575,473
Two years later	185,650	159,743	311,082	325,167	264,489	-	-	1,246,131
Three years later	189,466	155,957	317,782	325,018	-	-	-	988,223
Four years later	194,238	155,498	316,809	-	-	-	-	666,545
Five years later	196,493	107,477	-	-	-	-	-	303,970
Six years later	177,847	-	-	-	-	-	-	177,847
Current estimate of cumulative claims	177,847	107,477	316,809	325,018	264,489	325,348	387,920	1,904,908
Cumulative payments to date	(176,488)	(107,219)	(315,178)	(322,419)	(260,754)	(314,240)	(312,698)	(1,808,996)
Liability recognized in statement of financial position	1,359	258	1,631	2,599	3,735	11,108	75,222	95,912
Salvage and subrogation	-	-	2	26	-	71	7,626	7,725
Premium deficiency reserve	-	-	-	-	-	2,020	288	2,308
Outstanding Claims and Reserves	1,226	85	1,042	1,677	1,275	3,509	25,210	34,024

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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

The management assessed that cash and short-term deposits, receivables from related parties, loans to related parties, trade and other payables, bank overdrafts, variable rate loans and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

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.

During the year ended 31 December 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of level 3 fair value measurements

a. Carrying amounts and fair value

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value.

	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
		SR'000	SR'000	SR'000	SR'000
31 December 2020					
- Available for sale investments					
Debt instrument	20,000	-	20,000	-	20,000
Equities	13,100	11,177	-	1,923	13,100
Other	16,159	16,159	-	-	16,159
	<u>49,259</u>	<u>27,336</u>	<u>20,000</u>	<u>1,923</u>	<u>49,259</u>
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
31 December 2019					
- Available for sale investments					
Debt instrument	25,000	-	25,000	-	25,000
Equities	11,256	11,256	-	-	11,256
Other	14,850	12,927	-	1,923	14,850
	<u>51,106</u>	<u>24,183</u>	<u>25,000</u>	<u>1,923</u>	<u>51,106</u>

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19. FAIR VALUE OF FINANCIAL INSTRUMENTS – (continued)

b. Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values at 31 December 2020 and 31 December 2019, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Available for sale equity securities (unquoted)/ Investments held as FVSI (unquoted)	<i>Market comparison technique:</i> The valuation model is based on market multiples derived from quoted prices of companies comparable to investee and the expected EBITDA of the investee. This estimate is adjusted for the effect of non-marketability of the equity securities.	<ul style="list-style-type: none"> Forecast annual revenue growth rate Forecast EBITDA margin Adjusted market multiple	The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> The annual revenue growth rate were higher (lower); The EBITDA margin were higher (lower); or The adjusted market multiple were lower (higher). Generally, a change in the annual revenue growth is accompanied by a directionally similar change in EBITDA margin.
Corporate debt securities / Held to maturity investments	<i>Market comparison technique:</i> The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable.	Not applicable.

20. SEGMENTAL INFORMATION

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

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

Segment results do not include general and administrative expenses, provision for doubtful debts and other income.

Segment assets do not include cash and cash equivalents, investments, prepayments and other receivables, and property and equipment, net.

Segment liabilities do not include reinsurance payables, accrued expenses and other liabilities, due to shareholders' operations and employees' terminal benefits

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20. SEGMENTAL INFORMATION – (continued)

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

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

OPERATING SEGMENTS	As at 31 December 2020						
	Insurance operations				Total - Insurance operations	Share- holders operations	Total
	Medical	Motor	General Accident	Others			
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
ASSETS							
Cash and cash equivalents	-	-	-	-	72,725	75,251	147,976
Term Deposits	-	-	-	-	119,331	-	119,331
Premiums and reinsurers' receivable, net	-	-	-	-	98,638	-	98,638
Reinsurers' share of unearned premiums	13,733	-	5,085	8,575	27,393	-	27,393
Reinsurers' share of outstanding claims	4,564	3,399	2,592	1,353	11,908	-	11,908
Reinsurers' share of claims incurred but not reported	6,683	-	614	723	8,020	-	8,020
Deferred policy acquisition costs	3,637	26,943	672	407	31,659	-	31,659
Unallocated assets	-	-	-	-	77,348	85,137	162,485
TOTAL ASSETS	28,617	30,342	8,963	11,058	447,022	160,388	607,410
LIABILITIES							
Policyholders claims payable	-	-	-	-	10,142	-	10,142
Reinsurance balances payable	-	-	-	-	16,661	-	16,661
Unearned reinsurance commission	-	-	467	959	1,426	-	1,426
Unearned premiums	65,369	172,480	17,261	9,359	264,469	-	264,469
Premium deficiency reserves	5,060	4,456	-	-	9,516	-	9,516
Other technical reserves	356	1,776	309	41	2,482	-	2,482
Outstanding claims	15,226	1,983	8,466	419	26,094	-	26,094
Claims incurred but not reported	22,292	42,258	3,296	797	68,643	-	68,643
Unallocated liabilities and equity	-	-	-	-	47,589	160,388	207,977
TOTAL LIABILITIES AND EQUITY	108,303	222,953	29,799	11,575	447,022	160,388	607,410

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20. SEGMENTAL INFORMATION – (continued)

OPERATING SEGMENTS	As at 31 December 2019						
	Insurance operations				Total - Insurance operations	Share- holders operations	Total
	Medical	Motor	General Accident	Others			
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
ASSETS							
Cash and cash equivalents	-	-	-	-	65,320	12,159	77,479
Term Deposits	-	-	-	-	138,920	55,663	194,583
Premiums and reinsurers' receivable, net	-	-	-	-	88,140	-	88,140
Reinsurers' share of unearned premiums	11,952	-	5,111	4,260	21,323	-	21,323
Reinsurers' share of outstanding claims	4,640	2,869	1,731	478	9,718	-	9,718
Reinsurers' share of claims incurred but not reported	5,053	-	667	877	6,597	-	6,597
Deferred policy acquisition costs	4,407	8,478	733	539	14,157	-	14,157
Unallocated assets	-	-	-	-	63,863	86,970	150,833
TOTAL ASSETS	26,052	11,347	8,242	6,154	408,038	154,792	562,830
LIABILITIES							
Policyholders claims payable	-	-	-	-	1,506	-	1,506
Reinsurance balances payable	-	-	-	-	16,470	-	16,470
Unearned reinsurance commission	-	-	450	889	1,339	-	1,339
Unearned premiums	56,922	177,232	15,023	5,183	254,360	-	254,360
Premium deficiency reserves	2,308	-	-	-	2,308	-	2,308
Other technical reserves	171	1,322	183	40	1,716	-	1,716
Outstanding claims	16,303	12,309	4,776	636	34,024	-	34,024
Claims incurred but not reported	17,790	40,587	2,552	958	61,887	-	61,887
Unallocated liabilities and equity	-	-	-	-	34,428	154,792	189,220
TOTAL LIABILITIES AND EQUITY	93,494	231,450	22,984	7,706	408,038	154,792	562,830

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20. SEGMENTAL INFORMATION – (continued)

OPERATING SEGMENTS	For the year ended 31 December, 2020				
	Medical	Motor	General Accident	Others	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
REVENUES					
Gross premiums written	126,709	339,228	19,316	29,864	515,117
Reinsurance premiums ceded					
-Local	(2,628)	-	(86)	(1,382)	(4,096)
-Foreign	(23,804)	-	(7,093)	(26,140)	(57,037)
	(26,432)	-	(7,179)	(27,522)	(61,133)
Excess of loss premiums					
-Local	-	(1,474)	(684)	(186)	(2,344)
-Foreign	-	(2,212)	309	(277)	(2,180)
	-	(3,686)	(375)	(463)	(4,524)
NET WRITTEN PREMIUMS	100,277	335,542	11,762	1,879	449,460
Changes in net unearned premiums	(6,666)	4,751	(2,264)	140	(4,039)
NET PREMIUMS EARNED	93,611	340,293	9,498	2,019	445,421
Reinsurance commission earned	-	-	747	3,365	4,112
Other underwriting income	2,253	1,816	2,191	-	6,260
NET REVENUES	95,864	342,109	12,436	5,384	455,793
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid	123,282	256,486	2,415	659	382,842
Reinsurers' share of claims paid	(35,504)	(1,630)	(613)	(376)	(38,123)
NET CLAIMS PAID	87,778	254,856	1,802	283	344,719
Changes in outstanding claims, net	(1,000)	(10,856)	1,806	(70)	(10,120)
Changes in claims incurred but not reported, net	2,872	1,671	796	(6)	5,333
NET CLAIMS INCURRED	89,650	245,671	4,404	207	339,932
Change in other technical reserve	185	453	126	2	766
Changes in premium deficiency reserve	2,752	4,455	-	-	7,207
Policy acquisition costs	8,335	20,173	756	1,368	30,632
Other underwriting expenses	258	5,475	-	-	5,733
TOTAL UNDERWRITING COSTS AND EXPENSES	101,180	276,227	5,286	1,577	384,270
NET UNDERWRITING RESULTS	(5,316)	65,882	7,150	3,807	71,523
OTHER OPERATING (EXPENSES)/ INCOME					
Release of doubtful debts					4,354
General and administrative expenses					(76,591)
Commission income on deposits					2,648
Investment income					2,056
Other income					12
TOTAL OTHER OPERATING (EXPENSES) / INCOME					(67,521)
Total income for the year					4,002
Zakat charge for the year					(4,463)
NET LOSS FOR THE YEAR					(461)
NET INCOME ATTRIBUTED TO THE INSURANCE OPERATIONS					(456)
NET LOSS ATTRIBUTABLE TO THE SHAREHOLDERS					(917)

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20. SEGMENTAL INFORMATION – (continued)

OPERATING SEGMENTS	For the year ended 31 December, 2019				
	Medical	Motor	General Accident	Others	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
REVENUES					
Gross premiums written	139,035	354,693	15,902	19,722	529,352
Reinsurance premiums ceded					
-Local	(2,659)	-	(126)	(1,701)	(4,486)
-Foreign	(25,641)	-	(8,330)	(15,745)	(49,716)
	(28,300)		(8,456)	(17,446)	(54,202)
Excess of loss premiums					
-Local	-	(1,263)	(220)	(230)	(1,713)
-Foreign	-	(1,895)	(331)	(344)	(2,570)
	-	(3,158)	(551)	(574)	(4,283)
NET WRITTEN PREMIUMS	110,735	351,535	6,895	1,702	470,867
Changes in net unearned premiums	7,213	(12,722)	2,129	(388)	(3,768)
NET PREMIUMS EARNED	117,948	338,813	9,024	1,314	467,099
Reinsurance commission earned	-	6	754	2,991	3,751
Other underwriting income	-	2,251	-	-	2,251
NET REVENUES	117,948	341,070	9,778	4,305	473,101
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid	132,301	263,258	3,430	693	399,682
Reinsurers' share of claims paid	(31,371)	(2,594)	(1,829)	(536)	(36,330)
NET CLAIMS PAID	100,930	260,664	1,601	157	363,352
Changes in outstanding claims, net	(2,720)	(5,214)	382	(17)	(7,569)
Changes in claims incurred but not reported, net	1,153	3,789	617	(34)	5,525
NET CLAIMS INCURRED	99,363	259,239	2,600	106	361,308
Change in other technical reserve	3	(49)	(17)	(17)	(80)
Changes in premium deficiency reserve	288	-	-	-	288
Policy acquisition costs	9,736	13,388	893	1,271	25,288
Other underwriting expenses	1,455	4,494	-	-	5,949
TOTAL UNDERWRITING COSTS AND EXPENSES	110,845	277,072	3,476	1,360	392,753
NET UNDERWRITING RESULTS	7,103	63,998	6,302	2,945	80,348
OTHER OPERATING (EXPENSES) / INCOME					
Release of doubtful debts					227
General and administrative expenses					(82,197)
Realized gain on available-for-sale investments					6,174
Investment income					3,063
Other income					25
TOTAL OTHER OPERATING (EXPENSES) / INCOME					(72,708)
Total income for the year					7,640
Zakat charge for the year					(5,396)
NET LOSS FOR THE YEAR					2,244
NET INCOME ATTRIBUTED TO THE INSURANCE OPERATIONS					(525)
NET LOSS ATTRIBUTABLE TO THE SHAREHOLDERS					1,719

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20. SEGMENTAL INFORMATION – (continued)

	For the year ended December 31, 2020			
	Medical	Motor	Properties and accident	Total
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Gross written premium				
Retail	6,812	332,415	10,162	349,389
Micro	37,076	4,277	446	41,799
Small	50,318	1,369	2,748	54,435
Medium	14,291	1,167	6,650	22,108
Large	18,212	-	29,174	47,386
Total	126,709	339,228	49,180	515,117

	For the year ended December 31, 2019			
	Medical	Motor	Properties and accident	Total
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Gross written premium				
Retail	12,562	343,350	6,051	361,963
Micro	11,368	1,181	679	13,228
Small	39,723	4,765	6,897	51,385
Medium	24,807	1,840	4,657	31,304
Large	50,575	3,557	17,340	71,472
Total	139,035	354,693	35,624	529,352

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21. RELATED PARTY TRANSACTIONS AND BALANCES

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

Related party	Nature of transaction	Transactions for the year ended		Closing balance Receivables / (Payables)	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
		SR'000	SR'000	SR'000	SR'000
Board of directors	Premium written	360	797	1,882	2,239
	Claim paid / payment received	(811)	(3,652)	(881)	(450)
ACIG Bahrain (Shareholder)	Claims paid on behalf of ACIG Bahrain	225	-	1,985	1,760
Board and audit committee	Attendance fees	1,405	1,471	-	-

Remuneration and compensation of BOD Members and Top Executives (Disclose number of top executives)

	BOD members (Non-Executive)	Top Executives including the CEO and CFO
	SR'000	SR'000
2020		
Salaries and compensation	-	5,504
Allowances	198	-
Annual remuneration	1,050	120
End of service indemnities	-	410
Total	1,248	6,034
2019		
Salaries and compensation	-	5,467
Allowances	176	-
Annual remuneration	1,290	120
End of service indemnities	-	410
Total	1,466	5,997

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22. ZAKAT AND INCOME TAX

The current year's zakat provision is based on the following:

	31 December 2020 SR'000	31 December 2019 SR'000
Equity	141,000	200,000
Opening provisions and other adjustments	26,498	35,153
Net book value of long term assets	(5,314)	(8,606)
Accumulated losses	7,016	(55,469)
Statutory deposit	(30,000)	-
Unrealized loss on available for sale investments	(49,259)	(49,007)
	89,941	122,071
Adjusted income for the year	6,899	13,643
Zakat base at 2.5%	2,319	135,714
	31 December 2020 SR'000	31 December 2019 SR'000
Balance at the beginning of the year	8,453	5,086
Provided during the year	4,463	5,396
Payments during the year	(1,941)	(2,029)
Balance at the end of the year	10,975	8,453

The differences between the financial and the zakatable results are mainly due to certain adjustments in accordance with the relevant fiscal regulations.

Zakat base has been computed based on the Company's understanding of the Zakat regulations enforced in the Kingdom of Saudi Arabia. The Zakat regulations in Saudi Arabia are subject to different interpretations, and the assessments to be raised by the GAZT could be different from the declarations filed by the Company.

Income tax:

Foreign shareholder, being Islamic Development Bank (IDB) is exempted from income tax.

	31 December 2020 SR'000	31 December 2019 SR'000
Balance at the beginning of the year	25	25
Provided during the year	-	-
Payments during the year	-	-
Balance at the end of the year	25	25

22. ZAKAT AND INCOME TAX – (CONTINUED)

Status of assessments

Zakat and income tax returns have been filed with the General Authority of Zakat and Tax (“GAZT”) for the years ended up to 31 December 2019. Final certificate has been received from GAZT for the year ended 31 December 2019. However, GAZT has raised an additional assessment in respect of the returns filed for the years ended 31 December 2008, 2009 and 2010 amounting to SR 1.86 million which has been paid. The major difference of additional assessment relates to disallowance of a portion of pre incorporation expenses and withholding tax. The Company has filed an objection against this additional assessment with the preliminary tax objection Committee subsequent to the year end, an adverse decision was received from the preliminary Tax Objection Committee, upon which the Company filed appeal with the Higher Objection Committee. The higher Objection Committee issued its decision in favour of the Company with respect to Zakat and rejected the appeal related to withholding tax. The Company has referred the matter to the Board of Grievance for the case of the withholding tax and raised a letter of guarantee in the amount of 1.83 million and also paid the amount of tax SAR 1.27 million.

The Company has raised an objection for an unfavourable assessment raised by GAZT for the years ended 31 December 2013 till 2015 with the amount of SAR 4.98 million. The objection is currently under study by GAZT. The Company received a claim from the GAZT for an amount of SAR 5.18 million representing withholding tax, the Company raised an objection against the claim with the GSTC which has been also rejected and now is under appeal with the Appeal Committee for Tax Violation and Disputes.

During the period ended 31 December 2020, GAZT issued an assessment for the years 2016 to 2018 claiming additional liability of 7.83 million. The Company has raised an objection against such assessments which has been rejected by GAZT. The company raised the objection to the GSTC and it is currently under study by the committee.

Income tax:

Islamic Development Bank (IDB) being a foreign shareholder, is exempted from income tax.

23. SHARE CAPITAL

AS at 31 December 2019, the authorized, subscribed and paid up share capital of the Company was SR 200 million, divided into 20 million shares of SR 10 each.

On 16 January 2020, the Company’s board of directors had recommended reducing the Company’s share capital from SR 200 million to SR 141 million divided into 5.9 million share by off-setting with accumulated losses. In an extra-ordinary general meeting held on 21 Muharram 1441H corresponding to 26 August 2020, the shareholders’ of the Company approved the reduction and the required changes in the Company by-law relating to the reduction. Accordingly, the share capital and accumulated losses have been reduced to SR 141 million. The capital reduction is through the reduction of 1 share for every 3.3898 shares held by the shareholders. The purpose of capital reduction is to restructure the capital position of the Company in order to comply with the Companies Law. There is no impact of reduction in capital on the Company’s financial obligations.

As at 31 December 2020, the authorized, subscribed and paid up share capital of the Company is SR 141 million, divided in to 14.1 million share of 10 each.

On 21 Jamad Al-Awwal 1441H corresponding to 16 January 2020, the Board of Directors had recommended an increased in the Company’s capital through right issue with a total value of SR 150 million, on 14 Safar 1442H corresponding to 1 October 2020, the Company obtained approval from SAMA. As of the date of approval of these financial statements, the Company is currently in the process of completing the remaining regulatory and legal formalities underlying such increase.

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24. (LOSS) / EARNINGS PER SHARE

(Loss) / Earnings per share for the year has been calculated by dividing the net income for the year by the weighted average number of issued and outstanding shares for the year. The Company have reduced its share capital by offsetting with accumulated loss (note 23), as result the weighted average number of ordinary shares issued and outstanding in the prior year has been restated to 14.1 million and accordingly income per share is restated.

A) The weighted average number of shares has been retrospectively adjusted for prior year to reflect the reduction in share capital as required by IAS 33 "Earning per share" as follows:

	31 December 2020	31 December 2019 (Restated)
	SR'000	SR'000
Issued and outstanding ordinary shares as at 1 January	20,000	20,000
Effect of reduction of share capital	(5,900)	(5,900)
Weighted average number of ordinary shares outstanding	14,100	14,100

B) The basic and diluted profit per share is calculated as follows:

	31 December 2020	31 December 2019 (Restated)
	SR'000	SR'000
Net (loss) / profit for the year	(917)	1,719
Weighted average number of ordinary shares outstanding	14,100	14,100
Basic and diluted earnings per share (SR)	(0.07)	0.12

25. VALUE ADDED TAX (VAT)

On 28 September 2020, the Company received from The General Authority of Zakat and Tax (GAZT) VAT assessments for the years ended 31 December 2018 and 2019 claiming additional liability of SAR 1.78 million and SAR 1.98 million for VAT and SR 2.85 million and SR 1.78 million for related penalties, respectively. The Company has filled an objection against the said assessments and is confident of receiving a favourable outcome. However, as required by the GAZT regulation, the Company has paid the amount of the tax and was relieved from the penalties in accordance with GAZT initiative to support the private sector.

26. CAPITAL MANAGEMENT

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

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

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

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

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

The Company is in compliance with all externally imposed capital requirements with sound solvency margin. The capital structure of the Company as at 31 December 2020 consists of paid-up share capital of SAR 141 million and accumulated losses of SAR 1.43 million (31 December 2019: paid-up share capital of SAR 200 million and accumulated losses of SAR 59.51 million.) in the statement of financial position.

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

27. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December	31 December
	2020	2019
	SR'000	SR'000
Employee costs	47,732	48,424
Marketing	9,978	10,461
Depreciation and amortization	4,379	5,174
Legal and professional fees	2,429	1,308
Office expenses	2,215	2,473
Directors remuneration	1,863	1,460
Office rent	-	2,547
Traveling	481	951
Other	6,639	8,595
Audit expense	584	466
Share transfer – Tadawul expense	259	259
General assembly expense	32	79
	76,591	82,197

28. RISK MANAGEMENT

(a) Insurance

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

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

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 36% of total reinsurance assets at the reporting date.

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risks, civil riots etc. The Company manages these risk through the measures described above. The company has limited its risk by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The overall aim is currently to restrict the impact of a single catastrophic event to approximately 15% of shareholders' equity on a gross basis and 3% on a net basis. In the event of such a catastrophe, counterparty exposure to a single reinsurer is estimated not to exceed 5% of shareholders' equity. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

Concentration of insurance risk

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

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

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

28. RISK MANAGEMENT – (continued)

Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the statement of financial position date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Claims are payable to Policyholders and third parties depending upon the terms of the contract as contained in policy terms and conditions. The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence; changes in market factors such as public attitude to claiming; economic conditions: as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

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

Process used to decide on assumptions

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

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

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

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

28. RISK MANAGEMENT – (continued)

Process used to decide on assumptions – (continued)

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

Sensitivity analysis

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

A hypothetical 2% change in the claim ratio, net of reinsurance, would impact net underwriting income/ (loss) as follows;

	31 December	31 December
	2020	2019
	SR'000	SR'000
Income from insurance operations		
Impact of change in claim ratio by - 2%		
Medical	(3,444)	9,462
Motor	72,688	70,774
General Accident	7,340	6,482
Others	3,846	2,971
	80,430	89,689
	31 December	31 December
	2020	2019
	SR'000	SR'000
Income from insurance operations		
Impact of change in claim ratio by + 10%		
Medical	(14,677)	4,744
Motor	31,852	57,222
General Accident	6,200	6,122
Others	3,604	2,919
	26,980	71,007

(a) Reinsurance risk

In order to limit the financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for reinsuring its exposures.

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

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

28. RISK MANAGEMENT – (continued)

(a) Reinsurance risk – (continued)

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

Furthermore, the financial strength and managerial and technical expertise as well as historical performance of the reinsurers, wherever applicable, are thoroughly reviewed by the Company and agreed to pre-set requirements of the Company's Board of Directors before approving them for exchange of reinsurance business. As at 31 December 2019 and 2018, there is no significant concentration of reinsurance balances.

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

(b) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

- The Company's market risk policy sets out the assessment and determination of what constitutes market risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company's Board Investment Committee and Risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains for policyholders and shareholders which are in line with their expectations.
- The Company stipulates diversification benchmarks by type of instrument and geographical area, as the Company is exposed to guaranteed bonuses, cash and annuity options when interest rates fall.
- There is strict control over hedging activities (e.g., equity derivatives are only permitted to be held to facilitate portfolio management or to reduce investment risk).

The Board of Directors of the Company ensure that the overall market risk exposure is maintained at prudent levels and is consistent with the available capital. While the Board gives a strategic direction and goals, risk management function related to market risk is mainly the responsibility of Investment Committee team. The team prepares forecasts showing the effects of various possible changes in market conditions related to risk exposures. This risk is being mitigated through the proper selection of securities. Company maintains diversified portfolio and performs regular monitoring of developments in related markets. In addition, the key factors that affect stock and sukuk market movements are monitored, including analysis of the operational and financial performance of investees.

Market risk comprises of three types of risk: currency risk, commission rate risk and other price risk.

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company's transactions are principally in Saudi Arabian Riyals. So that the foreign currency risk is not significant.

28. RISK MANAGEMENT – (continued)

Commission Rate Risk

The Company invests in securities and has deposits that are subject to commission rate risk. Commission rate risk to the Company is the risk of changes in commission rates reducing the overall return on its fixed commission rate bearing securities. The Commission rate risk is limited by monitoring changes in commission rates and by investing in floating rate instruments.

An increase or decrease of 50 basis points in interest yields would result in a change in the income for the year of SAR 1.1 million (2019: SAR 1.1 million).

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

	<u>Less than 1 year</u>	<u>More than 1 year</u>	<u>Total</u>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Insurance Operations			
2020	119,331	-	119,331
2019	138,920	-	138,920
Shareholders Operations			
2020	61,050	20,000	81,050
2019	55,663	25,000	80,663

Other Price Risk

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

The Company's investments amounting to SAR 27.3 million (2019: SAR 24.2 million) are susceptible to market price risk arising from uncertainty about the future value of invested securities. The Company limits this nature of market risk by diversifying its invested portfolio and by actively monitoring the developments in markets.

The impact of hypothetical change of a 10% increase and 10% decrease in the market prices of investments on Company's profit would be as follows:

	<u>Fair value change</u>	<u>Effect on Company's profit</u>
	<i>SR'000</i>	<i>SR'000</i>
31 December 2020	+ / - 10%	+/- 2,734
31 December 2019	+ / - 10%	+/- 2,420

The sensitivity analysis presented is based upon the portfolio position as at 31 December 2020 and 2019. Accordingly, the sensitivity analysis prepared is not necessarily indicative of the effect on the Company's assets of future movements in the value of investments held by the Company.

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28. RISK MANAGEMENT – (continued)

(c) Credit Risk

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

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

	2020	2019
	SR'000	SR'000
<u>ASSETS - INSURANCE OPERATIONS</u>		
Cash and cash equivalents	53,559	65,320
Premiums and reinsurers' receivable – net	98,638	88,140
Reinsurers' share of outstanding claims	11,908	9,718
Reinsurers' share of claims incurred but not reported	8,020	6,597
Prepayments and other receivables	60,076	46,270
Total	232,201	216,045
	2020	2019
	SR'000	SR'000
<u>ASSETS - SHAREHOLDERS' OPERATIONS</u>		
Cash and cash equivalents	14,201	12,159
Available-for-sale investments	49,259	51,106
Total	63,460	63,265

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. Approximately 100% (2019: approximately 100%) of the Company's underwriting activities are carried out in Saudi Arabia. The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

Credit risk exposure

	2020	2019	2020	2019	2020	2019
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
	Investment grade		Non-investment grade		Unrated	
Investments:						
- Available for sale						
Debt instruments	-	-	20,000	25,000	-	-
Equities	11,177	11,256	-	-	-	-
Other	16,159	12,927	-	-	1,923	1,923
Premium and reinsurance balances receivable						
Policyholders'	-	-	-	-	93,309	83,154
Due from a related party	-	-	-	-	1,985	1,760
Reinsurance receivables	-	-	-	-	5,329	4,986
Total	27,336	24,183	20,000	25,000	102,546	91,823

To manage the liquidity risk arising from financial liabilities mentioned above, the Company holds liquid assets comprising cash and cash equivalents and investment securities. These assets can be readily sold to meet liquidity requirements.

The assets with maturity less than one year are expected to realize as follows:

- Deposits are expected to be matured within 6 months from the date of placement.
- Cash and bank balances are available on demand.

28. RISK MANAGEMENT – (continued)

(d) Liquidity Risk - (continued)

- Reinsurers share of outstanding claims majorly pertain to property and casualty segment and are generally realized within 6 to 12 months based on settlement of balances with reinsurers.

The liabilities with maturity less than one year are expected to settle as follows:

- Reinsurers' balances payable are settled on a quarterly basis as per terms of reinsurance agreements.
- As per the Regulation, all insurance claims need to be settled within the time limits specified in this regard. Majority of gross outstanding claims are expected to be settled within the time limits set in this regard subject to meeting all the documentation requirements. Property and casualty policies due to the inherent nature are generally settled within 45 days from the date of receipt of loss adjustor report
- The claims payable, accrued expenses and other liabilities are expected to settle within a period of 1-3 months from the period end date.
- Surplus distribution payable is to be settled within 6 months of annual general meeting in which financial statements are approved.

(e) Operational Risk

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS – (CONTINUED)
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29. SUPPLEMENTARY INFORMATION

STATEMENT OF FINANCIAL POSITION

	31 December 2020			31 December 2019		
	Insurance operations	Share-holders' operations	Total	Insurance operation	Share-holders' operations	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
ASSETS						
Cash and cash equivalents	72,725	75,251	147,976	65,320	12,159	77,479
Term deposits	119,331	-	119,331	138,920	55,663	194,583
Premiums and reinsurers' receivable, net	98,638	-	98,638	88,140	-	88,140
Reinsurers' share of unearned premiums	27,393	-	27,393	21,323	-	21,323
Reinsurers' share of outstanding claims	11,908	-	11,908	9,718	-	9,718
Reinsurers' share of claims incurred but not reported	8,020	-	8,020	6,597	-	6,597
Deferred policy acquisition cost	31,659	-	31,659	14,157	-	14,157
Due from a related party	1,985	-	1,985	1,760	-	1,760
Property and equipment, net	5,314	-	5,314	3,598	-	3,598
Intangible assets	4,751	-	4,751	5,008	-	5,008
Right of use asset, net	5,222	-	5,222	7,227	-	7,227
Available-for-sale investments	-	49,259	49,259	-	51,106	51,106
Prepayments and other receivables	60,076	4,084	64,160	46,270	4,211	50,481
Statutory deposit	-	30,000	30,000	-	30,000	30,000
Accrued commission on statutory deposit	-	1,794	1,794	-	1,653	1,653
TOTAL ASSETS	447,022	160,388	607,410	408,038	154,792	562,830
LIABILITIES						
Policyholders claim payable	10,142	-	10,142	1,506	-	1,506
Accrued and other payables	23,264	899	24,163	10,144	201	10,345
Reinsurances balances payable	16,661	-	16,661	16,470	-	16,470
Unearned commission income	1,426	-	1,426	1,339	-	1,339
Unearned premiums	264,469	-	264,469	254,360	-	254,360
Premium deficiency reserve	9,516	-	9,516	2,308	-	2,308
Other technical reserve	2,482	-	2,482	1,716	-	1,716
Outstanding claims	26,094	-	26,094	34,024	-	34,024
Claims incurred but not reported	68,643	-	68,643	61,887	-	61,887
Employees' terminal benefits	14,006	-	14,006	12,011	-	12,011
Lease liabilities	4,974	-	4,974	7,122	-	7,122
Surplus distribution payable	6,409	-	6,409	5,982	-	5,982
Accrued zakat and income tax	-	11,000	11,000	-	8,479	8,479
Accrued commission on statutory deposit payable to SAMA	-	1,794	1,794	-	1,653	1,653
TOTAL LIABILITIES	448,086	13,693	461,779	408,869	10,333	419,202
EQUITY						
Share capital	-	141,000	141,000	-	200,000	200,000
Accumulated losses	-	(1,431)	(1,431)	-	(59,514)	(59,514)
Fair value reserve on available-for-sale investments	-	7,126	7,126	-	3,973	3,973
TOTAL SHAREHOLDER'S EQUITY	-	146,695	146,695	-	144,459	144,459
Re-measurement reserve of employees' terminal benefits	(1,064)	-	(1,064)	(831)	-	(831)
TOTAL EQUITY	(1,064)	146,695	145,631	(831)	144,459	143,628
TOTAL LIABILITIES AND EQUITY	447,022	160,388	607,410	408,038	154,792	562,830

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29. SUPPLEMENTARY INFORMATION – (continued)

STATEMENT OF INCOME

	31 December 2020			31 December 2019		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
REVENUES						
Gross premiums written	515,117	-	515,117	529,352	-	529,352
Reinsurance premiums ceded						
-Local	(4,096)	-	(4,096)	(4,486)	-	(4,486)
-Foreign	(57,037)	-	(57,037)	(49,716)	-	(49,716)
	(61,133)	-	(61,133)	(54,202)	-	(54,202)
Excess of loss premiums						
-Local	(2,344)	-	(2,344)	(1,713)	-	(1,713)
-Foreign	(2,180)	-	(2,180)	(2,570)	-	(2,570)
	(4,524)	-	(4,524)	(4,283)	-	(4,283)
NET PREMIUMS WRITTEN	449,460	-	449,460	470,867	-	470,867
Changes in unearned premiums, net	(4,039)	-	(4,039)	(3,768)	-	(3,768)
NET PREMIUMS EARNED	445,421	-	445,421	467,099	-	467,099
Reinsurance commission earned	4,112	-	4,112	3,751	-	3,751
Other underwriting income	6,260	-	6,260	2,251	-	2,251
NET REVENUES	455,793	-	455,793	473,101	-	473,101
Gross claims paid	382,842	-	382,842	399,682	-	399,682
Reinsurers' share of claims paid	(38,123)	-	(38,123)	(36,330)	-	(36,330)
NET CLAIMS PAID	344,719	-	344,719	363,352	-	363,352
Changes in outstanding claims, net	(10,120)	-	(10,120)	(7,569)	-	(7,569)
Changes in incurred but not reported, net	5,333	-	5,333	5,525	-	5,525
NET CLAIMS INCURRED	339,932	-	339,932	361,308	-	361,308
Changes in other technical reserve	766	-	766	(80)	-	(80)
Change in premium deficiency reserve	7,207	-	7,207	288	-	288
Policy acquisition costs	30,632	-	30,632	25,288	-	25,288
Other underwriting expenses	5,733	-	5,733	5,949	-	5,949
TOTAL UNDERWRITING COST AND EXPENSES	384,270	-	384,270	392,753	-	392,753
NET UNDERWRITING INCOME	71,523	-	71,523	80,348	-	80,348
OTHER OPERATING (EXPENSE) / INCOME						
Release of doubtful debts	4,354	-	4,354	227	-	227
General and administrative expenses	(73,469)	(3,122)	(76,591)	(79,932)	(2,265)	(82,197)
Commission income on deposits	2,138	510	2,648	4,580	1,594	6,174
Investment income	-	2,056	2,056	-	3,063	3,063
Other income	12	-	12	25	-	25
TOTAL OTHER OPERATING (EXPENSES) / INCOME	(66,965)	(556)	(67,521)	(75,100)	2,392	(72,708)

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
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NOTES TO THE FINANCIAL STATEMENTS – (CONTINUED)
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29. SUPPLEMENTARY INFORMATION – (continued)

STATEMENT OF INCOME - (continued)

	31 December 2020			31 December 2019		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
Total income for the year before zakat and income tax and surplus attribution"	4,558	(556)	4,002	5,248	2,392	7,640
Zakat charge for the year	-	(4,463)	(4,463)	-	(5,396)	(5,396)
(LOSS) / INCOME FOR THE YEAR	4,558	(5,019)	(461)	5,248	(3,004)	2,244
NET INCOME ATTRIBUTED TO THE SHAREHOLDER OPERATIONS	(4,102)	4,102	-	(4,723)	4,723	-
Net result after transfer of surplus to shareholders	456	(917)	(461)	525	1,719	2,244
Weighted average number of ordinary shares outstanding (in thousands)		14,100			14,100	
Basic and diluted (loss) / earnings per share for the year		(0.07)			0.12	
Income for the year	456	(917)	(461)	525	1,719	2,244
OTHER COMPREHENSIVE INCOME / (LOSS)						
ITEMS THAT WILL NOT BE RECLASSIFIED TO STATEMENT OF INCOME IN SUBSEQUENT PERIODS						
- Actuarial gains / (losses) on employees' terminal benefits	(233)	-	(233)	(471)	-	(471)
ITEMS THAT ARE OR MAY BE RECLASSIFIED TO STATEMENTS OF INCOME IN SUBSEQUENT PERIOD						
- Available-for-sale investments:						
- Net change in fair value	-	3,154	3,154	-	4,732	4,732
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	223	2,236	2,459	54	6,451	6,505

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

STATEMENT OF CASH FLOWS

	31 December 2020			31 December 2019		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income for the year before zakat and income tax	456	3,546	4,002	525	7,115	7,640
Adjustments for non-cash items:						
Depreciation of property and equipment	1,726	-	1,726	2,226	-	2,226
Amortization of right of use assets	2,093	-	2,093	2,758	-	2,758
Finance cost of lease liability	287	-	287	321	-	321
Amortization of intangible assets	989	-	989	914	-	914
Provision for employees' terminal benefits	2,315	-	2,315	2,268	-	2,268
Release of doubtful debts	(4,354)	-	(4,354)	(227)	-	(227)
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	(6,144)	-	(6,144)	6,065	-	6,065
Reinsurers' share of unearned premiums	(6,070)	-	(6,070)	1,415	-	1,415
Reinsurers' share of outstanding claims	(2,190)	-	(2,190)	825	-	825
Reinsurers' share of claims incurred but not reported	(1,423)	-	(1,423)	(593)	-	(593)
Deferred policy acquisition costs	(17,502)	-	(17,502)	(2,107)	-	(2,107)
Due from related party	(225)	-	(225)	631	-	631
Prepayments and other receivables	(13,806)	127	(13,679)	(18,223)	2,391	(15,832)
Policyholders claim payables	8,636	-	8,636	(7,235)	-	(7,235)
Accrued and other payables	13,120	697	13,817	(6,872)	(84)	(6,956)
Reinsurance balances payable	191	-	191	4,965	-	4,965
Unearned commission income	87	-	87	73	-	73
Unearned premiums	10,109	-	10,109	2,353	-	2,353
Premium deficiency reserve	7,208	-	7,208	288	-	288
Other technical reserves	766	-	766	(80)	-	(80)
Outstanding claims	(7,930)	-	(7,930)	(8,395)	-	(8,395)
Claims incurred but not reported	6,756	-	6,756	6,118	-	6,118
	(4,905)	4,370	(535)	(11,987)	9,422	(2,565)
Employees' terminal benefits paid	(553)	-	(553)	(517)	-	(517)
Surplus paid to policyholder	(29)	-	(29)	-	-	-
Zakat and income tax paid	-	(1,941)	(1,941)	-	(2,029)	(2,029)
Net cash (used in) / from operating activities	(5,487)	2,429	(3,058)	(12,504)	7,393	(5,111)

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

STATEMENT OF CASH FLOWS – (continued)

	31 December 2020			31 December 2019		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of property and equipment	(3,442)	-	(3,442)	(379)	-	(379)
Purchase of Intangible assets	(732)	-	(732)	(1,358)	-	(1,358)
Addition in right of use assets	(88)	-	(88)	-	-	-
Maturity / (placement) of term deposits	19,589	55,663	75,252	(664)	(6,680)	(7,344)
Purchase from sale of available-for-sale investment	-	-	-	-	(10,218)	(10,218)
Proceed from sale of available-for-sale investment	-	5,000	5,000	-	21,578	21,578
Net cash from / (used in) investing activities	<u>15,327</u>	<u>60,663</u>	<u>75,990</u>	<u>(2,401)</u>	<u>4,680</u>	<u>2,279</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
Decrease in statutory deposits	-	-	-	-	(10,000)	(10,000)
Payment of lease liability	(2,435)	-	(2,435)	(3,184)	-	(3,184)
Net change used in financing activities	<u>(2,435)</u>	<u>-</u>	<u>(2,435)</u>	<u>(3,184)</u>	<u>(10,000)</u>	<u>(13,184)</u>
Net change in cash and cash equivalents	7,405	63,092	70,497	(18,089)	2,073	(16,016)
Cash and cash equivalents, beginning of the year	65,320	12,159	77,479	83,409	10,086	93,495
Cash and cash equivalents, end of the year	72,725	75,251	147,976	65,320	12,159	77,479
<u>NON-CASH INFORMATION</u>						
Net change in fair value of available-for-sale investments	-	3,153	3,153	-	4,732	4,732

30. IMPACT OF COVID-19

The World Health Organisation declared the corona virus (COVID-19) to be a global pandemic on 11 March 2020, escalating from a declaration of a public health emergency on 30 January 2020. COVID-19 has had unexpected human and economic consequences across many countries and has resulted in significant market volatility.

COVID-19 pandemic continues to disrupt global markets as many geographies are beginning to experience a “second wave” of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of Kingdom of Saudi Arabia (“the Government”) however has managed to successfully control the outbreak to date, owing primarily to the effective measures taken by the Government, following which the Government has now ended the lockdowns and has begun taking phased measures to normalize international travel and resume Umrah pilgrimages.

The Company continues to be cognisant of both the micro and macroeconomic challenges that COVID-19 has posed, the teething effects of which may be felt for some time and is closely monitoring its exposures at a granular level, while maintaining acceptable service levels and operational activities and ensuring the safety and wellbeing of its employees.

Management of the Company is closely monitoring the situation as it evolves which is outlined on the broad dimensions as below:

a) Business impact

Impact on sales, receivables and product/pricing strategies

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

The key factors that impacted the 2020 production were market dynamics, the consumer spending and the insurance industry outlook and initiatives. Market dynamics involved the reduced Government spending and curtailment of projects due to COVID-19 situation. On the consumer side there was a clear tendency of the consumers to reduce cost and to shop for the cheapest solution.

There has been a limited impact on collections and liquidity during the current phase and this is being monitored regularly by management. Overall, product and pricing strategies continue to be on track and hence management does not see any significant changes presently.

Based upon the current trends, management has updated its sales forecasts to reflect these for the future. Management will continue to monitor the impact and update the forecasts further considering the situation as it continues to evolve.

30. IMPACT OF COVID-19 – (continued)

a) Business impact - (continued)

Impact on claims and reserving

Medical technical reserves

During the peak period of COVID-19 pandemic's first wave i.e. March to June 2020, access to providers and demand for healthcare declined temporarily due to measures taken by the local authorities. This resulted in a substantial drop in incurred claims from April through May which began to recover in June reaching pre-COVID-19 claims levels by the end of the second quarter. At this stage, the Company continues to expect a significant portion of the untreated health conditions to rebound as health care patterns are gradually restored and hence expects a surge in expected future claims.

The propensity of a particular type of claim to be deferred depends on the nature of the medical condition and the types of diagnostic investigation and treatment associated with it. The expected surge in future claims related to insurance contracts in force was explicitly considered in the Premium Deficiency Reserve (PDR) estimation.

With reference to SAMA's circular 173, dated 16/01/2019, insurance companies are required to hold an additional PDR in case the relevant Unearned Premium Reserve (UPR) is insufficient against the corresponding projected claims and expenses. To be adequate to meet the future insurance liabilities of the unexpired risk, the PDR calculation for the 2020 after considering the expected surge in claims resulted in recognizing on 5.06 million (2019: 2.3 million).

Motor technical reserves

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

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

For new policies written as per the above circular, the premium is earned over the period of coverage i.e. 14 months as per the Company's accounting policy. There is no significant impact of two-month extension in earned premium as of 31 December 2020 as no material amounts of premium have been written during the one-month period.

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 a premium deficiency reserve amounting to SAR 4.46 million as at 31 December 2020 (31 December 2019: Nil).

Reinsurers continue to settle their share of the claims in line with the treaty and contracts with no adverse impact to business. Management continues to conduct regular reviews on the Company's reinsurers in relation to the counterparty credit ratings, financial metrics, credit outlook and changes to their structures, if any.

The reserving towards IBNR continues to be consistent with the methodology and techniques applied as at 31 December 2019 and it factors the actual claim experience in the year ended 31 December 2020.

30. IMPACT OF COVID-19 – (continued)

a) Business impact - (continued)

Impact on expenses

The Company continues to maintain its staff in the normal course of business and pay the salaries.

Some of the expenses such as communication, technology and maintenance costs have increased due to the higher level of support to extend remote working options for the employees as well as costs towards sanitizing, social distancing and providing a safe environment for those employees working from the office. The additional costs have been partially offset with the lower costs towards business travel, conveyance and lower discretionary spending.

Impact on financial assets

In line with the impact upon the capital markets and interest-rates in the initial period of the pandemic in March 2020, there was some volatility and impact on the investment valuation which has recovered during the year ended December 31, 2020. The determination of fair value considers observable market information, determining whether specific markets are active or inactive, and whether transactions in inactive markets are deemed to be disorderly (i.e. forced or distressed), with none noted for the portfolio of available-for-sale financial assets held by the Company.

The Company continued to assess whether there is an objective evidence that a financial asset or a group of financial assets is impaired. During the year, the Company applied the accounting policy for impairment of financial assets consistent with prior year. With respect to insurance and reinsurance receivables, the Company is closely monitoring the credit quality of its customers and reinsurance companies and updating the allowance for impairment whenever there is an objective evidence of credit impairment.

b) Operational resilience and business continuity

From the initial stages of the COVID-19 pandemic, the Company set-up business continuity committee which frequently meets and reviews the operational, continuity, security, health and safety matters for the Company.

This includes rolling out several key guidelines with respect to systems availability, continuity of service to our customers, employee health and safety guidelines, travel restrictions, social distancing, rotational remote-working, exposure policy, travel guidelines in case required for personal reasons and other related matters. The IT systems availability and the business continuity procedures in terms of data back-up and recovery remain intact in the current situation.

c) Accounting and financial reporting

In the current phase of COVID-19 pandemic, the Company continues to apply its accounting policies consistently without deviation. Considering the impact on the business is limited, management continues to adopt a consistent approach to the use of estimates in the financial information. As the situation evolves in future, management will continue to monitor and consider updates as appropriate at that time.

The Company continues to maintain a healthy solvency ratio (note 29) and sound liquidity position during this phase.

Liquidity is being monitored regularly and a limited impact until the period of the financial information is noted. Management continues to track the developments.

31. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform to current year presentation. Such reclassifications have not resulted in any additional impact on equity, income or total comprehensive income for comparative years.

32. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors on 16 March 2021 corresponding to 3 Sha'aban 1442H.