

# Metlife – AIG – ANB Cooperative Insurance Company

## Report of the Board of Directors For the Year Ending 31 December 2015

**MetLife – AIG – ANB Cooperative Insurance Company**

Al-Ibdaa Tower - King Fahed Road - Olaya District

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Kingdom of Saudi Arabia

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## ***Message from the Chairman of the Board of Directors:***

Dear Shareholders;

I am delighted to take this opportunity to share with you our achievements for 2015. As expected, 2015 commenced with challenges similar to those experienced in 2014, however, I am happy to report that the Company ended 2015 with a positive note on all fronts.

As you may be aware, 2015 marked the first full year of Company operations. Throughout the course of the year the Company continued to make excellent progress in obtaining its product approvals. This further strengthened and diversified the Company's product portfolio and made it possible for the Company to offer the market a comprehensive service.

Additionally, the Company has continued to grow and strengthen both its management and execution teams making it possible to successfully reach out to a breadth of new and legacy clients that our strategic shareholders have worked with historically.

The general insurance market has also worked favorably for us with new SAMA regulations taking effect to improve market pricing and providing diversity that extends beyond the price wars that the sector has experienced for so many years. The Company has seized these opportunities and worked diligently to strengthen its position in the market offering competitive value for its products and services.

Our challenges continue to revolve around acquiring larger market share from our main competitors, especially those with long entrenched relationships and first mover advantages. We believe, however, that by providing a consistently high end service and competitive pricing that these challenges will be overcome.

The Company has also continued to make excellent progress towards achieving its aim of becoming one of the top tier players in the market. As you will observe in the attached financial results, the Company, relative to its projected business plan, has excelled on most of the measures that we are judged by from the top line to the bottom line. The Company also continues to maintain its cost control measures closely matching our cost base with growth. That said, we have also embarked in Q3 2015 to increase the Company's capital, in effect doubling it, and have successfully obtained the regulators' approval to do so.

The decision to increase the Company's capital was as a result of a number of factors both financially and regulatory driven. These include higher than factored pre-operational cost associated with incorporation, slower than expected initial ramp up of Company operations due to a delay in obtaining the necessary product approvals required to service the market appropriately and new financial adequacy measures affecting Company solvency. Additionally, our regulators have correctly introduced these new measures related to several financial adequacy ratios that are geared at strengthening the balance sheets of all insurance companies working in the sector. These new measures are designed to protect both the shareholders and stakeholders investments in these companies.

I am glad to report that the capital increase effort has progressed without hindrances and we assure you that your newly contributed capital into the Company will be put into efficient use and we hope to generate the return on your capital that is reflective of the industry and its risk.

In closing, I would like to thank you again for the trust you have placed in us as directors of the board, and I personally extend my thanks to our strategic shareholders, the management and all employees of the Company for their hard work, diligence and strong belief in the potential of the Company going forward. We also offer our sincere appreciation to our regulators who are striving to create a better infrastructure for the industry and to support its growth in the country. We believe this direction is being strongly driven by the new leadership in Saudi Arabia on all levels of the government and we are optimistic that the changes we are seeing will create the right platform to progress the whole country in the medium and long terms.

Sincerely,

Ramzi Abukhadra

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## ***Message from the Chief Executive Officer***

It is my pleasure to present the Annual Report for 2015, which include the Board of Directors Report, the Auditors' Report, and the audited Financial Statements for the year ended December 31, 2015.

Guided by our long term Vision to become the market preferred Insurer and leaders in Protection & Saving, Group Health and Specialty General insurance, a set of values revolving around our customers' best interests, clear strategy & targets, we were able in 2015 to navigate through multiple challenges and achieve a strong leap towards our road map. Good progress was achieved in implementing our strategy and delivering our financial targets.

In the year 2015 the Company was able to implement most of its plans, first of which getting the license to sell an additional 11 insurance products over and above the 24 products already approved in General Insurance, Health and Group Life Insurance. Four of the most important approved products were Credit life and three Motor. SAMA approved these products on July and November 2015 respectively. Both Credit life and Motor will play an important role in the year 2016 sales numbers.

During 2015, many strategic projects initiated during 2014 were finalized. New projects were planned and setup to launch in 2016.

- Reinforcement of existing team through attracting best technical skills in the Saudi market to ensure strong and sound foundation for the years to come.
- Adoption of the new brand which will be worked by as of beginning of Jan 2016
- Setting up the basis of two additional board committees, Risk Management & Investment as an implementation of SAMA regulation issued on 22 October 2015
- Significant progress was achieved in Capital increase project and the offering is planned to start on March 1<sup>st</sup>, 2016. This will help the Company strengthen its financial status.
- Evaluation of technical reserves and the financial position of the Company.

With regard to other activities:

- New improvement were implemented on the medical and general insurance IT systems.
- New contracts were signed with Najm insurance services as a provider of motor claim services outside the three main cities (Riyadh, Jeddah & Khobar).
- Additional local approved insurance brokers were added to the our broker network
- Arab National Bank Insurance Agency continued playing an important role as key distributor of both Corporate and Retail business.
- The Company worked diligently on strengthening the relationship with all insurance intermediaries, enhancing their awareness of our approved products, especially the newly approved ones, to support selling and provide quality services to clients.
- The Company also opened a regional office in Jeddah, approved by SAMA in 2014, to service the Western region. This regional office is fully operational now and currently the Company is working on obtaining SAMA approval to open the other regional office in Eastern Region at Al-Khobar.

Despite Market price competition and the late approval of Motor insurance products, the Company was able to achieve the expected sales volume in 2015. Health Insurance was the biggest contributor in this achievement. The company achieved 145 million Riyals in Gross Written Premiums and 34 million Riyals in Net Earned Premiums, while total net claims incurred were 31 million Riyals, and the Net loss from insurance operations 31 million Riyal. Shareholders' funds income investments was 963 thousand Riyals, as for the net loss of shareholders reached 32 million Riyals.

2016 will be a year of healthy and disciplined growth, business dynamics, revenue, profit improvement in a way that respects all stakeholders. We expect the Company to have greater market share, based on the plans that have been set to strengthen the Company's position and support excellence both at the level of products and services. Among these plans is to get the approval from the Saudi Arabian Monetary Agency for new insurance products, most importantly individual Protection and Savings Insurance to be distributed through Bank Agency in addition to strengthening the Company's relationships with insurance brokers working in KSA.

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Finally, I would like to avail the opportunity to thank all those who supported Metlife-AIG-ANB Cooperative Insurance Company, the Shareholders, the customers, and our partners for giving us their confidence and for their great contribution to support the Company. I also thank and appreciate the members of the Board of Directors and members of the Committees honorees and all the employees who have made sincere efforts in light of the all the challenges facing by the Company. I would also like to thank all Saudi regulatory bodies for their continuous support and guidance.

## 1.Principle Activities

The objective of the Company is to transact cooperative insurance operations and related activities in accordance with the Law on Supervision of Cooperative Insurance Companies and its implementing regulations applicable in the Kingdom of Saudi Arabia. Its principal lines of business include individual and group life, accident and health and all classes of general insurance. The Company' shares were listed on the Saudi Arabian Stock Exchange ("Tadawul") on 23 Muharram 1435H (corresponding to 26 November 2013).

## 2.Financial Performance

### 2.1 Financial Position Summary

#### Insurance Operations

Assets	31 December 2015 ( SAR Thousands)	31 December 2014 ( SAR Thousands)
Cash and cash equivalents	64,689	2,238
Premiums receivable, net	35,661	3,422
Reinsurance Share of Technical Reserves	299,201	37,501
Other Assets	32,375	11,492
<b>Total Assets</b>	<b>431,927</b>	<b>20,903</b>

Liabilities	31 December 2015 ( SAR Thousands)	31 December 2014 ( SAR Thousands)
Gross Technical Reserves	383,338	5,497
Reinsurance Payables & Unearned reinsurance commission	33,629	3,809
Payables, Accruals & others	14,960	11,597
<b>Total Assets</b>	<b>431,927</b>	<b>20,903</b>

#### Shareholders' Operations

Assets	31 December 2015 ( SAR Thousands)	31 December 2014 ( SAR Thousands)
Cash and cash equivalents	66,315	11,158
Investments & Deposits	30,849	105,675
Other Assets	945	5,142
<b>Total Assets</b>	<b>98,109</b>	<b>121,975</b>

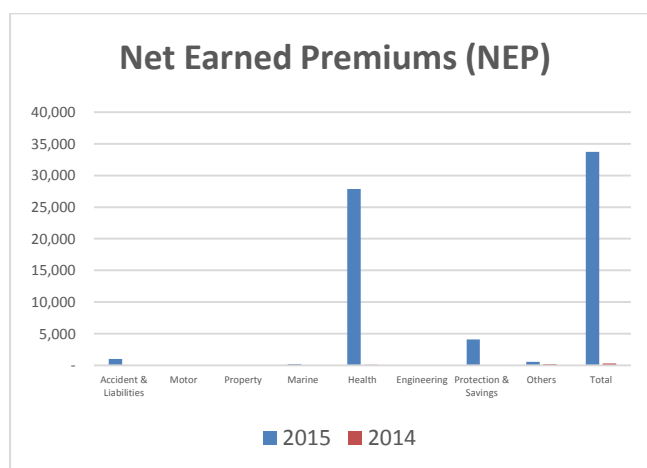
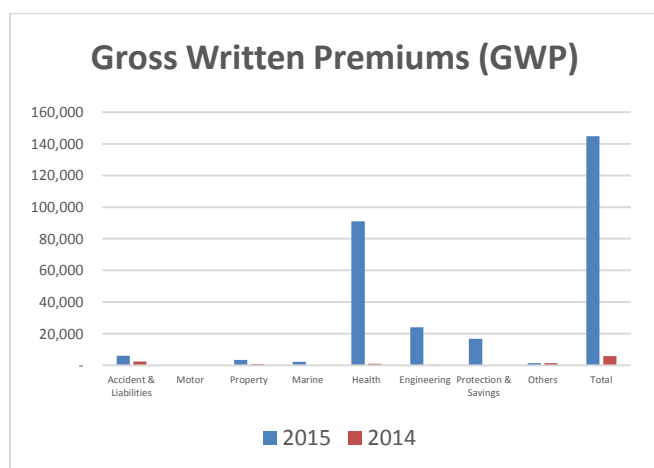
Liabilities & Equity	31 December 2015 ( SAR Thousands)	31 December 2014 ( SAR Thousands)
Liabilities		
Zakat	615	-
Other Liabilities	8,918	1,286
<b>Total Liabilities</b>	<b>9,533</b>	<b>1,286</b>
Shareholder's Equity		
Share Capital	175,000	175,000
Accumulated Deficit	(86,424)	(54,311)
<b>Total Shareholders' Equity</b>	<b>88,576</b>	<b>120,689</b>
<b>Total Shareholders ' Liabilities &amp; Equity</b>	<b>98,109</b>	<b>121,975</b>

## 2.2 Business Results Summary

Particular	31 December 2015 ( SAR Thousands)	29 August 2013 to 31 December 2014 ( SAR Thousands)
Gross Written Premiums	144,741	5,741
Net Earned Premiums	33,715	299
Underwriting Revenue	40,299	471
Net Claims Incurred	(30,965)	(288)
Underwriting Expenses	(36,425)	(554)
Underwriting Results	3,873	(82)
Total Expenses	(36,490)	(33,046)
Special commission income & Dividends	1,119	793
Pre-incorporation expenses	-	(11,336)
Net Loss ( Shareholders ) before Zakat	(31,498)	(43,671)

### 2.2.1 Gross Written Premiums & Net Earned Premiums:

Insurance Business	31 December 2015 ( SAR Thousands)		29 August 2013 to 31 December 2014 ( SAR Thousands)	
	GWP	NEP	GWP	NEP
Accident & Liabilities	5,929	1,015	2,343	46
Motor	190	20	-	-
Property	3,475	23	720	1
Marine	2,083	172	-	-
Health	90,989	27,871	974	79
Engineering	24,015	6	316	-
Protection & Savings	16,658	4,091	-	-
Others	1,402	517	1,388	172
<b>Total</b>	<b>144,741</b>	<b>33,715</b>	<b>5,741</b>	<b>299</b>



The Company has started its insurance operations in April 2014 after receiving SAMA's approval on 22 General Insurance products. However, the real launch of Insurance Operations was after receiving SAMA's approval on the Group Life and Group Health insurance products during fourth quarter 2014 which enabled the company to achieve a significant growth in Gross Written Premiums (GWP) from 5.7 million Riyals in 2014 to 144.7 million Riyals in 2015.

The Company has also entered into an agreement with MetLife ALICO (30% shareholder) by which MetLife ALICO has transferred its existing Saudi run-off portfolio to the Company effective 01 April 2015. This portfolio includes

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long-term life Protection and Savings insurance products and Personal Accident policies. Total Gross Written Premiums from this portfolio amounted to 11.4 million Riyals which was fully reinsured with MetLife.

Net Earned Premiums has increased from 299 thousands Riyals in 2014 to 33.7 million Riyals in 2015 as a result of increase in Gross Written Premiums.

### 2.2.1.1 Gross Written Premiums and Geographical Analysis

<b>Region</b>	<b>31 December 2015</b> ( SAR Thousands)	<b>29 August 2013 to 31 December 2014</b> ( SAR Thousands)
<b>Central</b>	129,541	5,741
<b>Western</b>	15,200	-
<b>Total</b>	<b>144,741</b>	<b>5,741</b>

### 2.2.2 Underwriting Revenue

<b>Particular</b>	<b>31 December 2015</b> ( SAR Thousands)	<b>29 August 2013 to 31 December 2014</b> ( SAR Thousands)
<b>Net Earned Premiums</b>	33,715	299
<b>Reinsurance commission earned</b>	4,651	172
<b>Other underwriting income</b>	1,933	5
<b>Total Underwriting Revenue</b>	<b>40,299</b>	<b>471</b>

Underwriting revenue has increased significantly in 2015 versus 2014 due to the significant increase in business volumes which resulted in higher earned premiums and higher reinsurance commissions which includes also the reinsurance commissions received from MetLife on ALICO Run-off portfolio which is reinsured 100% to MetLife. The company is also compensated by MetLife for all expenses incurred by the Company in servicing ALICO Run-off portfolio in a form of administration fees which is booked under "Other underwriting income".

The Company has also participated in the Manafeth agreement between Tawuniya and the majority of the insurance companies in Saudi Arabia effective 01 January 2015 for co-insuring cars entering into Saudi Arabia from all Saudi borders (except the border with Bahrain). Based on this agreement, all insurance companies participating in this coverage will have an equal share of the net result of this portfolio after allowing for all expenses related to managing this portfolio by Tawuniya. This deal is for three years starting from 01 January 2015 and is expected to renew at same terms. The income related to this portfolio is included in the statement of insurance operations under "Other underwriting income".



### 2.2.3 Net Claims Incurred

Insurance Business	31 December 2015 ( SAR Thousands)	29 August 2013 to 31 December 2014 ( SAR Thousands)
<b>Accident &amp; Liabilities</b>	788	44
<b>Motor</b>	174	-
<b>Property</b>	36	1
<b>Marine</b>	131	-
<b>Health</b>	25,753	62
<b>Engineering</b>	27	9
<b>Protection &amp; Savings</b>	3,608	-
<b>Others</b>	447	181
<b>Total</b>	<b>30,965</b>	<b>288</b>

Net claims incurred has increased significantly in 2015 compared to 2014 due to significant increase in business volumes and net earned premiums under Health and Protection & Savings insurance.

### 2.2.4 Underwriting Expenses

Particular	31 December 2015 ( SAR Thousands)	29 August 2013 to 31 December 2014 ( SAR Thousands)
<b>Net claims incurred</b>	30,965	288
<b>Commissions incurred</b>	3,285	137
<b>Other direct underwriting expense</b>	943	38
<b>Doubtful debt expense</b>	1,232	91
<b>Total Underwriting Expenses</b>	<b>36,425</b>	<b>554</b>

### 2.2.5 Total Expenses

Particular	31 December 2015 ( SAR Thousands)	29 August 2013 to 31 December 2014 ( SAR Thousands)
<b>General and administration expenses – Insurance Operations</b>	35,305	20,203
<b>General and administration expenses – Shareholders Operations</b>	1,185	12,843
<b>Pre-incorporation expenses, net</b>	-	11,336
<b>Total Expenses</b>	<b>36,490</b>	<b>33,046</b>

The Company completed the legal formalities for incorporation on 29 August 2013. The founding shareholders commenced the pre-incorporation activities from 18 January 2012. All related income and expenses for the period from 18 January 2012 to 28 August 2013 are classified as “pre-incorporation expenses, net” in the statement of shareholders’ comprehensive operations.

All General and Administration expenses incurred before April 1<sup>st</sup>, 2014 were booked in Shareholders Operations which covered the period from Aug 29<sup>th</sup>, 2013 to March 31<sup>st</sup>, 2014.

General and administration expenses	31 December 2015 ( SAR Thousands)	29 August 2013 to 31 December 2014 ( SAR Thousands)
Employees' costs	23,844	13,650
Legal and professional fees	2,614	2,707
Rent	1,014	3,319
Depreciation	2,734	3,379
Information technology expenses	2,460	2,441
Travel and lodging expenses	914	1,569
Board expenses	1,018	1,085
Others	1,891	1,262
<b>Total General and Administration</b>	<b>36,490</b>	<b>33,046</b>

Total general and administration expenses have increased mainly due to the increase in employee's costs as a result of hiring more people to support the operation with the increase in business volume.

## 2.6 Accumulated deficit:

The main factors that led to the current level of accumulated deficit are as follows:

<b>Factors</b>	<b>Financial Impact (SAR Million)</b>	<b>% of share capital</b>	<b>Comments</b>
Prolonged pre-incorporation period	(11.3)	-6.5%	Expenses incurred during the pre-incorporation period from 18 January 2012 to 28 August 2013
IPO Cost	(9.8)	-5.6%	Expenses related to the Initial Public offering and charged directly to equity.
Pre-operating expenses (G&A)	(11.4)	-6.5%	Expenses incurred during the pre-operation period from 29 August 2013 to 31 March 2014
Operating Expenses	(58.1)	-33.2%	Expenses incurred during the period from 1 April 2014 to 31 December 2015 (21 months)
Technical Results	3.8	+2.2%	Technical results from insurance operations over the period from April 1 <sup>st</sup> , 2014 to Dec 31 <sup>st</sup> , 2015
<b>Total</b>	<b>(86.4)</b>	<b>-49.4%</b>	

The company had lost 18.6% of its capital before even launching its insurance operations in April 1<sup>st</sup>, 2014 due to the prolonged pre-incorporation period, IPO related cost and the prolonged pre-operation period.

During the 21 months following the launch of our insurance operations; i.e., from April 1<sup>st</sup>, 2014 till Dec 31<sup>st</sup>, 2015, the company has consumed additional SAR 54.3 million (30.8%) of its capital due to high operating expenses compared to the relatively small business volumes.

## 2.7 MetLife Alico Portfolio Transfer:

The Company has entered into an agreement with MetLife ALICO (30% shareholder) by which MetLife ALICO has transferred its existing Saudi run-off portfolio to the Company effective 01 April 2015. This portfolio includes long-term life Protection and Savings insurance products and Personal Accident policies. The Company reinsures back to MetLife 100% of this portfolio under a quota-share reinsurance agreement. Accordingly, the Company has become the owner of the transferred policies and MetLife has become the reinsurer of this block of business. The transfer of the portfolio was made at book value with no cash payment. Accordingly, the liabilities related to this portfolio were recorded in the Company's books at book value with offsetting assets representing the reinsurance share of these liabilities.

## 2.8 Proposed Capital Increase:

On 27 April 2015, the Company's Board of directors has recommended increasing the Company's capital from SR 175 million to SR 350 million through a rights issue. In this connection, the Company submitted its business plan along with related documents to SAMA on 07 June 2015 for approval and SAMA has approved the capital increase in their letter no. 361000144425 dated 16/11/1436 H (corresponding to 31 August 2015 G). The Company has appointed Saudi Hollandi Capital as a Financial Advisor for this transaction and has submitted its capital increase documents to the Capital Market Authority ("CMA") on 15 November 2015 and has received CMA's approval on 19 January 2016, the Company called for Extra Ordinary general assembly to be held on 22-February-2016 to approve Capital Increase.

### 3. Significant Plans, Decisions and Future Prospects

In 2016, our key plans are to:

- Open our branch in the Eastern region, to be able to better support our partners and clients, and grow our business
- Start sales of our newly approved Motor insurance product, which will contribute positively to the overall company sales performance
- Grow sales of our Medical insurance through our Bank partner, existing broker relationships and new brokers
- Further develop the bank retail channel once we launch the Protection & Savings (P&S) product, in addition to the other retail product that we currently have. The management is working closely with the bank agency and the retail bank management to establish all needed infrastructure that will support the retail business
- Continue introducing new General insurance products to the market, that will allow us to provide a more complete solution to our clients

### 4. Risks Faced by the Company

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

#### 1) Operational/process risk

Operational risk is the risk of loss arising from systems and control failures, fraud and human errors, which can result in financial and reputation loss, and legal and regulatory consequences. The Company manages operational risk through appropriate controls, instituting segregation of duties and internal checks and balances, including internal audit and compliance.

#### 2) Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed expectations. This could occur because the frequency or amounts of claims are more than expected. Insurance risk is monitored regularly by the Company to make sure the levels are within the projected frequency bands. The Company underwrites mainly accident and liability, property, marine, engineering, energy, extended warranty and health insurance.

The insurance risks arising from the above insurance contracts are mainly concentrated in the Kingdom of Saudi Arabia. Insurance risk is also monitored by the appointed actuary of the Company who is providing the company's management on quarterly & annual basis with some reports and analysis to reflect the adequacy of the company's technical provisions and the pricing adequacy of the insurance products.

#### *Frequency and amounts of claims*

The frequency and amounts of claims can be affected by several factors. The Company underwrites accident and liability, property, marine, engineering, energy, extended warranty and health insurance. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

#### *Accident and Liability*

##### *Public liability*

For public liability insurance, main risks are legal liabilities of the insured towards third party death, bodily injury or property damage arising out of insured premises, business operations or projects handled by the insured. This insurance policy is underwritten based on the turnover of the company or the value of the contract, nature / occupation of the premises, nature of contracts handled. The Company has reinsurance cover to limit the losses for any individual claim.

##### *Motor*

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims. The Company has reinsurance cover for such damage to limit losses for any individual claim.

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#### *Property*

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has reinsurance cover for such damage to limit losses for any individual claim.

#### *Marine*

Marine cargo 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 cargo insurance the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes. The Company has reinsurance cover to limit the losses for any individual claim.

#### *Engineering*

For engineering insurance, the main risks are loss or damage to the construction/erection works caused by fire, explosion, natural perils like flood, earthquake, hailstorm, etc. The Company has reinsurance cover for such risks to limit losses for any individual claim.

#### *Other General*

For other general business, the main risks are loss or damage to consumer goods and personal items. The Company has reinsurance cover for such risks to limit losses for any individual claim.

#### *Health*

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risks and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company. The Company has reinsurance cover to limit the losses for any individual claim.

#### *Individual Protection & Saving*

For individual protection & saving portfolio, the main risk is the mortality and morbidity of the insured and the risk of anti-selection associated with this. In addition, higher than anticipated cancellation rates may result an expense overruns and may extend the time period that it will take for the portfolio to attain a critical mass.

#### *Group Protection & Saving*

For group Protection & Saving portfolio, the main risks are mortality and morbidity of the insured. The mortality risk is compounded due to the concentration of lives. The Company has a clearly defined underwriting strategy. There are various levels of underwriting carried out, including deceleration of good health, medical questionnaire, reports from specialists/consultants and comprehensive medical tests. The Company also looks at the nature of activity carried out by the group, group size, mix of lives by geographical regions, cultural background and manual/non-manual worker split.

The individual and group Protection & Saving portfolio is protected through an efficient reinsurance arrangements. This protects the Company from adverse mortality/morbidity experience.

### **3) Reinsurance risk**

In order to minimize its financial exposure to potential losses arising from large claims, the Company enters into agreements with other parties for reinsurance purpose. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts. To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors the concentrations of credit risk arising from similar geographic regions, activities and economic characteristics of reinsurers.

### **4) Liquidity risk**

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

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

All liabilities on the Company's statement of financial position, other than employees' terminal benefits, are contractually payable on a current basis.

## 5) **Credit risk**

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

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

- To minimize its exposure to significant losses from reinsurance insolvencies, the Company evaluates the financial condition of its reinsurance counterparties. Accordingly, as a pre-requisite, the parties with whom reinsurance is affected are required to have a minimum acceptable security rating level affirming their financial strength.
- 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 from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit the credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- Premiums receivable are mainly receivable from individuals and corporate customers (unrated). The Company seeks to limit the credit risk with respect individuals and corporate customers by setting credit limits and monitoring outstanding receivables.
- Cash and cash equivalents are maintained with local banks approved by management. Accordingly, as a pre-requisite, the banks with whom cash and cash equivalents are maintained are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company's investments mainly comprise time deposits with local commercial banks with investment grade credit rating. The Company does not have an internal grading mechanism for investments. The Company limits its credit risk on investments by setting out a maximum exposure limit for each bank based on its credit rating.

## 6) **Special commission rate risk**

Special commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Company has no significant exposure to special commission rate risk.

## 7) **Currency risk**

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

Management believes that there is minimal risk of significant losses due to exchange rate fluctuation as the majority of monetary assets and liabilities are in currencies linked to the Saudi Riyal. In addition, as the

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Company's foreign currency transactions are primarily in US dollars which are pegged to the Saudi Riyal. Foreign exchange gains and losses are not significant and have not been disclosed separately.

#### **8) Market risk**

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

The Company has investments in unquoted floating rate 'sukuks' and investment in Najm for Insurance Services Company that have been classified under "held to maturity" and "available for sale" respectively. The Company has no significant market risk with regards to its investments as all its investments are kept at cost.

#### **9) Capital management**

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

The Company manages its capital to ensure that it is able to continue as going concern and comply with SAMA's capital requirements in the Kingdom of Saudi Arabia while maximizing the return to stakeholders through the equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital and reserves.

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

The Company continuously reassesses its capital needs to maintain sufficient liquid resources and accordingly comply with the prescribed requirements for maintaining solvency margins.

#### **10) Regulatory framework risk**

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

## ***5.Accounting Standards***

The Company adheres to International Financial Reporting Standards (IFRS) and the relevant International Accounting Standards (IAS) in the preparation of its financial statements, as required by the Saudi Arabian Monetary Agency (SAMA). It does not follow the accounting standards generally followed in the Kingdom of Saudi Arabia (SOCPA). The external auditors have modified their audit report to include an emphasis of matter paragraph addressing this issue.

We also draw attention to the fact that these financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia as issued by the Saudi Organization for Certified Public Accountants.

## ***6.Dividend Policy***

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The Company adopts a policy accredited by Board of Directors to distribute dividends as per the bylaws, summarized as follows:

The shareholders' profits shall be distributed as follows:

1. After paying the Zakat and income tax
2. After allocating (20%) from profits to be statutory reserve, and the Ordinary General Assembly may stop this allocation whenever the said reserve reached the total paid capital.
3. The Ordinary General Assembly may, based on a suggestion from the Board, allocate a percentage from net annual profits to be a Surplus reserves and allocating it for a specific purposes determined by the General Assembly.
4. They shall distribute from the remaining a first payment to the shareholders not less than (5%) of the paid in capital.
5. The remaining shall be distributed to the shareholders as a share in profits or to be transferred to retained profits statement.
6. The board of directors may, distribute a periodic profits to be deducted from the annual profits specified in article (4) above according to the rules regulating these matters and issued from the competent authorities.
7. The Capital Market Authority shall be notified, at once, of any decisions for distributing shares or recommending that. The profits shall be paid to shareholders in the date and place specified by the Board of Directors according to instructions set out by the Ministry of Industry and Commerce after obtaining the prior consent of SAMA.

## ***7. Interest, Options and Subscription Rights***

A description of any interest, contractually based securities, and subscription rights of the issuer's directors, senior executives and their relatives in the shares or debt instruments of the issuer or any of its subsidiaries, together with any change to such interest and rights during the last financial year:

To whom interest belongs	Beginning of the year		End of the year		Net Change	Ownership Pct.	Change Pct.
	No. shares	Debt Instrument	No. shares	Debt Instrument			
Suliman Al Sayyari	5000	0	5000	0	0	0.028%	0%

## ***8. Significant Interest in a Class of Voting Shares***

There is no person who owns 5% or more of MetLife AIG ANB Cooperative Insurance Company shares and no person who owns 5% and has notified the issuer about his interest in class of voting shares during the financial year 2015

## ***9. Borrowings, Issue / Redemption of Securities***

During 2015, there are no loans, whether payable on demand or otherwise, and the Company did not pay any amount in settlement of loans.

There is no redemption or purchase, or cancellation by the Company of any redeemable debt instruments or the amount of such securities outstanding



## 10. Related Party Transactions

During 2015 some contracts have been convened/renewed where the Company was a party and some Board members have an interest as representatives of founding shareholders or their subsidiaries. It is confirmed that these contracts have been convened without preferential terms and per the Board of Directors recommendation and Saudi Arabia Monetary Agency (SAMA) approval:

### Non Insurance Contracts:

#	Type of the Contract	Duration	Transaction amount in 2015	Related party	Interest persons
1	Master Facultative Reinsurance Agreement	one year effective March 1 <sup>st</sup> , 2015	Reinsurance Premium: SR1,831,141	Delaware American Life Insurance Company	Vice Chairman: Lama Al Hajj Ibrahim Board Members: Julio Garcia Villalon, Youil Homs, Carl Tachdjian.
2	Catastrophe Reinsurance agreement	one year effective July 1 <sup>st</sup> , 2015	Reinsurance Premium: SR6,815	American Life Insurance Company	Vice Chairman: Lama Al Hajj Ibrahim Board Members: Julio Garcia Villalon, Youil Homs, Carl Tachdjian.
3	Proportional Reinsurance Agreement	one year Effective: April 1, 2014	Reinsurance Premium: SR10,209,638	AMERICAN HOME ASSURANCE COMPANY, NEW HAMPSHIRE INSURANCE COMPANY, and NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.,	Board Member: Asif Iqbal
4	Working Excess of Loss Reinsurance Agreement	one year Effective: April 1, 2014	Reinsurance Premium: SR363,874		
5	Catastrophe Excess of Loss Reinsurance Agreement	one year Effective: April 1, 2014	Reinsurance Premium: SR2,176		
6	Facultative reinsurance	As per cover notes duration	Reinsurance Premium: SR1,848,391	American International Group (AIG) or any of its subsidiaries or sister companies	
7	Portfolio Transfer Agreement & Reinsurance Agreement	one year effective April 1 <sup>st</sup> , 2015	Reinsurance Premium: SR 11,429,627	American Life Insurance Company "ALICO"	Vice Chairman: Lama Al Hajj Ibrahim Board Members: Julio Garcia Villalon, Youil Homs, Carl Tachdjian
8	Technical Service Agreement	5 years	SR833,921	American Life Insurance Company	Vice Chairman: Lama Al Hajj Ibrahim Board Members: Julio Garcia Villalon, Youil Homs, Carl Tachdjian

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9	Technical Service Agreement	5 years	SR99,207	AIG MEA Investments AND Services Inc	Board Member: Asif Iqbal
10	Trade mark agreement	will continue as long as the company exist or cancel by mutual agreement	-	Metropolitan Life Insurance Company American Life Insurance Company or any of its subsidiaries or sister companies, American International Group (AIG) or any of its subsidiaries or sister companies, Arab National Bank or any of its subsidiaries or sister companies	Vice Chairman: Lama Al Hajj Ibrahim Board Members: Julio Garcia Villalon, Youil Homs, Carl Tachdjian, Asif Iqbal, Robert Eid
11	General and administrative expenses	General and administrative expenses paid on behalf of the Company and recharged to the Company	SR907,950	American Life Insurance Company or any of its subsidiaries or sister companies	Vice Chairman: Lama Al Hajj Ibrahim Board Members: Julio Garcia Villalon, Youil Homs, Carl Tachdjian
12	General and administrative expenses	General and administrative expenses paid on behalf of the Company and recharged to the Company	SR1,156,662	American international Group or any of its subsidiaries or sister companies	Board Member: Asif Iqbal,
13	Bancassurance Distribution Agreement	continues as long as the company exist or cancel by mutual agreement	Gross Written Premium: SR60,662,974 Commissions SR 1,300,798	Arab National Bank and ANB Insurance Agency	Board Member: Robert Eid
14	Financial Guarantees	Depends on the type of Guarantee	SR3,022,097	Arab National Bank or any of its subsidiaries or sister companies	Board Member: Robert Eid
15	Time Deposits	Short term	SR57,062,500	Arab National Bank or any of its subsidiaries or sister companies	Board Member: Robert Eid
16	ANB Sukuk	10 years effective 7/10/2015	SR10,000,000	Arab National Bank or any of its subsidiaries or sister companies	Board Member: Robert Eid

## Insurance Contracts:

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#	Type of contract	Cover	Gross Premium	Duration	Related Parties/ Interested person
1	Directors and Officers Liability Policy	Directors and Officers Liability	SR 165,000	One year effective 1/7/2015	<p>Related party: Arab National Bank</p> <p>Interest person: Robert Eid</p>
2	Marine Cargo Open Cover Policy	The Cargo of the Letter of Credit Clients of Arab National Bank.	SR 1,182,533	One year effective 1/3/2015	
3	Property All Risk Policy	Property all risk	SR 828,900	One year effective 1/4/2015	
4	Comprehensive General Liability	Public Liability	SR 30,000	One year effective 1/4/2015	
5	Group Life and Disability insurance Policy	Life and Disability insurance for ANB employees	SR 1,563,109	One year effective 1/4/2015	
6	Cooperative health insurance policy	Health insurance for ANB employees	SR 55,072,583	One year effective 17/9/2015	
7	Property insurance	Property insurance	SR 160,000	One year effective 1/4/2015	

## 11. Statutory Dues and Payments

There were outstanding statutory payments by end of 2015, distributed as follows:

Description	Reasons	2015 SAR
Saudi Arabian Monetary Agency (SAMA)	Supervision fees	168,686
Council of Cooperative health Insurance (CCHI)	Supervision fees	909,892
Social Organization for Social Insurance	December – 2015 subscription payable	117,047
Department of Zakat and Income Tax	Suppliers' withheld tax payable	64,126

During 2015, the Company paid the following:

Description	Reasons	2015 SAR
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Saudi Arabian Monetary Agency (SAMA)	Supervision fees	574,689
Council of Cooperative health Insurance (CCHI)	Supervision fees	9,743
Social Organization for Social Insurance	GOSI subscriptions during 2015	1,195,461
Department of Zakat and Income Tax	Withholding tax on payments during 2015	766,612

## 12. Employees Benefits

The Company confirms the following benefits are provided to all Company employees:

- Full medical insurance coverage grade VIP for each employee and their dependents
- Life insurance for each employee at the value of 36 basic salaries with a maximum cover of SAR 1.5 million and with a minimum cover of SAR 350 thousand
- A discount of up to 15% on the purchase of fully comprehensive motor insurance for the employees personal vehicle

## 13. Statements of Affirmation

The Company Confirms that:

- 1) During the year,
  - The Company has maintained proper books of accounts.
  - The System of internal control is sound in design and has been effectively implemented.
  - There are no significant doubts concerning the Company's ability to continue as a going concern.
- 2) During 2015, there are no Subsidiaries, accordingly there are no issued share and debt instruments issued to any subsidiary.
- 3) There are no convertible debt instruments, options, warrants or similar rights issued or granted by the Company during 2015.
- 4) There are no conversion or subscription rights under any convertible debt instruments, options, warrants or similar rights issued or granted by the Company during 2015.

## 14. Continuation of External Auditors

Upon the expiration of external audit engagements with Deloitte & Touch and Ernest & Young for the year ended 31 December 2014, the Company has appointed new external auditors during 2015 after obtaining General Assembly approval in its meeting held on 12-May-2015 (correspondent 23-07-1436H) to handle the external audit of the Company for the following periods:

Period	First Auditor	Second Auditor
1 <sup>st</sup> Quarter 2015	Deloitte & Touch Bakr Abulhair & Co.	PKF Al-Bassam & Al-Nemer Allied Accountants
2 <sup>nd</sup> Quarter 2015 – 1 <sup>st</sup> Quarter 2016	PKF Al-Bassam & Al-Nemer Allied Accountants	Aldar Audit Bureau Abdullah Al Basri & Co.
Annual Financial Statement for 2015	PKF Al-Bassam & Al-Nemer Allied Accountants	Aldar Audit Bureau Abdullah Al Basri & Co.

## 15. Corporate Governance

All applicable provisions of the CMA Corporate Governance Regulations were implemented during the year except the following:

Accumulative voting method for nomination of board members in the General Assembly [Article#6 (b)]: Although the method of voting for nomination of the board members is specified to be Accumulative voting method, did not applied until now due the fact that the current Board of Directors is the first appointed Board of Directors for the Company in its first financial year. The Company confirms that accumulative voting method will be applied at the General Assembly in voting for the nomination to the board members upon expiration of current Board of Directors term of office.

The General Assembly shall approve the dividends and the date of distribution [Article#7 (b)]: given the fact that the reporting year is the first financial year and the Company did not generate any net profits, the Company did not distribute any dividends.

Investors who are judicial persons and who act on behalf of others - e.g. investment funds- shall disclose in their annual reports their voting policies, actual voting, and ways of dealing with any material conflict of interests that may affect the practice of the fundamental rights in relation to their investments [Article#6 (d)]: The Company's is not a judicial persons acting on behalf of others. Therefore, this requirement is not related to the Company.

One of the main functions of the Board of Directors is outlining a written policy that regulates the relationship with stakeholders with a view to protecting their respective rights; in particular, such policy must cover the following: 1. Mechanisms for indemnifying the stakeholders in case of contravening their rights under the law and their respective contracts. 2. Mechanisms for settlement of complaints or disputes that might arise between the Company and the stakeholders. 3. Suitable mechanisms for maintaining good relationships with customers and suppliers and protecting the confidentiality of information related to them [Article#10 (e)]: this article of the Corporate Governance Manual is not mandatory. However, the Company has in place mechanisms for settlements of complaints and mechanisms for protecting client's confidential information that is outlined and approved by the Company's management based on their delegated power from the Board of Directors.

Judicial person who is entitled under the Company's Articles of Association to appoint representatives in the Board of Directors, is not entitled to nomination vote of other members of the Board of Directors [Article#12 (i)]: this non-mandatory clause is not applicable to the Company as the Article of Association of the Company did not entitle any rights to any

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Judicial person to appoint representatives in the Board of Directors. Therefore, this clause is not being implemented.

## **16. Offices Held by Company's Directors in JSC's & Board of Directors Composition**

No	Member name	Responsibilities	Classification	Directorships
1	Ramzi AbuKhadra	Chairman	Independent	1. MetLife AIG ANB Cooperative insurance Company
2	Lama Al hajj Ibrahim	Vice Chairman	Non-Executive	1. MetLife AIG ANB Cooperative insurance Company
3	Julio Garcia Villalon	Board Member	Non-Executive	1. MetLife AIG ANB Cooperative insurance Company
4	Youil Homs	Board Member	Non-Executive	1. MetLife AIG ANB Cooperative insurance Company
5	Carl Tachdjian	Board Member	Executive	1. MetLife AIG ANB Cooperative insurance Company
6	Robert Eid	Board Member	Non-Executive	1. Arab National Bank- Saudi Arabia. 2. Saudi Home Loans 3. Arab National Investment Company – Saudi Arabia 4. MetLife AIG ANB Cooperative insurance Company
7	Abdullah Al Khalifa	Board Member	Non-Executive	1. MetLife AIG ANB Cooperative Insurance Company
8	Suliman Al Sayyari	Board Member	Independent	1. MetLife AIG ANB Cooperative insurance Company
9	Abdul Mohsen Al Touq	Board Member	Independent	1. Saudi Fransi Capital 2. Saudi Company for Hardwares (SACO) 3. MetLife AIG ANB Cooperative insurance Company
10	Khalid Al Yahya	Board Member	Independent	1. Al Rajhi Capital 2. MetLife AIG ANB Cooperative insurance Company
11	Asif Iqbal	Board Member	Non-Executive	1. MetLife AIG ANB Cooperative insurance Company

## 17. Board and Committees

Board of Directors Meeting for 2015 and attendance sheet:

Board of Directors held 4 meetings starting from Feb 16, 2015 till end of 2015, the attendance sheet as follows:

Member Name	2015				Total 2015
	1 <sup>st</sup> Meeting 16/2/2015	2 <sup>nd</sup> Meeting 20/4/2015	3 <sup>rd</sup> Meeting 2/9/2015	4 <sup>th</sup> Meeting 23/11/2015	
Ramzi AbuKhadra	✓	✓	✓	✓	4
Lama Al hajj Ibrahim	✓	✓		✓	3
Julio Garcia Villalon	✓	✓	✓	✓	4
Youil Homsy	✓	✓	✓	✓	4
Carl Tachdjian	✓	✓	✓	✓	4
Robert Eid	✓	✓		✓	3
*Abdullah Al Khalifa	✓	✓			2
Suliman Al Sayyari	✓	✓	✓	✓	4
Abdul Mohsen Al Touq			✓	✓	2
Khalid Al Yahya	✓	✓	✓	✓	4
Asif Iqbal	✓	✓	✓		3

\*Has resigned on: 15/7/2015 as a result of his resignation from ANB.

### **Executive Committee:**

The Executive Committee comprises of five (5) members of Board of Directors and its quorum shall consist of at least 2/3 of the Committee members attending.

The duties and responsibilities of the Executive Committee include the following:

- Make recommendations to the Board of Directors in regards to the topics raised by the executive management of the Company, and determines which of those shall be referred to the Board.
- Review the annual Business Plan and budgets of the Company before submission to the Board for approval.
- Approve the organization chart of the CEO, the Two Deputy CEOs and their direct reports.

During the period of this report, the Committee met six (6) times, as shown in the below table:

Committee Members	Role	No. of meetings Attended
Julio Garcia Villalon	Chairman- Non Executive /not independent	6
Carl Tachdjian	Member - Executive /not independent	6
Robert Eid	Member - Non Executive /not independent	2
Abdullah Al Khalifa*	Member - Non Executive /not independent	4
Asif Iqbal	Member - Non Executive /not independent	5

\*Has resigned on 15/7/2015

### **Nomination and Remuneration Committee:**

Nomination and Remuneration Committee comprises of three (3) members from Board of Directors and its quorum shall consist of a majority of its members, attending in person or by proxy.

The duties and responsibilities of the Nomination and Remuneration Committee include the following:

- Recommend to the Board of Directors appointments to membership of the Board in accordance with the approved policies and standards. The committee shall ensure that no person who has been previously convicted of any offense affecting honor or honesty is nominated for such membership.
- Review annually the requirement of suitable skills for membership of the Board of Directors and preparation of the required capabilities and qualifications for such membership.
- Review the structure of the Board and recommend change.
- Determine the points of strength and weakness in the Board of Directors and recommend remedies that are compatible with the Company's interest.
- Ensure on annual basis the independence of the independent members and the absence of any conflict of interest in case a Board member also acts as a member of the Board of Directors of another Company.

During the period of this report, the Committee met two (2) times as shown in the below table:

Committee Members	Role	No. of meetings Attended
Abdullah Al Khalifa*	Chairman- Non Executive /not independent	1
Youil Homsy	Member- Non Executive /not independent	2
Asif Iqbal	Member - Non Executive /not independent	2

\*Has resigned on 15/7/2015 and no replacement has been appointed



## **Audit Committee:**

The Audit Committee comprises of five (5) members and its quorum shall not be less than three (3) members, attending in person or by proxy.

The duties and responsibilities of the Audit Committee include the following:

- Supervise the Company's internal audit department to ensure its effectiveness in executing the activities and duties specified by the Board of Directors.
- Recommend to the Board of Directors the appointment and remuneration of external auditors. Upon any such recommendation, considerations must be made to their independence.
- Review the interim and annual financial statements prior to presentation to the Board of Directors, and give opinion and recommendations with respect thereto.
- Review the accounting policies in force and advise the Board of Directors of any related recommendation.

During the period of this report, the Committee met four (4) times, as shown in the below table:

Committee Members	Role	No. of meetings Attended
Khalid Al Yahya*	Chairman- Independent	1
Majid Al Issa**	Chairman- Independent	4
Abdul Mohsen Al Rayes	Member - Non Executive /not independent	3
Carol Glynn***	Member - Non Executive /not independent	2
Arif AbdulAziz	Member - Non Executive /not independent	4
Suliman Al Sayyari****	Member- Independent	2

\*Has resigned as chairman of Audit committee on 16/2/2015 owing to other obligations

\*\* Has resigned as chairman of Audit committee on 3/11/2015 due to a Conflict of Interest as a result of his ownership in a local brokerage firm

\*\*\*Has resigned as member of Audit committee on 25/8/2015 due to a change in her business location

\*\*\*\* Has been appointed as a member in the Audit committee on 16/2/2015

## ***18.Compensation Paid to Directors and Senior Executives***

Annual general assembly meeting held on 12-May-2015 (correspondent 23-07-1436H) approved payments to Board of Directors and Executive Committees representing attendance fees and remuneration for the period from 29-August-2013 up to 31-December- 2014 and paid in 2015, detailed as follows:

Name	Position	Annual Fees *	Attendance fees *	Total Paid
<b>Ramzi Abukhadra</b>	Chairman	240,000	15,000	<b>255,000</b>
<b>Lama Al Hajj Ibrahim</b>	Board Member	160,000	12,000	<b>172,000</b>
<b>Suliman Al-Sayyari</b>	Board Member	160,000	15,000	<b>175,000</b>
<b>Abdul Mohsen Altouq</b>	Board Member	160,000	12,000	<b>172,000</b>
<b>Khalid Alyahya</b>	Board Member	160,000	12,000	<b>172,000</b>
<b>Total Paid in 2015</b>		<b>880,000</b>	<b>66,000</b>	<b>946,000</b>

\* Fees included above are covering 16 months starting from Sep 2013 till Dec 2014.

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There is an agreement under which directors and senior executives who are working with the founding shareholders have waived the Board membership annual remuneration and meeting attendance Allowance for Board of Directors and Board Committees members as shown below:

		Names	Annual Remuneration	Meeting Attendance Allowance(per meeting)
Board of Directors	Chairman of the Board	Ramzi AbuKhadra	180,000	3000
	Board of Directors members non-working with the founding Shareholders	Lama Al hajj Ibrahim, Suliman Al Sayyari, Abdul Mohsen Al Touq, Khalid Al Yahya	120,000	3000
	Board of Directors members working with the founding Shareholders	Julio Garcia Villalon, Youil Homsy Carl Tachdjian, Robert Eid, Abdullah Al Khalifa* ,Asif Iqbal	0	0
Board Committees	Executive Committee(All members are working with the founding shareholders)	Julio Garcia Villalon, Carl Tachdjian, Robert Eid, Abdullah Al Khalifa* ,Asif Iqbal	0	0
	Audit Committee-independent members non Board of Directors	Majid Al Issa	75,000	1500
	Audit Committee-independent members from Board of Directors	Khalid Al Yahya Suliman Al Sayyari	0	1500
	Audit Committee - members working with the founding Shareholders	Arif AbdulAziz, Abdul Mohsen Al Rayes, Carol Glynn	0	0
	Nomination and Remuneration Committee-members who are working with the founding shareholder	Abdullah Al Khalifa, Youil Homsy, Asif Iqbal	0	0
	Nomination and Remuneration Committee - independent members from Board of Directors	Ramzi AbuKhadra	0	1500

Additionally, there are no arrangements or agreements under which a shareholder of the issuer has waived any rights to dividends.

The following table details the compensation and remuneration paid to the Top five executives including the CEO & the

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CFO during 2015:

<b>Total Paid Salaries &amp; Compensation Allowances*</b>	<b>Total Paid Bonuses</b>
<b>SR4,409,287</b>	<b>SR616,500</b>

## 19. Penalty / Preventive Restriction

During 2015, there were two penalties imposed on the Company by Capital Market Authority (CMA) as follow:

Date	Amount (SAR)	Reason
23/3/2015	10,000	Delay to announce Christos Adamantiadis resignation before the market opens on 23/01/2015.
21/10/2015	10,000	Not including financial effect on Saudi Electricity Company deal announcement on 29/3/2015

## 20. Internal Control

The Board is responsible for promoting the long term success of the Company for the benefit of its shareholders. Part of this is ensuring the Company has an appropriate system of governance in place including frameworks for risk management and internal control using the 'five lines of defense' model.

The internal control procedures and their effectiveness are of prime importance and play a central role in assisting the Company to achieve its strategic objectives. In depth monitoring of the establishment and operation of prudent effective controls in order to assess and manage the risks associated with the Company's operations is delegated to the Audit Committee which reports regularly to the Board. However, the Board retains ultimate responsibility for the Company's systems of internal controls and their effectiveness.

The Company maintains an Internal Controls Manual, which includes detailed procedures in relation to Risk Management, Internal Audit, Compliance and the Audit Committee. This manual covers the Company's procedures in relation to Ethical Conduct, Anti-Fraud, Anti-Money Laundering and Combatting Terrorist Financing, in addition to dealing with securities and confidential reporting practices.

Management are responsible for the application of the risk management framework, for implementing and monitoring the operation of the system of internal control and for providing assurance to the Audit Committee and the Board. The Chief Executive Officer (CEO) is responsible for the implementation of the strategies, plans and policies, the monitoring of the operational and financial performance and assessment and control of financial, business and operational risks and the maintenance and ongoing development of a robust control framework and environment within the Company. Management oversees the quantitative and qualitative oversight and challenge of the identification, measurement, monitoring and reporting of significant risks and for continued development of the risk management framework. This is primarily through the regular senior management meeting chaired by the CEO.

The risk function also includes the Compliance and Actuarial functions. The Actuarial function is responsible for the Company's actuarial methodology, reporting on the adequacy of reserves and capital requirements and on the adequacy of the underwriting and re-insurance arrangements. The Compliance function supports and advises the business on the identification, measurement and management of its regulatory, financial crime and conduct risks. In addition, the Compliance function is accountable for maintaining the compliance standards and framework within which the Company operates and monitoring and reporting on its compliance risk profile.

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The Internal Audit function provides independent and objective assessment on the robustness of the risk management framework and the appropriateness and effectiveness of internal control to the Audit Committee.

The following are the key duties performed by the Audit Committee in the year:

1. The Audit Committee undertook its role in respect of the following main areas:
  - Financial statements and accounting policies
  - Internal controls
  - Oversight of the Internal Audit function, and,
  - Oversight of the External Audit function.
2. The Audit Committee reviewed the key assumptions used in preparing the financial statements and challenged those subjective assumptions having a material impact on the financial statements and financial reporting by the Company. The Audit Committee placed particular emphasis on the fair presentation, reasonableness of the judgment factors applied, and the appropriateness of significant accounting policies used in their preparation.
3. The Audit Committee received and discussed the risk control self-assessment for all activities of the Company, challenging the level of risk associated with individual risks identified and the completeness of the main risks. This formed the basis for the annual internal audit plan which was discussed, challenged and adopted.
4. The Audit Committee received reports covering the 2015 annual audit plan, discussed the key findings and challenged management with respect to the remedial action and planned timeframe to resolve the issues raised by internal audit.
5. The Audit Committee received reports from the Compliance Function and monitored the clearance of issues raised in the reports.
6. The Audit Committee submitted the minutes of the meetings to the Board of Directors. The Audit Committee also reported that it was satisfied the Company's internal control procedures that are based on a solid and professional framework that is being implemented efficiently and that all necessary actions have been or are being taken to remedy and rectify failings and weaknesses reported to it in the year.