

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)

**FINANCIAL STATEMENTS
TOGETHER WITH THE
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED
31 DECEMBER 2022**

**ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
FINANCIAL STATEMENTS TOGETHER WITH THE INDEPENDENT AUDITORS'
REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

Opinion

We have audited the financial statements of Arabia Insurance Cooperative Company (a Saudi Joint Stock Company) (the "Company"), which comprise the statement of financial position as at 31 December 2022 and the related statement of income, statement of comprehensive income, statement of changes in shareholders' equity, statement of cash flows for the year then ended, and notes to the financial statements which includes a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia, and other and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Company's financial statements and we have fulfilled our 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 each matter below, a description of how our audit addressed the matter provided in that context:



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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 2022, claims incurred but not reported (IBNR) and outstanding claims amounted to SR 68 million (2021: SR 53 million) and SR 782 million (2021: SR 104 million), respectively, as reported in note 10 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 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 judgments could result in material over / understatement of the Company's profitability.</p> <p>The Company's policies for claims related estimates and judgments and accounting policies are disclosed in notes 2 and 4 to the financial statements. Liabilities for outstanding claims including IBNR, claims incurred and claims development table have been disclosed in notes 10 and 11 respectively, to the financial statements. The Company's approach to claim related risk management has been disclosed in note 31 to the financial statements. Segment wise disclosure of claim related liabilities and expense have been given in note 29 to the financial statements.</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 and assessing their relationship with the Company.</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 actuaries to understand and evaluate the Company's actuarial practices and the provisions established. In order to gain comfort over the Company's actuarial report, our actuaries 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. We sought explanation from management for any significant differences; - assessed key actuarial assumptions including claims ratios, and expected frequency and severity of claims. We assessed these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge; and - reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions.



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Other Information

The Board of Directors of the Company is responsible for the other information in the Company's annual report. Other information consists of the information included in the Company's 2022 annual report, other than the financial statements and our report. Thereon the annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance or 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 other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of 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 International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA"), Regulations for Companies and the Company's by-laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



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**INDEPENDENT AUDITORS' REPORT
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ARABIA INSURANCE COOPERATIVE COMPANY
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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 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.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism 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 the 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; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



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**INDEPENDENT AUDITORS' REPORT
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Auditors' responsibilities for the audit of the financial statements (continued)

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

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

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06 March 2023
14 Sha'aban 1444



ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022
Expressed in Saudi Riyals

	Notes	31 December 2022	31 December 2021
ASSETS			
Cash and cash equivalents	5	79,119,498	85,343,072
Time deposits	6	174,089,075	57,460,919
Premiums and reinsurance receivables, net	7	233,299,452	150,976,952
Reinsurers' share of unearned premiums	9	39,551,495	47,877,264
Reinsurers' share of outstanding claims	10	744,867,692	70,586,696
Reinsurers' share of claims incurred but not reported	10	7,623,932	8,345,878
Deferred policy acquisition costs	8	24,055,081	11,122,225
Investments	17	154,429,724	141,032,418
Due from related party	22	83,346	83,346
Prepayments and other assets	12	30,393,828	24,203,083
Right-of-use assets	13	1,296,797	3,214,715
Property and equipment, net	14	10,152,613	7,417,955
Statutory deposit	18	40,000,000	40,000,000
Return on statutory deposit		5,380,607	4,493,686
TOTAL ASSETS		1,544,343,140	652,158,209
LIABILITIES			
Accounts payable		36,378,827	17,106,089
Accrued expenses and other liabilities	15	38,283,399	23,959,923
Reinsurers' balance payables		20,489,865	31,008,133
Unearned premiums	9	339,638,317	168,094,359
Unearned reinsurance commission	16	7,912,104	3,460,509
Outstanding claims	10	782,395,476	104,492,463
Claims incurred but not reported	10	68,073,728	52,970,390
Premium deficiency reserve and other reserves		1,600,922	8,965,000
Provision for end of service benefits	23	11,563,543	10,479,356
Due to related parties	22	-	198,882
Zakat and income tax accrued	21	7,215,968	7,652,889
Lease liability	13	1,236,027	2,742,492
Return on investment of accrued statutory deposit		5,380,607	4,493,686
TOTAL LIABILITIES		1,320,168,783	435,624,171
INSURANCE OPERATIONS' ACCUMULATED SURPLUS			
Accrued surplus distributions		2,494,147	1,438,544
Actuarial loss on defined benefit plan		(512,515)	(543,842)
TOTAL LIABILITIES & ACCUMULATED SURPLUS		1,322,150,415	436,518,873
SHAREHOLDERS' EQUITY			
Share Capital	19	265,000,000	265,000,000
Accumulated losses		(41,218,767)	(49,496,359)
Investment revaluation reserve	17	(1,588,508)	135,695
TOTAL SHAREHOLDERS' EQUITY		222,192,725	215,639,336
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,544,343,140	652,158,209

Chief Financial Officer

Authorized Board Member

Chief Executive Officer

The accompanying notes 1 to 34 form part of these financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022
Expressed in Saudi Riyals

	Notes	31 December 2022	31 December 2021
REVENUES			
Gross premiums written			
- Direct	9.1	733,193,225	422,322,603
Reinsurance premiums ceded			
- Foreign		(104,769,250)	(104,309,540)
- Local		(16,069,949)	(22,034,339)
Excess of loss expenses		(6,278,374)	(4,901,376)
Net premiums written		606,075,652	291,077,348
Changes in unearned premiums, net	9	(179,869,727)	(22,319,280)
Net premiums earned		426,205,925	268,758,068
Reinsurance commission earned	16	23,401,370	27,818,227
Other Income		7,180,185	3,607,106
NET REVENUES		456,787,480	300,183,401
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	10	(356,287,093)	(278,098,796)
Reinsurers' share of claims paid	10	61,225,913	42,254,776
Net claims paid		(295,061,180)	(235,844,020)
Changes in outstanding claims and incurred but not reported, net		(19,447,302)	18,982,042
Net claims incurred		(314,508,482)	(216,861,978)
Policy acquisition costs	8	(41,484,914)	(32,840,979)
Changes in premium deficiency reserve and other reserves		7,364,078	6,665,000
TOTAL UNDERWRITING COSTS AND EXPENSES		(348,629,318)	(243,037,957)
NET UNDERWRITING INCOME		108,158,162	57,145,444
OTHER OPERATING (EXPENSES) / INCOME			
(Reverse) / provision for doubtful debts	7	(1,512,099)	9,648,413
General and administrative expenses	20	(100,002,705)	(73,455,671)
Commission income on deposits		3,636,802	925,857
Gains on sold available for sale investments	17	1,502,439	2,675,001
impairment burdens of available for sale investment		(1,100,000)	-
Dividend income		3,150,595	3,591,430
TOTAL OTHER OPERATING EXPENSES		(94,324,968)	(56,614,970)
Total surplus / (deficit) for the year		13,833,194	530,474
Zakat and income tax	21	(4,500,000)	(6,047,859)
Net (loss) / income for the year after zakat and income tax		9,333,194	(5,517,385)
Income for the year attributed to the insurance operations		(1,055,602)	-
INCOME / (LOSS) FOR THE YEAR ATTRIBUTED TO THE SHAREHOLDERS		8,277,592	(5,517,385)
Basic earnings / (loss) per share	26	0.31	(0.21)
Chief Financial Officer	Authorized Board Member	Chief Executive Officer	

The accompanying notes 1 to 34 form part of these financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022
Expressed in Saudi Riyals

	<u>Note</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
income /(Loss) for the year attributed to the shareholders		8,277,592	(5,517,385)
Other comprehensive income:			
<i>Items may be reclassified to statements of income in subsequent years</i>			
- Net change in fair value	17	(1,724,203)	(609,572)
TOTAL COMPREHENSIVE INCOME /(LOSS) FOR THE YEAR		<u>6,553,389</u>	<u>(6,126,957)</u>
Total comprehensive gain / (loss) attributed to the insurance operations		<u>1,086,929</u>	<u>979,090</u>
Total comprehensive income / (loss)		<u>7,640,318</u>	<u>(5,147,867)</u>



Chief Financial Officer



Authorized Board Member





Chief Executive Officer

The accompanying notes 1 to 34 form part of these financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

Expressed in Saudi Riyals

	Notes	Share capital	Accumulated losses	Investment revaluation reserve	Total Shareholders' Equity
2022					
Balance, beginning of the year		265,000,000	(49,496,359)	135,695	215,639,336
Total comprehensive income for the year:					
Net income for the year attributable to the shareholders		-	8,277,592	-	8,277,592
Changes in fair values of available for sale investments	17	-	-	(1,724,203)	(1,724,203)
Total comprehensive income for the year attributable to the shareholders		-	8,277,592	(1,724,203)	6,553,389
Balance, ending of the year		265,000,000	(41,218,767)	(1,588,508)	222,192,725
2021					
Balance, beginning of the year		265,000,000	(43,978,974)	745,267	221,766,293
Total comprehensive loss for the year:					
Net loss for the year attributable to the shareholders		-	(5,517,385)	-	(5,517,385)
Changes in fair values of available for sale investments	17	-	-	(609,572)	(609,572)
Total comprehensive loss for the year attributable to the shareholders		-	(5,517,385)	(609,572)	(6,126,957)
Balance, ending of the year		265,000,000	(49,496,359)	135,695	215,639,336
Chief Financial Officer					
		Authorized Board Member			Chief Executive Officer

The accompanying notes 1 to 34 form part of these financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022
Expressed in Saudi Riyals

	Notes	31 December 2022	31 December 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income / (loss) for the year after zakat and income tax		9,333,194	(5,517,385)
Adjustments for non-cash items:			
Depreciation of property and equipment	14	3,003,896	2,619,193
Depreciation of Right-of-use assets	13	1,917,918	2,157,237
Finance charges	13	74,936	158,230
(Reverse) / allowance for doubtful debts	7	1,512,099	(9,648,413)
Gains on sale of available for sale investments		(1,502,439)	(2,675,001)
Provision for end-of-service benefits	23	1,464,000	1,468,034
Accrued zakat and income tax	21	4,500,000	6,047,859
		20,303,604	(5,390,246)
Changes in operating assets and liabilities:			
Premiums and reinsurance receivables		(83,834,598)	(214,802)
Reinsurers' share of unearned premiums		8,325,769	(4,972,535)
Reinsurers' share of outstanding claims		(674,280,996)	(36,608,850)
Reinsurers' share of claims incurred but not reported		721,946	1,032,847
Deferred policy acquisition costs		(12,932,856)	(104,463)
Due from related parties		-	9,652
Prepaid expenses and other assets		(8,406,280)	(5,889,572)
Accounts payable		19,272,738	(6,577,716)
Accrued expenses and other liabilities		16,539,012	(4,250,613)
Reinsurers' balances payable		(10,518,268)	1,583,674
Unearned premiums		171,543,958	27,291,815
Unearned reinsurance commission		4,451,595	182,732
Outstanding claims		677,903,013	23,605,294
Claims incurred but not reported		15,103,338	(7,011,333)
Premium deficiency reserve		(7,364,078)	(6,665,000)
Accrued surplus distribution		0	(814,361)
Due to related parties		(198,882)	198,882
Cash used in operating activities		136,629,015	(24,594,595)
Zakat and income tax paid	21	(4,936,921)	(4,676,950)
End-of-service benefits paid	23	(348,486)	(437,365)
Net cash used in operating activities		131,343,608	(29,708,910)
CASH FLOWS FROM INVESTING ACTIVITIES			
disposals / (Additions) in investments	17	(13,619,069)	(34,813,477)
disposals / (Additions) in time deposits		(116,628,156)	6,303,290
Additions in property and equipment	14	(5,738,555)	(3,438,422)
Net cash from investing activities		(135,985,780)	(31,948,609)
CASH FLOWS FROM FINANCING ACTIVITIES			
Right of use assets paid		(1,581,402)	(2,326,864)
Net cash used in financing activities		(1,581,402)	(2,326,864)
Net change in cash and cash equivalents		(6,223,574)	(63,984,382)
Cash and cash equivalents at the beginning of the year	5	85,343,072	149,327,454
Cash and cash equivalents at the end of the year	5	79,119,498	85,343,072

NON- CASH TRANSACTIONS:

Changes in fair value of available for sale investments	17	(1,724,202)	(609,572)
Actuarial loss on defined benefit plan	23	31,327	979,090


Chief Financial Officer


Authorized Board Member


Chief Executive Officer

The accompanying notes 1 to 34 form part of these financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

1. ORGANISATION AND PRINCIPAL ACTIVITIES

Arabia Insurance Cooperative Company (the “Company”) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010243302 dated 18 Muharram 1429H (corresponding to 27 January 2008). The registered address of the Company is P.O. Box 28655, Riyadh 11323, Kingdom of Saudi Arabia.

The objectives of the Company is to transact cooperative insurance business and carry out related activities in the Kingdom of Saudi Arabia. Its principal activity includes all classes of general insurance, medical insurance, savings and protection. The Company was listed on the Saudi Stock Exchange (Tadawul) on 26 Muharram 1429H (corresponding to 4 February 2008). The Company started insurance and reinsurance operations on 4 Muharram 1430H (corresponding to 1 January 2009).

On 14 Jumada Thani 1435H (corresponding to 14 April 2014), the Saudi Central Bank (SAMA) issued official approval numbered 351000076885 to amend the licence issued to the Company number TMN/15/20086 to transact insurance and reinsurance activities to be restricted to insurance activities only.

The Articles of Association are amendments and approved by the general assembly in the meeting dated 20 November 2022.

2. BASIS OF PREPARATION

Basis of measurement and preparation:

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”), the Companies Law, and the Company’s by law.

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. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of revenues and expenses from joint operations is determined and approved by the management and the Board of Directors.

The financial statements are prepared on the going concern basis and on the historical cost basis, except for available-for-sale investments where they are measured at fair value and end of service benefits are measured at present value. The balance sheet is not displayed using the current / non-current classification. Nevertheless, the following balances are generally classified in circulation: cash and cash equivalents, insurance premiums receivable, reinsurance receivables, investments, deferred underwriting costs, prepaid expenses, other assets, accounts payable, reinsurers' receivables, outstanding claims, accrued expenses, other liabilities, provision for zakat, taxes, distribution of the surplus due and non-insurance premiums Earned, reimbursed share of unearned premiums, and deferred subscription costs unearned commission income,. The following balances are generally classified as non-current: end of service indemnities, statutory deposit, returns on statutory deposit, commission income payable to the Saudi Central Bank, claims incurred but not reported, and property and equipment, net.

The company presents the statement of financial position in order of liquidity.

The statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders’ operations which are presented in (Note 30) of the financial statements have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

2. BASIS OF PREPARATION (CONTINUED)

Basis of measurement and preparation: (continued)

SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders' operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

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

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 amounts have been rounded to the nearest Riyal.

Financial year

The company's financial year begins on January 1 and ends on December 31 of each calendar year.

Significant accounting judgements, 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 period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are other significant accounting judgments and estimates in preparing these financial statements:

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims.

Estimates are made at the end of the reporting period both for the expected ultimate cost of claim reported and for the expected ultimate costs of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company. At the end of each reporting period, prior 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.

Actuaries use a range of methods such as Chain Ladder Method, Bornhuetter-Ferguson Method and Expected Loss Ratio Method to determine these provisions. Actuary had also used a segmentation approach including analyzing cost per

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2. BASIS OF PREPARATION (CONTINUED)

Significant accounting judgements, estimates and assumptions (continued)

The ultimate liability arising from claims made under insurance contracts - continued

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.

Impairment of financial assets

The Company determines that financial assets are impaired when there is a significant or prolonged decline in the fair value of the financial assets at their cost. Judgement is required for determination of what is important or long-term. A period of 6 months or longer is long term and a 35% reduction in the original cost is important in accordance with the Company's policy. In making this judgment, the Company evaluates amount other factors, normal volatility in share price, investor's financial solvency, industry and sector performance, changes in technology, and operating and financing cash flows.

Impairment of insurance premium receivable

A provision for impairment of receivables is made when there is objective evidence that the company will not be able to collect all amounts due in accordance with the original terms of the receivables. The debtor's significant financial difficulties, the possibility that the debtor will be in bankruptcy or the restructuring of financial regulation, default or delay in repayment are indications that the receivables have decreased in value.

Fair value of financial instruments

Fair values of investments available for sale are based on quoted prices of negotiable 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 is determined in the absence of an active market or when quoted prices are not otherwise available using valuation techniques. In such cases, fair value is estimated through observable data in respect of similar financial instruments or using models. When observable market inputs are not available, they are estimated on the basis of appropriate assumptions when valuation techniques (for example, models) are used to determine fair values, which are periodically verified and reviewed by qualified personnel independent of those sources. All models are approved before use, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the practical extent, the models use only observable data; however, areas such as credit risk (special credit risk and counterparty risk), volatility and commitments from management require estimation.

3. NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS

The accounting policies used in preparing these financial statements are in line with those followed in preparing the annual financial statements for the year ended December 31, 2022. There are new standards, amendments and interpretations that apply for the first time in 2021, but do not have an impact on the financial statements of the company.

There are many other amendments and interpretations that were issued but did not become effective until the date of issuance of the company's financial statements. The company's board of directors believes that this will not have a significant impact on the company's financial statements. The company intends to adopt these amendments and interpretations, if applicable.

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3. NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS (CONTINUED)

Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted; however, the Company has not early adopted them in preparing these Financial Statements.

Amendments to IAS 1, ‘Presentation of financial statements’ on classification of liabilities

These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability.

Amendments to IAS 1, Practice statement 2 and IAS 8

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction

These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

Management expects that the interpretations and amendments to these new standards will be applied in the company’s financial statements when they are applicable, and the application of these interpretations and amendments may not have any material impact on the company’s financial statements in the initial application period.

The Company will apply IFRS 17 and IFRS 9 for the first time on 1 January 2023. These standards will bring significant changes to the accounting for insurance and reinsurance contracts and financial instruments and are expected to have a material impact on the Company’s financial statements in the period of initial application.

IFRS 17 Insurance contract

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted. The Company will apply IFRS 17 on that date. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with direct participation features (“DPF”).

a) Structure and status of the Implementation project

The IFRS 17 and IFRS 9 transitions were conducted based on the directives of the Saudi Central Bank (SAMA) based on a multi-phase project as follows:

- Phase 1: IFRS 17 Gap Analysis – March 2019.
- Phase 2: IFRS 17 Financial Impact Assessment – June 2020.
- Phase 3: IFRS 17 Implementation Plan - April 2021.
- Phase 4: IFRS 17 Implementation and Dry Runs – November 2021; September 2022; November 2022.

As for IFRS 9, the following project phases were followed:

- Gap Analysis – March 2022.
- Dry Run 1 – May 2022.
- Dry Run 2- November 2022.

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3. NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATION (CONTINUED)
IFRS 17 Insurance contract (continued)

The governance structure of the transition and the related roles and responsibilities of the various stakeholders were as follows:

Group/Body	Roles and Responsibilities
IFRS 17 Working Group	Propose technical decisions and operational processes; and Produce draft documents in respect of the proposed decisions and processes.
Appointed Actuary	Provide consultation and/or approval of proposed technical decisions and operational processes, as necessary.
IFRS 17 Steering Committee	Consider, discuss and approve all decisions and processes proposed; Ensure that the IFRS 17 implementation activities are being carried out according to the project timelines.
External Audit	Sign-off on technical designs relative to the requirements of IFRS 17 and audit materiality.
Audit Committee	Ensure appropriate degree of discussion, challenge and review of all proposed decisions and processes.
Board of Directors	Take ultimate responsibility for the decisions and processes, following appropriate input from its sub-committees.

A number of tasks as of the date of these financial statements are in the process of being finalized. These mainly relate to completion of system iterations, integration and customization; inclusion of out-of-system data into the actuarial data set, and the hiring of additional resources as per the initial implementation plan. These issues however, will not impact the Company's plan to be in compliance with regulatory and IFRS 17 requirements.

b) Significant Judgments and Accounting Policy Choices

The Company is expected to apply the following significant accounting policies in the preparation of financial statement on the effective date of this Standard, January 1st, 2023:

a) Contracts within/outside the scope of IFRS 17

The Company has determined that all contracts currently classified as insurance contracts under IFRS 4 meet the definition of insurance contracts under IFRS 17, i.e. that there exist circumstances where the outgo under the contract would significantly exceed the premium income. This was deduced by the fact that the sums insured under all contracts significantly exceed the premium income charged on those contracts. No contracts were found that met the requirement of investment contracts with direct participation features.

b) Level of Aggregation

Portfolios will be split by sub line of business. This grouping meets the portfolio requirement of "similar risks" due to the following:

- Sub lines of business are grouped based on the risks covered under the contracts; and
- Contracts written within particular sub lines of business will cover similar perils and thus risks.

Furthermore, the portfolio requirement of "management together" is met as:

- Each line of business is generally underwritten and monitored separately, with separate underwriter for each main line of business; and

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3. NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS (CONTINUED)
IFRS 17 Insurance contract (continued)

- The current actuarial valuation is done at a sub-line of business level, with these more granular results provided for internal management reporting.

The allocation of sub-lines to IFRS 17 portfolio is shown in the table below.

Line of Business (sub-line)	Measurement Portfolio	Disclosure Portfolio
Accident and Liability	Accident and Liability	P&C and Other
Motor TPL	Motor TPL	Motor
Motor Comprehensive	Motor Comprehensive	Motor
Property and Fire	Property and Fire	P&C and Other
Marine	Marine	P&C and Other
Engineering	Engineering	P&C and Other
Health Insurance - Medical SME	Health Insurance - Medical SME	Medical
Health Insurance - Medical Group	Health Insurance - Medical Group	Medical
Group life	Group life	P&C and Other

Based on the premium allocation approach eligibility (PAA) testing performed, all the segments above, including related reinsurance arrangements were deemed to be eligible for PAA measurement.

c) Significant Judgments and Estimates

i. Premium Allocation Approach (PAA) eligibility assessment:

Most of AICC's existing lines of business meet the requirement for automatic eligibility. AICC has the option to measure these groups under the PAA without performing any testing. In order to apply the PAA on groups that are not automatically PAA eligible, AICC performed testing on whether the liability for remaining coverage valuation under the PAA measurement model is materially different from that under the GM measurement model for all these groups.

The company will only perform quantitative eligibility testing for each profitability group within the existing portfolios at transition rather than testing each new cohort within a group at their respective inception dates. The assessment for future group cohorts will be done on a qualitative basis. After transition, eligibility testing would only be re-performed for the profitability groups within any newly introduced IFRS 17 portfolios, or if any of the trigger conditions occur impacting the groups within pre-existing IFRS 17 portfolios (i.e. where the qualitative assessment fails).

Eligibility testing broadly involves calculating the difference between the LFRC under the PAA and the liability for remaining coverage under the general model (including the contract service margin) at initial recognition and subsequent measurement at the external reporting frequency. Materiality was deemed to be a threshold of 10%.

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3. NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS (CONTINUED)
IFRS 17 Insurance contract (continued)

ii. Discounting methodology:

The Company has adjusted the estimates of future cash flows to reflect the time value of money and the financial risks related to those cash flows. The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows.

The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows.

Discount rates are derived using a bottom up approach utilizing the EIOPA (European insurance and occupational pension authority) rate as the risk free rate, adjusted for country risk and illiquidity.

Discounting is applied on liability for incurred claims components within the business sub-lines considering the duration of payment (whether direct or reinsurance) of claims can exceed a one year period.

iii. Risk Adjustment methodology

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled.

As the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Company's degree of risk aversion.

The Company estimates an adjustment for non-financial risk separately from all other estimates. The Company does not consider the effect of reinsurance in the risk adjustment for non-financial risk of the underlying insurance contracts.

The risk adjustment was calculated at the issuing entity level and then allocated down to each group of contracts in accordance with their risk profiles. The Value at Risk (VAR) method was used to derive the overall risk adjustment for non-financial risk, with a level of confidence threshold of 75%. Risk adjustments range from 3% for motor, 4% for medical to 20% for other general lines of business.

i. Onerosity determination:

When classifying whether an insurance contract is onerous, an initial assessment of the expected loss ratio on each contract is performed. Fulfilment cash flows in respect of all lines/sub lines are analyzed, then be assessed for onerosity using a combined ratio rule. This ratio is calculated as the combination of the following:

- a. Gross expected loss ratio: reflects the cost of claims to premiums charged.
- b. Gross expense ratio: represents attributable expenses to the relevant business segments.
- c. Risk adjustment ratio: relates to the uncertainty of non-financial risks as derived by the actuarial study performed by management.

Based on the value of the combined ratio, the profitability assessment outcome would differ as follows:

- Combined ratio > 100% - Onerous

- Combined ratio > 80% but < 100% - Profitable with significant possibility of becoming onerous

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3. NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS (CONTINUED)
IFRS 17 Insurance contract (continued)

- Combined ratio < 80% - Profitable with no significant possibility of becoming onerous.

ii. Provision for Doubtful Debts:

The methodology of doubtful debt provisioning was actuarially developed based on the receivables / collection history of the company. Gross premiums by line of business and client type are analysed against the allocated due dates. A percentage of bad debts is derived by time period/category after excluding one-off events and allowing for applicable trends.

iii. Reinsurer Default provision:

For reinsurer non-performance provisions, a loss given default is applied, primarily for treaty reinsurers where credit ratings are known. For facultative reinsurance deals, where the deal is set up through an intermediary (reinsurance broker), an actuarial analysis is performed based on due dates and payment patterns.

iv. Value added tax (VAT) treatment:

Value added tax is considered part of the fulfilment cash flows, and whereby provisions for bad debts are needed for premiums, the same process is applied for value added tax. Considering value added tax is paid out of the liability for remaining coverage, it is deemed not to be a part of the insurance service expense.

d) Accounting Policy Choices

i. Length of Cohorts

To ensure adequate alignment of cohort length with the Company's operational practices, which include the regulatory requirement of issuing interim financial statements, the Company will utilize quarterly cohorts for stated contracts/groups of contracts.

ii. Use of Other Comprehensive Income for insurance finance income or expense:

The Company deemed that there's no significant financing income or expense component associated with the liability for remaining coverage at transition. Accordingly, there's no impact on other comprehensive income associated with the financing element of the liability for remaining coverage.

iii. Unwinding of Discount on Risk Adjustment

There's no separate financing component associated with the risk adjustment. Accordingly, the unwinding of discount on risk adjustment will not be utilized.

iv. Expense Attribution

The Company has allocated expenses as follows:

- Attributable maintenance expenses: the Company has identified whether or not it is expected that such an expense is unavoidable due to entering the insurance contract. Where this is not obvious, the Company considered whether the activity resulting in the expense would continue if AICC were in run-off as expenses paid from activities still expected to take place in a run-off scenario would represent the cash flows required for the insurer to fulfil its obligations under such a contract.
- Attributable acquisition expenses: the Company has identified if the expense relates to acquiring new business in the immediate future, where for Company purposes, immediate future will refer to within the next quarter.
- Attributable reinsurance expenses: the Company has only allocated expenses from the reinsurance department and other relevant expenses specified in the contract to reinsurance contracts held. The attributable nature of these expenses will be assessed using the same principles as for insurance contracts.

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3. NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS (CONTINUED)
IFRS 17 Insurance contract (continued)

- Non-attributable expenses: all remaining expenses.

Allocation for the expected and actual expense cash flows will be done using appropriate proxies, drivers and allocation keys as necessary.

v. Deferral of Acquisition Cost

The Company defines acquisition cash flows as cash flows that arise from costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to the portfolio of insurance contracts to which the group belongs.

Insurance acquisition cash flows are allocated to groups of insurance contracts on a systematic and rational basis. Insurance acquisition cash flows that are directly attributable to a group of insurance contracts are allocated:

- a. To that group; and
- b. To groups that will include insurance contracts that are expected to arise from renewals of the insurance contracts in that group.

Acquisition cost is allocated to the relevant groups over the life of the contract, while acquisition cost that is not incurred is recognized as a deferred acquisition asset.

vi. Policyholder Surplus accounting

The transition to IFRS 17 will not impact the surplus balances previously booked in the balance sheet. Considering recovery from policyholders on previously allocated surplus is not possible in the case of IFRS 17 income being lower than that of IFRS 4, a similar approach will be adopted in case the income under IFRS 17 is higher than that of IFRS 4. A liability account will be created in the balance sheet until regulatory guidance is available.

Since surplus distribution is a regulatory requirement based on the ultimate profitability of policyholder accounts, no allowance shall be made for the surplus distribution when estimating fulfillment cash flows nor will the surplus distribution be considered to impact the ultimate loss ratio when determining onerosity.

e) Presentation and Disclosure

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. Any assets or liabilities recognized for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) are included in the carrying amount of the related portfolios of contracts.

The Company disaggregates amounts recognized in the statement of profit or loss and OCI into:

- (a) An insurance service result, comprising insurance revenue and service expenses;
- (b) Insurance finance income or expenses.

Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a gross basis.

The Company does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service results .

.IFRS 17 requires extensive new disclosures about amounts recognized in the financial statements, including detailed reconciliations of contracts, effects of newly recognized contracts, as well as disclosures about significant judgments made when applying IFRS 17.

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3. NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS (CONTINUED)
IFRS 17 Insurance contract (continued)

There will also be expanded disclosures about the nature and extent of risks from insurance contracts, reinsurance contracts. Disclosures will generally be made at a more granular level than under IFRS 4, providing more transparent information for assessing the effects of contracts on the financial statements.

f) Transition

The Company is adopting IFRS 17 retrospectively, applying the full retrospective approach. The Company has determined that reasonable and supportable information was available for all contracts in force at the transition date.

In addition, as all insurance contracts are eligible for the PAA, the Company has concluded that only current and prospective information was required to reflect circumstances at the transition date, which made the full retrospective application practicable.

Accordingly, the Company has identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied; derecognised any existing balances that would not exist if IFRS 17 had always applied; and recognised any resulting net difference in equity.

The Company will present comparative financial statements for 2022, with the beginning shareholders accounts showing the impact of the transition.

c) Transition Impact:

3.1 Impact on Equity

The Company estimates that, on adoption of IFRS 17, the impact of these changes (before tax) is a reduction in the Company's total equity of SR 3.9 million at January 1, 2022. The impact on equity at January 1, 2023 is currently being estimated and shall be disclosed in the financial reporting for the period January 1, 2023 to March 31, 2023. The below figures are based on dry run results and were not audited or reviewed, and are hence subject to change (all figures in Saudi Riyal):

Drivers of Changes in Equity	Impact on equity for the transition to IFRS 17 on January 1, 2022
Risk Adjustment	(7,364,519)
Loss Component	(6,766,032)
LFRC - Unearned premium	(458,407)
Liability for incurred claims	6,588,311
LFRC - Premium receivables	2,720,703
AFRC- RI Payables	1,376,349
Total Impact	(3,903,594)

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3. NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS (CONTINUED)
IFRS 17 Insurance contract (continued)

3.2 Impact on Liabilities/Assets

	Impact on transition to IFRS 17 on January 1, 2022
Liabilities	
Risk Adjustment	17,659,228
Loss Component	7,659,151
LIC	(17,643,015)
Payables to Reinsurers	(1,376,349)
Other Liabilities	458,407
Total Impact on Liabilities	6,757,422
Assets	
RI Risk Adjustment	10,294,710
RI Loss Component	893,119
RI LIC	(11,054,704)
Premium Receivables	2,720,703
Total Impact on Assets	2,853,828

3.3 Sources of Uncertainties

Due to various operational and technical limitations, a level of uncertainty will be associated with the impact of transition along with the adequacy of adherence to the requirements of the standard. These issues include but are not limited to:

- Data limitations: Various sets of data historically were collected for IFRS 4 purposes, accordingly certain assumptions were made to incorporate out-of-system data into IFRS 17 calculations.
- IFRS 17 Solution: While various tests were performed to ensure the accuracy of figures generated by the IFRS 17 solution, the fact that this system is being used for the first set of financials creates a level of uncertainty.
- Use of judgments/assumptions: Several concepts in IFRS 17 rely on management judgements and the use of assumptions. Considering the guidelines do not define specifics for risk adjustment, discounting, and expense allocation, uncertainty will be present.
- Level of awareness: New concepts require time to be mastered by concerned personnel. Accordingly, there's an element of risk associated with first time implementation of the standard.

IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. The effective date of implementation is January 1st, 2023, however for the sake of presenting comparative financial statements, transition impact will be reflected in the opening balance of 2022.

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3. NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS (CONTINUED)

IFRS 17 Insurance contract (continued)

1. Financial assets – Classification

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 includes three principal measurement categories for financial assets – measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) – and eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as measured at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Company may irrevocably designate a financial asset that otherwise meets the

Requirements to be measured at amortized cost or at FVOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2. Financial assets – Impairment

The Company recognizes loss allowances for expected credit losses (ECL) on:

- Financial assets measured at amortized cost;
- Debt investments measured at FVOCI; and
- Lease receivables (when applicable)

The Company measures loss allowances at an amount equal to lifetime ECL, except in the following cases, for which the amount recognized is 12-month ECL:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments (other than lease receivables) for which credit risk has not increased significantly since initial recognition.

Financial instruments for which 12-month ECL are recognized are referred to as ‘Stage 1 financial instruments’. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Financial instruments for which lifetime ECL are recognized because of a significant increase in credit risk since initial recognition but that are not credit-impaired are referred to as ‘Stage 2 financial instruments’. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument.

Financial instruments for which lifetime ECL are recognized and that are credit-impaired are referred to as ‘Stage 3 financial instruments’.

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3. NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS (CONTINUED)
IFRS 9 Financial Instruments (continued)

The credit ratings as at the reporting / calculation date or the origination date to be used in the ECL calculation are those issued by either S&P, Moody's or Fitch. ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

3. Financial Liabilities

IFRS 9 largely retains the requirements in IAS 39 for the classification and measurement of financial liabilities. However, under IAS 39 all fair value changes of financial liabilities designated as at FVTPL are recognized in profit or loss, whereas under IFRS 9 these fair value changes will generally be presented as follows:

- The amount of the change in the fair value that is attributable to changes in the credit risk of the liability will be presented in OCI.

- The remaining amount of the change in the fair value will be presented in profit or loss.

The Company expects no impact from adopting the requirements above. The Company has designated investment contract liabilities as at FVTPL because these liabilities as well as the related assets are managed and their performance is evaluated on a fair value basis.

4. Impact Assessment

The Company estimates that application of the IFRS 9 impairment requirements at January 1, 2023 and 2022 will result in additional loss allowances. The recognition of additional loss allowances on adoption of IFRS 9 mainly relates to debt investments measured at FVOCI, as well as the reclassification of certain assets to FVTPL. Additionally, credit losses resulting from the ECL model for bonds and term deposits exceeding three months in duration after the cutoff date will be recognized.

The Company estimates that the application of the IFRS 9 including reclassification and impairment requirements to these investments will result in a reduction to shareholder accounts as stated below.

5. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will be applied retrospectively. In accordance with IFRS 9's transition requirements, IFRS 9 does not apply to financial assets that had already been derecognized at January 1, 2023; however, the Company will elect to apply the classification overlay in IFRS 17 to financial assets derecognized in 2022 to present comparative information as if the classification and measurement (including impairment) requirements of IFRS 9 had been applied to such financial assets, by using reasonable and supportable information to determine how they would be classified and measured on initial application of IFRS 9.

The following assessments have to be made on the basis of the facts and circumstances that exist at January 1, 2023:

- The determination of the business model within which a financial asset is held; - the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

If a financial asset has low credit risk at January 1, 2023, then the Company will determine that the credit risk on the asset has not increased significantly since initial recognition.

Estimated Change in the Company's equity due to initial application of IFRS 9:

The Company has assessed the estimated impact that the initial application of IFRS 9 will have on its financial statements. Based on assessments undertaken to date, the total adjustment to the balance of the Company's total equity

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3. NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS (CONTINUED)
IFRS 9 Financial Instruments (continued)

Is estimated to be a reduction of SR 161 thousand at January 1, 2022, as summarized below. The impact on equity at January 1, 2023 is currently being estimated and shall be disclosed in the financial reporting for the period January 1, 2023 to March 31, 2023.

Estimated Change in the Company's equity due to initial application of IFRS 9 (continued):

The results below are based on the outcome of a dry run, have not been subject to audit or review, and are hence subject to change (all amounts in Saudi Riyal)

<i>Adjustments due to adoption of IFRS 9</i>	<i>Impact on Equity January 1, 2022</i>
<i>Reclassification of financial assets</i>	<i>(95,388)</i>
<i>Impact of applying ECL model</i>	<i>(65,769)</i>
<i>Total Impact</i>	<i>(161,157)</i>

The impact of reclassification was a result of assigning debt instruments from the amortized cost category, under IAS 29, to the FVTPL under IFRS 9. Additionally, the impact of applying the ECL resulted from ECL models calculating expected credit losses for debt instruments and term deposits based on the rating and duration of the underlying asset.

Overall Impact on Equity due to Transition to IFRS17 and IFRS9

The Company estimates that, on adoption of IFRS 17 and IFRS 9 will have a total impact on equity in the amount of SR 4 M:

<i>Transition To</i>	<i>Impact on Equity January 1, 2022</i>
<i>IFRS17</i>	<i>(3,903,594)</i>
<i>IFRS9</i>	<i>(161,157)</i>
<i>Total Impact</i>	<i>(4,064,751)</i>

The above change in equity will affect the solvency ratio of the Company, which will be estimated and disclosed in the financial reporting for the period ended March 31, 2023.

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4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these financial statements are as follows:

Cash and cash equivalents

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

Time deposits

Time deposits comprise of time deposits at bank with original maturity of more than three months and less than one year at the date of acquisitions.

Premiums and reinsurance balances receivable

Premiums and reinsurance balance receivable are recognized when due and are measured on initial recognition at the fair value of the considerations received or receivable. The carrying value of premiums receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income. Premiums and reinsurance balances receivable are derecognized when the de-recognition criteria for financial assets have been met.

Prepayments

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

Investment and other financial assets

a. Initial recognition

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

b. Classification and subsequent measurement

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

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables market. After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment and are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

ii. Available-for-sale investments

Available-for-sale investments ("AFS") include equity and debt securities. Equity investments classified as AFS are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, AFS financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in equity through other comprehensive income – shareholders' operations captioned under 'fair values reserve of available-for-sale investments'. When the investment is disposed off, the cumulative gain or loss previously recognised in equity is recognised in the statement of income - shareholders' operations. Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a 'first in first out' basis. Interest earned whilst holding AFS financial investments is reported as interest income using the effective interest method. Dividends earned on holding AFS investments are recognised in the statement of income –

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Shareholders' operations when the right of receipt has been established. The losses arising from impairment of such investments are recognised in the statement of comprehensive income - shareholders' operations.

This classification and cannot be designated as a hedged item with respect to special commission rate or prepayment risk, reflecting the longer-term nature of these investments.

iii. Held to maturity investments

Held to maturity investments are non-derivative financial assets which have fixed or determinable payments that the Company has positive intentions and ability to hold to maturity and are initially measured at amortised cost adjusted by the amount of amortisation of premium or accretion of discount using the effective interest method. Any permanent decline in value of HTM investments is recognised in the statement of income - insurance operations. Investments classified as held to maturity cannot ordinarily be sold or reclassified without impacting the Company's ability to use

iv. Impairment and un-collectability of financial assets

An assessment is made at each statement of financial position date to determine whether there is an objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, any impairment loss is recognized in the statement of income - insurance operations and accumulated surplus / shareholders' operations. Impairment is determined as follows:

For financial assets carried at fair value, impairment is the difference between the cost and fair value, less any impairment loss previously recognized in the statement of income - insurance operations accumulated surplus / shareholders' operations.

For financial assets carried at cost, impairment is the difference between the carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

For financial assets carried at amortized cost, impairment is determined based on the future cash flows that are discounted at the original effective interest rate.

Financial liabilities

a. Initial recognition

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

b. Classification and subsequent measurement

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

De-recognition of financial instruments

The de-recognition 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.

Property and equipment

Property and equipment is measured at cost less accumulated depreciation and any impairment in value. Depreciation is charged to the statement of income - insurance operations on a straight line basis over the estimated useful lives of assets. The estimated useful lives of the assets are as follows:

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (continued)

The carrying values of these assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts. The carrying amount of property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The gain or loss on disposal of an item of property and equipment (which is calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognized in the statement of income.

Right to use assets and lease liabilities

The Company has recognised new assets and liabilities for operating leases of office premises. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis.

i. Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date
- Less any lease incentives received
- Any initial direct costs, and
- Restoration costs.

ii. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments),
- Less any lease incentives receivable
- Variable lease payments that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the statement of income. Short-term leases are leases with a lease term of 12 months or less. It includes impaired assets related to office equipment.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the term of the lease, management takes into account all facts and circumstances that create an economic incentive to exercise the option of extension, or not to exercise the option of termination. Extension options are only included in the term of the lease if the lease is fairly certain. When determining the lease term, management generally takes into account certain factors including historical lease periods and business interruption costs required to replace the leased asset.

Accrued expenses and other liabilities

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) as a result of a past event, and the costs to settle the obligation are both probable and may be measured reliably. Provisions are not recognised for future operating losses.

Zakat and income tax

Zakat is levied on the equity accounts of the Saudi Shareholders and the general public, while the income tax is levied to the equity accounts of the non-Saudi shareholders and the Zakat and Income Tax provisions are charged to the statement of income.

Deferred income tax

Deferred income tax, if any, is calculated using the liability basis for the temporary differences arising between the book balances of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The deferred tax value is measured at the tax rates that are expected to be applied or the carrying amount of the assets and liabilities are settled, except for the tax rates that have been enacted or approximately enacted at the end of the reporting period. Deferred tax should be recognized only to the extent that it is probable that future taxable profit will be available and credit can be used.

Deferred tax assets are reduced to the extent that they are no longer probable, so that the related tax benefits are recognized. An offsetting is made between deferred tax assets and liabilities when there is a legally enforceable right to set off between current tax assets and current tax liabilities that relate to income taxes imposed by the same tax authority and which have the right to set off, which is intended to either settle on a net basis or achieve the assets and settle liabilities at the same time.

Current and deferred taxes are recognized in profit or loss, except for the amount related to transactions that are recognized in the statement of comprehensive income or directly to shareholders' equity. In this case, the tax must be recognized as well.

Employees' end-of-service benefits

The Company provides end of service compensation to its employees in accordance with the provisions of the Labor Law applicable in the Kingdom of Saudi Arabia. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Provision is made annually based on independent actuarial valuation, in accordance with the requirements of IAS 19 "Employee Benefits" using projected unit credit method. The Company has carried out actuarial valuation in current year. All past service costs are recognized as an expense immediately in statement of income.

Short term employee benefits

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

Retirement benefits

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Insurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event. Insurance contracts can also transfer financial risk. 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 period, unless all rights and obligations are extinguished or expire.

Reinsurance contracts

Reinsurance contracts are contracts entered into by the Company with reinsurers under which the Company is compensated for losses on insurance contracts issued

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers on settlement of claims and other receivables such as profit commissions, if any, and reinsurers' share of outstanding claims that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

Amounts recoverable from or due to reinsurers are recognised consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract.

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. Impairment, if any, is recognised in the statement of income - insurance operations.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Reinsurance arrangements do not relieve the Company for its obligation to policyholders.

Claims

Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to the statement of income - insurance operations and accumulated surplus in the period in which they are incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the statement of financial position date, together with related claim handling cost whether reported by the insured or not. Provisions for reported claims not paid as at the reporting date, are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims Incurred But Not Reported (IBNR) at the reporting date. The ultimate liability may be in excess of or less than the amount provided.

Any difference between the provisions at the reporting date and settlements and provisions in the following year is charged to statement of income - insurance operations. The Company does not discount its liabilities for unpaid claims, as substantially all claims are expected to be paid within one year of the reporting date.

Reinsurance claims are recognized when the related gross insurance claim is recognised according to the term of the relevant contract.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Salvage and subrogation reimbursement

Some insurance contracts permit the Company to sell (usually damaged) assets acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

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 action against the liable third party.

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 unearned premiums earned. All other acquisition costs are recognised as an expense when incurred. Amortization is recorded in the statement of income.

Liability adequacy test

At each end of reporting period, a liability adequacy test is performed to ensure the adequacy of the insurance contract liabilities less net of related deferred policy acquisition costs using current estimates of future cash flows under insurance contracts. In performing these tests, current best estimates of future cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to the statement of insurance operations and accumulated surplus initially by writing off related deferred policy acquisition costs and subsequently by establishing a provision for losses arising from liability adequacy tests.

Premiums earned and commission income

Premiums are taken into income in the statement of income over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage.

The underwriting results represent premiums earned, fee and commission income less claims paid, other underwriting expenses and anticipated claims payable in respect of the year, net of amounts subject to reinsurance, less provision for any anticipated future losses of the effective policies.

Commission receivable on reinsurance contracts are deferred and amortised on a straight-line basis over the term of the reinsurance contracts. Retained premiums and commission income, which relate to unexpired risks beyond the end of the financial year, are reported as unearned and deferred based on the following methods:

- Actual number of days for all other lines of business.
- Regarding marine cargo, the unearned premiums represent the gross premiums written during the last three months of the current financial year.
- Pre-defined calculation for Engineering class of business for risks undertaken that extend beyond a single year. In accordance with this calculation, lower premium are earned in the first year which gradually increases towards the end of the tenure of the policy.

Commission income

Commission income from time deposits is recognized on an effective yield basis.

Statutory reserve

In accordance with its bylaws, the Company shall allocate 20% of its annual net income to the statutory reserve until it has built up a reserve equal to 100% of the share capital. This allocation has not been made for the year ended 31 December 2022 taking into account the accumulated losses.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Trade date

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 of financial assets are transactions that require settlement of assets within the time frame generally established by regulation or convention in the market place.

Foreign currencies

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

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amounts reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Revenues and expenses are not offset in the statement of income unless required or permitted by any accounting standards on their interpretations.

Segment reporting

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incurs expenses and about which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. For management purposes, The Company is organized into business units based on their products and services and has six reportable operating segments as follows:

- Medical insurance, which covers medical costs, medicines, and all other medical services and supplies.
- Motor insurance, which provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Fire, provides coverage against fire and any other insurance included under this class of insurance.
- Engineering, provides coverage for builder's risks, construction, mechanical, electrical, electronic work, and machinery disruption and any other insurance included under this class of insurance.
- Marine, provides coverage for goods in transit and the vehicles of transportation on main roads, and any other insurance included under this class of insurance.
- Other insurance classes, which cover any other classes of insurance not mentioned above.

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

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

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5. CASH AND CASH EQUIVALENTS

		2022		
		<i>Insurance operations</i>	<i>Shareholders' Operations</i>	<i>Total</i>
	<i>Note</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Cash on hand		90,242	-	90,242
Current accounts at banks		34,297,082	964,023	35,261,105
Time deposits	5.1	-	43,768,151	43,768,151
		<u>34,387,324</u>	<u>44,732,174</u>	<u>79,119,498</u>

		2021		
		<i>Insurance operations</i>	<i>Shareholders' Operations</i>	<i>Total</i>
	<i>Note</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Cash on hand		24,951	-	24,951
Current accounts at banks		26,198,856	1,098,726	27,297,582
Time deposits	5.1	-	58,020,539	58,020,539
		<u>26,223,807</u>	<u>59,119,265</u>	<u>85,343,072</u>

5.1 Time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company. The average variable commission rate on time deposits at end of the year is 2.76% per annum (31 December 2021: 0.78% per annum). Current accounts and time deposits are placed with counterparties who have good investment grade credit ratings. The carrying amounts disclosed above reasonably approximate the fair value at the statement of financial position date.

6. TIME DEPOSITS

Time deposits are placed with a maturity of more than three months from the date of original acquisition and earn special commission income at an average rate of 3.94% per annum (31 December 2021: 3.49% per annum).

Time deposits are deposited with other parties having good investment grade credit ratings. The carrying amount disclosed above approximates the fair value at the statement of financial position date.

7. PREMIUMS AND REINSURANCE RECEIVABLE, NET

		2022	2021
		<i>SR</i>	<i>SR</i>
Policyholders		239,953,953	190,709,753
Less: Provision for doubtful debt	7.1	(49,753,427)	(49,376,279)
		<u>190,200,526</u>	<u>141,333,474</u>
Reinsurance balances receivable		47,837,631	13,247,232
Less: Provision for doubtful debt	7.2	(4,738,705)	(3,603,754)
		<u>43,098,926</u>	<u>9,643,478</u>
Total premiums and reinsurance balances receivable, net		<u>233,299,452</u>	<u>150,976,952</u>

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FOR THE YEAR ENDED 31 DECEMBER 2022

7. PREMIUMS AND REINSURANCE RECEIVABLE, NET (CONTINUED)

7.1 The movement in the provision for doubtful debt during the year for policyholders is as follows:

	2022 SR	2021 SR
Provision at the beginning of the year	49,376,279	59,093,630
(Reverse) / Charge for the year	377,148	(9,717,351)
Written off during the year	-	-
Provision at the end of the year	49,753,427	49,376,279

7.2 The movement in the provision for doubtful debt during the year for reinsurers is as follows:

	2022 SR	2021 SR
Provision at the beginning of the year	3,603,754	3,534,816
(Reverse) / Charge for the year	1,134,950	68,938
Written off during the year	-	-
Provision at the end of the year	4,738,704	3,603,754

7.3 The ageing analysis of premiums and reinsurance balances receivable as at 31 December is as follows:

	Past due but not impaired			
	Total	Less than 30 days	31 to 90 days	Past due and impaired
	SR	SR	SR	SR
2022	287,791,584	101,063,045	92,611,001	94,117,538
2021	203,956,983	90,559,661	25,147,574	88,249,748

Premium receivables comprise a large number of customers mainly within the Kingdom of Saudi Arabia and reinsurance receivables comprise customers mainly within Europe and Kingdom of Saudi Arabia. Premiums receivable and reinsurance receivables do not include amounts in foreign currencies. No individual or corporate account is more than 9.11% of premiums receivable as at 31 December 2022 (31 December 2021: 11.48%). In addition, the ten largest customers' accounts constitute 43.94% of premiums receivable as at 31 December 2022 (31 December 2021: 40.12%).

The Company, based on its past experience, expects to fully recover its past due and not impaired premiums and reinsurance balances receivable. It is not the policy of the Company to obtain collateral with respect to premiums receivable and all therefore unsecured.

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8. DEFERRED POLICY ACQUISITION COSTS

	2022	2021
	SR	SR
Balance as at 1 January	11,122,225	11,017,762
Paid during the year	54,417,770	32,945,442
Amortised during the year	(41,484,914)	(32,840,979)
Balance as at 31 December	24,055,081	11,122,225

9. UNEARNED PREMIUMS

	<i>Note</i>	2022	2021
		SR	SR
Gross unearned premiums at the beginning of the year	9.1	168,094,359	140,802,544
Gross unearned premiums at year end	9.1	339,638,317	168,094,359
Change in gross unearned premiums		(171,543,958)	(27,291,815)
Reinsurers' share of unearned premiums at the beginning of the year	9.1	47,877,264	42,904,729
Reinsurers' share of unearned premiums at year end	9.1	39,551,495	47,877,264
Change in reinsurers' share of unearned premiums		(8,325,769)	4,972,535
Change in unearned premiums, net		(179,869,727)	(22,319,280)

9.1 Movement of gross unearned premiums and reinsurance share of unearned premiums:

	2022			2021		
	<i>Gross</i>	<i>Reinsurers'</i>	<i>Net</i>	<i>Gross</i>	<i>Reinsurers'</i>	<i>Net</i>
	<i>SR</i>	<i>share</i>	<i>SR</i>	<i>SR</i>	<i>share</i>	<i>SR</i>
Opening balance	168,094,359	(47,877,264)	120,217,095	140,802,544	(42,904,729)	97,897,815
Written premium during the year	733,193,225	(127,117,573)	606,075,652	422,322,603	(131,245,255)	291,077,348
Earned premium during the year	(561,649,267)	135,443,342	(426,205,925)	(395,030,788)	126,272,720	(268,758,068)
Closing balance	339,638,317	(39,551,495)	300,086,822	168,094,359	(47,877,264)	120,217,095

ARABIA INSURANCE COOPERATIVE COMPANY
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10. OUTSTANDING CLAIMS

	2022		
	<i>Gross</i>	<i>Reinsurers'</i>	<i>Net</i>
	<i>SR</i>	<i>share</i>	<i>SR</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
Paid claims	356,287,093	(61,225,913)	295,061,180
Provided claims during the year	677,903,013	(674,280,995)	3,622,018
IBNR claims during the year	15,103,338	721,946	15,825,284
Claims incurred during the year	1,049,293,444	(734,784,962)	314,508,482
Outstanding claims as at 1 January	104,492,463	(70,586,697)	33,905,766
IBNR claims as at 1 January	52,970,390	(8,345,878)	44,624,512
	157,462,853	(78,932,575)	78,530,278
Outstanding claims as at 31 December	782,395,476	(744,867,692)	37,527,784
IBNR as at 31 December	68,073,728	(7,623,932)	60,449,796
	850,469,204	(752,491,624)	97,977,580
Change in outstanding claims, net	(693,006,351)	673,559,049	(19,447,302)

	2021		
	<i>Gross</i>	<i>Reinsurers'</i>	<i>Net</i>
	<i>SR</i>	<i>share</i>	<i>SR</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
Paid claims	278,098,796	(42,254,776)	235,844,020
Provided claims during the year	23,605,294	(36,608,850)	(13,003,556)
IBNR claims during the year	(7,011,333)	1,032,847	(5,978,486)
Claims incurred during the year	294,692,757	(77,830,779)	216,861,978
Outstanding claims as at 1 January	80,887,169	(33,977,846)	46,909,323
IBNR claims as at 1 January	59,981,723	(9,378,725)	50,602,998
	140,868,892	(43,356,571)	97,512,321
Outstanding claims as at 31 December	104,492,463	(70,586,697)	33,905,766
IBNR as at 31 December	52,970,390	(8,345,878)	44,624,512
	157,462,853	(78,932,574)	78,530,279
Change in outstanding claims, net	(16,593,961)	35,576,003	18,982,042

11. CLAIMS DEVELOPMENT TABLE

The following table represents cumulative incurred claims including both cumulative incurred claims and reported and incurred but not reported claims at each financial position date, in addition to the cumulative payments up to date.

The Company aims to maintain adequate reserves in respect of its insurance business in anticipation of future claims. As claims develop and the ultimate cost of claims becomes certain, the related reserves are to be amortized. The Company transfers the amortized reserves to current accident year reserves when the development of claims is incomplete and includes material uncertainty related to the ultimate cost of claims.

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11. CLAIMS DEVELOPMENT TABLE (CONTINUED)

The analysis of total claims according to accident years is as follows:

Accident Year	2022 (GROSS)					
	<i>2018 and earlier</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>Total</i>
	SR	SR	SR	SR	SR	SR
Estimate of ultimate claims cost:						
At the end of accident year	2,433,989,118	320,810,160	235,676,183	314,223,141	1,045,744,863	4,350,443,465
One year later	1,845,474,862	248,692,023	222,551,540	312,442,327	-	2,629,160,752
Two years later	1,855,440,868	244,562,079	221,697,377	-	-	2,321,700,324
Three years later	1,857,523,444	242,615,678	-	-	-	2,100,139,122
Four years later	1,853,292,224	-	-	-	-	1,853,292,224
Current cost of cumulative claims	1,853,292,224	242,615,678	221,697,377	312,442,327	1,045,744,863	3,675,792,469
Less: Cumulative payments to date	1,836,191,270	235,021,063	217,617,121	293,279,785	243,214,026	2,825,323,265
Total gross outstanding claims and reserves in the statement of financial position	17,100,954	7,594,615	4,080,256	19,162,542	802,530,837	850,469,204

Accident Year	2021 (GROSS)					
	<i>2017 and earlier</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>Total</i>
	SR	SR	SR	SR	SR	SR
Estimate of ultimate claims cost:						
At the end of accident year	2,149,437,393	284,551,725	320,810,160	235,676,183	314,223,141	3,304,698,602
One year later	1,625,957,351	219,517,511	248,692,023	222,551,540	-	2,316,718,425
Two years later	1,623,601,909	231,838,959	244,562,079	-	-	2,100,002,947
Three years later	1,628,446,835	229,076,609	-	-	-	1,857,523,444
Four years later	1,624,105,519	-	-	-	-	1,624,105,519
Current cost of cumulative claims	1,624,105,519	229,076,609	244,562,079	222,551,540	314,223,141	2,634,518,888
Less: Cumulative payments to date	1,603,701,335	224,763,735	233,646,423	215,247,164	199,697,378	2,477,056,035
Total gross outstanding claims and reserves in the statement of financial position	20,404,184	4,312,874	10,915,656	7,304,376	114,525,763	157,462,853

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11. CLAIMS DEVELOPMENT TABLE (CONTINUED)

The analysis of net claims according to accident years is as follows:

2022 (in NET)

Accident Year	2018 and earlier	2019	2020	2021	2022	Total
	SR	SR	SR	SR	SR	SR
Estimate of ultimate claims cost:						
At the end of accident year	1,260,624,866	206,456,610	175,919,519	233,339,345	311,343,294	2,187,683,634
One year later	1,154,435,479	164,347,492	165,799,487	234,884,061	-	1,719,466,519
Two years later	1,155,389,645	160,644,058	164,775,474	-	-	1,480,809,177
Three years later	1,163,296,217	159,346,423	-	-	-	1,322,642,640
Four years later	1,156,910,041	-	-	-	-	1,156,910,041
Current cost of cumulative claims	1,156,910,041	159,346,423	164,775,474	234,884,061	311,343,294	2,027,259,293
Less: Cumulative payments to date	1,153,620,828	155,972,363	162,773,759	230,123,146	226,791,617	1,929,281,713
Total net outstanding claims and reserves in the statement of financial position	3,289,213	3,374,060	2,001,715	4,760,915	84,551,677	97,977,580

2021 (in NET)

Accident Year	2017 and earlier	2018	2019	2020	2021	Total
	SR	SR	SR	SR	SR	SR
Estimate of ultimate claims cost:						
At the end of accident year	1,074,621,516	186,003,350	206,456,610	175,919,519	233,339,345	1,876,340,340
One year later	1,007,917,805	146,517,674	164,347,492	165,799,487	-	1,484,582,458
Two years later	999,775,085	155,614,560	160,644,058	-	-	1,316,033,703
Three years later	1,010,195,310	153,100,907	-	-	-	1,163,296,217
Four years later	1,007,451,395	-	-	-	-	1,007,451,395
Current cost of cumulative claims	1,007,451,395	153,100,907	160,644,058	165,799,487	233,339,345	1,720,335,192
Less: Cumulative payments to date	1,000,459,627	151,241,145	155,814,127	161,000,530	173,289,484	1,641,804,913
Total net outstanding claims and reserves in the statement of financial position	6,991,768	1,859,762	4,829,931	4,798,957	60,049,861	78,530,279

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12. PREPAYMENTS AND OTHER ASSETS

	2022		
	<i>Insurance operations</i>	<i>Shareholders' Operations</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
Prepaid expenses	10,299,113	631,429	10,930,542
Advances to suppliers	1,738,118	1,750,578	3,488,696
Bank guarantee	2,708,500	-	2,708,500
Employees receivables	2,909,828	-	2,909,828
Deferral of TPA medical fees	8,675,112	-	8,675,112
Accrued commission	883,165	797,985	1,681,150
	<u>27,213,836</u>	<u>3,179,992</u>	<u>30,393,828</u>
	2021		
	<i>Insurance operations</i>	<i>Shareholders' Operations</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
Prepaid expenses	10,249,905	347,995	10,597,900
Advances to suppliers	1,960,890	1,048,988	3,009,878
Bank guarantee	2,709,500	-	2,709,500
Employees receivables	2,043,783	-	2,043,783
Deferral of TPA medical fees	2,775,116	-	2,775,116
Accrued commission	381,110	1,000,289	1,381,399
Others	1,685,507	-	1,685,507
	<u>21,805,811</u>	<u>2,397,272</u>	<u>24,203,083</u>

13. THE RIGHT TO USE THE ASSETS AND LEASE LIABILITIES

The following table shows the balance of right to use assets in addition to the depreciation charged on each of the following items:

	31 December 2022		31 December 2021	
	SR	SR	SR	SR
	Depreciation	Balance	Depreciation	Balance
Building	<u>1,917,918</u>	<u>1,296,797</u>	<u>2,157,237</u>	<u>3,214,715</u>
	<u>1,917,918</u>	<u>1,296,797</u>	<u>2,157,237</u>	<u>3,214,715</u>

The lease liabilities at the end of the year are as follows:

	2022	2021
	SR	SR
The non-current portion of the lease obligations	1,200,751	2,667,556
The current portion of the lease obligations	35,276	74,936
	<u>1,236,027</u>	<u>2,742,492</u>

Funding interest from lease contract obligations during the year ended December 31, 2022 amounted to SAR 74,936 (2021: SAR 158,230)

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14. PROPERTY AND EQUIPMENT, NET

	<i>Leasehold improvements SR</i>	<i>Furniture and fixtures SR</i>	<i>Motor vehicles SR</i>	<i>Computers and Office equipment SR</i>	<i>Total SR</i>
<u>Cost:</u>					
Balance at 1 January 2021	4,166,269	6,140,663	507,410	19,206,036	30,020,378
Additions during the year	22,201	281,932	576,180	2,558,109	3,438,422
Disposals during the year	-	-	-	-	-
Balance at 31 December 2021	4,188,470	6,422,595	1,083,590	21,764,145	33,458,800
Additions during the year	278,178	437,521	132,500	4,890,356	5,738,555
Disposals during the year					
Balance at 31 December 2022	4,466,648	6,860,116	1,216,090	26,654,501	39,197,355
<u>Accumulated depreciation:</u>					
Balance at 1 January 2021	1,834,228	6,140,663	364,417	15,082,345	23,421,653
Charge for the year	338,684	231,946	121,445	1,927,118	2,619,193
Disposals during the year	-	-	-	-	-
Balance at 31 December 2021	2,172,912	6,372,609	485,862	17,009,463	26,040,846
Charge for the year	313,761	52,198	165,668	2,472,269	3,003,896
Disposals during the year					
Balance at 31 December 2022	2,486,673	6,424,807	651,530	19,481,732	29,044,742
<u>Net book value as at</u>					
As at 31 December 2022	1,979,975	435,309	564,560	7,172,769	10,152,613
As at 31 December 2021	2,015,559	49,986	597,728	4,754,682	7,417,955

15. ACCRUED EXPENSES AND OTHER LIABILITIES

	2022		
	<i>Insurance operations SR</i>	<i>Shareholders' Operations SR</i>	<i>Total SR</i>
Payable to suppliers and brokers	30,292,580	-	30,292,580
Accrued Withholding tax	5,543,042	-	5,543,042
Accrued CCHI fees	1,110,528	-	1,110,528
Board of directors' attendance allowances and expenses	-	1,169,914	1,169,914
Others	-	167,335	167,335
	36,946,150	1,337,249	38,283,399
	2021		
	<i>Insurance operations SR</i>	<i>Shareholders' Operations SR</i>	<i>Total SR</i>
Payable to suppliers and brokers	20,263,592	-	20,263,592
Accrued Withholding tax	616,422	-	616,422
Accrued CCHI fees	413,201	-	413,201
Board of directors' attendance allowances and expenses	-	1,033,914	1,033,914
Others	1,465,459	167,335	1,632,794
	22,758,674	1,201,249	23,959,923

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16. UNEARNED REINSURANCE COMMISSION

	2022	2021
	SR	SR
Balance as at 1 January	3,460,509	3,277,777
Commission received during the year	27,852,965	28,000,959
Commission earned during the year	(23,401,370)	(27,818,227)
Balance as at 31 December	7,912,104	3,460,509

17. INVESTMENTS

Investments components of the following:

	31 December 2022			31 December 2021		
	Insurance operations	Shareholders' Operations	Total	Insurance operations	Shareholders' Operations	Total
	SR	SR	SR	SR	SR	SR
Investments available for sale	-	74,382,561	74,382,561	-	62,292,662	62,292,662
Investments held to maturity *	32,450,625	47,596,538	80,047,163	31,903,125	46,836,631	78,739,756
Total	32,450,625	121,979,099	154,429,724	31,903,125	109,129,293	141,032,418

* Bonds are stated in the statement of financial position at amortized cost. The fair value of investments acquired to maturity amounted to SR 76,595,422 (31 December 2021: SR 81,096,303).

a. The following is an analysis of the components of available-for-sale investments for shareholders' operations:

	Local		Foreign		Total	
	2022	2021	2022	2021	2022	2021
Mutual funds	35,208,857	30,068,462	933,697	2,033,698	36,142,554	32,102,160
Investment Portfolio	11,075,955	-	-	-	11,075,955	-
Bonds	23,799,205	27,491,572	1,441,770	775,853	25,240,975	28,267,425
Stocks	1,923,077	1,923,077	-	-	1,923,077	1,923,077
Total	72,007,094	59,483,111	2,375,467	2,809,551	74,382,561	62,292,662

- The movement of investments available for sale to shareholders' operations is as follows:

	2022	2021
Balance on 1 January	109,129,293	71,500,387
Additions	78,918,564	148,292,189
Disposals	(64,746,994)	(112,728,712)
Realized profit during the period	1,502,439	2,675,001
Change in fair value of investments	(1,724,203)	(609,572)
Impairment charges of available for sale Investment	(1,100,000)	-
Balance on 31 December	121,979,099	109,129,293

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17. INVESTMENTS – (CONTINUED)

b. The following is an analysis of the investments held to maturity of the insurance operations:

	Local		Foreign		Total	
	2022	2021	2022	2021	2022	2021
Fixed yield bonds	29,825,625	28,903,125	2,625,000	3,000,000	32,450,625	31,903,125
Total	29,825,625	28,903,125	2,625,000	3,000,000	32,450,625	31,903,125

- The following is an analysis of the investments held to maturity of shareholders' operations:

	Local		Foreign		Total	
	2022	2021	2022	2021	2022	2021
Fixed yield bonds	34,841,850	34,055,693	12,754,688	12,780,938	47,596,538	46,836,631
Total	34,841,850	34,055,693	12,754,688	12,780,938	47,596,538	46,836,631

All the above bonds are listed and classified (A1/BBB+) by Moody's and Fitch. The average interest rate was 3.57% per annum (31 December 2021: 3.55%). The maturity date of these bonds extends up to 2031.

The movement of investments held to maturity for insurance operations is as follows:

	2022	2021
Balance on 1 January	31,903,125	32,653,125
Disposal /Additions	547,500	(750,000)
Balance on 31 December	32,450,625	31,903,125

c. The following table presents an analysis of financial instruments recorded at fair value in accordance with the fair value hierarchy:

	2022			
	Level 1	Level 2	Level 3	Total
Investments available for sale				
Mutual funds and portfolios	-	35,208,857	933,697	36,142,554
Stock portfolio	11,075,955	-	-	11,075,955
Bonds / Sukuk	4,183,378	21,057,597	-	25,240,975
Stocks	-	-	1,923,077	1,923,077
Total	15,259,333	56,266,454	2,856,774	74,382,561

	2021			
	Level 1	Level 2	Level 3	Total
Investments available for sale				
Mutual funds and portfolios	-	32,102,160	-	32,102,160
Bonds / Sukuk	28,267,425	-	-	28,267,425
Stocks	-	-	1,923,077	1,923,077
Total	28,267,425	32,102,160	1,923,077	62,292,662

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17. INVESTMENTS – (CONTINUED)

Change in Fair Value hierarchy:

Following reclassifications were done I respect of Fair value Hierarchy:

Security Name	Amount	Previous Fair Value Level	Current Fair Value Level
Mutual funds and portfolios	933,697.53	Level 2	Level 3
Bonds/Sukuks	21,057,597	Level 1	Level 2

Shifting between the Fair Value Level hierarchy is in compliance with the IFRS-13 requirements based on the active market considerations and listing over the relevant stock exchanges.

18. STATUTORY DEPOSITS

The deposit represents 10% of the paid-up share capital, in accordance with the requirements of the Cooperative Insurance Companies Control Law in Saudi Arabia. This statutory deposit cannot be withdrawn without the approval of the Saudi Central Bank. During 2016 the capital was reduced from 400 million Saudi riyals to 265 million Saudi riyals. The company contacted the Saudi Central Bank for the purpose of requesting the withdrawal of the surplus from the statutory deposit, as the Saudi Central Bank stated that, according to Article Fifty-two of the Executive Regulations, the statutory deposit increased to 15% of the capital after the reduction, and the company did not withdraw the surplus, which is worth 250 thousand Saudi riyals. The company deposited the statutory deposit in the Arab National Bank.

19. SHARE CAPITAL

As at 31 December ,2022 and 31 December 2021 , the authorized , subscribed and paid up share capital of the company was SAR 265 million , divided into 26.5 million shares at nominal value of SAR 10 each .On Rabi-Al-Thani 26, 1444 H corresponding to 20 November 2022 The extra -ordinary general assembly approved increasing the capital by 100%, accordingly a total of 26.5 million right shares was issued at a nominal value of SAR 10 per share. The new share capital amounting to SAR 530 million will be reported in the interim condensed financial statements for the three months period ended 31 March 2023. Noting that the company received the funds from the issuance of the capital increase shares on Jumada -Al-Thani 25, 1444 H Corresponding to 18 January 2023.

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20. GENERAL AND ADMINISTRATIVE EXPENSES

	2022			2021		
	<i>Insurance operations SR</i>	<i>Shareholder s' Operations SR</i>	<i>Total SR</i>	<i>Insurance operations SR-</i>	<i>Shareholders ' operations SR</i>	<i>Total SR</i>
Employees' costs	38,330,357	-	38,330,357	32,817,893	-	32,817,893
Supervision and inspection costs	7,095,504	-	7,095,504	2,865,638	-	2,865,638
Claim management Fees	11,090,920	-	11,090,920	6,764,537	-	6,764,537
Stationery and printing	6,785,218	-	6,785,218	6,092,725	-	6,092,725
Advertising	441,809	-	441,809	153,200	-	153,200
Legal and professional fees	10,838,597	60,300	10,898,897	8,011,314	198,944	8,210,258
Rents	616,094	194,397	810,491	519,905	178,197	698,102
Right of use assets depreciation	1,917,918	-	1,917,918	2,157,237	-	2,157,237
Lease liability finance charges	74,936	-	74,936	158,230	-	158,230
Depreciation (note 14)	3,003,896	-	3,003,896	2,619,193	-	2,619,193
Insurance expenses	2,627,819	-	2,627,819	2,518,355	-	2,518,355
Communication expenses	2,210,714	-	2,210,714	2,334,310	-	2,334,310
Travelling and accommodation	289,838	28,282	318,120	176,506	19,252	195,758
Board of directors' attendance allowance and expenses	-	610,500	610,500	-	980,000	980,000
Withholding tax and VAT expenses	3,244,196	-	3,244,196	93,356	-	93,356
Bank charges	-	236,926	236,926	1,660,431	155,224	1,815,655
Training expenses	224,214	-	224,214	132,768	20,348	153,116
Others	10,016,636	63,634	10,080,270	2,757,636	70,472	2,828,108
	98,808,666	1,194,039	100,002,705	71,833,234	1,622,437	73,455,671

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21. ZAKAT AND INCOME TAX ACCRUED

a. Zakat

The zakat base is composed of the following:

	2022 SR	2021 SR
Share capital	265,000,000	265,000,000
Provisions	68,542,326	76,430,071
Property and equipment, net	(10,152,613)	(7,416,919)
Available-for-sale investments	(1,923,077)	(1,923,077)
Statutory deposits	(40,000,000)	(40,000,000)
Deferred policy acquisition costs	(24,055,081)	(11,122,225)
Accumulated losses	(49,496,359)	(43,978,974)
	207,915,196	236,988,876
Adjusted income / (loss)	14,484,044	(5,220,605)
Zakat base	222,399,240	231,768,271

	2022 SR	2021 SR
<u>Zakat for the year</u>		
The zakat charge for the year consists of the following:		
Share of the Saudi founding shareholders and general public from the Zakat base at 71.6% (2021: 71.6%)	163,307,813	164,463,430
Zakat for the year at 2.5%	4,198,307	4,255,386

b. Income tax

Income tax charge for the year consists of the following:

	2022 SR	2021 SR
Share of the non-Saudi shareholders from the adjusted net income for the year at 28.4% (2021: 28.4%) (after computation of accumulated losses)	5,675,514	(2,130,734)
Provision for income tax (20%)	935,598	-
Zakat and income tax for the year	5,133,906	4,255,386

The Company charged an estimated amount of Zakat and income tax for the year ended 31 December 2022 by SR 4,083,841 (31 December 2021: SR 5,528,064).

c. Movement of zakat and income tax provision during the year are as follows:

	2022 SR	2021 SR
Provision at the beginning of the year	7,652,889	6,281,980
Charge for the year	4,500,000	5,528,064
Prior years' adjustments	-	519,795
Paid during the year	(4,936,921)	(4,676,950)
	7,215,968	7,652,889

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21. ZAKAT AND INCOME TAX ACCRUED – (CONTINUED)

d. Status of assessment

The company submitted its tax and zakat returns to the zakat tax and customs authority for all years up to the fiscal year ending on December 31, 2021, and the company has received a final certificate for the fiscal year ending December 31, 2021.

Zakat, income tax and withholding tax

During the year 2022, the company's objection to the zakat assessments made by the Zakat, Tax and Customs Authority for the years 2019 and 2020 was discussed, and this resulted in a partial acceptance of the company's objection, as it received notices of partial acceptance, and the company filed a lawsuit before the general secretariat of the Zakat, Tax and customs Committees regarding the items that were rejected by the commission which has been accepted by the secretariat on September 6, 2022, a hearing was attended before the first circuit to adjudicate income tax violations and disputes in the city of Dammam. On September 29, 2022, the company received the decision of this department, as the company's opinion was supported in one of the controversial item. The company saw that it is satisfied with the issued decision or not, regarding the items it lost, and the company will have the right to respond and complete the case until the stage of issuing a final decision that is binding on all parties.

On July 31, 2022, the company received the decision of the First appeal department for income tax violations and Disputes regarding the lawsuit filed by the company against the Zakat, Tax and Customs Authority regarding the zakat and tax assessment amended by the Authority for the years 2013 and 2014. The company's opinion was supported regarding same controversial items with an amount of 4,291,133 riyals while other items were rejected in the amount of 701,885 riyals, and amended assessments were issued according to this decision by the authority, and the company paid the amount due accordingly.

Also during the year 2022, on August 23, 2022, a hearing was attended on the lawsuit filed by the company against the Zakat, Tax and Customs Authority, regarding the amendment of withholding tax returns submitted for the years from 2015 to 2017. A decision was issued by the first Circuit to adjudicate income tax violations and disputes in the city of Dammam on September 27, 2022, the company appealed this decision within the statutory deadline.

Also, during the year 2022 on August 28, 2022, a hearing was attended before the First Circuit to adjudicate income tax violations and disputes in the city of Riyadh, regarding the lawsuit filed by the company against the Zakat & Tax assessment and withholding tax assessment amended by the Authority for the year 2018. On September 20, 2022, the company received the decision issued by this department, in which the items in question were partially accepted and other items were rejected. An appeal against this decision was made within the statutory deadline.

In order to provide more documents supporting the company's position against imposing a withholding tax on local reinsurance premiums by the Zakat, Tax and Customs Authority, the company has appointed a tax advisor for the purpose of providing an independent certificate proving that the company has indirectly paid the waived reinsurance premiums for the years 2015 to 2018 to reinsurers Non-local insurance through local reinsurance brokerage companies to these local brokerage companies, and therefore these premiums may not be subject to withholding tax.

Value added tax

On October 25, 2021, the company received the decisions issued by the First The Tax Committees for Resolution of Tax Violations and Disputes, which ruled to reject the appeal submitted by the company to the decision of the Second Chamber to settle value-added tax violations and disputes in the lawsuits filed against the Zakat, Tax and Customs Authority regarding its assessment of value tax. The added value for the years 2018 and 2019 resulted in the company incurring the amount paid as a result of this assessment, amounting to 3,007,268 Saudi riyals, which was recorded as a tax expense during this period.

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22. RELATED PARTY TRANSACTIONS AND BALANCES

a. Insurance operations

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

Related party	Nature of transactions	31 December 2022 SR	31 December 2021 SR
Board of Directors and the companies they represent	- Gross Premiums written	6,363,626	6,069,771
	- Claims paid	862,874	1,155,436
Key management staff	- Short term benefits	4,689,380	4,157,580
	- End of service benefits	160,051	172,467
	- Expenses paid by the company on behalf of the company	2,750	91,076
Arabia Insurance Company - Lebanon (shareholder)	- Expenses paid by the company for the Arabia Insurance Company” (shareholder)	495,802	-
	- Expenses paid by Arabia Insurance Company on behalf of the Company	299,670	299,670
Jordan Insurance Company - (shareholder)	- Reinsurance operations, net	-	-

The above transactions with the related parties resulted in the following balances as at 31 December:

	2022 SR	2021 SR
Arabia Insurance Company – Lebanon – Shareholder	-	(198,882)
Jordan Insurance Company – Shareholder	83,346	83,346
Board members and the companies they represent	1,194,014	1,959,091
Reinsurance balance due from Jordan Insurance Company	546,767	546,767

b. Shareholders’ operations

Compensation of the Board of Directors

The compensation of the board of directors during the year were as follows:

	31 December 2022 SR	31 December 2021 SR
Board of directors attendance allowance and expenses	610,500	980,000

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23. PROVISION FOR END OF SERVICE BENEFITS

The Company has carried out actuarial valuation of its end of service benefits obligation as at 31 December 2022. The following table summarizes the components of the employees' end-of-service benefits recognized in the statement of income, statement of comprehensive income and in the statement of financial position.

<i>The amounts recognized in the statement of financial position</i>	31 December 2022 SR	31 December 2021 SR
Present value of end of service benefits	11,563,543	10,479,356
	11,563,543	10,479,356
Movement in Present value of end of service benefits	31 December 2022 SR	31 December 2021 SR
End of service benefits at the beginning of year	10,479,356	10,427,777
Current service cost	1,134,003	1,155,054
Interest cost	329,997	312,980
Re-measurement on end of service benefits	(31,327)	(979,090)
Benefits paid	(348,486)	(437,365)
Present value of end of service benefits at the end of year	11,563,543	10,479,356
End of service benefits expense (recognized in statement of income - insurance operations)	31 December 2022 SR	31 December 2021 SR
Current service cost	1,134,003	1,155,054
Interest cost	329,997	312,980
Present value of end of service benefits at the end of year	1,464,000	1,468,034

The valuation of the defined benefit obligation and assumptions

Liability under the scheme is based on various assumptions ("actuarial assumptions") including the estimation of the discount rate, inflation rate, expected rate of salary increase and normal retirement ages. Based on the assumptions, cash outflows are estimated for the Company's employees as a whole giving the total payments expected over the future years, which are discounted to arrive at the obligation at the reporting date. Any changes in actuarial assumptions from one period to another may affect the determination of the estimated obligation at the reporting date, which is accounted for as an actuarial gain or loss for the year.

The principal actuarial assumptions (in respect of the employee benefit scheme) used for the valuation as at 31 December 2022 are as follows:

<i>Basic actuarial assumptions as at:</i>	31 December 2022	31 December 2021
Discount rate	3.50 %	2.80 %
Rate of salary increase	4.30 %	4.35 %
Normal retirement age	60 years	60 years

Assumptions regarding future mortality are set based on actuarial advice in accordance with the published statistics and experience in the region.

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24. CONTINGENCIES AND COMMITMENTS

a) Lawsuits

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. Based on the advice of the legal advisors, the Company believes that the ultimate outcome of such proceedings will not have a material effect on its results or financial position.

b) Contingent Liabilities.

As of December 31, 2022, the Company has given guarantees of SR 2,708,500 million (31 December 2021): SR 2,709,500) relates to service providers. The bank restricted this amount from the Company's current account which is classified as guarantee deposits in prepaid expenses and other assets in the statement of financial position (refer note 12).

25. STATUTORY RESERVE

According to the Articles of Association of the Company and Article 70 (2c) of the Insurance Companies Regulations of the Saudi Central Bank, 20% of the net income for the year is transferred to the statutory reserve. The Company may discontinue such transfer when the reserve reaches 100% of the capital. The statutory reserve is not available for distribution. As a result of the accumulated losses, this transfer has not been made for the year ended 31 December 2022.

26. BASIC AND DILUTED EARNINGS / (LOSSES) PER SHARE

Earnings / (losses) per share for the two years ended 31 December 2022 and 2021 were calculated by dividing the net income / (losses) for the year by the average number of ordinary shares authorized and issued during the year amounting to 26.5 million shares.

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets and liabilities include cash and cash equivalents, term deposits, available for sale investments, held to maturity investments, receivables, creditors and certain other assets and liabilities. The fair values of financial assets and liabilities are not significantly different from their carrying values, except for non-current financial instruments where they are carried at cost.

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28. SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, operating segments have been approved by Management in respect of the Company's activities, assets and liabilities. Information disclosed in the note is based on current reporting to the chief operating decision maker.

Segment results do not include allocation of general and administrative expenses, and other insurance income and other income to operating segments.

Segment assets do not include allocation of cash and cash equivalents, time deposits, held to maturity investments, premiums and reinsurance balances receivable, due from related parties, prepaid expenses and other assets, due from shareholders' operations, and property and equipment, net to operating segments.

Segment liabilities do not include allocation of accounts payable, reinsurance balances payable, accrued expenses and other liabilities, due to shareholders' operations, due to related parties, employees' end of service benefits and surplus distribution payable to operating segments.

The unallocated assets and unallocated liabilities are reported to chief operating decision maker on the cumulative basis and not reported under the related segments.

Following are the operating segments identified for segment reporting purposes;

Medical	Medical corporate and medical individual
Motor	Motor corporate and motor individual
Fire	Fire
Engineering	Construction
Marine	Marine
Others	Aviation, general and accident and protection and saving (group term life)

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29. OPERATING SEGMENTS (CONTINUED)

As at 31 December 2022

As at 31 December 2022		In Saudi Riyals					
	Insurance Operations						
Operating segments	Medical	Motor	Fire	Engineering	Marine	Others	Total
Assets							
Reinsurers' share of unearned premiums	8,889	-	18,382,932	7,646,594	2,968,383	10,544,697	39,551,495
Reinsurers' share of outstanding claims	896,837	12,944,284	703,870,195	3,503,656	1,948,609	21,704,111	744,867,692
Reinsurers' share of claims incurred but not reported	998,663	-	5,710,412	214,189	227,157	473,511	7,623,932
Deferred policy acquisition costs	15,488,258	4,616,279	1,690,460	828,098	429,930	1,002,056	24,055,081
Unallocated assets	-	-	-	-	-	-	492,118,391
	17,392,647	17,560,563	729,653,999	12,192,537	5,574,079	33,724,375	1,308,216,591
Liabilities							
Unearned premiums	238,465,403	57,813,854	19,174,591	9,135,883	3,468,034	11,580,552	339,638,317
Unearned reinsurance commission	-	-	2,945,843	2,521,534	818,272	1,626,455	7,912,104
Outstanding claims	17,605,862	22,558,151	706,007,334	5,327,985	2,509,010	28,387,134	782,395,476
Claims incurred but not reported	33,051,048	25,977,013	6,702,087	547,434	430,507	1,365,639	68,073,728
Premium deficiency reserve	875,383	365,257	179,324	62,318	-	118,640	1,600,922
Unallocated liabilities	-	-	-	-	-	-	108,596,044
	289,997,696	106,714,275	735,009,179	17,595,154	7,225,823	43,078,420	1,308,216,591

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29. OPERATING SEGMENTS (CONTINUED)

As at 31 December 2021

As at 31 December 2021	<u>In Saudi Riyals</u>						
	Insurance Operations						
Operating segments	Medical	Motor	Fire	Engineering	Marine	Others	Total
Assets							
Reinsurers' share of unearned premiums	14,516,749	-	15,474,054	7,626,142	2,007,520	8,252,799	47,877,264
Reinsurers' share of outstanding claims	3,016,231	13,244,284	36,791,630	3,542,039	3,950,654	10,041,858	70,586,696
Reinsurers' share of claims incurred but not reported	4,388,000	-	3,261,000	354,000	317,000	25,878	8,345,878
Deferred policy acquisition costs	3,926,562	3,549,030	1,468,270	770,808	302,495	1,105,060	11,122,225
Unallocated assets	-	-	-	-	-	-	285,238,986
	25,847,542	16,793,314	56,994,954	12,292,989	6,577,669	19,425,595	423,171,049
Liabilities							
Unearned premiums	75,299,640	55,140,339	16,016,497	9,058,386	2,443,783	10,135,714	168,094,359
Unearned reinsurance commission	-	-	1,249,766	664,231	351,399	1,195,113	3,460,509
Outstanding claims	16,150,146	24,771,107	37,231,863	5,570,550	5,074,600	15,694,197	104,492,463
Claims incurred but not reported	18,119,000	28,352,000	4,371,000	790,000	721,000	617,390	52,970,390
Premium deficiency reserve	-	6,237,000	871,000	504,000	150,000	1,203,000	8,965,000
Unallocated liabilities	-	-	-	-	-	-	85,188,328
	109,568,786	114,500,446	59,740,126	16,587,167	8,740,782	28,845,414	423,171,049

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28. OPERATING SEGMENTS (CONTINUED)

for the year ended 31 December 2022	In Saudi Riyals						
Operating segments	Medical	Motor	Fire	Engineering	Marine	Others	Total
Revenue							
Gross premiums written							
- Direct	441,207,919	163,809,504	66,300,489	19,175,241	13,291,648	29,408,424	733,193,225
Less: Reinsurance premiums ceded:							
Foreign	(2,068,118)	-	(55,253,362)	(11,343,598)	(9,352,376)	(26,751,796)	(104,769,250)
Local	-	-	(8,919,340)	(4,591,474)	(2,072,212)	(486,923)	(16,069,949)
Excess of loss premiums	(2,600,000)	(1,305,600)	(562,498)	(1,312,495)	(497,781)	-	(6,278,374)
NET PREMIUMS WRITTEN	436,539,801	162,503,904	1,565,289	1,927,674	1,369,279	2,169,705	606,075,652
Change in unearned premiums, net	(177,673,623)	(2,673,515)	(249,215)	(57,045)	(63,389)	847,060	(179,869,727)
NET PREMIUMS EARNED	258,866,178	159,830,389	1,316,074	1,870,629	1,305,890	3,016,765	426,205,925
Reinsurance commission	-	-	9,038,124	6,088,781	3,130,390	5,144,075	23,401,370
Other Revenues	2,139,662	386,557	-	(64,034)	-	4,718,000	7,180,185
TOTAL REVENUE	261,005,840	160,216,946	10,354,198	7,895,376	4,436,280	12,878,840	456,787,480
Gross claims paid	(170,487,795)	(145,281,972)	(33,558,232)	(2,167,848)	(2,756,090)	(2,035,156)	(356,287,093)
Reinsurers share of claims paid	23,617,764	600,000	32,360,436	1,363,074	1,991,471	1,293,168	61,225,913
Net claims paid	(146,870,031)	(144,681,972)	(1,197,796)	(804,774)	(764,619)	(741,988)	(295,061,180)
Change in outstanding claims, net	(3,575,110)	1,912,956	(1,696,906)	204,182	563,544	(1,030,684)	(3,622,018)
Change in claims incurred but not reported, net	(18,321,386)	2,374,987	118,325	102,755	200,650	(300,616)	(15,825,285)
NET CLAIMS INCURRED	(168,766,527)	(140,394,029)	(2,776,377)	(497,837)	(425)	(2,073,288)	(314,508,483)
Policy acquisition costs	(15,631,766)	(13,538,146)	(5,929,979)	(1,779,764)	(1,436,936)	(3,168,323)	(41,484,914)
Change in premium deficiency reserve	(875,383)	5,871,743	691,676	441,682	150,000	1,084,360	7,364,078
Total underwriting costs and expenses	(185,273,676)	(148,060,432)	(8,014,680)	(1,835,919)	(1,287,361)	(4,157,251)	(348,629,317)
NET UNDERWRITING INCOME	75,732,164	12,156,515	2,339,518	6,059,457	3,148,920	8,721,588	108,158,162
Other operating (expenses) / income							
Provision for doubtful debts	-	-	-	-	-	-	(1,512,099)
General and administrative expenses	-	-	-	-	-	-	(98,808,666)
Commission income	-	-	-	-	-	-	219,657
Dividend	-	-	-	-	-	-	2,498,968
Total other operating income / (expense)	-	-	-	-	-	-	(97,602,140)
NET SURPLUS OF INSURANCE OPERATIONS'							10,556,022

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29. OPERATING SEGMENTS (CONTINUED)

For the year ended 31 December 2021	In Saudi Riyals					
Operating segments	Medical	Motor	Fire	Engineering	Marine	Others
Revenue						
Gross premiums written						
- Direct	166,078,757	145,225,688	54,826,256	19,080,210	12,919,546	24,192,146
Less: Reinsurance premiums ceded:						
Foreign	(25,960,268)	-	(37,666,015)	(12,475,216)	(8,324,827)	(19,883,214)
Local	-	-	(15,600,118)	(3,337,271)	(2,360,464)	(736,486)
Excess of loss premiums	-	(2,251,526)	(610,455)	(1,424,395)	(615,000)	-
NET PREMIUMS WRITTEN	140,118,489	142,974,162	949,668	1,843,328	1,619,255	3,572,446
Change in unearned premiums, net	(18,140,919)	(6,786,438)	1,317,577	137,610	321,406	831,484
NET PREMIUMS EARNED	121,977,570	136,187,724	2,267,245	1,980,938	1,940,661	4,403,930
Reinsurance commission	-	-	6,749,398	4,794,688	13,110,023	3,164,118
Other revenues	51,000	423,961	46,860	1,052,806	-	2,032,479
TOTAL REVENUE	122,028,570	136,611,685	9,063,503	7,828,432	15,050,684	9,600,527
Gross claims paid	(133,046,527)	(138,094,241)	(1,410,262)	(1,395,527)	(1,423,372)	(2,728,867)
Reinsurers share of claims paid	36,265,581	901,590	1,567,329	946,547	861,933	1,711,796
Net claims paid	(96,780,946)	(137,192,651)	157,067	(448,980)	(561,439)	(1,017,071)
Change in outstanding claims, net	(1,755,260)	15,960,622	(376,817)	350,345	(315,375)	(859,958)
Change in claims incurred but not reported, net	767,001	6,350,999	(935,000)	138,000	(191,000)	(151,515)
NET CLAIMS INCURRED	(97,769,205)	(114,881,030)	(1,154,750)	39,365	(1,067,814)	(2,028,544)
Policy acquisition costs	(6,873,168)	(15,310,874)	(5,474,249)	(1,343,566)	(1,386,122)	(2,453,000)
Change in premium deficiency reserve and other reserve	12,304,000	(4,130,000)	(867,000)	(396,000)	(150,000)	(96,000)
Total underwriting costs and expenses	(92,338,373)	(134,321,904)	(7,495,999)	(1,700,201)	(2,603,936)	(4,577,544)
NET UNDERWRITING INCOME	29,690,197	2,289,781	1,567,504	6,128,231	12,446,748	5,022,983
Other operating (expenses) / income						
Provision for doubtful debts						9,648,413
General and administrative expenses						(71,833,234)
Commission income						146,434
Dividend						1,164,340
Total other operating income / (expense)						(60,874,047)
NET SURPLUS OF INSURANCE OPERATIONS'						(3,728,603)

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30. SUPPLEMENTARY INFORMATION

- STATEMENT OF FINANCIAL POSITION

	In Saudi Riyals					
	31 December 2022			31 December 2021		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<u>Assets</u>						
Cash and cash equivalents	34,387,324	44,732,174	79,119,498	26,223,807	59,119,265	85,343,072
Premiums and reinsurers' receivable – net	233,299,452	-	233,299,452	150,976,952	-	150,976,952
Reinsurers' share of unearned premium	39,551,495	-	39,551,495	47,877,264	-	47,877,264
Reinsurers' share of outstanding claims	744,867,692	-	744,867,692	70,586,696	-	70,586,696
Reinsurers' share of claims incurred but not reported	7,623,932	-	7,623,932	8,345,878	-	8,345,878
Deferred policy acquisition cost	24,055,081	-	24,055,081	11,122,225	-	11,122,225
Investments	32,450,625	121,979,099	154,429,724	31,903,125	109,129,293	141,032,418
Amounts due from shareholders' operations	17,484,398	-	17,484,398	23,213,275	-	23,213,275
Due from a related party	83,346	-	83,346	83,346	-	83,346
Prepaid expenses and other assets	27,213,836	3,179,992	30,393,828	21,805,811	2,397,272	24,203,083
Right of use assets	1,296,797	-	1,296,797	3,214,715	-	3,214,715
Term deposits	135,750,000	38,339,075	174,089,075	20,400,000	37,060,919	57,460,919
Property and equipment, net	10,152,613	-	10,152,613	7,417,955	-	7,417,955
Statutory deposit	-	40,000,000	40,000,000	-	40,000,000	40,000,000
Return on statutory deposit	-	5,380,607	5,380,607	-	4,493,686	4,493,686
<u>Total assets</u>	1,308,216,591	253,610,947	1,561,827,538	423,171,049	252,200,435	675,371,484
<u>Liabilities</u>						
Accounts payable	36,378,827	-	36,378,827	17,106,089	-	17,106,089
Accrued expenses and other liabilities	36,946,150	1,337,249	38,283,399	22,758,674	1,201,249	23,959,923
Reinsurance balances payable	20,489,865	-	20,489,865	31,008,133	-	31,008,133
Unearned insurance premiums	339,638,317	-	339,638,317	168,094,359	-	168,094,359
Unearned reinsurance commissions	7,912,104	-	7,912,104	3,460,509	-	3,460,509
Outstanding claims	782,395,476	-	782,395,476	104,492,463	-	104,492,463
Claims incurred but not reported	68,073,728	-	68,073,728	52,970,390	-	52,970,390
			1,600,922			
Premium deficiency reserve and other reserves	1,600,922	-	-	8,965,000	-	8,965,000
Amounts due to insurance operations	-	17,484,398	17,484,398	-	23,213,275	23,213,275
End of service benefits	11,563,543	-	11,563,543	10,479,356	-	10,479,356
Due to related parties	-	-	-	198,882	-	198,882
Zakat and income tax payable	-	7,215,968	7,215,968	-	7,652,889	7,652,889
Lease liability	1,236,027	-	1,236,027	2,742,492	-	2,742,492
Return on statutory deposit	-	5,380,607	5,380,607	-	4,493,686	4,493,686
<u>Total liabilities</u>	1,306,234,959	31,418,222	1,337,653,181	422,276,347	36,561,099	458,837,446
<u>Cumulative surplus</u>						
Accumulated surplus payable	2,494,147	-	2,494,147	1,438,544	-	1,438,544
Actuarial loss on defined benefit plan	(512,515)	-	(512,515)	(543,842)	-	(543,842)
<u>Total liabilities and accrued surplus</u>	1,308,216,591	31,418,222	1,339,634,813	423,171,049	36,561,099	459,732,148
<u>Shareholders' equity</u>						
Equity capital	-	265,000,000	265,000,000	-	265,000,000	265,000,000
Accumulated losses	-	(41,218,767)	(41,218,767)	-	(49,496,359)	(49,496,359)
Investment of available-for-sale revaluation reserve	-	(1,588,508)	(1,588,508)	-	135,695	135,695
<u>Total shareholders' equity</u>	-	222,192,725	222,192,725	-	215,639,336	215,639,336
<u>Total liabilities and shareholders' equity</u>	1,308,216,591	253,610,947	1,561,827,538	423,171,049	252,200,435	675,371,484

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30. SUPPLEMENTARY INFORMATION – (CONTINUED)

- STATEMENT OF INCOME

	In Saudi Riyals					
	31 December 2022			31 December 2021		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
REVENUES						
Gross premiums written	733,193,225	-	733,193,225	422,322,603	-	422,322,603
Reinsurance premiums ceded	-	-	-	-	-	-
- Foreign	(104,769,250)	-	(104,769,250)	(104,309,540)	-	(104,309,540)
- Local	(16,069,949)	-	(16,069,949)	(22,034,339)	-	(22,034,339)
Excess of loss expenses	(6,278,374)	-	(6,278,374)	(4,901,376)	-	(4,901,376)
Net premiums written	606,075,652	-	606,075,652	291,077,348	-	291,077,348
Changes in unearned premiums, net	(179,869,727)	-	(179,869,727)	(22,319,280)	-	(22,319,280)
Net premiums earned	426,205,925	-	426,205,925	268,758,068	-	268,758,068
Reinsurance commission earned	23,401,370	-	23,401,370	27,818,227	-	27,818,227
Other revenue	7,180,185	-	7,180,185	3,607,106	-	3,607,106
TOTAL REVENUES	456,787,480	-	456,787,480	300,183,401	-	300,183,401
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(356,287,093)	-	(356,287,093)	(278,098,796)	-	(278,098,796)
Reinsurers' share of claims paid	61,225,913	-	61,225,913	42,254,776	-	42,254,776
Net claims paid	(295,061,180)	-	(295,061,180)	(235,844,020)	-	(235,844,020)
Changes in outstanding claims, net	(19,447,302)	-	(19,447,302)	18,982,042	-	18,982,042
Net claims incurred	(314,508,482)	-	(314,508,482)	(216,861,978)	-	(216,861,978)
Policy acquisition costs	(41,484,914)	-	(41,484,914)	(32,840,979)	-	(32,840,979)
Changes in premium deficiency reserve	7,364,078	-	7,364,078	6,665,000	-	6,665,000
Other underwriting expenses	-	-	-	-	-	-
Total underwriting costs and expenses	(348,629,318)	-	(348,629,318)	(243,037,957)	-	(243,037,957)
NET UNDERWRITING INCOME	108,158,162	-	108,158,162	57,145,444	-	57,145,444
OPERATING (EXPENSES) / INCOME						
Reverse / (provision) for doubtful debts	(1,512,099)	-	(1,512,099)	9,648,413	-	9,648,413
General and administrative expenses	(98,808,666)	(1,194,039)	(100,002,705)	(71,833,234)	(1,622,437)	(73,455,671)
		2,059,381	3,636,802			
Commission income	1,577,421	-	1,577,421	146,434	779,423	925,857
Gain on sale of available for sale investments	-	1,502,439	1,502,439	-	2,675,001	2,675,001
Impairment loss on available for sale investment	-	(1,100,000)	(1,100,000)	-	-	-
Dividend income	1,141,204	2,009,391	3,150,595	1,164,340	2,427,090	3,591,430
Total other operating (expenses) / income	(97,602,140)	3,277,172	(94,324,968)	(60,874,047)	4,259,077	(56,614,970)
Total surplus / (deficit) for the year	10,556,022	3,277,172	13,833,194	(3,728,603)	4,259,077	530,474
Income / (Loss) for the year attributed to the shareholders	(9,500,420)	9,500,420	-	3,728,603	(3,728,603)	-
Net income / (loss) for the year	1,055,602	12,777,592	13,833,194	-	530,474	530,474
Zakat and income tax	-	(4,500,000)	(4,500,000)	-	(6,047,859)	(6,047,859)
Net income / (loss) after zakat and income tax	1,055,602	8,277,592	9,333,194	-	(5,517,385)	(5,517,385)

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30. SUPPLEMENTARY INFORMATION – (CONTINUED)

- STATEMENT OF COMPREHENSIVE INCOME

	In Saudi Riyals					
	31 December 2022			31 December 2021		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Net (loss) / income for the year	1,055,602	8,277,592	9,333,194	-	(5,517,385)	(5,517,385)
Other comprehensive income:						
<i>Items that cannot be reclassified subsequently to the statement of income:</i>						
- Actuarial gain / (loss) for defined benefit plans	31,327	-	31,327	979,090	-	979,090
<i>Items that can be reclassified subsequently to the statement of income:</i>						
Available-for-sale investments:	-	-	-			
- Net change in fair value	-	(1,724,203)	(1,724,203)	-	(609,572)	(609,572)
<u>Total comprehensive income for the year</u>	1,086,929	6,553,389	7,640,318	979,090	(6,126,957)	(5,147,867)

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30. SUPPLEMENTARY INFORMATION – (CONTINUED)

- STATEMENT OF CASH FLOWS

	In Saudi Rivals					
	31 December 2022			31 December 2021		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Net profit / (loss) for the year	1,055,602	8,277,592	9,333,194	-	(5,517,385)	(5,517,385)
<i>Adjustments for non-cash items:</i>						
Depreciation of property equipment	3,003,896	-	3,003,896	2,619,193	-	2,619,193
Gain from sale property and equipment	-	-	-	-	-	-
Depreciation of right of use assets	1,917,918	-	1,917,918	2,157,237	-	2,157,237
Finance charges	74,936	-	74,936	158,230	-	158,230
Provision of allowance for doubtful debts	1,512,099	-	1,512,099	(9,648,413)	-	(9,648,413)
Gains / losses on sold of available for sale investments	-	(1,502,439)	(1,502,439)	-	(2,675,001)	(2,675,001)
Impairment loss on available for sale investment	-	-	-	-	-	-
Provision for end-of-service indemnities	1,464,000	-	1,464,000	1,468,034	-	1,468,034
Zakat and income tax accrued	-	4,500,000	4,500,000	-	6,047,859	6,047,859
	9,028,451	11,275,153	20,303,604	(3,245,719)	(2,144,527)	(5,390,246)
Changes in operating assets and liabilities:						
Premiums and reinsurance receivables	(83,834,598)	-	(83,834,598)	(214,802)	-	(214,802)
Reinsurers share of unearned premiums	8,325,769	-	8,325,769	(4,972,535)	-	(4,972,535)
Reinsurers share of outstanding claims	(674,280,996)	-	(674,280,996)	(36,608,850)	-	(36,608,850)
Reinsurers' share of claims incurred but not reported	721,946	-	721,946	1,032,847	-	1,032,847
Deferred policy acquisition costs	(12,932,856)	-	(12,932,856)	(104,463)	-	(104,463)
Amount due from a related party	-	-	-	9,652	-	9,652
Prepaid expenses and other assets	(7,623,559)	(782,721)	(8,406,280)	(4,215,106)	(1,674,466)	(5,889,572)
Accounts payable	19,272,738	-	19,272,738	(6,577,716)	-	(6,577,716)
Accounts payable, accruals and other liabilities	16,403,012	136,000	16,539,012	(3,795,988)	(454,625)	(4,250,613)
Reinsurer's balances payable	(10,518,268)	-	(10,518,268)	1,583,674	-	1,583,674
Unearned insurance premiums	171,543,958	-	171,543,958	27,291,815	-	27,291,815
Uninsured reinsurance commissions	4,451,595	-	4,451,595	182,732	-	182,732
	677,903,013	-	677,903,013	23,605,294	-	23,605,294
Outstanding claims	-	-	-	-	-	-
Claims incurred but not reported	15,103,338	-	15,103,338	(7,011,333)	-	(7,011,333)
Premium deficiency reserve and other reserves	(7,364,078)	-	(7,364,078)	(6,665,000)	-	(6,665,000)
Accrued surplus distributions	-	-	-	(814,361)	-	(814,361)
Amounts due to related parties	(198,882)	-	(198,882)	198,882	-	198,882
Net cash from / (used in) operating activities	126,000,583	10,628,432	136,629,015	(20,320,977)	(4,273,618)	(24,594,595)
Zakat and income tax paid	-	(4,936,921)	(4,936,921)	-	(4,676,950)	(4,676,950)
End of service indemnities paid	(348,486)	-	(348,486)	(437,365)	-	(437,365)
Net cash (used in) / from operating activities	125,652,097	5,691,511	131,343,608	(20,758,342)	(8,950,568)	(29,708,910)
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions / (disposals) in investments	(547,500)	(13,071,569)	(13,619,069)	750,000	(35,563,477)	(34,813,477)
Additions / (disposals) in term deposits	(115,350,000)	(1,278,156)	(116,628,156)	-	6,353,290	6,303,290
Proceeds from the sale property and equipment	(5,738,555)	-	(5,738,555)	(3,438,422)	-	(3,438,422)
Net cash from / (used in) investing activities	(121,636,055)	(14,349,725)	(135,985,780)	(2,738,421)	(29,210,188)	(31,948,609)
CASH FLOWS FROM FINANCING ACTIVITIES						
Due from / to shareholders'	5,728,877	(5,728,877)	-	18,696,365	(18,696,365)	-
Right of use assets paid	(1,581,402)	-	(1,581,402)	(2,326,864)	-	(2,326,864)
Net cash (used in) / from financing activities	4,147,476	(5,728,877)	(1,581,402)	16,369,501	(18,696,365)	(2,326,864)
Net change in cash and cash equivalents	8,163,518	(14,387,092)	(6,223,574)	(7,127,261)	(56,857,121)	(63,984,382)
Cash and cash equivalents at the beginning of the year	26,223,807	59,119,265	85,343,072	33,351,069	115,976,385	149,327,454
Cash and cash equivalents at the end of the year	34,387,325	44,732,173	79,119,498	26,223,808	59,119,264	85,343,072
NON-CASH INFORMATION						
Changes in fair value of available for sale investments	-	(1,724,202)	(1,724,202)	-	(609,572)	(609,572)
Actuarial gain /(loss) for defined benefit plans	31,327	-	31,327	-	979,090	979,090

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31. RISK MANAGEMENT

Risk governance

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

Risk management structure

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

Board of Directors

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

Senior management

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

Audit Committee and Internal Audit Department

Risk management processes throughout the Company are audited annually by the Internal Audit Department which examines both the adequacy of the procedures and the Company's compliance with such procedures. The Internal Audit Department discusses the results of all assessments with senior management, and reports its findings and recommendations directly to the Audit Committee.

The risks faced by the Company and the manner in which these risks are mitigated by management are set out below:

a) Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed the carrying amount of insurance liabilities. This could occur because the frequency or amounts of claims severity, actual benefits paid and subsequent development of long term claims are different than expected. Therefore the objective of the Company is to ensure that sufficient resources are available to cover these liabilities. The insurance risk arising from insurance contracts is mainly concentrated in the Kingdom of Saudi Arabia.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly motor and medical risks. 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.

Motor

For motor contracts, the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The Company only grants comprehensive policies for owner/drivers over 18 years of age. Substantially all of the motor contracts relate to private individuals. The Company also has risk management procedures to control cost of claims. The Company has reinsurance cover to limit the losses for any individual claim to SR 2,000,000.

Medical insurance

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across the industry sectors and geography to ensure that pricing takes account of current health conditions, regular view 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 of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company, the company has reinsurance coverage to limit losses related to any individual claim at the level of the insured member in the insurance policy up to SR 100,000.

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31. RISK MANAGEMENT – (CONTINUED)

b) Sensitivities analysis

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

31 December 2022	Changes in assumptions	Effect on net liabilities	Effect on net Income
		SR	SR
Ultimate loss ratio	%10 +	4,262,059	(4,262,059)
	%10 -	(4,262,059)	4,262,059
31 December 2021	Changes in assumptions	Effect on net liabilities	Effect on net Income
		SR	SR
Ultimate loss ratio	%10 +	2,687,580	(2,687,580)
	%10 -	(2,687,580)	2,687,580

c) Reinsurance risk

In line with other insurance companies, the Company, in the normal course of business, enters into agreements with other parties for reinsurance purposes in order to minimize financial exposure arising from large claims. 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 reinsurance companies' insolvencies, the Company evaluates the financial condition of reinsurance companies and monitors the concentrations of credit risk arising from similar geographic regions, activities and economic characteristics of reinsurance companies.

Reinsurance contracts do not relieve the Company from its obligations to the policyholders and as a result the Company remains liable for a portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements. The credit exposure in this connection is:

	2022	2021
	SR	SR
Middle East	163,666,928	13,216,471
Europe	588,824,696	65,716,103
	752,491,624	78,932,574

d) 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.

e) 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 assets held by the Company, the maximum exposure to credit risk to the Company is the carrying value as disclosed in the statement of financial position.

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31. RISK MANAGEMENT – (CONTINUED)

e) Credit risk (continued)

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

- 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 credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- Cash and cash equivalents, time deposits and the statutory deposit are maintained with local banks approved by the management. Accordingly, and as prerequisite, the bank with which cash and cash equivalents, time affirming to the financial position strength.
- The Company's investment in funds and portfolios are managed by the investment officer in accordance with the investment policy established by the investment committee.
- The Company, with respect to credit risk arising from other financial assets, deals only with commercial banks having strong financial positions and good credit ratings.
- There are no significant concentrations of credit risk within the Company.

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

	2022		2021	
	<i>Insurance operations SR</i>	<i>Shareholders' Operations SR</i>	<i>Insurance operations SR</i>	<i>Shareholders' operations SR</i>
Cash and cash equivalents	34,387,324	44,732,174	26,223,807	59,119,265
Time deposits	135,750,000	38,339,075	20,400,000	37,060,919
Reinsurance premiums and balances, net	233,299,452	-	150,976,952	-
Investments available for sale	-	74,382,561	-	62,292,662
Prepaid expenses and other assets	29,429,370	3,179,992	21,805,811	2,397,272
Held to maturity investments	32,450,625	47,596,538	31,903,125	46,836,631
Reinsurers share of claims under settlement	744,867,692	-	70,586,696	-
Reinsurers' share of claims incurred but not reported	7,623,932	-	8,345,878	-
	<u>1,217,808,395</u>	<u>208,230,340</u>	<u>330,242,269</u>	<u>207,706,749</u>

g) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they 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 the Company's liabilities as disclosed in the statement of financial position, except for employees' end of service benefits, are payable on demand.

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31. RISK MANAGEMENT – (CONTINUED)

f) Liquidity risk (continued)

Maturity Date

The table below summarizes the maturity date of the financial liabilities of the Company based on the remaining expected undiscounted contractual obligations except for employees' end of service benefits: Maturity dates are determined based on the estimated timing of net reinsurance commission have been excluded from the analysis as they are not contractual obligation. There is no fixed maturity date for the end of service benefit.

	2022			2021		
	Up to one year SR	More than one year SR	Total SR	Up to one year SR	More than one year SR	Total SR
INSURANCE OPERATIONS' FINANCIAL LIABILITIES						
Accounts payable	36,378,827	-	36,378,827	17,106,089	-	17,106,089
Reinsurance balances payable	20,489,865	-	20,489,865	31,008,133	-	31,008,133
Due to related parties		-		198,882	-	198,882
Accrued expenses and other liabilities	39,161,684	-	39,161,684	22,758,674	-	22,758,674
Outstanding claims	782,395,476	-	782,395,476	104,492,463	-	104,492,463
IBNR	68,073,728	-	68,073,728	52,970,390	-	52,970,390
Employees' end of service benefits	-	11,563,543	11,563,543	-	10,479,356	10,479,356
	946,499,580	11,563,543	958,063,123	228,534,631	10,479,356	239,013,987
SHAREHOLDERS' FINANCIAL LIABILITIES						
Accrued expenses and other liabilities	1,337,249	-	1,337,249	1,201,249	-	1,201,249
Zakat and income tax payable	7,215,968	-	7,215,968	7,652,889	-	7,652,889
	8,553,217	-	8,553,217	8,854,138	-	8,854,138
TOTAL FINANCIAL LIABILITIES	955,052,797	11,563,543	966,616,340	237,388,769	10,479,356	247,868,125

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31. RISK MANAGEMENT – (CONTINUED)

f) Liquidity risk (continued)

No liabilities at the balance sheet date are based on discounted cash flows and are all repayable on the above basis. Analysis of due date based on expected maturity dates.

	2022					
	Insurance operations			Shareholders' operations		
	Current	Non-current	Total	Current	Non-current	Total
Assets						
Cash and cash equivalents	34,387,324	-	34,387,324	44,732,174	-	44,732,174
Time deposits	135,750,000	-	135,750,000	38,339,075	-	38,339,075
Premiums and reinsurance balances receivable, net	233,299,452	-	233,299,452	-	-	-
Investments	-	32,450,625	32,450,625	74,382,561	47,596,538	121,979,099
Due from related parties	83,346	-	83,346	-	-	-
Due from shareholders' operations	17,484,398	-	17,484,398	-	-	-
Prepaid expenses and other assets	27,213,836	-	27,213,836	3,179,992	-	3,179,992
Reinsurers' share of unearned premiums	31,167,385	8,384,110	39,551,495	-	-	-
Reinsurers' share of outstanding claims	744,867,692	-	744,867,692	-	-	-
Reinsurers' share of claims incurred but not reported	7,623,932	-	7,623,932	-	-	-
Deferred policy acquisition costs	23,494,933	560,148	24,055,081	-	-	-
Statutory deposit	-	-	-	40,000,000	-	40,000,000
Right of use assets	1,296,797	-	1,296,797	-	-	-
Return on investment of statutory deposit	-	-	-	5,380,607	-	5,380,607
Property and equipment, net	-	10,152,613	10,152,613	-	-	-
Total assets	1,256,669,095	51,547,496	1,308,216,591	206,014,409	47,596,538	253,610,947
LIABILITIES						
Accounts payable	36,378,827	-	36,378,827	-	-	-
Reinsurance balances payable	20,489,865	-	20,489,865	-	-	-
Accrued expenses, and other liabilities	36,946,150	-	36,946,150	1,337,249	-	1,337,249
Gross outstanding claims	782,395,476	-	782,395,476	-	-	-
Claims incurred but not reported	68,073,728	-	68,073,728	-	-	-
Gross unearned premiums	330,815,102	8,823,215	339,638,317	-	-	-
Unearned reinsurance commission	6,675,919	1,236,185	7,912,104	-	-	-
Premium deficiency reserve and other reserves	1,600,922	-	1,600,922	-	-	-
Employees' end of service benefits	-	11,563,543	11,563,543	-	-	-
Due to insurance operations	-	-	-	17,484,398	-	17,484,398
Lease liability	35,276	1,200,751	1,236,027	-	-	-
Return on investment of statutory deposits	-	-	-	-	5,380,607	5,380,607
Zakat and income tax payable	-	-	-	7,215,968	-	7,215,968
Total liabilities	1,283,411,265	22,823,694	1,306,234,959	26,037,615	5,380,607	31,418,222

ARABIA INSURANCE COOPERATIVE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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31. RISK MANAGEMENT – (CONTINUED)

f) Liquidity risk (continued)

No liabilities at the balance sheet date are based on discounted cash flows and are all repayable on the above basis. Analysis of due date based on expected maturity dates.

	2021					
	Insurance operations			Shareholders' operations		
	Current	Non-current	Total	Current	Non-current	Total
Assets						
Cash and cash equivalents	26,223,807	-	26,223,807	59,119,265	-	59,119,265
Time deposits	20,400,000	-	20,400,000	37,060,919	-	37,060,919
Premiums and reinsurance balances receivable, net	150,976,952	-	150,976,952	-	-	-
Investments	-	31,903,125	31,903,125	62,292,662	46,836,631	109,129,293
Due from related parties	83,346	-	83,346	-	-	-
Due from shareholders' operations	23,213,275	-	23,213,275	-	-	-
Prepaid expenses and other assets	21,805,811	-	21,805,811	2,397,272	-	2,397,272
Reinsurers' share of unearned premiums	43,458,831	4,418,433	47,877,264	-	-	-
Reinsurers' share of outstanding claims	70,586,696	-	70,586,696	-	-	-
Reinsurers' share of claims incurred but not reported	8,345,878	-	8,345,878	-	-	-
Deferred policy acquisition costs	10,737,775	384,450	11,122,225	-	-	-
Statutory deposit	-	-	-	40,000,000	-	40,000,000
Right of use assets	3,214,715	-	3,214,715	-	-	-
Return on investment of statutory deposit	-	-	-	4,493,686	-	4,493,686
Property and equipment, net	-	7,417,955	7,417,955	-	-	-
Total assets	379,047,086	44,123,963	423,171,049	205,363,804	46,836,631	252,200,435
LIABILITIES						
Accounts payable	17,106,089	-	17,106,089	-	-	-
Reinsurance balances payable	31,008,133	-	31,008,133	-	-	-
Accrued expenses, and other liabilities	22,758,674	-	22,758,674	1,201,249	-	1,201,249
Gross outstanding claims	104,492,463	-	104,492,463	-	-	-
Claims incurred but not reported	52,970,390	-	52,970,390	-	-	-
Gross unearned premiums	162,605,673	5,488,686	168,094,359	-	-	-
Unearned reinsurance commission	3,062,589	397,920	3,460,509	-	-	-
Premium deficiency reserve	8,965,000	-	8,965,000	-	-	-
Employees' end of service benefits	-	10,479,356	10,479,356	-	-	-
Due to insurance operations	-	-	-	23,213,275	-	23,213,275
Lease liability	74,936	2,667,556	2,742,492	-	-	-
Return on investment of statutory deposits	-	-	-	-	4,493,686	4,493,686
Due to related parties	198,882	-	198,882	-	-	-
Zakat and income tax payable	-	-	-	7,652,889	-	7,652,889
Total liabilities	403,242,829	19,033,518	422,276,347	32,067,413	4,493,686	36,561,099

ARABIA INSURANCE COOPERATIVE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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31. RISK MANAGEMENT – (CONTINUED)

g) Foreign 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 principal transactions are denominated in Saudi Riyal. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

h) Commission rate risk

Commission rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market commission rates. Floating rate financial instruments expose the Company to cash flows special commission risk, whereas fixed commission rate financial instruments expose the Company to fair value interest risk.

The Company is exposed to special commission rate risk on some of its investments. The Company limits commission rate risk by monitoring changes in commission rates in the currencies in which its investments are denominated.

The sensitivity of the income is the effect of assumed changes in special commission rates, with all other variables held constant, on the Company's profit for one year, based on the floating rate financial assets held at 31 December 2022.

i) Market price risk

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

The Company has investments in sukuk, bonds, local equities and investment funds (see Note 17) which are classified as "available for sale investments." The Company limits market price risk by closely monitoring market price developments for these investments. The change of 5% in the market price of these investments, with all other variables held constant, may change the "other comprehensive income" and hence the "shareholders' equity" (for shareholders' equity investments) by 3,719,128 million SAR (2021 by 3,114,633 million).

j) Capital management

Capital requirements are set and regulated by the Saudi Central Bank (SAMA) in order to ensure sufficient solvency margins in case of bankruptcy. Further objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value.

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

The 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 maintains its capital as per guidelines laid out by SAMA in Article 66 table 3 and 4 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained. According to the said Article, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

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

The Company has fully complied with the externally imposed capital requirements during the reported financial year.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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31. RISK MANAGEMENT – (CONTINUED)

k) Operational risk

Operational risk is the risk of direct or indirect loss resulting from a wide range of reasons related to operations, technology and infrastructure that support the Company's internal and external operations with the Company's service providers and from external factors other than credit, market risk and liquidity such as those arising from legal requirements Regulatory and generally accepted standards for the conduct of investment management. Operational risk arises from all of the Company's activities.

The objective of the company is to manage operational risk in order to balance the reduction of financial losses and damage to its reputation in achieving its investment objective of generating returns for investors. The primary responsibility for the development and implementation of operational risk controls rests with the Board of Directors. This responsibility includes controls and control in the following areas:

- Requirements for the appropriate separation of duties between different functions, roles and responsibilities;
- Settlement and monitoring requirements; - Compliance with regulatory requirements and other legal requirements;
- Documentation of controls and procedures; - Requirements for periodic assessment of operational risks facing, and adequacy of controls and procedures to address identified risks; Ethical standards and business standards; and risk mitigation policies and procedures.

32. PREMIUMS WRITTEN BY TYPE OF CUSTOMERS

For the year ended 31 December 2022					
Gross written premiums	Medical	Motors	Property and accidents	Protection and Savings	Total
Individuals	43,371,728	57,505,078	1,275,066	-	102,151,872
Very small size entities	284,950,047	559,041	650,113	-	286,159,201
Small size Entities	65,470,654	7,116,458	12,291,872	8,884	84,887,868
Medium size entities	32,960,885	39,032,728	24,387,927	552,204	96,933,744
Large size entities	14,454,605	59,596,199	88,817,113	192,623	163,060,540
Total	441,207,919	163,809,504	127,422,091	753,711	733,193,225

33. COMPARATIVE FIGURES

Certain items of prior year amount have been reclassified to conform to the presentation in the current year. However, there has been no impact of reclassification on the overall presentation of the financial statements.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 26 February 2023 corresponding to (6 Sha'ban 1444 H)