

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)

**FINANCIAL STATEMENTS
TOGETHER WITH THE
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED
31 DECEMBER 2021**

**ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
FINANCIAL STATEMENTS TOGETHER WITH THE INDEPENDENT AUDITORS'
REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

INDEX	PAGES
Independent Auditors' report	1-5
Statement of financial position	6
Statement of income	7
Statement of Comprehensive income	8
Statement of changes in shareholders' equity	9
Statement of cash flows	10
Notes to the financial statements	11 – 61

**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 2021 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, a summary of significant accounting policies, and notes to the financial statements from 1 to 34.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, 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:

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

Key Audit Matters (Continued)

Key audit matter

Valuation of ultimate claim liabilities arising from insurance contracts

As at 31 December 2021, claims incurred but not reported (IBNR) and outstanding claims amounted to SR 53 million (2020: SR 60 million) and SR 104 million (2020: SR 81 million), respectively, as reported in note 10 to the financial statements.

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.

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.

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.

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.

How our audit addressed the key audit matter

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.

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.

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.

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:

- 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.

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

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 2021 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.



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



Crowe

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

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

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.



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



Crowe

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

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

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.

For Al-Bassam & Co.

P.O. Box 69658
Riyadh 11557
Kingdom of Saudi Arabia

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



Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountants

P.O. Box 10504
Riyadh 11443
Kingdom of Saudi Arabia

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

20 March 2022
17 Sha'aban 1443



ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021
Expressed in Saudi Riyals

	Notes	31 December 2021	31 December 2020
ASSETS			
Cash and cash equivalents	5	85,343,072	149,327,454
Time deposits	6	57,460,919	63,764,208
Premiums and reinsurance receivables, net	7	150,976,952	141,113,737
Reinsurers' share of unearned premiums	9	47,877,264	42,904,729
Reinsurers' share of outstanding claims	10	70,586,696	33,977,846
Reinsurers' share of claims incurred but not reported	10	8,345,878	9,378,725
Deferred policy acquisition costs	8	11,122,225	11,017,762
Investments	17	141,032,418	104,153,512
Due from related party	22	83,346	92,998
Prepayments and other assets	12	24,203,083	18,313,513
Right-of-use assets	13	3,214,715	5,371,952
Property and equipment, net	14	7,417,955	6,598,727
Statutory deposit	18	40,000,000	40,000,000
Return on statutory deposit		4,493,686	4,290,280
TOTAL ASSETS		652,158,209	630,305,443
LIABILITIES			
Accounts payable		17,106,089	23,683,805
Accrued expenses and other liabilities	15	23,959,923	28,210,537
Reinsurers' balance payables		31,008,133	29,424,459
Unearned premiums	9	168,094,359	140,802,544
Unearned reinsurance commission	16	3,460,509	3,277,777
Outstanding claims	10	104,492,463	80,887,169
Claims incurred but not reported	10	52,970,390	59,981,723
Premium deficiency reserve and other reserves		8,965,000	15,630,000
Provision for end of service benefits	23	10,479,356	10,427,777
Due to related parties	22	198,882	-
Zakat and income tax accrued	21	7,652,889	6,281,980
Lease liability	13	2,742,492	4,911,126
Return on investment of accrued statutory deposit		4,493,686	4,290,280
TOTAL LIABILITIES		435,624,171	407,809,177
INSURANCE OPERATIONS' ACCUMULATED SURPLUS			
Accrued surplus distributions		1,438,544	2,252,905
Actuarial loss on defined benefit plan		(543,842)	(1,522,932)
TOTAL LIABILITIES & ACCUMULATED SURPLUS		436,518,873	408,539,150
SHAREHOLDERS' EQUITY			
Share Capital	19	265,000,000	265,000,000
Accumulated losses		(49,496,359)	(43,978,974)
Investment revaluation reserve	17	135,695	745,267
TOTAL SHAREHOLDERS' EQUITY		215,639,336	221,766,293
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		652,158,209	630,305,443

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 2021
Expressed in Saudi Riyals

	Notes	31 December 2021	31 December 2020
REVENUES			
Gross premiums written			
- Direct	9.1	422,322,603	346,431,646
Reinsurance premiums ceded			
- Foreign		(104,309,540)	(90,755,286)
- Local		(22,034,339)	(5,554,158)
Excess of loss expenses		(4,901,376)	(4,320,000)
Net premiums written		291,077,348	245,802,202
Changes in unearned premiums, net	9.1	(22,319,280)	(5,158,934)
Net premiums earned		268,758,068	240,643,268
Reinsurance commission earned	16	27,818,227	11,432,975
Other Income		3,607,106	-
NET REVENUES		300,183,401	252,076,243
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	10	(278,098,796)	(228,106,490)
Reinsurers' share of claims paid	10	42,254,776	70,620,240
Net claims paid		(235,844,020)	(157,486,250)
Changes in outstanding claims and incurred but not reported, net		18,982,042	(976,733)
Net claims incurred		(216,861,978)	(158,462,983)
Policy acquisition costs	8	(32,840,979)	(20,812,671)
Changes in premium deficiency reserve and other reserves		6,665,000	(471,200)
Other underwriting expenses	27	-	(6,671,609)
TOTAL UNDERWRITING COSTS AND EXPENSES		(243,037,957)	(186,418,463)
NET UNDERWRITING INCOME		57,145,444	65,657,780
OTHER OPERATING (EXPENSES) / INCOME			
Reverse / (provision) for doubtful debts	7	9,648,413	8,235,412
General and administrative expenses	20	(73,455,671)	(68,854,429)
Commission income on deposits		925,857	2,294,391
Gains on sold available for sale investments	17	2,675,001	2,015,659
Dividend income		3,591,430	3,722,680
TOTAL OTHER OPERATING EXPENSES		(56,614,970)	(52,586,287)
Total surplus / (deficit) for the year		530,474	13,071,493
Zakat and income tax	21	(6,047,859)	(6,000,000)
Net (loss) / income for the year after zakat and income tax		(5,517,385)	7,071,493
Income for the year attributed to the insurance operations		-	(814,361)
(LOSS)/ INCOME FOR THE YEAR ATTRIBUTED TO THE SHAREHOLDERS			
		(5,517,385)	6,257,132
Basic earnings / (loss) per share	26	(0.21)	0.24

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 2021
Expressed in Saudi Riyals

	Note	31 December 2021	31 December 2020
(Loss)/ income for the year attributed to the shareholders		(5,517,385)	6,257,132
Other comprehensive income:			
<i>Items may be reclassified to statements of income in subsequent years</i>			
- Net change in fair value	17	(609,572)	(398,164)
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		(6,126,957)	5,858,968
Total comprehensive gain attributed to the insurance operations		979,090	324,229
Total comprehensive (loss) / income		(5,147,867)	6,183,197



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 2021

Expressed in Saudi Riyals

	Notes	Share capital	Accumulated losses	Investment revaluation reserve	Total Shareholders' Equity
2021					
Balance, beginning of the year		265,000,000	(43,978,974)	745,267	221,766,293
Total comprehensive income for the year:					
Net income 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 income 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
2020					
Balance, beginning of the year		265,000,000	(50,236,106)	1,143,431	215,907,325
Total comprehensive loss for the year:					
Net loss for the year attributable to the shareholders		-	6,257,132	-	6,257,132
Changes in fair values of available for sale investments	17	-	-	(398,164)	(398,164)
Total comprehensive loss for the year attributable to the shareholders		-	6,257,132	(398,164)	5,858,968
Balance, ending of the year		265,000,000	(43,978,974)	745,267	221,766,293



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 2021
Expressed in Saudi Riyals

	Notes	31 December 2021	31 December 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) / income for the year after zakat and income tax		(5,517,385)	7,071,493
<i>Adjustments for non-cash items:</i>			
Depreciation of property and equipment	14	2,619,193	2,207,119
Gain on sale of property and equipment		-	(3,000)
Depreciation of Right-of-use assets	13	2,157,237	1,971,025
Finance charges	13	158,230	217,936
(Reverse) / allowance for doubtful debts	7	(9,648,413)	(8,235,412)
Gains on sale of available for sale investments		(2,675,001)	(2,015,659)
Provision for end-of-service benefits	23	1,468,034	1,717,013
Accrued zakat and income tax	21	6,047,859	6,000,000
		(5,390,246)	8,930,515
Changes in operating assets and liabilities:			
Premiums and reinsurance receivables		(214,802)	(22,415,564)
Reinsurers' share of unearned premiums		(4,972,535)	12,958,333
Reinsurers' share of outstanding claims		(36,608,850)	3,174,106
Reinsurers' share of claims incurred but not reported		1,032,847	5,125,000
Deferred policy acquisition costs		(104,463)	(3,781,465)
Due from related parties		9,652	(9,652)
Prepaid expenses and other assets		(5,889,572)	(1,334,911)
Accounts payable		(6,577,716)	1,453,408
Accrued expenses and other liabilities		(4,250,613)	(480,526)
Reinsurers' balances payable		1,583,674	(6,965,074)
Unearned premiums		27,291,815	(7,799,399)
Unearned reinsurance commission		182,732	(344,856)
Outstanding claims		23,605,294	(2,816,373)
Claims incurred but not reported		(7,011,333)	(4,506,000)
Premium deficiency reserve		(6,665,000)	471,200
Accrued surplus distribution		(814,361)	(500,484)
Due to related parties		198,882	(41,197)
Cash used in operating activities		(24,594,595)	(18,882,939)
Zakat and income tax paid	21	(4,676,950)	(4,353,833)
End-of-service benefits paid	23	(437,365)	(2,624,247)
Net cash used in operating activities		(29,708,910)	(25,861,019)
CASH FLOWS FROM INVESTING ACTIVITIES			
(Additions) / disposals in investments	17	(34,813,477)	47,461,711
Disposals in time deposits		6,303,290	65,393,364
Additions in property and equipment	14	(3,438,421)	(2,090,043)
Net cash from investing activities		(31,948,608)	110,765,032
CASH FLOWS FROM FINANCING ACTIVITIES			
Right of use assets paid		(2,326,864)	(2,169,221)
Net cash used in financing activities		(2,326,864)	(2,169,221)
Net change in cash and cash equivalents		(63,984,382)	82,734,792
Cash and cash equivalents at the beginning of the year	5	149,327,454	66,592,662
Cash and cash equivalents at the end of the year	5	85,343,072	149,327,454
NON- CASH TRANSACTIONS:			
Changes in fair value of available for sale investments	17	(609,572)	(398,164)
Actuarial loss on defined benefit plan	23	979,090	(490,132)

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 2021

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 Muhram 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 Company amended the Articles of Association in line with the amendments of the Saudi Companies Regulations issued in 1437H (2015).

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 bylaw.

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 2021

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 has 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. Moreover, the company has reviewed the main sources to estimate the uncertainty disclosed in the latest annual financial statements regarding the Coronavirus (Covid-19) pandemic, moreover, the company has considered the following:

Impact of Covid-19

On 11 March 2020, the World Health Organisation ("WHO") declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

In response to the spread of the Covid-19 virus in the GCC and other where the Company operates and its consequential disruption to the social and economic activities in those markets, the Company's management has proactively assessed its impacts on its operations and has taken a series of proactive and preventative measures and processes to ensure:

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

The major impact of Covid-19 pandemic is seen in medical and motor line of business as explained below. As with any estimate, the projections and likelihoods of occurrence are underpinned by significant judgment and rapidly evolving situation and uncertainties surrounding the duration and severity of the pandemic, and therefore, the actual outcomes may be different to those projected.

The impact of such uncertain economic environment is judgmental, and the Company will continue to reassess its position and the related impact on a regular basis.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

2. BASIS OF PREPARATION (continued)

Significant accounting judgements, estimates and assumptions (continued)

Medical technical reserve

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

Motor technical reserves

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

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

For new policies written as per above circular, the premium is earned over the period of coverage i.e 14 month as per the Company accounting policy. There is no material impact on the two-month period of the premiums earned as on December 31, 2021, due to the absence of large amounts for the premiums that were subscribed during the one-month period.

Financial assets

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

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

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.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

2. BASIS OF PREPARATION (continued)

Significant accounting judgements, estimates and assumptions (continued)

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

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 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.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

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, 2020. 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.

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 2022 and earlier application is permitted; however, the Group has not early adopted them in preparing these Consolidated 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 IFRS 3, IAS 16, IAS 37

- IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

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.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

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

IFRS 17 – Insurance contracts

Overview

This standard has been published in May 2017. It establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 – Insurance contracts. The new standard applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features, provided the entity also issues insurance contracts. It requires to separate the following components from insurance contracts:

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

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

Measurements:

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

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

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

At the end of each subsequent reporting period, the carrying amount of a group of insurance contracts is re-measured to be the sum of:

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

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

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

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

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

Standard issued but not yet effective (continued)

IFRS 17 – Insurance contracts (continued)

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

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

In addition, a simplified **Premium Allocation Approach (PAA)** is permitted for the measurement of the liability for remaining coverage if it provides a measurement that is not materially different from the General Measurement Model for the group of contracts or if the coverage period for each contract in the group is one year or less.

With the PAA, the liability for remaining coverage corresponds to premiums received at initial recognition less insurance acquisition cash flows.

The General Measurement Model remains applicable for the measurement of the liability for incurred claims. However, the entity is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid/received in one year or less from the date the claims are incurred.

Effective date:

The IASB issued an Exposure Draft Amendments to IFRS 17 proposing certain amendments to IFRS 17 during June 2019 and received comments from various stakeholders. The IASB is currently re-deliberating issues raised by stakeholders. For any proposed amendments to IFRS 17, the IASB will follow its normal due process for standard-setting. The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4 is currently January 1, 2021. Under the current exposure draft, it is proposed to amend the IFRS 17 effective date to reporting periods beginning on or after January 1, 2023.

Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied. The Company intends to implement the standard on its effective date of January 1, 2023.

Transition Period:

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

Presentation and Disclosures:

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

Impact:

The company is currently in the design and implementation phase of IFRS 17, which requires the development and design of new processes and procedures, including any system developments required under IFRS 17 and a detailed assessment of business requirements. Following are the main areas under the design phase and the state of progress the company has made so far:

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

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

Standard issued but not yet effective (continued)

IFRS 17 – Insurance contracts (continued)

Impact Area	Summary of Progress
Financial Impact	The Company has successfully finalized the reassessment of 2020 results as part of the 1st Dry-Run orchestrated by the regulator and submitted on 30 November 2021 to SAMA. Based on the conducted simulation, the financial impact of applying IFRS 17 compared to IFRS 4 was not significant. The Company will solidify its view on the financial impact while completing the 2nd and 3rd dry-runs, planned before the end of 2022.
Governance and control framework	The Company has put a comprehensive IFRS 17 governance program in place, which includes establishing a Steering Committee to monitor the progress of implementation and assign roles and responsibilities to various stakeholders. The Steering Committee is reporting to the Company's Audit Committee.
Technical and Process Impact	The initial assessment of products offered by the Company concluded that all products qualify to be measured using the Premium Allocation Approach "PAA". The process impact have been assessed and documented during the gap assessment process covering actuarial valuation, accounting processes, disclosures and other relevant matters. The Company has completed various policy papers encompassing various technical and accounting matters after concluding on policy decisions required under the IFRS 17 standard. The policy decisions are taken after due deliberations among various stakeholders. Currently, the majority of policy papers have been approved by the Company's IFRS 17 project Steering Committee. No major technical or process impact was reported during the completion of the 1st dry-run simulation.
Data	Based on the measurement model adopted, the Company believes that the impact of data is not significant, and the Company will be able to manage the data requirements accordingly. As part of the implementation phase, the Company has developed a comprehensive data policy and data dictionary which is reviewed periodically to ensure readiness for the effective date of the new standard. No major data deficiencies or shortfalls were reported during the completion of the 1st –dry-run simulation.
IT Systems	Following a thorough assessment of the business requirements and the capabilities of the various IFRS 17 systems available in the region, the Company has selected the most suitable IFRS 17 tool. The tool has been implemented successfully and used for processing and extracting the simulated results for the 1st dry-run. In coordination with the Company's appointed advisor and appointed actuary, the Steering Committee is actively working to close any identified gaps before the due date of the 2nd dry-run simulation.
Other areas impacted	None

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

IFRS 9 – Financial Instruments (Including amendments to IFRS 4, Insurance Contracts).

This standard was published on July 24, 2014 and has replaced IAS 39.

The new standard addresses the following items related to financial instruments:

Classification and measurement:

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

A Financial asset is measured at amortized cost if both:

- a. The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
- b. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely Payments of principal and interest on the principal amount outstanding (“SPPI”).
- c. The financial asset is measured at fair value through other comprehensive income, and realized gains or losses are recycled through profit or loss upon sale, if both conditions are met:
 - The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and for sale, and
 - The contractual terms of cash flows are SPPI

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

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

Standard issued but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

Assets not meeting either of these categories are measured at fair value through profit or loss. Additionally, at initial recognition, an entity can use the option to designate a financial asset at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch. For equity instruments that are not held for trading, an entity can also make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the instruments (including realized gains and losses), dividends being recognized in profit or loss. Additionally, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

Impairment:

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

Hedge accounting:

IFRS 9 introduces new requirements for hedge accounting that align hedge accounting more closely with Risk Management. The requirements establish a more principles-based approach to the general hedge accounting model.

The amendments apply to all hedge accounting with the exception of portfolio fair value hedges of interest rate risk (commonly referred to as "fair value macro hedges"). For these, an entity may continue to apply the hedge accounting requirements currently in IAS 39. This exception was granted largely because the IASB is addressing macro hedge accounting as a separate project

Effective date

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

The amendments introduce two alternative options:

1. Apply a temporary exemption from implementing IFRS 9 until the earlier of
 - the effective date of a new insurance contract standard; or
 - annual reporting periods beginning on or after January 1, 2023 (The IASB is proposing to extend the date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 to January 1, 2023).

Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously.

2. Adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

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

Standard issued but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

To date, the company has conducted a preliminary evaluation that reviewed two factors as follows:

1. The carrying amount of the Company's liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives unbundled from insurance contracts) were compared to the total carrying amount of all its liabilities; and
2. The total carrying amount of the company's liabilities connected with insurance were compared to the total carrying amount of all its liabilities.

Based on these assessments the Company determined that it is eligible for the temporary exemption.

Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard. Disclosures related to financial assets required during the deferral period are included in the impact assessment stated below.

Impact assessment

As at December 31, 2021, the total financial assets of the company and total insurance-related assets amounted to SR 435 million and SR 229 million respectively. Financial and insurance related assets are not necessarily mutually exclusive in terms of classification. Total financial assets consist of financial assets held at amortized cost and other financial assets.

Financial assets held at amortized cost amount to SR 373 million and comprise cash and cash equivalents, time deposits, insurance premiums, receivables and insurance receivables, and investments held to maturity.

Other financial assets amount to SR 62 million and consist of investments available for sale. The company may use the fair value rating through other comprehensive income of these other financial assets based on the company's business model for debt securities and the strategic nature of equity investments. The company has not yet conducted a detailed evaluation to determine whether the debt securities meet the test of the asset and the interest owed exclusively to it as required by IFRS 9.

The foregoing is based on a preliminary assessment of the impact of IFRS 9 based on the information currently available, and may be subject to changes arising from more detailed analysis or additional reasonable, supportive information available in the future.

The company expects some impacts arising from the implementation of IFRS 9, but a reasonable estimate of these impacts cannot be provided until the company performs a detailed review.

.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

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 - 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.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Classification and subsequent measurement (continued)

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 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.

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

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

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.

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.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2021 taking into account the accumulated losses.

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.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

5. CASH AND CASH EQUIVALENTS

		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>
		2020		
		<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		24,792	-	24,792
Current accounts at banks		33,326,277	36,788,541	70,114,818
Time deposits	5.1	-	79,187,844	79,187,844
		<u>33,351,069</u>	<u>115,976,385</u>	<u>149,327,454</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 0.78% per annum (31 December 2020: 0.63% 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 3.49% per annum (31 December 2020: 0.77% 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

		2021	2020
		SR	SR
Policyholders		190,709,753	183,112,829
Less: Provision for doubtful debt	7.1	(49,376,279)	(59,093,630)
		<u>141,333,474</u>	<u>124,019,199</u>
Reinsurance balances receivable		13,247,232	20,629,354
Less: Provision for doubtful debt	7.2	(3,603,754)	(3,534,816)
		<u>9,643,478</u>	<u>17,094,538</u>
Total premiums and reinsurance balances receivable, net		<u>150,976,952</u>	<u>141,113,737</u>

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

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:

	2021	2020
	SR	SR
Provision at the beginning of the year	59,093,630	82,579,838
(Reverse) / Charge for the year	(9,717,351)	(7,984,084)
Written off during the year	-	(15,502,124)
Provision at the end of the year	49,376,279	59,093,630

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

	2021	2020
	SR	SR
Provision at the beginning of the year	3,534,816	7,760,275
(Reverse) / Charge for the year	68,938	(251,328)
Written off during the year	-	(3,974,131)
Provision at the end of the year	3,603,754	3,534,816

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	31 to	Past due and
	SR	30 days	90 days	impaired
		SR	SR	SR
2021	203,956,985	90,559,663	25,147,574	88,249,748
2020	203,742,183	45,068,023	34,170,735	124,503,425

Premiums receivable 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 11.48% of premiums receivable as at 31 December 2021 (31 December 2020: 11.64%). In addition, the ten largest customers' accounts constitute 40.12% of premiums receivable as at 31 December 2021 (31 December 2020: 47.12%).

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 the vast majority are therefore unsecured.

8. DEFERRED POLICY ACQUISITION COSTS

	2021	2020
	SR	SR
Balance as at 1 January	11,017,762	7,236,297
Paid during the year	32,945,442	24,594,136
Amortised during the year	(32,840,979)	(20,812,671)
Balance as at 31 December	11,122,225	11,017,762

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

9. UNEARNED PREMIUMS

	<i>Note</i>	2021 SR	2020 SR
Gross unearned premiums at the beginning of the year	9.1	140,802,544	148,601,943
Gross unearned premiums at year end	9.1	168,094,359	140,802,544
Change in gross unearned premiums		(27,291,815)	7,799,399
Reinsurers' share of unearned premiums at the beginning of the year	9.1	42,904,729	55,863,062
Reinsurers' share of unearned premiums at year end	9.1	47,877,264	42,904,729
Change in reinsurers' share of unearned premiums		4,972,535	(12,958,333)
Change in unearned premiums, net		(22,319,280)	(5,158,934)

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

	2021			2020		
	<i>Gross</i> <i>SR</i>	<i>Reinsurers'</i> <i>share</i> <i>SR</i>	<i>Net</i> <i>SR</i>	<i>Gross</i> <i>SR</i>	<i>Reinsurers'</i> <i>share</i> <i>SR</i>	<i>Net</i> <i>SR</i>
Opening balance	140,802,544	(42,904,729)	97,897,815	148,601,943	(55,863,062)	92,738,881
Written premium during the year	422,322,603	(131,245,255)	291,077,348	346,431,646	(100,629,444)	245,802,202
Earned premium during the year	(395,030,788)	126,272,720	(268,758,068)	(354,231,045)	113,587,777	(240,643,268)
Closing balance	168,094,359	(47,877,264)	120,217,095	140,802,544	(42,904,729)	97,897,815

10. OUTSTANDING CLAIMS

	2021		
	<i>Gross</i> <i>SR</i>	<i>Reinsurers'</i> <i>share</i> <i>SR</i>	<i>Net</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	(70,586,696)	33,905,767
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

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

10. OUTSTANDING CLAIMS (continued)

	2020		
	<i>Gross</i>	<i>Reinsurers'</i>	<i>Net</i>
	<i>SR</i>	<i>share</i>	<i>SR</i>
		<i>SR</i>	
Paid claims	228,106,490	(70,620,240)	157,486,250
Provided claims during the year	(2,816,373)	3,174,106	357,733
IBNR claims during the year	(4,506,000)	5,125,000	619,000
Claims incurred during the year	220,784,117	(62,321,134)	158,462,983
Outstanding claims as at 1 January	83,703,542	(37,151,952)	46,551,590
IBNR claims as at 1 January	64,487,723	(14,503,725)	49,983,998
	148,191,265	(51,655,677)	96,535,588
Outstanding claims as at 31 December	80,887,169	(33,977,846)	46,909,323
IBNR as at 31 December	59,981,723	(9,378,725)	50,602,998
	140,868,892	(43,356,571)	97,512,321
Change in outstanding claims, net	7,322,373	(8,299,106)	(976,733)

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.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

11. CLAIMS DEVELOPMENT TABLE (continued)

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

2021 (GROSS)

Accident Year	<i>2017 and earlier</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
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

2020 (GROSS)

Accident Year	<i>2016 and earlier</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Estimate of ultimate claims cost:						
At the end of accident year	1,885,563,689	263,873,704	284,551,725	320,810,160	235,676,183	2,990,475,461
One year later	1,427,557,846	198,399,505	219,517,511	248,692,023	-	2,094,166,885
Two years later	1,426,337,388	197,264,521	231,838,959	-	-	1,855,440,868
Three years later	1,419,133,828	209,313,007	-	-	-	1,628,446,835
Four years later	1,419,338,084	-	-	-	-	1,419,338,084
Current cost of cumulative claims	1,419,338,084	209,313,007	231,838,959	248,692,023	235,676,183	2,344,858,256
Less: Cumulative payments to date	1,392,510,169	204,739,963	223,218,784	229,593,664	153,926,785	2,203,989,365
Total gross outstanding claims and reserves in the statement of financial position	26,827,915	4,573,044	8,620,175	19,098,359	81,749,398	140,868,891

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

11. CLAIMS DEVELOPMENT TABLE (continued)

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

2021 (in NET)

Accident Year	2017 and earlier SR	2018 SR	2019 SR	2020 SR	2021 SR	Total 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

2020 (in NET)

Accident Year	2016 and earlier SR	2017 SR	2018 SR	2019 SR	2020 SR	Total SR
Estimate of ultimate claims cost:						
At the end of accident year	909,253,632	165,367,884	186,003,350	206,456,610	175,919,519	1,643,000,995
One year later	887,640,971	120,276,834	146,517,674	164,347,492	-	1,318,782,971
Two years later	879,048,401	120,726,684	155,614,560	-	-	1,155,389,645
Three years later	876,837,204	133,358,106	-	-	-	1,010,195,310
Four years later	876,860,750	-	-	-	-	876,860,750
Current cost of cumulative claims	876,860,750	133,358,106	155,614,560	164,347,492	175,919,519	1,506,100,427
Less: Cumulative payments to date	862,920,057	130,533,978	149,832,899	152,968,373	112,332,800	1,408,588,107
Total net outstanding claims and reserves in the statement of financial position	13,940,693	2,824,128	5,781,661	11,379,119	63,586,719	97,512,320

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

12. PREPAYMENTS AND OTHER ASSETS

	2021		
	<i>Insurance operations</i>	<i>Shareholders' Operations</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
Prepaid expenses	1,776,323	347,995	2,124,318
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	10,159,089	-	10,159,089
	21,805,811	2,397,272	24,203,083
	2020		
	<i>Insurance operations</i>	<i>Shareholders' Operations</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
Prepaid expenses	1,628,771	-	1,628,771
Advances to suppliers	3,012,289	-	3,012,289
Bank guarantee	2,733,449	-	2,733,449
Employees receivables	1,007,218	-	1,007,218
Deferral of TPA medical fees	2,487,868	-	2,487,868
Accrued commission	367,240	722,807	1,090,047
Others	6,353,871	-	6,353,871
	17,590,706	722,807	18,313,513

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:

	<i>31 December 2021</i>		<i>31 December 2020</i>	
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
	Depreciation	Balance	Depreciation	Balance
Building	2,157,237	3,214,715	1,971,025	5,371,952
	2,157,237	3,214,715	1,971,025	5,371,952

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

	2021	2020
	<i>SR</i>	<i>SR</i>
The non-current portion of the lease obligations	2,667,556	4,752,896
The current portion of the lease obligations	74,936	158,230
	2,742,492	4,911,126

Funding interest from lease contract obligations during the year ended December 31, 2021 amounted to SAR 158,230 (2020: SAR 217,936)

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

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 2020	4,117,332	6,014,813	432,650	17,365,542	27,930,337
Additions during the year	48,939	128,850	74,760	1,840,494	2,093,043
Disposals during the year	-	(3,000)	-	-	(3,000)
Balance at 31 December 2020	4,166,271	6,140,663	507,410	19,206,036	30,020,380
Additions during the year	22,200	281,932	576,180	2,558,109	3,438,421
Disposals during the year	-	-	-	-	-
Balance at 31 December 2021	4,188,471	6,422,595	1,083,590	21,764,145	33,458,801
<u>Accumulated depreciation:</u>					
Balance at 1 January 2020	1,482,908	6,003,456	323,899	13,407,271	21,217,534
Charge for the year	351,320	140,207	40,518	1,675,074	2,207,119
Disposals during the year	-	(3,000)	-	-	(3,000)
Balance at 31 December 2020	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
<u>Net book value as at</u>					
As at 31 December 2021	2,015,559	49,986	597,728	4,754,682	7,417,955
As at 31 December 2020	2,332,043	-	142,993	4,123,691	6,598,727

15. ACCRUED EXPENSES AND OTHER LIABILITIES

	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
	2020		
	<i>Insurance operations SR</i>	<i>Shareholders' Operations SR</i>	<i>Total SR</i>
Payable to suppliers and brokers	22,446,876	-	22,446,876
Accrued Withholding tax	694,477	-	694,477
Accrued CCHI fees	1,043,007	-	1,043,007
Board of directors' attendance allowances and expenses	-	1,563,539	1,563,539
Others	2,370,303	92,335	2,462,638
	26,554,663	1,655,874	28,210,537

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

16. UNEARNED REINSURANCE COMMISSION

	2021	2020
	SR	SR
Balance as at 1 January	3,277,777	3,622,633
Commission received during the year	28,000,959	11,088,119
Commission earned during the year	(27,818,227)	(11,432,975)
Balance as at 31 December	3,460,509	3,277,777

17. INVESTMENTS

Investments components of the following:

	31 December 2021			31 December 2020		
	Insurance operations	Shareholders' Operations	Total	Insurance operations	Shareholders' Operations	Total
	SR	SR	SR	SR	SR	SR
Investments available for sale	-	62,292,662	62,292,662	-	25,182,368	25,182,368
Investments held to maturity *	31,903,125	46,836,631	78,739,756	32,653,125	46,318,019	78,971,144
Total	31,903,125	109,129,293	141,032,418	32,653,125	71,500,387	104,153,512

* Bonds are stated in the statement of financial position at amortized cost. The fair value of investments acquired to maturity amounted to SR 81,096,303 (31 December 2020: SR 82,498,266).

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

	Local		Foreign		Total	
	2021	2020	2021	2020	2021	2020
Mutual funds	30,068,462	4,178,216	2,033,698	2,033,698	32,102,160	6,211,914
Bonds	27,491,572	15,163,002	775,853	1,884,375	28,267,425	17,047,377
Stocks	1,923,077	1,923,077	-	-	1,923,077	1,923,077
Total	59,483,111	21,264,295	2,809,551	3,918,073	62,292,662	25,182,368

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

	2021	2020
Balance on 1 January	71,500,387	120,143,040
Additions	148,292,189	6,700,000
Disposals	(112,728,712)	(56,960,148)
Realized profit during the period	2,675,001	2,015,659
Change in fair value of investments	(609,572)	(398,164)
Balance on 31 December	109,129,293	71,500,387

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

17. INVESTMENTS – (Continued)

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

	Local		Foreign		Total	
	2021	2020	2021	2020	2021	2020
Fixed yield bonds	28,903,125	29,653,125	3,000,000	3,000,000	31,903,125	32,653,125
Total	28,903,125	29,653,125	3,000,000	3,000,000	31,903,125	32,653,125

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

	Local		Foreign		Total	
	2021	2020	2021	2020	2021	2020
Fixed yield bonds	34,055,693	33,789,781	12,780,938	10,528,238	46,836,631	44,318,019
Variable yield bonds	-	2,000,000	-	-	-	2,000,000
Total	34,055,693	35,789,781	12,780,938	10,528,238	46,836,631	46,318,019

All the above bonds are listed and classified (A1/BBB+) by Moody's and Fitch. The average interest rate was 3.55% per annum (31 December 2020: 3.57%). The maturity date of these bonds extends up to 2031.

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

	2021	2020
Balance on 1 January	32,653,125	29,854,688
Disposal /Additions	(750,000)	2,798,437
Balance on 31 December	31,903,125	32,653,125

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

	2021			
	Level 1	Level 2	Level 3	Total
Investments available for sale				
Mutual funds and portfolios	-	32,102,160	-	32,102,160
Bonds	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
	2020			
	Level 1	Level 2	Level 3	Total
Investments available for sale				
Mutual funds and portfolios	4,178,216	2,033,698	-	6,211,914
Bonds	17,047,377	-	-	17,047,377
Stocks	-	-	1,923,077	1,923,077
Total	21,225,593	2,033,698	1,923,077	25,182,368

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

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

The authorized, issued and fully paid up share capital is SAR 265 million and consists of 26.5 million shares with a par value of SAR 10. The Board of Directors' resolution of 20 December 2018 recommended an increase in the Company's capital by 265 million Saudi Riyal through the issue of rights shares. This decision will be followed by all the laws stipulated in the relevant laws and regulations. On February 6, 2022, the company submitted a request file for approval of the capital increase to Capital Market Authority, knowing that it had received on 9 January 2022 the letter of the Saudi Central Bank containing the approval of the Saudi Central Bank to extend the approval previously granted to the company for a period of six months from the date of the letter.

20. GENERAL AND ADMINISTRATIVE EXPENSES

	2021			2020		
	<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	32,817,893	-	32,817,893	30,241,008	-	30,241,008
Supervision and inspection costs	2,865,638	-	2,865,638	2,793,885	-	2,793,885
Claim management Fees	6,764,537	-	6,764,537	7,384,198	-	7,384,198
Stationery and printing	6,092,725	-	6,092,725	3,879,842	-	3,879,842
Advertising	153,200	-	153,200	39,333	-	39,333
Legal and professional fees	5,462,401	198,944	5,661,345	7,770,330	270,750	8,041,080
Rents	519,905	178,197	698,102	506,192	185,870	692,062
Right of use assets depreciation	2,157,236	-	2,157,236	1,971,025	-	1,971,025
Lease liability finance charges	158,230	-	158,230	217,936	-	217,936
Depreciation (note 13)	2,619,193	-	2,619,193	2,204,119	-	2,204,119
Insurance expenses	2,518,355	-	2,518,355	2,152,576	-	2,152,576
Communication expenses	2,334,310	-	2,334,310	1,713,058	-	1,713,058
Travelling and accommodation	176,506	19,252	195,758	174,479	39,632	214,111
Board of directors' attendance allowance and expenses	-	980,000	980,000	-	1,275,000	1,275,000
Withholding tax and VAT expenses	3,267,618	-	3,267,618	2,771,584	-	2,771,584
Bank charges	1,661,301	155,224	1,816,525	371,399	86,415	457,814
Training expenses	132,768	20,348	153,116	108,565	-	108,565
Others	2,131,418	70,472	2,201,890	2,646,977	50,256	2,697,233
	71,833,234	1,622,437	73,455,671	66,946,506	1,907,923	68,854,429

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

21. ZAKAT AND INCOME TAX ACCRUED

a. Zakat

The zakat base is composed of the following:

	2021 SR	2020 SR
Share capital	265,000,000	265,000,000
Provisions	76,430,071	81,526,969
Property and equipment, net	(7,416,919)	(6,598,727)
Available-for-sale investments	(1,923,077)	(1,923,077)
Statutory deposits	(40,000,000)	(40,000,000)
Deferred policy acquisition costs	(11,122,225)	(11,017,762)
Accumulated losses	(43,978,974)	(65,542,883)
	<u>236,988,876</u>	<u>221,444,520</u>
Adjusted income / (loss)	(5,220,605)	8,436,055
Zakat base	<u>231,768,271</u>	<u>229,880,575</u>

	2021 SR	2020 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% (2020: 71.59%)	164,463,430	164,571,503
Zakat for the year at 2.5%	<u>4,255,386</u>	<u>4,241,008</u>

b. Income tax

Income tax charge for the year consists of the following:

	2021 SR	2020 SR
Share of the non-Saudi shareholders from the adjusted net income for the year at 28.4% (2020: 28.41%) (after computation of accumulated losses)	(2,130,734)	(5,069,317)
Provision for income tax (20%)	-	-
Zakat and income tax for the year	<u>4,255,386</u>	<u>4,241,008</u>

The Company charged an estimated amount of Zakat and income tax for the year ended 31 December 2021 by SR 5,528,064 (31 December 2020: SR 6,000,000).

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

	2021 SR	2020 SR
Provision at the beginning of the year	6,281,980	4,635,813
Charge for the year	5,528,064	6,000,000
Prior years' adjustments	519,795	
Paid during the year	(4,676,950)	(4,353,833)
	<u>7,652,889</u>	<u>6,281,980</u>

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

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, 2020, and the company has received a final certificate for the fiscal year ending December 31, 2020.

Zakat, income tax and withholding tax

The company received from the General Secretariat of zakat, tax and customs committees a lawsuit to attend a hearing committee regarding the lawsuits it submitted the Committee for the First The Tax Committees for Resolution of Tax Violations and Disputes, which relate to withholding tax assessments for the years: 2015, 2016 and 2017, zakat and withholding tax for the year 2018 on March 14, 2022, while it did not receive Any decision regarding its appeal against the decision of the First Committee issued against the company regarding its grievance on the zakat and tax assessments related to the years: 2012, 2013 and 2014.

During the fourth quarter of the year 2021, the company spoke to provide the Zakat, Tax and Customs Authority with the requirements for examining zakat and income tax for the years 2019 and 2020, and the authority issued notices of amendment to the company's zakat returns, and the company submitted an objection to these amendments within the statutory period.

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.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 SR	31 December 2020 SR
Board of Directors and the companies they represent	- Gross Premiums written - Claims paid	6,069,771 1,155,436	6,332,331 1,616,634
Key management staff	- Short term benefits - End of service benefits	4,157,580 172,467	4,037,013 134,944
Arabia Insurance Company - Lebanon (shareholder)	- Expenses paid by the company for the Arabia Insurance Company" (shareholder) - Expenses paid by Arabia Insurance Company on behalf of the Company	91,076 299,670	- 41,196
Jordan Insurance Company - (shareholder)	- Reinsurance operations, net	-	13,771

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

	2021 SR	2020 SR
Arabia Insurance Company – Lebanon – Shareholder	(198,882)	9,652
Jordan Insurance Company – Shareholder	83,346	83,346
Board members and the companies they represent	1,959,091	877,120
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 2021 SR	31 December 2020 SR
Board of directors attendance allowance and expenses	980,000	1,275,000

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021. 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 2021 SR	31 December 2020 SR
Present value of end of service benefits	10,479,356	10,427,777
	10,479,356	10,427,777

Movement in Present value of end of service benefits	31 December 2021 SR	31 December 2020 SR
End of service benefits at the beginning of year	10,427,777	10,844,879
Current service cost	1,155,054	1,412,594
Interest cost	312,980	304,419
Re-measurement on end of service benefits	(979,090)	490,132
Benefits paid	(437,365)	(2,624,247)
Present value of end of service benefits at the end of year	10,479,356	10,427,777

End of service benefits expense (recognized in statement of income - insurance operations)

	31 December 2021 SR	31 December 2020 SR
Current service cost	1,155,054	1,412,594
Interest cost	312,980	304,419
Present value of end of service benefits at the end of year	1,468,034	1,717,013

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 2020 are as follows:

<i>Basic actuarial assumptions as at:</i>	31 December 2021	31 December 2020
Discount rate	%2.80	%2.69
Rate of salary increase	%4.35	%3
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.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

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, 2021, the Company has given guarantees of SR 2,709,500 million (31 December 2020: SR 2,733,449) 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 2021.

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

Earnings / (losses) per share for the two years ended 31 December 2021 and 2020 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. OTHER UNDERWRITING EXPENSES

The amount charged as other underwriting expenses represents for the year ended 31 December 2020 the total amount of clearing accounts with one of the company's clients dating back to previous years and includes the return of car installments amounting to 1,154,137 Saudi riyals, in addition to marine insurance claims for the amount of 5,517,472 Saudi riyals (2021: nil).

28. 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.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

29. 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)

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

29. OPERATING SEGMENTS (CONTINUED)

As at 31 December 2021

As at 31 December 2021	In Saudi Riyals						
	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

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

29. OPERATING SEGMENTS (CONTINUED)

As at 31 December 2020

As at 31 December 2020	<u>In Saudi Riyals</u>						
	Insurance Operations						
Operating segments	Medical	Motor	Fire	Engineering	Marine	Others	Total
Assets							
Reinsurers' share of unearned premiums	13,671,458	-	13,296,780	8,576,763	1,961,860	5,397,868	42,904,729
Reinsurers’ share of outstanding claims	3,953,012	13,058,874	2,160,888	4,805,533	1,968,714	8,030,825	33,977,846
Reinsurers' share of claims incurred but not reported	6,743,000	-	1,402,000	962,000	238,000	33,725	9,378,725
Deferred policy acquisition costs	3,305,485	4,766,196	1,292,324	694,692	263,427	695,638	11,017,762
Unallocated assets	-	-	-	-	-	-	299,031,954
	27,672,955	17,825,070	18,151,992	15,038,988	4,432,001	14,158,056	396,311,016
Liabilities							
Unearned premiums	56,313,429	48,353,902	15,156,801	10,146,617	2,719,528	8,112,267	140,802,544
Unearned reinsurance commission	-	-	1,237,517	967,237	674,805	398,218	3,277,777
Outstanding claims	15,331,667	40,546,318	2,224,304	7,184,389	2,777,285	12,823,206	80,887,169
Claims incurred but not reported	21,241,000	34,703,000	1,577,000	1,536,000	451,000	473,723	59,981,723
Premium deficiency reserve	12,304,000	2,107,000	4,000	108,000	-	1,107,000	15,630,000
Unallocated liabilities	-	-	-	-	-	-	95,731,803
	105,190,096	125,710,220	20,199,622	19,942,243	6,622,618	22,914,414	396,311,016

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

29. OPERATING SEGMENTS (CONTINUED)

or the year ended 31 December 2021

Operating segments	Medical	Motor	Fire	In Saudi Riyals Engineering	Marine	Others	Total
Revenue							
Gross premiums written							
- Direct	166,078,757	145,225,688	54,826,256	19,080,210	12,919,546	24,192,146	422,322,603
Less: Reinsurance premiums ceded:							
Foreign	(25,960,268)	-	(37,666,015)	(12,475,216)	(8,324,827)	(19,883,214)	(104,309,540)
Local	-	-	(15,600,118)	(3,337,271)	(2,360,464)	(736,486)	(22,034,339)
Excess of loss premiums	-	(2,251,526)	(610,455)	(1,424,395)	(615,000)	-	(4,901,376)
NET PREMIUMS WRITTEN	140,118,489	142,974,162	949,668	1,843,328	1,619,255	3,572,446	291,077,348
Change in unearned premiums, net	(18,140,919)	(6,786,438)	1,317,577	137,610	321,406	831,484	(22,319,280)
NET PREMIUMS EARNED	121,977,570	136,187,724	2,267,245	1,980,938	1,940,661	4,403,930	268,758,068
Reinsurance commission	-	-	6,749,398	4,794,688	13,110,023	3,164,118	27,818,227
Other Revenues	51,000	423,961	46,860	1,052,806	-	2,032,479	3,607,106
TOTAL REVENUE	122,028,570	136,611,685	9,063,503	7,828,432	15,050,684	9,600,527	300,183,401
Gross claims paid	(133,046,527)	(138,094,241)	(1,410,262)	(1,395,527)	(1,423,372)	(2,728,867)	(278,098,796)
Reinsurers share of claims paid	36,265,581	901,590	1,567,329	946,547	861,933	1,711,796	42,254,776
Net claims paid	(96,780,946)	(137,192,651)	157,067	(448,980)	(561,439)	(1,017,071)	(235,844,020)
Change in outstanding claims, net	(1,755,260)	15,960,622	(376,817)	350,345	(315,375)	(859,958)	13,003,557
Change in claims incurred but not reported, net	767,001	6,350,999	(935,000)	138,000	(191,000)	(151,515)	5,978,485
NET CLAIMS INCURRED	(97,769,205)	(114,881,030)	(1,154,750)	39,365	(1,067,814)	(2,028,544)	(216,861,978)
Policy acquisition costs	(6,873,168)	(15,310,874)	(5,474,249)	(1,343,566)	(1,386,122)	(2,453,000)	(32,840,979)
Change in premium deficiency reserve	12,304,000	(4,130,000)	(867,000)	(396,000)	(150,000)	(96,000)	6,665,000
Total underwriting costs and expenses	(92,338,373)	(134,321,904)	(7,495,999)	(1,700,201)	(2,603,936)	(4,577,544)	(243,037,957)
NET UNDERWRITING INCOME	29,690,197	2,289,781	1,567,504	6,128,231	12,446,748	5,022,983	57,145,444
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)

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

29. OPERATING SEGMENTS (CONTINUED)

For the year ended 31 December 2020	In Saudi Riyals					
Operating segments	Medical	Motor	Fire	Engineering	Marine	Others
Revenue						
Gross premiums written						
- Direct	129,290,533	130,923,260	35,501,392	25,151,583	9,890,754	15,674,124
Less: Reinsurance premiums ceded:						
Foreign	(26,946,661)	-	(29,580,824)	(19,110,116)	(6,613,126)	(8,504,559)
Local	(137,712)	-	(2,377,374)	(1,455,242)	(787,566)	(796,264)
Excess of loss premiums	-	(1,755,000)	(526,770)	(1,424,230)	(614,000)	-
NET PREMIUMS WRITTEN	102,206,160	129,168,260	3,016,424	3,161,995	1,876,062	6,373,301
Change in unearned premiums, net	8,919,042	(13,563,108)	(306,056)	(381,608)	(67,473)	240,269
NET PREMIUMS EARNED	111,125,202	115,605,152	2,710,368	2,780,387	1,808,589	6,613,570
Reinsurance commission	-	-	2,966,436	3,878,962	3,290,887	1,296,690
TOTAL REVENUE	111,125,202	115,605,152	5,676,804	6,659,349	5,099,476	7,910,260
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(146,077,346)	(72,352,867)	(1,278,913)	(3,487,069)	(2,160,447)	(2,749,848)
Reinsurers share of claims paid	61,307,811	2,516,500	983,067	2,484,251	1,534,494	1,794,117
Net claims paid	(84,769,535)	(69,836,367)	(295,846)	(1,002,818)	(625,953)	(955,731)
Change in outstanding claims, net	(2,715,923)	2,518,706	9,187	(283,520)	576,464	(462,647)
Change in claims incurred but not reported, net	(3,083,000)	1,775,000	10,000	(167,000)	116,000	730,000
NET CLAIMS INCURRED	(90,568,458)	(65,542,661)	(276,659)	(1,453,338)	66,511	(688,378)
Policy acquisition costs	(5,413,386)	(9,229,465)	(2,168,664)	(2,167,006)	(724,235)	(1,109,915)
Change in premium deficiency reserve and other reserve	(2,493,000)	522,000	1,660,000	558,800	-	(719,000)
Other underwriting expenses	-	(1,154,137)	-	-	(5,517,472)	-
Total underwriting costs and expenses	(98,474,844)	(75,404,263)	(785,323)	(3,061,544)	(6,175,196)	(2,517,293)
NET UNDERWRITING INCOME	12,650,358	40,200,889	4,891,481	3,597,805	(1,075,720)	5,392,967
Other operating (expenses) / income						
Provision for doubtful debts						8,235,412
General and administrative expenses						(66,946,506)
Commission income						78,122
Dividend						1,118,805
Total other operating income / (expense)						(57,514,167)
NET SURPLUS OF INSURANCE OPERATIONS'						8,143,613

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

30. SUPPLEMENTARY INFORMATION

- STATEMENT OF FINANCIAL POSITION

	In Saudi Riyals					
	31 December 2021			31 December 2020		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<u>Assets</u>						
Cash and cash equivalents	26,223,807	59,119,265	85,343,072	33,351,069	115,976,385	149,327,454
Premiums and reinsurers' receivable – net	150,976,952	-	150,976,952	141,113,737	-	141,113,737
Reinsurers' share of unearned premium	47,877,264	-	47,877,264	42,904,729	-	42,904,729
Reinsurers' share of outstanding claims	70,586,696	-	70,586,696	33,977,846	-	33,977,846
Reinsurers' share of claims incurred but not reported	8,345,878	-	8,345,878	9,378,725	-	9,378,725
Deferred policy acquisition cost	11,122,225	-	11,122,225	11,017,762	-	11,017,762
Investments	31,903,125	109,129,293	141,032,418	32,653,125	71,500,387	104,153,512
Amounts due from shareholders' operations	23,213,275	-	23,213,275	41,909,640	-	41,909,640
Due from a related party	83,346	-	83,346	92,998	-	92,998
Prepaid expenses and other assets	21,805,811	2,397,272	24,203,083	17,590,706	722,807	18,313,513
Right of use assets	3,214,715	-	3,214,715	5,371,952	-	5,371,952
Term deposits	20,400,000	37,060,919	57,460,919	20,350,000	43,414,208	63,764,208
Property and equipment, net	7,417,955	-	7,417,955	6,598,727	-	6,598,727
Statutory deposit	-	40,000,000	40,000,000	-	40,000,000	40,000,000
Return on statutory deposit	-	4,493,686	4,493,686	-	4,290,280	4,290,280
<u>Total assets</u>	423,171,049	252,200,435	675,371,484	396,311,016	275,904,067	672,215,083
<u>Liabilities</u>						
Accounts payable	17,106,089	-	17,106,089	23,683,805	-	23,683,805
Accrued expenses and other liabilities	22,758,674	1,201,249	23,959,923	26,554,663	1,655,874	28,210,537
Reinsurance balances payable	31,008,133	-	31,008,133	29,424,459	-	29,424,459
Unearned insurance premiums	168,094,359	-	168,094,359	140,802,544	-	140,802,544
Unearned reinsurance commissions	3,460,509	-	3,460,509	3,277,777	-	3,277,777
Outstanding claims	104,492,463	-	104,492,463	80,887,169	-	80,887,169
Claims incurred but not reported	52,970,390	-	52,970,390	59,981,723	-	59,981,723
Premium deficiency reserve and other reserves	8,965,000	-	8,965,000	15,630,000	-	15,630,000
Amounts due to insurance operations	-	23,213,275	23,213,275	-	41,909,640	41,909,640
Due to related parties	198,882	-	198,882	-	-	-
End of service benefits	10,479,356	-	10,479,356	10,427,777	-	10,427,777
Lease liability	2,742,492	-	2,742,492	4,911,126	-	4,911,126
Zakat and income tax payable	-	7,652,889	7,652,889	-	6,281,980	6,281,980
Return on statutory deposit	-	4,493,686	4,493,686	-	4,290,280	4,290,280
<u>Total liabilities</u>	422,276,347	36,561,099	458,837,446	395,581,043	54,137,774	449,718,817
<u>Cumulative surplus</u>						
Accumulated surplus payable	1,438,544	-	1,438,544	2,252,905	-	2,252,905
Actuarial loss on defined benefit plan	(543,842)	-	(543,842)	(1,522,932)	-	(1,522,932)
<u>Total liabilities and accrued surplus</u>	423,171,049	36,561,099	459,732,148	396,311,016	54,137,774	450,448,790
<u>Shareholders' equity</u>						
Equity capital	-	265,000,000	265,000,000	-	265,000,000	265,000,000
Accumulated losses	-	(49,496,359)	(49,496,359)	-	(43,978,974)	(43,978,974)
Investment of available-for-sale revaluation reserve	-	135,695	135,695	-	745,267	745,267
<u>Total shareholders' equity</u>	-	215,639,336	215,639,336	-	221,766,293	221,766,293
<u>Total liabilities and shareholders' equity</u>	423,171,049	252,200,435	675,371,484	396,311,016	275,904,067	672,215,083

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

30. SUPPLEMENTARY INFORMATION – (continued)

- STATEMENT OF INCOME

	In Saudi Riyals					
	31 December 2021			31 December 2020		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
REVENUES						
Gross premiums written	422,322,603	-	422,322,603	346,431,646	-	346,431,646
Reinsurance premiums ceded						
- Foreign	(104,309,540)	-	(104,309,540)	(90,755,286)	-	(90,755,286)
- Local	(22,034,339)	-	(22,034,339)	(5,554,158)	-	(5,554,158)
Excess of loss expenses	(4,901,376)	-	(4,901,376)	(4,320,000)	-	(4,320,000)
Net premiums written	291,077,348	-	291,077,348	245,802,202	-	245,802,202
Changes in unearned premiums, net	(22,319,280)	-	(22,319,280)	(5,158,934)	-	(5,158,934)
Net premiums earned	268,758,068	-	268,758,068	240,643,268	-	240,643,268
Reinsurance commission earned	27,818,227	-	27,818,227	11,432,975	-	11,432,975
Other revenue	3,607,106	-	3,607,106	-	-	-
TOTAL REVENUES	300,183,401	-	300,183,401	252,076,243	-	252,076,243
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(278,098,796)	-	(278,098,796)	(228,106,490)	-	(228,106,490)
Reinsurers' share of claims paid	42,254,776	-	42,254,776	70,620,240	-	70,620,240
Net claims paid	(235,844,020)	-	(235,844,020)	(157,486,250)	-	(157,486,250)
Changes in outstanding claims, net	18,982,042	-	18,982,042	(976,733)	-	(976,733)
Net claims incurred	(216,861,978)	-	(216,861,978)	(158,462,983)	-	(158,462,983)
Policy acquisition costs	(32,840,979)	-	(32,840,979)	(20,812,671)	-	(20,812,671)
Changes in premium deficiency reserve	6,665,000	-	6,665,000	(471,200)	-	(471,200)
Other underwriting expenses	-	-	-	(6,671,609)	-	(6,671,609)
Total underwriting costs and expenses	(243,037,957)	-	(243,037,957)	(186,418,463)	-	(186,418,463)
NET UNDERWRITING INCOME	57,145,444	-	57,145,444	65,657,780	-	65,657,780
OPERATING (EXPENSES) / INCOME						
Reverse / (provision) for doubtful debts	9,648,413	-	9,648,413	8,235,412	-	8,235,412
General and administrative expenses	(71,833,234)	(1,622,437)	(73,455,671)	(66,946,506)	(1,907,923)	(68,854,429)
Commission income	146,434	779,423	925,857	78,122	2,216,269	2,294,391
Gain on sale of available for sale investments	-	2,675,001	2,675,001	-	2,015,659	2,015,659
Impairment loss on available for sale investment	-	-	-	-	-	-
Dividend income	1,164,340	2,427,090	3,591,430	1,118,805	2,603,875	3,722,680
Total other operating (expenses) / income	(60,874,047)	4,259,077	(56,614,970)	(57,514,167)	4,927,880	(52,586,287)
Total surplus / (deficit) for the year	(3,728,603)	4,259,077	530,474	8,143,613	4,927,880	13,071,493
Income / (Loss) for the year attributed to the shareholders	3,728,603	(3,728,603)	-	(7,329,252)	7,329,252	-
Net income / (loss) for the year	-	530,474	530,474	814,361	12,257,132	13,071,493
Zakat and income tax	-	(6,047,859)	(6,047,859)	-	(6,000,000)	(6,000,000)
Net income / (loss) after zakat and income tax	-	(5,517,385)	(5,517,385)	814,361	6,257,132	7,071,493

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

30. SUPPLEMENTARY INFORMATION – (continued)

- STATEMENT OF COMPREHENSIVE INCOME

	In Saudi Riyals					
	31 December 2021			31 December 2020		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Net (loss) / income for the year	-	(5,517,385)	(5,517,385)	814,361	6,257,132	7,071,493
Other comprehensive income:						
<i>Items that cannot be reclassified subsequently to the statement of income:</i>						
- Actuarial gain / (loss) for defined benefit plans	979,090	-	979,090	(490,132)	-	(490,132)
<i>Items that can be reclassified subsequently to the statement of income:</i>						
Available-for-sale investments:						
- Net change in fair value	-	(609,572)	(609,572)	-	(398,164)	(398,164)
Total comprehensive income for the year	979,090	(6,126,957)	(5,147,867)	324,229	5,858,968	6,183,197

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

30. SUPPLEMENTARY INFORMATION – (continued)

- STATEMENT OF CASH FLOWS

	In Saudi Riyals					
	31 December 2021			31 December 2020		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Net profit / (loss) for the year	-	(5,517,385)	(5,517,385)	814,361	6,257,132	7,071,493
<i>Adjustments for non-cash items:</i>						
Depreciation of property equipment	2,619,193	-	2,619,193	2,207,119	-	2,207,119
Gain from sale property and equipment	-	-	-	(3,000)	-	(3,000)
Depreciation of right of use assets	2,157,237	-	2,157,237	1,971,025	-	1,971,025
Finance charges	158,230	-	158,230	217,936	-	217,936
Provision of allowance for doubtful debts	(9,648,413)	-	(9,648,413)	(8,235,412)	-	(8,235,412)
(Gains) / losses on sold of available for sale investments	-	(2,675,001)	(2,675,001)	-	(2,015,659)	(2,015,659)
Impairment loss on available for sale investment	-	-	-	-	-	-
Provision for end-of-service indemnities	1,468,034	-	1,468,034	1,717,013	-	1,717,013
Zakat and income tax accrued	-	6,047,859	6,047,859	-	6,000,000	6,000,000
	(3,245,719)	(2,144,527)	(5,390,246)	(1,310,958)	10,241,473	8,930,515
Changes in operating assets and liabilities:						
Premiums and reinsurance receivables	(214,802)	-	(214,802)	(22,415,564)	-	(22,415,564)
Reinsurers share of unearned premiums	(4,972,535)	-	(4,972,535)	12,958,333	-	12,958,333
Reinsurers share of outstanding claims	(36,608,850)	-	(36,608,850)	3,174,106	-	3,174,106
Reinsurers' share of claims incurred but not reported	1,032,847	-	1,032,847	5,125,000	-	5,125,000
Deferred policy acquisition costs	(104,463)	-	(104,463)	(3,781,465)	-	(3,781,465)
Amount due from a related party	9,652	-	9,652	(9,652)	-	(9,652)
Prepaid expenses and other assets	(4,215,106)	(1,674,466)	(5,889,572)	(1,799,370)	464,459	(1,334,911)
Accounts payable	(6,577,716)	-	(6,577,716)	1,453,408	-	1,453,408
Accounts payable, accruals and other liabilities	(3,795,988)	(454,625)	(4,250,613)	(1,592,026)	1,111,500	(480,526)
Reinsurer's balances payable	1,583,674	-	1,583,674	(6,965,074)	-	(6,965,074)
Unearned insurance premiums	27,291,815	-	27,291,815	(7,799,399)	-	(7,799,399)
Uninsured reinsurance commissions	182,732	-	182,732	(344,856)	-	(344,856)
Outstanding claims	23,605,294	-	23,605,294	(2,816,373)	-	(2,816,373)
Claims incurred but not reported	(7,011,333)	-	(7,011,333)	(4,506,000)	-	(4,506,000)
Premium deficiency reserve and other reserves	(6,665,000)	-	(6,665,000)	471,200	-	471,200
Accrued surplus distributions	(814,361)	-	(814,361)	(500,484)	-	(500,484)
Amounts due to related parties	198,882	-	198,882	(41,197)	-	(41,197)
Net cash from / (used in) operating activities	(20,320,977)	(4,273,618)	(24,594,595)	(30,700,371)	11,817,432	(18,882,939)
Zakat and income tax paid	-	(4,676,950)	(4,676,950)	-	(4,353,833)	(4,353,833)
End of service indemnities paid	(437,365)	-	(437,365)	(2,624,247)	-	(2,624,247)
Net cash (used in) / from operating activities	(20,758,342)	(8,950,568)	(29,708,910)	(33,324,618)	7,463,599	(25,861,019)
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions / (disposals) in investments	750,000	(35,563,477)	(34,813,477)	(2,798,437)	50,260,148	47,461,711
Additions / (disposals) in term deposits	(50,000)	6,353,289	6,303,289	(10,350,000)	75,743,364	65,393,364
Proceeds from the sale property and equipment	(3,438,420)	-	(3,438,420)	(2,090,043)	-	(2,090,043)
Net cash from / (used in) investing activities	(2,738,420)	(29,210,188)	(31,948,608)	(15,238,480)	126,003,512	110,765,032
CASH FLOWS FROM FINANCING ACTIVITIES						
Due from / to shareholders'	18,696,365	(18,696,365)	-	60,077,328	(60,077,328)	-
Right of use assets paid	(2,326,864)	-	(2,326,864)	(2,169,221)	-	(2,169,221)
Net cash (used in) / from financing activities	16,369,501	(18,696,365)	(2,326,864)	57,908,107	(60,077,328)	(2,169,221)
Net change in cash and cash equivalents	(7,127,261)	(56,857,121)	(63,984,382)	9,345,009	73,389,783	82,734,792
Cash and cash equivalents at the beginning of the year	33,351,069	115,976,385	149,327,454	24,006,060	42,586,602	66,592,662
Cash and cash equivalents at the end of the year	26,223,808	59,119,264	85,343,072	33,351,069	115,976,385	149,327,454
NON-CASH INFORMATION						
Changes in fair value of available for sale investments	-	(609,572)	(609,572)	-	(398,164)	(398,164)
Actuarial gain /(loss) for defined benefit plans	-	979,090	979,090	(490,132)	-	(490,132)

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

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 1,000,000.

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.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021	Changes in assumptions	Effect on net liabilities SR	Effect on net Income SR
Ultimate loss ratio	%10 +	2,687,580	(2,687,580)
	%10 -	(2,687,580)	2,687,580
31 December 2020	Changes in assumptions	Effect on net liabilities SR	Effect on net Income SR
Ultimate loss ratio	+10%	2,406,433	(2,406,433)
	-10%	(2,406,433)	2,406,433

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:

	2021 SR	2020 SR
Middle East	13,216,471	7,335,949
Europe	65,716,103	36,020,722
	78,932,574	43,356,671

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.

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

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

31. RISK MANAGEMENT – (continued)

e) Credit risk (continued)

- 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:

	2021		2020	
	<i>Insurance operations SR</i>	<i>Shareholders' Operations SR</i>	<i>Insurance operations SR</i>	<i>Shareholders' operations SR</i>
Cash and cash equivalents	26,223,807	59,119,265	33,351,069	115,976,385
Time deposits	20,400,000	37,060,919	20,350,000	43,414,208
Reinsurance premiums and balances, net	150,976,952	-	141,113,737	-
Investments available for sale	-	62,292,662	-	25,182,368
Prepaid expenses and other assets	21,805,811	2,397,272	17,590,706	722,807
Held to maturity investments	31,903,125	46,836,631	32,653,125	46,318,019
Reinsurers share of claims under settlement	70,586,696	-	33,977,846	-
Reinsurers' share of claims incurred but not reported	8,345,878	-	9,378,725	-
	330,242,269	207,706,749	288,415,208	231,613,787

f) 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.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

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.

	2021			2020		
	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	17,106,089	-	17,106,089	23,683,805	-	23,683,805
Reinsurance balances payable	31,008,133	-	31,008,133	29,424,459	-	29,424,459
Due to related parties	198,882	-	198,882	-	-	-
Accrued expenses and other liabilities	22,758,674	-	22,758,674	26,554,663	-	26,554,663
Outstanding claims	104,492,463	-	104,492,463	80,887,169	-	80,887,169
IBNR	52,970,390	-	52,970,390	59,981,723	-	59,981,723
Employees' end of service benefits	-	10,479,356	10,479,356	-	10,427,777	10,427,777
	228,534,631	10,479,356	239,013,987	220,531,819	10,427,777	230,959,596
SHAREHOLDERS' FINANCIAL LIABILITIES						
Accrued expenses and other liabilities	1,201,249	-	1,201,249	1,655,874	-	1,655,874
Zakat and income tax payable	7,652,889	-	7,652,889	6,281,980	-	6,281,980
	8,854,138	-	8,854,138	7,937,854	-	7,937,854
TOTAL FINANCIAL LIABILITIES	237,388,769	10,479,356	247,868,125	228,469,673	10,427,777	238,897,450

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

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	62,292,662
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	-	-	-
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	140,673,870	62,292,662	202,966,532
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 and other reserves	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	2,742,492	-	2,742,492	-	-	-
Return on investment of statutory deposits	-	-	-	-	4,493,686	4,493,686
Zakat and income tax payable	-	-	-	7,652,889	-	7,652,889
Total liabilities	405,711,503	16,365,962	422,077,465	32,067,413	4,493,686	36,561,099

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

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.

	2020					
	Insurance operations			Shareholders' operations		
	Current	Non-current	Total	Current	Non-current	Total
Assets						
Cash and cash equivalents	33,351,069	-	33,351,069	115,976,385	-	115,976,385
Time deposits	20,350,000	-	20,350,000	43,414,208	-	43,414,208
Premiums and reinsurance balances receivable, net	141,113,737		141,113,737	-	-	-
Investments	-	32,653,125	32,653,125	25,182,368	46,318,019	71,500,387
Due from related parties	92,998	-	92,998	-	-	-
Due from shareholders' operations	41,909,640	-	41,909,640	-	-	-
Prepaid expenses and other assets	17,590,706	-	17,590,706	722,807	-	722,807
Reinsurers' share of unearned premiums	36,579,670	6,325,059	42,904,729	-	-	-
Reinsurers' share of outstanding claims	33,977,846	-	33,977,846	-	-	-
Reinsurers' share of claims incurred but not reported	9,378,725	-	9,378,725	-	-	-
Deferred policy acquisition costs	10,578,607	439,155	11,017,762	-	-	-
Statutory deposit	-	-	-	40,000,000	-	40,000,000
Right of use assets	5,371,952	-	5,371,952	-	-	-
Return on investment of statutory deposit	-	-	-	4,290,280	-	4,290,280
Property and equipment, net	-	6,598,727	6,598,727	-	-	-
Total assets	350,294,950	46,016,066	396,311,016	229,586,048	46,318,019	275,904,067
LIABILITIES						
Accounts payable	23,683,805	-	23,683,805	-	-	-
Reinsurance balances payable	29,424,459	-	29,424,459	-	-	-
Accrued expenses, and other liabilities	26,554,663	-	26,554,663	1,655,874	-	1,655,874
Gross outstanding claims	80,887,169	-	80,887,169	-	-	-
Claims incurred but not reported	59,981,723	-	59,981,723	-	-	-
Gross unearned premiums	133,286,494	7,516,050	140,802,544	-	-	-
Unearned reinsurance commission	2,691,866	585,911	3,277,777	-	-	-
Premium deficiency reserve	15,630,000	-	15,630,000	-	-	-
Employees' end of service benefits	-	10,427,777	10,427,777	-	-	-
Due to insurance operations	-	-	-	41,909,640	-	41,909,640
Lease liability	4,911,126	-	4,911,126	-	-	-
Return on investment of statutory deposits	-	-	-	-	4,290,280	4,290,280
Zakat and income tax payable	-	-	-	6,281,980	-	6,281,980
Total liabilities	377,051,305	18,529,738	395,581,043	49,847,494	4,290,280	54,137,774

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021.

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 3,114,633 million SAR (2020 by 1,162,965 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.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

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

Gross written premiums	For the year ended 31 December 2021				
	Medical	Motors	Property and accidents	Protection and Savings	Total
Individuals	14,678,846	50,908,208	2,339,990	-	67,927,044
Very small size entities	20,166,011	431,172	670,702	-	21,267,885
Small size Entities	17,427,403	3,119,208	14,791,212	2,827	35,340,650
Medium size entities	22,365,920	26,926,012	22,188,001	534,319	72,014,252
Large size entities	91,440,578	63,841,088	70,385,378	105,728	225,772,772
Total	166,078,758	145,225,688	110,375,283	642,874	422,322,603

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 10 March 2022 corresponding to (7 Sha'ban 1443 H)