

Union Insurance Company P.J.S.C.

FINANCIAL STATEMENTS

31 DECEMBER 2020



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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UNION INSURANCE COMPANY P.J.S.C.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Union Insurance Company (P.J.S.C.) (the “Company”), which comprise the statement of financial position as at 31 December 2020, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the “IESBA Code”) together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to note 1 to the financial statements which describes that subsequent to the approval of the financial statements by the board of directors on 14 March 2021, the financial statements for the year ended 31 December 2020 have been withdrawn for reissuance in accordance with majority shareholder resolution at the Company’s Annual General Assembly. In the accompanying financial statements, management has made the necessary adjustment to increase the impairment provision for related party receivables. This has resulted in adjustments in the statements and notes as described in note 1. The previously issued financial statements of the Company for the year ended 31 December 2020 dated 17 March 2021 have been withdrawn and replaced by these financial statements. Our audit report issued earlier on 17 March 2021, which was qualified with regard to the above matter, has been withdrawn and replaced by this report. Our procedures on subsequent events are restricted solely to the amendment of the financial statements as described in the relevant note to the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the 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, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
UNION INSURANCE COMPANY P.J.S.C. (continued)**

Report on the audit of the financial statements (continued)

Key Audit Matters (continued)

Key Audit Matter	How the Matter Was Addressed in the Audit
<p><i>Valuation of insurance contract liabilities and reinsurance assets (refer to note 14 of the financial statements)</i></p> <p>We focused on these balances because of the complexity involved in the estimation process, and the significant judgements that management and the directors make in determining the appropriateness and adequacy of the liability. The liabilities which includes claims reported and not settled, incurred but not reported and mathematical reserve are based on a best-estimate of the ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. A range of methods may be used to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.</p> <p>Reinsurance assets are recognised when the related gross insurance liability is recognised according to the terms of the relevant reinsurance contracts and their recoverability is subject to the probability of default and probable losses in the event of default by respective reinsurance counterparties.</p> <p>Note 14 to the financial statements describes the elements that make up the insurance contract liabilities and reinsurance assets balance.</p>	<p>The work that we preformed to address this key audit matter included the following procedures:</p> <ul style="list-style-type: none"> • The evaluation and testing of key controls around the claims handling and reserve setting processes of the Company along with the recognition and release of reinsurance assets. We examined evidence of the operation of controls over the valuation of individual claims reserves, such as large loss review controls and internal peer reviews (whereby reviewers examine documentation supporting claims reserves and consider if the amount recorded in the financial statements is valued appropriately). • We checked samples of claims reserves and the respective share of reinsurance assets, through comparing the estimated amount of the reserve to appropriate documentation, such as reports from loss adjusters and where relevant inspection of the Company's correspondence with lawyers and reinsurers where the claim are under investigation. • We reviewed management's reconciliation of the underlying company data recorded in the policy administration systems with the data used in the actuarial reserving calculations. • We tied the insurance contract liabilities and reinsurance assets as recommended by the Company's actuary to the liabilities and assets in the financial statements. • We involved our actuarial specialist team members, to apply industry knowledge and experience and we compared the methodology, models and assumptions used against recognised actuarial practices.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
UNION INSURANCE COMPANY P.J.S.C. (continued)**

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key Audit Matter	How the Matter Was Addressed in the Audit
<p><i>Valuation of insurance contract liabilities and reinsurance assets (refer to note 14 of the financial statements) (continued)</i></p>	<ul style="list-style-type: none"> • We obtained the reinsurance treaty summary for the year and verified the details in the summary to the respective agreements. • We reviewed the ratios of reinsurance assets to related insurance contract liabilities to identify any variance from reinsurance treaty arrangements.
<p><i>Revenue recognition (refer to note 3 of the financial statements)</i></p> <p>Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period, and are recognised on the date on which the policy commences. At the end of each year, a proportion of the written premiums of the general insurance, medical and group life business is provided for to cover portions of risk which have not expired at the reporting date. The reserves are required to be calculated in accordance with the requirements of the Insurance Law relating to insurance companies.</p> <p>Since the Company focuses on revenue as a key performance measure, which could create an incentive for revenue to be recognised before the risks and rewards have been transferred, we have identified it as a key audit matter.</p>	<p>The work that we performed to address this key audit matter included the following procedures.</p> <ul style="list-style-type: none"> • We assessed whether the Company's revenue recognition policies complied with IFRS and tested the implementation of those policies. Specifically, we considered whether the premiums on insurance policies are accounted for on the date of inception of policies, by testing a sample of revenue items to insurance contracts, with a specific focus on transactions which occurred near 31 December 2020. • We evaluated the relevant IT systems and tested the operating effectiveness of the internal controls over the recording of revenue in the correct period. • We compared the unearned premiums reserve balance as per the financial statements to the reserve balance computed by the Company's actuary. • We recalculated the unearned premium reserve based on the earning period of insurance contracts existing as of 31 December 2020. • We also tested a risk based sample of journal entries posted to revenue accounts to identify any unusual or irregular items, and we tested the reconciliations between the policy master file and its financial ledgers.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
UNION INSURANCE COMPANY P.J.S.C. (continued)**

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

<i>Key audit matter</i>	How the Matter Was Addressed in the Audit
<i>Impairment losses on insurance receivables including third party recoveries</i> <i>(refer to note 12 and note 26 of the financial statements)</i>	
<p>The Company has amounts of insurance receivables that are overdue and not impaired (as disclosed in note 26 to the financial statements). The key associated risk is the recoverability of receivables.</p> <p>Due to the significance of trade receivables and the related estimation uncertainty this is considered a key audit matter.</p>	<p>The work that we performed to address this key audit matter included the following procedures.</p> <ul style="list-style-type: none"> • We compared historical provision for bad debts to the actual amounts written off, to determine whether the management's estimation techniques were reasonable. • We also considered the adequacy of provisions for bad debts for significant customers, taking into account specific credit risk assessments for each customer based on time past due, the existence of any disputes over the balance outstanding, the history of settlement of receivables and the existence of any liabilities with the same counterparties which reduce the net exposure. • We discussed with management and reviewed correspondences, where relevant, to identify any disputes and assess whether appropriately considered in the bad debt provision.
<i>Valuation of investment properties</i> <i>(refer to note 8 of the financial statements)</i>	
<p>The Company's investment properties are stated at fair value based on the valuation carried out by independent qualified valuers. The valuation was dependent on certain key estimates which requires the use of assumptions and significant judgment. The valuation of investment properties under development was also dependent on estimated costs that will be incurred to complete the development.</p> <p>Since significant judgement, assumption and estimation uncertainty is involved in assessing the valuation, we have identified it as a key audit matter.</p>	<p>The work that we performed to address this key audit matter included the following procedures.</p> <ul style="list-style-type: none"> • We obtained the external valuation reports for all properties and reviewed the valuation methodology used. • We read their terms of engagement with the Company to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work. • We carried out procedures to test whether property specific standing data supplied to the external valuers by management is appropriate and reliable. • We reviewed title deeds of the properties to ensure existence of the properties.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
UNION INSURANCE COMPANY P.J.S.C. (continued)**

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

<i>Key audit matter</i>	How the Matter Was Addressed in the Audit
<p><i>Classification of freehold land</i> <i>(refer to note 7 of the financial statements)</i></p> <p>Included in property and equipment is the amount of AED 82,045 thousand (2019: AED 82,045 thousand) which represent payments made for acquiring investment in the Meydan Real Estate Project based in U.A.E.</p> <p>The Board of Directors of the Company has passed resolutions to construct the Company's head-office on the land in the foreseeable future. The amount paid for the purchase of land is carried at cost, but is subject to consideration for impairment when indicators of impairment exist. As a consequence, for impairment consideration on this asset, the Company is the lowest level of cash generating unit and hence the asset is not assessed for impairment as a standalone asset.</p>	<p>The work that we performed to address this key audit matter included the following procedures:</p> <ul style="list-style-type: none"> • We discussed with management the status of the proposed construction and noted that no date has been set for construction to commence. • We obtained the resolution for Board approval for the property to be used as the Company's head-office. • We reviewed the Company's business performance and forecasts for existence of indicators of impairment at the Company level. • We reviewed title deed of the property to ensure existence of the property.

Other information

Other information consists of the information included in the Company's 2020 Annual Report, other than the financial statements and our auditors' report thereon. Management is responsible for the other information. We obtained the report of Company's Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Company's 2020 Annual Report after the date of our auditors' report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 IFRSs and in compliance with the applicable provisions of the Company's Articles of Association and of the UAE Federal Law No. (2) of 2015 and the UAE Federal Law No. (6) of 2007, 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.



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UNION INSURANCE COMPANY P.J.S.C. (continued)

Report on the Audit of the Financial Statements (continued)

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

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.

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 ISAs 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 ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UNION INSURANCE COMPANY P.J.S.C. (continued)

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

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

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.

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that for the year ended 31 December 2020:

- i) the Company has maintained proper books of account;
- ii) we have obtained all the information we considered necessary for the purposes of our audit;
- iii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Articles of Association of the Company and the UAE Federal Law No. (2) of 2015;
- iv) the financial information included in the Directors' report is consistent with the books of account and records of the Company;
- v) investments in shares and stocks during the year ended 31 December 2020, are disclosed in note 9 to the financial statements
- vi) note 22 reflect material related party transactions and the terms under which they were conducted;
- vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2020 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or its Articles of Association which would have a material impact on its activities or its financial position; and
- viii) note 21 to the financial statements reflects the social contributions made during the year.



**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
UNION INSURANCE COMPANY P.J.S.C. (continued)**

Report on other legal and regulatory requirements (continued)

Further, as required by the UAE Federal Law No. (6) of 2007, as amended, we report that we have obtained all the information and explanation we considered necessary for the purpose of our audit. For further disclosure on solvency ratios, refer to notes 9 and 28.

For Ernst & Young

A handwritten signature in blue ink, appearing to read 'Ashraf Abu-Sharkh', with a long horizontal flourish extending to the left.

Signed by:
Ashraf Abu-Sharkh
Partner
Registration No. 690

29 April 2021

Dubai, United Arab Emirates

Union Insurance Company P.J.S.C.

STATEMENT OF INCOME

For the year ended 31 December 2020

	<i>Notes</i>	2020 AED '000	2019 AED '000
UNDERWRITING INCOME			
Gross written premium	3	867,911	927,343
Reinsurance ceded	3	(453,227)	(473,816)
		414,684	453,527
Net change in unearned premium and policyholders' reserve	3	(98,603)	(82,536)
Net earned premium		316,081	370,991
Commission earned		67,865	83,848
Total underwriting income		383,946	454,839
UNDERWRITING EXPENSES			
Gross claims incurred	4	(343,280)	(419,144)
Insurance claims recovered from reinsurers	4	212,916	238,850
Net claims incurred		(130,364)	(180,294)
Commission incurred	12	(95,332)	(123,691)
Administrative expenses	21	(76,010)	(81,632)
Other operational costs related to underwriting activities		(51,515)	(67,861)
Net movement in reserve of unit linked products	24	9,045	19,777
Total underwriting expenses		(344,176)	(433,701)
UNDERWRITING PROFIT		39,770	21,138
Net investment (loss)/ income	5	(4,977)	14,529
General and administrative expenses	21	(41,654)	(14,199)
(LOSS)/PROFIT FOR THE YEAR		(6,861)	21,468
Basic and diluted (loss)/ earnings per share (AED)	27	(0.021)	0.065

The attached explanatory notes 1 to 30 form part of these financial statements.

Union Insurance Company P.J.S.C.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Note</i>	2020 AED '000	2019 AED '000
(Loss)/Profit for the year		(6,861)	21,468
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Net change in fair value of investments at fair value through other comprehensive income	9	(1,832)	4,121
Net realised loss on disposal of fair value investment held through other comprehensive income		826	-
Total other comprehensive (loss)/ income for the year		(1,006)	4,121
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(7,867)	25,589

The attached explanatory notes 1 to 30 form part of these financial statements.

Union Insurance Company P.J.S.C.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 AED '000	2019 AED '000
ASSETS			
Property and equipment	7	102,755	101,584
Intangible assets	7	5,653	8,229
Investment properties	8	72,270	75,195
Investment securities	9	113,271	184,961
Investments held on behalf of policyholders' unit linked products	9	363,066	261,026
Right-of-use assets	10	3,599	7,680
Statutory deposit	11	10,000	10,000
Reinsurance contract assets	14	474,433	518,265
Insurance and other receivables	12	402,325	496,379
Cash and bank balances	13	220,373	152,844
TOTAL ASSETS		1,767,745	1,816,163
LIABILITIES			
Bank overdraft	13	584	3,382
Insurance contract liabilities	14	712,256	769,771
Insurance and other payables	15	363,729	447,525
Provision for employees' end of service benefits	16	10,962	8,618
Payable to policyholders' of unit-linked products	24	363,066	261,026
Total liabilities		1,450,597	1,490,322
EQUITY			
Share capital	17	330,939	330,939
Statutory reserve	18	14,865	14,865
Special reserve	18	14,865	14,865
Reinsurance Reserve		2,266	-
Fair value reserve	19	(11,274)	(10,268)
Accumulated losses		(34,513)	(24,560)
Total equity		317,148	325,841
TOTAL LIABILITIES AND EQUITY		1,767,745	1,816,163



Abdul Mutaleb M H M Aljaede
Chief Executive Officer

The attached explanatory notes 1 to 30 form part of these financial statements.

Union Insurance Company P.J.S.C.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

Attributable to equity shareholders of the Company

	<i>Share capital AED '000</i>	<i>Statutory reserve AED '000</i>	<i>Special reserve AED '000</i>	<i>Reinsurance reserve AED '000</i>	<i>Fair value reserve AED '000</i>	<i>(Accumulated losses) AED '000</i>	<i>Total AED '000</i>
As at 1 January 2020	330,939	14,865	14,865	-	(10,268)	(24,560)	325,841
Loss for the year	-	-	-	-	-	(6,861)	(6,861)
Loss on sale of fair value investment held through other comprehensive income	-	-	-	-	826	(826)	-
Other comprehensive loss for the period	-	-	-	-	(1,832)	-	(1,832)
Total other comprehensive income for the year	-	-	-	-	(1,006)	(7,687)	(8,693)
Transfer to statutory reserve	-	-	-	-	-	-	-
Transfer to special reserve	-	-	-	-	-	-	-
Transfer to reinsurance reserve	-	-	-	2,266	-	(2,266)	-
As at 31 December 2020	330,939	14,865	14,865	2,266	(11,274)	(34,513)	317,148
As at 1 January 2019	330,939	12,718	12,718	-	(14,617)	(41,506)	300,252
Profit for the year	-	-	-	-	-	21,468	21,468
Loss on sale of fair value investment held through other comprehensive income	-	-	-	-	228	(228)	-
Other comprehensive gain for the period	-	-	-	-	4,121	-	4,121
Total other comprehensive income for the year	-	-	-	-	4,349	21,240	25,589
Transfer to statutory reserve	-	2,147	-	-	-	(2,147)	-
Transfer to special reserve	-	-	2,147	-	-	(2,147)	-
As at 31 December 2019	330,939	14,865	14,865	-	(10,268)	(24,560)	325,841

The attached explanatory notes 1 to 30 form part of these financial statements.

Union Insurance Company P.J.S.C.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	<i>Notes</i>	2020 AED '000	2019 AED '000
Cash flow from operating activities			
(Loss)/Profit for the year		(6,861)	21,468
Adjustment for:			
Depreciation and amortisation	7,10	8,184	8,564
(Gain)/ loss on disposal of investments at FVTPL	5	(852)	33
Unrealised loss/ (gain) on investments at FVTPL	5	9,805	(5,669)
Net movement in fair value of investments held for unit linked products	24	(9,045)	(19,777)
Interest income	5	(8,054)	(8,733)
Dividend income	5	(742)	(3,176)
Interest on margin trading account	5	233	1,944
Interest on lease liabilities	10	339	616
Provision for employees' end of service benefits	16	3,607	2,602
Decrease in the fair value of investment properties	5	2,925	-
		(461)	(2,128)
Changes in operating assets and liabilities:			
Insurance and other receivables		94,054	2,877
Reinsurance contract assets		43,832	(44,717)
Insurance contract liabilities		(57,515)	13,017
Insurance and other payables		22,232	124,184
Net cash generated from operations		102,142	93,233
Employees' end of service benefits paid	16	(1,263)	(1,558)
Net cash generated from operating activities		100,879	91,675
Cash flows from investing activities			
Purchase of property and equipment (net)	7	(2,698)	(1,779)
Purchase of investments at FVTPL		(18,017)	(16,786)
Proceeds from disposal of investments at FVTPL		61,930	38,280
Purchase of policyholders' of unit-linked products	24	(92,995)	(91,214)
Proceeds from disposal of investments at FVTOCI		16,992	3,897
Interest received	5	8,054	8,733
Dividend received	5	742	3,176
Increase in fixed deposit with banks with maturity greater than three months	13	(66,050)	(6,948)
Net cash used in investing activities		(92,042)	(62,641)
Cash flows from financing activity			
Interest on margin trading account	5	(233)	(1,945)
Payment of principal portion of lease liabilities	10	(3,988)	(4,032)
Interest paid on lease liabilities	10	(339)	(616)
Net cash used in financing activity		(4,560)	(6,593)
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,277	22,441
Cash and cash equivalents at 1 January		43,967	21,526
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	13	48,244	43,967

The attached explanatory notes 1 to 30 form part of these financial statements.

Union Insurance Company P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2020

1 CORPORATE INFORMATION

Union Insurance Company P.J.S.C. (the "Company") is a public joint stock company registered under the UAE Federal Law No. (2) of 2015 and the U.A.E. Federal Law No. 6 of 2007 relating to commercial companies in the UAE. The Company is registered with the Insurance Companies Register of Insurance Authority of U.A.E., under registration number 67. The Company's registered corporate office is Single Business Tower, Sheikh Zayed Road, P.O. Box 119227, Dubai, United Arab Emirates ("UAE"). The shares of the Company are listed on the Abu Dhabi Securities Exchange.

The principal activity of the Company is the writing of insurance of all types including life assurance. The Company operates through its Head Office in Dubai and Branch Offices in Abu Dhabi, Dubai, Sharjah, Ajman and Ras Al Khaimah.

The financial statements were authorised for issue by the management in accordance with the letter received from the shareholders dated 27 April 2021.

Reissuance of financial statements

Subsequent to the approval of the financial statements by the directors on 14 March 2021, the shareholders, by majority vote during the Company's Annual General Meeting, requested to remove the auditor's qualification and reissue the financial statements. Accordingly, the management has withdrawn the financial statements for the year ended 31 December 2020 for reissuance. In these financial statements, management has made updates to increase the impairment provision for related party receivables in the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows, as well as the related changes to note 6, note 12, note 20, note 21, note 22, note 25, note 26, and note 27 to the financial statements. Consequently, the previously issued financial statements of the Company for the year ended 31 December 2020 dated 17 March 2021 have been withdrawn and replaced by these financial statements.

The following table summarizes the adjustments to amounts previously reported in the financial statements as at and for the year ended 31 December 2020 which was issued on 17 March 2021:

31 December 2020

	<i>Previously reported</i> <i>AED'000</i>	<i>Adjustment</i> <i>AED'000</i>	<i>Adjusted balance</i> <i>AED'000</i>
<i>Statement of comprehensive income</i>			
General and administrative expenses (Note 21)	28,202	13,452	41,654
(Loss)/ profit for the year	6,591	(13,452)	(6,861)
Total comprehensive (loss)/ income for the year	5,585	(13,452)	(7,867)
Basic and diluted (loss)/ earnings per share (AED) (Note 27)	0.0199	(0.0409)	(0.021)
<i>Statement of financial position</i>			
Insurance and other receivables (Note 12)	415,777	(13,452)	402,325
Total assets	1,781,197	(13,452)	1,767,745
Statutory reserve*	15,524	(659)	14,865
Special reserve*	15,524	(659)	14,865
Accumulated losses	(22,379)	(12,134)	(34,513)
Total equity	330,600	(13,452)	317,148

*Due to the loss incurred during the year, there are no transfers of profit to statutory and special reserve.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

Accounting convention

The financial statements are prepared under the historical cost convention except for the measurement at fair value of financial assets carried at fair value. The financial statements have been presented in UAE Dirhams and all values are rounded to the nearest thousand (AED'000) except when otherwise indicated.

The Company presents its statement of financial position broadly in order of liquidity, with a distinction based on expectations regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current), presented in the notes.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 BASIS OF PREPARATION (continued)

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and applicable requirements of United Arab Emirates Laws.

Federal Decree-Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Company is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New standards and interpretations effective after 1 January 2020

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the impact of each new standard and amendment is described below.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Company, but may impact future periods should the Company enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Company.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Company.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the financial statements of the Company.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

The nature and the impact of the new standards and amendments applicable to the Company are described below:

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Company is currently evaluating the expected impact.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Standards issued but not yet effective (continued)

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available or use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial statements are set out below:

Revenue recognition

Gross premiums

Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences. Gross premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

Life assurance contracts

In respect of short term life assurance contracts, premium are recognised as revenue (earned premiums) proportionately over the period of coverage. The portion of the premium received in respect of in-force contracts that relates to unexpired risks at the end of the reporting period is reported as the unearned premium liability. Premiums are shown before deduction of the commission.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Life assurance contracts (continued)

In respect of long term assurance contracts, premiums are recognised as revenue (earned premiums) when they become payable by the contract holder. Premiums are shown before deduction of commission.

Premium for group credit life policies are recognised when it is paid by the contract holder.

A liability for contractual benefits that are expected to be incurred in future is recorded when the premiums are recognised.

The liability is based on the assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued. A margin for adverse deviation is included in the assumptions.

Where a life assurance contract has a single premium or limited number of premium payments due over a significantly shorter period than the period during which the benefits are provided, the excess of the premiums payable over the valuation premiums is deferred and recognised as income in line with the decrease of unexpired insurance risk of the contract in force or for annuities in force, in line with the decrease of the amount of future benefits expected to be paid.

The liabilities are recalculated at the end of each reporting period using the assumptions established at the inception of the contract.

Claims and benefits payable to contract holders are recorded as expenses when they are incurred.

Reinsurance premiums

Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into during the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

Other investment income

- (i) Interest income is recognised on a time proportion basis.
- (ii) Dividend income is accounted for when the right to receive payment is established.
- (iii) Rental income is recognised as income over the period to which it relates.

Claims and expenses recognition

Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to expense as incurred. Provision for incurred but not reported claims is included within additional reserve.

The Company generally estimates its claims based on previous experience. Independent loss adjusters normally estimate property claims. Any difference between the provisions at the reporting date and settlements and provisions for the following year is included in the underwriting account for that year.

Reinsurance claims

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

Finance cost

Interest paid is recognised in the statement of income as it accrues and is calculated by using the effective interest rate method. Accrued interest is included within the carrying value of the interest bearing financial liability.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

General and administration expenses

Direct expenses of general insurance business are charged to respective departmental revenue accounts. Indirect expenses of the general insurance business are allocated to departmental revenue accounts on the basis of gross retained premiums of each department. Other administration expenses are charged to the statement of income.

Policyholders' investment linked contracts at fair value

For unit linked policies, liability is equal to the policy account values. The investment component of these insurance contracts are designated as at fair value through profit and loss.

Liability adequacy test

At each statement of financial position date the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in light of estimated future cash flows, the entire deficiency is immediately recognised in income and an unexpired risk provision is created.

The Company does not discount its liability for unpaid claims as substantially most of the claims are expected to be paid within one year of the statement of financial position date.

Foreign currency translation

The presentation currency is UAE Dirhams (AED). This is also the functional currency of the Company. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the statement of income, except when it relates to items when gains or losses are recognised directly in equity, the gain or loss is then recognised net of the exchange component in the statement of comprehensive income.

Segment reporting

For management purposes, the Company is organised into two business segments based on their products and services and has two business segments as follows:

- a) The general insurance segment comprises of property, fire, marine, motor, medical, general accident and miscellaneous risks.
- b) The life assurance segment offers short term group life insurance. Revenue from this segment is derived primarily from insurance premium, fees and commission income, investment income and fair value gains and losses on investments.

No operating segments have been aggregated to form the above reportable operating segments. Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the financial statements. No inter-segment transactions occurred in 2020 and 2019. If any transaction were to occur, transfer prices between operating segments would be set on an arm's length basis in a manner similar to transactions with third parties.

Product classification

Insurance contracts are those contracts when 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 determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight line basis over the estimated useful lives of property and equipment. The useful life considered in calculation of depreciation for all the assets is 5 years.

The carrying values of property and equipment 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 amount, being the higher of their value less costs to sell and their value in use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the statement of comprehensive income as the expense is incurred.

Capital work in progress

Capital work in progress is stated at the lower of cost or net realisable value. The cost includes the cost of construction and other related expenditure which are capitalised as and when activities that are necessary to get the assets ready for use are in progress. Net realisable value represents the estimated recoverable value based on expected future usage. Management reviews the carrying values of the capital work in progress on an annual basis.

Capital work in progress are considered to be completed when all related activities, for the entire assets have been completed. Upon completion, those are transferred to property and equipment.

Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise, including the corresponding tax effect.

Fair values are evaluated annually by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of retirement or disposal.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below USD 5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Trade and settlement date accounting

All “regular way” purchases and sales of financial assets are recognised on the “trade date”, i.e. the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Deferred acquisition costs

Those direct and indirect costs incurred during the financial period arising from acquiring or renewing of insurance contracts including Unit linked investment policies, are deferred to the extent that these costs are recoverable out of future premiums from insurance contracts. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, deferred acquisition costs are amortised over the period in which the related revenues are earned. The deferred acquisition costs for reinsurers are amortised in the same manner as the underlying asset amortisation and is recorded in the statement of profit or loss.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method and are treated as a change in an accounting estimate. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of profit or loss. Deferred acquisition costs are also considered in the liability adequacy test for each reporting period. Deferred acquisition costs are derecognised when the related contracts are either settled or disposed of.

Fair value measurement

The Company measures financial instruments, such as, equity instruments, and non-financial assets such as investment properties (for disclosure purposes), at fair value at each balance sheet date.

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in other operating expenses for receivables. This category generally applies to insurance and other receivables.

Financial assets

At initial recognition, all financial assets are measured at fair value.

Equity investments

For subsequent measurements, all financial assets that are equity investments are measured at fair value either through Other Comprehensive Income (OCI) or through profit or loss. This is an irrevocable choice that the Company has made on early adoption of IFRS 9 or will make on subsequent acquisition of equity investments unless the equity investments are held for trading, in which case, they must be measured at fair value through profit or loss. Gain or loss on disposal of equity investments at fair value through Other Comprehensive Income (OCI) are not recycled. Dividend income for all equity investments at fair value through Other Comprehensive Income (OCI) are recorded through profit or loss.

Debt instruments

Debt instruments are also measured at fair value through profit or loss unless they are classified at amortised cost. They are classified at amortised cost only if:

- i. the asset is held within a business model whose objective is to hold the asset to collect the contractual cash flows; and
- ii. the contractual terms of the debt instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement
- The Company has transferred its rights to receive cash flows from the asset and either:
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay

Impairment and uncollectibility of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of comprehensive income. Impairment is determined as follows:

- (a) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- (b) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Impairment of non-financial assets (excluding goodwill)

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using discount rates that reflect current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses are recognised in the statement of profit or loss.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reinsurance contracts held

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the statement of income. Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

The Company also assumes reinsurance risk in the normal course of business for life insurance and general insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party. Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured.

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables 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.

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less in the statement of financial position.

Insurance contract liabilities

(i) Unearned premium reserve

At the end of each year a proportion of net retained premiums of the general insurance, medical and group life business is provided to cover portions of risks which have not expired at the reporting date. The reserves are calculated in accordance with the requirements of the Insurance Law relating to insurance companies at 1/365 of annual premiums earned net of reinsurance for all classes of insurance, except marine which is calculated at 25% and policies with insurance period of 2 years at 1/48 method. Unearned premium reserves for medical and group life business are calculated on a time proportion basis.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Insurance contract liabilities (continued)

(ii) Additional reserve

A provision is made for the estimated excess of potential claims over unearned premiums and for claims incurred but not reported at the financial position date.

The reserves represent the management's best estimates on the basis of:

- a) claims reported during the year
- b) delay in reporting these claims
- c) claim handling provision

(iii) Unexpired risk reserve

A provision is made for the claims expected to be incurred after the reporting date in respect of current insurance contracts that will, together with any deferred expenses, exceed the premium to be earned on those contracts after the reporting date.

(iv) Outstanding claims

Insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, after reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of claims cannot be known with certainty at the reporting date. The liability is not discounted for the time value of money. No provision for equalisation or catastrophic reserves is recognised. The liability is derecognised when the contract expires, is discharged or is cancelled.

Provisions

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

Employees' end of service benefits

The company provides end of service benefits to its expatriate employees in accordance with the UAE Labor Law.

The entitlement to these benefits is based upon the employees' salary and the length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Employees' end of service benefits (UAE Nationals)

The Company is a member of the pension scheme operated by the Federal Pension General and Social Security Authority. Contributions for eligible UAE National employees are made and charged to the statement of profit or loss, in accordance with the provisions of Federal Law No. 7 of 1999 relating to pension and Social Security Law.

An accrual has been made for the past contributions relating to the services rendered by the eligible UAE National employees up to 31 December 2020. The Company has no further payment obligations once the contributions have been paid.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Company if that person:
 - (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Company or of a parent of the Company.
- (b) An entity is related to the Company if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These factors could include:

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification of properties

Management decides whether a property under construction will be used upon completion as owner-occupied property or for renting out to third parties. If used as owner-occupied property, the value in use of the property is determined as part of the cash generating unit to which it belongs. Otherwise, the asset is classified as investment property and its fair value is determined on an individual asset basis.

Classification of investments

Management decides on acquisition of an investment whether it should be classified as of fair value through profit or loss, at fair value through OCI or at amortised cost.

Lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Additional reserve

A provision is made for the estimated excess of potential claims over unearned premiums and for claims incurred but not reported at the financial position date.

The reserves represent the management's best estimates on the basis of:

- a) claims reported during the year
- b) delay in reporting these claims
- c) claim handling provision

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or other valuation models.

Provision for outstanding claims, whether reported or not

Considerable judgement by management is required in the estimation of amounts due to contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claim settlement trends.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

Impairment losses on insurance receivables

The Company reviews its insurance receivables on a regular basis to assess whether a provision for impairment should be recorded in the statement of income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about the probability of default and probable losses in the event of default, the value of the underlying security, and realisation costs.

In addition to specific provisions against individually significant insurance receivables, the Company also makes a collective impairment provision against insurance receivables which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted. The amount of the provision is based on the historical loss pattern for insurance receivables within each grade and is adjusted to reflect current economic changes.

Reinsurance

The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a regular basis the evolution of disputes with and the strength of its reinsurers.

Going concern

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

Provision for legal cases

Considerable judgement by management is required in the estimation for legal cases arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

The areas of the Company's business containing key sources of estimation uncertainty include the measurement of insurance contract provisions and determination of valuation of investment properties and development work- in-progress.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Measurement of insurance contract provisions

The Company's accounting policy in respect of insurance contract accounting is discussed in more detail in note 2. The key assumptions made in respect of insurance contract liabilities are included in note 14.

Insurance contract classification

Contracts are classified as insurance contracts where they transfer significant insurance risk from the holder of the contract to the Company.

There are a number of contracts sold where the Company exercises judgment about the level of insurance risk transferred. The level of insurance risk is assessed by considering whether there are any scenarios with commercial substance in which the Company is required to pay significant additional benefits. These benefits are those which exceed the amounts payable if no insured event were to occur. These additional amounts include claims liability and assessment costs, but exclude the loss of the ability to charge the holder of the contract for future services.

Provision for outstanding claims, whether reported or not

Considerable judgment by management is required in the estimation of amounts due to the contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the date of statement of financial position and for the expected ultimate cost of IBNR claims at the date of statement of financial position. Estimates are made for the expected ultimate cost of IBNR claims using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation and are presented in Note 14.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred and IBNR claims regularly.

Impairment of insurance receivables

An estimate of the collectible amount of insurance receivables is made when collection of the full amount is no longer probable. This determination of whether the insurance receivables are impaired, entails the Company evaluating the credit and liquidity position of the policy holders and the insurance and reinsurance companies, historical recovery rates including detailed investigations carried out during 2020 and feedback received from the legal department. The difference between the estimated collectible amount and the book amount is recognised as an expense in the statement of profit or loss. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognised in the statement of profit or loss at the time of collection.

Provision for the doubtful debts on insurance receivables at 31 December 2020 was AED 51.0 million (2019: AED 27.8 million).

Impairment losses on deferred acquisition costs

The Company reviews its deferred acquisitions costs on a regular basis to assess whether a provision for impairment should be recorded in statement of comprehensive income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required.

Liability Adequacy Test

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Company makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the profit or loss.

Valuation of investment properties and development work in progress

The fair value of investment property was determined by external, independent property values, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Company's investment property portfolio annually.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

The Company has taken the average of valuations for the fair value measurement of its investment properties and development work-in-progress.

<i>Valuation technique</i>	<i>Significant unobservable inputs</i>	<i>Interrelationship between key unobservable inputs and fair value measurements</i>
1) Residual valuation approach	- Expected market rental growth rate	The estimated fair value would increase/decrease if:
2) Sales comparative valuation approach	- Risk adjusted discount rates	- Expected market rental growth rate were higher
	- Free hold property	- The risk adjusted discount rates were lower/higher
3) Investment (income capitalisation) approach	- Free of covenants, third party rights and obligations	- The property is not free hold
	- Statutory and legal validity	- The property is subject to any covenants, rights and obligations
	- Condition of the property, location and plot area	- The property is subject to any adverse legal notices / judgment
	- Recent sales value of comparable properties	- The property is subject to any defect / damages
	- Expected gross development value	- The property is subject to sales value fluctuations of surrounding properties in the area.
	- Expected costs of construction	- Changes in the estimated costs of construction.

Union Insurance Company P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2020

3 INSURANCE PREMIUM REVENUE

<i>Year 2020</i>	<i>General Insurance</i>			<i>Life Assurance</i>			<i>Total</i>		
	<i>Gross AED'000</i>	<i>Reinsurers' share AED'000</i>	<i>Net AED'000</i>	<i>Gross AED'000</i>	<i>Reinsurers' share AED'000</i>	<i>Net AED'000</i>	<i>Gross AED'000</i>	<i>Reinsurers' share AED'000</i>	<i>Net AED'000</i>
Gross premium	585,277	(351,550)	233,727	282,634	(101,677)	180,957	867,911	(453,227)	414,684
Movement in provision for unearned premium	34,906	(31,071)	3,835	(9,373)	8,975	(398)	25,533	(22,096)	3,437
Amount invested by policyholders	-	-	-	(92,995)	-	(92,995)	(92,995)	-	(92,995)
Change in fair value of ULIP investments	-	-	-	(9,045)	-	(9,045)	(9,045)	-	(9,045)
Insurance premium revenue	<u>620,183</u>	<u>(382,621)</u>	<u>237,562</u>	<u>171,221</u>	<u>(92,702)</u>	<u>78,519</u>	<u>791,404</u>	<u>(475,323)</u>	<u>316,081</u>
Unearned premium as of 31 December (Note 14)	<u>238,953</u>	<u>(128,575)</u>	<u>110,378</u>	<u>114,155</u>	<u>(96,934)</u>	<u>17,221</u>	<u>353,108</u>	<u>(225,509)</u>	<u>127,599</u>
Unit Linked Liabilities as of 31 December (Note 24)	<u>-</u>	<u>-</u>	<u>-</u>	<u>363,066</u>	<u>-</u>	<u>363,066</u>	<u>363,066</u>	<u>-</u>	<u>363,066</u>
<i>Year 2019</i>									
	<i>General Insurance</i>			<i>Life Assurance</i>			<i>Total</i>		
	<i>Gross AED'000</i>	<i>Reinsurers' share AED'000</i>	<i>Net AED'000</i>	<i>Gross AED'000</i>	<i>Reinsurers' share AED'000</i>	<i>Net AED'000</i>	<i>Gross AED'000</i>	<i>Reinsurers' share AED'000</i>	<i>Net AED'000</i>
Gross premium	628,644	(376,253)	252,391	298,699	(97,563)	201,136	927,343	(473,816)	453,527
Movement in provision for unearned premium	43,333	(10,524)	32,809	(73,274)	68,920	(4,354)	(29,941)	58,396	28,455
Amount invested by policyholders	-	-	-	(91,214)	-	(91,214)	(91,214)	-	(91,214)
Change in fair value of ULIP investments	-	-	-	(19,777)	-	(19,777)	(19,777)	-	(19,777)
Insurance premium revenue	<u>671,977</u>	<u>(386,777)</u>	<u>285,200</u>	<u>114,434</u>	<u>(28,643)</u>	<u>85,791</u>	<u>786,411</u>	<u>(415,420)</u>	<u>370,991</u>
Unearned premium as of 31 December (Note 14)	<u>273,859</u>	<u>(159,646)</u>	<u>114,213</u>	<u>104,782</u>	<u>(87,959)</u>	<u>16,823</u>	<u>378,641</u>	<u>(247,605)</u>	<u>131,036</u>
Unit Linked Liabilities as of 31 December (Note 24)	<u>-</u>	<u>-</u>	<u>-</u>	<u>261,026</u>	<u>-</u>	<u>261,026</u>	<u>261,026</u>	<u>-</u>	<u>261,026</u>

Insurance contracts premium includes AED 18,753 thousand (2019: AED 39,603 thousand) of reinsurance premium accepted.

Union Insurance Company P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2020

4 CLAIMS INCURRED

Year 2020

	<i>General Insurance</i>			<i>Life Assurance</i>			<i>Total</i>		
	<i>Reinsurers'</i>			<i>Reinsurers'</i>			<i>Reinsurers'</i>		
	<i>Gross</i>	<i>share</i>	<i>Net</i>	<i>Gross</i>	<i>share</i>	<i>Net</i>	<i>Gross</i>	<i>share</i>	<i>Net</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Claims paid	297,751	(184,612)	113,139	57,703	(50,040)	7,663	355,454	(234,652)	120,802
Changes in provision for outstanding claim (note 14)	(40,152)	38,408	(1,744)	8,966	(8,014)	952	(31,186)	30,394	(792)
Movement in incurred but not reported claims (note 14)	(4,998)	(3,702)	(8,700)	4,362	(4,956)	(594)	(636)	(8,658)	(9,294)
Movement in unallocated loss adjustment expense reserve (note 14)	(351)	-	(351)	191	-	191	(160)	-	(160)
Movement in recoveries (note 14)	19,808	-	19,808	-	-	-	19,808	-	19,808
	272,058	(149,906)	122,152	71,222	(63,010)	8,212	343,280	(212,916)	130,364

Year 2019

	<i>General Insurance</i>			<i>Life Assurance</i>			<i>Total</i>		
	<i>Reinsurers'</i>			<i>Reinsurers'</i>			<i>Reinsurers'</i>		
	<i>Gross</i>	<i>share</i>	<i>Net</i>	<i>Gross</i>	<i>share</i>	<i>Net</i>	<i>Gross</i>	<i>share</i>	<i>Net</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Claims paid	364,809	(210,797)	154,012	47,979	(41,731)	6,248	412,788	(252,528)	160,260
Changes in provision for outstanding claim (note 14)	(34,573)	38,629	4,056	17,556	(15,775)	1,781	(17,017)	22,854	5,837
Movement in incurred but not reported claims (note 14)	(5,355)	(6,884)	(12,239)	3,858	(2,292)	1,566	(1,497)	(9,176)	(10,673)
Movement in unallocated loss adjustment expense reserve (note 14)	1,313	-	1,313	277	-	277	1,590	-	1,590
Movement in recoveries (note 14)	23,280	-	23,280	-	-	-	23,280	-	23,280
	349,474	(179,052)	170,422	69,670	(59,798)	9,872	419,144	(238,850)	180,294

For details of the movement in the reserves, refer note 14

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2020

5 NET INVESTMENT LOSS

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
<i>Income from investment securities</i>		
Dividend income	742	3,176
Realised gain/(loss) on investments at FVTPL	852	(33)
Unrealised (loss)/ gain on investments at FVTPL	(9,805)	5,669
Interest on margin trading account	(233)	(1,944)
Investment management expenses	(1,662)	(1,072)
<i>Income from investment properties /development WIP</i>		
Decrease in the fair value of investment properties (Note 8)	(2,925)	-
<i>Other income</i>		
Interest on fixed deposits and bonds	8,054	8,733
At 31 December	<u>(4,977)</u>	<u>14,529</u>

6 FAIR VALUE OF FINANCIAL INSTRUMENT

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2020

6 FAIR VALUE OF FINANCIAL INSTRUMENT (continued)
a) Fair value hierarchy of assets/liabilities measured at fair value

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

<i>At 31 December 2020</i>	<i>Level 1 AED'000</i>	<i>Level 2 AED'000</i>	<i>Level 3 AED'000</i>	<i>Total AED'000</i>
Financial assets				
FVTPL — financial assets (Note 9.1)	103,447	-	2,937	106,384
FVTOCI — financial assets (Note 9.2)	6,587	-	300	6,887
	110,034	-	3,237	113,271
Non financial assets				
Investment properties (Note 8)	-	-	72,270	72,270
	110,034	-	75,507	185,541
<i>At 31 December 2019</i>				
Financial assets				
FVTPL — financial assets (Note 9.1)	156,130	-	2,954	159,084
FVTOCI — financial assets (Note 9.2)	25,577	-	300	25,877
	181,707	-	3,254	184,961
Non financial assets				
Investment properties (Note 8)	-	-	75,195	75,195
	181,707	-	78,449	260,156

During the year there were no fair value hierarchy transfers between all levels above. Further, there has been no change in the valuation techniques in relation to the valuation of financial instruments.

b) Financial instruments not measured at fair value

The following table sets out the fair values of financial assets and liabilities not measured at fair value.

As at 31 December 2020

	<i>Total fair value AED'000</i>	<i>Total carrying amount AED'000</i>
Financial assets		
Cash and bank balances (Note 13)	220,373	220,373
Statutory deposit (Note 11)	10,000	10,000
Insurance and other receivables (Note 12)	377,063*	377,063*
	607,436	607,436
Financial liabilities		
Insurance and other payables (Note 15)	363,729	363,729
Payable to policyholders' of unit-linked products (Note 24)	363,066	363,066
	726,795	726,795

* As discussed in note 1, the amount includes the additional impairment provision on related party receivables that was not considered in the financial statements that were previously issued on 17 March 2021.

Union Insurance Company P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2020

6 FAIR VALUE OF FINANCIAL INSTRUMENT (continued)

b) Financial instruments not measured at fair value (continued)

As at 31 December 2019

	<i>Total fair value AED'000</i>	<i>Total carrying amount AED'000</i>
<i>Financial assets</i>		
Cash and bank balances (Note 13)	152,844	152,844
Statutory deposit (Note 11)	10,000	10,000
Insurance and other receivables (Note 12)	467,246	467,246
	<u>630,090</u>	<u>630,090</u>
<i>Financial liabilities</i>		
Insurance and other payables (Note 15)	447,525	447,525
Payable to policyholders' of unit-linked products (Note 24)	261,026	261,026
	<u>708,551</u>	<u>708,551</u>

In respect of those financial assets and financial liabilities measured at amortised cost, which are of short-term nature (up to 1 year), management believes that their carrying amount is equivalent to their fair value.

7 PROPERTY AND EQUIPMENT

	<i>2020 AED'000</i>	<i>2019 AED'000</i>
Operating assets (Note 7.3)	90,694	91,200
Capital work in progress	12,061	10,384
At 31 December	<u>102,755</u>	<u>101,584</u>

7.1 Capital work in progress includes costs incurred on development of in house software.

	<i>2020 AED'000</i>	<i>2019 AED'000</i>
At 1 January	10,384	13,884
Additions	1,902	1,259
Adjustments/ Capitalized	(225)	(4,759)
At 31 December	<u>12,061</u>	<u>10,384</u>

7.2 Intangible assets

	<i>2020 AED'000</i>	<i>2019 AED'000</i>
At 31 December	<u>5,653</u>	<u>8,229</u>

Movement of intangible assets during the year is shown in Note 7.3

Union Insurance Company P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2020

7 PROPERTY AND EQUIPMENT (continued)

7.3 Operating assets

	<i>Free hold land* AED'000</i>	<i>Furniture and fixtures AED'000</i>	<i>Office equipment AED'000</i>	<i>Motor vehicles AED'000</i>	<i>Computer equipment AED'000</i>	<i>Total tangible operating assets AED'000</i>	<i>Intangible assets AED'000</i>
Cost:							
At 1 January 2019	83,901	15,567	2,613	864	8,915	111,860	12,220
Additions	-	119	57	8	410	594	4,686
At 31 December 2019	<u>83,901</u>	<u>15,686</u>	<u>2,670</u>	<u>872</u>	<u>9,325</u>	<u>112,454</u>	<u>16,906</u>
At 1 January 2020	83,901	15,686	2,670	872	9,325	112,454	16,906
Additions	-	540	55	-	373	968	53
At 31 December 2020	<u>83,901</u>	<u>16,226</u>	<u>2,725</u>	<u>872</u>	<u>9,698</u>	<u>113,422</u>	<u>16,959</u>
Depreciation & amortisation							
At 1 January 2019	-	8,905	2,328	289	8,265	19,787	5,787
Charge for the year	-	893	118	175	281	1,467	2,890
At 31 December 2019	<u>-</u>	<u>9,798</u>	<u>2,446</u>	<u>464</u>	<u>8,546</u>	<u>21,254</u>	<u>8,677</u>
At 1 January 2020	-	9,798	2,446	464	8,546	21,254	8,677
Charge for the year	-	913	100	149	312	1,474	2,629
At 31 December 2020	<u>-</u>	<u>10,711</u>	<u>2,546</u>	<u>613</u>	<u>8,858</u>	<u>22,728</u>	<u>11,306</u>
Carrying amounts:							
At 31 December 2019	<u>83,901</u>	<u>5,888</u>	<u>224</u>	<u>408</u>	<u>779</u>	<u>91,200</u>	<u>8,229</u>
At 31 December 2020	<u>83,901</u>	<u>5,515</u>	<u>179</u>	<u>259</u>	<u>840</u>	<u>90,694</u>	<u>5,653</u>

Union Insurance Company P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2020

7 PROPERTY AND EQUIPMENT (continued)

7.3 Operating assets (continued)

*During 2018, development work in progress which represent payments made for acquiring investment in the Meydan Real Estate Project based in U.A.E with a carrying value of AED 82,045 thousand was transferred to operating assets. In 2019, the ownership and the title deed were transferred in the name of the Company.

The Company's Board of Directors has resolved to construct the Company's head office on the land in the foreseeable future.

8 INVESTMENT PROPERTIES (WITHIN UAE)

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
At 1 January	75,195	75,195
Changes in fair value (note 5)	(2,925)	-
At 31 December	72,270	75,195

Investment properties consist of Land and residential building under construction. The fair value of the Company's investment properties as at 31 December 2020 has been arrived at on the basis of valuation carried on 31 December 2020 by two independent valuers, with the average of the two being accounted for the purpose of financial reporting. The independent valuers have appropriate qualifications and recent market experience in the valuation properties in the United Arab Emirates.

The fair value was determined based on the market (sales comparative) valuation approach, residual method, income capitalisation method which is the same with the valuation in 2019. The fair values of all the investment properties were determined based on unobservable inputs (i.e level 3).

Market (sales comparative) valuation approach considers expectation of market participants, involves collection of data on recent sales transactions and listed prices for similar properties within the vicinity. Residual method involves calculation of the gross development value when completed and deducting cost related to construction and other cost to arrive at land value. Income capitalisation method involves capitalisation of annual rental income at the gross all-risk yield to derive at the investment value.

9 INVESTMENT SECURITIES

	<i>Notes</i>	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Financial assets at FVTPL	9.1	106,384	159,084
Financial assets at FVTOCI	9.2	6,887	25,877
		113,271	184,961

During the year the Company purchased investment securities worth AED 18 million (2019: AED 16.8 million). Investment securities amounting to AED nil thousand (2019: AED 73,737 thousand) are pledged against bank leverage against investments (Note 15.1).

9 INVESTMENT SECURITIES (continued)

9.1 Investments at fair value through profit or loss

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Quoted equity securities in U.A.E.	71,287	79,197
Quoted equity securities outside U.A.E.	500	7,360
Quoted bond securities in U.A.E.	22,118	37,330
Quoted bond securities outside U.A.E.	-	18,564
Investment in funds outside U.A.E.	5,083	9,734
Unquoted equity securities outside U.A.E.	2,937	2,954
Unquoted equity securities in U.A.E.	4,459	3,945
	<u>106,384</u>	<u>159,084</u>

Investments classified at FVTPL are designated in this category upon initial recognition.

9.2 Investments at fair value through other comprehensive income

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
<i>Equity securities</i>		
Quoted equity securities in U.A.E.	6,587	7,859
Fund securities outside U.A.E.	-	17,718
Unquoted securities in U.A.E.	300	300
At 31 December	<u>6,887</u>	<u>25,877</u>

The fair value loss amounting to AED 1,832 thousand (2019: gain of AED 4,121 thousand) has been recognised in the statement of comprehensive income.

9.3 Investments held on behalf of policyholders' unit linked products

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Investments held on behalf of policyholders' unit linked products (Note 24)	<u>363,066</u>	<u>261,026</u>

Investment Concentration

The UAE Insurance Authority has set a maximum limit for aggregate exposure in various categories of investments. As at 31 December 2020, the Company has investments more than the limit in some categories particularly equity instruments within and outside UAE, and deposits and other debt instruments.

10 LEASES

Set out below, are the carrying amounts of the Company's right-of-use assets and the movement during the year:

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
As at 1 January	7,680	5,044
Additions	-	6,843
Depreciation expense	(4,081)	(4,207)
As at 31 December	<u>3,599</u>	<u>7,680</u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2020

10 LEASES (continued)

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
As at 1 January	6,636	10,668
Accretion of interest	339	616
Payments	(4,327)	(4,648)
As at 31 December	2,648	6,636
Current portion of lease liabilities	2,615	3,988
Non-current portion of lease liabilities	33	2,648

11 STATUTORY DEPOSIT

The statutory deposit is required to be placed by insurance companies operating in U.A.E. with the designated national banks. Statutory deposits, which depend on the nature of insurance activities, cannot be withdrawn except with the prior approval of the regulatory authorities.

12 INSURANCE AND OTHER RECEIVABLES

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Due from policyholders and brokers	279,833	275,701
Due from insurance and reinsurance companies	51,277	102,183
Due from related parties (Note 22)	26,173	25,996
Provision for doubtful debts (Note 12.1)	(51,022)*	(27,758)
	306,261	376,122
Other receivables	70,802	91,124
Deferred acquisition cost (Note 12.2)	20,829	22,392
Prepaid expenses	4,433	6,741
At 31 December	402,325	496,379

12.1 Provision for doubtful debts

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Balance 1 January	27,758	23,037
Provision during the year	23,264*	4,721
At 31 December	51,022	27,758

* As discussed in note 1, the amount includes the additional impairment provision on related party receivables that was not considered in the financial statements that were previously issued on 17 March 2021.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2020

12 INSURANCE AND OTHER RECEIVABLES (continued)**12.2 Deferred acquisition cost**

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Balance 1 January	22,392	26,586
Commission paid during the year	93,769	119,497
Commission incurred during the year	(95,332)	(123,691)
At 31 December	<u>20,829</u>	<u>22,392</u>

13 CASH AND BANK BALANCES

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Cash in hand	<u>50</u>	<u>52</u>
Bank balances:		
Current accounts	2,560	1,807
Fixed deposits	217,763	150,985
	<u>220,323</u>	<u>152,792</u>
At 31 December	<u>220,373</u>	<u>152,844</u>
Less: Deposits with original maturities greater than three months	(171,545)	(105,495)
Bank Overdraft (Note 13.1)	(584)	(3,382)
Cash and cash equivalents	<u>48,244</u>	<u>43,967</u>
Bank balances:		
In U.A.E.	189,011	122,469
Outside U.A.E. & G.C.C. countries	31,312	30,323
At 31 December	<u>220,323</u>	<u>152,792</u>

Fixed deposits amounting to AED 21 million (2019: AED 36 million) are under lien against the credit facility granted to the Company.

Fixed deposits carried interest ranging from 0.4% to 8.5% per annum (2019: 1% to 8.5% per annum).

13.1 BANK OVERDRAFT

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Bank overdraft	<u>584</u>	<u>3,382</u>

The company has obtained bank overdraft facility with a commercial bank in UAE amounting to AED 13 million and it carries interest of 1% per annum above the highest interest rate payable on fixed deposits under lien for the overdraft facility; or as varied by notice in writing from the bank from time to time. Unused credit facilities amounted to AED 12.4 million (2019: AED 9.6 million).

14 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS**Summary of the Actuary's report on the Technical Provisions**

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Gross insurance contract liabilities		
Claims reported unsettled	235,454	266,640
Claims incurred but not reported*	119,599	120,235
Unallocated loss adjustment expense reserve	4,095	4,255
Unearned premiums**	353,108	378,641
	<hr/>	<hr/>
Gross insurance contract liabilities	712,256	769,771
	<hr/> <hr/>	<hr/> <hr/>
Reinsurer's contract assets		
Claims reported unsettled	(185,126)	(215,520)
Claims incurred but not reported*	(63,798)	(55,140)
Unearned premiums**	(225,509)	(247,605)
	<hr/>	<hr/>
Total reinsurers' contract assets	(474,433)	(518,265)
	<hr/> <hr/>	<hr/> <hr/>
Net		
Claims reported unsettled	50,328	51,120
Claims incurred but not reported*	55,801	65,095
Unallocated loss adjustment expense reserve	4,095	4,255
Unearned premiums**	127,599	131,036
	<hr/>	<hr/>
Net liabilities	237,823	251,506
	<hr/> <hr/>	<hr/> <hr/>

*Includes additional unexpired risk reserves amounting to AED 2.2 million Gross and AED 9.9 million Net (2019: AED 1.1 million Gross and AED 10.7 million Net).

**Includes mathematical reserve and non-unit reserve amounting to AED 107.7 million Gross and AED 14.8 million Net (2019: AED 98.7 million Gross and AED 12.4 million Net).

Actuarial estimation of the insurance liabilities has been performed by an independent actuary in accordance with the requirement of new financial regulations issued under Federal Law No.6 of 2007 pertaining to the insurance companies and agents. Estimates are made for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR) using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation.

Union Insurance Company P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2020

14 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (continued)

Movements in the insurance contract liabilities and reinsurance contract assets during the year were as follows:

	31 December 2020			31 December 2019		
	Gross AED'000	Reinsurance AED'000	Net AED'000	Gross AED'000	Reinsurance AED'000	Net AED'000
Claims						
<i>Outstanding claims at end of year</i>						
Notified claims	235,454	(185,126)	50,328	266,640	(215,520)	51,120
Incurred but not reported	119,599	(63,798)	55,801	120,235	(55,140)	65,095
Unallocated loss adjustment expense reserve	4,095	-	4,095	4,255	-	4,255
	359,148	(248,924)	110,224	391,130	(270,660)	120,470
<i>Outstanding claims at beginning of year</i>						
Notified claims	(266,640)	215,520	(51,120)	(283,657)	238,374	(45,283)
Incurred but not reported	(120,235)	55,140	(65,095)	(121,732)	45,964	(75,768)
Unallocated loss adjustment expense reserve	(4,255)	-	(4,255)	(2,665)	-	(2,665)
	(391,130)	270,660	(120,470)	(408,054)	284,338	(123,716)
Claims settled during the year	355,454	(234,652)	120,802	412,788	(252,528)	160,260
<i>Movement during the year</i>						
Notified claims	(31,186)	30,394	(792)	(17,017)	22,854	5,837
Incurred but not reported	(636)	(8,658)	(9,294)	(1,497)	(9,176)	(10,673)
Unallocated loss adjustment expense reserve	(160)	-	(160)	1,590	-	1,590
Movement in recoveries	19,808	-	19,808	23,280	-	23,280
Claims incurred	343,280	(212,916)	130,364	419,144	(238,850)	180,294

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2020

14 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (continued)

Unearned premium

	31 December 2020			31 December 2019		
	<i>Gross AED'000</i>	<i>Reinsurance AED'000</i>	<i>Net AED'000</i>	<i>Gross AED'000</i>	<i>Reinsurance AED'000</i>	<i>Net AED'000</i>
At the end of the year						
Unearned premium	353,108	(225,509)	127,599	378,641	(247,605)	131,036
Unit Linked Liabilities	363,066	-	363,066	261,026	-	261,026
At the beginning of the year						
Unearned premium	378,641	(247,605)	131,036	348,700	(189,209)	159,491
Unit Linked Liabilities	261,026	-	261,026	150,035	-	150,035
Movement during the year						
Unearned premium	(25,533)	22,096	(3,437)	29,941	(58,396)	(28,455)
Unit Linked Liabilities	102,040	-	102,040	110,991	-	110,991
Net movement during the year	<u>76,507</u>	<u>22,096</u>	<u>98,603</u>	<u>140,932</u>	<u>(58,396)</u>	<u>82,536</u>

Assumptions and sensitivities

Process used to determine the assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out annually. The assumptions are checked to ensure that they are consistent with observable market practices or other published information.

The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2020

14 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (continued)

Assumptions and sensitivities (continued)

Process used to determine the assumptions (continued)

Case estimates are reviewed regularly and are updated as and when new information arises.

The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments or if catastrophic events occur. The impact of many of the items affecting the ultimate costs of the loss is difficult to estimate.

The provision estimation difficulties also differ by class of business due to differences in the underlying insurance contract, claim complexity, the volume of claims and the individual severity of claims, determining the occurrence date of a claim, and reporting lags.

The method used by the Company for provision of IBNR takes into account historical data, past estimates and details of the reinsurance programme, to assess the expected size of reinsurance recoveries.

The assumptions that have the greatest effect on the measurement of insurance contract provisions are the expected loss ratios for the most recent accident years.

An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Company's estimation process. The Company believes that the liability for claims reported in the statement of financial position is adequate.

However, it recognises that the process of estimation is based upon certain variables and assumptions which could differ when claims are finally settled.

Claim development table

Gross outstanding claims

	2015	2016	2017	2018	2019	2020	Total
<i>Accident year</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
- At the end of							
underwriting year	238,266	382,650	412,622	384,613	370,268	345,655	
- One year later	382,171	445,779	512,686	445,004	396,148	-	
- Two years later	391,661	444,739	532,019	432,244	-	-	
- Three years later	395,987	445,539	520,244	-	-	-	
- Four years later	355,149	445,141	-	-	-	-	
- Five years later	345,900	-	-	-	-	-	
Current estimate of cumulative claims	345,900	445,141	520,244	432,244	396,148	345,655	2,485,332
Cumulative payments to date	335,051	438,111	491,599	416,157	359,588	215,489	2,255,995
Total gross outstanding claims	10,849	7,030	28,645	16,087	36,560	130,166	229,337
Gross outstanding in respect of prior years							2,449
Long Term outstanding claims							3,668
Total gross outstanding claims							235,454

Union Insurance Company P.J.S.C.
NOTES TO THE FINANCIAL STATEMENTS
 At 31 December 2020

15 INSURANCE AND OTHER PAYABLES

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Trade payables	125,694	139,819
Due to insurance and reinsurance companies	142,669	145,784
Premium reserve held	29,615	49,474
	297,978	335,077
Other payables:		
Unclaimed dividends	2,044	2,045
Accrued expenses and others	61,059	72,403
Lease liabilities (Note 10)	2,648	6,636
Leverage against investments (Note 15.1)	-	31,364
At 31 December	363,729	447,525

Note 15.1

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Leverage against Investments 1	-	18,581
Leverage against Investments 2	-	12,783
At 31 December	-	31,364

Leverage against Investments 1

In 2016, the Company entered into credit facility agreements with an international bank. The leverage facilities are secured against investments at FVTPL and FVTOCI to AED nil (31 December 2019: AED 43,013 thousand) used for the Company's investment operations and carries interest at 1 month USD LIBOR plus 0.55% per annum. The tenure of the facilities are directly linked to the maturity period of the debt instruments which are financed by the facility. The debt instruments have maturity periods of 1 to 5 years. Leverage against these investments were completely closed during the year.

Leverage against Investments 2

In 2019, the Company entered into credit facility agreements with another international bank. The leverage facilities are secured against investments at FVTPL and FVTOCI amounting to AED nil (31 December 2019: AED 48,438 thousand) used for the Company's investment operations and carries interest at 1 month USD LIBOR plus 0.5% per annum. The tenure of the facilities are directly linked to the maturity period of the debt instruments which are financed by the facility. The debt instruments have maturity periods of 1 to 5 years. Leverage against these investments were completely closed during the year.

16 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
At 1 January	8,618	7,574
Charge for the year	3,607	2,602
Paid during the year	(1,263)	(1,558)
At 31 December	10,962	8,618

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2020

17 SHARE CAPITAL

The Company's issued and fully paid share capital comprises 330,939,180 shares of AED 1.0 each.

	2020		2019	
	<i>No. of Shares</i>	<i>AED'000</i>	<i>No. of Shares</i>	<i>AED'000</i>
At 31 December	330,939,180	330,939	330,939,180	330,939

18 STATUTORY AND SPECIAL RESERVE

In accordance with the UAE Commercial Companies Law no. (2) of 2015 ("the Law") and the Company's Articles of Association, 10% of the profit for the year should be transferred to legal reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the paid up share capital. The reserve is not available for distribution except in the circumstances stipulated by the Law. Also, in accordance with its Articles of Association, 10% of annual net profits, if any, may be transferred to a special reserve until it is suspended by an Ordinary General Meeting upon a proposal by the Board of Directors. The special reserve can be utilised for the purposes determined by the Ordinary General Meeting upon recommendations of the Board of Directors.

19 FAIR VALUE RESERVE

The fair value reserve comprises the cumulative net change in fair value of financial assets designated as fair value through other comprehensive income.

20 ACCOUNTING CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The table below shows a reconciliation between line items in the statement of financial position and categories of financial instruments.

<i>At 31 December 2020</i>	<i>FVTPL AED'000</i>	<i>FVTOCI AED'000</i>	<i>Amortised cost AED'000</i>	<i>Total carrying amount AED'000</i>
Financial assets				
Insurance and other receivables	-	-	377,063*	377,063
Investment securities	106,384	6,887	-	113,271
Investment held on behalf of policyholders' unit linked products	363,066	-	-	363,066
Statutory deposit	-	-	10,000	10,000
Cash and bank balances	-	-	220,373	220,373
Total financial assets	469,450	6,887	607,436	1,083,773
Financial liabilities				
Insurance and other payables	-	-	363,729	363,729
Payable to policyholders' of unit-linked products	363,066	-	-	363,066
Total financial liabilities	363,066	-	363,729	726,795

* As discussed in note 1, the amount includes the additional impairment provision on related party receivables that was not considered in the financial statements that were previously issued on 17 March 2021.

Union Insurance Company P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2020

20 ACCOUNTING CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

<i>At 31 December 2019</i>	<i>FVTPL AED'000</i>	<i>FVTOCI AED'000</i>	<i>Amortised cost AED'000</i>	<i>Total carrying amount AED'000</i>
Financial assets				
Insurance and other receivables	-	-	467,246	467,246
Investment securities	159,084	25,877	-	184,961
Investment held on behalf of policyholders' unit linked products	261,026	-	-	261,026
Statutory deposit	-	-	10,000	10,000
Cash and bank balances	-	-	152,844	152,844
Total financial assets	420,110	25,877	630,090	1,076,077
Financial liabilities				
Insurance and other payables	-	-	447,525	447,525
Payable to policyholders' of unit-linked products	261,026	-	-	261,026
Total financial liabilities	261,026	-	447,525	708,551

21 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2020 AED'000</i>	<i>2019 AED'000</i>
Administrative expenses for underwriting operations	76,010	81,632
Impairment of related party receivables	21,452*	4,721
Others— for investments and centralised operation	20,202	9,478
Total	117,664	95,831

The above general and administration expenses include the following costs:

	<i>2020 AED'000</i>	<i>2019 AED'000</i>
Staff costs	62,012	64,929
Rent	2,851	859
Depreciation and amortisation	8,184	8,564
Impairment of related party receivables	21,452*	4,721
Others	23,165	16,758
Total	117,664	95,831
Average number of employees at 31 December	266	285

21.1 During the year, the Company has made social contributions amounting to Nil (2019: AED Nil).

* As discussed in note 1, the amount includes the additional impairment provision on related party receivables that was not considered in the financial statements that were previously issued on 17 March 2021.

Union Insurance Company P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2020

22 RELATED PARTY TRANSACTIONS

The Company, in the normal course of business, collects premiums, settles claims and enters into transactions with other business enterprises that fall within the definition of a related party as defined by International Accounting Standard 24 (Revised). The Company's management believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties.

a) The following are the details of transactions with related parties

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Premiums written	<u>1,780</u>	<u>2,213</u>
Claims paid	<u>1,015</u>	<u>1,928</u>
<i>Compensation of the key management personnel is as follows:</i>		
Short term (excluding incentives)	<u>4,440</u>	<u>4,440</u>
Long term	<u>330</u>	<u>302</u>

b) The following are the details of balances with related parties as at 31 December

	<i>For the</i> <i>year ended</i> <i>2020</i> <i>AED'000</i>	<i>For the</i> <i>year ended</i> <i>2019</i> <i>AED'000</i>
Insurance and other receivables (Note 12)	<u>26,173</u>	<u>25,996</u>
Allowance for doubtful receivables (Note 12.1)	<u>(26,173)*</u>	<u>(4,721)</u>
Net insurance and other receivables	<u>-</u>	<u>21,275</u>
Gross outstanding claims (included in claims reported unsettled)	<u>3,130</u>	<u>652</u>
Investment properties (Note 8)	<u>72,270</u>	<u>75,195</u>

Outstanding balances at the year-end arise in the normal course of business. During the year, the Company has recorded impairment loss of AED 21.4 million (2019: AED 4.7 million) against amounts owed by related parties.

* As discussed in note 1, the amount includes the additional impairment provision on related party receivables that was not considered in the financial statements that were previously issued on 17 March 2021.

23 CONTINGENT LIABILITIES AND COMMITMENTS

Commitments

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Commitment for the construction of development properties	<u>54,979</u>	<u>54,979</u>

Guarantees

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Letters of guarantees	<u>21,121</u>	<u>38,114</u>

This includes AED 10 million (2019: 10 million) issued in favour of the Insurance Authority of U.A.E.

23 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Contingent liabilities

The Company is involved as defendant in a number of legal cases in respect of its underwriting activities. A provision is made in respect of each individual case where it is probable that the outcome would result in a loss to the Company in terms of an outflow of economic resources and a reliable estimate of the amount of outflow can be made.

Legal claims

The Company, in common with the significant majority of insurers, is subject to litigation in the normal course of its business. The Company, based on independent legal advice, does not believe that the outcome of these court cases will have a material impact on the Company's income or financial condition.

24 PAYABLE TO POLICYHOLDERS' OF UNIT LINKED PRODUCTS

The Company has issued unit linked policies which has both a risk and investment component. The investment portion is invested on behalf of the policyholders as disclosed in note 9.3 of these financial statements.

Movement during the year:

	<i>31 December 2020 AED'000</i>	<i>31 December 2019 AED'000</i>
As at 1 January	261,026	150,035
Amount invested by policyholders - net of allocation charges, redemptions, lapses and surrenders	92,995	91,214
Change in fair value	9,045	19,777
	<u>363,066</u>	<u>261,026</u>

Union Insurance Company P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS

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25 SEGMENT INFORMATION

Identification of reportable segments

Primary segment information

For management purposes, the Company is organised into business units based on its products and services and has two reportable operating segments as follows:

- The general insurance segment, comprises motor, medical, marine, fire, engineering and general accident.
- The life segment, includes group life, credit life and individual life.

	<i>General insurance</i>		<i>Life assurance</i>		<i>Total</i>	
	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Gross written premium	585,277	628,644	282,634	298,699	867,911	927,343
Reinsurance ceded	(351,550)	(376,253)	(101,677)	(97,563)	(453,227)	(473,816)
Net retained premium	233,727	252,391	180,957	201,136	414,684	453,527
Net change in unearned premium and policyholders' reserve	3,835	32,809	(102,438)	(115,345)	(98,603)	(82,536)
Net earned premium	237,562	285,200	78,519	85,791	316,081	370,991
Gross commission earned	66,367	60,416	1,498	23,432	67,865	83,848
Total underwriting income	303,929	345,616	80,017	109,223	383,946	454,839
Net claims incurred	(122,152)	(170,422)	(8,212)	(9,872)	(130,364)	(180,294)
Commission incurred	(53,132)	(56,294)	(42,200)	(67,397)	(95,332)	(123,691)
Administrative expenses	(50,436)	(56,228)	(25,574)	(25,404)	(76,010)	(81,632)
Other operational cost related to underwriting activities	(32,709)	(44,580)	(18,806)	(23,281)	(51,515)	(67,861)
Net movement in fair value of investments held for unit linked products	-	-	9,045	19,777	9,045	19,777
Total underwriting expenses	(258,429)	(327,524)	(85,747)	(106,177)	(344,176)	(433,701)
Total underwriting profit	45,500	18,092	(5,730)	3,046	39,770	21,138
Net investment income					(4,977)	14,529
General and administrative expenses					(41,654)*	(14,199)
Profit for the year					(6,861)	21,468

* As discussed in note 1, the amount includes the additional impairment provision on related party receivables that was not considered in the financial statements that were previously issued on 17 March 2021.

Union Insurance Company P.J.S.C.

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At 31 December 2020

25 SEGMENT INFORMATION (continued)

	<i>General insurance</i>		<i>Life assurance</i>		<i>Total</i>	
	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
ASSETS						
Property and equipment	77,066	76,188	25,689	25,396	102,755	101,584
Right-of-use assets	2,699	5,760	900	1,920	3,599	7,680
Intangible assets	4,240	6,172	1,413	2,057	5,653	8,229
Investment properties	54,202	56,396	18,068	18,799	72,270	75,195
Investments securities	84,996	126,424	28,275	58,537	113,271	184,961
Investments held on behalf of policyholders' unit linked products	-	-	363,066	261,026	363,066	261,026
Statutory deposit	6,000	6,000	4,000	4,000	10,000	10,000
Reinsurance contract assets	330,531	396,309	143,902	121,956	474,433	518,265
Insurance and other receivables	305,079	379,444	97,246	116,935	402,325	496,379
Cash and bank balances	129,346	91,891	91,027	60,953	220,373	152,844
Total assets	994,159	1,144,584	773,586	671,579	1,767,745	1,816,163
LIABILITIES						
Due to Banks	584	3,382	-	-	584	3,382
Insurance contract liabilities	544,695	625,103	167,561	144,668	712,256	769,771
Insurance and other payables	288,941	364,310	74,788	83,215	363,729	447,525
Provision for employees' end of service benefits	8,221	6,463	2,741	2,155	10,962	8,618
Payable to policyholders of unit linked products	-	-	363,066	261,026	363,066	261,026
Total liabilities	842,441	999,258	608,156	491,064	1,450,597	1,490,322
EQUITY						
Share capital					330,939	330,939
Statutory reserve					14,865	14,865
Special reserve					14,865	14,865
Reinsurance Reserve					2,266	-
Fair value reserve					(11,274)	(10,268)
Accumulated losses					(34,513)	(24,560)
Total equity					317,148	325,841
Total liabilities and equity					1,767,745	1,816,163

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2020

26 RISK MANAGEMENT

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Compliance with the policy is monitored and exposures and breaches are regularly reviewed for pertinence and for changes in the risk environment.

For all classes of financial assets held by the Company the maximum credit risk exposure to the Company is the carrying value as disclosed in the financial statements at the reporting date. Reinsurance is placed with reinsurers' approved by the management, which are generally international reputed companies.

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

At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment if required.

The Company monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

	<i>Bank balances, statutory deposits and debt investment</i>		<i>Insurance and other receivables</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Carrying amount	252,491	218,738	428,085	495,004
<i>Concentration by sector</i>				
- Financial institution / Reinsurance companies	23,161	21,955	82,426	148,450
- Banks	229,330	196,783	15,866	22,932
- Real estate	-	-	16,291	18,583
- Service	-	-	52,767	60,272
- Others	-	-	260,735	244,767
Total carrying amount	252,491	218,738	428,085	495,004
<i>Concentration by location</i>				
- UAE	221,179	176,560	339,958	418,207
- GCC	31,312	30,323	68,595	48,790
- Other Arab Countries	-	-	7,333	9,580
- Asian Countries	-	11,855	4,152	1,395
- European Countries	-	-	7,831	16,635
- Others	-	-	216	397
Total carrying amount	252,491	218,738	428,085	495,004

The above class of financial instruments provide the best representation for the Company's maximum exposure to credit risk at the end of the year.

The concentrations by location for insurance and other receivables and reinsurance assets are measured based on the residential status of the counter parties. The concentration by location for non-trading investments is measured based on the location of the issuer of the security.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2020

26 RISK MANAGEMENT (continued)
Credit risk (continued)

The age analysis of insurance and other receivables are as follows:

	<i>Gross</i> <i>2020</i> <i>AED '000</i>	<i>Impairment</i> <i>2020</i> <i>AED '000</i>	<i>Gross</i> <i>2019</i> <i>AED '000</i>	<i>Impairment</i> <i>2019</i> <i>AED '000</i>
Amounts not yet due	180,587	-	226,070	-
Past due 0-30 days	36,710	-	24,975	-
31-180 days	80,414	-	99,437	-
181-365 days	33,376	-	46,991	-
More than 365 days	70,825	24,849	71,535	(23,037)
Amounts due from related parties	26,173	26,173*	25,996	(4,721)
	<u>428,085</u>	<u>51,022</u>	<u>495,004</u>	<u>(27,758)</u>

* As discussed in note 1, the amount includes the additional impairment provision on related party receivables that was not considered in the financial statements that were previously issued on 17 March 2021.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity requirements are monitored on a daily basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Maturity profiles

The table below summarizes the maturity profile of the financial liabilities of the Company based on the remaining undiscounted contractual obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

Contractual cash flows
31 December 2020

	<i>Carrying</i> <i>Value</i> <i>AED '000</i>	<i>Gross</i> <i>contractual</i> <i>cash flow</i> <i>AED '000</i>	<i>Less than 180</i> <i>days</i> <i>AED '000</i>	<i>180 days to</i> <i>1 year</i> <i>AED '000</i>	<i>1-5 Year</i> <i>AED '000</i>
Liabilities					
Insurance and other payables	(361,081)	(361,081)	(361,081)	-	-
Lease liabilities	(2,648)	(2,648)	(1,111)	(1,504)	(33)
Payable to policyholders' of unit-linked products	(363,066)	(363,066)	(363,066)	-	-
	<u>(726,795)</u>	<u>(726,795)</u>	<u>(725,258)</u>	<u>(1,504)</u>	<u>(33)</u>

Contractual cash flows
31 December 2019

	<i>Carrying</i> <i>Value</i> <i>AED '000</i>	<i>Gross</i> <i>contractual</i> <i>cash flow</i> <i>AED '000</i>	<i>Less than 180</i> <i>days</i> <i>AED '000</i>	<i>180 days to</i> <i>1 year</i> <i>AED '000</i>	<i>1-5 Year</i> <i>AED '000</i>
Liabilities					
Insurance and other payables	(440,889)	(440,889)	(440,889)	-	-
Lease liabilities	(6,636)	(6,636)	(1,691)	(2,297)	(2,648)
Payable to policyholders' of unit-linked products	(261,026)	(261,026)	(261,026)	-	-
	<u>(708,551)</u>	<u>(708,551)</u>	<u>(703,606)</u>	<u>(2,297)</u>	<u>(2,648)</u>

26 RISK MANAGEMENT (continued)

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in local equity and bond markets. In addition, the Company actively monitors the key factors that affect stock and bond market movements, including analysis of the operational and financial performance of investees.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. The Company's functional currency is the UAE Dirham.

The Company has also exposures in USD, which is pegged with AED and the Company's exposure to currency risk is limited to that extent.

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's exposure to interest rate risk relates to its bank deposits. At 31 December 2020, fixed deposits carried interest rates ranging from 0.5% to 8.5% per annum (2019: 1% to 8.5% per annum).

The following table demonstrates the sensitivity of statement of income to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the statement of income is the effect of the assumed changes in interest rates on the Company's profit for the year, based on the floating rate financial assets held at 31 December 2020.

	<i>Increase/ decrease in basis points</i>	<i>Effect on profit for the year AED'000</i>
2020	100	2,499
	-100	(2,499)
2019	100	1,983
	-100	(1,983)

Equity price risk

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

The Company's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices.

The Company's equity price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, sector and market. The fair values of financial assets are not different from their carrying values.

26 RISK MANAGEMENT (continued)

Sensitivities

The table below shows the results of sensitivity testing on the Company's profit or loss and other comprehensive income by type of business. The sensitivity analysis indicates the effect of changes in price risk factors arising from the impact of the changes in these factors on the Company's investments:

	<i>10% increase in price</i>		<i>10% decrease in price</i>	
	<i>Profit or loss AED '000</i>	<i>Other comprehensive income AED '000</i>	<i>Profit or loss AED '000</i>	<i>Other comprehensive income AED '000</i>
31 December 2020				
Investment at FVTOCI	10,638	-	(10,638)	-
Investment at FVTPL	-	688	-	(688)
31 December 2019				
Investment at FVTOCI	-	2,588	-	(2,588)
Investment at FVTPL	15,908	-	(15,908)	-

Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks.

The Company has detailed systems and procedures manuals with effective segregation of duties, access controls, authorisation and reconciliation procedures, staff training and assessment processes etc. with a focus on compliance and internal audit framework. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

27 BASIC AND DILUTED EARNING PER SHARE

Basic earning per share are calculated by dividing the net profit for the year by the weighted average number of shares outstanding as set out below:

Movement during the year:

	<i>2020</i>	<i>2019</i>
Net (loss)/profit for the year (AED'000)	(6,861)*	21,468
Weighted average number of shares outstanding during the year	330,939,180	330,939,180
Basic and diluted (loss)/ earning per share	(0.0207)*	0.065

There is no dilution effect to the basic (loss)/ earning per share.

* As discussed in note 1, the amount includes the additional impairment provision on related party receivables that was not considered in the financial statements that were previously issued on 17 March 2021.

28 CAPITAL RISK MANAGEMENT

In U.A.E., Insurance Authority specifies the minimum amount and type of capital that must be held by the Company in addition to its insurance liabilities. The minimum required capital presented in the table below are based on the actuarial certificate.

The table below summarizes the Minimum Capital Requirement, Minimum Guarantee Fund and Solvency Capital Requirement of the Company and the total capital held to meet these required solvency margins.

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Minimum Capital Requirement (MCR)	100,000	100,000
Solvency Capital Requirement (SCR)	164,078	171,515
Minimum Guarantee Fund (MGF)	81,429	101,727
Own Funds:		
Basic own funds	185,264	190,751
Ancillary own funds	-	-
MCR Solvency Margin-Surplus/(Deficit)	85,264	90,751
SCR Solvency Margin-Surplus/(Deficit)	21,186	19,236
MGF Solvency Margin-Surplus/(Deficit)	103,836	89,024

As per Article (8) of section (2) of financial regulations issued for insurance companies in the UAE, the Company shall comply with the requirements of solvency margin. As of 31 December 2020, Company is in compliance with solvency requirement based on the actuarial certificate.

29 COMPARATIVE FIGURES

Certain comparative figures in the financial statements have been reclassified to conform to the presentation adopted in the financial statements for current year.

30 COVID-19 IMPACT ASSESSMENT

The year 2020 saw a once in a 100 year event in the form of COVID 19 pandemic. The worldwide effect is still on. With the vaccinations developed it is expected that the pandemic will slow down and world economies will recover. The identifications of new strains of the virus is a continuing worrying fact.

The various measures taken for the containment of this virus has resulted in economic disruption though the scale varies from country to country. The industries that are generally impacted are airline, travel and leisure & tourism and related activities.

Union Insurance Company had a marginal impact to its business due the current circumstances. The economy of Dubai has now opened up and we expect this opening to improve the overall business. On the operational front, the Company's robust and proactive action in enabling Work from Home facility and abiding by the Government directives on movement and congregation in offices etc have helped the company to run the business as usual. The company has no material exposure to airline or travel and tourism industry. There is expected impact on Medical insurance claims due to Covid-19 but is well compensated by reduction in normal claims. The company's reinsurance arrangement covers the impact of the claims. Due to possible reduction in workforce, the company expects ILOE claims and these are well covered by reinsurance arrangements. The Company's well rated and long standing reinsurers will stand by the company in fulfilling the claims needs. On this count, the Company does not expect any net impact to its finances.

The investment market has reduced substantially and this has an effect on the financial results of the company. During the second and third quarter, investment values have gone up and thereby reduced the unrealised loss as compared to quarter one. At year end the investment income showed an improved position compared to first quarter 2020 results.

The Company is solvent and has sufficient liquidity to cater to the current needs for settlement of claims and providers. The collection process has been slow and this is understandable. The Company has seen improvement in collections and overall receivable position has improved over previous year.

Overall the Company is in position to withstand the current impact of the Covid-19 and will emerge stronger with the experience.