



التعاونية Tawuniya

19

Annual Report 2019







Custodian of the Two Holy Mosques
King Salman Bin Abdulaziz Al Saud

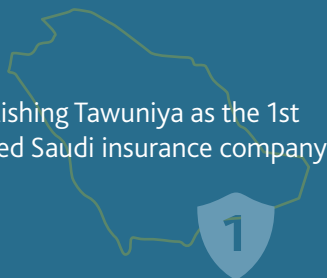


His Royal Highness
Prince Mohammed Bin Salman Bin Abdulaziz Al Saud
Crown Prince, Deputy Premier and Minister of Defense

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1986

Establishing Tawuniya as the 1st licensed Saudi insurance company



The insurance experience of Tawuniya

1,250,000,000

The paid-up capital of Tawuniya, which is the largest capital in the Saudi insurance market



The number of insurance types that Tawuniya provides to clients



125,000,000

Total number of Tawuniya shares.

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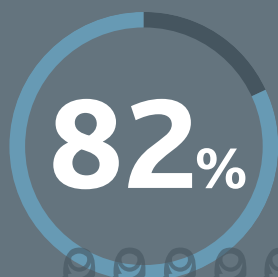
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Chairman's Statement



Saudization rate in
Tawuniya in 2019



1447

Total work
force of
Tawuniya

2019

Tawuniya witnessed a radical change in the structure of the administrative sectors and the implementation of strategic projects



+70

The number of Tawuniya
sales offices Kingdom wide

1000

Male and female
employees trained
in various fields
during 2019.



Chairman Statement



Soliman S. Al-Humayyd
Chairman

2019 has been one of the most successful years for Tawuniya in the recent period. We have improved our results once again and are back to making profits. More importantly, we have restored Tawuniya's position as one of the most important influencers in the Saudi insurance industry.

Dear Shareholders,

2019 has been one of the most successful years for Tawuniya in the recent period. We have improved our results once again and are back to making profits as we have surpassed two years of losses that affected the profitability of the company's share. More importantly, we have restored your confidence, our shareholders, in the ability of the Company's management to overcome challenges and to enhance Tawuniya's position as one of the most important influencers in the Saudi insurance industry.

Strategically and financially, our Company is moving at a good pace, and it has continued its upward path. The effort we made is paying off today. We succeeded in achieving the objectives that we have set at the beginning of 2019.

The financial results have highlighted many positive indicators. The total assets amounted to SR 14.1 billion, achieving an increase of 11.9%. The gross written premiums (GWP) increased by 9.6% reaching SR 8.4 billion, and the net claims incurred decreased by 11.5%. We also achieved a net income before Zakat of SR 402.2 million compared to a loss realized in the previous year of SR 213.3 million. The profit from insurance operations minus policyholders' investments revenues (Operations Results) amounted to SR 192.4 million, compared to a loss in the previous year of SR 455.2 million. Accordingly, the earnings per share of the Company amounted to SR 2.62 compared to a loss in 2018 of SR 2.23. The total shareholders' equity increased from SR 1.8 billion in 2018 to SR 2.4 billion in 2019 by 26.2%. The Company's investments continued its outstanding performance by achieving profits of SR 150.4 million for policyholders' investments, and SR 101.8 million for shareholders' capital investments.

The company continues its policy to strengthen the reserves and enhance its financial position to completely bypass the effects of the last two years' losses, and then

to proceed in the next phase strongly towards restoring its leadership role and affirming its ability to achieve excellent results and returns at greater rates.

The main pillar in the improvement of our business is our strategy, which we announced at the beginning of 2019. In light of this strategy, Tawuniya witnessed a fundamental change in the organizational structure of the divisions, and several projects were launched within four strategic enablers that include customer centricity, digital transformation, innovation and human capital. We also made a comprehensive change in business processes and the development of IT infrastructure and systems.

To activate our vision to "sustain momentum for our society's safety and continuous progress towards the future", Tawuniya provided new insurance solutions and developed new initiatives for social responsibility.

On the operational level, we have become more digital, faster and more flexible, as we have completely transformed some services into digital channels such as the third-party motor claim submission service, the medical expense reimbursement service, and Dawae service to re-fill the chronic disease medication. Tawuniya's website, smartphone application and call center became more active channels for sales and customer services. This approach has paid off by improving services and benefiting from the target market, increasing electronic sales ratio, as well as enabling the purchase of tourist visa insurance programs, extending visit visa insurance through the website, and purchasing travel insurance through the Tawuniya application for smartphones.

Another project that we are developing within our digital transformation plan is the Customer Relationship Management system (CRM). We launched the CRM during the year 2019 to manage leads and improve the

"We have ambitions to achieve more distinct results in the coming years"

quality of customer data so that it will be a unified reference for all relevant departments, as it is used to understand future needs and meet them with innovative insurance solutions. The CRM will also be an effective tool to manage marketing campaigns, process automation with integration to core system, and customer service management.

We are also working to improve our core competencies and competitive advantages, investing in administrative development processes, and applying an advanced underwriting methodology, with tools that are considered as the strongest and most precise that are being applied for the first time in Tawuniya and the local insurance market. This will help us in avoiding surprises and take into consideration our customers' point of view towards pricing. These measures have resulted in increasing the renewal ratio of some products such as motor insurance policies, a lower loss ratio, a higher rate of customer satisfaction, and a higher rate of profitability. We also created new insurance programs that add new customer segments to our insurance portfolio such as travel insurance for the Arab Gulf Countries, cyber risk insurance, aquaculture insurance and the liability of evaluators insurance. Moreover, the Umrah Pilgrims Comprehensive Insurance Program was activated for the first time in the KSA. Tawuniya is administrating this program on behalf of insurance companies and in coordination with the Ministry of Hajj and Umrah, with the approval of the Saudi Arabian Monetary Authority (SAMA).

The development of competencies in Tawuniya also includes the human capital for which we have provided a set of incentives, initiatives and training programs that raise its efficiency and provide a positive work environment to increase the productivity and loyalty. The Company also expanded the women's employment ratio and achieved a Saudization rate of more than 82% of the Total workforce.

Many other initiatives launched by Tawuniya during 2019 contributed to supporting its brand, improving its business, and targeting new customer segments. These initiatives included, but were not limited to, signing a partnership agreement with Al-Hilal Saudi Football Club, which is the largest in the insurance sector, as Tawuniya is the "main sponsor and exclusive insurance partner" of all football teams in the club, which had a noticeable impact on the exposure of the Tawuniya brand and generated greater response to marketing campaigns. In addition, our company was also recognized for having obtained the ISO 27001 certification for cyber security, joining the MSCI index for global emerging markets, as well as receiving 6 local and international awards and rankings.

These initiatives and efforts affirm the commitment of Tawuniya, as the pioneer of insurance in the Kingdom, to open new areas of business, develop its current business at lower costs, expand investments in digital transformation, enhance its competitive position, and grow its profits at higher rates in the long run. For us, the results we achieved in 2019, while important, are not enough. We have ambitions to achieve more distinct results in the coming years, and this requires continuing the completion of our strategic projects such as the digital transformation projects, and our innovative programs such as the Tawuniya Vitality program that we signed during the year 2019 and will be activated in 2020. In addition to other initiatives that will be the driving force to going beyond this stage, which will open up broad prospects for our business growth.

Soliman S. Al-Humayyd
Chairman

Board Members

2



27001

The ISO certificate obtained by Tawuniya in Cyber Security

6

The number of awards and rankings that Tawuniya obtained in 2019



%70

The share of medical insurance in the company's portfolio



2000

The number of medical service providers accredited by Tawuniya

6,955,833,000 SR

Total claims paid in 2019



2 The Board of Directors



H.E. Mr. Soliman S. Al-Humayyd
Chairman



Mr. Waleed A. Al-eisa
Vice Chairman



Mr. Ghassan A. Al-Malki
Director



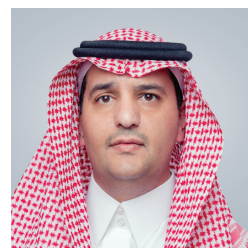
Mr. Abdullah M. Al-Fayez
Director



Mr. Abdulaziz A. Al-Zaid
Director



Mr. Abdulaziz I. Al Nowaiser
Director



Mr. Raed A. Al-Tamimi
Director



Mr. Abdulaziz A. Al-Khamis
Director



Mr. Jasser A. Al-Jasser
Director

Board Report



30

The Saudi companies, including Tawuniya, which joined the MSCI index



5

The new CSR initiatives launched by Tawuniya in 2019



116

The events organized by Tawuniya for key clients during the year



6,000,000



The SMSs that Tawuniya communicated with customers in 2019



2,000,000

The calls that Tawuniya call centre receives annually

3

The 2019 Board of Directors' Report

Introduction

The Board of Directors (BOD) of The Company for Cooperative Insurance (Tawuniya) is pleased to present the 33rd Annual Report to our shareholders, comprising of The Company's most significant regulatory-based plans, decisions, operational activities, along with the most important achievements and financial results in addition to information about the Board of Directors and its committees and disclosures according to the laws, regulations and other complementary information aiming to meet the needs of the user of this report.

1. Tawuniya.. The Insurance Pioneer in Saudi Arabia

The Company for Cooperative Insurance (Tawuniya") is a Saudi joint stock Company established in Riyadh, Kingdom of Saudi Arabia by Royal Decree Number M/5 and incorporated on January 18, 1986 corresponding to Jumada Al-Awal 8, 1406H under Commercial Registration No. 1010061695. It is the first licensed insurance Company in the Kingdom of Saudi Arabia to transact insurance business.

On December 1, 2004 corresponding to Shawwal 18, 1425H, the Saudi Arabian Monetary Authority ("SAMA") as the principal authority responsible for the application and administration of the Insurance Law and its implementing regulations, granted the Company a license to transact insurance activities in Saudi Arabia. Its principal lines of business include medical, motor, marine, fire, engineering, energy, aviation, takaful and casualty insurance as well as many other lines of business exceeding 60 insurance classes. The issued and paid-up capital of the Company is 1,250 million Saudi Riyal.

The Company's head office is located on Thumamah Road (At Takhassusi) ArRabi District, P.O. Box 86959, Riyadh 11632, Kingdom of Saudi Arabia.

2. Description of the Company's Significant Plans and Decisions in 2019

- Activation of the Umrah Pilgrims Comprehensive Insurance Program for foreign pilgrims after receiving the mandate of the Ministry of Hajj and Umrah on 27/08/2019 following the approval of the Saudi Arabian Monetary Authority, in which Tawuniya assumes the responsibility for managing this program on behalf of insurance companies in the Kingdom of Saudi Arabia. The Company expects that this contract will have a significant impact on its overall business.
- Signing a sports partnership agreement with Al Hilal Saudi Football Club (HFC), which is the largest in the insurance sector. By such contract Tawuniya became the "main sponsor and exclusive insurance partner" for all football teams in the club. This step had a noticeable impact on the brand's visibility and the greater response to the Company's marketing campaigns. The Company expects that further activation of this partnership

during the coming period would generate greater returns for all parties.

- Entering into an agreement with Vitality Global Company affiliated to Discovery Group, under which the "Tawuniya Vitality Health Program" will be developed and launched for the first time in the Middle East and North Africa. The Company expects that this agreement will have major impact on health insurance practices, quality of service provided and brand consolidation, and thereby supports the financial performance.
- Tawuniya received the ISO 27001 certification for cyber security granted by SGS Group, the largest ISO evaluation companies in the world. It has confirmed that the Company's information systems and cyber security procedures have been assessed and certified as meeting the requirements of this international standard.
- The Company joined, amongst 30 Saudi leading companies, the MSCI index for global emerging markets, as this step will attract more foreign investments, support liquidity and expand the shareholder base, in addition to diversifying investment opportunities and increasing confidence.
- Development of the Customer Relationship Management System (CRM) in four phases, namely: lead management and sales process, marketing campaigns management, process automation with integration to core system, and customer service management and analysis of cases and complaints.
- Completing the application of the new structure for Medical & Takaful SBU and bringing in high experiences and competencies to complete the full plans for the transformation in medical insurance. This has led to the improvement of the Company's results during the year 2019.
- Restructuring the Financial Planning and Performance Management in the financial division to balance the Company's performance and increase its financial stability.
- Developing the "Customer Experience" department to increase customer-centricity and to direct and monitor all the Company departments regarding customer voice and suggestions, ensuring a faster development of service and a higher level of customer satisfaction.
- The Extraordinary General Assembly held on 08/09/2019 approved to amend articles 3, 19, 24 and 30 of the Company's Articles of Association, which are related to the company's objectives, remuneration of the BOD members, agreements and contracts and convocation of the general assemblies. The General Assembly also agreed to update the corporate governance policy and the remuneration and compensation policy for the BOD members and its committees.
- Launching of a number of new insurance plans, the most prominent of which are Travel Insurance for the Gulf Countries, Cyber Risk Insurance, Aquaculture Insurance, Accredited Valuers Liability Insurance, and the Umrah Insurance.

"Tawuniya is launching initiatives to enhance the integration of all employees with its strategic direction and to enhance engagement and cooperation to achieve its goals."

- Nomination was opened for membership of the Company's Board of Directors for the next three-year term, starting on March 26, 2020 and ending on March 25, 2023.

3. Future Prospects for the Company's Business

The Company expects that its performance will improve based on the following factors:

- The Company won some major insurance contracts.
- Signing of strategic partnerships.
- Introducing of new products and services.
- Development of access to customers.
- Bringing the latest digital technologies and systems to the insurance sector.
- Launching and managing the umrah pilgrims insurance program in cooperation with the Ministry of Hajj and Umrah and the insurance sector.

4. Evaluation the Company's Strategy and its Position in Financial Terms

The Company's strategy is geared towards the digital transformation in business dealings with customers and suppliers. This includes developing existing digital systems and expanding operations based on these systems. In return, the Company expects that this investment will have a positive impact on the efficiency of operations management, the quality of service provided, and the satisfaction of customers and suppliers, which will improve the financial results and gradually increase the Company's revenues.

The Company's strategy also focuses on creating more products and services, developing access to customer and to meet the needs of the different types of customers in urban and remote areas. Thus, the Company expects to have a good expansion in its business outside the current focus areas, which will lead to a positive impact on the overall Company's results.

In this context, the Company is launching initiatives to enhance the integration of all employees with its strategic direction and to enhance engagement and cooperation to achieve the Company's goals. Tawuniya expects this to have a noticeable impact on the quality of performance and on its overall profitability. This also includes the launch of additional products and services that meet the needs of the market and customers and support the society's safety and continuous progress towards the future. The Company expects that its products and services to be launched in the short term will have the satisfaction and acceptance of customers segments and opening new markets for insurance within the Kingdom.

5. Description of Operating Activities in 2019

A- Medical Insurance and Takaful

In 2019, an agreement was signed to launch the "Tawuniya Vitality Health Program" for the first time in the Middle East and North Africa. The Company has taken an advanced stage in the implementation of this program to be launched during the year 2020. In addition, after reviewing and evaluating the changes made in 2018 to the organizational structure of the medical insurance SBU, it was decided to establish an additional working group specialized in auditing medical claims and introducing a new department to serve the pilgrims insurance program. The Company succeeded in raising the level of quality of medical claims operations and increasing the percentage of online claims by 25% compared to the previous year and the medical team is seeking to achieve a higher percentage online claims in the coming year. The Company has also restructured and rehabilitated value-added services by developing new services for clients that will have a positive impact on enhancing the level of service and customer satisfaction. In addition to this, a program was launched to qualify employees and raise the efficiency of underwriting management. The Company also obtained the regulatory approvals for the Hajj and Umrah product, while the team is still in the preparation stage to obtain the approvals of SAMA in respect of the products in the micro Takaful insurance business.

B- Motor Insurance

Tawuniya has developed an advanced underwriting methodology (GLM), which is considered as the most powerful and accurate pricing method in the world. Based on it, pricing models for motor products have been introduced for the first time in Tawuniya as well as Saudi insurance market. The Company improved underwriting control to avoid price shocks and reduce anti-selection in the portfolio. The Company also added new approach of studying customer's perception about prices. These measures resulted in an increase of renewal ratio for retail segment, a decrease in motor loss ratio, the achievement of the highest percentage of customer satisfaction in the insurance market and the highest market share in retail motor insurance products as well as the highest profitability. The company also achieved growth in Sanad Plus production by upgrading Sanad insurance with a limited increase in the premium. On the other hand, the Company added roadside assistance service to third-party insurance clients. The Company started online claims submission after closing of Exit 28 claim center in Riyadh. While the effectiveness of the measures implemented by the Company has greatly contributed to the growth of recovery and collection rates, together with achieving strict compliance with the rules and instructions issued by the regulatory authorities with regard to motor insurance practices.

C- Property and Casualty

Tawuniya has restructured the Property and Casualty Division (P&C) to ensure full alignment with its strategic direction and to be able to achieve the goals set for the division in a manner reflected positively on the Company's business.

In this context, the processes of developing and updating P&C systems and products were carried out. This included additional Energy insurance facility, review, modification and upgradation of wording of all property clauses & warranties and improving and strengthen SME segment via consultation with our international partners. In addition to developing report to expedite the quotation process. This report will be available within 24 hours from the time of risk inspection.

The Company launched several new insurance products during year 2019, the most prominent of which are the professional liability insurance for accredited valuers (TAQEEM), aquaculture insurance, and Umrah pilgrims insurance.

Despite changes that affected the reinsurance market this year, the Company succeeded in renewing reinsurance contracts with major international reinsurance companies with excellent credit rating to contribute to providing the best services to P&C and motor clients.

The Company also entered into new reinsurance agreements for energy insurance as well as reinsurance arrangements for Umrah insurance.

D- Sales and Customer Segments

The Company provided great support to the Sales Division during year 2019 with the aim of improving the customer experience and increasing its market share in various segments of the customers. In this context, the Company launched its program for customer relationship management (CRM), developed an incentive plan for the various sales and set up mechanisms to activate it during the year 2020. In addition, the Company re-examined the sales offices and assessed their position in the numerous regions of the Kingdom to take advantage of the available opportunities. The Company has also implemented several programs to increase sales effectiveness, most notably the development of extensive training programs for the Sales Academy that the Company launched during the past year.

The following are the most prominent sales activities in the various customers' segments during the year 2019:

- **Corporate and Key Accounts Sales**

The Company undertook a revamping broker department by introducing a broker focus strategy to strengthen our engagement and relationship with brokers, which supports sales in this sector in which Tawuniya has a large market share. The Company also implemented several measures to maintain the level of quality of service provided to key clients, as it established the Elite Service Unit to serve the key employees of major clients together with their families. The Company continued to develop value-added services intended for key clients and organized 116 Tawuniya health zone events in the various regions. The Company succeeded in renewing insurance contracts with a number of large companies in the Kingdom, and added new customers to its insurance portfolio, which led to high growth rates of new medical insurance business at the corporate and key client's sales division compared to the previous year.

- **Small and Medium Enterprises Sales (SME)**

The Company was interested in developing the skills of all teams selling products allocated for small and medium enterprises (SME) through the Sales Academy. It also created a new Genysis system to increase sales productivity and developed the internal operations team as well as providing agents with additional sales enablement. In addition to developing proposal forms and quotations to become clearer and easier for the customer and in line with the applicable laws and regulations. The medical insurance program has been developed and improved as desired by the customers. These measures have resulted in rising sales volumes, increasing productivity of sales teams, and the development of the quality and time to issue the quotations for SME clients.

- **Retail Sales**

During 2019, the Company paid great attention to developing sales skills of all sales teams through intensive training courses in the Tawuniya Sales Academy. A direct sales department has been created for the tele sales and sales offices, as well as operating four direct sales offices in Riyadh, Jeddah, Najran and an additional office is being prepared in Jeddah, in addition to developing the organizational structure for tele sales. The Company has signed more than 20 partnerships with some government agencies, companies and private firms to support retail sales and provide special services and offers. The company was targeting car agencies in major cities and directly attracting potential customers. This led to raising sales efficiency, improving the quality of performance, increasing the effectiveness of communication with customers, raising rates of policy renewal, reducing complaints, raising the efficiency of the Call Center, and increasing the efficiency of issuing retail policies.

- **E-Commerce**

The Company took several measures to improve services and increase online sales. It enabled foreign customers to register and use the website and smartphone application with their national ID to be served from outside the Kingdom, as well as enabling the purchase of the Tourist Visa Insurance and extending the Visitor Visa Insurance through the website. It also enabled the clients to purchase international travel insurance products through the Tawuniya application. These measures have greatly contributed to the rise of e-sales.

E- Marketing and Communication

Tawuniya has entered into a partnership agreement with Al Hilal Saudi Football Club (HFC), which is the largest in the insurance sector, to become the main sponsor and exclusive insurance partner for all Al-Hilal football teams of various age groups. The activation of this agreement has contributed to supporting the Company's brand by linking it with the name of the largest Saudi football club, as well as increasing sales, especially in motor insurance, after the Company has implemented marketing campaigns targeting the customers of Al-Shamel, SANAD and SANAD plus insurance. The company also availed of organizing joint activities with Al Hilal Club coincided with its winning of the Asian Cup. On this occasion, Tawuniya organized an event during which it hosted the cup and some of Al-Hilal players in the presence of a large number of clients and employees.

The Company also implemented several marketing campaigns targeting clients of travel insurance and medical malpractice insurance.

Year 2019 also witnessed the sponsorship and participation of the Company in a number of events, most notably its participation in the Financial Sector Conference (FSC) organized by the Ministry of

Finance, and the Insurance Seminar organized by the Saudi Arabian Monetary Authority. In addition, the Company participated in the launching ceremony of the insurance program for Umrah pilgrims organized by the Ministry of Hajj and Umrah. It organized the ceremony of launching Company's new strategy and organizing the signing ceremony of the Tawuniya Vitality Health Program agreement.

The Company launched a new internal communication strategy and activated it with a number of initiatives to improve the internal work environment. Tawuniya also organized life-coaching workshops to improve the employee skills. At the same time, the Company succeeded in increasing the ratio of media exposure and doubling the base of its followers on the social media channels after developing digital content and independently ranking the Company as the best social media channel in the insurance sector in terms of content, growth and interaction. On the other hand, the Company launched a number of insurance products, most notably travel insurance for the Arab Gulf countries. The Company has made great strides in the implementation of its marketing plan to activate the Vitality Program and enter into contracts with Vitality partners. Tawuniya also developed the customer relationship management system and activated the procedures and campaigns to collect and manage potential customer data with high efficiency. To encourage the innovation within the Company, the 1st ideation session was conducted to identify the vision of a selected group of employees about some concepts, work procedures and their creative ideas for the development. Moreover, 22 research and marketing studies were carried out to test new concepts (product ideas) and to identify the customer's journey to purchase specific insurance products, as well as to measure satisfaction across all external stakeholders, and to assess certain promotional campaigns.

F- Customer Service

Within its endeavors to increase customer focus, the company has implemented a project to rebuild processes and procedures and modernize all of its existing services. In addition, it has introduced new technology-based processes to ensure the highest quality. In this context, the internal service level agreements were reviewed to ensure that they guarantee a faster service and a better promise to customers. The Company has also started to provide Voice of the Customer reports (VOC) that highlight customers' interests and feedback, thus focusing efforts and guiding them towards meeting their expectations. To improve the customer's journey and collaborative experience, the Company organized more than 90 activities for large customers in several cities of the Kingdom, and communicated with customers through 6 million SMS messages. In addition, the Company organized 11 life coaching workshops for self-development and improving a healthy lifestyle for clients, and agreed with 11 partners to provide discounts and offers for the Company's clients within "Ithra" program. As well as encouraging employees to provide a distinguished services to customers by honoring sales champions, customer experiences champions and Call Center pioneers.

G- Recruitment Activities and Improvement of Competencies

The Company continued implementing its policy to enable Saudis, and succeeded in achieving the highest Saudization rate of 82.37%, after it expanded its recruitment operations, and conducted a restructuring process for a number of departments such as the Information Technology and Property & Casualty Departments, within the framework of its strategy announced in 2019. The Company also provided the opportunity for its employees to compete for internal job vacancies.

To improve recruitment services and select distinct professional competencies, the Company launched the recruitment website with the highest level of professionalism, participated in the Tuwaiq Cyber Security Camp Exhibition for new graduates in the cyber security specialization, and actively participated in the Data Scientists Exhibition for new graduates with Computer Science as a major.

In the context of training and skills development, the Company trained more than 1,000 employees in various fields, including administrative, technical, and money laundering, where the training included members of senior management. The Company also developed an e-learning portal, while continuing to implement the second session of the "Fast Track Technical Insurance program" (FIT2) in addition to holding more than 200 exams for the Insurance Foundation (IFCE). A group of the Company's employees obtained specialized professional certificates such as CIPD 3, CIPD 5, ACAMS, CISS CCO, PMP. The Company has provided training opportunities for more than 38 university students to obtain graduation certificate. In addition, The Company has implemented several initiatives to support the work environment and make it more positive, most notably the application of the flexible hours initiative, the introduction of the new performance management system, and the development of the electronic human capital sector system (HRMS).

H- Information Systems and Technology

As part of its strategy for digital transformation, the Company undertook a restructuring for the Information Services Division (ISD). During 2019, several technical projects were implemented, most notably the activation of the Customer Relationship Management system (CRM) and the implementation of lead management module used by sales division to capture and manage leads. The Logical data model was completed, which will be implemented to ensure following the international insurance standards (best practice) data model to help in future business reporting, integration and feeding the data warehouse / analytics and BI projects. Furthermore, the Company has developed a number of digital systems and applications to develop business, facilitate procedures, speed up operations and implement tools for monitoring and follow-up. This includes, for example, launching new portals for SME medical sales and e-services, new store portal for Travel & Visit Visa Extension. In addition to activating Saudi Tourism insurance, and the Haj & Umra products online. ISD has fully redesigned the Tawuniya IT network for better security, performance, and availability. It also upgraded the SharePoint internal homepage & developed new internal e-Forms, as well as launching, applying, and upgrading new systems and services to enable and increase the effectiveness of communication within the Company, and the scope of electronic systems has been modernized.

I. Support Services and Enhancing Security and Safety

As part of the procedures adopted to improve the work environment and make it safer, the Company has updated the Closed-Circuit Television System (CCTV) and the entry and exit system for visitors, raised the level of services in the Company's buildings, and implemented all Civil Defense requirements in its buildings. In line with the Company's expectations to grow its business, increase its market share and attract more distinguished customers in the Eastern Region, the Company has moved the Eastern Regional Office (ERO) to the Khobar Gate tower along with the development and modernization of the offices and the improvement of emergency exits in the Building to increase the effectiveness of security and safety measures around the clock.

6. Distinctive Awards and Ratings Achieved by the Company in 2019

- The Best Takaful Insurance Company in the Middle East Region by Global Islamic Finance Awards.
- The Best Electronic General Insurance Company in Saudi Arabia by Global Banking & Finance Review.
- Best Innovative Insurance Company in KSA by World Finance.
- The Golden Award for Quality & Business Prestige by OMAC.
- Among the Top 10 Most Famous Brands in the KSA issued by Brand Finance.
- Among the Top 100 Saudi Companies List issued by Al Eqtisadiyah newspaper and the first in insurance sector.

7. Articles of the Corporate Governance Regulations Applied/Not Applied and Reasons for Non-Implementation

Tawuniya has applied all articles of the Insurance Corporate Governance Regulation issued by the Saudi Arabia Monetary Authority (SAMA) and the Corporate Governance Regulations issued by the Capital Market Authority (CMA), except for the following articles:

No. of Article/ Para	Wording of Article/ Para	Extent of Application	Reasons for non-implementation	Notes
Article 54-(b) (Guiding Para not binding).	The Chairman of the audit committee shall be an independent Board member.	Not applied	Guiding Para not binding.	The Chairman of the Audit Committee is independent but he is not a Board member.
Article 78- (a) (Guiding article not binding).	Internal Audit Report: a) The internal audit unit or department shall prepare and submit a written report on its activities at least quarterly to the Board and the Audit Committee. Such report shall include an assessment of the Company's internal control system and the final opinion and recommendations of the unit or department. The report shall also specify the procedures taken by each department for addressing the findings and recommendations from the previous audit, and any remarks thereon, particularly failures to promptly address such findings and recommendations and the reasons for such failure.	Not applied	Guiding article not binding.	Now, the Internal reports are reported on a quarterly basis to the Audit Committee and reported on an annual basis to the Board of Directors. If necessary, the Internal Audit Department will report to the Board on a quarterly basis.
Article 41- (e)	The Board shall carry out the necessary arrangements to obtain an assessment of its performance from a competent third party every three years.	Not applied	Guiding article not binding.	The evaluation is performed internally and annually.
Article 87	The Ordinary General Assembly, based on the Board recommendation, shall establish a policy that guarantees a balance between its objectives and those of the community for purposes of developing the social and economic conditions of the community.	Not applied	Guiding article not binding.	There is a corporate social responsibility policy duly approved by the Board of Directors.

8. Names of BOD Members, BOD Committees' Members, and Executive Management, Current and Previous Positions, Qualifications and Experience:

A) Board Members:

Name	Current Position	Previous Position	Qualifications	Experience
H.E. Mr. Soliman S. Al-Humayyd	BOD Chairman, The Company for Cooperative Insurance (Tawuniya)	Minister of Social Affairs	<ul style="list-style-type: none"> • Master of Business Administration (MBA) – Finance. • Diploma in Business Administration. • Bachelor of Business Administration– Finance. • Many specialized and professional certificates. 	<ul style="list-style-type: none"> • Governor of the General Organization for Social Insurance. • Vice-Chairman of the International Organization of Social Insurance
Mr. Waleed A. Aleisa	Chief Executive Officer of RAZA Company (affiliated to Raidah Investment Company). BOD member of Jabal Omar Development Company (JODC).	Chief Operating Officer of Raidah Investment Company	<ul style="list-style-type: none"> • Master of Chemical Engineering. • Master of Computer Science. • Bachelor of Chemical Engineering. • Many specialized and professional certificates. 	Projects Management, research and planning at Al-Raidah Investment Company and the Capital Market Authority.
Mr. Ghassan A Al-Malki	Director of the Center of Digital Excellence - General Organization for Social Insurance	Business Development Manager, Computer Department- General Organization for Social Insurance	<ul style="list-style-type: none"> • Master of Computer - Computer Science. • Bachelor of Computer-Information Systems. • Many specialized and professional certificates. 	Occupied several managerial positions in the field of information technology at the General Organization for Social Insurance.
Mr. Abdullah M. Al-Fayez	BOD member, The Company for Cooperative Insurance (Tawuniya)	BOD member, National Petrochemical Company (Petrochem)	<ul style="list-style-type: none"> • Bachelor of Engineering in Minerals. • Chase Manhattan Bank, Credit and Banking Program. • Many specialized and professional certificates. 	The General Manager of Saudi Public Transport Company (SAPTCO). Participated in the Board of Directors and Audit Committees of a number of national companies.
Mr. Abdulaziz A. Al Zaid	BOD member, The Company for Cooperative Insurance (Tawuniya)	Assistant Governor for Investment in the General Organization for Social Insurance	<ul style="list-style-type: none"> • Bachelor of Civil Engineering. • Many professional and specialized certificates in the fields of governance, project management and financial evaluation. 	Occupied several leading positions in the General Organization for Social Insurance and he is a member of the board of directors and committees of a number of national companies and banks.
Mr. Abdul Aziz I. Al-Nuwaiser	Chief Executive Officer – Tahakom Investment Co.	Vice President - Finance, Arabian Internet Services & Telecom Co. Ltd.	<ul style="list-style-type: none"> • Master of Accounting with two sub-specialties: Finance and Information Systems • Bachelor of Accounting • Many professional certificates in accounting, financial administration and auditing. 	Executive Partner and CEO of National Advisory House. He also worked as a lecturer in the accounting section at King Saud University in Riyadh.
Mr. Raed A. Al-Tamimi	BOD member, Al-Rajhi Bank. BOD member, Saudi Public Transport Company (SAPTCO). BOD member, National Gas & Industrialization Company (GASCO).	Chief Executive Officer (CEO), The Company for Cooperative Insurance (Tawuniya), Chief Executive Officer (CEO) of CARE	<ul style="list-style-type: none"> • Bachelor of Medical Science • Professional Certificate in health insurance. • Many professional and specialized certificates in insurance and management. 	Occupied several leading positions in the Company for Cooperative (Tawuniya).
Mr. Abdulaziz A. Alkhamis	Consultant - Raidah Investment Company. Vice-Chairman, Saudi Investment Bank.	Deputy Governor for Investment in the Public Pension Agency.	<ul style="list-style-type: none"> • Bachelor of Economics. • Many professional and specialized certificates. 	Occupied several positions in the Saudi Arabian Monetary Authority for 21 years.
Mr. Jaser A. Aljaser	General Manager of Planning, Studies and Research Department in the Public Pension Agency.	Senior Actuarial Affairs Specialist in the Public Pension Agency.	<ul style="list-style-type: none"> • Master of Actuarial Science. • Bachelor of Operations Research. • Many professional and specialized certificates. 	Occupied several positions in the fields of planning, development, studies, and actuarial studies at the Public Pension Agency.

B) Board Committees' Members

Executive Committee

Name	Current Position	Previous Position	Qualifications	Experience
H.E. Mr. Soliman S. Al-Humayyd	BOD Chairman, The Company for Cooperative Insurance (Tawuniya).	Minister of Social Affairs.	<ul style="list-style-type: none"> • Master of Business Administration (MBA) – Finance. • Diploma in Business Administration • Bachelor of Business Administration – Finance • Many specialized and professional certificates 	<ul style="list-style-type: none"> • Governor of the General Organization for Social Insurance. • Vice-Chairman of the International Organization of Social Insurance.
Mr. Waleed A. Aleisa	Chief Executive Officer of RAZA Company (affiliated to Raidah Investment Company). BOD member of Jabal Omar Development Company (JODC).	Chief Operating Officer of - Raidah Investment Company.	<ul style="list-style-type: none"> • Master of Chemical Engineering. • Master of Computer Science. • Bachelor of Chemical Engineering. • Many specialized and professional certificates. 	Projects Management, research and planning at Al-Raidah Investment Company and the Capital Market Authority.
Mr. Raed A. Al-Tamimi	BOD member, Al-Rajhi Bank. BOD member, Saudi Public Transport Company (SAPTCO). BOD member, National Gas & Industrialization Company (GASCO).	Chief Executive Officer (CEO), The Company for Cooperative Insurance (Tawuniya), Chief Executive Officer (CEO) of CARE	<ul style="list-style-type: none"> • Bachelor of Medical Science • Professional Certificate in health insurance. • Many professional and specialized certificates in insurance and management. 	Occupied several leading positions in the Company for Cooperative (Tawuniya).
Mr. Abdulaziz H. Alboug	Chief Executive Officer (CEO) of The Company for Cooperative Insurance (Tawuniya)	Senior Vice President – Sales and Marketing, (Tawuniya)	<ul style="list-style-type: none"> • Master of Business Administration. • Bachelor of International Business Administration. • American Health Insurance Associate Certification. • Medical Underwriting Specialist Certification from the Chartered Insurance Institute, UK. • Many professional and specialized certificates and training courses. 	Occupied a number of leading positions in Tawuniya, especially in sales and marketing sector, key accounts and business development.

Risk Committee

Name	Current Position	Previous Position	Qualifications	Experience
Mr. Waleed A. Aleisa	Chief Executive Officer of RAZA Company (affiliated to Raidah Investment Company). BOD member of Jabal Omar Development Company (JODC).	Chief Operating Officer of – Raidah Investment Company	<ul style="list-style-type: none"> • Master of Chemical Engineering. • Master of Computer Science. • Bachelor of Chemical Engineering. • Many specialized and professional certificates. 	Projects Management, research and planning at Al-Raidah Investment Company and the Capital Market Authority.
Mr. Raed A. Al-Tamimi	BOD member, Al-Rajhi Bank. BOD member, Saudi Public Transport Company (SAPTCO). BOD member, National Gas & Industrialization Company (GASCO).	Chief Executive Officer (CEO), The Company for Cooperative Insurance (Tawuniya), Chief Executive Officer (CEO) of CARE	<ul style="list-style-type: none"> • Bachelor of Medical Science • Professional Certificate in health insurance. • Many professional and specialized certificates in insurance and management. 	Occupied several leading positions in the Company for Cooperative (Tawuniya).
Mr. Abdulaziz H. Alboug	Chief Executive Officer (CEO) of The Company for Cooperative Insurance (Tawuniya)	Senior Vice President – Sales and Marketing, (Tawuniya)	<ul style="list-style-type: none"> • Master of Business Administration. • Bachelor of International Business Administration. • American Health Insurance Associate Certification. • Medical Underwriting Specialist Certification from the Chartered Insurance Institute, UK. • Many professional and specialized certificates and training courses. 	Occupied a number of leading positions in Tawuniya, especially in sales and marketing sector, key accounts and business development.

Remuneration and Nomination Committee

Name	Current Position	Previous Position	Qualifications	Experience
Mr. Abdulaziz A. Al Zaid	BOD member, The Company for Cooperative Insurance (Tawuniya)	Assistant Governor for Investment in the General Organization for Social Insurance	<ul style="list-style-type: none"> • Bachelor of Civil Engineering. • Many professional and specialized certificates in the fields of governance, project management and financial evaluation. 	Occupied several leading positions in the General Organization for Social Insurance and he is a member of the boards of directors and committees of a number of national companies and banks.
Mr. Ghassan A. Al-Malki	Director of the Center of Digital Excellence - General Organization for Social Insurance	Business Development Manager, Computer Department- General Organization for Social Insurance	<ul style="list-style-type: none"> • Master of Computer - Computer Science. • Bachelor of Computer-Information Systems. • Many specialized and professional certificates. 	Occupied several managerial positions in the field of information technology at the General Organization for Social Insurance.
Mr. Jaser A. Aljaser	General Manager of Planning, Studies and Research Department in the Public Pension Agency.	Senior Actuarial Affairs Specialist in the Public Pension Agency.	<ul style="list-style-type: none"> • Master of Actuarial Science. • Bachelor of Operations Research. • Many professional and specialized certificates. 	Occupied several positions in the fields of planning, development, studies, and actuarial studies at the Public Pension Agency.
Mr. Abdullah M. Al-Fayez	BOD member, The Company for Cooperative Insurance (Tawuniya)	BOD member, National Petrochemical Company (Petrochem)	<ul style="list-style-type: none"> • Bachelor of Engineering in Minerals. • Chase Manhattan Bank, Credit and Banking Program. • Many specialized and professional certificates. 	The General Manager of Saudi Public Transport Company (SAPTCO). Participated in the Board of Directors and Audit Committees of a number of national companies.

Investment Committee

Name	Current Position	Previous Position	Qualifications	Experience
Mr. Abdulaziz A. Alkhamis	Consultant - Raidah Investment Company	Deputy Governor for Investment in the Public Pension Agency	<ul style="list-style-type: none"> • Bachelor of Economics. • Many professional and specialized certificates. 	Occupied several positions in the Saudi Arabian Monetary Authority for 21 years.
Mr. Abdulaziz A. Al Zaid	BOD member, The Company for Cooperative Insurance (Tawuniya)	Assistant Governor for Investment in the General Organization for Social Insurance	<ul style="list-style-type: none"> • Bachelor of Civil Engineering. • Many professional and specialized certificates in the fields of governance, project management and financial evaluation. 	He occupied several leading positions in the General Organization for Social Insurance and he is a member of the boards of directors and committees of a number of national companies and banks.
Mr. Abdul Aziz I. Al-Nuwaiser	Chief Executive Officer – Tahakom Investment Co.	Vice President - Finance, Arabian Internet Services & Telecom Co. Ltd.	<ul style="list-style-type: none"> • Master of Accounting with two sub-specialties: Finance and Information Systems • Bachelor of Accounting • Many professional certificates in accounting, financial administration and auditing. 	Executive Partner and CEO of National Advisory House. He also worked as a lecturer in the accounting section at King Saud University in Riyadh.
Mr. Abdulaziz H. Alboug	Chief Executive Officer (CEO) of The Company for Cooperative Insurance (Tawuniya)	Senior Vice President – Sales and Marketing, (Tawuniya)	<ul style="list-style-type: none"> • Master of Business Administration. • Bachelor of International Business Administration. • American Health Insurance Associate Certification. • Medical Underwriting Specialist Certification from the Chartered Insurance Institute, UK. • Many professional and specialized certificates and training courses. 	Occupied a number of leading positions in Tawuniya, especially in sales and marketing sector, key accounts and business development.
Fraser David Gregory	Chief Financial Officer (CFO)	Executive Manager of Gregory Investment Group (LLC)	<ul style="list-style-type: none"> • Bachelor of Finance. • Attended many specialized courses including: <ul style="list-style-type: none"> Executive Advance Management Program Fellowship of the Chartered Insurance Management Accountants. 	Wide experience in Finance management, insurance and strategy management.

Audit Committee

Name	Current Position	Previous Position	Qualifications	Experience
Mr. Turky A. Alluhaid	Partner in Alluhaid & Alyahya Chartered Accountants (LYCA)	Chief Financial Officer- Al-Ayouni Investment & Contracting Co	<ul style="list-style-type: none"> • Bachelor of Accounting. • Fellowship of the Saudi Organization for Certified Public Accountants (SOCPA). • American Fellowship of Certified Public Accountant (CPA) 	<ul style="list-style-type: none"> • Chief Financial Officer- Al-Ayouni Investment & Contracting Co. • Audit Director, Ernest & Young Office. • Credit manager in Riyad Bank.
Mr. Mohammed Farhan Alnader	Executive Partner of United Accountants (member of RSM International Group)	Chief Financial Officer of Awqaf Sulaiman Bin Abdulaziz Al Rajhi Holding Company	<ul style="list-style-type: none"> • Bachelor of Accounting • Master of Business Administration and Finance • American Fellowship of Certified Public Accountants (CPA) • Fellowship of the Saudi Organization for Certified Public Accountants (SOCPA). 	<ul style="list-style-type: none"> • Chief Financial Officer of Awqaf Sulaiman Bin Abdulaziz Al Rajhi Holding Company. • Director of Audit and Quality at Deloitte. • Assistant Director of Price Waterhouse Coopers. • Senior Auditor at KPMG • Auditor Assistant at Grant Thornton Co.
Mr. Ayman M. Almegham	General Manager at Integra International Almegham Chartered Accountants Office	Chief Financial Officer of Al Rajhi Real Estate Investments.	<ul style="list-style-type: none"> • Master of Accounting. • Bachelor of Accounting. • Fellowship of the Saudi Organization for Certified Public Accountants (SOCPA). • American Fellowship of Certified Public Accountants (CPA) 	<ul style="list-style-type: none"> • Chief Financial Officer of Al Rajhi Real Estate Investments. • Audit Director of Deloitte & Touche.
Mr. Abdul Aziz I. Al-Nuwaiser	Chief Executive Officer – Tahakom Investment Co.	Vice President - Finance, Arabian Internet Services & Telecom Co. Ltd.	<ul style="list-style-type: none"> • Master of Accounting with two sub-specialties: Finance and Information Systems. • Bachelor degree in Accounting. • Many professional certificates in accounting, financial administration and auditing. 	<ul style="list-style-type: none"> • Executive Partner and CEO of National Advisory House. He also worked as a lecturer in the accounting section at King Saud University in Riyadh.

C) Senior Executives

Name	Current Position	Previous Position	Qualifications	Experience
Mr. Abdulaziz H. Alboug	Chief Executive Officer (CEO) of The Company for Cooperative Insurance (Tawuniya)	Senior Vice President – Sales and Marketing, (Tawuniya)	<ul style="list-style-type: none"> • Master of Business Administration. • Bachelor of International Business Administration. • American Health Insurance Associate Certification. • Medical Underwriting Specialist Certification from the Chartered Insurance Institute, UK. • Many professional and specialized certificates and training courses. • Attended many scientific conferences organized by local, regional and international institutions. 	Occupied a number of leading positions in Tawuniya, especially in sales and marketing sector, key accounts and business development.
Mr. Abdullah A. Al-Arfaj	Chief Operating Officer (COO), The Company for Cooperative Insurance (Tawuniya)	Vice President- Medical Insurance and Takaful, Tawuniya	<ul style="list-style-type: none"> • Bachelor degree in Quantitative Methods. • Many professional and specialized certificates and training courses. • Attended many scientific conferences organized by local, regional and international institutions. 	Occupied a number of managerial positions in Tawuniya, particularly in Medical Insurance and Takaful sector. He is currently the Chairman of a number of committees in The Company as well as a member of the Board of Directors of Waseel Application Services Provider.
Mr. Fahad S. Al-Moammar	Senior Vice President (SVP)- Investment, The Company for Cooperative Insurance (Tawuniya).	Vice President- Investment, The Company for Cooperative Insurance (Tawuniya).	<ul style="list-style-type: none"> • Master degree in Finance. • Bachelor degree in Insurance and Real Estate. • Many professional and specialized certificates and training courses in market risk management, risk management in banking services organized by Citibank and the Saudi Arabian Monetary Authority (SAMA). 	Long experience in investment management, investment portfolios for banks and financial institutions.
Mr. Adel A. Al-Hamoudi	Senior Vice President (SVP) - Sales and Marketing, The Company for Cooperative Insurance (Tawuniya).	Vice President- Key Accounts, Tawuniya	<ul style="list-style-type: none"> • Bachelor degree in Mass Communication. • IFCE certificate. • Many professional and specialized certificates and training courses as well as a number of courses in advanced leadership.. 	Wide experience in insurance filed as he occupied a number of managerial positions in Tawuniya, particularly in the field of sales, key accounts management and is currently occupying the membership of many committees in Tawuniya.
Mr. Sultan S. Al-Khomashi	Senior Vice-President (SVP) – General Insurance, The Company for Cooperative Insurance (Tawuniya)	Senior Vice-President - Technical, Tawuniya	<ul style="list-style-type: none"> • Master and Bachelor's degrees in Chemical Engineering. • Master in Insurance and Risk Management. • Advanced Diploma in Insurance (ACII). • Many professional and specialized certificates and training courses. • Attended many scientific conferences organized by local, regional and international institutions 	Occupied a number of managerial positions in Tawuniya, particularly in Property and Casualty Insurance Division and non-marine insurance claims. Presently he is occupying membership of many committees in Tawuniya and a number of other institutions, such as the membership of the Technical and Reinsurance Committee at the level of the Saudi insurance industry affiliated to the Saudi Arabian Monetary Authority
Mr. Hisham F.Radwan	Senior Vice President (SVP) - Medical & Takaful, The Company for Cooperative Insurance (Tawuniya).	General Manager – Middle East & Africa, Aetna International Company	<ul style="list-style-type: none"> • Bachelor degree in Accounting. • A number of technical and managerial courses, such as : • Health Care Executive Program. • General Management Program. 	Has wide experience in insurance particularly Medical Insurance.
Fraser David Gregory	Chief Financial Officer (CFO)	Executive Manager of Gregory Investment Group (LLC)	<ul style="list-style-type: none"> • Bachelor of Finance. • Attended many specialized courses including: • Executive Advance Management Program • Fellowship of the Chartered Insurance Management Accountants. 	Wide experience in Finance management, insurance and strategy management.

9. Names of Companies within or outside the Kingdom in which a BOD Director is a Member of its Current and Previous Boards of Directors or is a Director therein:

Name of BOD Director	Names of the Companies in which the BOD director is a member of its current Boards or a director therein	Inside/ Outside the Kingdom of Saudi Arabia (KSA)	Legal Entity (Listed/ Unlisted Joint Stock Company, LLC/)	Names of the Companies in which the BOD director was a member of its previous Boards or a director therein	Inside/ Outside the Kingdom of Saudi Arabia (KSA)	Legal Entity (Listed / Unlisted Joint Stock Company, LLC/)
H.E. Mr. Soliman S. Al-Humayyd	BOD Chairman, United Insurance Company (Bahrain)	Outside KSA	Bahraini closed joint stock company	BOD member, Mohammed Abdulaziz Al-Rajhi Holding Company (2013-2015)	Inside KSA	Holding Company
	BOD member, AL-Faisliyah Holding Group	Inside KSA	Holding Group	BOD Member and Executive Committee member – Saudi Arabian Mining Company (Maaden) (2008-2013)	Inside KSA	Joint Stock Company
Mr. Waleed A. Aleisa	BOD member, United Insurance Company (Bahrain)	Outside KSA	Bahraini closed joint stock company	BOD member, Riyad Bank (2010-2016)	Inside KSA	Joint Stock Company
	Chief Executive Officer (CEO) and BOD member of RAZA Company.	Inside KSA	Limited Liability Company			
	BOD member of Jabal Omar Development Company	Inside KSA	Listed Joint Stock Company			
Mr. Ghassan A. Al-Malki	None			None		
Mr. Abdullah M. Al-Fayez	BOD member, United Insurance Company (Bahrain)	Outside KSA	Bahraini closed joint stock company	BOD member, Raidah Investment Company (2007-2015)	Inside KSA	Joint Stock Company
				BOD member, National Petrochemical Company (Petrochem) (2012-2019).	Inside KSA	Joint Stock Company
	BOD member in Mohammed Abdulaziz Al-Rajhi & Sons Investment Company	Inside KSA	Closed Joint Stock Company	BOD member, DAEM Real Estate Investment (2013-2017)	Inside KSA	Joint Stock Company
Mr. Abdulaziz A. Al Zaid				BOD member, National Commercial Bank (NCB) (1999-2018).	Inside KSA	Joint Stock Company
				BOD member, SABIC (2012-2013)	Inside KSA	Joint Stock Company
				Chief of Managers Board, Granada Investment Center (2002-2013)	Inside KSA	Limited Liability Company
				BOD and Executive Committee member, National Company for Tourism (1989-1999)	Inside KSA	Joint Stock Company

Name of BOD Director	Names of the Companies in which the BOD director is a member of its current Boards or a director therein	Inside/ Outside the Kingdom of Saudi Arabia (KSA)	Legal Entity (Listed/ Unlisted Joint Stock Company, LLC/)	Names of the Companies in which the BOD director was a member of its previous Boards or a director therein	Inside/ Outside the Kingdom of Saudi Arabia (KSA)	Legal Entity (Listed / Unlisted Joint Stock Company, LLC/)
Mr. Abdulaziz A. Al Zaid (Continued)				BOD and Executive Committee member, Al-Ahsa Medical Services (1996-1999)	Inside KSA	Joint Stock Company
				BOD member, NCB Capital, (2013-2015)	Inside KSA	Joint Stock Company
				BOD member, Qassim Cement Company (2016-2019)	Inside KSA	Joint Stock Company
Mr. Abdul Aziz I. Al-Nuwaier	Founder and BOD member of the House of National Consulting Company	Inside KSA	Limited Liability Company	BOD Chairman, The Saudi Tourism Development Company (2009-2011)	Inside KSA	Limited Liability Company
	BOD member, Al-Hamaid and Al-Nemr Consulting Company	Inside KSA	Professional Company			
	BOD member, Entertainment Company for Development and Investment	Inside KSA	Unlisted Joint Stock Company			
	Chief Executive Officer (CEO) and BOD Member, Tahakom Investment Co.	Inside KSA	Unlisted Joint Stock Company			
	BOD member and Chairman of Audit Committee, Maharah Human Resources Company	Inside KSA	Unlisted Joint Stock Company			
Mr. Raed A. Al-Tamimi	BOD member, National Gas & Industrialization Company (GASCO).	Inside KSA	Joint Stock Company	BOD member, United Insurance Company (Bahrain) (2014-2015)	Outside KSA	Bahraini closed joint stock company
	BOD member, Al-Rajhi Bank	Inside KSA	Joint Stock Company	BOD member, Cooperative Real Estate Investment Company (2011-2013)	Inside the Kingdom	Limited Liability Company
	BOD member, Saudi Public Transport Company (SAPTCO)	Inside KSA	Joint Stock Company	BOD member, Najm Insurance Services Company. (2016-2019).	Inside the Kingdom	Joint Stock Company
				BOD member, Waseel Application Services Provider. (2007-2018)	Inside KSA	Joint Stock Company
				BOD member, CARE Company (2018-2019)	Inside KSA	Joint Stock Company
Mr. Abdulaziz A. Alkhamis	Vice Chairman, Saudi Investment Bank	Inside KSA	Joint Stock Company	BOD member, National Petrochemical Company (2008-2016)	Inside KSA	Joint Stock Company
	BOD member, United Insurance Company (Bahrain)	Outside KSA	Bahraini closed joint stock company	BOD member, Sahara Petrochemicals Company (Sipchem) (2010-2016)	Inside KSA	Joint Stock Company
Mr. Jaser A. Aljaser	BOD member, Saudi Industries Development Company	Inside KSA	Joint Stock Company	None		

10. Formation of the Board of Directors, the Classification of its Members as Follows: Executive, Non-Executive and Independent:

Below is the formation of the Board of Directors and the classification of its directors according to the Saudi Arabia Monetary Authority. Noting that no director of the Company's Board of Directors occupies any executive position in Tawuniya:

Member Name and the entity such director represents	Members Classification Executive/ Non-Executive/ Independent
H.E. Mr. Soliman S. Al-Humayyd - Chairman	Non-Executive
Mr. Waleed A. Aleisa - Vice Chairman	Independent
Mr. Ghassan A. Al-Malki - Director (Representative of the General Organization for Social Insurance – GOSI)	Non-Executive
Mr. Abdullah M. Al-Fayez - Director	Independent
Mr. Abdulaziz A. Al Zaid - Director	Non-Executive
Mr. Abdul Aziz I. Al-Nuwaiser - Director	Independent
Mr. Raed A. Al-Tamimi - Director	Non-Executive
Mr. Abdulaziz A. Alkhamis - Director	Non-Executive
Mr. Jaser A. Aljaser - Director (Representative of Public Pension Agency)	Independent

11. Actions Taken by the Board of Directors to Apprise its Members – Especially Non-Executive- with the Shareholders Proposals and their Remarks about The Company and its Overall Performance:

In the event of receiving any proposals or remarks from shareholders, the Board of Directors shall apprise its members, specifically the Non-Executive – with such suggestions and remarks by using the following means:

1. Meetings of the Board of Directors.
2. Meetings of Board Committees.
3. Meetings of the General Assembly.
4. Periodical meetings held by the Company with shareholders and investors.

12. A Brief Description of the Competences of the Committees and their Functions, along with the Names of Committees, their Chairmen, Members, Number of Meetings Held, Dates Of Meetings and Attendees per Each Meeting:

a) Executive Committee

Chairman and Members	Membership capacity	Classification
Soliman S. Al-Humayyd	Chairman	Non-executive
Waleed A. Aleisa	Member	Independent
Raead A. Al Tamimi	Member	Non-Executive
Abdulaziz H. Al-Boug	Member/ CEO	Not a Board member

Executive Committee Jurisdictions and Duties

- 1- Providing recommendations to the Board of Directors' (BOD) on strategic and operating plans, budgets, business plans and necessary actions required.
- 2- Making decisions about the issues delegated by the Board that are outside the scope of CEO's powers, including those issues related to capital expenditures and purchases within the limits delegated to the committee from the Board of Directors.

Attendance Record of Executive Committee Meetings in 2019

Number of meetings	Soliman S. Al-Humayyd	Waleed A. Aleisa	Raeed A. Al Tamimi	Abdulaziz H. Al-Boug
First: 06/02/2019	Attended	Attended	Attended	Attended
Second: 28/04/2019	Attended	Attended	Attended	Attended
Third: 22/05/2019	Attended	Attended	Attended	Attended
Fourth: 01/09/2019	Attended	Attended	Attended	Attended
Fifth: 10/11/2019	Attended	Attended	Attended	Attended
Sixth: 22/12/2019	Attended	Attended	Attended	Attended
Total	6	6	6	6

b) Remuneration and Nomination Committee

Chairman and Members	Membership capacity	Classification
Abdulaziz A. Al Zaid	Chairman	Non-Executive
Ghassan A. Al-Malki	Member	Non-executive
Jaser A. Aljaser	Member	Independent
Abdullah M. Al-Fayez	Member	Independent

Remuneration and Nomination Committee Jurisdictions and Duties

- 1- To recommend to the Board of Directors nomination for membership of the Board of Directors and its committees, in accordance with the regulatory requirements, policies and standards adopted.
- 2- The annual revision required for the needs of the suitable skills for membership of the Board of Directors and its committees and preparing a description to the capabilities and qualifications required for membership of the Board and its committees and determine the time that needs to be devoted by the member to the work of the Board and / or its committees.
- 3- Assess the structure and composition of the Board and its committees, determine their vulnerabilities on a regular basis and propose the necessary steps to address them.
- 4- Assess and monitor the independence of the members of the Board and its committees and making sure there are no conflicts of interests, including ensuing, on an annual basis, the independence of Board independent members.
- 5- Develop clear policies for compensation and remuneration of the members of the Board of Directors and its committees and senior management.
- 6- Evaluate the performance of the members of the Board of Directors and its committees periodically.
- 7- Present recommendations with respect to the nomination and dismissal of the members of senior management.
- 8- Design the policy and procedures for succession to the CEO and members of senior management and monitoring the implementation of the succession plans and procedures.
- 9- Review the compensation plans of the members of senior management.
- 10- Supervise the induction program and training for members of the Board of Directors.
- 11- Submit recommendation to the Board on matters relating to nomination and remuneration.

Attendance Record of Remuneration and Nomination Committee Meetings in 2019

Number of meetings	Abdulaziz A. Al-Zaid	Ghassan Al-Malki	Jaser Aljaser	Abdullah Al-Fayez
First: 14/01/2019	Attended	Attended	Attended	Attended
Second: 21/02/2019	Attended	Attended	Attended	Attended
Third: 01/05/2019	Attended	Attended	Attended	Attended
Fourth: 24/07/2019	Attended	Attended	Attended	Attended
Fifth: 28/08/2019	Attended	Absent	Attended	Attended
Sixth: 06/11/2019	Attended	Attended	Attended	Attended
Seventh: 19/12/2019	Attended	Attended	Attended	Attended
Total	7	6	7	7

C) Audit Committee

Chairman and Members	Membership capacity	Classification
Turky A. Al – Luhaid	Chairman	Not a Board member
Mohammed Farhan Al-Nader	Member	Not a Board member
Abdulaziz I. Al-Nuwaiser	Member	Independent
Ayman M. Al-Muqhem	Member	Not a Board member

Audit Committee Jurisdictions and Duties

- 1- Submit recommendations to Board Of Directors (BOD) to approve the nomination or re-nomination of the external auditors, and this includes ensuring that the external auditors have expertise necessary to perform the audit of the Company's business professionally.
- 2- Appoint and dismiss the chief compliance officer after obtaining "No Objection" in writing from SAMA.
- 3- Recommends to the Board for the nomination and dismissal of the chief internal auditor after obtaining "No Objection" in writing from SAMA.
- 4- Ensure the independence of the external auditors from the Company, Board members and senior management.
- 5- Ensure the independence of the Internal Audit Department or the internal auditor in the performance of their duties and verify the absence of any restrictions on their acts or the presence of any matter of negative impact on their acts.
- 6- Ensure the independence of Compliance Department or chief compliance officer in the performance of their duties and verify the absence of any restrictions on their acts or the presence of any matter of negative impact on their acts.
- 7- Discuss the annual and quarterly interim financial statements with the external auditors and senior management of The Company before they are issued.
- 8- Examine and review the annual and interim financial statements and recommend to the Board thereon.
- 9- Study the internal and external auditors' plan.
- 10- Study, approve and follow-up the implementation of compliance plan.
- 11- Study the important accounting policies, their procedures and changes that may be carried out on them.
- 12- Prepare a report on the Committee's opinion on the adequacy of internal controls system in The Company and the other work the Committee has performed within the scope of its jurisdiction. This report must be presented in Head Office of The Company before (10) days from the date of the General Assembly.
- 13- Coordinate between the internal and external auditors.
- 14- Examine the reports of external auditors and make recommendations thereon to the Board of Directors.
- 15- Review the reports of the Internal Audit Department or internal auditor and make recommendations thereon to the Board of Directors.
- 16- Review the reports of the Compliance Department and make recommendations thereon to the Board of Directors.
- 17- Study the reports issued by the regulatory and supervisory authorities or official regulator and make recommendations thereon to the Board of Directors.
- 18- Assess the level of efficiency, effectiveness and objectivity of the work of external auditors, Internal Audit Department or internal auditor, the Compliance Department or chief compliance officer.
- 19- Study the observations of SAMA and the relevant supervisory and regulatory authorities on any legal violations or requests for corrective measures and make recommendations thereon to the Board of Directors.
- 20- Study the evaluation of the internal and external auditors on the internal control procedures.
- 21- Study the processes among the entities of the group and operations with related parties.
- 22- Study the actuary reports and make recommendations thereon to the Board.
- 23- Ensure The Company's compliance with implementation of the proposals and recommendations of the actuary when they are compulsory under the regulations and instructions issued by SAMA and the relevant supervisory and regulatory authorities.
- 24- Follow-up the reports issued by SAMA and the relevant supervisory and regulatory authorities concerned and make recommendations thereon to the Board.
- 25- Determine the monthly salary, stimulating bonus and other awards for the Internal Audit Department or internal auditor in accordance with the internal regulations of The Company, which are approved by the Board.
- 26- Determine the monthly salary, stimulating bonus and other awards for the Compliance Department or chief compliance officer in accordance with the internal regulations of The Company, which are approved by the Board.
- 27- Ensure the availability of a written regulation on the rules of professional ethics and conduct after its approval by the Board to ensure that The Company's business activities are transacted in a fair and ethical manner.
- 28- Follow-up the important lawsuits filed by or versus The Company with the manager of Compliance Department or chief compliance officer, and submit periodic reports on them to the Board.
- 29- Ensure the optimal use of information technology and the availability of necessary controls to get accurate, authentic and reliable information and data.

Attendance Record of Audit Committee Meetings

Number of meetings	Turky Al-Luhaid	Abdulaziz I. Al-Nuwaiser	Mohammed Al-Nader	Ayman Al-Muqhem
First: 08/01/2019	Attended	Attended	Attended	Attended
Second: 20/03/2019	Attended	Attended	Attended	Attended
Third: 27/03/2019	Attended	Attended	Attended	Attended
Fourth: 29/04/2019	Attended	Attended	Attended	Absent
Fifth: 02/05/2019	Attended	Attended	Attended	Attended
Sixth: 19/05/2019	Attended	Attended	Attended	Attended
Seventh: 29/07/2019	Attended	Attended	Attended	Absent
Eighth: 10/09/2019	Attended	Attended	Absent	Attended
Ninth: 29/10/2019	Attended	Attended	Attended	Attended
Tenth: 27/11/2019	Attended	Attended	Attended	Attended
Eleventh: 22/12/2019	Attended	Attended	Attended	Attended
Total	11	11	10	9

D) Investment Committee

Chairman and Members	Membership capacity	Classification
Abdulaziz A. Al-Khamees	Chairman	Non-executive
Abdulaziz A. Al Zaid	Member	Non-executive
Abdulaziz H. Al-Boug	Member/ CEO – Tawuniya	Not a Board member
Fraser David Gregory	Member/ CFO – Tawuniya	Not a Board member

Investment Committee Jurisdictions and Duties

- 1- Review and approve the investment strategy and policies provided by the executive management.
- 2- Supervise the implementation of the investment strategy and policies and ensure strict compliance with them.
- 3- Review and evaluate the investment proposals that require the approval of the Committee and make decisions about The Company's investments in the limits of powers granted by the Board of Directors.
- 4- Nominate the investment managers outside the Kingdom and evaluate their services, terminate their duties and determine their fees.
- 5- Define the investment limits inside and outside the Kingdom in accordance with the Investment Regulation issued by SAMA.
- 6- Supervise the observance of investment limits in each investment tool.
- 7- Review and evaluate The Company's existing investments through the periodic reports on the same.
- 8- Inform the Board on its works, findings or decisions taken.

Attendance Record of Investment Committee Meetings in 2019

Number of meetings	Abdulaziz A. Al-Khamees	Abdulaziz A. Al Zaid	Abdulaziz H. Al-Boug	Fraser David Gregory
First : 05/02/2019	Attended	Attended	Attended	-
Second : 10/04/2019	Attended	Attended	Attended	-
Third : 28/04/2019	Attended	Attended	Attended	-
Fourth : 03/09/2019	Attended	Attended	Attended	Attended
Fifth : 10/11/2019	Attended	Attended	Attended	Attended
Total	5	5	5	2

E) Risk Committee

Chairman and Members	Membership capacity	Classification
Waleed A. Aleisa	Chairman	Independent
Raeed A. Al Tamimi	Member	Non-executive
Abdulaziz H. Al-Boug	Member/ CEO	Not a Board member

Risk Committee Jurisdictions and Duties

- 1- Identify the risks The Company may be exposed to and maintain a level of risk acceptable to The Company.
- 2- Supervise the risk management systems and assessing their effectiveness.
- 3- Design a comprehensive strategy for the management of The Company's risks, supervise the application of risk management, review and update such strategy periodically, taking into account the relevant internal and external changes.
- 4- Review the risk management policies.
- 5- Review and re-assess the level of risk acceptance by The Company and the extent of its exposure to risks periodically.
- 6- Present detailed reports to the Board on the potential risks and make recommendations on how to manage them.
- 7- Provide advice to the Board of Directors about the issues pertaining to risk management.

Attendance Record of Risk Committee Meetings in 2019

Number of meetings	Waleed A. Aleisa	Raeed A. Al Tamimi	Abdulaziz H. Al-Boug
First: 26/02/2019	Attended	Attended	Attended
Second: 28/04/2019	Attended	Attended	Attended
Third: 01/09/2019	Attended	Attended	Attended
Fourth: 22/12/2019	Attended	Attended	Attended
Total	4	4	4

13. The Means by Which the Board of Directors Relied on the Evaluation of its Performance and That of its Committees and Members:

The policy for assessing the performance of the Board members and committees has been adopted. The forms approved under this policy have been used as a means of evaluation.

14. Disclosure of Remuneration of Board Members and Executive Management as provided for in article (93) of the Corporate Governance Regulations:

Remuneration policy and method adopted to determine the remuneration of Board Members:

The minimum limit of the annual remuneration for the Board members is (SR 300,000) Three Hundred Thousand Saudi Riyal, and the maximum is (SR 500,000) Five Hundred Thousand Saudi Riyal against their membership in the Board and services they perform inclusive of additional rewards in case of any member participate in any of the committees related to the Board of Directors. If the Company achieves profits, a percentage equal to 10% of the net profit may be distributed after deducting provisions approved by the General Assembly in accordance with the Law on Supervision of Cooperative Insurance Companies and the Companies Law and after distributing the profits to Shareholders not lesser than 5% of the Company's paid-up capital provided that such reward shall be as per the number of meetings attended by the member, and any otherwise contrary assessment shall be null and void.

In all cases, total remuneration annually paid to the member of the Board of Directors shall not exceed (SR 500,000) Five Hundred Thousand Saudi Riyal. The Board of Directors shall determine the special remuneration of the Chairman of the Board for his work and responsibilities in this capacity, in addition to the remuneration paid to members of the Board. However, the special remuneration of the Chairman is not subject to the maximum limit of the annual remuneration of the BOD members and if it exceeds the maximum limit, no objection should be obtained from SAMA prior to recommending this special remuneration to the Shareholders General Assembly for approval.

Maximum allowance for attending the Board meetings and committees is (5,000 SR) Five Thousand Saudi Riyal for each session excluding travel expenses and residence.

The Board members and chairman shall receive the actual costs they incur for attending the Board meetings or related committees meetings including travel expenses and other costs. The Ordinary General Assembly of The Company held on 18/4/2018 approved the policy of remuneration and compensation for members of the Board of Directors and its related committees. Accordingly, the Board of Directors has proposed the remuneration of the BOD members based on the recommendation of the Nomination and Remuneration Committee in addition to the remuneration of the BOD Chairman, on which the no objection of the Saudi Arabian Monetary Authority has been obtained, in accordance with the relevant laws, regulations and instructions as well as the conditions and criteria approved by the General Assembly. The remuneration and compensation proposed to the BOD chairman and members will not be approved except after the approval of the General Assembly.

Remuneration policy and method adopted to determine the remuneration of Executive Management:

The Ordinary General Assembly of the Company, that was held on 18/04/2018 approved the remuneration and compensation policy for members of the Executive Management, which clarifies the mechanism adopted for determining and approving their remuneration in addition to the criteria adopted for determining remuneration and linking it to performance, disclosure and verification of their implementation. The Company pays the basic salary and other allowances to the members of Executive Management depending on the structure of job grades, salary levels and the policies and internal regulations approved by the Board of Directors, and any additional benefits or privileges proposed by the CEO and then discussed with the Nomination and Remuneration Committee to recommend them to the Board of Directors for ratification and approval. The members of the Executive Management may be granted an annual allowance in accordance with the performance standards approved in the Company and in line with the Human Resources Executive Regulations and the decisions of the Board of Directors. This allowance shall apply to the basic salary and its effective date shall be determined by a decision of the CEO. The Board of Directors may also, at its discretion, approve the allocation of a specific amount of money to be distributed to members of the Executive Management as an annual bonus. The distribution of this bonus is subject to a specific mechanism approved by the Board of Directors to ensure the entire fairness and equity.

The Relationship between the Remuneration Awarded and the Applicable Remuneration Policy

In granting the remuneration to the Board members, The Company adopts the contents set forth in Article (19) of the Articles of Association of The Company and in accordance with the policy of remuneration to the Board members and committees as well as the Executive Management, which has been approved by the Company's General Assembly. It clarifies the mechanism for determining and approving remuneration for each of the BOD members and the executive management as mentioned above.

Remuneration of the Board Members

(SR'000)

	Fixed Remuneration							Variable Remuneration							End of service award	Grand total	Expenditure allowance
	Fixed amount	Remuneration for Board meetings attended	Committee meetings attended	In-kind benefits	Amount for technical, administrative or consulting works	Remuneration of Chairman, managing director or BOD secretary, if he is a member	Total	Share in profits	Periodic Remuneration		Short-term incentive plans	Long-term incentive plans	Shares granted (value to be entered)	Total			
									(Committee membership)	(BOD Membership)							
First: Independent Members																	
Waleed A. Aleisa	400	24	30	-	-	-	454	-	00	00	-	-	-	00	-	454	0
Abdullah Al-Fayez	400	21	21	-	-	-	442	-	00	00	-	-	-	00	-	442	0
Abdul Aziz Al-Nuwaiser	400	24	00	-	-	-	424	-	00	00	-	-	-	00	-	424	00
Jaser Aljaser	400	24	21	-	-	-	445	-	00	00	-	-	-	00	-	445	00
Abdulaziz Al-Zaid	400	24	36	-	-	-	460	-	00	00	-	-	-	00	-	460	00
Raeed A. Al Tamimi	400	24	30	-	-	-	454	-	00	00	-	-	-	00	-	454	00
Total	2400	141	138	-	-	-	2679	-	00	00	-	-	-	00	-	2679	00
Second : Non-executive Members																	
Soliman Al-Humayyd	400	24	18	-	-	600	1042	-	00	00	-	-	-	00	-	1042	00
Ghassan Al-Malki	400	24	18	-	-	-	442	-	00	00	-	-	-	00	-	442	00
Abduaziz Al-Khamis	400	24	15	-	-	-	439	-	00	00	-	-	-	00	-	439	00
Total	1200	72	51	-	-	600	1923	-	00	00	-	-	-	00	-	1923	00
Third : Executive Members																	
None	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grand Total	3600	213	189	-	-	600	4602	-	00	00	-	-	-	00	-	4602	00

* The Board of Directors recommended to the General Assembly of the Company to approve the payment of an annual remuneration to the members of the Board of Directors at SR 300,000 per member for the fiscal year 2019, which is the minimum limit according to the Articles of Association. The Board also recommended the adoption of the payment of an annual remuneration for membership of the committees at SR 1,00,000 per member for the fiscal year 2019.

** Expenses allowance includes travel and residence expenses.

*** Like the Company personnel, BOD members are granted an insurance cover for home and private motor vehicles at reduced rates (up to two motor vehicles for each BOD member). Added to that, each BOD member obtains free medical insurance for him and his family members at the same benefits provided in the Medical Insurance Policy applicable to the Tawuniya employees.

Remunerations and Compensations of Senior Executives

(SR'000)

Description	Remuneration and compensations received by Five Senior Executives Including the CEO and CFO who received the highest remuneration and compensation
Salaries and compensation	7,245
Fixed Allowances	2,992
Variable Remunerations	2,093
Other Remunerations and Plans	776
Performance-linked Annual Remunerations	2,443
Total	15,549

Remuneration of the Board Committee members

(SR'000)

	Fixed Remuneration (excluding the meetings attending allowance)	Meetings attending allowance	Total
Executive Committee Members			
Soliman S. A. Al Humayyd	100	18	118
Waleed A. Al Eissa	100	18	118
Raeed A. Al Tamimi	100	18	118
Abdulaziz H. Alboug	00	0	000
Total	300	54	359
Audit Committee Members			
Abdulaziz Al Nowaiser	00	33	33
Turky Al-Luhaid	100	33	133
Mohammed Frahan Al-Nader	100	30	130
Ayman Al-Muqhem	100	27	127
Total	300	123	423
Remuneration and Nomination Committee Members			
Abdulaziz A. Al Zaid	100	21	121
Ghassan A. Al-Malki	100	18	118
Jaser A. Aljaser	100	21	121
Abdullah M. Al-Fayez	100	21	121
Total	400	81	481
Risk Committee Members			
Waleed A. Al Eissa	00	12	12
Raeed A. Al Tamimi	00	12	12
Abdulaziz H. Alboug	00	00	00
Total	00	24	24
Investment Committee Members			
Abdulaziz Al-Khamis	100	15	115
Abdulaziz A. Al Zaid	00	15	15
Abdulaziz H. Alboug	00	00	00
Fraser David Gregory	00	00	00
Total	100	30	130

15. Any penalty, punishment, precautionary measure or reserve restriction imposed on The Company by CMA or any supervisory, regulatory or judicial body, indicating the reasons of the violation, inflicting party and the ways of remedying it and avoiding its occurrence in the future:

Penalty and Punishment Table						
Subject and reasons for the Violation	Fiscal Year 2018			Fiscal Year 2019		
	No. of executive decisions	Total amount of fines in SR	Ways of remedying it and avoiding its occurrence in the future	No. of executive decisions	Total amount of fines in SR	Ways of remedying it and avoiding its occurrence in the future
Violating SAMA's supervisory instructions	-	0	-	-	0	
Violating SAMA's instructions for protecting clients	-	0	-	-	0	
Violating SAMA's instructions for conducting due diligence in combating money laundering and terrorist financing	-	0	-	1	150,000	The company has developed a corrective plan to address and implement all requirements related to the anti-money laundering regulation and to ensure avoiding its occurrence in the future.

16. Results of the annual audit of the effectiveness of the internal control procedures of The Company, in addition to the opinion of the Audit Committee on the adequacy of internal control system in The Company

The Internal Audit Department of The Company has implemented the annual internal audit plan approved by the Audit Committee, and submitted the important audit observations report to Senior Management and the Audit Committee. The Board of Directors viewed the important observations submitted by the Audit Committee regarding the effectiveness of The Company's internal control procedures. The Board then directed the Executive Management to prepare an action plan to implement and address all observations presented.

The Audit Committee believes that the Company's internal control system needs to develop some of its components and improve the risk control tools applied by Tawuniya to cope with the size of the company's business and requirements. The executive management of the company discussed the observations of the internal audit department, and explained that a corrective plan has been prepared. The audit committee will follow up the implementation of the corrective plan during 2020.

17. Recommendation of the Audit Committee on the need to appoint a chief internal auditor in The Company

There is an independent internal audit department in the Company. During the year 2019, the audit committee recommended the appointment of a Chief Internal Audit after the previous chief had resigned. The audit committee also appointed an external consultant during the past year to carry out some of the main tasks in the company based on the risk assessment report issued during the year.

18. Recommendations of the Audit Committee, which have a conflict with the Board of Directors' decisions or which the Board has refused to adopt in respect of the nomination of The Company's external auditor, his dismissal, determination of his fees, evaluation of his performance or the appointment of the chief internal auditor and the reasons for not adopting them:

Not applicable.

19. Details of The Company's social contributions:

Tawuniya activated its social responsibility strategy and implemented a plan of several initiatives during 2019 that centered on the three pillars of its strategy, namely culture and society, growth and achievement, and health and wellness. In this context, the Company launched new initiatives, the most important of which is the "Safe Homes" initiative, through which it coordinated with a number of charitable societies in the central, eastern and western regions to define a group of homes for poor families. Then the Company undertook re-equipping, furnishing and rehabilitating them to meet the needs of these families and enhance their stability. The Company also launched the "Community Health" initiative by preparing a mobile clinic in the famous commercial centers in Riyadh, Jeddah and Khobar, through which it provided free tests, biometrics, medical, physical and nutritional consultations to all segments of the society. In addition, Tawuniya implemented the "We achieve their wishes" initiative, which brought together a number of children suffering cancer with their families, fulfilled their wishes and gave them gifts in a festive atmosphere to support them psychologically and morally to face the disease and overcome their suffering. As part of its plan to support sustainable development of the environment, the Company launched its two new initiatives, "Plant a tree" and "Our quarter is best" as part of its partnership with a government sector represented in the municipality, where Tawuniya volunteers participated in planting 1500 trees, beautification and maintenance of the area surrounding the Company and a number of quarters in Riyadh. In addition, the Company interacted with World Health Days and provided many activities and awareness messages to raise the health level of society such as the breast cancer month, World Diabetes Day, Prostate Cancer, Nutrition Day, and Autism Day, as well as the other social contributions such as Children's Day, Mother's Day, and Savings and Financial Inclusion Day, Blood Donation Campaigns, Winter Clothing, Ramadan Basket, Eid Sacrifices and others. Tawuniya has continued to support the Prince Fahad Bin Salman Charity Association for Renal Failure Patients Care (Kellana), which started in 2006 through the free administration of dialysis program implemented by the Association. The Company encouraged the culture of volunteering among employees through the participation of more than 6000 beneficiaries of community activities.

20. A statement of the dates of the General Assembly meetings of shareholders held during 2019 and the names of the BOD members attended:

The Tawuniya General Assembly held two ordinary meetings during year 2019. The following is the attendance record of the Board members for these two meeting:

Name	Ordinary General Assembly Meeting Held on 14.5.2019	Extra - Ordinary General Assembly Meeting Held on 8.9.2019
H.E. Mr. Soliman S. A. Al Humayyd	Attended	Attended
Mr. Waleed A. Al Eissa	Attended	Attended
Mr. Ghassan A. Al-Malki	Attended	Attended
Mr. Abdullah M. Al Fayez	Attended	Attended
Mr. Abdulaziz A. Al Zaid	Attended	Attended
Mr. Abdulaziz I. Al Nowaiser	Attended	Attended
Mr. Raed A. Al Tamimi	Attended	Attended
Mr. Abdulaziz A. Alkhamis	Attended	Attended
Mr. Jaser A. Aljaser	Attended	Absent

21. A description of main lines of business of The Company and its subsidiaries' business. If two or more lines of business activity are described, a statement of each activity and its impact on the size of The Company's business and its contribution to the results should be attached:

Description of the Principal Activities of Tawuniya

- Medical insurance sector: providing coverage for healthcare insurance,
- Motor insurance sector.
- Property and casualty insurance sector: which includes coverage for property, engineering, marine, aviation, energy and general accidents insurance.
- Outpost (Manafeth) : operating the compulsory third party liability insurance for foreign vehicles (Manafeth). It is a joint activity with other motor insurance companies.
- Protection and Savings.
- Shareholders Sector - Preparing reports of shareholders' operations in the Company. The income earned from investments is the sole activity to generate revenue. Some direct operating expenses and other indirect costs have been charged to this sector on an appropriate basis. The surplus or loss of insurance operations in this sector is charged on an appropriate basis.

The following table shows the results of operating segments and their contribution to The Company's business for the fiscal year of 2019:

Operating Segments	Medical	Motor	Manafeth	Property & casualty	Protection & Savings	Total - Insurance operations	Total Share-holders' operations	Total
SAR'000								
REVENUES								
Gross premiums written	5,936,894	638,647	152,927	1,621,095	26,297	8,375,860		8,375,860
Reinsurance ceded - local	-	-	-	(72,861)	(16,887)	(89,748)		(89,748)
Reinsurance ceded - international	(97,870)	-	-	(1,455,877)	(6,693)	(1,560,440)		(1,560,440)
Fees income from takaful	-	-	-	-	6,666	6,666		6,666
Excess of loss premiums	-	(12,895)	(1,958)	(5,461)	-	(20,314)		(20,314)
Net premiums written	5,839,024	625,752	150,969	86,896	9,383	6,712,024		6,712,024
Changes in unearned premiums, net	155,397	1,532	(2,583)	10,636	312	165,294		165,294
Net premiums earned	5,994,421	627,284	148,386	97,532	9,695	6,877,318		6,877,318
Reinsurance commissions	2,777	148	-	119,513	-	122,438		122,438
Other underwriting income	-	10,530	-	-	-	10,530		10,530
TOTAL REVENUES	5,997,198	637,962	148,386	217,045	9,695	7,010,286		7,010,286
UNDERWRITING COSTS AND EXPENSES								
Gross claims paid and related expenses	5,370,659	336,889	26,685	1,227,345	13,580	6,975,158		6,975,158
Reinsurers' share of claims paid	(80,163)	(8,131)	-	(1,201,662)	(12,386)	(1,302,342)		(1,302,342)
Net claims paid	5,290,496	328,758	26,685	25,683	1,194	5,672,816		5,672,816
Changes in outstanding claims, net	639	41,801	3,551	(5,776)	(1,117)	39,098		39,098
Changes in incurred but not reported claims reserve, net	153,124	(46,280)	(325)	(1,128)	123	105,514		105,514
Changes in premium deficiency reserves	(4,510)	-	-	34	34	(4,442)		(4,442)
Net claims and other benefits incurred	5,439,749	324,279	29,911	18,813	234	5,812,986		5,812,986
Changes in reserve for takaful activities	-	-	-	-	(3,684)	(3,684)		(3,684)
Policy acquisition costs	200,652	86,264	32,413	39,719	925	359,973		359,973
Other underwriting expenses	54,880	(28,060)	11,295	(26,349)	1,912	13,678		13,678
Manafeth insurance share distribution	-	-	57,378	-	-	57,378		57,378
TOTAL UNDERWRITING COSTS AND EXPENSES	5,695,281	382,483	130,997	32,183	(613)	6,240,331		6,240,331
NET UNDERWRITING INCOME	301,917	255,479	17,389	184,862	10,308	769,955		769,955
General and administrative expenses						(569,103)	(8,150)	(577,253)
Allowance for doubtful debts						(28,844)	-	(28,844)
Dividend and realized gain on investments, net						147,988	73,045	221,033
Share of profit from investments in associates, net						2,437	28,723	31,160
Other income						20,397	-	20,397
NET INCOME FOR THE YEAR BEFORE ZAKAT						342,830	93,618	436,448

Description of the Subsidiary Companies' Main Business Activities

Not applicable as defined by the Capital Market Authority for the subsidiaries.

22. Information on Surrounding Risks Facing the Company (Whether Operational, Financing or Market Risks), and the Risk Management and Control Policy

22-1 The Current risks that may be considered by Tawuniya

(a) Insurance risk

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid being greater than originally estimated and subsequent development of long-term claims.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements.

Significant portion of reinsurance business ceded is placed on treaty and facultative basis with retention limits varying by product lines. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurance assets.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements.

(b) Reinsurance risk

In order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for reinsurance purposes.

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

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

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

Furthermore, the financial strength and managerial and technical expertise as well as historical performance of the reinsurers, wherever applicable, are thoroughly reviewed by the Company and agreed to pre-set requirements of the Company's Board of Directors and Reinsurance Committee before approving them for exchange of reinsurance business. Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders and as a result the Company remains liable for the portion of outstanding claims

reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

(c) Market Risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market commission rates or the market price of securities or the instrument, change in market sentiments, speculative activities, supply and demand for securities and liquidity in the market.

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

Market risk comprises of three types of risk:

Currency Risk: Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Arabian Riyals and US Dollar. Management monitors the fluctuations in currency exchange rates and acts accordingly and believes that the foreign currency risk is not significant.

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

Other Price Risk: Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from commission rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company's investments are susceptible to market price risk arising from uncertainty about the future value of invested securities. The Company limits this nature of market risk by diversifying its invested portfolio and by actively monitoring the developments in markets.

(d) Credit Risk

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

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. Approximately 99% of the Company's

underwriting activities are carried out in Saudi Arabia. The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

(e) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet obligations and commitments associated with financial liabilities. The Company has a proper cash management system, where daily cash collections and payments are strictly monitored and reconciled on regular basis. The Company manages liquidity risk by maintaining maturities of financial assets and financial liabilities and investing in liquid financial assets.

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

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

- Available for sale investments include investments in mutual funds and sukus and are held for cash management purposes and expected to be matured/ settled within 12 months from the balance sheet date.
- Accrued investment income is expected to be realized within 1 to 3 months from statement of financial position's date.
- Mudaraba / Murabaha deposits classified as 'cash and cash equivalents' are deposits placed with high credit rating financial institutions with maturity of less than three months from the date of placement. Other mudaraba / murabaha deposits are expected to be matured within six months from the date of placement.
- Cash and bank balances are available on demand.
- Reinsurers share of outstanding claims majorly pertain to property and casualty segment and are generally realized within three to six months based on settlement of balances with reinsurers.

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

- Reinsurers' balances payable are settled on a quarterly basis as per terms of reinsurance agreements.
- Majority of gross outstanding claims are expected to be settled within two months in accordance with statutory timelines for payment. Property and casualty policies due to the inherent nature are generally settled within one month from the date of receipt of loss adjustor report.
- The claims payable, accrued expenses and other liabilities are expected to settle within a period of three months from the period end date.
- Surplus distribution payable is to be settled within six months of annual general meeting in which financial statements are approved.

(e) Operational Risk

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

generally accepted standards of investment management behavior. Operational risks arise from all of the Company's activities.

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

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

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

g) Competition in the market putting pressure on prices

Pricing is one of the vital factors for capturing the market along with customer centric services, and so also to retain the existing clients. The products need to be competitively priced by having effective operations and also monitoring the loss ratios tightly.

h) Maintaining solvency & capital requirements

Not meeting these requirements may attract regulatory sanctions and may result in rating downgrade, which is not good for the Company.

i) Power of Suppliers

Insurance companies may be affected if the medical providers network is dominated by few services providers (oligopoly).

j) Company's business portfolio skewed towards Medical line of business

Though it is in line with the industry, considering the lion's share of Medical portfolio, a small change in the portfolio may have impact on the Company's performance.

k) Flexibility in Company's processes and systems

The infrastructure & the processes adopted need to cope up with the demands of the business growth and changing market practices, otherwise business may suffer.

l) Risk accumulation

Accumulation of risks at a location, region will expose the Company to high magnitude of losses in case of occurrence of loss events.

The Company monitors concentration of insurance risks primarily by class of business. The major concentration lies in medical segment. The Company also monitors concentration of risk by evaluating multiple risks covered in the same geographical location. For flood or earthquake risk, a complete city is classified as a single location. For fire and property risk a particular building and neighboring buildings, which could be affected by a single claim incident, are considered as a single location. Similarly, for marine risk, multiple risks covered in

a single vessel voyage are considered as a single risk while assessing concentration of risk. The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company. Since the Company operates majorly in Saudi Arabia, hence, all the insurance risks relate to policies written in Saudi Arabia.

m) High staff turnover

Besides increasing the cost of recruitment & training, it will adversely affect the operational efficiency and in turn the customer service.

n) Leakage of sensitive information

Leakage of business sensitive information may put the Company in disadvantageous position and may expose the Company to reputational loss. Therefore, the company has established policies and procedures that define the specifications of sensitive information and the rules for dealing with it in a manner that guarantees its protection and not leakage.

o) Frauds and Financial crimes

Frauds/Abuse in financial operations claims operations; sales etc. may strain the Company's bottom line. Therefore, the company has developed policies and systems that include a large number of indicators to identify, detect and address suspected fraud cases.

p) Breaching of regulations of CMA, SAMA, CCHI etc.

Breaching the regulations of CMA, SAMA, CCHI etc. may attract imposition of penalties, which may in turn may affect reputation of the Company. Tawuniya is committed to updating its internal policies and procedures, as well as implementing its transactions in accordance with the regulations issued by those regulatory authorities.

q) Technology Obsolescence

Tawuniya is pursuing strategies that include IT legacy systems transformation and digitalization. Until the newly implemented systems are available, company may be exposed to technology obsolescence risk.

22.2 The potential risks faced by Tawuniya

The following are the risks that may be considered as potential risks faced by Tawuniya:

a) IFRS 17 Implementation

Tawuniya will need to interpret, understand and apply the new standard to its insurance contracts and reporting. The major change required will extend beyond finance and actuarial teams and its impacts will need to be communicated to a broad range of internal and external stakeholders.

b) Sustaining Customer Loyalty and Retention

Due to evolving customer preferences and/or demographic shifts in our existing customer base.

c) Services outage due to potential attacks

The availability of systems and services may be at risk due cyber-attacks, virus and malware attacks. The company is constantly developing effective security systems that repel these attacks and keep working and providing service.

d) Maintaining the operating standards in the light of business expansion

When the business expands, it is a challenge to maintain the operating standards to differentiate in the market and to retain the clientele.

e) Geopolitical situations impacting the Company's insurance contracts and investments

Geopolitical situations may affect the insurance contracts more particularly of P&C lines, reinsurance arrangements and the investments. Tawuniya closely monitors these conditions and develops appropriate hedging policies.

f) Changing Regulatory, Legal, and Behavioural environment affecting the Company performance

This may put the Company at the disadvantageous position due to additional costs required to incur to meet the requirements.

22.3 Evaluating the risks surrounding the company and how to deal with it

Tawuniya has well established Risk Management processes for:

- Ensuring operations within the Company's risk appetite by implementing Risk Appetite Framework
- Regular monitoring of regulatory solvency position and capital position as per rating agency capital model
- Updating the risk profiles of critical entities periodically and continuous monitoring of the profiles as a part of Control & Risk Self-Assessment
- Monitoring of adequacy of technical reserves, underwriting practices etc.
- Devising required controls to mitigate the identified risks
- Review of policies, procedures, and aligning them with applicable legal, regulatory, and control provisions.

22.4 Tawuniya Risk Management Division (RMD) major activities during 2019:

- Full review, and further enhancement, of Risk Management strategy, Risk Appetite Policy and Risk Management Manual.
- Review and update risk appetite corporate indicators and gaining board approval to implement the newly recommended indicators.
- Review and conducting a gap analysis of Tawuniya investment portfolio as part of investment division risks reporting.
- Updating and enhancing the current Risk and Control Self-Assessment process, including full revision of seven business entities profiles.
- Developing a master risk register for Tawuniya containing around 200 risks with its mitigation plans.
- Updating the current utilized GRC system to the latest version and working towards implementing a new system that would view risks holistically.
- Recruiting highly qualified calibers with vast experience and well recognized certifications (i.e. CFA, FRM, ACII, ARM, MBA, etc.)
- Promoted Risk Management culture within the organization through various channels including Tawasol risk awareness messages and conducting workshops on risk awareness at various levels.

23. Summary in a form of a Table or a Diagram to The Company's Assets, Liabilities and Results of its Business Operations for the Last Five Years (2015 – 2019) :

Tawuniya Business Results for the Last Five Financial Years, 2015 – 2019 (SAR'000)

Description	2019	2018	2017	2016	2015
Gross written premiums	8,376	7,641	8,407	8,055	7,545
Total revenues	7,010	7,188	7,432	7,001	5,804
Gross claims paid	6,975	7,820	6,690	5,328	4,999
Total costs and expenses	6,838	7,669	8,052	6,325	4,342
Operating (deficit)/ surplus	192	(455)	(590)	676	462
(Deficit)/ Surplus from Insurance operations	343	(427)	(368)	767	533
(Loss)/ income from shareholders operations, net	402	(213)	(147)	801	642

Comparison of assets and liabilities for the last five years (2015 – 2019)

	31 December 2019	31 December 2018	31 December 2017	31 December 2016	31 December 2015
	(In SR 000)				
Assets					
Statutory deposit	125,000	125,000	125,000	100,000	100,000
Accrued income on statutory deposit	2,513	2,254	1,997	1,711	1,042
Property and equipment, net	260,119	266,233	279,051	298,406	312,251
Intangible assets	3,971	3,633	7,653	-	-
Real estate investment	9,861	9,861	9,861	9,861	9,861
Investments in associates	101,520	95,116	95,468	107,649	94,004
Available for sale investments	2,746,748	2,905,130	5,525,209	4,533,577	5,399,365
Mudaraba / Murabaha deposits	3,539,376	2,239,125	82,035	-	-
Pre paid expenses and other assets	243,912	261,088	191,369	275,249	538,351
Deferred excess of loss premiums	7,714	8,775	11,293	12,972	11,640
Deferred policy acquisition costs	120,845	130,651	170,790	218,100	209,244
Reinsurers' share in outstanding claims	3,100,446	2,725,809	1,375,277	1,780,402	1,827,909
Reinsurers' share in claims incurred and not reported	327,724	191,837	391,207	338,352	528,197
Reinsurers' share of unearned premiums	715,959	544,839	591,125	553,813	629,974
Receivables, net	1,495,894	1,517,987	2,257,678	2,326,988	1,943,579
Accrued investment revenues	6,333	-	158,093	-	-
Cash and cash equivalents	1,306,550	1,600,240	1,397,203	2,401,149	823,681
Total Assets	14,114,485	12,627,578	12,670,309	12,958,229	12,429,098
Liabilities					
Surplus distribution payable	34,283	-	-	76,651	100,176
End-of-service indemnities	129,480	133,276	119,242	98,677	81,349
Return payable on statutory deposit	2,513	2,254	1,997	1,711	1,042
Claims payable, accrued expenses and other liabilities	1,174,982	1,513,102	1,293,273	1,408,912	1,371,468
Reserve for takaful activities	5,006	8,690	10,576	12,902	13,467
Gross outstanding claims	3,684,891	3,271,156	2,374,764	2,145,970	1,772,314
Incurred but not reported claims reserve	1,925,584	1,684,183	1,700,269	1,446,728	1,938,250
Premium deficiency reserve	2,830	7,272	137,248	-	-
Unearned commission income	43,323	39,299	53,661	54,439	51,024
Gross unearned premiums	3,826,119	3,820,293	4,405,244	4,390,229	4,233,561
Reinsurers' balances payable	523,820	94,720	207,922	178,959	502,579
Dividends payable	6,411	6,411	6,414	6,054	5,643
Zakat	255,554	237,080	233,318	200,443	152,106
Total Liabilities	11,614,796	10,819,357	10,543,928	10,021,675	10,222,979
Equity					
Capital	1,250,000	1,250,000	1,250,000	1,000,000	1,000,000
Statutory reserve	1,065,517	1,000,000	1,000,000	1,000,000	883,465
Fair value reserve on investments	167,472	(198,724)	(166,244)	(62,153)	(159,810)
Reassessing the obligation of benefits identified.	(14,540)	(12,226)	(5,879)	-	-
Retained earnings	31,240	(230,829)	48,504	998,707	482,464
Total Equity	2,499,689	1,808,221	2,126,381	2,936,554	2,206,119
Total Liabilities and Equity	14,114,485	12,627,578	12,670,309	12,958,229	12,429,098
Contingent Liabilities					

24. Geographical Analysis to the Total Revenues of The Company and its Subsidiaries:

A. Geographical Analysis of Tawuniya Gross Written Premiums in 2019

The Gross Written Premiums had reached SR 8,376 million in 2019, compared to SR 7,641 million in 2018 realizing an increase rate of 9.61%. The Company's business is mainly conducted in Saudi Arabia and has acquired all premiums from clients inside the Kingdom. The following table shows the distribution of gross written premiums in the regions of Saudi Arabia in 2019.

Region	Gross Written Premiums (In SR million)
Central Region and Head Office	5,140
Western Region	1,903
Eastern Region	1,305
Other regions	28
Total	8,376

B. Geographical analysis to the total revenues of Associate Companies in 2019

Not applicable as defined by the Capital Market Authority for the subsidiaries.

25. Clarification of any Significant Differences in Operating Results of the Previous Years or Any Projections Announced by the Company:

Description	2019	2018	Variable value	Change %
Gross written premiums (GWP)	8,376	7,641	735	9.61%
Net earned premiums (NEP)	6,877	7,066	185	2.83%
Total operating revenues	7,010	7,188	(178)	2.48-%
Gross claims paid	6,975	7,820	(845)	10.81-%
Net claims incurred	5,813	6,572	(759)	11.54-%
Total cost and expenses	6,838	7,669	(831)	10.84-%
Surplus (deficit) from insurance operations less the return on policyholders' investments (operations results)	192	(455)	647	
Policyholders' Investment income, net	150	28	122	429.67%
(Deficit)/ Surplus from Insurance operations	343	(427)	770	
Shareholders' appropriation from surplus/ deficit	309	(427)	736	
Shareholders' Investment income, net	102	218	(116)	53.34-%
(Loss)/ income from operations before Zakat	402	(213)	615	
Earnings (loss) per share after Zakat (in SR)	2.62	(2.23)		

26. Clarification of Any Deviation from the Accounting Standards Adopted by the Saudi Organization for Certified Public Accountants (SOCPA)

The financial statements are prepared in all material respects, in accordance with ("International Accounting Standard No. 34") approved in the Kingdom of Saudi Arabia.

27. The Name of Each Associate Company, Its Capital, the Percentage of Tawuniya's Shares Acquired, Its Business Activity, Its Country of Place of Business and Country of Incorporation

Not applicable as defined by the Capital Market Authority for the subsidiaries.

28. Details of Shares and Debt Instruments Issued for Each Associate Company

Not applicable as defined by the Capital Market Authority for the subsidiaries.

29. A Description of the Company's Dividend Distribution Policy

The Board of Directors recommends to the General Assembly the proposed distributions, taking into consideration several factors, the most important of which are:

- Maintain a rate of at least 125% of the financial solvency required in accordance with the rules of insurance practice.
- Maintaining a high credit rating not less than (A) commensurate with the Kingdom's premier credit rating.
- Maintain an acceptable liquidity rate to meet the operational and expansion requirements.

The dividend distribution mechanism is determined in accordance with Articles (44), (45) and (46) of the Amended Articles of Association of The Company. Distribution shall be in accordance with the regulations issued by the Saudi Arabian Monetary Authority and according to the following rules:

- Net surplus distribution shall be done by distributing 10% for the insured either directly or by rebate of their following year premiums and forwarding of 90% to the Shareholders' income statement.

The shareholders' profits consist of the return on the investment of the shareholders' equity in accordance with the rules established by the Board of

- 1) To set aside the sums of Zakat and income tax.
- 2) To set aside 20% of the net profits to build up the statutory reserve of The Company. The Ordinary General Assembly may resolve to stop such step aside when the said reserve amounts reach (100%) of the paid up Capital.
- 3) The ordinary General Assembly may, in determining the dividend out of the net profits, resolve to create other reserves to the extent that it serves the interests of The Company or ensures the distribution of fixed profits as much as possible to the Shareholders.

The shareholder shall be entitled to his share in the profits as per the General Assembly resolution issued in this respect; such resolution shall show the due date and distribution date. Shareholders registered in the Shareholders register shall be eligible to profits at the end of the day specified for eligibility. The Company shall notify the Capital Market Authority – immediately – about any decision or recommendation for profits distribution. The profits shall be paid to Shareholders at the place and times specified by the Board of Directors in accordance with the instructions issued by the competent authority and subject to the prior written approval of the Saudi Arabian Monetary Authority.

The Company distributes annual dividends to Shareholders and no dividends are distributed during the year.

Pursuant to the results of the company in FY2019, the Board of Directors of The Company recommended to the General Assembly to approve the distribution of cash / in-kind dividends to the Shareholders for fiscal year 2019 as follows:

Year	Percentage of profits distributed during 2019	Proportion of profits proposed for distribution at the end of 2019	Total Profits
2019	Does not exist	Non	Non

30. A description of any interest in the class of voting shares belonging to persons (other than The Company's Board directors, senior executives and their relatives) notified The Company of such rights under Article "45" of the Registration and Listing Rules and any change in those rights during the financial year 2019:

There have been no changes in the ownership ratios of the major shareholders who own 5% or more which necessitates the shareholders to inform The Company or the CMA accordingly.

31. A Description of Interest, Contractual Securities and Subscription Rights of The Company's Directors, The Company's Senior Executives and their Relatives in the Shares or Debt Instruments of The Company or any of its Subsidiaries and any Changes in such Interest or Rights during the Financial Year 2019:

A Description of Interest, Contractual Securities and Subscription Rights of members of the Company's Board of Directors and their Relatives in the Shares or Debt Instruments of The Company

Serial No.	Name of person to whom interest is accrued	Beginning of the Year		Closing of the Year		Net Change	Change Ratio
		No. of Shares	No. of Debt Instruments	No. of Shares	No. of Debt Instruments		
1	Soliman S. Al-Humayyd	198,640	--	198,640	--	00	00%
2	Waleed A. Aleisa	111	--	111	--	00	00%
3	Ghassan A. Al-Malki	0	--	0	--	--	--
4	Abdullah M. Al-Fayez	15,000	--	15,000	--	00	00%
5	Abdulaziz A. Al-Zaid	26,250	--	26,250	--	00	00%
6	Abdulaziz I. Al-Nuwaiser	250	--	250	--	00	00%
7	Raeed A. Al-Tamimi	1,250	--	1,250	-	00	00%
8	Abdulaziz A. Alkhamis	1,250	--	1,250	--	00	00%
9	Jaser A. Aljaser	0	--	0	--	--	--

* Family ownership is included.

A Description of Interest, Contractual Securities and Subscription Rights of The Company's Senior Executives and their Relatives in the Shares or Debt Instruments of The Company

Serial No.	Name of Person to Whom Interest is Accrued	Beginning of the Year		Closing of the Year		Net Change	Change Ratio
		No. of Shares	No. of Debt Instruments	No. of Shares	No. of Debt Instruments		
1	Abdulaziz H. Al Boug	00	--	00	--	00	--
2	Abdullah A. Al Arfaj	00	--	00	--	00	--
3	Fahad S. Al Moammar	00	--	00	--	00	--
4	Adel A. Al-Hamoudi	00	--	00	--	00	--
5	Sultan S. Al Khomashi	00	--	00	--	00	--
6	Hisham Fayeze Radwan	00	--	00	--	00	--
7	Fraser David Gregory	00	--	00	--	00	--

A Description of Interest, Contractual Securities and Subscription Rights of The Company's Directors, and their Relatives in the Shares or Debt Instruments of The Company's Subsidiaries.

Not applicable as defined by the Capital Market Authority for the subsidiaries.

A Description of Interest, Contractual Securities and Subscription Rights of The Company's Senior Executives and Their Relatives in the Shares or Debt Instruments of The Company's Subsidiaries

Not applicable as defined by the Capital Market Authority for the subsidiaries.

32. Information relating to any loans to The Company (whether payable on demand or otherwise), disclosure of the total indebtedness of The Company and its subsidiaries, any amounts paid by The Company for the repayment of loans during year 2019, loan amount, shares of issuing entity, loan duration and remaining amount:

Tawuniya declares that there are no loans to The Company during 2019 (whether payable on demand or otherwise).

33. A description of the classes and numbers of any convertible debt instruments, contractual securities, options, warrants or similar rights issued or granted by The Company during the fiscal year 2019, indicating any consideration received by The Company against this:

Tawuniya declares that there are no convertible debt instruments, contractual securities, options, warrants or similar rights issued or granted by The Company during 2019, and there is no consideration received by The Company against this.

34. A description of any conversion or subscription rights under any convertible debt instruments, contractual securities, options, warrants or similar rights issued or granted by The Company during 2019.

Tawuniya declares that there are no conversion or subscription rights under any convertible debt instruments, contractual securities, options, warrants or similar rights issued or granted by The Company during 2019.

35. A description of any redemption, purchase or cancellation by The Company of any redeemable debt instruments and the amount of such securities outstanding, distinguishing between the listed securities purchased by The Company and those purchased by its subsidiaries.

Tawuniya declares that it has not made no redemption, purchase, or cancellation by The Company of any redeemable debt instruments or the amount of such securities outstanding, whether bought by The Company or its subsidiaries during the fiscal year 2019.

36. The number of meetings of the Board of Directors held during 2019, the dates of the meeting, the attendance record of each meeting and the names of the attendees.

No. of meetings	Soliman Al Humayyd	Waleed Aleisa	Abdul Aziz Alkhamis	Jaser Al-Jaser	Abdullah Al-Fayez	Raeed Al-Tamimi	Abdulaziz Al-Zaid	Ghassan Al-Malki	Abdul Aziz Al-Nuwaiser
1st Meeting: 13/1/2019	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended
2nd Meeting: 7/2/2019	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended
3rd Meeting: 6/3/2019	Attended	Attended	Attended	Attended	Absent	Attended	Attended	Attended	Attended
4th Meeting: 29/4/2019	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended
5th Meeting: 23/5/2019	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended
6th Meeting: 2/9/2019	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended
7th Meeting: 11/11/2019	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended
8th Meeting: 24/12/2019	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Total	8	8	8	8	7	8	8	8	8

37. Number of Applications by the Company for the Shareholders Register, their Dates and Reasons

No. of Applications to the Shareholders Register	Application Date	Application Reasons
1	20/2/2019	To know the change in investors' ownership after the announcement of the annual results.
2	14/5/2019	To see the change after joining MSCI index.
3	9/7/2019	To see the change after joining MSCI index.
4	4/8/2019	The General Assembly
5	27/8/2019	The General Assembly

38. Description of any transaction between The Company and related parties

Related party	Relation with The Company	Contract Type	Contract Duration	Amount (SR)
Al-Faislaih Holding Group	Joint BOD membership for H.E. Mr. Soliman Al-Humayyd	Insurance policies	One Gregorian Year	7,647,100
United Insurance Company (Bahrain)	Joint BOD membership for - H.E. Mr. Soliman Al-Humayyd - Mr. Waleed Aleisa - Mr. Abdullah Al-Fayez - Mr. Abdulaziz Al-Khamis - Mr. Abdulaziz Al-Boug-CEO	Policy issuing fees	One Gregorian Year	There is no specific amount for the contract, but determined as per transactions
		Claim fees	One Gregorian Year	
Jabal Omar Company	Joint BOD membership for Mr. Waleed Aleisa	Insurance policies	One Gregorian Year	13,832,567
Raza Company	Joint BOD membership for Mr. Waleed Aleisa	Insurance policies	One Gregorian Year	2,371,182
		Lease contract	One Gregorian Year	119,061
Waseel Application Services Provider.	Joint BOD membership for - Mr. Abdulaziz Al-Boug, CEO	Insurance policies	One Gregorian Year	492,076
		Services providing contract	One Gregorian Year	There is no specific amount for the contract, but determined as per transactions
Najm Insurance Services Company	Joint BOD membership for Mr. Raed Al-Tamimi (His membership ended in 2019)	Insurance policies	One Gregorian Year	13,358,632
		Claim management fees	One Gregorian Year	There is no specific amount for the contract, but determined as per transactions
Saudi Public Transport Company (SAPTCO)	Joint BOD membership for Mr. Raed Al-Tamimi	Insurance policies	One Gregorian Year	21,240,946

National Gas & Industrialization Company (GASCO).	Joint BOD membership for Mr. Raed Al-Tamimi	Insurance policies	One Gregorian Year	16,757,561
National Medical Care Company (CARE) and its medical centers	Joint BOD membership for - Mr. Raed Al-Tamimi (His membership ended in 2019) - Mr. Ghassan Al-Malki	Insurance policies	One Gregorian Year	14,294,103
		Claim paid for providing healthcare services	One Gregorian Year	There is no specific amount for the contract, but determined as per transactions
General Organization for Social Insurance	Joint BOD membership for Mr. Ghassan Al-Malki	Insurance policies	One Gregorian Year	30,860,540
		Services providing contract	One Gregorian Year	213,653
The Cooperative Real Estate Investment Company (CREIC)	Joint BOD membership for Mr. Ghassan Al-Malki	Lease contract	One Gregorian Year	551,100
Qassim Cement Company	Joint BOD membership for Mr. Abdulaziz A. Al Zaid (His membership ended in 2019)	Insurance policies	One Gregorian Year	1,375,253
The Public Pension Agency	Joint BOD membership for Mr. Jasser Al-Jasser	Insurance policies	One Gregorian Year	21,160,495
National Petrochemical Company (Petrochem)	Joint BOD membership for Mr. Abdullah Al-Fayez (His membership ended in 2019)	Insurance policies	One Gregorian Year	260,262
The Saudi Investment Bank	Joint BOD membership for Mr. Abdulaziz Al-Khamis	Insurance policies	One Gregorian year	22,272,854
Development and Investment Entertainment Company	Joint BOD membership for Mr. Abdulaziz Al-Nuwaier	Insurance policies	One Gregorian year	1,860,590
Saudi Technology and Security Comprehensive Control Co. (Tahakom)	Joint BOD membership for Mr. Abdulaziz Al-Nuwaier	Insurance policies	One Gregorian year	104,174,232
Kafaat Business Solutions	Joint BOD membership for Mr. Abdulaziz Al-Nuwaier	Insurance policies	One Gregorian year	14,999,630
Saudi Railway Company	Joint BOD membership for Mr. Abdulaziz Al-Nuwaier	Insurance policies	One Gregorian year	48,517,638
Al-Issa Industrials Company	Joint BOD membership for Mr. Abdulaziz Al-Nuwaier	Insurance policies	One Gregorian year	5,634,708
Umm Al-Qura Cement Company	Joint BOD membership for Mr. Abdulaziz Al-Nuwaier	Insurance policies	One Gregorian year	507,042
The House of National Consulting Company	Joint BOD membership for Mr. Abdulaziz Al-Nuwaier	Insurance policies	One Gregorian year	112,235
SAKAB Group of Companies	Joint BOD membership for Mr. Abdulaziz Al-Nuwaier	Insurance policies	One Gregorian year	1275

39. Information related to any business or contracts to which The Company is a party, in which there is an interest of for a member of the Board of Directors of The Company, the BOD Chairman, the Chief Financial Officer or its senior executives or for any person related to any of them, including the names of the persons involved in such business or contracts, the nature, terms and condition, duration and amount of such business or contracts. If there are no business or contracts, The Company shall submit a declaration in this regard.

Name of stakeholder (BOD director/ senior executives)	Name of Company/ related party	Nature of Business/ Contract	Business/ contract duration	Business/ contract conditions	Volume of transactions during the year from 1 January 2019 to 31 December 2019 (SR)	The contract value at the beginning of the transaction or upon renewal (SR)
H.E. Mr. Soliman Al-Humayyd	Al-Faislaih Holding Group	Insurance policies	One Gregorian year	According to the policy approved by regulatory authorities and without preferential advantages	8,626,010	7,647,100
- H.E. Mr. Soliman Al-Humayyd - Mr. Waleed A. Aleisa - Mr. Abdullah M. Al-Fayez	United Insurance Company	Fees of Insurance policies	One Gregorian year	According to the policy approved by regulatory authorities and without preferential advantages	2,166,070	There is no specific amount for the contract, but determined as per transactions
- Mr. Abdulaziz A. Alkhamis - Mr. Abdulaziz H. Al Boug, CEO		Insurance Claims fees	One Gregorian year	Compliant with relevant laws and regulations and without preferential advantages	9,720,910	There is no specific amount for the contract, but determined as per transactions
- Mr. Waleed A. Aleisa	Jabal Omar Company	Insurance policies	One Gregorian year	According to the policy approved by regulatory authorities and without preferential advantages	(973,184)	13,832,567

- Mr. Waleed A. Aleisa	RAZA Company	Insurance policies	One Gregorian year	According to the policy approved by regulatory authorities and without preferential advantages	2,502,440	2,371,182
		Lease Contract	One Gregorian year	Compliant with relevant laws and regulations and without preferential advantages	130,968	119,061
Mr. Abdulaziz Al Boug	Waseel Application Services Provider.	Insurance policies	One Gregorian year	According to the policy approved by regulatory authorities and without preferential advantages.	578,927	492,076
		Service Providing Contract	One Gregorian year	Compliant with relevant laws and regulations and without preferential advantages	17,433,177	There is no specific amount for the contract, but determined as per transactions
Mr. Raed A. Al-Tamimi (His membership ended in 2019).	Najm Insurance Services Company.	Insurance policies	One Gregorian year	According to the policy approved by regulatory authorities and without preferential advantages	14,704,479	13,358,632
		Service Providing Contract	One Gregorian year	Compliant with relevant laws and regulations and without preferential advantages	21,575,187	There is no specific amount for the contract, but determined as per transactions
Mr. Raed A. Al-Tamimi	Saudi Public Transport Company (SAPTCO)	Insurance policies	One Gregorian year	According to the policy approved by regulatory authorities and without preferential advantages	24,476,016	21,240,946

Mr. Raed A. Al-Tamimi	National Gas & Industrialization Company (GASCO).	Insurance policies	One Gregorian year	According to the policy approved by regulatory authorities and without preferential advantages	22,229,220	16,757,561
- Mr. Raed A. Al-Tamimi (His membership ended in 2019).	National Medical Care Company and its medical centers	Insurance policies	One Gregorian year	According to the policy approved by regulatory authorities and without preferential advantages	9,045,770	14,294,103
- Mr. Ghassan A. Al-Malki		Claims paid upon the provision of medical services	One Gregorian year	Compliant with relevant laws and regulations and without preferential advantages	52,937,285	There is no specific amount for the contract, but determined as per transactions
Mr. Ghassan A. Al-Malki	General Organization for Social Insurance	Insurance policies	One Gregorian year	According to the policy approved by regulatory authorities and without preferential advantages	30,936,436	30,860,540
		Service provision contract	One Gregorian year	Compliant with relevant laws and regulations and without preferential advantages	126,686	213,653
Mr. Ghassan A. Al-Malki	The Cooperative Real Estate Investment Company (CREIC)	Lease Contract	One Gregorian year	Compliant with relevant laws and regulations and without preferential advantages	740,004	551,100
Mr. Abdulaziz A. Al Zaid (His membership ended in 2019).	Qassim Cement Company	Insurance policies	One Gregorian year	According to the policy approved by regulatory authorities and without preferential advantages.	1,604,557	1,375,253

Mr. Jaser Aljaser	The Public Pension Agency	Insurance policies	One Gregorian year	According to the policy approved by regulatory authorities and without preferential advantages	23,342,895	21,160,495
Mr. Abdullah M. Al-Fayez (His membership ended in 2019).	National Petrochemical Company (Petrochem)	Insurance policies	One Gregorian year	According to the policy approved by regulatory authorities and without preferential advantages	262,887	260,262
Mr. Abdulaziz A. Alkhamis	The Saudi Investment Bank	Insurance policies	One Gregorian year	According to the policy approved by regulatory authorities and without preferential advantages	24,355,915	22,272,854
Mr. Abdulaziz Al-Nuwaier	Development and Investment Entertainment Company	Insurance policies	One Gregorian year	According to the policy approved by regulatory authorities and without preferential advantages	2,673,885	1,860,590
Mr. Abdulaziz Al-Nuwaier	Saudi Technology and Security Comprehensive Control Co. (Tahakum)	Insurance policies	One Gregorian year	According to the policy approved by regulatory authorities and without preferential advantages	135,889,574	104,174,232
Mr. Abdulaziz Al-Nuwaier	Kafaat Business Solutions	Insurance policies	One Gregorian year	According to the policy approved by regulatory authorities and without preferential advantages	27,357,754	14,999,630

Mr. Abdulaziz Al-Nuwaiser	Saudi Railway Company	Insurance policies	One Gregorian year	According to the policy approved by regulatory authorities and without preferential advantages	26,096,945	48,517,638
Mr. Abdulaziz Al-Nuwaiser	Al-Issa Industrials Company	Insurance policies	One Gregorian year	According to the policy approved by regulatory authorities and without preferential advantages	5,836,236	5,634,708
Mr. Abdulaziz Al-Nuwaiser	Umm Al-Gura Cement Company	Insurance policies	One Gregorian year	According to the policy approved by regulatory authorities and without preferential advantages	1,126,181	507,042
Mr. Abdulaziz Al-Nuwaiser	The House of National Consulting Company	Insurance policies	One Gregorian year	According to the policy approved by regulatory authorities and without preferential advantages	121,120	112,235
Mr. Abdulaziz Al-Nuwaiser	SAKAB Group of Companies	Insurance policies	One Gregorian year	According to the policy approved by regulatory authorities and without preferential advantages	1,275	1,275

40- A description of any arrangement or agreement, under which a member of the Board of Directors or a senior executive has waived any remuneration.

Tawuniya declares that there are no arrangements or agreements, under which any member of the Board of Directors or a senior executive has waived any salary or remuneration.

41- A description of any arrangement or agreement, under which any shareholder has waived his rights to profits

Tawuniya declares that there is no arrangement or agreement, under which any shareholder has waived his rights to profits.

42. A description of any statutory payments paid and due for the payment of any Zakat, taxes, fees or other entitlements, which have not been paid until the end of the annual financial period, with a brief description to them and their reasons

Description	2019 (SR'000)		Brief Description	Reasons
	Paid	Due until the end of financial year and not paid		
Zakat	56,105	255,554	Tawuniya's share of Zakat payable	Zakat payable pursuant to the regulations of Zakat and Income Tax Department.
Tax	13,592	77,527	Withholding tax	Tax payable pursuant to the regulations of Zakat and Income Tax Department.
Social insurance	39,541	00	GOSI subscriptions for The Company employees.	Payable under the regulations of the General Organization for Social Insurance
Visas and passport fees	400	00	Fees for the issuance of visas and passport services	Payable under the regulations of the Ministry of Interior.
Labor office fees	2,304	00	Fees for the issuance of Work Permits.	Payable under the regulations of the Ministry of Labor.
Supervision fees	41,894	12,397	To the Saudi Arabian Monetary Authority (SAMA).	Payable under the Law On Supervision of the Cooperative Insurance Companies.
Supervision fees	64,075	15,502	To the Council of Cooperative Health Insurance (CCHI).	Payable under the Cooperative Health Insurance Law.

The Company submitted the Zakat declarations to the General Authority of Zakat & Tax for the years 2005 to 2018. For years 2005 and 2006, the final assessments were completed and the company lodged an appeal against the assessments by the General Authority of Zakat & Tax that was filed before the Grievances Board. During the year ended December 31, 2018, the General Authority of Zakat & Tax, based on a letter dated 06/02/1440H corresponding to October 15, 2018, requested Zakat in the amount of 53 million Riyal in connection with the final assessments for years 2005 and 2006, which the Company paid from the Zakat allocation. The General Authority of Zakat & Tax issued a final request in the amount of 253 million Riyal related to the assessment years extending from 2007 to 2013. The Company paid 253 million Riyal in Zakat and withholding tax provision during July 2019. Furthermore, the General Authority of Zakat & Tax has not yet begun its review for the two years 2014 and 2018. The management believes that finalizing the above-mentioned tax assessments is not expected to have a material impact on the financial information.

43. Investment and Reserve Plans Created Interest for Tawuniya Staff:

The Company has a savings plan under which a definite percentage of the employees' salary is periodically deducted, with Tawuniya investing this amount through one of the investment funds compatible with the rules of Islamic Shariah. The total number of subscribers at the end of 2019 reached 230 employees with a subscription amounting to SR 5,658,635. The Company continued its home loans plan for its eligible Saudi employees, where the number of employees granted home loans in year 2019 reached (5) employees obtained 4,277,054 Riyal.

44. Statements and declarations:

- The Company for Cooperative Insurance (Tawuniya) states that the proper books of accounts and principles have been maintained.
- The system of internal control is sound in design and effectively implemented:
The Audit Committee, through the reports of internal auditors and external auditors, believes that the internal control system prepared by the company's management has been developed in 2019 based on the auditors' observations and recommendations. In 2020, the audit committee will follow up with the executive management to ensure the implementation of all corrective measures that will positively affect the integrity and effectiveness of the internal control system as a whole.
- Tawuniya states that there are no significant doubts concerning the Company's ability to continue as an ongoing concern.

45. If the external auditor's report contains reservations on the annual financial statements, the report of the Board of Directors shall indicate those reservations, their reasons and any information related to them.

Tawuniya declares that there are no reservations to the annual financial statements included in the external auditor's report.

46- In the event of recommendation by the Board of Directors to change the external auditor before the end of designated period, the report must contain this, indicating the reasons for recommending such change

Tawuniya declares that its Board of Directors has not issued any recommendation to change the external auditor before the end of the designated period.

47. Disclosure of treasury shares held by The Company and details of their use:

No. of treasury shares held by The Company	Shares Amounts	Date of Retaining	Details of their Use
There are no shares	There are no shares	There are no shares	There are no shares

48. Deficit/ Surplus from Insurance Operations:

After the addition of investment income, the insurance operations realized a surplus of SR 343 million in 2019. As per the requirements of the Executive Regulations of the Law On Supervision of Cooperative Insurance Companies, 10% of the net surplus is distributed to policyholders with a value of 34 million Riyal, while 90% of the surplus is transferred to the shareholders' income statement with a value of 309 million Riyal, to be added to the comprehensive income statement.

49. Board Powers:

With due regard to the prerogatives of the General Assembly, the Board of Directors shall have full powers in managing the Company to achieve its objectives. Within the limits of its powers, it shall have the right to authorize one or more members of the Board or other non-members to handle certain assignment(s) that is not inconsistent with relevant regulations. For example, but not limited to, the Board shall have power to represent the Company in its relations with third parties, governmental and private entities, before all competent courts, Grievances Lifting Board, labor offices, senior and primary committees for the settlement of labor disputes, commercial papers committee, all other judicial committees and arbitration organizations. Civil Rights Dept., police authorities, chambers of commerce and industry, all companies and establishments, banks, commercial houses and government financing institutions of various titles and terms of reference as well as other lenders. The Board shall have full powers for ratification, claiming, defending, pleading, filing suits, compromise, conciliation, acceptance and objecting of verdicts, arbitration, request the execution of verdicts, raising opposition, receiving proceeds of verdicts enforcement, discharge debtors from their obligations, engage in the bidding, buying, selling and mortgaging of real estate. In addition, the BOD chairman shall have full powers to enter into contracts, sign on behalf of the Company on all types of contracts, papers and documents, including for instance, but without limitation, the articles of incorporation of the companies in which the Company has shares, sign all their amendments, addendums and the decisions of amendment, sign the agreements and deeds before notary publics and official bodies, as well as signing loans, guarantees and warranties agreements and deeds for the sale and purchase of real estate, issuance of legal powers of attorney on behalf of the Company, buying, selling release and discharge, acceptance of release, handing over and take over, leasing, rental, receiving and payment of rents and payables, the opening of accounts and credits, withdrawals from and deposits at the various banks, issuance of guarantees for banks, funds and government funding institutions and to sign all papers, bonds, checks, all commercial papers and documents as well as all banking transactions.

50. A Description of Any Punishment, Penalty or Statutory Reserve or Restriction Imposed on Any of the Board Members by Any Judicial, Supervisory, or Regulatory Authority in Respect of The Company.

Tawuniya declares that there is no punishment, penalty, statutory reserve or restriction imposed on any of the board members by any judicial, supervisory, or regulatory authority in respect of The Company.

51. The Capital and Ownership of Company Shares

The authorized, issued and paid-up capital of The Company amounts to SR 1,250 million (One Billion and two hundred fifty million Saudi Riyals) and is divided into 125 million nominal shares of SR 10 each. The ownership of company shares reflected at the beginning and end of the year are as follows:

Owner	No. of Shares Beginning of the Year	No. of Shares Close of the Year	Change Ratio	Ownership Ratio
Public Pension Agency	28,549,306	22,361,806	21.7%	18.9%
General Organization for Social Insurance	22,237,885	23,612,685	6.2%	17.9%
Held by the Public	74,212,809	79,025,509	6.48	63.2%
Total	125,000,000	125,000,000	00%	100%

52. External Auditors

The Ordinary General Assembly of The Company held on 14.5.2019 agreed with the Audit Committee's recommendation to enter into contract with Price Waterhouse Coopers (PWC) and Mohamed Al-Amri & Co. (BDO), as joint external auditors of The Company accounts and financial statements for the year 2019 and the first quarter of 2020. The BOD did not issue any recommendation to replace the external auditors approved by the General Assembly during 2019.

Conclusion

The Board of Directors' (BOD) expresses its sincere gratitude and appreciation to our esteemed customers for the invaluable confidence. In addition, the Board expresses its deepest thanks and appreciation to all shareholders.

Independent Auditor's Report

4



Shareholders'
share of surplus
insurance
operations



125%

Target Solvency
Ratio



343,000,000



The surplus from
insurance operations
realized in 2019 after
adding investment
income



Tawuniya's market
share



5.6
billion riyals

Net claims and other
benefits paid





Independent Auditors' Report



الدكتور محمد العمري وشركاه

Dr. Mohamed Al-Amri & Co.

INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS TO THE SHAREHOLDERS' OF THE COMPANY FOR COOPERATIVE INSURANCE (A SAUDI JOINT STOCK COMPANY)

Opinion

We have audited the financial statements of The Company for Cooperative Insurance (the "Company"), which comprise the statement of financial position as at 31 December 2019, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

Basis for Opinion

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

Key Audit Matters

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

Key audit matters	How the matter was addressed in our audit
<p>Valuation of ultimate claim liabilities arising from insurance contracts</p> <p>As at 31 December 2019, gross outstanding claims and reserves including claims incurred but not reported (IBNR) amounted to Saudi Riyals 5.6 billion as reported in Note 10 to the financial statements.</p> <p>The estimation of insurance contract liabilities involves a significant degree of judgement. The liabilities are based on the best-estimate of the ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with the related claims handling costs.</p>	<p>We performed the following procedures</p> <ul style="list-style-type: none"> • Understood, evaluated and tested key controls around the claims handling and provision setting processes. • Evaluated the competence, capabilities and objectivity of the management's expert based on their professional qualifications and experience and assessed their independence. • Performed substantive tests on the amounts recorded for a sample of claims notified and paid; including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves.

"In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019"



الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.

Key audit matters	How the matter was addressed in our audit
<p>The Company principally uses an external actuary ("management's expert") to provide them with the estimate of such liabilities. A range of methods were used to determine these provisions which were based on a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.</p> <p>We considered this as a key audit matter as the valuation of insurance contract liabilities require the use of significant judgement and estimates.</p> <p>Refer to notes 2 and 3 to the financial statements which explain the valuation methodology used by the Company and critical judgments and estimates.</p>	<ul style="list-style-type: none"> Obtained sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, and tested on sample basis, the accuracy of underlying claims data utilised by the management's expert in estimating the IBNR by comparing it to the accounting and other records. Challenged management's methods and assumptions, through assistance of our internal actuarial expert to understand and evaluate the Company's actuarial practices and provisions established and gained comfort over the actuarial report issued by management's expert, by performing the following: <ul style="list-style-type: none"> (i) Evaluated whether the Company's actuarial methodologies were consistent with generally accepted actuarial practices and with prior years. We sought sufficient justification for any significant differences; (ii) Assessed key actuarial assumptions including claims ratios and expected frequency and severity of claims. We challenged these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge; and (iii) Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivity analysis performed. Assessed the adequacy and appropriateness of the related disclosures in the financial statements.

Other Information included in the Company's 2019 Annual Report

The Board of Directors of the Company (the Directors) are responsible for the other information. The other information consists of the information included in the Company's 2019 annual report, other than the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we 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 when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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



الدكتور محمد العمري وشركاه

Dr. Mohamed Al-Amri & Co.

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

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS as endorsed in the Kingdom of Saudi Arabia, the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are 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 Directors 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 as endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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 period and are therefore the key audit matters. We describe these matters in our auditors' report unless



الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.

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

Based on the information that has been made available to us, nothing has come to our attention that causes us to believe that the Company is not in Compliance, in all material respects, with the applicable requirements of the Regulations for Companies and the Company's By-laws in so far as they affect the preparation and presentation of the financial statements.

PricewaterhouseCoopers
P. O. Box 8282
Riyadh 11482
Kingdom of Saudi Arabia

Signature and stamp

Omar M. Al Sagga
Certified Public Accountant
Registration No. 369



Dr. Mohamed Al-Amri & Co.
Public Accountants & Consultants
P. O. Box 8736
Riyadh 11491
Kingdom of Saudi Arabia

Signature and stamp

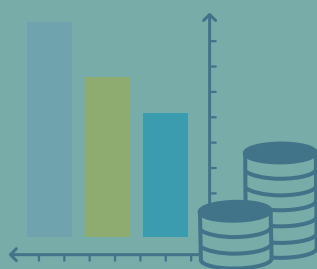
Gihad M. Al-Amri
Certified Public Accountant
Registration No. 362



Date: 11 March, 2020
Corresponding to: 16 Rajab, 1441H

Financial Statements

8.4
billion SR



Gross written premiums
(sales volume).

9.6%

The company's
business growth
rate in 2019



10.8%

The decrease of gross claims
paid in 2019.

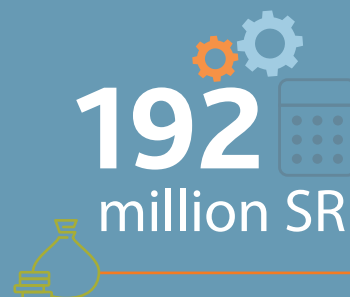


402 million
SR

Net income before
zakat realized in 2019



192 million SR



The Operating Results



Financial Statements for the year ended December 31, 2019

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2019

SAR'000	Notes	2019	2018
ASSETS			
Statutory deposit	13	125,000	125,000
Accrued income on statutory deposit		2,513	2,254
Property and equipment, net	4	260,119	266,233
Intangible assets	5	3,971	3,633
Investment property		9,861	9,861
Investments in associates	6	101,520	95,116
Available for sale investments	7	2,746,748	2,905,130
Mudaraba/ Murabaha deposits	8	3,539,376	2,239,125
Prepaid expenses and other assets	9	243,912	261,088
Deferred excess of loss premiums		7,714	8,775
Deferred policy acquisition costs	10	120,845	130,651
Reinsurers' share of gross outstanding claims	10	3,100,446	2,725,809
Reinsurers' share of incurred but not reported claims	10	327,724	191,837
Reinsurers' share of unearned premiums	10	715,959	544,839
Receivables, net	12	1,495,894	1,517,987
Accrued investment income	26	6,333	-
Cash and cash equivalents	14	1,306,550	1,600,240
TOTAL ASSETS		14,114,485	12,627,578
LIABILITIES			
Surplus distribution payable	15	34,283	-
End-of-service indemnities	17	129,480	133,276
Return payable on statutory deposit		2,513	2,254
Claims payable, accrued expenses and other liabilities	16	1,174,982	1,514,723
Reserve for takaful activities		5,006	8,690
Gross outstanding claims	10	3,684,891	3,271,156
Incurred but not reported claims reserve	10	1,925,584	1,684,183
Premium deficiency reserve	10	2,830	7,272
Unearned commission income	10	43,323	39,299
Gross unearned premiums	10	3,826,119	3,820,293
Reinsurers' balances payable		523,820	94,720
Dividends payable		6,411	6,411
Zakat	19	255,554	237,080
TOTAL LIABILITIES		11,614,796	10,819,357
EQUITY			
Share capital	20	1,250,000	1,250,000
Legal reserve	21	1,065,517	1,000,000
Fair value reserve for investments	6.7	167,472	(198,724)
Remeasurement of defined benefit obligation	17	(14,540)	(12,226)
Retained earnings		31,240	(230,829)
TOTAL EQUITY		2,499,689	1,808,221
TOTAL LIABILITIES AND EQUITY		14,114,485	12,627,578
CONTINGENT LIABILITIES	34		

The accompanying notes 1 to 38 form an integral part of these financial statements.

STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2019

SAR'000	Notes	2019	2018 Restated
REVENUES			
Gross premiums written	10	8,375,860	7,641,245
Reinsurance ceded - local	10	(89,748)	(45,160)
Reinsurance ceded - international	10	(1,560,440)	(1,052,943)
Fee income from takaful		6,666	8,534
Excess of loss premiums		(20,314)	(24,587)
Net premiums written		6,712,024	6,527,089
Changes in unearned premiums		(5,826)	584,951
Changes in reinsurers' share of unearned premiums		171,120	(46,286)
Net premiums earned		6,877,318	7,065,754
Reinsurance commissions	10	122,438	111,663
Other underwriting income		10,530	10,435
TOTAL REVENUES		7,010,286	7,187,852
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		6,955,833	7,800,323
Expenses incurred related to claims		19,325	19,204
Reinsurers' share of claims paid		(1,302,342)	(847,028)
Net claims and other benefits paid	10	5,672,816	6,972,499
Changes in outstanding claims		413,735	896,392
Changes in reinsurance share of outstanding claims		(374,637)	(1,350,532)
Changes in incurred but not reported claims reserve		241,401	(16,086)
Changes in reinsurance share of incurred but not reported claims		(135,887)	199,370
Changes in premium deficiency reserve		(4,442)	(129,976)
Net claims and other benefits incurred		5,812,986	6,571,667
Changes in reserves for takaful activities		(3,684)	(1,886)
Policy acquisition costs	10	359,973	390,541
Other underwriting expenses		13,678	137,864
Manafeth insurance share distribution	22	57,378	56,939
TOTAL UNDERWRITING COSTS AND EXPENSES		6,240,331	7,155,125
Net underwriting income		769,955	32,727
OTHER OPERATING (EXPENSES) / INCOME			
General and administrative expenses	24	(577,253)	(498,112)
Allowance for doubtful debts	12	(28,844)	(20,235)
Dividend and realized gain on investments, net	23	221,033	216,801
Share of profit from investments in associates, net	6	31,160	29,698
Other income, net		20,397	25,782
TOTAL OTHER OPERATING EXPENSES		(333,507)	(246,066)
Net income / (loss) for the year		436,448	(213,339)
Net income for the year attributed to the insurance operations		(34,283)	-
Net income / (loss) for the year attributable to the shareholders before zakat		402,165	(213,339)
Zakat charge for the year	19	(74,579)	(65,994)
Net income / (loss) for the year attributable to the shareholders after zakat		327,586	(279,333)
Earnings / (loss) per share			
Basic earnings / (loss) per share (in SAR)		2,62	(2,23)
Weighted average number of shares in issue		125,000,000	125,000,000

The accompanying notes 1 to 38 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2019

SAR'000	Notes	2019	2018 Restated
Net income / (loss) for the year		327,586	(279,333)
Other comprehensive income:			
Not to be recycled back to statement of income in subsequent years:			
Remeasurements of defined benefit obligation	17	(2,314)	(6,347)
To be recycled back to statement of income in subsequent years:			
Available for sale investments:			
• Net change in fair value	7	336,752	(9,063)
• Net amounts transferred to statement of income	7	27,991	(23,808)
Share of other comprehensive income of associates	6	1,453	391
Total comprehensive income / (loss) for the year		691,468	(318,160)

The accompanying notes 1 to 38 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2019

SAR'000	Notes	Share capital	Legal reserve	Fair value reserve for investments	Remeasurements of defined benefit obligation	Retained earnings	Total
Balance at January 1, 2018		1 250,000	1,000,000	(166,244)	(5,879)	48,504	2,126,381
Total comprehensive income/ (loss) for the year - restated:							
Net loss for the year - restated		-	-	-	-	(279,333)	(279,333)
Actuarial (losses) on defined benefits obligation	17	-	-	-	(6,347)	-	(6,347)
Changes in fair value of available-for-sale investments	7	-	-	(9,063)	-	-	(9,063)
Amount transferred to statement of income	7	-	-	(23,808)	-	-	(23,808)
Share of other comprehensive income of investments in associates	6	-	-	391	-	-	391
Total comprehensive loss for the year attributable to shareholders - restated		-	-	(32,480)	(6,347)	(279,333)	(318,160)
Balance at December 31, 2018		1,250,000	1,000,000	(198,724)	(12,226)	(230,829)	1,808,221
Balance at January 1, 2019		1,250,000	1,000,000	(198,724)	(12,226)	(230,829)	1,808,221
Total comprehensive income for the year:							
Net income for the year		-	-	-	-	327,586	327,586
Actuarial (losses) on defined benefits obligation	17	-	-	-	(2,314)	-	(2,314)
Changes in fair value of available-for-sale investments	7	-	-	336,752	-	-	336,752
Amount transferred to statement of income	7	-	-	27,991	-	-	27,991
Share of other comprehensive income of investments in associates	6	-	-	1,453	-	-	1,453
Total comprehensive income / (loss) for the year attributable to shareholders		-	-	366,196	(2,314)	327,586	691,468
Transfer to legal reserve		-	65,517	-	-	(65,517)	-
Balance at December 31, 2019		1,250,000	1,065,517	167,472	(14,540)	31,240	2,499,689

The accompanying notes 1 to 38 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

SAR'000	Notes	2019	2018
Operating activities:			
Net income / (loss) for the year		402,165	(213,339)
Adjustments for non-cash items:			
Depreciation of property and equipment	4	24,449	22,313
Amortization of intangible assets	5	6,128	7,488
Loss on sale of property and equipment	4	36	-
(Reversal of) / allowance for doubtful debts and write-offs	12	(7,898)	20,235
Loss/ (gain) on sale of investments		27,991	(23,808)
Share of profit of associates, net	6	(31,160)	(29,698)
Provision for end-of-service indemnities	17	12,832	16,466
		434,543	(200,343)
<u>Changes in operating assets and liabilities:</u>			
Prepaid expenses and others assets		17,176	(69,719)
Deferred excess of loss premiums		1,061	2,518
Deferred policy acquisition costs		9,806	40,139
Reinsurers' share of gross outstanding claims		(374,637)	(1,350,532)
Reinsurers' share of claims incurred but not reported		(135,887)	199,370
Reinsurers' share of unearned premiums		(171,120)	46,286
Receivables, net		29,991	719,456
Reinsurers' balances payable		429,100	(113,202)
Gross unearned premiums		5,826	(584,951)
Unearned commission income		4,024	(14,362)
Gross outstanding claims		413,735	896,392
Incurred but not reported claims reserve		241,401	(16,086)
Premium deficiency reserve		(4,442)	(129,976)
Reserve for takaful activities		(3,684)	(1,886)
Claims payable, accrued expenses and other liabilities		(339,741)	221,450
		557,152	(355,446)
End-of-service indemnities paid	17	(18,942)	(8,779)
Surplus payable to policyholders		34,283	-
Net cash from / (used in) operating activities		572,493	(364,225)
Investing activities:			
Proceeds from sale of available-for-sale investments	7	1,423,652	6,471,917
Purchase of available-for-sale investments	7	(928,518)	(3,860,901)
Proceeds from maturity of murabaha deposits	8	9,597,502	82,035
Placement in mudarabah/ murabaha deposits	8	(10,897,753)	(2,239,125)
Accrued investment income		(6,333)	158,093
Dividends received from investments in associates	6	26,209	30,441
Purchase of property and equipment	4	(18,371)	(9,495)
Purchase of intangible assets	5	(6,466)	(3,468)
Net cash (used in) / from investing activities		(810,078)	629,497
Financing activities:			
Dividends paid	15	-	(3)
Zakat paid during the year		(56,105)	(62,232)
Net cash used in financing activities		(56,105)	(62,235)
Net change in cash and cash equivalents		(293,690)	203,037
Cash and cash equivalents, beginning of the year	14	1,600,240	1,397,203
Cash and cash equivalents, end of the year	14	1,306,550	1,600,240
Non-cash supplemental information:			
Changes in fair value for available-for-sale investments	7	364,743	(32,871)
Share of other comprehensive income of associates	6	1,453	391
Loss on re-measurements of defined benefit obligation	17	(2,314)	(6,347)

The accompanying notes 1 to 38 form an integral part of these financial statements.

Notes to Financial Statements

7.01
billion SR



The company's total revenue in 2019

14.1
billion SR



Total assets of the company
as of December 31, 2019

2.5
billion SR



Total assets of the company as of
December 2019 ,31.

6.4
billion SR



Total investments.

252
million SR



Net income from investments



Notes to the Financial Statements

December 31, 2019

1. GENERAL

The Company for Cooperative Insurance (the "Company") is a Saudi joint stock Company established in Riyadh, Kingdom of Saudi Arabia by Royal Decree Number M/5 and incorporated on January 18, 1986 corresponding to Jumada Al-Awal 8, 1406H under Commercial Registration No. 1010061695. The Company's head office is located on Thumamah Road (At Takhassusi) ArRabi District, P.O. Box 86959, Riyadh 11632, Kingdom of Saudi Arabia.

The purpose of the Company is to transact cooperative insurance operations and all related activities including reinsurance and agency activities. Its principal lines of business include medical, motor, marine, fire, engineering, energy, aviation, takaful and casualty insurance.

On July 31, 2003 corresponding to Jumada Thani 2, 1424H the Law on the Supervision of Cooperative Insurance Companies ("Insurance Law") was promulgated by Royal Decree Number (M/32). On December 1, 2004 corresponding to Shawwal 18, 1425H, the Saudi Arabian Monetary Authority ("SAMA") as the principal authority responsible for the application and administration of the Insurance Law and its implementing regulations, granted the Company a license to transact insurance activities in Saudi Arabia.

The Company conducts the business and advances funds to the insurance operations as required. On January 20, 2004 the Company amended its Articles of Association giving authority to the Board of Directors to determine the disposition of the surplus from insurance operations.

On March 20, 2004, the Board of Directors approved the distribution of the surplus from insurance operations in accordance with the Implementing Regulations issued by SAMA, whereby the shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policyholders are to receive the remaining 10%. Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

2. BASIS OF PREPARATION

a) Statement of compliance

The financial statements of the Company have been prepared in accordance with 'International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA) and in compliance with Regulations for Companies in the Kingdom of Saudi Arabia and By-Laws of the Company.

The financial statements of the Company as at and for the period and year ended 31 March 2019 and 31 December 2018, were prepared in compliance with the International Financial Reporting Standards ("IFRS"), as modified by SAMA for the accounting of zakat and income

tax (relating to the application of IAS 12 – "Income Taxes" and IFRIC 21 – "Levies" so far as these relate to zakat and income tax) and the Regulations for Companies in the Kingdom of Saudi Arabia.

On 17 July 2019, SAMA instructed the insurance companies in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of income. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board ("IASB") and as endorsed in the Kingdom of Saudi Arabia and with the other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

Accordingly the Company has changed its accounting treatment for zakat and income tax by retrospectively adjusting the impact in line with International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors (as disclosed in note 3(b)) and the effects of this change are disclosed in note 19(d) to the financial statements). The Company has adopted IFRS 16 Leases from 1 January 2019. The change in accounting policies due to this new standard and treatment of Zakat & Tax are disclosed in note 3(b).

The Company's statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as non-current: statutory deposit, accrued income on statutory deposit, property and equipment, intangible assets, investment property, investments in associates, available for sale investments, reserve for discontinued operations, end-of-service indemnities and return payable on statutory deposit. All other financial statement line items would generally be classified as current.

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

The statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in Note 30 of the financial statements have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations and is not required under IFRSs. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as

The financial statements of the Company have been prepared in accordance with 'International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA)

referred to above, reflect only the assets, liabilities, income, expenses and comprehensive income or losses of the respective operations.

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

b) Basis of measurement

These financial statements are prepared under the historical cost basis except for the measurement at fair value of available-for-sale investments, investment in associates which is accounted for under the equity method and end of service benefits based on actuarial valuation techniques.

c) Functional and presentation currency

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

d) Fiscal year

The Company follows a fiscal year ending December 31.

e) Critical accounting judgments, estimates and assumptions

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

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

The estimate and judgments used by management in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2018.

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

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

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

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

ii) Impairment of available-for-sale financial assets

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

iii) Impairment of receivables

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired.

iv) Fair value of financial instruments

Fair values of available-for-sale investments are based on quoted prices for marketable securities or estimated fair values based on the latest available net assets value of the mutual fund. For unquoted investments, fair value is determined by reference to the market value of a similar investment or where the fair values cannot be derived from active markets, they are determined using a variety of valuation techniques. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Please refer fair value of financial instruments disclosure in note 28.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the previous financial year, except for change in accounting policies as mentioned in 3(b) and the adoption of the new standards and other amendments to existing standards mentioned in 3(a) which have had no significant financial impact on the financial statements of the Company on the current year or prior year and is expected to have no significant effect in future years.

a) Standards adopted during the year

Effective from 1 January 2019 the Company has adopted one new accounting standard and the impact of the adoption is explained below:

IFRS 16 Leases

Before January 01, 2019, the Company followed accounting for leases in accordance with IAS 17:

Where Company is the lessee leases that do not transfer to the Company substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Consequently, all of the leases entered into by the Company are all operating leases. Payments made under operating leases are charged to the statement of income on a straight-line basis over the period of the lease.

The Company adopted IFRS 16 'Leases', the standard replaces the existing guidance on leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases – Incentives' and SIC 27 'Evaluating the Substance of Transactions in the Legal Form of a Lease'.

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognize in the Company's Financial Position, unless the term is 12 months or less or the lease for low value asset. Thus, the classification required under IAS 17 "Leases" into operating or finance leases is eliminated for Lessees. For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent, at the commencement date, to the present value

of the future lease payments plus directly attributable costs and which is amortized over the useful life.

The Company adopted IFRS 16 using the modified retrospective approach. The Company elected to apply the standard to contracts that were previously identified as lease applying IAS 17 and IFRIC 4. The Company therefore did not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. The Company elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. During the year the Company has performed an assessment of IFRS 16 and resolved that impact of difference as compared to leases accounted for applying IAS 17 & IFRIC 4 is not material to the Company's financial statements as a whole and accordingly, no adjustment has been made in these financial statements.

b) Change in accounting policy

As mentioned in note 2(a) above, the basis of preparation has been changed from the period ended 30 June 2019 as a result of the issuance of instructions from SAMA dated 17 July 2019. Previously, zakat and income tax were recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA dated 17 July 2019, the zakat and income tax shall be recognized in the statement of income. The Company has accounted for this change in the accounting for zakat and income tax retrospectively (see note 19(d)) and the effects of the above change are disclosed in note 19(d) to the financial statements.

c) Standards issued but not yet effective

The Company has chosen not to early adopt the following new standards which have been issued but not yet effective for the Company's accounting year beginning on 1 January 2019 and is currently assessing their impact:

IFRS 17 – Insurance Contracts

Overview

This standard has been published in May, 2017. It establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 – Insurance contracts.

The new standard applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features provided the entity also issues insurance contracts. It requires to separate the following components from insurance contracts:

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

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

Measurement

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

different measurement models:

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

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

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

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

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

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

In addition, a simplified Premium Allocation Approach (PAA) is permitted for the measurement of the liability for remaining coverage if it provides a measurement that is not materially different from the General Measurement Model or if the coverage period for each contract in the group is one year or less. With the PAA, the liability for remaining coverage corresponds to premiums received at initial recognition less insurance acquisition cash flows. The General Measurement Model remains applicable for the measurement of the liability for incurred claims. However, the entity is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid/received in one year or less from the date the claims are incurred.

Effective date

The IASB issued an Exposure Draft Amendments to IFRS 17 during June 2019 and received comments from various stakeholders. The

IASB is currently re-deliberating issues raised by stakeholders. For any proposed amendments to IFRS 17, the IASB will follow its normal due process for standard-setting. The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4, is currently January 1, 2021. Under the current exposure draft, it is proposed to amend the IFRS 17 effective date to reporting periods beginning on or after January 1, 2022. This is a deferral of 1 year compared to the previous date of January 1, 2021. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied. The Company intends to apply the Standard on its effective date.

Transition

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

Presentation and Disclosures

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

Impact

The Company has performed an operational gap assessment which has focused on the impact of IFRS 17 across data, systems, processes and people. The Company is currently assessing the impact of the application and implementation of IFRS 17. As of the date of the publication of these financial statements, the financial impact of adopting the standard has yet to be fully assessed by the Company. The key areas identified to date are as follows:

Impact Area	Summary of Impact
Financial Impact	Based on the initial assessment, the majority of Company's products (which provide cover for annual periods or less) are expected to be measured using the simplified approach (PAA) which requires less changes to the existing approach under IFRS4. As a result, the financial impact of measuring contracts under IFRS17 is not expected to be significant.
Data Impact	Where the GMM is applied to measure the Liability for Remaining Coverage, additional data to inform the assumptions made will be required to generate cash-flow models. Yield curves and other financial market information will also be required to determine suitable discount rates and the credit risk of reinsurers.
IT Systems	Cash-flow models will be required to cater for the calculation of the Liability for Remaining Coverage. In addition, model development will be required to allow for the calculation, updating and amortisation of the Contractual Service Margin. Amendments will also be required to the current chart of accounts and reporting disclosures.
Process Impact	A process will need to be established to assess the expected profitability of contracts issued, at the issuing date. Cost allocation processes will need refinement to ensure directly attributable costs are identified according to the requirements of IFRS17 and are then used as part of cash flow projections. The financial statement close process will also require changes to allow for more frequent interaction between the finance and actuarial teams.
Impact on RI Arrangements	IFRS17 is not expected to significantly impact the structure of the reinsurance arrangements currently in place for Tawuniya. It is however expected that further insight into the expected (and subsequently actual) performance of reinsurance treaties will be derived under IFRS17.
Impact on Policies & Control Frameworks	Various decisions need to be made and policies drafted which cover the below (amongst other items): <ul style="list-style-type: none"> • Allocating directly attributable expenses • Onerous contract identification and measurement • Risk adjustment

The Company has started with a detailed data gap assessment as well as the development of an implementation plan which considers the key IFRS 17 design principles. In addition, the Company has set up an IFRS 17 Steering Committee.

IFRS 9 - "Financial instruments"

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

i) Classification and measurement:

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

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

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

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

Assets not meeting either of these categories are measured at fair value through profit or loss. Additionally, at initial recognition, an entity can use the option to designate a financial asset at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

For equity instruments that are not held for trading, an entity can also make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the instruments (including realized gains and losses), dividends being recognized in profit or loss.

Additionally, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

ii) Impairment:

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

iii) Hedge accounting:

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

iv) Effective date

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

- Apply a temporary exemption from implementing IFRS 9 until the earlier of:
 - the effective date of a new insurance contract standard; or
 - annual reporting periods beginning on or after January 1, 2021. (The IASB is proposing to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 to January 1, 2022). Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or
- Adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

The Company has performed a detailed assessment beginning Jan 01, 2018: (1) The carrying amount of the Company's liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives unbundled from insurance contracts) were compared to the total carrying amount of all its liabilities; and (2) the total carrying amount of the company's liabilities connected with insurance were compared to the total carrying amount of all its liabilities. Based on these assessments the Company determined that it is eligible for the temporary exemption. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard. Disclosures related to financial assets required during the deferral period are included in the Company's financial statements.

(v) Impact assessment

As at December 31, 2019, the Company has total financial assets and insurance related assets amounting to SR 7,761 million (2018: SR 6,896 million) and SR 5,794 million (2018: SR 5,119 million), respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables amounting to SR 4,979 million (2018: SR 3,966 million). Other financial assets consist of available for sale investments amounting to SR 2,746 million (2018: SR 2,905 million). The Company expect to use the FVOCI classification of financial assets based on the business model of the Company for debt securities and strategic nature of equity investments. However, the Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9. Investment in funds and discretionary portfolio management – equity shares classified under available for sale investments amounting to SR 985 million (2018: SR 1,402) will be at FVSI under IFRS 9. As at December 31, 2019, debt securities are measured at fair value of SR 1,601 million (2018: 1,464 million) with changes in fair value during the year of SR 245 million (2018: SR (0.03) million). Credit risk exposure, concentration of credit risk and credit quality of these financial assets are mentioned in note 31(d). The Company financial assets have low credit risk as at December 31, 2019 and 2018. The above is based on high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects some effect of applying the impairment requirements of IFRS 9: However, the impact of the same is not expected to be significant. At present it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed review.

The significant accounting policies used in preparing these financial statements are set out below:

d) Revenue Recognition**Recognition of premium and commission revenue**

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

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

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

Reinsurance commissions directly relates to the reinsurance contracts are deferred and earned to the statement of income in the same order that commission revenue is recognized over the period of risk.

Investment income

Investment income on debt instruments are accounted for on an effective interest basis.

Dividend income

Dividend income on equity instruments classified under available-for-sale investments is recognized when the right to receive payment is established.

e) Insurance contracts

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

f) Claims

Claims consist of amounts payable to policyholders and third parties and related loss adjustment expenses, net of salvage and other recoveries, and is charged to "Changes in outstanding claims and reserves" in the statement of income as incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the statement of financial position date together with related claims handling costs, whether reported by the insured or not. Provisions for reported claims not paid as of the statement of financial position date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported including related claims handling costs at the statement of financial position date.

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

g) Salvage and subrogation reimbursement

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

Estimates of salvage recoveries are included as an allowance in the measurement of the outstanding claims liability. The allowance is the amount that can reasonably be recovered from the disposal of the asset.

Subrogation reimbursements are also considered as an allowance in the measurement of the outstanding claims liability. The allowance is the assessment of the amount that can be recovered from the third party.

h) Reinsurance

Reinsurance is distributed between treaty, facultative, stop loss and excess of loss reinsurance contracts. An asset or liability is recorded

in the statement of financial position representing payments due from reinsurers, the share of losses recoverable from reinsurers and premiums due to reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income as incurred.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims on assumed reinsurance are recognised as income and 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.

i) Deferred policy acquisition costs

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate, similar to premiums earned. All other acquisition costs are recognized as an expense when incurred. Amortization is recorded in the "Policy acquisition costs" in the statement of income.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of income. Deferred policy acquisition costs are also considered in the liability adequacy test at each reporting date.

j) Liability adequacy test

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

k) Receivables

Premiums and reinsurance balances receivable are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. The carrying value of receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be

recoverable, the impairment loss is recorded in "Other general and administrative expenses" in the statement of income. Receivable balances are derecognised when the Company no longer controls the contractual rights that comprise the receivable balance, which is normally the case when the receivable balance is sold, or all the cash flows attributable to the balance are passed through to an independent third party. Receivables disclosed in note 12 fall under the scope of IFRS 4 "Insurance contracts".

l) Available-for-sale investments

Available-for-sale financial assets are those non-derivative financial assets that are neither classified as held for trading or held to maturity or loans and receivables, nor are designated at fair value through profit or loss. Such investments are initially recorded at cost, being the fair value of the consideration given including transaction costs directly attributable to the acquisition of the investment and subsequently measured at fair value. Cumulative changes in fair value of such investments are recognized in other comprehensive income in the statement of comprehensive income. Realized gains or losses on sale of these investments are reported in the related statements of income.

Dividend, commission income and foreign currency gain/loss on available-for-sale investments are recognized in the related statements of income as part of the net investment income / loss.

Any significant or prolonged decline in fair value of available-for-sale investments is adjusted for and reported in the statement of income, as impairment charges.

Fair values of available-for-sale investments are based on quoted prices for marketable securities or estimated fair values based on the latest available net assets value of the mutual fund. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics. The Company also considers appropriate assumptions for credit spread.

For unquoted investments, fair value is determined by reference to the market value of a similar investment or where the fair values cannot be derived from active markets, they are determined using a variety of valuation techniques. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

m) Investments in associates

An associate is an entity in which the Company has significant influence (but not control), over financial and operating policies and which is neither a subsidiary nor a joint venture.

Investments in associates are carried in the statement of financial position at cost, plus post acquisition changes in the Company's share of net assets of the associate, less any impairment in the value of individual investments.

When the company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

At each reporting date, the Company determines whether there is objective evidence that the investment in associate is impaired. If there is such evidence, the Company calculates the amount of impairment

as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss in the statement of income, as the case may be.

n) De-recognition of financial instruments

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

o) Offsetting

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

p) Trade date accounting

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

q) Impairment of financial assets

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

Evidence of impairment may include:

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

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

- For equities and fund carried at fair value, impairment is the significant or prolong decline in the fair value of the financial asset.

- For debt securities and sukus carried at amortized cost, impairment is based on estimated future cash flows that are discounted at the original effective commission rate.

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

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

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

For equity investments held as available-for-sale, a significant or prolonged decline in fair value below its cost represents objective evidence of impairment. The impairment loss cannot be reversed through statement of income as long as the asset continues to be recognised i.e. any increase in fair value after impairment has been recorded can only be recognised in other comprehensive income. On derecognition, any cumulative gain or loss previously recognised in other comprehensive income is included in the statement of income for the year. The determination of what is 'significant' or 'prolonged' requires judgement. A period of 12 months or longer is considered to be prolonged and a decline of 30% from original cost is considered significant as per Company policy. In making this judgement, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

r) Property and equipment

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

items of property and equipment is depreciated on the straight line method to allocate the cost over estimated useful lives, as follows:

	Years
Buildings	40-48
Furniture and fixtures	10
Computer equipment	4
Vehicles	4

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in "Other income, net" in the statement of income.

s) Intangible assets

Separately acquired intangible assets are shown at historical cost. They have a finite useful life and are subsequent carried at cost less accumulated amortization and impairment losses. The Company amortises intangible assets with a limited useful life using straight-line method over the following period:

	Years
Software licenses	4

t) Investment property

Investment property represents land that is held for capital appreciation purposes. Land is stated at cost less recognized impairment loss, if any.

u) Mudaraba/ Murabaha deposits

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

v) Leases

Policy before 1 January 2019

Leases that do not transfer to the Company substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Consequently, all of the leases entered into by the Company are all operating leases. Payments made under operating leases are charged to the (consolidated) statement of income on a straight-line basis over the period of the lease.

Policy after 1 January 2019

Right of Use Asset / Lease Liabilities

On initial recognition, at inception of the contract, the Company shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Company and the Company can direct the usage of such assets.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Right of Use Assets

Company applies cost model, and measure right of use (RoU) asset at cost;

- less any accumulated depreciation and any accumulated impairment losses; and
- adjusted for any re-measurement of the lease liability for lease modifications

Generally, RoU asset would be equal to the lease liability. However, if there are additional costs such as Site preparation, non-refundable deposits, application money, other expenses related to transaction etc. need to be added to the RoU asset value.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment

Lease Liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

After the commencement date, Company measures the lease liability by:

- Increasing the carrying amount to reflect interest on the lease liability.
- Reducing the carrying amount to reflect the lease payments made and;

Re-measuring the carrying amount to reflect any re-assessment or lease modification. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding

adjustment is made to the carrying amount of the right-of-use asset, or is recorded in statement of income if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

w) Impairment of non-financial assets

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

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

x) Employees' end-of-service benefits

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

y) Provisions, accrued expenses and other liabilities

Provisions are recognised when the Company has an obligation (legal or constructive) arising from past events, and the costs to settle the obligation are both probable and may be measured reliably. Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

z) Zakat

The Company is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"). Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the Zakat regulations. Zakat is accrued on a quarterly basis and charge to the statement of income.

aa) Dividend distribution

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

bb) Cash and cash equivalents

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

cc) Cash flow statement

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

dd) Foreign currencies

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

ee) Operating segments

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

- Medical - coverage for health insurance.
- Motor insurance.
- Property and Casualty - coverage for property, engineering, marine, aviation, energy and general accidents insurance.
- Protection and saving
- Manafeth – third party liability insurance for foreign vehicles and the profit of this segment is shared with other insurance companies.
- Shareholders' segment - reporting shareholder operations of the Company. Income earned from investments is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The surplus or loss from the insurance operations is allocated to this segment on an appropriate basis.

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

ff) Manafeth shared agreement

As described in note 22, the Manafeth shared agreement is an insurance pooling arrangement related to motor insurers in KSA. This

is an arrangement between 26 insurance companies of KSA where the entity is the leader in providing Manafeth (Insurance coverage for motor vehicles entering in KSA). The entity does not act as an agent on behalf of the other insurers in agreement. Therefore the Company accounts for manafeth shared agreement by recording the premiums under the gross written premium and claims under gross claims paid. The relevant assets and liabilities are also recorded as a separate operating segment along with the assets and liabilities of other operating segments. The distribution of share of income to other participating insurance companies is recorded as an expense in "Manafeth insurance share distribution" in the statement of income.

gg) Legal reserve

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

hh) Fair values

Fair values of available-for-sale investments are based on quoted prices for marketable securities or estimated fair values based on the latest available net assets value of the mutual fund. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics. The Company also considers appropriate assumptions for credit spread.

For unquoted investments, fair value is determined by reference to the market value of a similar investment or where the fair values cannot be derived from active markets, they are determined using a variety of valuation techniques. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

4. PROPERTY AND EQUIPMENT, NET

SAR'000	Land	Buildings	Furniture and fixtures	Computer equipment	Vehicles	Total 2019	Total 2018
Cost:							
January 1	53.036	199.926	65.924	139.824	456	459,166	449,671
Additions	-	-	7.422	10.949	-	18,371	9,495
Disposals	-	-	(498)	(3.139)	-	(3,637)	-
December 31	53.036	199.926	72.848	147.634	456	473,900	459,166
Accumulated Depreciation:							
January 1	-	24.827	57.247	110.538	321	192,933	170,620
Charge for the year	-	4.851	3.712	15.809	77	24,449	22,313
Disposals	-	-	(464)	(3.137)	-	(3,601)	-
December 31	-	29.678	60.495	123.210	398	213,781	192,933
Net book value							
December 31, 2019	53.036	170.248	12.353	24.424	58	260,119	-
December 31, 2018	53.036	175.099	8.677	29.286	135	-	266,233

5. INTANGIBLE ASSETS

SAR'000	2019	2018
Cost:		
January 1	15,951	12,483
Additions	6,466	3,468
December 31	22,417	15,951
Accumulated Amortisation:		
January 1	12,318	4,830
Charge for the year	6,128	7,488
December 31	18,446	12,318
Net book value	3,971	3,633

6. INVESTMENTS IN ASSOCIATES

SAR'000	2019	2018
Insurance Operations		
Balance, January 1	7,921	7,021
Share of profit	2,437	900
Balance, December 31	10,358	7,921
Shareholders Operations		
Balance, January 1	87,195	88,447
Share of profit	28,723	28,798
Dividends received	(26,209)	(30,441)
Unrealized gain on investments	1,453	391
Balance, December 31	91,162	87,195
Total Investments in associates	101,520	95,116

The Company's interest in associate, which is unquoted, is as follows along with summarized financial information:

i) Insurance Operations:

Najm Insurance Services

As of	Country of Incorporation	Assets	Liabilities	Revenue	Profit	% Interest Held
SAR'000						
December 31, 2019 *	Saudi Arabia	444,697	163,724	451,999	62,779	3.45%
September 30, 2018 *	Saudi Arabia	357,979	128,411	389,615	15,989	3.45%

* Based on latest available management accounts.

The Company has significant influence over the financial and operating policy decision of the associate by way of representation on its board of directors.

ii) Shareholders Operations:

a) United Insurance Company

As of	Country of Incorporation	Assets	Liabilities	Revenue	Profit	% Interest Held
SAR'000						
December 31, 2019 *	Bahrain	281,411	132,896	95,092	46,509	50%
November 30, 2018 *	Bahrain	265,546	132,783	90,455	33,701	50%

* Based on latest available management accounts.

b) Waseel Application Services Provider

As of	Country of Incorporation	Assets	Liabilities	Revenue	Profit	% Interest Held
SAR'000						
December 31, 2019 *	Saudi Arabia	64,000	40,000	39,500	15,000	45%
November 30, 2018 *	Saudi Arabia	57,000	10,590	38,500	19,000	45%

* Based on latest available management accounts.

7. AVAILABLE-FOR-SALE INVESTMENTS

i) Insurance operations:

Available-for-sale investments of the insurance operations comprise the following:

SAR'000	2019	2018
Insurance Operations		
Local funds	53,165	94,549
Local fixed income investments	354,556	330,726
Regional/ foreign funds	-	96,855
Regional/ foreign fixed income investments	865,095	684,718
Local discretionary portfolio management – equity shares	91,269	-
Foreign discretionary portfolio management – equity shares	65,815	-
Funds with portfolio manager	81,624	28,059
Total	1,511,524	1,234,907
Shareholders Operations		
Local funds	587,726	305,026
Local fixed income investments	164,315	146,913
Regional/ foreign funds	64,191	905,872
Regional/ foreign fixed income investments	224,029	301,644
Local discretionary portfolio management – equity shares	48,189	-
Foreign discretionary portfolio management – equity shares	74,534	-
Funds with portfolio manager	72,240	10,768
Total	1,235,224	1,670,223
Total available-for-sale investments	2,746,748	2,905,130

As at December 31, 2019 the Company invested in Shraiah Notes amounting to SAR 2.5 billion (2018: SAR 2.3 billion). The Shraiah Notes are issued by a special purpose vehicle "SPV" established in Cayman Islands. The administrator of these Shariah Notes is a Company registered in Dubai International Financial Center in Dubai. The underlying investments of Shariah Notes include mutual funds, private equity funds, discretionary portfolio management – equity shares and fixed income portfolios. The legal ownership of these underlying investments is not with the Company, however, the Company is the ultimate beneficial owner of the underlying investments while having control over the Shariah Notes and underlying investments. The custody of the underlying investments is in the custody account of the SPV or its nominee entity opened with fund and portfolio managers.

SAR'000	2019			2018		
	Quoted securities	Unquoted securities	Total	Quoted securities	Unquoted securities	Total
Insurance operations						
Balance, January 1	-	1,234,907	1,234,907	41,245	2,919,185	2,960,430
Purchases	153,750	360,277	514,027	-	1,784,785	1,784,785
Disposals	-	(430,787)	(430,787)	(42,932)	(3,436,511)	(3,479,443)
Changes in fair value of investments	9,087	184,290	193,377	1,687	(32,552)	(30,865)
Balance, December 31	162,837	1,348,687	1,511,524	-	1,234,907	1,234,907
Shareholders' operations						
Balance, January 1	-	1,670,223	1,670,223	39,340	2,525,439	2,564,779
Purchases	179,939	234,552	414,491	-	2,076,116	2,076,116
Disposals	-	(992,865)	(992,865)	(40,007)	(2,952,467)	(2,992,474)
Changes in fair value of investments	15,041	128,334	143,375	667	21,135	21,802
Balance, December 31	194,980	1,040,244	1,235,224	-	1,670,223	1,670,223
Total	357,817	2,388,931	2,746,748	-	2,905,130	2,905,130

The movement of changes in fair value of investments is as follows:

SAR'000	2019	2018
Insurance operations		
Change in fair value	193,377	(30,865)
Net gain transferred to statement of income	-	32,764
	193,377	1,899
Shareholders' operations		
Change in fair value	143,375	21,802
Net loss / (gain) transferred to statement of income	27,991	(56,572)
	171,366	(34,770)
Total	364,743	(32,871)

The cumulative unrealised gain for available for sale investments and investment in associate share of other comprehensive income amounts to SR 167.4 million (31 December 2018: cumulative unrealized loss SR 198.7 thousand).

8. MUDARABA/ MURABAHA DEPOSITS

The deposits are held with banks and financial institution registered with Capital Market Authority in the Kingdom of Saudi Arabia. These deposits are predominately in Mudaraba structures. These deposits are denominated in US Dollars and have an original maturity of more than three months to one year and yield on average financial incomes at rates 2.24%. (2018: 4.08%).

The movements in deposits during the year ended December 31, 2019 and 2018, are as follows:

SAR'000	2019	2018
Insurance Operations		
Balance, January 1	1,387,500	-
Placed during the year	5,534,846	1,387,500
Proceeds during the year	(5,344,434)	-
Balance, December 31	1,577,912	1,387,500
Shareholders Operations		
Balance, January 31	851,625	82,035
Placed during the year	5,362,907	851,625
Matured during the year	(4,253,068)	(82,035)
Balance, December 31	1,961,464	851,625
Total	3,539,376	2,239,125

9. PREPAID EXPENSES AND OTHER ASSETS

SAR'000	2019	2018
Advances to medical service providers and others	169,132	196,909
Prepaid expenses	40,159	39,559
Other assets	34,621	24,620
	243,912	261,088

10. MOVEMENTS IN DEFERRED POLICY ACQUISITION COSTS, UNEARNED COMMISSION INCOME, UNEARNED PREMIUMS AND OUTSTANDING CLAIMS

a) Deferred policy acquisition costs

SAR'000	2019	2018
Balance, January 1	130,651	170,790
Incurred during the year	350,167	350,402
Amortized during the year	(359,973)	(390,541)
Balance, December 31	120,845	130,651

b) Unearned commission income

SAR'000	2019	2018
Balance, January 1	39,299	53,661
Commission received during the year	126,462	97,301
Commission earned during the year	(122,438)	(111,663)
Balance, December 31	43,323	39,299

c) Unearned premiums

SAR'000	2019			2018		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Balance, January 1	3,820,293	(544,839)	3,275,454	4,405,244	(591,125)	3,814,119
Premiums written during the year	8,375,860	(1,650,188)	6,725,672	7,641,245	(1,098,103)	6,543,142
Premiums earned during the year	(8,370,034)	1,479,068	(6,890,966)	(8,226,196)	1,144,389	(7,081,807)
Balance, December 31	3,826,119	(715,959)	3,110,160	3,820,293	(544,839)	3,275,454

d) Outstanding claims and reserves

(SAR'000)	2019			2018		
	Gross	Reinsurers share	Net	Gross	Reinsurers share	Net
Balance, January 1	4,962,611	(2,917,646)	2,044,965	4,212,281	(1,766,484)	2,445,797
Claims paid	(6,975,158)	1,302,342	(5,672,816)	(7,819,527)	847,028	(6,972,499)
Claims incurred	7,625,852	(1,812,866)	5,812,986	8,569,857	(1,998,190)	6,571,667
Balance, December 31	5,613,305	(3,428,170)	2,185,135	4,962,611	(2,917,646)	2,044,965
Outstanding claims	3,717,931	(3,100,446)	617,485	3,330,828	(2,725,809)	605,019
Salvage and subrogation	(33,040)	-	(33,040)	(59,672)	-	(59,672)
Gross outstanding claims	3,684,891	(3,100,446)	584,445	3,271,156	(2,725,809)	545,347
Incurred but not reported claims and other reserves	1,925,584	(327,724)	1,597,860	1,684,183	(191,837)	1,492,346
Premium deficiency reserve	2,830	-	2,830	7,272	-	7,272
Balance, December 31	5,613,305	(3,428,170)	2,185,135	4,962,611	(2,917,646)	2,044,965

There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. The management and external actuary had made a detailed assessment of technical reserves and the various parameters in the valuation of technical liabilities.

As at December 31, 2019, based on the recommendations of external actuary, management had recorded technical reserves (Gross outstanding claims and reserves) which amounted to SAR 5.6 billion (2018: SAR 4.9 billion). Significant portion of reserves relates to medical line of business. As at December 31, 2019 the Company booked four significant outstanding claims amounting to SAR 1.5 billion (2018: one claim of SAR 1.4 billion) with a reinsurance share of outstanding claim at 99% relating to property and casualty line of business.

11. REINSURERS' SHARE OF OUTSTANDING CLAIMS, NET

Reinsurers' share of outstanding claims comprise net amounts due from the following:

SAR'000	2019	2018
Reinsurers' share of insurance liabilities	3,434,638	2,923,716
Impairment provision	(6,468)	(6,070)
	3,428,170	2,917,646

Substantially all of the amounts due from reinsurers are expected to be received within twelve months of the date of the statement of financial position. Reinsurers share of outstanding claims are calculated in proportion to the related risk distribution pattern. Reinsurance arrangements are made with counterparties with sound credit ratings under Standard and Poor's ratings methodology and ratings as per other reputable agencies.

Amounts due from reinsurers relating to claims already paid by the Company are included in receivables, net (Note 12).

12. RECEIVABLES, NET

Receivables comprise net amounts due from the following:

SAR'000	2019	2018
Policyholders	668,599	778,456
Brokers and agents	806,205	757,943
Related parties (Note 27)	122,283	55,506
	1,597,087	1,591,905
Receivables from reinsurers	45,015	62,517
Administrative service plan	5,434	23,105
	1,647,536	1,677,527
Provision for doubtful receivables	(151,642)	(159,540)
Receivables, net	1,495,894	1,517,987

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

SAR'000	2019	2018
Balance, January 1	159,540	139,305
Provision for the year	28,844	20,235
Write-offs	(36,742)	-
Balance, December 31	151,642	159,540

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

SAR'000	Total	Neither past due nor impaired	Past due but not impaired			Past due and impaired		
			Less than 30 days	31 – 60 days	61 - 90 days	91 - 180 days	181 - 360 days	More than 360 days
2019								
Premium and reinsurance receivables								
• Policyholders'	668,599	485,953	7,452	9,755	14,348	24,386	47,046	79,659
• Brokers and agents	806,205	494,870	96,321	72,836	42,624	43,638	26,478	29,438
• Due from related parties	122,283	22,792	87,103	8,013	224	2,130	806	1,215
• Receivable from reinsurers	45,015	-	4,649	1,456	18,681	15,210	1,515	3,504
• Administrative service plan	5,434	-	2,970	-	-	-	-	2,464
Total	1,647,536	1,003,615	198,495	92,060	75,877	85,364	75,845	116,280

SAR'000	Total	Neither past due nor impaired	Past due but not impaired			Past due and impaired		
			Less than 30 days	31 – 60 days	61 - 90 days	91 - 180 days	181 - 360 days	More than 360 days
2018								
Premium and reinsurance receivables								
• Policyholders'	778,456	572,378	9,273	33,812	27,270	34,066	63,544	38,113
• Brokers and agents	757,943	439,035	54,301	28,208	101,593	81,644	35,962	17,200
• Due from related parties	55,506	34,289	7,666	5,152	294	2,950	3,752	1,403
• Receivable from reinsurers	62,517	-	5,063	13,272	5,825	16,613	15,460	6,284
• Administrative service plan	23,105	-	9,821	-	-	-	-	13,284
Total	1,677,527	1,045,702	86,124	80,444	134,982	135,273	118,718	76,284

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

Receivables comprise a large number of customers mainly within the Kingdom of Saudi Arabia and reinsurance companies mainly outside the Kingdom of Saudi Arabia. Receivables include an amount of SAR 418 million (2018: SAR 166 million) due in foreign currencies, mainly in US dollars. The Company's terms of business require amounts to be paid within 30 to 90 days of the date of the transaction. Arrangements with reinsurers normally require settlement within a certain agreed period. The five largest customers accounts for 42% (December 31, 2018: 28%) of the premiums receivable as at December 31, 2019.

13. STATUTORY DEPOSIT

In compliance with Article 58 of the Insurance Implementing Regulations of SAMA, the Company has deposited 10 percent of its share capital, amounting to SAR 125 million (December 31, 2018: SAR 125 million), in a bank designated by SAMA. The statutory deposit is maintained with the National Commercial Bank and can be withdrawn only with the consent of SAMA.

14. CASH AND CASH EQUIVALENTS

SAR'000	2019	2018
Insurance operations		
Mudaraba deposits	-	210,000
Banks balances and cash	1,297,401	907,258
Total	1,297,401	1,117,258
Shareholders Operations		
Mudaraba deposits	-	400,000
Banks balances and cash	9,149	82,982
Total	9,149	482,982
Total cash and cash equivalents	1,306,550	1,600,240

Mudaraba deposits are maintained with banks and financial institutions and have a maturity of three months or less from the date of acquisition. These earn commission at an average rate of nil per annum as at December 31, 2019 (2018: 3.99% per annum).

Bank balances and cash includes call account balance of SAR 1.2 million (December 31, 2018: SAR 65 million). Both bank balances and mudaraba deposits (including off-balance sheet exposures) are placed with counterparties with sound credit ratings under Standard and Poor's and Moody's ratings methodology.

15. INSURANCE OPERATIONS' SURPLUS AND DIVIDENDS DECLARED

Insurance Operations' surplus

The insurance operations' invests its surplus funds in investments as disclosed in Notes 7 and 8. Changes in the fair value of available-for-sale investments at December 31, 2019 are not considered as part of the net surplus available for distribution to policyholders. At the time such investments are sold or gains and losses are realized, they will be included in the statement of income - insurance operations and accumulated surplus.

16. CLAIMS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

SAR'000	2019	2018
Payables to policyholders	822,200	833,110
Payable - General Authority of Zakat and Tax	77,527	365,462
Accrued expenses	148,839	167,568
Marketing representative commissions	29,287	42,682
Manafeth share of profit distribution payable	57,378	56,939
Provision for leave encashment	13,486	13,341
Employees' savings plan	17,577	26,551
Other liabilities	8,688	9,070
	1,174,982	1,514,723

17. EMPLOYEE END OF SERVICE BENEFITS

The Company operates an end of service benefit plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made in accordance with the actuarial valuation under projected unit credit method while the benefit payments obligation is discharged as and when it falls due.

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

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

SAR'000	2019	2018
Present value of defined benefit obligation	129,480	133,276
Fair value of plan assets	-	-
	129,480	133,276

17.2 Movement of defined benefit obligation

SAR'000	2019	2018
Opening balance	133,276	119,242
Charge to statement of income	12,832	16,466
Charge to statement of comprehensive income	2,314	6,347
Payment of benefits during the year	(18,942)	(8,779)
Closing balance	129,480	133,276

17.3 Reconciliation of present value of defined benefit obligation

SAR'000	2019	2018
Present value of defined benefit obligation as at January 1	133,276	119,242
Current service costs	9,885	12,690
Financial costs	2,947	3,776
Actuarial loss from experience adjustments	2,314	6,347
Benefits paid during the year	(18,942)	(8,779)
Present value of defined benefit obligation as at December 31	129,480	133,276

17.4 Principal actuarial assumptions

The following range of significant actuarial assumptions was used by the Company for the valuation of post-employment benefit liability:

SAR'000	2019	2018
Valuation discount rate	3.00%	3.00%
Expected rate of increase in salary level across different age bands	0.5% - 6%	0.5% - 6%

17.5 Sensitivity analysis of actuarial assumptions

SAR'000	2019	2018
Valuation discount rate	Impact on defined benefit obligation	
• Increase by 0.5%	(4,679)	(4,599)
• Decrease by 0.5%	5,000	4,911
Expected rate of increase in salary level across different age bands		
• Increase by 0.5%	4,825	4,707
• Decrease by 0.5%	(4,337)	(4,458)

18. CLAIMS DEVELOPMENT TABLE

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

The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The IBNR estimate pertains to claims liability for the periods beginning from 2015 onwards whose claim experience has not been fully developed.

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

Claims development table gross of reinsurance:

(SR'000)

2019 (Accident year)	2014 & Earlier	2015	2016	2017	2018	2019	Total
Estimate of ultimate claims cost:							
At the end of accident year	22,065,276	4,862,126	5,004,460	5,842,642	7,423,498	5,946,045	
One year later	22,479,032	5,580,651	6,045,645	7,065,784	8,583,529		
Two years later	22,488,728	5,615,040	6,161,715	7,263,141			
Three years later	22,308,754	5,792,120	6,251,565				
Four years later	22,035,884	5,782,349					
Five years later	22,014,633						
Current estimate of cumulative claims	22,014,633	5,782,349	6,251,565	7,263,141	8,583,529	5,946,045	55,841,262
Cumulative payments to date	(21,850,162)	(5,630,004)	(6,029,679)	(6,927,581)	(7,152,701)	(4,533,204)	(52,123,331)
Liability recognized in statement of financial position	164,471	152,345	221,886	335,560	1,430,828	1,412,841	3,717,931
Salvage and subrogation							(33,040)
Incurred but not reported claims	24,295	6,187	8,452	38,529	408,229	1,439,892	1,925,584
Premium deficiency reserve							2,830
Outstanding claims and reserves							5,613,305

Claims development table gross of reinsurance:

(SR'000)

2018 (Accident year)	2013 & Earlier	2014	2015	2016	2017	2018	Total
Estimate of ultimate claims cost:							
At the end of accident year	17,754,607	3,669,909	4,862,126	5,004,460	5,842,642	7,423,498	
One year later	18,395,367	4,120,395	5,580,651	6,045,645	7,065,784		
Two years later	18,358,637	4,153,516	5,615,040	6,161,715			
Three years later	18,335,212	4,129,605	5,792,120				
Four years later	18,179,149	4,046,050					
Five years later	17,989,834						
Current estimate of cumulative claims	17,989,834	4,046,050	5,792,120	6,161,715	7,065,784	7,423,498	48,479,001
Cumulative payments to date	(17,898,396)	(3,949,883)	(5,604,378)	(5,998,251)	(6,715,694)	(4,981,571)	(45,148,173)
Liability recognized in statement of financial position	91,438	96,167	187,742	163,464	350,090	2,441,927	3,330,828
Salvage and subrogation							(59,672)
Incurred but not reported claims	12,676	3,098	6,648	38,305	212,175	1,411,281	1,684,183
Premium deficiency reserve							7,272
Outstanding claims and reserves							4,962,611

Claims development table net of reinsurance:

(SR'000)

2019 (Accident year)	2014 & Earlier	2015	2016	2017	2018	2019	Total
Estimate of ultimate claims cost:							
At the end of accident year	16,719,437	3,662,092	4,468,422	5,444,158	5,219,686	4,773,695	
One year later	17,243,737	4,288,552	5,423,773	6,521,216	5,952,086		
Two years later	17,286,926	4,341,976	5,618,128	6,693,505			
Three years later	17,275,386	4,342,816	5,631,093				
Four years later	17,252,807	4,341,711					
Five years later	17,247,845						
Current estimate of cumulative claims	17,247,845	4,341,711	5,631,093	6,693,505	5,952,086	4,773,695	44,639,935
Cumulative payments to date	(17,172,549)	(4,298,743)	(5,578,696)	(6,632,709)	(5,884,552)	(4,455,201)	(44,022,450)
Liability recognized in statement of financial position	75,296	42,968	52,397	60,796	67,534	318,494	617,485
Salvage and subrogation							(33,040)
Incurred but not reported claims	24,400	6,186	8,449	37,654	398,424	1,122,747	1,597,860
Premium deficiency reserve							2,830
Outstanding claims and reserves							2,185,135

Claims development table net of reinsurance:

(SR'000)

2018 (Accident year)	2013 & Earlier	2014	2015	2016	2017	2018	Total
Estimate of ultimate claims cost:							
At the end of accident year	12,866,989	3,206,828	3,662,092	4,468,422	5,444,158	5,219,686	
One year later	13,512,609	3,713,334	4,288,552	5,423,773	6,521,216		
Two years later	13,530,403	3,736,380	4,341,976	5,618,128			
Three years later	13,550,546	3,738,266	4,342,816				
Four years later	13,537,120	3,735,447					
Five years later	13,517,360						
Current estimate of cumulative claims	13,517,360	3,735,447	4,342,816	5,618,128	6,521,216	5,219,686	38,954,653
Cumulative payments to date	(13,467,091)	(3,705,316)	(4,295,489)	(5,557,860)	(6,449,683)	(4,874,195)	(38,349,634)
Liability recognized in statement of financial position	50,269	30,131	47,327	60,268	71,533	345,491	605,019
Salvage and subrogation							(59,672)
Incurred but not reported claims	12,312	3,481	6,655	38,233	204,275	1,227,390	1,492,346
Premium deficiency reserve							7,272
Outstanding claims and reserves							2,044,965

19. ZAKAT

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

SAR'000	2019	2018
Share capital	1,250,000	1,250,000
Reserves, opening provisions and other adjustments	1,494,664	1,979,831
Book value of long term assets	(438,440)	(403,407)
	2,306,224	2,826,424
Adjusted net income	376,042	(186,682)
Zakat @ 2.578% on Zakat base for the year ended 2019	59,454	-
Zakat @ 2.5% on Zakat base for the year ended 2018	-	70,661
Zakat @ 2.5% on adjusted net income	9,401	(4,667)
	68,855	65,994

As the zakat base for the year is higher than the zakatable income, the zakat for the year is calculated at 2.578% on the zakat base and 2.5% on adjusted net income for the year.

b) The movement in the zakat provision for the year was as follows:

SAR'000	2019	2018
Balance, January 1	237,080	233,318
Provided during the year	68,855	65,994
Charge for the prior years	5,724	-
Payments during the year	(56,105)	(62,232)
Balance, December 31	255,554	237,080

c) Status of Assessments:

The Company had filed Zakat returns with the General Authority of Zakat and Tax ("GAZT") for the years from 2005 to 2018. In relation to 2005 and 2006, the Company has settled the amount of SR 53 million in relation to the assessment raised by GAZT that was paid by the provision created against the assessment of those years. For the assessment of the years 2007 to 2013, GAZT issued a final demand order amounting to SR 235 million for zakat and withholding tax. The Company settled the agreed amount from the zakat and withholding tax provisions during July 2019. Furthermore, GAZT has yet to commence its review and assessments for the years 2014 and 2018. Management believes that, appropriate provisions have been created that finalization of the above mentioned assessments is not expected to have a material impact on the financial statements for the year ended 2019.

d) Change in accounting treatment in relation to zakat and income tax

The change in the accounting treatment for zakat and income tax (as explained in note 2 and 3(b)) has the following impact on the line items of the statements of income, comprehensive income and changes in shareholders' equity. There is no impact on the statement of financial position as at 31 December 2018 and statement of cash flows for the year then ended.

As at and for the year ended 31 December 2018 – SAR in '000

Financial statement impacted	Account	As previously stated for year ended 31 December 2018	Effect of restatement relating to zakat	As restated for year ended 31 December 2018
Statement of income	Zakat charge for the year	-	(65,994)	(65,994)
Statement of income	Basic and diluted loss per share	(1,71)	(0,52)	(2,23)
Statement of income and comprehensive income	Net loss attributable to the shareholders after zakat	(213,339)	(65,994)	(279,333)
Statement of change in shareholders' equity	Total comprehensive loss after zakat	(252,166)	(65,994)	(318,160)
Statement of change in shareholders' equity	Zakat charge for the year	(65,994)	65,994	-

20. SHARE CAPITAL

The authorized, issued and paid up capital of the Company is SAR 1.25 billion at December 31, 2019 (2018: SAR 1.25 billion) consisting of 125 million shares of SAR 10 each.

Shareholding structure of the Company is as below. The shareholders of the Company are subject to zakat.

2019			
	Authorized and issued		Paid up
	No. of Shares	SAR'000	
Held by the public	79,025,509	790,255	790,255
Public Pension Agency	23,612,685	236,127	236,127
General Organization for Social Insurance	22,361,806	223,618	223,618
	125,000,000	1,250,000	1,250,000

2018			
	Authorized and issued		Paid up
	No. of Shares	SAR'000	
Held by the public	66,713,009	667,130	667,130
Public Pension Agency	29,737,685	297,377	297,377
General Organization for Social Insurance	28,549,306	285,493	285,493
	125,000,000	1,250,000	1,250,000

21. LEGAL RESERVE

In accordance with the Articles of Association of the Company and in compliance with Article 70(2)(g) of the Insurance Implementing Regulations issued by SAMA, the Company is required to allocate 20% of its net income for the year to the legal reserve until it equals the value of share capital. This transfer is only made at the year end. The legal reserve is not available for distribution to the shareholders until the liquidation of the Company.

22. MANAFETH SHARED AGREEMENT

On January 13, 2015 together with 25 related insurance companies, the Company signed the Manafeth shared agreement relating to third party liability motor insurance which is effective from 1 January 2015. The agreement relates to motor insurance for vehicles entering the Kingdom of Saudi Arabia. The agreement was subsequently renewed for year starting from January 1, 2019 to December 31, 2019 with 26 related insurance companies.

The main terms of the above mentioned agreement are as follows:

- The Company obtains 15% management fee of the net result of the Manafeth portfolio;
- The Company obtains 4.25% of Manafeth's gross premiums written to cover the related indirect expenses; and
- The net result of the Manafeth portfolio after deducting the two above mentioned items is due to be shared equally by the Company and its related insurers.

23. INVESTMENT INCOME, NET

SAR'000	2019	2018
Insurance Operations		
Available-for-sale:		
• Dividend income	-	48,761
• Commission income	147,988	11,503
• Realized (loss)/ gain on sale (Note 7)	-	(32,764)
Investment income, net	147,988	27,500
Shareholders Operations		
Available-for-sale:		
• Dividend income	-	129,800
• Commission income	104,864	2,929
• Realized gain/ (loss) on sale (Note 7)	(27,991)	56,572
• Investment fees	(3,828)	-
Investment income, net	73,045	189,301
Total investment income, net	221,033	216,801

24. GENERAL AND ADMINISTRATIVE EXPENSES

SAR'000	2019	2018
Salaries and benefits	385,486	333,708
Advertising	24,769	9,704
Insurance, utilities and maintenance	16,591	10,976
Rent	6,662	5,217
Depreciation (Note 4)	24,449	22,313
Communications	9,398	9,415
Office supplies and printing	3,308	1,131
Training and education	4,210	2,857
Professional fees	30,137	11,159
Indirect cost charge of Manafeth	6,499	6,119
License and other charges	22,887	20,077
Others	42,857	65,436
	577,253	498,112

25. BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE

Basic and diluted earnings / (loss) per share have been calculated by dividing the income / (loss) for the year by 125 million shares.

26. ACCRUED INVESTMENT INCOME

The Company has recorded an accrued investment income on available for sale investments amounting to SAR 6.3 million (2018: SAR nil).

27. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors. The following are the details of the major related party transactions during the year and the related balances at December 31:

SAR'000	Amount of transactions for the year ended		Balance receivable / (payable) as at	
	2019	2018	2019	2018
Major shareholders				
Insurance premiums written	54,295	45,016	3,862	4,091
General Organization for Social Insurance - Other services	127	140	-	-
Rent Expenses Paid	131	-	-	-
Associates				
Insurance premium written	15,283	33,874	674	210
Najm fees paid	21,575	38,012	-	-
Waseel fees paid	17,433	17,289	-	-
United Insurance Co. fees and claims, net	11,887	11,814	2,663	3,712
Entities controlled, jointly controlled or significantly influenced by related parties				
Insurance premiums written	288,730	168,110	117,747	51,205
Rent expenses paid	740	620	561	-
Amount of claims paid to hospitals	52,937	63,341	(4,197)	(12,088)

In accordance with the Company's Articles of Association, the Board of Directors is entitled each year to remuneration up to 10% of the remaining profit from Shareholders' operations, as defined, based on a decision by the General Assembly.

Remuneration and compensation of BOD Members and Top Executives

The following table shows the annual salaries, remuneration and allowances obtained by the Board members and five top executives for the year ended December 31, 2019 and 2018:

SAR'000	BOD members (Executives)	BOD members (Non-Executive)	Top Executives including the CEO and CFO
2019			
Salaries and compensation	-	-	7,245
Allowances	-	822	2,992
Motivational plans	-	-	2,093
Annual remuneration	-	3,335	2,443
End of service indemnities	-	-	776
Total	-	4,157	15,549
2018			
Salaries and compensation	-	-	6,513
Allowances	-	750	2,989
Motivational plans	-	-	2,506
Annual remuneration	-	1,300	903
End of service indemnities	-	-	1,681
Total	-	2,050	14,592

28, FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or the most advantageous) market between market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique,

Determination of fair value and fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: quoted market price: financial instruments with quoted unadjusted prices for identical instruments in active markets,
- Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data,
- Level 3: valuation techniques for which any significant input is not based on observable market data,

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value,

SAR'000	Level 1	Level 2	Level 3	Total
2019				
Available-for- sale investments				
Insurance operations				
Mutual funds	-	53,165	-	53,165
Fixed income portfolio (Governments and corporations securities)	-	1,213,310	-	1,213,310
Discretionary Portfolio Management – Equity shares	157,084	-	-	157,084
Sukuks	-	-	6,341	6,341
Funds placed with portfolio manager	81,624	-	-	81,624
	238,708	1,266,475	6,341	1,511,524
Shareholders operations				
Mutual funds	-	-	651,917	651,917
Fixed income portfolio (Governments and corporations securities)	-	388,344	-	388,344
Discretionary Portfolio Management – Equity shares	122,723	-	-	122,723
Funds placed with portfolio manager	72,240	-	-	72,240
	194,963	388,344	651,917	1,235,224
Total	433,671	1,654,819	658,258	2,746,748

SAR'000	Level 1	Level 2	Level 3	Total
2018				
Available-for- sale investments				
Insurance operations				
Mutual funds	-	191,404	-	191,404
Fixed income portfolio (Governments and corporations securities)	-	790,304	-	790,304
Sukuks	-	-	225,140	225,140
Funds placed with portfolio manager	28,059	-	-	28,059
	28,059	981,708	225,140	1,234,907
Shareholders operations				
Mutual funds	-	609,270	601,628	1,210,898
Fixed income portfolio (Governments and corporations securities)	-	358,557	-	358,557
Sukuks	-	-	90,000	90,000
Funds placed with portfolio manager	10,768	-	-	10,768
	10,768	967,827	691,628	1,670,223
Total	38,827	1,949,535	916,768	2,905,130

The valuation of each publicly traded investment classified under level 1 is based upon the closing market price of that stock as of the valuation date, less a discount if the security is restricted. Fair values of private equity funds and mutual funds classified in Level 3 are determined based on the investees' latest reported net assets values as at the date of statement of financial position taking into account the fair value of underlying investments by the fund. As at December 31, 2019 the Company has invested an amount of SAR 2.5 billion (2018: SAR 2.3 billion) classified under available for sale investments in Shariah Notes issued by Cayman Sharia Vehicle. The underlying investments such as private equity funds are classified under Level 3, valued based on latest reported net assets values and fund administrator reports whereas, the fair value of Level 2 fixed income investments and funds are taken from reliable and third party sources including Reuters, Bloomberg, etc. Fair values of other investments (including sukus) classified in Level 3 are determined based on discounted cash flows, which incorporate assumptions regarding an appropriate credit spread. There were no transfers in between levels during the year ended December 31, 2019 and 2018.

The fair values of statutory deposits, accrued investment income on statutory deposit, mudaraba/ murabaha deposits, bank balances and other financial assets in statement of financial position which are carried at amortized cost, are not significantly different from the carrying values included in the financial statements due to the short term nature of balances.

Reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy

SAR'000	Balance January 1	Purchases	Sales	Total gain or loss recognized in		Balance December 31
				Statement of income	Other comprehensive income	
December 31, 2019						
<u>Insurance operations</u>						
Sukuks	225,140	-	(218,799)	-	-	6,341
	225,140	-	(218,799)	-	-	6,341
<u>Shareholders operations</u>						
Mutual funds	601,629	37,500	(55,154)	(26,846)	94,788	651,917
Sukuks	90,000	-	(90,000)	-	-	-
	691,629	37,500	(145,154)	(26,846)	94,788	651,917
Total	916,769	37,500	(363,953)	(26,846)	94,788	658,258

SAR'000	Balance January 1	Purchases	Sales	Total gain or loss recognized in		Balance December 31
				Statement of income	Other comprehensive income	
December 31, 2018						
<u>Insurance operations</u>						
Mutual fund	2,637,325	928,066	(3,667,918)	16,318	86,209	-
Sukuks	281,860	-	(56,720)	-	-	225,140
	2,919,185	928,066	(3,724,638)	16,318	86,209	225,140
<u>Shareholders operations</u>						
Mutual funds	2,425,439	937,028	(3,005,602)	185,388	59,376	601,629
Sukuks	100,000	-	(10,000)	-	-	90,000
	2,525,439	937,028	(3,015,602)	185,388	59,376	691,629
Total	5,444,624	1,865,094	(6,740,240)	201,706	145,585	916,769

The below table shows significant unobservable inputs used in the valuation of level 3 investments.

Description	Fair value as at Dec 31, 2019 (SR)	Fair value as at Dec 31, 2018 (SR)	Unobservable Inputs	Range of inputs 2019 & 2018	Relationships of unobservable inputs to fair value
Unquoted Bonds and Sukuks	6,341	315,140	Assumption of credit spreads, rates, etc.	+/- 0.1%	Increased risk premium of 10 bps will have a change in fair value of these debt securities of SR 0.06 million (2018: SR 1.2 million.)
Mutual funds	651,917	601,629	Fund administrator report based on NAV	N/A	N/A

Sensitivity analysis of Level 3 investments

SAR'000	Sensitivity factor	Impact on fair value due to increase in sensitivity factor	Impact on fair value due to decrease in sensitivity factor
December 31, 2019			
<u>Insurance Operations</u>			
Sukuks	+/- 10% change in credit spread	634	(634)
<u>Shareholders operations</u>			
Mutual funds	+/- 2% change in NAV per unit	13,038	(13,038)
December 31, 2018			
<u>Insurance Operations</u>			
Sukuks	+/- 10% change in credit spread	22,514	(22,514)
<u>Shareholders operations</u>			
Mutual funds	+/- 2% change in NAV per unit	12,033	(12,033)
Sukuks	+/- 10% change in credit spread	9,000	(9,000)

29. OPERATING SEGMENTS

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

Segment assets do not include insurance operations' property and equipment, prepayments and other assets, receivables, net and cash and cash equivalents. Accordingly, they are included in unallocated assets. Segment liabilities do not include surplus distribution payable, due to shareholders operations, reinsurance balances payable, claims payable, accrued expenses and other liabilities and fair value reserve for available-for-sale investments. Accordingly, they are included in unallocated liabilities.

These unallocated assets and liabilities (including the related charges for provision for doubtful debts on premiums receivable and depreciation on the property and equipment) are not reported to chief operating decision maker under related segments and are monitored on a centralized basis.

2019								SAR'000
Operating Segments	Medical	Motor	Manafeth	Property & casualty	Protection & Savings	Total - Insurance operations	Total Shareholders' operations	Total
REVENUES								
Gross premiums written								
• Retail	31,612	550,946	152,927	25,472	419	761,376		761,376
• Micro Enterprises	232,100	16,600	-	47,696	-	296,396		296,396
• Small Enterprises	303,452	14,951	-	22,748	195	341,346		341,346
• Medium Enterprises	401,940	19,882	-	17,744	1,073	440,639		440,639
• Corporates	4,967,790	36,268	-	1,507,435	24,610	6,536,103		6,536,103
	5,936,894	638,647	152,927	1,621,095	26,297	8,375,860		8,375,860
• Reinsurance ceded - local	-	-	-	(72,861)	(16,887)	(89,748)		(89,748)
• Reinsurance ceded - international	(97,870)	-	-	(1,455,877)	(6,693)	(1,560,440)		(1,560,440)
Fees income from takaful	-	-	-	-	6,666	6,666		6,666
Excess of loss premiums	-	(12,895)	(1,958)	(5,461)	-	(20,314)		(20,314)
Net premiums written	5,839,024	625,752	150,969	86,896	9,383	6,712,024		6,712,024
Changes in unearned premiums, net	155,397	1,532	(2,583)	10,636	312	165,294		165,294
Net premiums earned	5,994,421	627,284	148,386	97,532	9,695	6,877,318		6,877,318
Reinsurance commissions	2,777	148	-	119,513	-	122,438		122,438
Other underwriting income	-	10,530	-	-	-	10,530		10,530
TOTAL REVENUES	5,997,198	637,962	148,386	217,045	9,695	7,010,286		7,010,286
UNDERWRITING COSTS AND EXPENSES								
Gross claims paid and related expenses	5,370,659	336,889	26,685	1,227,345	13,580	6,975,158		6,975,158
Reinsurers' share of claims paid	(80,163)	(8,131)	-	(1,201,662)	(12,386)	(1,302,342)		(1,302,342)
Net claims paid	5,290,496	328,758	26,685	25,683	1,194	5,672,816		5,672,816
Changes in outstanding claims, net	639	41,801	3,551	(5,776)	(1,117)	39,098		39,098
Changes in incurred but not reported claims reserve, net	153,124	(46,280)	(325)	(1,128)	123	105,514		105,514
Changes in premium deficiency reserves	(4,510)	-	-	34	34	(4,442)		(4,442)
Net claims and other benefits incurred	5,439,749	324,279	29,911	18,813	234	5,812,986		5,812,986
Changes in reserve for takaful activities	-	-	-	-	(3,684)	(3,684)		(3,684)
Policy acquisition costs	200,652	86,264	32,413	39,719	925	359,973		359,973
Other underwriting expenses	54,880	(28,060)	11,295	(26,349)	1,912	13,678		13,678
Manafeth insurance share distribution	-	-	57,378	-	-	57,378		57,378
TOTAL UNDERWRITING COSTS AND EXPENSES	5,695,281	382,483	130,997	32,183	(613)	6,240,331		6,240,331
NET UNDERWRITING INCOME	301,917	255,479	17,389	184,862	10,308	769,955		769,955
General and administrative expenses						(569,103)	(8,150)	(577,253)
Allowance for doubtful debts						(28,844)	-	(28,844)
Dividend and realized gain on investments, net						147,988	73,045	221,033
Share of profit from investments in associates, net						2,437	28,723	31,160
Other income						20,397	-	20,397
NET INCOME FOR THE YEAR BEFORE ZAKAT						342,830	93,618	436,448

2018								SAR'000
Operating Segments	Medical	Motor	Manafeth	Property & casualty	Protection & Savings	Total - Insurance operations	Total Shareholders' operations	Total
REVENUES								
Gross premiums written								
• Retail	47,620	570,741	143,985	22,361	-	784,707		784,707
• Micro Enterprises	193,629	21,095	-	18,250	-	232,974		232,974
• Small Enterprises	193,327	16,193	-	14,097	211	223,828		223,974
• Medium Enterprises	294,646	23,316	-	18,019	1,476	337,457		337,457
• Corporates	5,000,883	40,765	-	995,541	25,090	6,062,279		6,062,279
	5,730,105	672,110	143,985	1,068,268	26,777	7,641,245		7,641,245
• Reinsurance ceded - local	-	-	-	(45,160)	-	(45,160)		(45,160)
• Reinsurance ceded - international	(94,689)	-	-	(934,496)	(23,758)	(1,052,943)		(1,052,943)
Fees income from takaful	-	-	-	-	8,534	8,534		8,534
Excess of loss premiums	-	(18,054)	(2,935)	(3,598)	-	(24,587)		(24,587)
Net premiums written	5,635,416	654,056	141,050	85,014	11,553	6,527,089		6,527,089
Changes in unearned premiums, net	163,832	346,495	2,919	25,722	(303)	538,665		538,665
Net premiums earned	5,799,248	1,000,551	143,969	110,736	11,250	7,065,754		7,065,754
Reinsurance commissions	2,545	135	-	108,983	-	111,663		111,663
Other underwriting income	-	10,435	-	-	-	10,435		10,435
TOTAL REVENUES	5,801,793	1,011,121	143,969	219,719	11,250	7,187,852		7,187,852
UNDERWRITING COSTS AND EXPENSES								
Gross claims paid and related expenses	6,361,675	647,299	29,035	762,174	19,344	7,819,527		7,819,527
Reinsurers' share of claims paid	(94,015)	(10,297)	-	(725,236)	(17,480)	(847,028)		(847,028)
Net claims paid	6,267,660	637,002	29,035	36,938	1,864	6,972,499		6,972,499
Changes in outstanding claims, net	(474,503)	11,845	6,284	1,956	278	(454,140)		(454,140)
Changes in incurred but not reported claims reserve, net	227,175	(24,255)	(9,546)	(10,355)	265	183,284		183,284
Changes in premium deficiency reserves	(132,738)	-	-	2,762	-	(129,976)		(129,976)
Net claims and other benefits incurred	5,887,594	624,592	25,773	31,301	2,407	6,571,667		6,571,667
Changes in reserve for takaful activities	-	-	-	-	(1,886)	(1,886)		(1,886)
Policy acquisition costs	208,383	102,865	31,892	45,986	1,415	390,541		390,541
Other underwriting expenses	92,173	3,788	11,155	28,890	1,858	137,864		137,864
Manafeth insurance share distribution	-	-	56,939	-	-	56,939		56,939
TOTAL UNDERWRITING COSTS AND EXPENSES	6,188,150	731,245	125,759	106,177	3,794	7,155,125		7,155,125
NET UNDERWRITING INCOME	(386,357)	279,876	18,210	113,542	7,456	32,727		32,727
General and administrative expenses						(493,483)	(4,629)	(498,112)
Allowance for doubtful debts						(20,235)	-	(20,235)
Dividend and realized gain on investments, net						27,500	189,301	216,801
Share of profit from investments in associates, net						900	28,798	29,698
Other income						25,782	-	25,782
NET INCOME FOR THE YEAR BEFORE ZAKAT						(426,809)	213,470	(213,339)

As at December 31, 2019								SAR'000
Operating Segments	Medical	Motor	Manafeth	Property & casualty	Protection & Savings	Total - Insurance operations	Total - Shareholders' operations	Total
Assets								
Reinsurer's share of unearned premiums	51,951	-	-	659,903	4,105	715,959		715,959
Reinsurer's share of incurred but not reported claims	24,365	13,017	-	285,815	4,527	327,724		327,724
Reinsurer's share of outstanding claims	22	20,581	5,241	3,057,935	16,667	3,100,446		3,100,446
Deferred excess of loss premiums	-	2,650	-	5,064	-	7,714		7,714
Deferred policy acquisition costs	84,932	21,645	1,431	12,447	390	120,845		120,845
Investments (including investment property, mudaraba deposit, investments in associates and accrued investment income)						3,113,846	3,289,992	6,403,838
Receivables, net						1,495,894		1,495,894
Cash and cash equivalents						1,297,401	9,149	1,306,550
Unallocated assets						8,002	127,513	635,515
Total assets	161,270	57,893	6,672	4,021,164	25,689	10,687,831	3,426,654	14,114,485
Liabilities								
Gross unearned premiums	2,753,711	325,978	26,646	714,976	4,808	3,826,119		3,826,119
Gross outstanding claims	256,389	196,625	20,884	3,193,319	17,674	3,684,891		3,684,891
Incurred but not reported claims reserve	1,435,946	161,438	13,597	309,688	4,915	1,925,584		1,925,584
Premium deficiency reserve	-	-	-	2,796	34	2,830		2,830
Unearned commission income	1,271	-	-	41,170	882	43,323		43,323
Reserve for takaful activities	-	-	-	-	5,006	5,006		5,006
Reinsurers' balances payable						523,820		523,820
Unallocated liabilities						1,334,585	268,638	1,603,223
Total liabilities	4,447,317	684,041	61,127	4,261,949	33,319	11,346,158	268,638	11,614,796

As at December 31, 2018								SAR'000
Operating Segments	Medical	Motor	Manafeth	Property & casualty	Protection & Savings	Total - Insurance operations	Total - Shareholders' operations	Total
Assets								
Reinsurer's share of unearned premiums	52,826	-	-	485,213	6,800	544,839		544,839
Reinsurer's share of incurred but not reported claims	23,327	-	-	166,213	2,297	191,837		191,837
Reinsurer's share of outstanding claims	667	18,382	2,000	2,680,763	23,997	2,725,809		2,725,809
Deferred excess of loss premiums	-	6,123	-	2,652	-	8,775		8,775
Deferred policy acquisition costs	93,533	22,520	1,312	12,793	493	130,651		130,651
Investments (including investment property, mudaraba deposit, investments in associates and accrued investment income)						2,640,189	2,609,043	5,249,232
Receivables, net						1,517,987	-	1,517,987
Cash and cash equivalents						1,117,258	482,982	1,600,240
Unallocated assets						530,954	127,254	658,208
Total assets	170,353	47,025	3,312	3,347,634	33,587	9,408,299	3,219,279	12,627,578
Liabilities								
Gross unearned premiums	2,909,983	327,510	24,063	550,922	7,815	3,820,293		3,820,293
Gross outstanding claims	256,395	152,625	14,092	2,821,923	26,121	3,271,156		3,271,156
Incurred but not reported claims reserve	1,281,784	194,701	13,922	191,214	2,562	1,684,183		1,684,183
Premium deficiency reserve	4,510	-	-	2,762	-	7,272		7,272
Unearned commission income	1,291	-	-	36,265	1,743	39,299		39,299
Reserve for takaful activities	-	-	-	-	8,690	8,690		8,690
Reinsurers' balances payable						94,720		94,720
Unallocated liabilities						1,640,177	253,567	1,893,744
Total liabilities	4,453,963	674,836	52,077	3,603,086	46,931	10,565,790	253,567	10,819,357

30. SUPPLEMENTARY INFORMATION

a) Statement of financial position

SAR'000	As at December 31, 2019			As at December 31, 2018		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
ASSETS						
Statutory deposit	-	125,000	125,000	-	125,000	125,000
Accrued income on statutory deposit	-	2,513	2,513	-	2,254	2,254
Property and equipment, net	260,119	-	260,119	266,233	-	266,233
Intangible assets	3,971	-	3,971	3,633	-	3,633
Investment property	9,861	-	9,861	9,861	-	9,861
Investments in associates	10,358	91,162	101,520	7,921	87,195	95,116
Available for sale investments	1,511,524	1,235,224	2,746,748	1,234,907	1,670,223	2,905,130
Mudaraba/ Murabaha deposits	1,577,912	1,961,464	3,539,376	1,387,500	851,625	2,239,125
Due from/ to Shareholder's operations	758,558	(758,558)	-	1,066,659	(1,066,659)	-
Prepaid expenses and other assets	243,912	-	243,912	261,088	-	261,088
Deferred excess of loss premiums	7,714	-	7,714	8,775	-	8,775
Deferred policy acquisition costs	120,845	-	120,845	130,651	-	130,651
Reinsurers' share of gross outstanding claims	3,100,446	-	3,100,446	2,725,809	-	2,725,809
Reinsurers' share of incurred but not reported claims	327,724	-	327,724	191,837	-	191,837
Reinsurers' share of unearned premiums	715,959	-	715,959	544,839	-	544,839
Receivables, net	1,495,894	-	1,495,894	1,517,987	-	1,517,987
Accrued investment income	4,191	2,142	6,333	-	-	-
Cash and cash equivalents	1,297,401	9,149	1,306,550	1,117,258	482,982	1,600,240
TOTAL ASSETS	11,446,389	2,668,096	14,114,485	10,474,958	2,152,620	12,627,578

SAR'000	As at December 31, 2019			As at December 31, 2018		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
LIABILITIES						
Surplus distribution payable	34,283	-	34,283	-	-	-
End-of-service indemnities	129,480	-	129,480	133,276	-	133,276
Return payable on statutory deposit	-	2,513	2,513	-	2,254	2,254
Claims payable, accrued expenses and other liabilities	1,170,822	4,160	1,174,982	1,506,901	7,822	1,514,723
Reserve for takaful activities	5,006	-	5,006	8,690	-	8,690
Gross outstanding claims	3,684,891	-	3,684,891	3,271,156	-	3,271,156
Incurred but not reported claims reserve	1,925,584	-	1,925,584	1,684,183	-	1,684,183
Premium deficiency reserve	2,830	-	2,830	7,272	-	7,272
Unearned commission income	43,323	-	43,323	39,299	-	39,299
Gross unearned premiums	3,826,119	-	3,826,119	3,820,293	-	3,820,293
Reinsurers' balances payable	523,820	-	523,820	94,720	-	94,720
Dividends payable	-	6,411	6,411	-	6,411	6,411
Zakat	-	255,554	255,554	-	237,080	237,080
TOTAL LIABILITIES	11,346,158	268,638	11,614,796	10,565,790	253,567	10,819,357
EQUITY						
Share capital	-	1,250,000	1,250,000	-	1,250,000	1,250,000
Legal reserve	-	1,065,517	1,065,517	-	1,000,000	1,000,000
Fair value reserve for investments	114,771	52,701	167,472	(78,606)	(120,118)	(198,724)
Remeasurements of defined benefit obligation	(14,540)	-	(14,540)	(12,226)	-	(12,226)
Retained earnings	-	31,240	31,240	-	(230,829)	(230,829)
TOTAL EQUITY	100,231	2,399,458	2,499,689	(90,832)	1,899,053	1,808,221
TOTAL LIABILITIES AND EQUITY	11,446,389	2,668,096	14,114,485	10,474,958	2,152,620	12,627,578

b) Statement of income

SAR'000	2019			2018		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
REVENUES						
Gross premiums written	8,375,860		8,375,860	7,641,245		7,641,245
Reinsurance premium ceded	(1,650,188)		(1,650,188)	(1,098,103)		(1,098,103)
Fees income from takaful	6,666		6,666	8,534		8,534
Excess of loss premiums	(20,314)		(20,314)	(24,587)		(24,587)
Net premiums written	6,712,024		6,712,024	6,527,089		6,527,089
Changes in unearned premiums, net	165,294		165,294	538,665		538,665
Net premiums earned	6,877,318		6,877,318	7,065,754		7,065,754
Reinsurance commissions	122,438		122,438	111,663		111,663
Other underwriting income	10,530		10,530	10,435		10,435
Total revenues	7,010,286		7,010,286	7,187,852		7,187,852
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	6,955,833		6,955,833	7,800,323		7,800,323
Expenses incurred related to claims	19,325		19,325	19,204		19,204
Reinsurance share of claims paid	(1,302,342)		(1,302,342)	(847,028)		(847,028)
Net claims and other benefits paid	5,672,816		5,672,816	6,972,499		6,972,499
Changes in outstanding claims, net	39,098		39,098	(454,140)		(454,140)
Changes in incurred but not reported claims, net	105,514		105,514	183,284		183,284
Changes in premium deficiency reserves	(4,442)		(4,442)	(129,976)		(129,976)
Net claims and other benefits incurred	5,812,986		5,812,986	6,571,667		6,571,667
Changes in reserves for takaful activities	(3,684)		(3,684)	(1,886)		(1,886)
Policy acquisition costs	359,973		359,973	390,541		390,541
Other underwriting expenses	13,678		13,678	137,864		137,864
Manafeth Insurers share	57,378		57,378	56,939		56,939
Total underwriting costs and expenses	6,240,331		6,240,331	7,155,125		7,155,125
Net underwriting income	769,955		769,955	32,727		32,727
General and administrative expenses	(569,103)	(8,150)	(577,253)	(493,483)	(4,629)	(498,112)
Allowance for doubtful debts	(28,844)	-	(28,844)	(20,235)	-	(20,235)
Dividend and realized gain on investments, net	147,988	73,045	221,033	27,500	189,301	216,801
Share of profit from investments in associates, net	2,437	28,723	31,160	900	28,798	29,698
Other income, net	20,397	-	20,397	25,782	-	25,782
Net income / (loss) for the year before appropriation	342,830	93,618	436,448	(426,809)	213,470	(213,339)
Net income / (loss) transferred to shareholders' operations	(308,547)	308,547	-	426,809	(426,809)	-
Net income / (loss) for the year after Shareholders' appropriations and before Zakat	34,283	402,165	436,448	-	(213,339)	(213,339)
Zakat	-	(74,579)	(74,579)	-	(65,994)	(65,994)
Net income for the year after Shareholders' appropriations and after Zakat	34,283	327,586	361,869	-	(279,333)	(279,333)

c) Statement of comprehensive income

SAR'000	2019			2018		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
Net income/ (loss) for the year	34,283	327,586	361,869	-	(279,333)	(279,333)
Other comprehensive income:						
Not To be recycled back to statement of income in subsequent years:						
Remeasurements of defined benefit obligation	(2,314)	-	(2,314)	(6,347)	-	(6,347)
To be recycled back to statement of income in subsequent years:						
Available for sale investments						
• Net change in fair value	193,377	143,375	336,752	(30,865)	21,802	(9,063)
• Net amounts recycled to statement of income	-	27,991	27,991	32,764	(56,572)	(23,808)
Share of other comprehensive income of investments in associates	-	1,453	1,453	-	391	391
Total comprehensive income / (loss) for the year	225,346	500,405	725,751	(4,448)	(313,712)	(318,160)
Reconciliation:						
Less: Net income attributable to insurance operations transferred to surplus distribution payable			(34,283)			-
Total comprehensive income / (loss) for the year			691,468			(318,160)

d) Statement of cash flows

SAR'000	2019			2018		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
Operating activities:						
Net income / (loss) for the year	-	402,165	402,165	-	(213,339)	(213,339)
Adjustments for non-cash items:						
Depreciation	24,449	-	24,449	22,313	-	22,313
Amortization of intangible assets	6,128	-	6,128	7,488	-	7,488
Loss on sale of property and equipment	36	-	36	-	-	-
(Reversal for) / allowance for doubtful debts and written off	(7,898)	-	(7,898)	20,235	-	20,235
Loss / (gain) on sale of available-for-sale investments	-	27,991	27,991	32,764	(56,572)	(23,808)
Share of profit from investments in associates, net	(2,437)	(28,723)	(31,160)	(900)	(28,798)	(29,698)
Provision for end-of-service indemnities	12,832	-	12,832	16,466	-	16,466
	33,110	401,433	434,543	98,366	(298,709)	(200,343)
Changes in operating assets and liabilities:						
Prepaid expenses and others assets	17,176	-	17,176	(71,469)	1,750	(69,719)
Deferred excess of loss premiums	1,061	-	1,061	2,518	-	2,518
Deferred policy acquisition costs	9,806	-	9,806	40,139	-	40,139
Reinsurers' share of outstanding claims	(374,637)	-	(374,637)	(1,350,532)	-	(1,350,532)
Reinsurers' share of claims incurred but not reported	(135,887)	-	(135,887)	199,370	-	199,370
Reinsurers' share of unearned premiums	(171,120)	-	(171,120)	46,286	-	46,286
Receivables, net	29,991	-	29,991	719,456	-	719,456
Reinsurers' balances payable	429,100	-	429,100	(113,202)	-	(113,202)
Gross unearned premiums	5,826	-	5,826	(584,951)	-	(584,951)
Unearned commission income	4,024	-	4,024	(14,362)	-	(14,362)
Gross outstanding claims and reserves	413,735	-	413,735	896,392	-	896,392
Claims incurred but not reported reserves	241,401	-	241,401	(16,086)	-	(16,086)
Premium deficiency reserve	(4,442)	-	(4,442)	(129,976)	-	(129,976)
Reserve for takaful activities	(3,684)	-	(3,684)	(1,886)	-	(1,886)
Accrued expenses and other liabilities	(336,079)	(3,662)	(339,741)	217,628	3,822	221,450
	159,381	397,771	557,152	(62,309)	(293,137)	(355,446)
End-of-service indemnities paid	(18,942)	-	(18,942)	(8,779)	-	(8,779)
Surplus payable to policyholders	34,283	-	34,283	-	-	-
Net cash from / (used in) operating activities	174,722	397,771	572,493	(71,088)	(293,137)	(364,225)
Investing activities:						
Proceeds from sale of available-for-sale investments	430,787	992,865	1,423,652	3,479,443	2,992,474	6,471,917
Purchase of available-for-sale investments	(514,027)	(414,491)	(928,518)	(1,784,785)	(2,076,116)	(3,860,901)
Proceeds from Murabaha deposits	5,344,434	4,253,068	9,597,502	-	82,035	82,035
Placement in Mudaraba/ Murabaha deposits	(5,534,846)	(5,362,907)	(10,897,753)	(1,387,500)	(851,625)	(2,239,125)
Accrued investment income	(4,191)	(2,142)	(6,333)	71,739	86,354	158,093
Dividends received from investments in associates	-	26,209	26,209	-	30,441	30,441
Purchase of property and equipment	(18,371)	-	(18,371)	(9,495)	-	(9,495)
Purchase of intangible assets	(6,466)	-	(6,466)	(3,468)	-	(3,468)
Net cash (used in) / from investing activities	(302,680)	(507,398)	(810,078)	365,934	263,563	629,497

d) Statement of cash flows (Continued)

SAR'000	2019			2018		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
Financing activities:						
Dividends paid	-	-	-	-	(3)	(3)
Zakat paid during the year	-	(56,105)	(56,105)	-	(62,232)	(62,232)
Due to shareholders	308,101	(308,101)	-	(292,732)	292,732	-
Net cash from / (used in) financing activities	308,101	(364,206)	(56,105)	(292,732)	230,497	(62,235)
Net change in cash and cash equivalents	180,143	(473,833)	(293,690)	2,114	200,923	203,037
Cash and cash equivalents, beginning of the year	1,117,258	482,982	1,600,240	1,115,144	282,059	1,397,203
Cash and cash equivalents, end of the year	1,297,401	9,149	1,306,550	1,117,258	482,982	1,600,240
Non-cash supplemental information:						
Changes in fair value for available-for-sale investments	193,377	171,366	364,743	1,899	(34,770)	(32,871)
Share of other comprehensive income of associates	-	1,453	1,453	-	391	391
Loss on remeasurements of defined benefit obligation	(2,314)	-	(2,314)	(6,347)	-	(6,347)

31. RISK MANAGEMENT**(a) Insurance risk**

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid being greater than originally estimated and subsequent development of long-term claims.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements.

Significant portion of reinsurance business ceded is placed on treaty and facultative basis with retention limits varying by product lines. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurance assets.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements.

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risks, civil riots etc. The Company manages these risk through the measures described above. The company has limited its risk by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management.

Concentration of insurance risk

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

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

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

Sources of uncertainty in estimation of future claim payments

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

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

Process used to decide on assumptions

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

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

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

Sensitivity analysis

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

A hypothetical 10% change in the claim ratio, net of reinsurance, would impact income from insurance operations as follows;

SAR'000	2019	2018
Impact of change in claim ratio by + / - 10%		
Medical	166,795	152,108
Motor	35,371	35,496
Manafeth	2,924	2,601
Property and casualty	16,205	16,892
Protection & Savings	143	238
	221,438	207,335

(b) Reinsurance risk

In order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for reinsurance purposes.

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

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

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

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

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

(c) Market Risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market commission rates or the market price of securities or the instrument, change in market sentiments, speculative activities, supply and demand for securities and liquidity in the market.

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

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

Currency Risk

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

The currency exposures of available-for-sale investments are set out below:

SAR'000	2019	2018
Insurance Operations		
Saudi Arabian Riyals and GCC currencies	1,747,078	226,013
US Dollars	1,342,358	2,396,394
	3,089,436	2,622,407
Shareholders Operations		
Saudi Arabian Riyals and GCC currencies	2,289,492	305,652
US Dollars	907,196	2,216,196
	3,196,688	2,521,848

The Company's transactions are principally in Saudi Arabian Riyals and US Dollar. Majority of the reinsurance payables are in US Dollars. Management monitors the fluctuations in currency exchange rates and acts accordingly and believes that the foreign currency risk is not significant.

Commission Rate Risk

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

An increase or decrease of 100 basis points in interest yields would result in a change in the loss for the year of SAR 3.6 million (2018: SAR 3.8 million).

The commission and non-commission bearing investments of the Company and their maturities as at December 31, 2019 and 2018 are as follows:

SAR'000	Less than 1 year	More than 1 year	Non- commission bearing	Total
Insurance Operations				
2019				
Mudaraba/ Murabaha deposits	1,577,912	-	-	1,577,912
Available for sale investments	-	1,219,651	291,873	1,511,524
Cash and cash equivalent	-	-	1,297,401	1,297,401
Total	1,577,912	1,219,651	1,589,274	4,386,837
2018				
Mudaraba/ Murabaha deposits	1,387,500	-	-	1,387,500
Available for sale investments	-	1,015,444	219,463	1,234,907
Cash and cash equivalent	210,000	-	907,258	1,117,258
Total	1,597,500	1,015,444	1,126,721	3,739,665
Shareholders Operations				
2019				
Mudaraba/ Murabaha deposits	1,961,464	-	-	1,961,464
Available for sale investments	-	388,344	846,880	1,235,224
Cash and cash equivalent	-	-	9,149	9,149
Total	1,961,464	388,344	856,029	3,205,837
2018				
Mudaraba/ Murabaha deposits	851,625	-	-	851,625
Available for sale investments	-	448,557	1,221,666	1,670,223
Cash and cash equivalent	400,000	-	82,982	482,982
Total	1,251,625	448,557	1,304,648	3,004,830

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from commission rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company's investments amounting SAR 332.9 million (2018: SAR nil) are susceptible to market price risk arising from uncertainty about the future value of invested securities. The Company limits this nature of market risk by diversifying its invested portfolio and by actively monitoring the developments in markets.

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

SAR'000	Fair value change	Effect on Company's income
December 31, 2019	+ / - 10%	33,297
December 31, 2018	+ / - 10%	-

The sensitivity analysis presented is based upon the portfolio position as at December 31, 2019 and 2018. Accordingly, the sensitivity analysis prepared is not necessarily indicative of the effect on the Company's assets of future movements in the value of investments held by the Company. The sensitivity of level 3 investments is disclosed in note 28.

(d) Credit Risk

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

SAR'000	2019	2018
ASSETS - INSURANCE OPERATIONS		
Cash and cash equivalents	1,297,401	1,117,258
Receivables, net	1,495,894	1,517,987
Available-for-sale investments	1,511,524	1,234,907
Mudaraba/ Murabaha deposits	1,577,912	1,387,500
Accrued investment income	4,191	-
Investment in associates	10,358	7,921
Other assets	243,912	261,088
Reinsurers' share of outstanding claims, net (including IBNR)	3,428,170	2,917,646
Total	9,569,362	8,444,307

SAR'000	2019	2018
ASSETS - SHAREHOLDERS OPERATIONS		
Cash and cash equivalents (Note 13)	9,149	482,982
Available-for-sale investments	1,235,224	1,670,223
Investment in associates	91,162	87,195
Murabaha deposits	1,961,464	851,625
Accrued investment income	2,142	-
Statutory deposit (including accrued income)	127,513	127,254
Total	3,426,654	3,219,279

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. Approximately 99% (2018: approximately 99%) of the Company's underwriting activities are carried out in Saudi Arabia. The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk. Also refer Note 12 for details. The Company has significant exposure amounting to SAR 2.5 billion (2018: SAR 2.3 billion) classified as available for sale investments in Shariah Notes issued by Castle Investments Limited (Refer Note 7).

Credit risk exposure investments

SAR '000	2019			2018		
	Investment Grade	Non-investment Grade	Unrated	Investment Grade	Non-investment Grade	Unrated
ASSETS - INSURANCE OPERATIONS						
Available-for-sale investments	1,511,524	-	-	1,234,907	-	-
Mudaraba/ Murabaha deposits	1,577,912	-	-	1,387,500	-	-
Receivables, net	-	-	1,495,894	-	-	1,517,987
Cash and cash equivalents	1,297,401	-	-	1,117,258	-	-
Total	4,386,837	-	1,495,894	3,739,665	-	1,517,987

(d) Credit Risk Exposure Investment (Continued)

SAR '000	2019			2018		
	Investment Grade	Non-investment Grade	Unrated	Investment Grade	Non-investment Grade	Unrated
ASSETS - SHAREHOLDERS OPERATIONS						
Available-for-sale investments	1,235,224	-	-	1,670,223	-	-
Mudaraba/ Murabaha deposits	1,961,464	-	-	851,625	-	-
Accrued investment income	2,142	-	-	-	-	-
Cash and cash equivalents	9,149	-	-	482,982	-	-
Total	3,207,979	-	-	3,004,830	-	-

(e) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet obligations and commitments associated with financial liabilities. The Company has a proper cash management system, where daily cash collections and payments are strictly monitored and reconciled on regular basis. The Company manages liquidity risk by maintaining maturities of financial assets and financial liabilities and investing in liquid financial assets.

The table below summarizes the maturities of the Company's discounted contractual obligations relating to financial assets and liabilities:

Maturity Profile	2019			2018		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
ASSETS - INSURANCE OPERATIONS						
Available-for-sale investments	1,511,524	-	1,511,524	1,234,907	-	1,234,907
Investments in associates	10,358	-	10,358	7,921	-	7,921
Mudaraba/ Murabaha deposits	1,577,912	-	1,577,912	1,387,500	-	1,387,500
Receivables, net	1,495,894	-	1,495,894	1,517,987	-	1,517,987
Prepaid expenses and other assets	243,912	-	243,912	261,088	-	261,088
Accrued investment income	4,191	-	4,191	-	-	-
Cash and cash equivalents	1,297,401	-	1,297,401	1,117,258	-	1,117,258
Reinsurers' share of outstanding claims	3,100,446	-	3,100,446	2,725,809	-	2,725,809
Reinsurers' share of Incurred but not reported claims	327,724	-	327,724	191,837	-	191,837
Total	9,569,362	-	9,569,362	8,444,307	-	8,444,307
LIABILITIES - INSURANCE OPERATIONS						
Reinsurers' balances payable	523,820	-	523,820	94,720	-	94,720
Gross outstanding claims	3,684,891	-	3,684,891	3,271,156	-	3,271,156
Incurred but not reported claims reserve	1,925,584	-	1,925,584	1,684,183	-	1,684,183
Premium deficiency reserve	2,830	-	2,830	7,272	-	7,272
Reserve for takaful activities	5,006	-	5,006	8,690	-	8,690
Claims payable, accrued expenses and other liabilities	1,170,822	-	1,170,822	1,506,901	-	1,506,901
End-of-service indemnities	-	129,480	129,480	-	133,276	133,276
Surplus distribution payable	34,283	-	34,283	-	-	-
	7,347,236	129,480	7,476,716	6,572,922	133,276	6,706,198
Total liquidity gap	2,222,126	(129,480)	2,092,646	1,871,385	(133,276)	1,738,109

(e) Liquidity risk (Continued)

SAR '000	2019			2018		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
ASSETS - SHAREHOLDERS OPERATIONS						
Available-for-sale investments	1,235,224	-	1,235,224	1,670,223	-	1,670,223
Investments in associates	91,162	-	91,162	87,195	-	87,195
Accrued investment income	2,142	-	2,142	-	-	-
Mudaraba / Murabaha deposits	1,961,464	-	1,961,464	851,625	-	851,625
Cash and cash equivalents	9,149	-	9,149	482,982	-	482,982
Total	3,299,141	-	3,299,141	3,092,025	-	3,092,025
LIABILITIES - SHAREHOLDERS OPERATIONS						
Dividends payable	6,411	-	6,411	6,411	-	6,411
Accrued expenses and other liabilities	4,160	-	4,160	7,822	-	7,822
	10,571	-	10,571	14,233	-	14,233
Total liquidity gap	3,288,570	-	3,288,570	3,077,792	-	3,077,792

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

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

- Available for sale investments include investments in mutual funds and sukuk and are held for cash management purposes and expected to be matured/ settled within 12 months from the balance sheet date.
- Accrued investment income is expected to be realized within 1 to 3 months from statement of financial position's date.
- Mudaraba/ Murabaha deposits classified as 'cash and cash equivalents' are deposits placed with high credit rating financial institutions with maturity of less than three months from the date of placement. Other mudaraba/ murabaha deposits are expected to be matured within six months from the date of placement.
- Cash and bank balances are available on demand.
- Reinsurers share of outstanding claims majorly pertain to property and casualty segment and are generally realized within three to six months based on settlement of balances with reinsurers.

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

- Reinsurers' balances payable are settled on a quarterly basis as per terms of reinsurance agreements.
- Majority of gross outstanding claims are expected to be settled within two months in accordance with statutory timelines for payment. Property and casualty policies due to the inherent nature are generally settled within one month from the date of receipt of loss adjuster report.
- The claims payable, accrued expenses and other liabilities are expected to settle within a period of three months from the period end date.
- Surplus distribution payable is to be settled within six months of annual general meeting in which financial statements are approved.

(f) Operational Risk

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

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

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

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

32. CAPITAL MANAGEMENT

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

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

- Minimum Capital Requirement of SAR 200 million
- Premium Solvency Margin
- Claims Solvency Margin

As at December 31, 2019 the Company's solvency level is higher than the minimum solvency margin required by the Implementing Regulations of the Cooperative Insurance Companies Control Law. The capital structure of the Company as at December 31, 2019 consists of paid-up share capital of SAR 1,250 million, legal reserves of SAR 1,066 million and retained earnings of SAR 31.2 million (December 31, 2018: paid-up share capital of SAR 1,250 million, legal reserves of SAR 1,000 million and accumulated losses of SAR 230.8 million.) in the statement of financial position.

33. REALIZED GAINS / (LOSS) ON FINANCIAL ASSETS, NET

SAR'000	2019	2018
INSURANCE OPERATIONS		
Realized (loss)/ gain on available-for-sale financial assets	-	(32,764)
Realized (loss)/ gain on financial assets, net	-	(32,764)
SHAREHOLDERS OPERATIONS		
Realized (loss) / gain on available-for-sale financial assets	(27,991)	56,572
Realized (loss) / gain on financial assets, net	(27,991)	56,572

34. CONTINGENT LIABILITIES

- As of December 31, 2019, outstanding letters of credit amounted to SAR 200 million (2018: SAR 143 million) in relation to performance bond obligation.
- The Company, in common with 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 and has booked an appropriate provision.

35. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform with the presentation in the current year. These changes were made for better presentation of balances and transactions in the statement of financial information of the Company and does not have a material impact on the financial statements.

36. DUE FROM SHAREHOLDERS/ DUE TO INSURANCE OPERATIONS

During the year shareholders have absorbed 90% of surplus from insurance operations amounting to SAR 308.5 million resulting in due to insurance operation balance as at December 31, 2019 amounting to SAR 758.5 million.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial information have been approved by the Audit Committee on behalf of the Board of Directors, on Rajab 8, 1441H, corresponding to March 3, 2020.

38. SUBSEQUENT EVENTS

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across mainland China and beyond, causing disruptions to businesses, economic activity and increase in insurance claims mainly relating to medical line of business in those jurisdictions. The Company considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, we do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Company. The impact of this outbreak on the reserving of IBNR will be considered into the Company's estimates of future ultimate claim liability in 2020.

