

**AL SAGR COOPERATIVE INSURANCE COMPANY  
(A Saudi Joint Stock Company)**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023  
AND INDEPENDENT AUDITORS' REPORT**

**AL SAGR COOPERATIVE INSURANCE COMPANY  
(A Saudi Joint Stock Company)  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

	<b>Page</b>
Independent auditors' report	2 - 8
Statement of financial position	9
Statement of income	10
Statement of comprehensive income	11
Statement of changes in equity	12
Statement of cash flows	13 - 14
Notes to the financial information	15 - 127

## *Independent auditors' report to the shareholders of Al Sagr Cooperative Insurance Company*

### *Report on the audit of the financial statements*

---

#### *Opinion*

We have audited the financial statements of Al Sagr Cooperative Insurance Company (the "Company"), which comprise the statement of financial position as at 31 December 2023, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising material accounting policy information 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 2023 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

#### *Basis for opinion*

We conducted our audit in accordance with the International Standards on Auditing, 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 International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. 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.

## *Independent auditors' report to the shareholders of Al Sagr Cooperative Insurance Company (continued)*

### *Key audit matters (continued)*

Key audit matter	How our audit addressed the Key audit matter
<p><i>Valuation of liability for incurred claims and loss component.</i></p> <p>The estimation of the liability for incurred claims and loss component involves a significant degree of judgment. This entails estimating the present value of future cash flows and risk adjustment for non-financial risk (forming part of liability for incurred claims) and loss component (forming part of liability for remaining coverage). The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and reflects the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfills its obligations under insurance contracts. The present value of future cash flows 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. The loss component is recognised if at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous. Such loss component is remeasured at each reporting date as the difference between the amounts of the fulfilments cash flows determined under the general measurement model relating to the future service and the carrying amount of the liability for remaining coverage without the loss component.</p> <p>The Company uses an external actuary ("Appointed Actuary") to provide them with the estimate of such liabilities. A range of methods were used to determine these liabilities which were based on a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.</p> <p>As at 31 December 2023, the estimates of present value of future cash flows, risk adjustment for non-financial risk and loss component amounts to Saudi Riyals 141.0 million, Saudi Riyals 4.0 million and Saudi Riyals 15.1 million respectively, as disclosed in Note 11 to the financial statements.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Understood, evaluated and tested key controls around the claims handling and provision setting processes;</li> <li>• Evaluated the competence, capabilities and objectivity of the Appointed Actuary based on their professional qualifications and experience and assessed their independence;</li> <li>• Performed substantive procedures, on a sample basis, on the amounts recorded for claims notified and paid, including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claims;</li> <li>• Checked the completeness of the underlying data used as inputs into the actuarial valuations and tested, on sample basis, the accuracy of underlying claims data used by the Appointed Actuary in estimating the present value of the future cash flows, risk adjustment for non-financial risk and loss component by comparing it to the accounting and other records;</li> <li>• Involved our actuarial specialists to evaluate the Company's actuarial practices, adequacy of the provisions maintained and to obtain comfort over the actuarial report issued by the Appointed Actuary. Our actuarial specialists also performed the following: <ul style="list-style-type: none"> <li>(i) Evaluated whether the Company's actuarial methodologies were consistent with the generally accepted actuarial practices;</li> <li>(ii) Assessed the appropriateness of the calculation methods and approach along with the key actuarial assumptions used and sensitivity analysis performed; and</li> <li>(iii) Performed independent projections on present value of future cash flows, risk adjustment for non-financial risk and loss component for significant product lines to compare them with the amounts recorded by management; and</li> </ul> </li> </ul>

## *Independent auditors' report to the shareholders of Al Sagr Cooperative Insurance Company (continued)*

### *Key audit matters (continued)*

Key audit matter	How our audit addressed the Key audit matter
<p><i>Valuation of liability for incurred claims and loss component (continued)</i></p> <p>We have considered this as a key audit matter due to the inherent estimation uncertainty and complexity and subjectivity involved in the valuation of the estimates of present value of future cashflows, risk adjustment for non-financial risk and loss component arising from insurance contracts.</p> <p>Refer to Notes 3 and 4 for the material accounting policies and significant accounting judgements, estimates and assumptions related to insurance contract liabilities.</p>	<ul style="list-style-type: none"> <li>Assessed the adequacy and appropriateness of the related disclosures in the financial statements.</li> </ul>

## *Independent auditors' report to the shareholders of Al Sagr Cooperative Insurance Company (continued)*

### *Key audit matters (continued)*

Key audit matter	How our audit addressed the Key audit matter
<p><b>Adoption of IFRS 17 and IFRS 9</b></p> <p>The Company has adopted IFRS 17 “Insurance Contracts”, as endorsed in the Kingdom of Saudi Arabia (“IFRS 17”), which replaces IFRS 4 “Insurance Contracts”, and is effective for annual periods beginning on or after 1 January 2023. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance, reinsurance and investment contracts with direct participation features (“DPF”). The Company has applied the full retrospective approach to each group of these contracts.</p> <p>The adoption of IFRS 17 resulted in a transition adjustment to the Company's equity as at 1 January 2022 amounting to Saudi Riyals 47.2 million.</p> <p>Further, effective 1 January 2023, the Company also adopted IFRS 9 “Financial Instruments”, as endorsed in the Kingdom of Saudi Arabia (“IFRS 9”) which replaces IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 requires the management to assess its business model with respect to different portfolios of investments that drive the measurement and disclosures of the Company's investments. It also introduced the concept of Expected Credit Loss (ECL) which is a forward-looking estimate of credit losses for the Company's financial assets. The Company had applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. For the transition to IFRS 9, the Company applied a retrospective approach to be in line with the transition option adopted under IFRS 17 while applying the relevant practical expedients under IFRS 9.</p> <p>The adoption of IFRS 9 resulted in a transition adjustment to the Company's equity as at 1 January 2022 amounting to Saudi Riyals 36.6 million.</p> <p>The Company also engaged the services of their Appointed Actuary and other technical and valuation experts (together the “management's experts”) to support them with the implementation process for adoption of these two standards including, amongst others, preparation of technical papers and identifying and determining the transition adjustments required to be recorded.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the Company's implementation process for determining the impact of adoption of IFRS 17 and IFRS 9, including understanding of: <ul style="list-style-type: none"> <li>(i) the changes to the Company's accounting policies, systems, processes and controls; and</li> <li>(ii) the transition adjustments recorded by management upon adoption of these two standards, and assessed their completeness and appropriateness;</li> </ul> </li> <li>• Evaluated the competence, capabilities and objectivity of the management's experts based on their professional qualifications and experience and assessed their independence;</li> <li>• Involved our actuarial specialists to evaluate and assess the appropriateness and adequacy of the transition methodologies, assumptions and accounting policies adopted upon transition to IFRS 17 in relation to, amongst others, the following: <ul style="list-style-type: none"> <li>(i) use of premium allocation approach;</li> <li>(ii) expense allocation methodology;</li> <li>(iii) risk adjustment for non-financial risk;</li> <li>(iv) estimation of the present value of future cash flows ;</li> <li>(v) loss component determination ; and</li> <li>(vi) test of the related transition adjustments on the retained earnings as at 1 January 2023 and 1 January 2022;</li> </ul> </li> <li>• Evaluated and assessed the appropriateness and adequacy of the transition methodologies, assumptions and accounting policies adopted upon transition to IFRS 9, in relation to classification, recognition and measurement of different financial instruments, and tested the related transition adjustments on the retained earnings as at 1 January 2023 and 1 January 2022. Also involved our valuation experts to support us in testing the valuation of certain of these financial instruments at these dates and reviewing the models developed by management for determining the ECL allowance on the significant financial assets;</li> </ul>

## *Independent auditors' report to the shareholders of Al Sagr Cooperative Insurance Company (continued)*

### *Key audit matters (continued)*

Key audit matter	How our audit addressed the Key audit matter
<i>Adoption of IFRS 17 and IFRS 9 (continued)</i>	
<p>We have considered this as a key audit matter as the first year of adoption of IFRS 17 and IFRS 9, resulted in fundamental changes to classification and measurement of the main transactions and balances of the Company along with significant changes to presentation and disclosures that were required in the financial statements for the year ended 31 December 2023.</p> <p>Refer to Notes 3 and 4 for the accounting policies and significant accounting judgements, estimates and assumptions in relation to IFRS 17 and IFRS 9. Also, refer to Note 5 for the impact of transition.</p>	<ul style="list-style-type: none"> <li>• Checked the completeness and accuracy of the underlying data used as inputs in estimating the transition impacts of IFRS 17 and IFRS 9, and tested on sample basis, the accuracy of the underlying data used; and</li> <li>• Evaluated and assessed the adequacy and appropriateness of the related disclosures made in the financial statements.</li> </ul>

### *Other information*

Management is responsible for the other information. The other information comprises information included in the Company's 2023 annual report, but does not include the financial statements and our auditors' report thereon, which 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 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 Company's 2023 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## *Independent auditors' report to the shareholders of Al Sagr Cooperative Insurance Company (continued)*

### *Responsibilities of management and those charged with governance for the financial statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance i.e. the Board of Directors, 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 the International Standards on Auditing, that are 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 the International Standards on Auditing, that are 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



## *Independent auditors' report to the shareholders of Al Sagr Cooperative Insurance Company (continued)*

### *Auditors' responsibilities for the audit of the financial statements (continued)*

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

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

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 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.

#### **Al Kharashi & Co. Certified Accountants and Auditors.**

P.O. Box 8306  
Riyadh 11482  
Kingdom of Saudi Arabia



Abdullah AlMsned  
License Number 456



#### **PricewaterhouseCoopers**

P.O. Box 467  
Dhahran Airport 31932  
Kingdom of Saudi Arabia



Ali H. Al Basri  
License Number 409

26 March 2024  
16 Ramadan 1445H



**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**STATEMENT OF FINANCIAL POSITION**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	31 December 2023	31 December 2022 (Restated - Notes 3 and 5)	1 January 2022 (Restated - Notes 3 and 5)
<b>ASSETS</b>				
Cash and cash equivalents	6	<b>155,747,668</b>	222,966,665	288,218,253
Term deposits	7	<b>203,206,380</b>	127,000,000	86,250,000
Investments:				
Financial assets at fair value through profit or loss ("FVTPL")	8	<b>50,390,072</b>	50,354,454	87,314,336
Financial assets at fair value through other comprehensive income ("FVOCI")	8	<b>43,484,252</b>	39,703,127	37,032,560
Prepaid expenses and other assets	10	<b>25,095,857</b>	26,833,464	13,686,959
Insurance contract assets	11	-	578,724	-
Reinsurance contract assets	11	<b>37,480,285</b>	33,930,620	64,504,666
Right-of-use assets	14	<b>937,628</b>	2,687,320	4,405,468
Property and equipment	12	<b>4,172,517</b>	5,248,300	5,210,239
Intangible assets	13	<b>5,113,615</b>	6,053,180	5,720,623
Accrued income on statutory deposit	15	<b>1,814,171</b>	6,025,857	5,840,536
Goodwill	9	<b>25,513,750</b>	25,513,750	25,513,750
Statutory deposit	15	<b>21,000,000</b>	21,000,000	40,000,000
<b>TOTAL ASSETS</b>		<b>573,956,195</b>	567,895,461	663,697,390
<b>LIABILITIES</b>				
Accrued and other liabilities	16	<b>13,587,205</b>	27,734,019	17,032,270
Insurance contract liabilities	11	<b>306,421,319</b>	323,256,022	376,888,206
Reinsurance contract liabilities	11	<b>1,751,688</b>	2,625,024	4,082,433
Employee benefit obligations	17	<b>9,062,320</b>	8,031,606	9,204,102
Lease liabilities	14	<b>1,441,978</b>	2,616,991	3,805,657
Due to related parties	23	<b>1,123,750</b>	1,123,750	1,123,750
Zakat payable	24	<b>40,186,311</b>	42,653,769	42,652,370
Accrued income payable to Insurance Authority	15	<b>1,814,171</b>	6,025,857	5,840,537
Dividends payable		<b>369,849</b>	370,349	370,349
<b>TOTAL LIABILITIES</b>		<b>375,758,591</b>	414,437,387	460,999,674
<b>EQUITY</b>				
Share capital	18	<b>140,000,000</b>	140,000,000	400,000,000
Retained earnings (accumulated losses)		<b>10,442,518</b>	(29,246,711)	(235,786,994)
Statutory reserve	25	<b>2,610,630</b>	-	-
Fair value reserve	8	<b>41,561,172</b>	37,780,047	35,109,480
Remeasurement reserve of employee benefit obligations		<b>3,583,284</b>	4,924,738	3,375,230
<b>TOTAL EQUITY</b>		<b>198,197,604</b>	153,458,074	202,697,716
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>573,956,195</b>	567,895,461	663,697,390

The accompanying notes from 1 to 37 form an integral part of these financial statements.

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**STATEMENT OF INCOME**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

		<b>Year ended 31 December</b>	
	<b>Note</b>	<b>2023</b>	<b>2022 (Restated - Notes 3 and 5)</b>
Insurance revenue	19	<b>486,224,565</b>	473,347,548
Insurance service expenses	19	<b>(426,359,643)</b>	(443,340,765)
Net expenses from reinsurance contracts held	19	<b>(39,040,272)</b>	(69,664,810)
<b>Insurance service result from Company's directly written business</b>		<b>20,824,650</b>	(39,658,027)
Share of surplus from insurance pools	22	<b>14,105,156</b>	18,747,796
<b>Total insurance service result</b>		<b>34,929,806</b>	(20,910,231)
Interest income from financial assets not measured at FVTPL		<b>20,459,983</b>	3,683,171
Net gain (loss) on financial assets measured at FVTPL		<b>13,436,434</b>	(2,900,222)
<b>Net investment income</b>		<b>33,896,417</b>	782,949
Finance income from insurance contracts issued	20	<b>321,007</b>	2,343,144
Finance income (expenses) from reinsurance contracts held	20	<b>687,915</b>	(1,759,616)
<b>Net insurance finance income</b>		<b>1,008,922</b>	583,528
<b>Net insurance and investment result</b>		<b>69,835,145</b>	(19,543,754)
Other operating expenses	21	<b>(20,307,928)</b>	(29,253,680)
Finance costs on lease liabilities	14	<b>(27,358)</b>	(62,283)
<b>Total profit (loss) for the year before zakat</b>		<b>49,499,859</b>	(48,859,717)
Zakat expense	24	<b>(7,200,000)</b>	(4,600,000)
<b>NET PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS</b>		<b>42,299,859</b>	(53,459,717)
<b>Earnings (losses) per share (expressed in Saudi Riyals per share)</b>			
Basic earnings (losses) per share	26	<b>3.02</b>	(3.82)
Diluted earnings (losses) per share	26	<b>3.02</b>	(3.82)

The accompanying notes from 1 to 37 form an integral part of these financial statements.



**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**STATEMENT OF COMPREHENSIVE INCOME**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	Year ended 31 December	
		2023	2022 (Restated - Notes 3 and 5)
<b>NET PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS</b>		<b>42,299,859</b>	(53,459,717)
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to the statement of income in subsequent years</i>			
Remeasurement (loss) gain on employee benefit obligations	17	<b>(1,341,454)</b>	1,549,508
<i>Items that will be reclassified to the statement of income in subsequent years</i>			
Net changes in fair value of investments measured at FVOCI	8	<b>3,781,125</b>	2,670,567
<b>Total other comprehensive income</b>		<b>2,439,671</b>	4,220,075
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS</b>		<b>44,739,530</b>	(49,239,642)

The accompanying notes from 1 to 37 form an integral part of these financial statements.

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**STATEMENT OF CHANGES IN EQUITY**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	Share capital	Retained earnings (accumulated losses)	Statutory reserve	Fair value reserve	Remeasurement reserve of employee benefit obligations	Total
<b>Balance at 31 December 2022</b>		<b>140,000,000</b>	<b>(10,539,284)</b>	-	<b>(4,060,641)</b>	<b>4,924,738</b>	<b>130,324,813</b>
Adjustment on adoption of IFRS 17	5	-	<b>(14,646,786)</b>	-	-	-	<b>(14,646,786)</b>
Adjustment on adoption of IFRS 9	5	-	<b>(4,060,641)</b>	-	<b>41,840,688</b>	-	<b>37,780,047</b>
<b>Balance at 1 January 2023 (Restated - Notes 3 and 5) -</b>		<b>140,000,000</b>	<b>(29,246,711)</b>	-	<b>37,780,047</b>	<b>4,924,738</b>	<b>153,458,074</b>
<b>Total comprehensive income for the year</b>							
Net profit for the year attributable to the shareholders		-	<b>42,299,859</b>	-	-	-	<b>42,299,859</b>
Other comprehensive income (loss)		-	-	-	<b>3,781,125</b>	<b>(1,341,454)</b>	<b>2,439,671</b>
<b>Total comprehensive income (loss) for the year attributable to the shareholders</b>		-	<b>42,299,859</b>	-	<b>3,781,125</b>	<b>(1,341,454)</b>	<b>44,739,530</b>
Transfer to statutory reserve		-	<b>(2,610,630)</b>	<b>2,610,630</b>	-	-	-
<b>Balance at 31 December 2023 (Audited)</b>		<b>140,000,000</b>	<b>10,442,518</b>	<b>2,610,630</b>	<b>41,561,172</b>	<b>3,583,284</b>	<b>198,197,604</b>
<b>Balance at 31 December 2021</b>		400,000,000	(197,043,022)	-	6,944,730	3,375,230	213,276,938
Adjustment on adoption of IFRS 17	5	-	(47,167,354)	-	-	-	(47,167,354)
Adjustment on adoption of IFRS 9	5	-	8,423,382	-	28,164,750	-	36,588,132
<b>Balance at 1 January 2022 (Restated - Notes 3 and 5)</b>		400,000,000	(235,786,994)	-	35,109,480	3,375,230	202,697,716
<b>Total comprehensive loss (income) for the year (Restated - Notes 3 and 5)</b>							
Net loss for the year attributable to the shareholders		-	(53,459,717)	-	-	-	(53,459,717)
Other comprehensive income		-	-	-	<b>2,670,567</b>	<b>1,549,508</b>	<b>4,220,075</b>
<b>Total comprehensive loss (income) for the year attributable to the shareholders</b>		-	(53,459,717)	-	<b>2,670,567</b>	<b>1,549,508</b>	<b>(49,239,642)</b>
Absorption of accumulated losses against share Capital	1	(260,000,000)	260,000,000	-	-	-	-
<b>Balance at 31 December 2022 (Restated - Notes 3 and 5)</b>		<b>140,000,000</b>	<b>(29,246,711)</b>	-	<b>37,780,047</b>	<b>4,924,738</b>	<b>153,458,074</b>

The accompanying notes from 1 to 37 form an integral part of these financial statements.

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**STATEMENT OF CASH FLOWS**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

		<b>Year ended 31 December</b>	
	<b>Note</b>	<b>2023</b>	<b>2022</b>
			<b>(Restated - Notes 3 and 4)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Total profit (loss) for the year before zakat		<b>49,499,859</b>	(48,859,717)
<u>Adjustments for non-cash items:</u>			
Depreciation of property and equipment	12	<b>1,203,454</b>	1,744,795
Amortization of intangible assets	13	<b>1,271,797</b>	1,834,536
Depreciation of right-of-use assets	14	<b>1,499,385</b>	1,820,678
Finance costs on lease liabilities	14	<b>27,358</b>	62,283
Gain on disposal of property and equipment	12	<b>(16,788)</b>	3,170
Net (gain) loss on FVTPL investments	8	<b>(13,436,434)</b>	2,900,222
Loss on derecognition of leases	14	<b>13,382</b>	-
Provision for employees benefit obligations	17	<b>1,887,206</b>	2,124,595
Interest income from financial assets not measured at FVTPL		<b>(20,459,983)</b>	(3,683,171)
<b>Changes in operating assets and liabilities:</b>			
Prepaid expenses and other assets	10	<b>1,737,607</b>	(13,146,505)
Accrued and other liabilities	16	<b>(14,146,814)</b>	10,701,749
Accrued income on statutory deposit	15	<b>4,211,686</b>	(185,321)
Accrued income payable to Insurance Authority	15	<b>(4,211,686)</b>	185,320
Changes in insurance contract assets	11	<b>578,724</b>	(578,724)
Changes in reinsurance contract assets	11	<b>(3,549,665)</b>	30,574,046
Changes in insurance contract liabilities	11	<b>(16,834,703)</b>	(53,632,184)
Changes in reinsurance contract liabilities	11	<b>(873,336)</b>	(1,457,409)
<b>Cash used in operations</b>		<b>(11,598,951)</b>	(69,591,637)
Employee benefit obligations paid	17	<b>(2,197,946)</b>	(1,747,583)
Finance costs paid on lease liabilities	14	<b>(27,358)</b>	(62,283)
Interest income received from financial assets not measured at FVTPL		<b>20,459,983</b>	3,683,171
Zakat paid	24	<b>(9,667,458)</b>	(4,598,601)
<b>Net cash used in operating activities</b>		<b>(3,031,730)</b>	(72,316,933)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Placement in term deposits	7	<b>(232,206,380)</b>	(157,000,000)
Liquidations of term deposits	7	<b>156,000,000</b>	116,250,000
Purchases of financial assets held at FVTPL	8	<b>(15,526,844)</b>	(60,340,654)
Proceeds from disposal of financial assets held at FVTPL	8	<b>28,927,660</b>	94,400,314
Payments for purchases of property and equipment	12	<b>(130,583)</b>	(1,790,876)
Purchases of intangible assets	13	<b>(332,232)</b>	(2,167,093)
Proceeds from disposal of property and equipment		<b>19,700</b>	4,850
Liquidation of statutory deposits	15	<b>-</b>	19,000,000
<b>Net cash (used in) generated from investing activities</b>		<b>(63,248,679)</b>	8,356,541
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Principal elements of lease payments		<b>(938,088)</b>	(1,291,196)
Dividend paid		<b>(500)</b>	-
<b>Net cash used in financing activities</b>		<b>(938,588)</b>	(1,291,196)

Continued

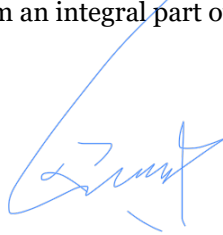
**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**STATEMENT OF CASH FLOWS**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

<b>Net decrease in cash and cash equivalents</b>		<b>(67,218,997)</b>	<b>(65,251,588)</b>
Cash and cash equivalents at the beginning of the year	6	<b>222,966,665</b>	<b>288,218,253</b>
Cash and cash equivalents at end of the year	6	<b>155,747,668</b>	<b>222,966,665</b>

**Supplemental non-cash information:**

Net change in fair value of financial assets at fair value through other comprehensive income	8	<b>3,781,125</b>	<b>2,670,567</b>
Right-of-use assets recorded against lease liabilities	14	-	<b>102,530</b>
Remeasurement (loss) gain on employee benefit obligations	17	<b>(1,341,454)</b>	<b>1,549,508</b>

The accompanying notes from 1 to 37 form an integral part of these financial statements.


## **AL SAGR COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts expressed in Saudi Riyals unless otherwise stated)

#### **1. General information**

##### *(a) Legal status and principal activities*

Al Sagr Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company established in Dammam, Kingdom of Saudi Arabia and incorporated on 26 Muharram 1429H (corresponding to 4 February 2008) under commercial registration ("CR") number 1010243765 which was later amended to 2051036871 dated 22 Rabi' I 1429H (corresponding to 30 March 2008). The Company has been licensed to conduct cooperative insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree number 60/M dated 18 Ramadan 1427H (corresponding to 11 October 2006), pursuant to Council of Ministers resolution number 233 dated 16 Ramadan 1427H (corresponding to 9 October 2006). The Company's registered address is P.O. Box 3501, Dammam 32241, Kingdom of Saudi Arabia.

The purpose of the Company is to transact in cooperative insurance and reinsurance operations and all related activities in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia (the "Law") and its implementing regulations. The Company obtained license from the Saudi Central Bank ("SAMA") to practice general and health insurance and reinsurance business in the Kingdom of Saudi Arabia vide license number TMN/13/20083, dated 23 Rabi' I 1429H (corresponding to 31 March 2008). The Company commenced insurance operations on 4 Muharram 1430H (corresponding to 1 January 2009). On 11 Ramadan 1436H (corresponding to 28 June 2015), the Company received approval from SAMA to cancel its reinsurance license.

The Company operates through three main branches and various point of sale stores located in the Kingdom of Saudi Arabia. Following are the CR numbers of three main branches:

<b>Branch type</b>	<b>Location</b>	<b>CR number</b>
Regional branch	Dammam	2051036871
Regional branch	Jeddah	4030182618
Regional branch	Riyadh	1010243765

##### *(b) Going concern and solvency requirements*

During 2022, the Company incurred a net loss attributable to the shareholders of Saudi Riyals 73.5 million and had accumulated losses of Saudi Riyals 10.2 million as of 31 December 2022 (Saudi Riyals 53.5 million and Saudi Riyals 29.2 million, respectively, restated upon transition to IFRS 17 and IFRS 9). In addition, the Company's solvency margin was 76% as of 31 December 2022 which was not in compliance with the SAMA Implementing regulations. These events and conditions indicated the existence of a material uncertainty that cast significant doubt on the Company's ability to continue as a going concern, as of 31 December 2022.

To address the above factors, management has been implementing various performance improvement measures as approved by the Company's Board of Directors, which, among others, include the following:

- Diversification of its insurance portfolio and implementing price increases on renewals and on new policies written;
- Improvement in controls over processing of claims
- Improved recoverability of premium receivable balances;
- Implementation of investment strategies with better returns;
- Enhanced controls over general and administrative expenses.



## **AL SAGR COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts expressed in Saudi Riyals unless otherwise stated)

#### **1. General information (continued)**

##### *(b) Going concern and solvency requirements (continued)*

As a result of the above measures, the Company has earned a net profit attributable to the shareholders of Saudi Riyals 42.3 million for the year ended 31 December 2023. The Company's net operating cash outflow for the year ended 31 December 2023 amounted to Saudi Riyals 3.0 million, which has improved from net operating cash outflow of Saudi Riyals 72.3 million in 2022. Further, as of 31 December 2023, the Company's retained earnings amounted to Saudi Riyals 10.4 million and the Company's solvency margin has improved to be in compliance with the minimum solvency requirements as mandated by SAMA.

Management continues to focus on the above-mentioned performance improvement measures and expects that this will further reflect positively in the operational results and cash flows for the next year. Further, management continues to monitor performance indicators of all lines of business and prevailing market conditions based on the detailed approved business plan and projected cash flows, for the years from 2024 to 2028, which shows profitable operations for these years. Such business plan has also been updated to conform to the new presentation requirements of IFRS 17 "Insurance Contracts".

Based on the above, management believes that, as of 31 December 2023, the going concern assumption remains appropriate and accordingly, has prepared the accompanying financial statements on a going concern basis.

##### *(c) Reduction in share capital*

The Company had accumulated losses of Saudi Riyals 269.4 million as at 30 September 2022 which exceeded one half of the Company's share capital and reached 67.4% of its share capital. This condition, as per the requirements of Article 150 of the Regulations, required the Company's Board of Directors to hold an extraordinary general assembly meeting ("EOGM") within the period specified by the Regulations to reduce the accumulated losses to less than one half of the share capital or to dissolve the Company before its term set in its By-laws.

Accordingly, the Company obtained the necessary regulatory approvals and its shareholders resolved to reduce the Company's share capital by absorbing accumulated losses amounting to 260.0 million Saudi Riyals in the EOGM held on 31 October 2022, so as to reduce the accumulated losses to less than one half of the share capital, which was reflected in the statement of financial position for the year ended 31 December 2022.

##### *(d) Proposed rights issue*

The Board of Directors, in their meeting held on 13 September 2023, resolved to recommend rights issue to its shareholders to increase the share capital of Company by Saudi Riyals 160 million, for which approvals from SAMA has been obtained on 10 December 2023, following which the Company submitted the application file to Capital Market Authority on 30 December 2023. Once the approval from the Capital Market Authority is obtained, this will be subject to approval from the shareholders of the Company.

##### *(e) Merger agreement*

The Company signed a non-binding Memorandum of Understanding with Gulf Union Al Ahlia Cooperative Insurance Company ("GUACI"), on 19 September 2022, to evaluate a potential merger between GUACI and the Company. The Company signed a merger agreement with GUACI on 22 March 2023, for which approvals from SAMA and Capital Market Authority were obtained on 17 July 2023 and 26 July 2023, respectively. The merger was then subject to approval from the shareholders of both GUACI and the Company. However, the shareholders of the Company did not approve the merger transaction in the extraordinary general meeting held on 30 August 2023 resulting in the merger being called off.

## **AL SAGR COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts expressed in Saudi Riyals unless otherwise stated)

## **2. Basis of preparation**

### *(a) Statement of Compliance*

These financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”), that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants (“SOCPA”). This is the first full set of the Company’s financial statements in which IFRS 17 “Insurance Contracts” and IFRS 9 “Financial Instruments” as endorsed in Kingdom of Saudi Arabia have been applied and the resultant changes to the significant judgments, estimates and accounting policies are described in Notes 3 and 4.

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. Assets, liabilities, revenues and expenses clearly attributable to either activities 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 of the Company.

In accordance with the requirements of Implementing Regulation for Co-operative Insurance Companies (the “Regulations”) issued by SAMA and as per by-laws of the Company, 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 from insurance operations is transferred to the shareholders’ operations in full.

The statements of financial position, statements of income, statement of comprehensive income and cash flows of the insurance operations and shareholders’ operations which are presented in Note 38 to the financial statements have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations require the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders’ operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders’ operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operation.

During the year, the Insurance Authority has been established by a royal decree as the insurance regulator. The regulations previously issued by SAMA will be upheld until the Insurance Authority issues updated regulations. Therefore, the accrued income liability is payable to the Insurance Authority.

In preparing the Company’s financial statements in compliance with IFRS that are endorsed in the Kingdom of Saudi Arabia, 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.

## **AL SAGR COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts expressed in Saudi Riyals unless otherwise stated)

#### **2. Basis of preparation** (continued)

##### *(b) Basis of measurement*

The financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement of financial assets at FVTPL, financial assets at FVOCI and employee benefit obligations recorded at the present value using the projected unit credit method.

##### *(c) Basis of presentation*

The Company's statement of financial position is not presented using a current/non-current classification and is presented in order of liquidity. However, the following balances would generally be classified as current: cash and cash equivalents, prepaid expenses and other assets, accrued income on statutory deposit, accrued and other liabilities, zakat payable, dividend payable and accrued income payable to Insurance Authority. The following balances would generally be classified as non-current: financial assets at FVTPL, property and equipment, right-of-use assets, goodwill, intangible assets, statutory deposit, and employee benefit obligations. The balances which are of mixed in nature i.e. include both current and non-current portions include term deposits, insurance contract liabilities/assets, reinsurance contract assets/liabilities and lease liabilities.

##### *(d) Functional and presentation currency*

These financial statements are expressed in Saudi Arabian Riyals ("Saudi Riyals") which is the functional and presentation currency of the Company.

##### *(e) Seasonality of operations*

There are no seasonal changes that may affect the insurance operations of the Company.

##### *(f) Changes in products and services*

During the year ended 31 December 2023, there were no significant changes in products or services and their terms of the insurance contracts offered by the Company. Refer Note 5 for details regarding impact of adoption of IFRS 17 and IFRS 9.

## **AL SAGR COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts expressed in Saudi Riyals unless otherwise stated)

#### **3. Material accounting policies**

The material accounting policies used in the preparation of these financial statements are consistently applied for all years presented, except for changes in accounting policies due to the adoption of IFRS 17 and IFRS 9. Refer Note 3.1 for details relating to adoption of IFRS 17 and IFRS 9.

##### **3.1 New and amended standards adopted by the Company**

###### **- IFRS 17 ‘Insurance contracts’ (“IFRS 17”)**

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

On transition to IFRS 17, the Company has applied the full retrospective approach to all insurance contracts issued and reinsurance contracts held. Therefore, on transition date, 1 January 2022, the Company:

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

The new accounting policies and the impact of the adoption of IFRS 17 are disclosed in Notes 3.3 and 5.1, respectively.

###### **- IFRS 9 ‘Financial Instruments’ (“IFRS 9”)**

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and was effective for annual periods beginning on or after 1 January 2018. However, the Company had met the relevant criteria and had applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. For transition to IFRS 9, the Company applied a retrospective approach to be in line with transition option adopted under IFRS 17 while applying the relevant practical expedients under IFRS 9. The new accounting policies and the impact of the adoption of IFRS 9 are disclosed in Notes 3.4 and 5.2, respectively.

###### **- Narrow scope amendments to IAS 1 ‘Presentation of financial statements’ (“IAS 1”), Practice statement 2 and IAS 8 ‘Accounting policies, accounting estimates and errors’ (“IAS 8”)**

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. The Company did not identify an impact as a result of these amendments.

###### **- Amendment to IAS 12 ‘Taxation’ (“IAS 12”) - deferred tax related to assets and liabilities arising from a single transaction**

These amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The Company did not identify an impact as a result of these amendments.

###### **- Amendment to IAS 12 - International tax reform**

These amendments give companies temporary relief from accounting for deferred taxes arising from the Minimum Tax Implementation Handbook international tax reform. The amendments also introduce targeted disclosure requirements for affected companies. The Company did not identify an impact as a result of these amendments.

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**3. Material accounting policies (continued)**

**3.2 New standards, amendments and interpretations not yet applied by the Company**

The Company has chosen not to early adopt the following new standards, interpretations and amendments to existing standards which have been issued but not yet effective and is currently assessing their impact.

- **Amendment to IFRS 16 ‘Leases’ (“IFRS 16”) - Leases on sale and leaseback**

These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

Effective date:

Annual periods beginning on or after 1 January 2024.

Impact assessment

Management is currently in the process of assessing the impact of this amendment, however, no material impact is expected.

- **Amendments to IAS 1 - Non-current liabilities with covenants**

These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

Effective date:

Annual periods beginning on or after 1 January 2024.

Impact assessment

Management is currently in the process of assessing the impact of this amendment, however, no material impact is expected.

- **Amendment to IAS 7 ‘Cash flow statements’ (“IAS 7”) and IFRS 7 ‘Financial instruments: Disclosures (“IFRS 7”) - Supplier finance**

These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity’s liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB’s response to investors’ concerns that some companies’ supplier finance arrangements are not sufficiently visible, hindering investors’ analysis.

Effective date:

Annual periods beginning on or after 1 January 2024.

Impact assessment

Management is currently in the process of assessing the impact of this amendment, however, no material impact is expected.

## **AL SAGR COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts expressed in Saudi Riyals unless otherwise stated)

#### **3. Material accounting policies (continued)**

##### **3.2 New standards, amendments and interpretations not yet applied by the Company (continued)**

###### **- Amendments to IAS 21 'Foreign currencies' ("IAS 21") - Lack of Exchangeability**

An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

###### Effective date:

Annual periods beginning on or after 1 January 2025.

###### Impact assessment

Management is currently in the process of assessing the impact of this amendment, however, no material impact is expected.

##### **3.3 Insurance and reinsurance contracts**

###### *i. Classification and summary of measurement models*

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. Cash flows from insurance contracts are split into Liability for Incurred Claims ("LIC") and Liability for Remaining Coverage ("LRC").

The Company issues non-life insurance to individuals and businesses. Non-life insurance products offered include medical, motor, engineering, property, general accident and marine. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of a policyholder's accident. The Company does not issue any contracts with direct participating features.

In the normal course of business, the Company uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

None of the insurance contracts issued by the Company contain embedded derivatives, investment components or any other goods and services.

###### *ii. Level of aggregation*

The Company identifies portfolios of insurance contracts. Each portfolio comprises contracts that are subject to similar risks and managed together, and is divided into three groups:

- Any contracts that are onerous on initial recognition;
- Any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- Any remaining contracts in the portfolio.

## **AL SAGR COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts expressed in Saudi Riyals unless otherwise stated)

#### **3. Material accounting policies (continued)**

##### **3.3 Insurance and reinsurance contracts (continued)**

###### *ii. Level of aggregation (continued)*

The portfolios are further divided by year of issue.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Company aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of: (i) contracts for which there is a net gain at initial recognition, if any; (ii) contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and (iii) remaining contracts in the portfolio, if any.

The Company tracks internal management information reflecting historical experiences of such contracts' performance. This information is used for setting pricing of these contracts such that they result in reinsurance contracts held in a net cost position without a significant possibility of a net gain arising subsequently.

The Company assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. For non-onerous contracts, the Company assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous. This assessment is performed at a policyholder-pricing-groups level.

###### *iii. Recognition*

The Company recognises a group of insurance contracts issued from the earliest of the following:

- The beginning of the coverage period of the group of contracts.
- The date when the first payment from a policyholder in the group becomes due. If there is no contractual due date, then it is considered to be the date when the first payment is received from the policyholder.
- For a group of onerous contracts, the date when facts and circumstances indicate that the group to which an insurance contract will belong is onerous.

The Company recognises a group of reinsurance contracts held it has entered into from the earlier of the following:

- For reinsurance contracts that provide proportionate coverage, at the later of:
  - (i) the beginning of the coverage period of the group of reinsurance contracts and
  - (ii) the initial recognition of any underlying contract.
- All other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the group of reinsurance contracts;

However, if the Company entered into the reinsurance contract held at or before the date when an onerous group of underlying contracts is recognised prior to the beginning of the coverage period of the group of reinsurance contracts held, the reinsurance contract held, in this case, is recognised at the same time as the group of underlying insurance contracts is recognised.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts restriction. Composition of the groups is not reassessed in subsequent periods.

## **AL SAGR COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts expressed in Saudi Riyals unless otherwise stated)

#### **3. Material accounting policies (continued)**

##### **3.3 Insurance and reinsurance contracts (continued)**

###### *iv. Contract boundaries*

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period under which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services.

A substantive obligation to provide services ends when:

- i) The Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- ii) Both of the following criteria are satisfied:
  - The Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio; and
  - the pricing of the premiums for coverage up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

In assessing the practical ability to reprice, risks transferred from the policyholder to the Company, such as insurance and financial risks, are considered; other risks, such as lapse or surrender and expense risk, are not included. Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

The contract boundary is reassessed at each reporting date and, therefore, may change over time.

###### *v. Measurement*

The general measurement model (GMM), also known as the building block approach, consists of the fulfilment cash flows and the contractual service margin. This is the default model under IFRS 17 to measure insurance contracts. However, the Premium Allocation Approach (PAA), which is a simplified measurement model, is permitted if, and only if, at the inception of the group:

- The entity reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the group that would not differ materially from the one that would be produced applying the general measurement model requirements or
- The coverage period of each contract in the group (including insurance contract services arising from all premiums within the contract boundary determined at that date) is one year or less.

The Company uses the PAA to simplify the measurement of groups of contracts on the following bases:

- Insurance contracts:

The coverage period of medical and motor contracts in the group of contracts is one year or less. PAA eligibility testing has been performed for the for Casualty, Engineering, General Accident, Marine, Fire and property group of contracts. The Company reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA would not differ materially from the measurement that would be produced applying the general measurement model. In assessing materiality, the Company has also considered qualitative factors such as the nature of the risk and types of its lines of business.



**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**3. Material accounting policies (continued)**

**3.3 Insurance and reinsurance contracts (continued)**

*v. Measurement (continued)*

Testing is completed on both:

- the product level then groups are formed based on the product and the terms of the product, and
- the portfolio level then groups are formed on a portfolio level.

Where the potential deviation is below financial statement materiality, the associated portfolio / product is deemed eligible for the PAA.

The upper bound is derived by simulating the maximum potential difference between PAA and GMM for thousands of combinations of input assumptions (term, volatility, expected claims and expense ratio, acquisition expense ratio, risk adjustment) for contracts. It is derived as follows:

- (i) Simulate differences between PAA and GMM for several thousand contracts with various cashflow assumptions,
- (ii) Derive a generic curve of the maximum deviation normalized by GWP for each contract duration and level of reasonable shock applied,
- (iii) Apply the curve to the projected distribution of premium by contract duration to derive the portfolio potential deviation

The resulting upper-bound curves are then applied to all IFRS 17 portfolios. This effectively ensures that portfolios with a low volume of business but which are likely to be eligible for the PAA are demonstrated to be eligible without requiring a bespoke cashflow projection based on detailed actuarial assumptions and judgement.

For portfolios that have failed the upper-bound PAA eligibility test, a best estimate of the potential deviation between the PAA and the GMM is determined for a hypothetical representative contract. The hypothetical representative contract is identified based on the current contract wording and projected distribution of coverage periods, and is assumed to have GWP equal to the projected GWP of the entire portfolio. Where the potential deviation is below financial statement materiality, the associated portfolio is deemed eligible for the PAA.

Groups of insurance contracts issued are initially recognised from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- when the Company determines that a group of contracts becomes onerous and facts and circumstances indicate that the group to which an insurance contract will belong is onerous.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

- (i) the LRC; and
- (ii) the LIC, comprising the fulfilment cash flows ("FCF") related to past service allocated to the group of contracts at the reporting date.

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**3. Material accounting policies** (continued)

**3.3 Insurance and reinsurance contracts** (continued)

*v. Measurement (continued)*

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

- (i) the remaining coverage; and
- (ii) the incurred claims, comprising the FCF related to past service allocated to the group of contracts at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- (a) increased for premiums received in the period, excluding amounts that relate to premium receivables included in the LIC;
  - (b) decreased for insurance acquisition cash flows paid in the period;
  - (c) decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period;
  - (d) increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses; and
  - (e) increased for any adjustment to the financing component, where applicable.
- Reinsurance contracts:

The Company reasonably expects that the resulting measurement under the PAA measurement model would not differ materially from the result of applying the general measurement model.

The Company does not apply the PAA if, at the inception of the group of contracts, it expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for the remaining coverage during the year before a claim is incurred.

Measurement on initial recognition under PAA:

On initial recognition of each group of contracts that are not onerous, the carrying amount of the liability for remaining coverage ("LRC") is measured at the premiums received on initial recognition less any acquisition cash flows paid.

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**3. Material accounting policies** (continued)

**3.3 Insurance and reinsurance contracts** (continued)

*v. Measurement (continued)*

For reinsurance contracts held, on initial recognition, the Company measures the remaining coverage at the amount of ceding premiums paid, plus broker fees paid to a party other than the reinsurer.

Subsequent measurement under PAA:

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

- a. the LRC; and
- b. the LIC, comprising the fulfilment cash flows (“FCF”) related to past service allocated to the group at the reporting date.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

- a. the remaining coverage; and
- b. the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- a. increased for premiums received in the period, excluding amounts that relate to premium receivables included in the LIC;
- b. decreased for insurance acquisition cash flows paid in the year
- c. decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the year; and
- d. increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

- a. increased for ceding premiums paid in the year;
- b. increased for broker fees paid in the year; and
- c. decreased for the expected amounts of ceding premiums and broker fees recognised as reinsurance expenses for the services received in the year

On initial recognition of each group of contracts, the Company expects that the time between providing each part of the coverage and the related premium due date is no more than a year.

For all group of contracts, there is no allowance for time value of money as the premiums are received within one year of the coverage period.

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. Fulfilment cash flows comprise estimates of future cash flows, an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows, and a risk adjustment for non-financial risk.

## **AL SAGR COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts expressed in Saudi Riyals unless otherwise stated)

#### **3. Material accounting policies (continued)**

##### **3.3 Insurance and reinsurance contracts (continued)**

###### *v. Measurement (continued)*

The Company's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value. If there are significant interdependencies between cash flows that vary based on changes in market variables and other cash flows, then the Company uses stochastic modelling techniques to estimate the expected present value. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for market variables such as interest rates and equity returns. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation, which are covered in Note 4.

The fulfilment cash flows are adjusted for the time value of money and the effect of financial risk (using current estimates) if the liability for incurred claims is also adjusted for the time value of money and the effect of financial risk.

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 in the estimates of claims liability as it can reasonably be recovered from the disposal of the asset.

###### **Onerous contract assessment:**

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company recognises a loss in insurance service expense and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows, determined under the GMM, that relate to remaining coverage (including the risk adjustment for non-financial risk) exceed the carrying amount of the liability for remaining coverage. A loss component will be established for the amount of the loss recognised. Subsequently, the loss component will be remeasured at each reporting date as the difference between the amounts of the fulfilments cash flows determined under the GMM relating to the future service and the carrying amount of the LRC without the loss component.

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses. The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

When underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, the Company applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

## **AL SAGR COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts expressed in Saudi Riyals unless otherwise stated)

#### **3. Material accounting policies (continued)**

##### **3.3 Insurance and reinsurance contracts (continued)**

###### *v. Measurement (continued)*

##### ***Non-performance risk (NPR) adjustment***

The Company measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

###### *vi. De-recognition and contract modification*

The Company derecognises a contract when it is extinguished i.e. when the specified obligations in the contract expire or are discharged or cancelled. The Company also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Company treats the changes in cash flows caused by the modification as changes in the estimates of fulfilment cash flows. There were no instances of modification or derecognition identified during the year ended 31 December 2023.

###### *vii. Acquisition & Attributable Cost*

Insurance acquisition cash flows are the costs that directly associated with selling and handling acquired businesses. The company considers underwriting, sales, and regulatory levies as acquisition costs. Acquisition costs are not expensed when incurred and are deferred over the life of the insurance contract. While attributable costs are the costs that can fully or partially attributed to the insurance operations. The company has in place allocation technique to allocate the costs and are deferred over the life of the insurance contract. Both acquisition and attributable costs fall under the insurance service expense. While the non-attributable costs are reported under other operating expenses.

###### *viii. Risk adjustments for non-financial risk*

The Company has decided to use Mack method for the calculation of risk adjustment percentage using 75<sup>th</sup> percentile for motor and medical portfolios. However, for other portfolios due to insufficient data company has relied on experience judgement of Appointed Actuary and have used suggested percentage for risk adjustment.

###### *ix. Presentation*

Groups of insurance contracts that are assets and those that are liabilities, and groups of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. The Company recognised in the statement of income (a) an insurance service result, comprising insurance revenue and insurance service expenses, and (b) insurance finance income or expenses.

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

##### ***Other operating expenses***

Other operating expenses include non-attributable expenses which are administrative expenses and are not linked to insurance contracts.

## **AL SAGR COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts expressed in Saudi Riyals unless otherwise stated)

#### **3. Material accounting policies (continued)**

##### **3.3 Insurance and reinsurance contracts (continued)**

###### *ix. Presentation (continued)*

###### Insurance revenue

The insurance revenue for each period is the amount of expected premium receipts for providing coverage in the period. The impact of seasonality is not considered material in relation to recording the insurance revenue.

The Company has developed impairment calculations based on provision matrix approach. LRC adjustment is recorded as an adjustment to LRC with corresponding impact recorded in Insurance Revenue. The Company has used these impairment calculations to project the expected premium receipts to each period.

###### Insurance service expenses

Insurance service expenses include the following:

- a. incurred claims for the year.
- b. other incurred directly attributable expenses.
- c. insurance acquisition cash flows amortization.
- d. changes that relate to past service - changes in the FCF relating to the LIC.
- e. changes that relate to future service - changes in the FCF that result in onerous contract losses or reversals of those losses.

For contracts measured under the PAA, amortisation of insurance acquisition cash flows is based on the recognition of premium.

###### *Net expenses from reinsurance contracts:*

Net expenses from reinsurance contracts comprise reinsurance expenses less amounts recovered from reinsurers. The Company recognises reinsurance expenses as it receives coverage or other services under groups of reinsurance contracts. For contracts measured under the PAA, the Company recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a net basis as 'net expenses from reinsurance contracts' in the insurance service result.

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses. Ceding commissions that are contingent on claims of the underlying contracts issued reduce incurred claims recovery.

###### Umrah and Hajj insurance pool:

The Company with twenty-seven other insurance companies operating in the Kingdom of Saudi Arabia, entered into an agreement with CCI effective from 1 January 2020. The compulsory Hajj / Umrah product is offered by the ministry and approved by SAMA for insurance of pilgrims coming from outside of the Kingdom of Saudi Arabia except for citizens of the Gulf Cooperation Council countries. This covers general accidents and health benefits of the pilgrims entering the Kingdom of Saudi Arabia to perform Hajj / Umrah. The agreement terms are for 4 years starting from 1 January 2020 and it is renewable for another four years subject to the terms and conditions of the agreement.

## AL SAGR COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts expressed in Saudi Riyals unless otherwise stated)

#### 3. Material accounting policies (continued)

##### 3.3 Insurance and reinsurance contracts (continued)

###### ix. Presentation (continued)

This co-insurance arrangement, in which the Company is a participant, is an insurance contract as defined in IFRS 17, and the Company has accordingly applied the recognition and measurement principles of IFRS 17. Given the bespoke nature of the arrangement and given that the rights and obligations from the arrangement are managed and settled on a net basis, the Company has accordingly presented the results from the arrangement on a net basis in insurance service results as a separate line item on the statement of comprehensive income and has provided more details in the notes.

###### *Insurance finance income and expenses:*

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk, and changes therein.

The Company includes all insurance finance income or expenses for the year in the statement of income.

###### x. Changes to classification, recognition and measurement

The measurement principles of the PAA differ from the 'earned premium approach' used by the Company under IFRS 4 in the following key areas:

- **Deferral of acquisition costs** - Under IFRS 17, insurance acquisition cash flows are costs directly attributable to selling or underwriting a portfolio of insurance contracts. The Company has elected to capitalise and amortise these costs over the coverage period based on the passage of time for all groups of contracts.
- **Discount rate** - Under IFRS 17, the liability for incurred claims is discounted at a rate that reflects the characteristics of the liabilities and the duration of each portfolio. The Company has established discount yield curves using risk-free rates adjusted to reflect the appropriate illiquidity characteristics of the applicable insurance contracts. Under IFRS 4, claims liabilities were discounted using a rate that reflected the estimated market yield of the underlying assets backing these claims liabilities at the reporting date.
- **Risk Adjustment** - Under IFRS 17, the liability for incurred claims includes an explicit risk adjustment for non-financial risk ("risk adjustment"), which replaces the risk margin under IFRS 4. The IFRS 4 risk margin reflected the inherent uncertainty in the net discounted claim liabilities estimates, whereas the IFRS 17 risk adjustment is the compensation required for bearing the uncertainty that arises from non-financial risk.
- **Onerous contracts** - IFRS 17 requires the identification of groups of onerous contracts at a more granular level than the liability adequacy test performed under IFRS 4. For onerous contracts, the loss component based on projected profitability is recognized immediately in Net income, resulting in earlier recognition compared to IFRS 4.

###### xi. Accounting policy choices

###### *Length of cohorts*

IFRS 17 places an upper limit of 12 months on the length of cohorts so that no group for level of aggregation purposes may contain contracts issued more than one year apart. The Company has elected to use annual cohorts.

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**3. Material accounting policies** (continued)

**3.3 Insurance and reinsurance contracts** (continued)

*xi. Accounting policy choices (continued)*

*Use of OCI for insurance finance income or expense (IFIE)*

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from the effect of the time value of money and changes in the time value of money, and the effect of financial risk and changes in financial risk. In reference to the presentation in statement of income, the Company will present the entire insurance finance income or expenses in profit or loss.

*Expense attribution*

The Company will perform regular expense studies to determine the extent to which fixed and variable overheads are directly attributable to fulfill the insurance contracts.

*Deferral of acquisition cost*

In reference to the recognition of acquisition costs, the Company has decided to capitalize and amortize the acquisition cost over the contract period instead of immediately recognizing it as an expense.

*Policyholder surplus accounting*

The Company does not make any allowance for surplus distribution when determining onerosity. Currently, the amount is determined on a retrospective basis only, allocated to group of contracts based on the Company's defined allocation policy and presented as part of LIC.

*xii. Changes to presentation and disclosure*

**Statement of financial position**

Presentation is driven by portfolios which are composed of groups of contracts covering similar risks and which are managed together. Portfolios of insurance and reinsurance contracts are presented separately between:

- Portfolios of insurance and reinsurance contracts issued that are assets;
- Portfolios of insurance and reinsurance contracts issued that are liabilities;
- Portfolios of reinsurance contracts held that are assets; and
- Portfolios of reinsurance contracts held that are liabilities.



**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**3. Material accounting policies** (continued)

**3.3 Insurance and reinsurance contracts** (continued)

*xii. Changes to presentation and disclosure (continued)*

Line items under IFRS 17	Line items under IFRS 4, now combined under one line item under IFRS 17
Insurance contract liabilities	Unearned premium reserves Premiums and Insurer's receivables Provision for doubtful debts on Premiums and Insurer's receivables Deferred acquisition costs Surplus distribution payable Accounts payables Outstanding claims Claims incurred but not reported Other technical reserves
Reinsurance contract assets	Reinsurer's share of unearned premiums Unearned reinsurance commission Reinsurance premium payable Reinsurer's share of outstanding claims Reinsurer's share of claims incurred but not reported Reinsurer's share of other technical reserves Receivables from reinsurance companies Provision for doubtful debts on reinsurance receivables

**Statements of income**

The line item descriptions in the statement of income have been changed significantly compared to presentation in the latest annual financial statements.

Insurance revenue under IFRS 17 includes gross written premium, gross movement in unearned premiums and estimates for expected premium receipts.

Insurance service expense under IFRS 17 includes gross claims paid, changes in outstanding claims, changes in incurred but not reported claims, changes in loss component, policy acquisition costs, attributable expenses and the impact of release in the risk adjustment. The changes in additional premium reserve is eliminated and instead changes in loss component is taken.

Net income / (expenses) from reinsurance contracts held under IFRS 17 includes reinsurance premium ceded, changes in reinsurer's share of unearned premiums, reinsurance commission earned, reinsurance share of paid claims, reinsurance share of outstanding claims, reinsurance share of changes in claims incurred but not reported, change in reinsurance accrual reserve, expected credit losses on reinsurance receivables and the impact of loss adjustment the risk adjustment for non-financial risk.

Insurance service results are presented without the impact of discount unwinding and changes in discount rates which are shown separately under Net insurance financial result in Net income.

Share of surplus from insurance pools (i.e. Travel and Covid-19 product, Al Manafeth, Umrah & Hajj scheme and inherent defects insurance) are presented on a net basis within the total insurance service results after the insurance service result from the Company's directly written business.

IFRS 17 resulted in presentation changes to IFRS 4's underwriting expenses, claims handling expenses, policy acquisition costs and general and administrative expenses since such expenses are classified either as 'Incurred claims and other directly attributable expenses' within insurance service expense or as other operating expenses when they are not directly attributable to insurance contracts.

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**3. Material accounting policies (continued)**

**3.3 Insurance and reinsurance contracts (continued)**

*xii. Changes to presentation and disclosure (continued)*

As a result, a portion of expenses classified as general and administrative expenses under IFRS 4 are now presented as other operating expenses under IFRS 17.

The following previously reported line items are no longer disclosed: direct premiums written, net earned premiums, net claims incurred, and underwriting expenses

**3.4 Financial assets and liabilities**

*i. Initial recognition*

At initial recognition, the Company measures financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of financial asset. Transaction cost of financial assets carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss ("ECL") allowance is recognised for financial assets measured at amortised cost and investments measured at FVOCI.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

- a. When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (that is, a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- b. In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

**Amortised cost and effective interest rate**

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective profit method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, contributions or discounts and fees and points paid or received that are integral to the effective profit rate, such as origination fees.

Interest income is recognised using the effective profit rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit impaired, profit income is recognised by applying the effective interest rate to the net carrying value of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

## **AL SAGR COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts expressed in Saudi Riyals unless otherwise stated)

#### **3. Material accounting policies (continued)**

##### **3.4 Financial assets and liabilities (continued)**

###### *ii. Classification and subsequent measurement of financial assets*

The Company classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVTPL);
- Fair value through Other Comprehensive Income (FVOCI)
- Held at amortised cost.

The classification requirements for debt and equity instruments are described below:

#### **Debt instruments**

Classification and subsequent measurement of debt instruments depend on:

- (i) the Company's business model for managing the financial assets; and
- (ii) the contractual cash flow characteristics of the financial assets.

##### *Business model:*

The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVTPL.

Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the liquidity portfolio of assets, which is held by the Company as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVTPL.

##### *Solely payments of principal and profit:*

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and profit. In making this assessment, the Company considers whether the contractual cash flows are consistent with the financing agreement i.e. profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

## **AL SAGR COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts expressed in Saudi Riyals unless otherwise stated)

#### **3. Material accounting policies (continued)**

##### **3.4 Financial assets and liabilities (continued)**

###### *ii. Classification and subsequent measurement of financial assets (continued)*

###### **Debt instruments (continued)**

The Company exercises judgment in determining whether the contractual terms of financial assets it originates or acquires give rise on specific dates to cash flows that are solely payments of principal and profit income on the principal outstanding and so may qualify for amortised cost measurement. In making the assessment the Company considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets, terms that change the amount and timing of cash flows and whether the contractual terms contain leverage.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

###### **Amortised cost:**

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised. Profit income from these financial assets is included in 'Interest income' using the effective profit method.

###### **Fair value through other comprehensive income ("FVOCI"):**

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and profit, and that are not designated at FVTPL, are designated as FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, special interest income and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Profit income from these financial assets is included in 'Interest income' using the effective profit method. Currently no debt instrument is classified as FVOCI.

###### **Fair value through profit or loss (FVTPL):**

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL presented in profit or loss in the period in which it arises. Currently investment in mutual funds and Sukuk which failed SPPI assessment are classified as FVTPL.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are not expected to be frequent and no such instances have occurred during the year ended 31 December 2023.

## **AL SAGR COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts expressed in Saudi Riyals unless otherwise stated)

#### **3. Material accounting policies (continued)**

##### **3.4 Financial assets and liabilities (continued)**

###### *ii. Classification and subsequent measurement of financial assets (continued)*

###### **Equity instruments:**

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Company classifies all equity investments at FVTPL, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, transaction costs are made part of the cost at initial recognition and subsequent fair value gains and losses (unrealized) are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. The Company has designated its investment in Najm for Insurance Services Company, a Saudi Closed Joint Stock Company, as FVOCI.

Dividends, when representing a return on such investments, continue to be recognized in the statement of income as 'Dividend income' when the Company's right to receive payments is established. Currently all equity securities are designated as FVTPL.

Any gain or loss on the disposal of equity classified as FVOCI will be non-recycling i.e. on disposal, fair value movement residing in OCI will be moved directly from OCI to retained earnings.

###### *iii. Impairment of financial assets*

The Company assesses on a forward-looking basis the ECL associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Premiums receivable balances have been classified under insurance contract liabilities and the reinsurers' receivable balances and reinsurers' share of outstanding claims and claims incurred but not reported have been classified under reinsurance contract assets, as rights and obligations under insurance contracts are accounted for under IFRS 17 because the policyholder transfers significant insurance risk to the insurer rather than financial risk, which are in the scope of IFRS 17 for impairment.

## **AL SAGR COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts expressed in Saudi Riyals unless otherwise stated)

#### **3. Material accounting policies (continued)**

##### **3.4 Financial assets and liabilities (continued)**

###### *iii. Impairment of financial assets (continued)*

The Company applies the three-stage model for impairment of financial assets measured at amortised cost and FVOCI, based on changes in credit quality since initial recognition.

Stage 1 (“Performing”) includes financial assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these financial assets, 12-month expected credit losses (“ECL”) are recognised and financial income is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). A 12-month ECL is the ECL that results from default events that are possible within 12-months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset, weighted by the probability that the loss will occur in the next 12-months.

Stage 2 (“Under-performing”) includes financial assets that have had a significant increase in credit risk since initial recognition, but do not have objective evidence of impairment. A significant increase in credit risk is presumed if a receivable is more than 30 days past due. For these financial assets, lifetime ECL are recognised, but financial income is still calculated on the gross carrying amount of the asset. Lifetime ECL is the ECL that results from all possible default events over the maximum contractual period during which the Company is exposed to credit risk. ECL is the weighted average credit losses, with the respective risks of a default occurring as the weights.

Stage 3 (“Non-performing”) includes financial assets that have objective evidence of impairment at the reporting date. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due. For these financial assets, lifetime ECL are recognised and financial income is calculated on the net carrying amount (that is, net of credit allowance).

The Company, when determining whether the credit risk on a financial asset has increased significantly, considers reasonable and supportable information available (e.g. days past due, customer credit scoring etc.), in order to compare the risk of a default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial asset.

Financial assets are written-off only when there is no reasonable expectation of recovery.

Where financial assets are written-off, the Company continues to engage enforcement activities to attempt to recover the receivable due. Recoveries made, after write-off, are recognized in profit or loss.

Impairment losses on financial assets are presented separately on the statement of income.

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**3. Material policies** (continued)

**3.4 Financial assets and liabilities** (continued)

*iv. Derecognition of financial assets*

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of ownership, or (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

The Company enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in statement of income.

*v. Classification and subsequent measurement of financial liabilities*

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective profit method.

*vi. Derecognition of financial liabilities*

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the statement of income.

**3.4.1 Changes to classification and measurement**

To determine their classification and measurement category, IFRS 9 requires all financial assets to be assessed based on a combination of the Company's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories for financial assets (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity (HTM) and loans and receivables (L&R) at amortised cost) have been replaced by:

- Financial assets at fair value through profit or loss, including equity instruments and derivatives;
- Debt instruments at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition (not used by the Company); and
- Debt instruments at amortised cost.

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**3. Material accounting policies** (continued)

**3.4 Financial assets and liabilities** (continued)

**3.4.1 Changes to classification and measurement** (continued)

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

- The amount of the change in the fair value that is attributable to changes in the credit risk of the liability will be presented in Other Comprehensive Income (OCI);
- The remaining amount of the change in the fair value is presented in the statement of income.

The Company has applied IFRS 9 retrospectively and restated comparative information for 2022 for financial instruments in the scope of IFRS 9. Differences arising from the adoption of IFRS 9 were recognised in retained earnings as of 1 January 2022. There is no impact expected on financial liabilities as a result of transition to IFRS 9.

**3.4.2 Changes to the impairment calculation**

Under IFRS 9, the Expected credit loss ("ECL") allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss); unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss.

Lifetime expected credit losses represent ECL that would result from all possible default events over the expected life of the financial asset whereas 12 month expected credit losses are those life expected credit losses expected to occur within 12 months of statement of financial position date. Both lifetime ECLs and 12-month ECLs will be calculated on an individual basis depending on the nature of the underlying portfolio of financial instruments.

ECL is computed based on the parameters namely Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) values. ECL is discounted to present value.

Probability of Default ('PD'): The probability of default is an estimate of the likelihood of default over a given time horizon.

Loss Given Default ('LGD'): Loss given default inputs are determined by class of financial instrument based on historical experience of loss and recovery rates for similar financial instruments and other relevant industry data.

Exposure at Default ('EAD'): The exposure at default is an estimate of the exposure at a future default date.

Forward looking estimate: While estimating the ECL, the Company will review macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Company will analyze the relationship between key economic trends with the estimate of PD.

IFRS 9 impairment applies to financial instruments that are not measured at Fair value through profit or loss (FVTPL). Equity instruments measured at FVOCI are also excluded from the purview of impairment.

Financial assets that are subject to impairment consist of investment portfolio (debt instruments) and cash and cash equivalents.



## **AL SAGR COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts expressed in Saudi Riyals unless otherwise stated)

#### **3. Material accounting policies (continued)**

##### **3.5 Other income**

Income from Umrah product medical, general and accident insurance fund, is recognised as other income on the basis of quarterly financial statements released by their Fund Manager i.e. The Company for Cooperative Insurance.

##### **3.6 Dividend distribution**

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

##### **3.7 Cash and cash equivalents**

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments, if any, with less than three months maturity from the date of acquisition.

##### **3.8 Term deposits**

Short-term deposits are placed with local banks and financial institutions with an original maturity of more than three months but less than or equal to twelve months from the date of placement.

Long-term deposit represents deposit with maturity of more than one year from the date of placement and is placed with a financial institution carrying commission income.

##### **3.9 Property and equipment**

Property and equipment are initially recorded at cost and are stated at cost less accumulated depreciation and impairment in value, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. 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.

Leasehold improvements principally represent movable structures that can be relocated without incurring any substantial cost and effort. Assets in the course of construction or development are capitalised in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in-progress comprises its purchase price, construction / development costs and any other directly attributable costs to the construction or acquisition of an item of capital work-in-progress intended by management. Capital work-in-progress is not depreciated.

##### **3.10 Goodwill**

Goodwill represents excess of the fair value of the purchase consideration payable, as per SAMA's instructions, over the net identifiable assets acquired from Al Sagr Saudi Insurance Company (a sister company). The recoverability of goodwill is tested at each statement of financial position date for impairment or more frequently when changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised as the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is higher of an asset's fair value less costs to sell and its value in use.

## **AL SAGR COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts expressed in Saudi Riyals unless otherwise stated)

#### **3. Material accounting policies (continued)**

##### **3.11 Intangible assets**

Intangible assets represent computer software and are measured at cost. Intangible assets with a finite useful life are amortised over their estimated useful life in accordance with the pattern of expected consumption of economic benefits. Estimated useful life of software is 4 years. Intangible assets with an infinite useful life (including goodwill) are not subject to amortisation but are tested for impairment at each statement of financial position date or more often if there is an indication of impairment. Intangible assets with a finite life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Amortisation expense is included in 'General and administrative expenses' under statement of income.

##### **3.12 Right-of-use assets and lease liabilities**

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use ("RoU") asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

**AL SAGR COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts expressed in Saudi Riyals unless otherwise stated)

**3. Material accounting policies (continued)**

**3.12 Right-of-use assets and lease liabilities (continued)**

The lease liability, if any, is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related RoU asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The RoU assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

RoU assets are depreciated over the shorter period of lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the RoU asset reflects that the Company expects to exercise a purchase option, the related RoU asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The RoU assets, if any, are presented as a separate line in the statement of financial position.

The Company applies IAS 36 "Impairment of Assets" to determine whether a RoU asset is impaired and accounts for any identified impairment loss.

The Company has used exemption available in IFRS 16 - Leases, for short-term leases and leases of low-value assets. Also see Note 14 (b).

## **AL SAGR COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts expressed in Saudi Riyals unless otherwise stated)

#### **3. Material accounting policies (continued)**

##### **3.13 Impairment of non-financial assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGU, to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses are recognised in the statement of income.

##### **3.14 Provisions 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. Provisions are not recognised for future operating losses. Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

##### **3.15 Employee benefit obligations**

The Company operates a single employment benefit scheme of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The employment benefits plan is not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognised immediately in the statement of income and while unwinding of the liability at discount rates used are recorded in the statement of income. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the statement of comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in the statement of comprehensive income and transferred to retained earnings in the statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognised immediately in statement of income as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labor law of Saudi Arabia.

## **AL SAGR COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts expressed in Saudi Riyals unless otherwise stated)

#### **3. Material accounting policies (continued)**

##### **3.16 Zakat**

Zakat is provided in accordance with the Regulations of the Zakat, Tax and Customs Authority ("the ZATCA") in the Kingdom of Saudi Arabia. Zakat provision is charged to the statement of income. Zakat is computed on the Saudi shareholder's share of the Zakat base. The Company is settling the Zakat annually to ZATCA.

##### *Value added tax*

Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of value added tax included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

##### **3.17 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, except for those arising on available-for-sale financial assets, are taken to the statement 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. As the Company's foreign currency transactions are primarily in US dollars which is pegged to Saudi Riyal, foreign exchange gains and losses are not significant.

#### **4. Significant accounting judgments, estimates and assumptions**

The preparation of financial statements in conformity with IFRS requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

In preparing these financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended 31 December 2022, except for Points (i) to (vi) below, which changed upon adoption of IFRS 17 and IFRS 9, for which, sensitivity analysis is disclosed in Note 29.

The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period are discussed below:

##### *(i) Estimates of future cash flows to fulfil insurance contracts*

In estimating future cash flows, the Company incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experiences, updated to reflect current expectations of future events. The estimates of future cash flows reflect the Company's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

## **AL SAGR COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts expressed in Saudi Riyals unless otherwise stated)

#### **4. Significant accounting judgments, estimates and assumptions (continued)**

##### *(i) Estimates of future cash flows to fulfil insurance contracts (continued)*

The estimates of these future cash flows are based on probability-weighted expected future cash flows. The Company estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Company uses information about past events, current conditions and forecasts of future conditions. The Company's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing and probability of cash flows. The probability-weighted average of the future cash flows is calculated using a deterministic scenario representing the probability-weighted mean of a range of scenarios.

When estimating future cash flows, the Company takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted. Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include claims handling, maintenance and administration costs, and recurring commissions payable on instalment premiums receivable within the contract boundary. Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads. Cash flows are attributed to acquisition activities, other fulfilment activities and other activities at Company level using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics. Other costs are recognised in statement of income as they are incurred.

Where estimates of expenses-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis. The Company has determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature. Expenses of an administrative policy maintenance nature are allocated to groups of contracts based on the number of contracts in force within groups. The Company performs regular expense studies to determine the extent to which fixed and variable overheads are directly attributable to fulfill the insurance contracts.

##### *(ii) Discounting methodology*

Discount rates are primarily used to adjust the estimates of future cash flows to reflect the time value of money and other financial risks to accrete interest on the liability for incurred claims.

The bottom-up approach was used to derive the discount rate. Under this approach, the USD based risk free discount rates by The European Insurance and Occupational Pensions Authority (EIOPA) were used as a starting point for preparing the yield curve. The Company then further added a KSA country risk premium from the source to make the yield curve appropriate for the application. The Company used the USD volatility adjustment reported by EIOPA for Solvency II as a proxy for illiquidity premium.

The Company had discounted the liability for incurred claims for all groups of insurance contracts. There is no allowance for the time value of money for liability for remaining coverage ("LRC").

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**4. Significant accounting judgments, estimates and assumptions (continued)**

*(ii) Discounting methodology (continued)*

The yield curves that were used to discount the estimates of future cash flows that do not vary based on the returns of the underlying items are as follows:

<b>Insurance contracts issued and reinsurance contracts held</b>						
<b>2023</b>	<b>Currency</b>	<b>1 year</b>	<b>2 years</b>	<b>3 years</b>	<b>4 years</b>	<b>5 years</b>
<b>Medical</b>	<b>SAR</b>	<b>4.76%</b>	<b>4.06%</b>	<b>3.72%</b>	<b>3.57%</b>	<b>3.50%</b>
<b>Motor Comprehensive</b>	<b>SAR</b>	<b>4.76%</b>	<b>4.06%</b>	<b>3.72%</b>	<b>3.57%</b>	<b>3.50%</b>
<b>Motor Third Party</b>	<b>SAR</b>	<b>4.76%</b>	<b>4.06%</b>	<b>3.72%</b>	<b>3.57%</b>	<b>3.50%</b>
<b>Engineering</b>	<b>SAR</b>	<b>4.76%</b>	<b>4.06%</b>	<b>3.72%</b>	<b>3.57%</b>	<b>3.50%</b>
<b>Property</b>	<b>SAR</b>	<b>4.76%</b>	<b>4.06%</b>	<b>3.72%</b>	<b>3.57%</b>	<b>3.50%</b>
<b>General Accident</b>	<b>SAR</b>	<b>4.76%</b>	<b>4.06%</b>	<b>3.72%</b>	<b>3.57%</b>	<b>3.50%</b>
<b>Marine Cargo</b>	<b>SAR</b>	<b>4.76%</b>	<b>4.06%</b>	<b>3.72%</b>	<b>3.57%</b>	<b>3.50%</b>
<b>Marine Hull</b>	<b>SAR</b>	<b>4.76%</b>	<b>4.06%</b>	<b>3.72%</b>	<b>3.57%</b>	<b>3.50%</b>

<b>Insurance contracts issued and reinsurance contracts held</b>						
<b>31 December 2022</b>	<b>Currency</b>	<b>1 year</b>	<b>2 years</b>	<b>3 years</b>	<b>4 years</b>	<b>5 years</b>
Medical	SAR	5.94%	5.29%	4.89%	4.68%	4.55%
Motor Comprehensive	SAR	5.94%	5.29%	4.89%	4.68%	4.55%
Motor Third Party	SAR	5.94%	5.29%	4.89%	4.68%	4.55%
Engineering	SAR	5.94%	5.29%	4.89%	4.68%	4.55%
Property	SAR	5.94%	5.29%	4.89%	4.68%	4.55%
General Accident	SAR	5.94%	5.29%	4.89%	4.68%	4.55%
Marine Cargo	SAR	5.94%	5.29%	4.89%	4.68%	4.55%
Marine Hull	SAR	5.94%	5.29%	4.89%	4.68%	4.55%

*(iii) Risk adjustments for non-financial risks*

The Company adjusted the estimate of the present value of the future cashflows to reflect the compensation that the entity requires for bearing the uncertainty about the amount and timing of the cashflows that arises from non-financial risk. So, the purpose of the risk adjustment for non-financial risk is to measure the effect of uncertainty in the cashflows that arise from insurance contracts, other than uncertainty arising from financial risk.

The risks covered by the risk adjustment for non-financial risk are insurance risk and other non-financial risks such as lapse risk and expense risk.

The Company adopted the PAA simplification for the calculation of liability for remaining coverage. Therefore, risk adjustment for liability for remaining coverage will only be estimated in case a group of contracts is recognized as onerous.

There is no prescribed approach for determining the risk adjustment for non-financial risk for each group of insurance contracts. Applying a confidence level technique, the Company estimated the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculated the risk adjustment for non-financial risk as the excess of the value at risk at the 75<sup>th</sup> percentile (the target confidence level) over the expected present value of the future cash flows.

*(iv) Onerosity determination*

Under the PAA, the Company assumed no contracts in the portfolio are onerous at initial recognition unless "facts and circumstances" indicate otherwise. The Company performs the assessment of onerous contracts on an annual and underwriting year basis, in conjunction with updated information on product profitability. Furthermore, the assessment shall be repeated if "facts and circumstances" indicate that there are significant changes in product pricing, product design, plans and forecasts.

This level of granularity determines sets of contracts. The Company uses significant judgement to determine at what level of granularity the Company has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

## **AL SAGR COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts expressed in Saudi Riyals unless otherwise stated)

#### **4. Significant accounting judgments, estimates and assumptions (continued)**

##### *(iv) Onerosity determination (continued)*

The Company established a process to determine onerous, potentially onerous and profitable contracts by assessing the profitability of the different portfolios at the start of the underwriting year. The profitability of each portfolio shall be assessed separately. Refer Note 3.3 (v) for further details in this regard.

##### *(v) Estimates for expected premium receipts*

The Company has developed a methodology for expected premium receipts based on provision matrix approach. Such balances have been reclassified to insurance contract liabilities in line with the requirements of IFRS 17. To measure the estimates, such balances have been grouped based on shared credit risk characteristics for respective policyholder base portfolio and the days past due. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors, affecting the ability of the customers to settle the receivables. The Company has identified the Gross domestic product and the inflation rate of the country in which it operates to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

##### *(vi) Fair value of financial instruments*

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses its judgement to select a variety of methods and to make assumptions that are mainly based on market conditions existing at the end of each reporting period. Refer to Note 27 for details relating to fair valuation techniques and a sensitivity analysis in relation to the significant assumptions.

##### *(vii) Impairment of goodwill*

The recoverable amount of goodwill is estimated based on the present value of the future cash flows expected to be derived from the asset. In case, the recoverable amount is less than carrying value, the difference is charged to statement of income as impairment loss. The key assumptions used in determining the recoverable amounts and the related sensitivity analysis are set out in Note 9.

##### *(viii) Presentation of the Umrah and Hajj insurance pool*

IFRS 17 does not have specific requirements on the presentation of assigning insurance income and expenses, and insurance assets and liabilities when an insurance contract is issued by more than one entity. Accordingly, the Company applied the requirements in IAS 8 in developing a policy for the presentation of the arrangement in which it is a co-insurer (refer to note 3.3 xii). The Company analysed the contractual terms of the arrangement policy and concluded that given the nature and substance of the arrangement, it is appropriate to present the results within net insurance results as a separate line item in the statement of comprehensive income, with details provided in the notes. The Company believes this is appropriate as management has no ability to change the pricing or control the expenditure and as such do not think it is appropriate to include the results within revenue and expenses that are controllable by the Company. The current presentation of the arrangement is similar to where an entity is acting as an agent, where the principle is as there is no control net presentation is more appropriate and disclosure is provided in the notes. Management believes the presentation and disclosure reflects the substance of the arrangement.



**AL SAGR COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts expressed in Saudi Riyals unless otherwise stated)

**5. Impact of adoption of new accounting standards**

As stated in Note 2, this is the Company's first financial statements prepared in accordance with the requirements of IFRS 17 and IFRS 9.

**5.1 IFRS 17**

The impact on total equity, total assets and total liabilities as at 1 January 2023 and 1 January 2022, arising from actuarial risk adjustment, discounting, loss component adjustment and estimates for expected premium receipts, is as disclosed in the following table. The overall decrease in net equity is principally on account of change in methodology for computing loss component adjustment under IFRS 17 requirements as compared to premium deficiency reserve under IFRS 4. Also see Note 3.3 (x) for details regarding the methodology and assumptions used to determine such adjustments.

	<b>1 January 2023</b>	<b>1 January 2022</b>
<b>Increase (reduction) in the Company's total equity</b>		
Change in measurement of reinsurance contract assets (Note 5.1.1)	<b>3,074,833</b>	9,592,966
Change in measurement of insurance contract liabilities (Note 5.1.2)	<b>(17,721,619)</b>	(56,760,320)
<b>Impact of adoption of IFRS 17 on accumulated losses and total equity</b>	<b>(14,646,786)</b>	(47,167,354)
<b>5.1.1</b>		
<b>(Reduction) increase in the Company's total assets impacting total equity</b>		
Risk adjustment	<b>5,286,900</b>	10,074,621
Discounting	<b>(1,997,771)</b>	(238,155)
Estimates for expected recoveries from reinsurer	<b>(214,296)</b>	(243,500)
<b>Impact of adoption of IFRS 17 on total assets impacting total equity</b>	<b>3,074,833</b>	9,592,966
<b>5.1.2</b>		
<b>(Increase) reduction in the Company's total liabilities impacting total equity</b>		
Loss component	<b>(9,650,501)</b>	(40,646,364)
Risk adjustment	<b>(8,577,299)</b>	(16,375,595)
Discounting	<b>3,441,981</b>	1,090,627
Estimates for expected premium receipts	<b>(2,935,800)</b>	(828,988)
<b>Impact of adoption of IFRS 17 on total liabilities impacting total equity</b>	<b>(17,721,619)</b>	(56,760,320)

The impact on the net loss for the year ended 31 December 2022 attributable to the shareholders, arising from actuarial risk adjustment, discounting, loss component adjustment and estimates for expected premium receipts recomputed for premiums receivable, reinsurers' receivable, reinsurers' share of outstanding claims and claims incurred but not reported, in line with the requirements of IFRS 17, is as follows:

	<b>For the year ended 31 December 2022</b>
<b>Reduction (increase) in the Company's net loss</b>	
Loss component	30,995,864
Risk adjustment	7,798,296
Discounting	2,343,144
Reinsurers' share of risk adjustment	(4,787,721)
Reinsurers' share of discounting	(1,759,616)
Estimates for expected premium receipts	(2,106,813)
Estimates for expected recoveries from reinsurer	29,204
<b>Impact of adoption of IFRS 17 on net loss</b>	<b>32,512,358</b>

**AL SAGR COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts expressed in Saudi Riyals unless otherwise stated)

**5. Impact of adoption of new accounting standards (continued)**
**5.2 IFRS 9**

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied using a full retrospective approach. The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- the determination of the business model within which a financial asset is held;
- the designation and revocation of previous designated financial assets as measured at FVTPL. This category includes financial assets that were previously designated as fair value through statement of income and those that were classified as available for sale;

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as of the date of application i.e. January 1, 2023 and 2022 is, as follows:

	<b>Original classification under IAS 39</b>	<b>New classification under IFRS 9</b>	<b>Original carrying value under IAS 39 As at 1 January 2023</b>	<b>New carrying value under IFRS 9</b>	<b>Impact of ECL and change in classification</b>
<b>Financial assets</b>					
Cash and cash equivalents	Loans and receivables	Amortised cost	222,966,665	222,966,665	-
Investments					
- Mutual funds	Available for sale at fair value ("AFS")	FVTPL	20,892,516	20,892,516	-
- Ordinary shares	AFS	FVTPL	29,461,938	29,461,938	-
- Ordinary shares	AFS	FVOCI	1,923,080	39,703,127	37,780,047*
Short-term deposit	Loans and receivables	Amortised cost	127,000,000	127,000,000	-
Statutory Deposit	Loans and receivables	Amortised cost	21,000,000	21,000,000	-
Other receivables	Loans and receivables	Amortised cost	21,807,993	21,807,993	-
			<b>445,052,192</b>	<b>482,832,239</b>	<b>37,780,047</b>
	<b>Original classification under IAS 39</b>	<b>New classification under IFRS 9</b>	<b>Original carrying value under IAS 39 As at 1 January 2022</b>	<b>New carrying value under IFRS 9</b>	<b>Impact of ECL and change in classification</b>
<b>Financial assets</b>					
Cash and cash equivalents	Loans and receivables	Amortised cost	288,218,253	288,218,253	-
Investments					
- Mutual funds	FVTPL	FVTPL	57,191,850	57,191,850	-
- Ordinary shares	AFS	FVTPL	30,122,486	30,122,486	-
- Ordinary shares	AFS	FVOCI	1,923,080	37,032,560	35,109,480*
Long-term deposit	Loans and receivables	Amortised cost	86,250,000	86,250,000	-
Statutory Deposit	Loans and receivables	Amortised cost	40,000,000	40,000,000	-
Other receivables	Loans and receivables	Amortised cost	8,859,451	8,859,451	-
			<b>512,565,120</b>	<b>547,674,600</b>	<b>35,109,480</b>

\* Includes impact of revaluation of investments in Najm. Refer Note 8 for further details in this regard. At 1 January 2023 and 2022, the ECL allowance on the financial assets was immaterial.

**AL SAGR COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts expressed in Saudi Riyals unless otherwise stated)

**5. Impact of adoption of new accounting standards (continued)****5.2 IFRS 9 (continued)**

Most of the financial assets that were classified as loan and receivables and amortised cost under IAS 39 continues to be measured at amortised costs under IFRS 9 since these form part of business model hold to collect contractual cash flows which are SPPI. A portfolio of financial assets that is managed and whose performance is evaluated on a fair value basis is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The entity is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. For such portfolios, the collection of contractual cash flows is only incidental to achieving the business model's objective. Consequently, such portfolios of financial assets must be measured at fair value through profit or loss. Accordingly, Financial assets at fair value through statement of income continue to be measured at fair value through profit or loss and as such there was no impact on transition.

The impact on opening fair value reserve and opening accumulated losses, as at 1 January 2023 and 2022, is as follows:

	Impact on opening accumulated losses	Impact on opening fair value reserve
Adjustment to opening fair value reserve under IFRS 9		
- Reclassification of investments from AFS to FVTPL - Ordinary shares	(4,060,641)	4,060,641
- Revaluation of najm investments (Refer Note 8)	-	37,780,047
Impact of initial application of IFRS 9 as at 1 January 2023	<b>(4,060,641)</b>	<b>41,840,688</b>

	Impact on opening accumulated losses	Impact on opening fair value reserve
Adjustment to opening fair value reserve under IFRS 9		
- Reclassification of investments from AFS to FVTPL - Ordinary shares	6,944,730	(6,944,730)
- Revaluation of najm investments (Refer Note 8)	-	35,109,480
- Reversal of impairment on najm investments	1,478,652	-
Impact of initial application of IFRS 9 as at 1 January 2022	<b>8,423,382</b>	<b>28,164,750</b>

The impact on the net loss and other comprehensive income for the year ended 31 December 2022 upon adoption of IFRS 9, is as follows:

	Impact on net loss	Impact on other comprehensive income
- Reclassification of investments from AFS to FVTPL - Ordinary shares	(11,005,371)	11,005,371
Impact of initial application of IFRS 9 for the year ended 31 December 2022	<b>(11,005,371)</b>	<b>11,005,371</b>

Furthermore, the classification of financial liabilities has changed from 'Other financial liabilities at amortised cost' as per IAS 39 to 'amortised cost' as per IFRS 9, with no corresponding change in carrying value of such financial liabilities.

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**5. Impact of adoption of new accounting standards (continued)**

**5.3 Overall impact on transition to IFRS 17 and IFRS 9**

	<b>Impact on opening accumulated losses</b>	<b>Impact on opening fair value reserve</b>
<b>Increase (decrease) on transition to:</b>		
- IFRS 17 (see note 5.1)	(14,646,786)	-
- IFRS 9 (see note 5.2)	(4,060,641)	41,840,688
<b>Impact of adoption of IFRS 17 and IFRS 9 as at 1 January 2023</b>	<b>(18,707,427)</b>	<b>41,840,688</b>
	<b>Impact on opening accumulated losses</b>	<b>Impact on opening fair value reserve</b>
<b>Increase (decrease) on transition to:</b>		
- IFRS 17 (see note 5.1)	(47,167,354)	-
- IFRS 9 (see note 5.2)	8,423,382	28,164,750
<b>Impact of adoption of IFRS 17 and IFRS 9 as at 1 January 2022</b>	<b>(38,743,972)</b>	<b>28,164,750</b>
	<b>Impact on net loss</b>	<b>Impact on other comprehensive income</b>
<b>Increase (decrease) on transition to:</b>		
- IFRS 17 (see note 5.1)	32,512,358	-
- IFRS 9 (see note 5.2)	(11,005,371)	11,005,371
<b>Impact of adoption of IFRS 17 and IFRS 9 for the year ended 31 December 2022</b>	<b>21,506,987</b>	<b>11,005,371</b>

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**6. Cash and cash equivalents**

Cash and cash equivalents included in the statement of cash flows comprise the following:

	<b>Total</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
Cash in hand	<b>38,402</b>	49,434
Cash at bank - current accounts	<b>2,209,542</b>	60,122,998
Time deposits	<b>65,099,165</b>	78,000,000
Money market funds	<b>88,400,559</b>	84,794,233
	<b>155,747,668</b>	222,966,665

Cash at banks is placed with counterparties with sound credit ratings. As at 31 December 2023, deposits were placed with local banks with original maturities of less than three months from the date of placement and earned commission income at an average rate of 5.10% to 7.0% (31 December 2022: 3% to 6%) per annum.

The gross carrying amount of cash and cash equivalents represents the Company's maximum exposure to credit risk on these financial assets which are categorised under investment grade and Stage 1. Investment grade includes those financial assets having credit exposure equivalent to Standard and Poor's rating of AAA to BBB. The Company's exposures to credit risk are not collateralized. At 31 December 2023, 31 December 2022 and 1 January 2022, the ECL allowance on such financial assets was immaterial.

**7. Term deposits**

Short-term deposits, amounting to Saudi Riyals 183.0 million, are placed with local banks and financial institutions with an original maturity of more than three months but less than or equal to twelve months from the date of placement. These deposits earned commission income at a rate of 5.25% to 6.18% per annum for the year ended 31 December 2023.

Long-term deposits, amounting to Saudi Riyals 20.2 million, are placed with local banks and financial institutions represent deposits with maturity of more than one year from the date of placement and are placed with banks carrying commission income at an average rate of 6.15%.

The gross carrying amounts above represent the Company's maximum exposure to credit risk on these financial assets which are categorised under investment grade and Stage 1. Investment grade includes those financial assets having credit exposure equivalent to Standard and Poor's rating of AAA to BBB. The Company's exposures to credit risk are not collateralized. At 31 December 2023, 31 December 2022 and 1 January 2022, the ECL allowance on such financial assets was immaterial.

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**8. Investments**

(a) *Investments are classified as follows:*

	Total 31 December 2023	31 December 2022 - (Restated)
<b>Financial assets at FVTPL</b>		
Mutual Funds	9,325,335	20,892,516
Ordinary shares	41,064,737	29,461,938
	<b>50,390,072</b>	<b>50,354,454</b>
<b>Financial assets at FVOCI</b>		
Ordinary shares	43,484,252	39,703,127
	<b>93,874,324</b>	<b>90,057,581</b>

(b) *Movement in investments carried at fair value is as follows:*

(i) *Financial assets at fair value through profit or loss ("FVTPL")*

	31 December 2023	31 December 2022 - (Restated)
Balance at beginning of the year	50,354,454	87,314,336
Additions during the year	15,526,844	60,340,654
Withdrawal during the year	(28,927,660)	(94,400,314)
Changes in fair value of investments	13,436,434	(2,900,222)
Balance at end of the year	<b>50,390,072</b>	<b>50,354,454</b>

Investment in mutual funds are classified as investments measured at FVTPL since these are equity instruments. As a result, these funds were classified as FVTPL from the date of initial application.

(ii) *Financial assets at fair value through other comprehensive income ("FVOCI")*

	31 December 2023	31 December 2022 - (Restated)
Balance at beginning of the year	39,703,127	1,923,080
Adjustment to opening retained earnings under IFRS 9 (Note 5.2)	-	35,109,480
Opening balance as at 1 January - under IFRS 9	<b>39,703,127</b>	<b>37,032,560</b>
Changes in fair value of investments	3,781,125	2,670,567
Balance at end of the year	<b>43,484,252</b>	<b>39,703,127</b>

**AL SAGR COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts expressed in Saudi Riyals unless otherwise stated)

**8. Investment (continued)**(b) *Movement in investments carried at fair value is as follows: (continued)*

(ii) Financial assets at fair value through other comprehensive income ("FVOCI") (continued)

The Company has classified its investments in ordinary shares at FVTPL, except for Najm investments which are being held at FVOCI. Equity investment at FVOCI represent investment in the equity of Najm for Insurance Services (Najm) and in accordance with Company's accounting policy under Note 3, investments in equity instruments should be measured at fair value. During the year ended 31 December 2023, the Company has determined the fair value of its investment in Najm, which was previously carried at cost of Saudi Riyals 1.9 million. The fair value of Najm investment was Saudi Riyals 43.5 million, Saudi Riyals 39.7 million and 37.0 million as at 31 December 2023, 31 December 2022 and 1 January 2022 respectively. Accordingly, the required adjustments to bring the carrying value of such investment to its fair value have been recognised in the opening equity as of 1 January 2022.

(c) *Category wise investment analysis is as follows:*

	<b>31 December 2023</b>	<b>31 December 2022 - (Restated)</b>
Quoted	<b>38,454,737</b>	28,661,938
Unquoted	<b>55,419,587</b>	61,395,643
	<b>93,874,324</b>	90,057,581

(d) *Geographical concentration:*

The maximum exposure to credit and price risk for financial assets at fair value through profit or loss at the reporting date by geographic region is as follows:

	<b>31 December 2023</b>	<b>31 December 2022 - (Restated)</b>
Kingdom of Saudi Arabia	<b>91,581,676</b>	79,115,420
Singapore	<b>1,466,733</b>	2,027,882
United States of America	<b>825,915</b>	8,914,279
	<b>93,874,324</b>	90,057,581

**AL SAGR COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts expressed in Saudi Riyals unless otherwise stated)

**9. Goodwill**

The Company commenced its insurance operations on January 1, 2009. The Company's General Assembly approved on February 1, 2009 for the Company to enter into an agreement whereby it acquired the entire business (net identifiable assets) of Al Sagr Saudi Insurance Company with effect from January 1, 2009 at a goodwill of Saudi Riyals 39 million as set forth in SAMA's letter in this respect after completing the related procedures as required under SAMA's letter on November 10, 2008. The Company has later adjusted goodwill amount by reducing Saudi Riyals 13.5 million in line with SAMA correspondence in this respect bringing it to Saudi Riyals 25.5 million. The Company has paid Saudi Riyals 9.9 million during 2011 and Saudi Riyals 15.6 million in 2012 against goodwill to the shareholders of Al Sagr Saudi Insurance Company.

For the impairment testing, management has identified a single cash generating unit ("CGU") and determines the recoverable amount of the CGU based on value-in-use calculations. These calculations require the use of estimates in relation to the future cash flows, based on the most recent five years' business plan, and use of an appropriate discount rate. Cash flows beyond five-years' period are extrapolated using the estimated growth rate stated below. This growth rate is consistent with the forecasts included in industry reports specific to the industry in which the CGU operates. Actual conditions may differ from assumptions and thus actual cash flows may be different to those expected with a potential material effect on the recoverability of amounts. The calculation of value in use was most sensitive to the assumptions of insurance revenue growth (31 December 2022: Gross written premium), insurance service expenses (31 December 2022: Average claims ratio) and discount rate, which are determined keeping in view the historical performance, recent market and industry trends and expected outcome of various performance improvement measures being implemented by the management. As of 31 December 2023, the key assumptions were changed from the annual financial statements for the year ended 31 December 2022, to align with the principles of IFRS 17. Since insurance service expenses consider both claims and directly attributable expenses the average claim ratio is not considered separately.

The key significant assumptions used in the determination of expected discounted cash flows for the next 5 years are:

<b>Key assumptions - 31 December 2023</b>	<b>%</b>
Insurance revenue growth	7.2
Insurance service expenses	79.1
Weighted average cost of capital	14.0
Terminal value growth rate	2.0
<b>Key assumptions - 31 December 2022</b>	<b>%</b>
Compound annual growth in gross premiums written	11.2
Average claims ratio	76.3
Weighted average cost of capital	12.0
Terminal value growth rate	2.0

Although management believes that the assumptions used to evaluate potential impairment are reasonable, such assumptions are inherently subjective. Based on the assumptions made, the expected discounted future cash flows exceed the carrying amount of goodwill and accordingly no impairment has been recognised.



**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**9. Goodwill (continued)**

**Sensitivity to the changes in assumptions**

Management has identified that a reasonably possible change in the below given key assumptions could cause the carrying amount to equal the recoverable amount.

**Insurance revenue growth**

The insurance revenue growth in the forecast period has been estimated to be a compound annual growth rate of 7.2%. If all other assumptions kept the same, a reduction of this growth rate from 7.2% to 4.9% would give a value in use equal to the current carrying amount.

**Insurance service expenses**

The insurance service expenses in the forecast period has been estimated to be 79.1% of insurance revenue. If all other assumptions kept the same, a decrease of this result from 79.1% to 98.5% of insurance revenue would give a value in use equal to the current carrying amount.

**10. Prepaid expenses and other assets**

	<b>31 December 2023</b>	<b>31 December 2022 - (Restated)</b>
Receivable from Umrah Fund	<b>12,294,000</b>	13,878,000
Other prepaid expenses	<b>7,679,927</b>	3,609,713
Receivable from Arab War Risks Insurance Syndicate	<b>2,606,010</b>	2,572,185
Accrued income	<b>212,670</b>	1,470,475
Employees' receivable	<b>560,634</b>	1,326,549
Value added tax ("VAT") recoverable	-	2,289,066
Other	<b>1,742,616</b>	1,687,476
	<b>25,095,857</b>	26,833,464

**AL SAGR COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts expressed in Saudi Riyals unless otherwise stated)

**11. Insurance and reinsurance contracts****11.1 Composition of the statement of financial position**

An analysis of the amounts presented on the statement of financial position for insurance contracts and reinsurance contracts has been included in the table below along with the presentation of current and non-current portion of balances:

<b>31 December 2023</b>	<b>Medical</b>	<b>Motor Comprehensive</b>	<b>Motor Third party</b>	<b>Engineering</b>	<b>Property</b>	<b>General Accident</b>	<b>Marine Cargo</b>	<b>Marine Hull</b>	<b>Total</b>
<b>Insurance Contracts</b>									
Insurance contract assets	-	-	-	-	-	-	-	-	-
Insurance contract liabilities	<b>122,385,681</b>	<b>50,659,358</b>	<b>58,085,789</b>	<b>10,007,742</b>	<b>32,364,245</b>	<b>29,143,884</b>	<b>1,133,150</b>	<b>2,641,470</b>	<b>306,421,319</b>
									<b>306,421,319</b>
<b>Reinsurance contracts</b>									
Reinsurance contract assets	<b>4,382,425</b>	-	-	<b>8,426,912</b>	<b>23,280,998</b>	<b>451,690</b>	<b>1,840</b>	<b>936,420</b>	<b>37,480,285</b>
Reinsurance contract liabilities	-	<b>(892,992)</b>	<b>(858,696)</b>	-	-	-	-	-	<b>(1,751,688)</b>
									<b>35,728,597</b>
<b>31 December 2022 - (Restated)</b>									
<b>Insurance Contracts</b>									
Insurance contract assets	-	-	-	-	-	-	(578,724)	-	(578,724)
Insurance contract liabilities	140,978,672	58,473,057	85,433,638	11,049,531	7,932,789	18,262,735	1,105,965	19,635	323,256,022
									<b>322,677,298</b>
<b>Reinsurance contracts</b>									
Reinsurance contract assets	10,768,149	-	-	11,167,057	3,908,398	6,175,758	-	1,911,258	33,930,620
Reinsurance contract liabilities	-	(577,223)	(1,379,861)	-	-	-	(667,940)	-	(2,625,024)
									<b>31,305,596</b>

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**11. Insurance and reinsurance contracts** (continued)

**11.2 Analysis by remaining coverage and incurred claims**

**11.2.1 Insurance contracts**

	As at 31 December 2023					As at 31 December 2022				
	Liability for remaining coverage		Liability for incurred claims		Total	Liability for remaining coverage		Liability for incurred claims		Total
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk Adjustment for non-financial risk		Excluding loss component	Loss component	Estimates of present value of FCF	Risk Adjustment for non-financial risk	
Insurance contracts										
Insurance contract liabilities - opening	157,526,704	35,622,563	121,543,053	8,563,702	323,256,022	148,841,562	56,856,653	154,814,396	16,375,595	376,888,206
Insurance contract assets - opening	(1,258,712)	-	666,391	13,597	(578,724)	-	-	-	-	-
<b>Opening balance - net</b>	<b>156,267,992</b>	<b>35,622,563</b>	<b>122,209,444</b>	<b>8,577,299</b>	<b>322,677,298</b>	<b>148,841,562</b>	<b>56,856,653</b>	<b>154,814,396</b>	<b>16,375,595</b>	<b>376,888,206</b>
<b>Insurance revenue</b>	<b>(486,224,565)</b>	-	-	-	<b>(486,224,565)</b>	(473,347,548)	-	-	-	(473,347,548)
<b>Insurance service expenses</b>										
Incurred claims and other incurred insurance service expenses*	-	-	397,677,015	3,425,880	401,102,895	-	-	443,520,807	7,626,759	451,147,566
Reversal of losses on onerous contracts	-	(20,532,219)	-	-	(20,532,219)	-	(21,234,090)	-	-	(21,234,090)
Changes that relate to past service - adjustments to the LIC	-	-	(20,799,144)	(7,910,090)	(28,709,234)	-	-	(34,478,798)	(15,425,055)	(49,903,853)
Insurance acquisition cashflows amortisation	74,498,201	-	-	-	74,498,201	63,331,142	-	-	-	63,331,142
<b>Insurance service expenses</b>	<b>74,498,201</b>	<b>(20,532,219)</b>	<b>376,877,871</b>	<b>(4,484,210)</b>	<b>426,359,643</b>	<b>63,331,142</b>	<b>(21,234,090)</b>	<b>409,042,009</b>	<b>(7,798,296)</b>	<b>443,340,765</b>
Finance income from insurance contracts	-	-	(198,908)	(122,099)	(321,007)	-	-	(2,343,144)	-	(2,343,144)
<b>Total changes in the statement of income</b>	<b>(411,726,364)</b>	<b>(20,532,219)</b>	<b>376,678,963</b>	<b>(4,606,309)</b>	<b>(60,185,929)</b>	<b>(410,016,406)</b>	<b>(21,234,090)</b>	<b>406,698,865</b>	<b>(7,798,296)</b>	<b>(32,349,927)</b>
<b>Cashflows</b>										
Premiums received	473,102,258	-	-	-	473,102,258	473,793,537	-	-	-	473,793,537
Claims and other directly attributable expenses paid	-	-	(357,910,759)	-	(357,910,759)	-	-	(439,303,817)	-	(439,303,817)
Insurance acquisition cashflows paid	(71,261,549)	-	-	-	(71,261,549)	(56,350,701)	-	-	-	(56,350,701)
<b>Total cash inflows (outflows)</b>	<b>401,840,709</b>	<b>-</b>	<b>(357,910,759)</b>	<b>-</b>	<b>43,929,950</b>	<b>417,442,836</b>	<b>-</b>	<b>(439,303,817)</b>	<b>-</b>	<b>(21,860,981)</b>
Insurance contracts										
Insurance contract liabilities - closing	146,382,337	15,090,344	140,977,648	3,970,990	306,421,319	157,526,704	35,622,563	121,543,053	8,563,702	323,256,022
Insurance contract assets - closing	-	-	-	-	-	(1,258,712)	-	666,391	13,597	(578,724)
<b>Closing balance - net</b>	<b>146,382,337</b>	<b>15,090,344</b>	<b>140,977,648</b>	<b>3,970,990</b>	<b>306,421,319</b>	<b>156,267,992</b>	<b>35,622,563</b>	<b>122,209,444</b>	<b>8,577,299</b>	<b>322,677,298</b>

\* This includes surplus distribution of SAR 3.6 million for the year ended 31 December, 2023 (31 December, 2022: SAR Nil) (Also see note 36).

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**11. Insurance and reinsurance contracts** (continued)

**11.2 Analysis by remaining coverage and incurred claims** (continued)

**11.2.1 Insurance contracts** (continued)

**11.2.1.1 Medical**

	As at 31 December 2023					As at 31 December 2022				
	Liability for remaining coverage		Liability for incurred claims		Total	Liability for remaining coverage		Liability for incurred claims		Total
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk Adjustment for non-financial risk		Excluding loss component	Loss component	Estimates of present value of FCF	Risk Adjustment for non-financial risk	
Insurance contracts										
Insurance contract liabilities - opening	83,087,619	65,876	54,308,198	3,516,979	140,978,672	46,232,805	15,910,380	67,540,954	6,338,562	136,022,701
Insurance contract assets - opening	-	-	-	-	-	-	-	-	-	-
<b>Opening balance - net</b>	<b>83,087,619</b>	<b>65,876</b>	<b>54,308,198</b>	<b>3,516,979</b>	<b>140,978,672</b>	<b>46,232,805</b>	<b>15,910,380</b>	<b>67,540,954</b>	<b>6,338,562</b>	<b>136,022,701</b>
<b>Insurance revenue</b>	<b>(229,453,894)</b>	-	-	-	<b>(229,453,894)</b>	(201,445,443)	-	-	-	(201,445,443)
<b>Insurance service expenses</b>										
Incurred claims and other incurred insurance service expenses	-	-	179,648,496	846,970	180,495,466	-	-	161,739,966	3,739,214	165,479,180
Reversal of onerous contracts	-	(65,876)	-	-	(65,876)	-	(15,844,504)	-	-	(15,844,504)
Changes that relate to past service - adjustments to the LIC	-	-	(4,987,080)	(3,589,469)	(8,576,549)	-	-	(15,100,396)	(6,560,797)	(21,661,193)
Insurance acquisition cashflows amortisation	29,004,987	-	-	-	29,004,987	16,664,736	-	-	-	16,664,736
<b>Insurance service expenses</b>	<b>29,004,987</b>	<b>(65,876)</b>	<b>174,661,416</b>	<b>(2,742,499)</b>	<b>200,858,028</b>	<b>16,664,736</b>	<b>(15,844,504)</b>	<b>146,639,570</b>	<b>(2,821,583)</b>	<b>144,638,219</b>
Finance expense (income) from insurance contracts	-	-	353,915	(22,768)	331,147	-	-	(1,115,209)	-	(1,115,209)
<b>Total changes in the statement of income</b>	<b>(200,448,907)</b>	<b>(65,876)</b>	<b>175,015,331</b>	<b>(2,765,267)</b>	<b>(28,264,719)</b>	<b>(184,780,707)</b>	<b>(15,844,504)</b>	<b>145,524,361</b>	<b>(2,821,583)</b>	<b>(57,922,433)</b>
<b>Cashflows</b>										
Premiums received	219,285,713	-	-	-	219,285,713	240,036,116	-	-	-	240,036,116
Claims and other directly attributable expenses paid	-	-	(183,748,248)	-	(183,748,248)	-	-	(158,757,117)	-	(158,757,117)
Insurance acquisition cashflows paid	(25,865,737)	-	-	-	(25,865,737)	(18,400,595)	-	-	-	(18,400,595)
<b>Total cash inflows (outflows)</b>	<b>193,419,976</b>	<b>-</b>	<b>(183,748,248)</b>	<b>-</b>	<b>9,671,728</b>	<b>221,635,521</b>	<b>-</b>	<b>(158,757,117)</b>	<b>-</b>	<b>62,878,404</b>
Insurance contracts										
Insurance contract liabilities - closing	76,058,688	-	45,575,281	751,712	122,385,681	83,087,619	65,876	54,308,198	3,516,979	140,978,672
Insurance contract assets - closing	-	-	-	-	-	-	-	-	-	-
<b>Closing balance - net</b>	<b>76,058,688</b>	<b>-</b>	<b>45,575,281</b>	<b>751,712</b>	<b>122,385,681</b>	<b>83,087,619</b>	<b>65,876</b>	<b>54,308,198</b>	<b>3,516,979</b>	<b>140,978,672</b>

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**11. Insurance and reinsurance contracts** (continued)

**11.2 Analysis by remaining coverage and incurred claims** (continued)

**11.2.1 Insurance contracts** (continued)

**11.2.1.2 Motor Comprehensive**

	As at 31 December 2023					As at 31 December 2022				
	Liability for remaining coverage		Liability for incurred claims		Total	Liability for remaining coverage		Liability for incurred claims		Total
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk Adjustment for non-financial risk		Excluding loss component	Loss component	Estimates of present value of FCF	Risk Adjustment for non-financial risk	
Insurance contracts										
Insurance contract liabilities - opening	16,889,251	20,286,887	19,653,052	1,643,867	58,473,057	9,519,304	13,995,181	9,501,991	913,918	33,930,394
Insurance contract assets - opening	-	-	-	-	-	-	-	-	-	-
Opening balance - net	16,889,251	20,286,887	19,653,052	1,643,867	58,473,057	9,519,304	13,995,181	9,501,991	913,918	33,930,394
Insurance revenue	(100,335,912)	-	-	-	(100,335,912)	(60,305,211)	-	-	-	(60,305,211)
Insurance service expenses										
Incurred claims and other incurred insurance service expenses	-	-	87,301,802	533,407	87,835,209	-	-	81,756,216	1,564,633	83,320,849
Reversal of onerous contracts	-	(10,678,688)	-	-	(10,678,688)	-	6,291,706	-	-	6,291,706
Changes that relate to past service - adjustments to the LIC	-	-	(6,621,079)	(1,596,123)	(8,217,202)	-	-	588,857	(834,684)	(245,827)
Insurance acquisition cashflows amortisation	21,418,539	-	-	-	21,418,539	17,167,720	-	-	-	17,167,720
Insurance service expenses	21,418,539	(10,678,688)	80,680,723	(1,062,716)	90,357,858	17,167,720	6,291,706	82,345,073	729,949	106,534,448
Finance income from insurance contracts	-	-	(171,248)	(18,772)	(190,020)	-	-	(378,393)	-	(378,393)
Total changes in the statement of income	(78,917,373)	(10,678,688)	80,509,475	(1,081,488)	(10,168,074)	(43,137,491)	6,291,706	81,966,680	729,949	45,850,844
Cashflows										
Premiums received	101,518,601	-	-	-	101,518,601	67,233,434	-	-	-	67,233,434
Claims and other directly attributable expenses paid	-	-	(79,410,918)	-	(79,410,918)	-	-	(71,815,619)	-	(71,815,619)
Insurance acquisition cashflows paid	(19,753,308)	-	-	-	(19,753,308)	(16,725,996)	-	-	-	(16,725,996)
Total cash inflows (outflows)	81,765,293	-	(79,410,918)	-	2,354,375	50,507,438	-	(71,815,619)	-	(21,308,181)
Insurance contracts										
Insurance contract liabilities - closing	19,737,171	9,608,199	20,751,609	562,379	50,659,358	16,889,251	20,286,887	19,653,052	1,643,867	58,473,057
Insurance contract assets - closing	-	-	-	-	-	-	-	-	-	-
Closing balance - net	19,737,171	9,608,199	20,751,609	562,379	50,659,358	16,889,251	20,286,887	19,653,052	1,643,867	58,473,057

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**11. Insurance and reinsurance contracts** (continued)

**11.2 Analysis by remaining coverage and incurred claims** (continued)

**11.2.1 Insurance contracts** (continued)

**11.2.1.3 Motor Third party**

	As at 31 December 2023					As at 31 December 2022				
	Liability for remaining coverage		Liability for incurred claims		Total	Liability for remaining coverage		Liability for incurred claims		Total
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk Adjustment for non-financial risk		Excluding loss component	Loss component	Estimates of present value of FCF	Risk Adjustment for non-financial risk	
Insurance contracts										
Insurance contract liabilities - opening	41,915,456	15,269,800	26,268,042	1,980,340	85,433,638	97,980,587	26,951,092	26,941,962	1,990,600	153,864,241
Insurance contract assets - opening	-	-	-	-	-	-	-	-	-	-
<b>Opening balance - net</b>	<b>41,915,456</b>	<b>15,269,800</b>	<b>26,268,042</b>	<b>1,980,340</b>	<b>85,433,638</b>	<b>97,980,587</b>	<b>26,951,092</b>	<b>26,941,962</b>	<b>1,990,600</b>	<b>153,864,241</b>
<b>Insurance revenue</b>	<b>(92,449,864)</b>	-	-	-	<b>(92,449,864)</b>	(164,375,644)	-	-	-	(164,375,644)
<b>Insurance service expenses</b>										
Incurred claims and other incurred insurance service expenses	-	-	89,124,259	752,210	89,876,469	-	-	184,015,331	1,683,245	185,698,576
Reversal of onerous contracts	-	(9,787,655)	-	-	(9,787,655)	-	(11,681,292)	-	-	(11,681,292)
Changes that relate to past service - adjustments to the LIC	-	-	(1,017,067)	(1,778,478)	(2,795,545)	-	-	4,926,001	(1,693,505)	3,232,496
Insurance acquisition cashflows amortisation	14,823,851	-	-	-	14,823,851	23,474,233	-	-	-	23,474,233
<b>Insurance service expenses</b>	<b>14,823,851</b>	<b>(9,787,655)</b>	<b>88,107,192</b>	<b>(1,026,268)</b>	<b>92,117,120</b>	<b>23,474,233</b>	<b>(11,681,292)</b>	<b>188,941,332</b>	<b>(10,260)</b>	<b>200,724,013</b>
Finance expense (income) from insurance contracts	-	-	232,464	(23,985)	208,479	-	-	(601,484)	-	(601,484)
<b>Total changes in the statement of income</b>	<b>(77,626,013)</b>	<b>(9,787,655)</b>	<b>88,339,656</b>	<b>(1,050,253)</b>	<b>(124,265)</b>	<b>(140,901,411)</b>	<b>(11,681,292)</b>	<b>188,339,848</b>	<b>(10,260)</b>	<b>35,746,885</b>
<b>Cashflows</b>										
Premiums received	76,990,184	-	-	-	76,990,184	99,393,662	-	-	-	99,393,662
Claims and other directly attributable expenses paid	-	-	(88,605,874)	-	(88,605,874)	-	-	(189,013,768)	-	(189,013,768)
Insurance acquisition cashflows paid	(15,607,894)	-	-	-	(15,607,894)	(14,557,382)	-	-	-	(14,557,382)
<b>Total cash inflows (outflows)</b>	<b>61,382,290</b>	<b>-</b>	<b>(88,605,874)</b>	<b>-</b>	<b>(27,223,584)</b>	<b>84,836,280</b>	<b>-</b>	<b>(189,013,768)</b>	<b>-</b>	<b>(104,177,488)</b>
Insurance contracts										
Insurance contract liabilities - closing	25,671,733	5,482,145	26,001,824	930,087	58,085,789	41,915,456	15,269,800	26,268,042	1,980,340	85,433,638
Insurance contract assets - closing	-	-	-	-	-	-	-	-	-	-
<b>Closing balance - net</b>	<b>25,671,733</b>	<b>5,482,145</b>	<b>26,001,824</b>	<b>930,087</b>	<b>58,085,789</b>	<b>41,915,456</b>	<b>15,269,800</b>	<b>26,268,042</b>	<b>1,980,340</b>	<b>85,433,638</b>

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**11. Insurance and reinsurance contracts** (continued)

**11.2 Analysis by remaining coverage and incurred claims** (continued)

**11.2.1 Insurance contracts** (continued)

**11.2.1.4 Engineering**

	As at 31 December 2023					As at 31 December 2022				
	Liability for remaining coverage		Liability for incurred claims		Total	Liability for remaining coverage		Liability for incurred claims		Total
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk Adjustment for non-financial risk		Excluding loss component	Loss component	Estimates of present value of FCF	Risk Adjustment for non-financial risk	
Insurance contracts										
Insurance contract liabilities - opening	2,023,766	-	8,440,678	585,087	11,049,531	4,838,296	-	17,650,702	2,553,021	25,042,019
Insurance contract assets - opening	-	-	-	-	-	-	-	-	-	-
<b>Opening balance - net</b>	<b>2,023,766</b>	<b>-</b>	<b>8,440,678</b>	<b>585,087</b>	<b>11,049,531</b>	<b>4,838,296</b>	<b>-</b>	<b>17,650,702</b>	<b>2,553,021</b>	<b>25,042,019</b>
<b>Insurance revenue</b>	<b>(12,319,432)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,319,432)</b>	<b>(10,339,856)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,339,856)</b>
<b>Insurance service expenses</b>										
Incurred claims and other incurred insurance service expenses	-	-	3,904,852	110,412	4,015,264	-	-	3,929,194	169,624	4,098,818
Reversal of onerous contracts	-	-	-	-	-	-	-	-	-	-
Changes that relate to past service - adjustments to the LIC	-	-	(1,679,371)	(306,340)	(1,985,711)	-	-	(2,458,318)	(2,137,558)	(4,595,876)
Insurance acquisition cashflows amortisation	2,133,368	-	-	-	2,133,368	1,499,033	-	-	-	1,499,033
<b>Insurance service expenses</b>	<b>2,133,368</b>	<b>-</b>	<b>2,225,481</b>	<b>(195,928)</b>	<b>4,162,921</b>	<b>1,499,033</b>	<b>-</b>	<b>1,470,876</b>	<b>(1,967,934)</b>	<b>1,001,975</b>
Finance income from insurance contracts	-	-	(82,808)	(15,324)	(98,132)	-	-	(161,842)	-	(161,842)
<b>Total changes in the statement of income</b>	<b>(10,186,064)</b>	<b>-</b>	<b>2,142,673</b>	<b>(211,252)</b>	<b>(8,254,643)</b>	<b>(8,840,823)</b>	<b>-</b>	<b>1,309,034</b>	<b>(1,967,934)</b>	<b>(9,499,723)</b>
<b>Cashflows</b>										
Premiums received	9,826,072	-	-	-	9,826,072	7,751,653	-	-	-	7,751,653
Claims and other directly attributable expenses paid	-	-	(1,350,229)	-	(1,350,229)	-	-	(10,519,058)	-	(10,519,058)
Insurance acquisition cashflows paid	(1,262,989)	-	-	-	(1,262,989)	(1,725,360)	-	-	-	(1,725,360)
<b>Total cash inflows (outflows)</b>	<b>8,563,083</b>	<b>-</b>	<b>(1,350,229)</b>	<b>-</b>	<b>7,212,854</b>	<b>6,026,293</b>	<b>-</b>	<b>(10,519,058)</b>	<b>-</b>	<b>(4,492,765)</b>
Insurance contracts										
Insurance contract liabilities - closing	400,785	-	9,233,122	373,835	10,007,742	2,023,766	-	8,440,678	585,087	11,049,531
Insurance contract assets - closing	-	-	-	-	-	-	-	-	-	-
<b>Closing balance - net</b>	<b>400,785</b>	<b>-</b>	<b>9,233,122</b>	<b>373,835</b>	<b>10,007,742</b>	<b>2,023,766</b>	<b>-</b>	<b>8,440,678</b>	<b>585,087</b>	<b>11,049,531</b>

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**11. Insurance and reinsurance contracts** (continued)

**11.2 Analysis by remaining coverage and incurred claims** (continued)

**11.2.1 Insurance contracts** (continued)

**11.2.1.5 Property**

	As at 31 December 2023					As at 31 December 2022				
	Liability for remaining coverage		Liability for incurred claims		Total	Liability for remaining coverage		Liability for incurred claims		Total
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk Adjustment for non-financial risk		Excluding loss component	Loss component	Estimates of present value of FCF	Risk Adjustment for non-financial risk	
Insurance contracts										
Insurance contract liabilities - opening	3,026,917	-	4,623,493	282,379	7,932,789	(2,076,544)	-	5,866,303	698,554	4,488,313
Insurance contract assets - opening	-	-	-	-	-	-	-	-	-	-
Opening balance - net	3,026,917	-	4,623,493	282,379	7,932,789	(2,076,544)	-	5,866,303	698,554	4,488,313
Insurance revenue	(20,151,290)	-	-	-	(20,151,290)	(16,587,946)	-	-	-	(16,587,946)
Insurance service expenses										
Incurred claims and other incurred insurance service expenses	-	-	27,648,849	1,020,282	28,669,131	-	-	6,274,983	238,681	6,513,664
Reversal of onerous contracts	-	-	-	-	-	-	-	-	-	-
Changes that relate to past service - adjustments to the LIC	-	-	(3,550,354)	(282,379)	(3,832,733)	-	-	(3,986,123)	(654,856)	(4,640,979)
Insurance acquisition cashflows amortisation	3,221,817	-	-	-	3,221,817	2,522,275	-	-	-	2,522,275
Insurance service expenses	3,221,817	-	24,098,495	737,903	28,058,215	2,522,275	-	2,288,860	(416,175)	4,394,960
Finance income from insurance contracts	-	-	(650,082)	(29,584)	(679,666)	-	-	(88,451)	-	(88,451)
Total changes in the statement of income	(16,929,473)	-	23,448,413	708,319	7,227,259	(14,065,671)	-	2,200,409	(416,175)	(12,281,437)
Cashflows										
Premiums received	23,152,535	-	-	-	23,152,535	21,426,177	-	-	-	21,426,177
Claims and other directly attributable expenses paid	-	-	(1,504,834)	-	(1,504,834)	-	-	(3,443,219)	-	(3,443,219)
Insurance acquisition cashflows paid	(4,443,504)	-	-	-	(4,443,504)	(2,257,045)	-	-	-	(2,257,045)
Total cash inflows (outflows)	18,709,031	-	(1,504,834)	-	17,204,197	19,169,132	-	(3,443,219)	-	15,725,913
Insurance contracts										
Insurance contract liabilities - closing	4,806,475	-	26,567,072	990,698	32,364,245	3,026,917	-	4,623,493	282,379	7,932,789
Insurance contract assets - closing	-	-	-	-	-	-	-	-	-	-
Closing balance - net	4,806,475	-	26,567,072	990,698	32,364,245	3,026,917	-	4,623,493	282,379	7,932,789



**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**11. Insurance and reinsurance contracts** (continued)

**11.2 Analysis by remaining coverage and incurred claims** (continued)

**11.2.1 Insurance contracts** (continued)

**11.2.1.6 General Accident**

	As at 31 December 2023				As at 31 December 2022					
	Liability for remaining coverage		Liability for incurred claims		Total	Liability for remaining coverage		Liability for incurred claims		Total
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk Adjustment for non-financial risk		Excluding loss component	Loss component	Estimates of present value of FCF	Risk Adjustment for non-financial risk	
Insurance contracts										
Insurance contract liabilities - opening	10,080,103	-	7,649,019	533,613	18,262,735	(1,521,231)	-	24,120,346	3,527,027	26,126,142
Insurance contract assets - opening	-	-	-	-	-	-	-	-	-	-
Opening balance - net	10,080,103	-	7,649,019	533,613	18,262,735	(1,521,231)	-	24,120,346	3,527,027	26,126,142
Insurance revenue	(27,318,371)	-	-	-	(27,318,371)	(15,968,135)	-	-	-	(15,968,135)
Insurance service expenses										
Incurred claims and other incurred insurance service expenses	-	-	6,910,240	138,890	7,049,130	-	-	5,029,376	199,217	5,228,593
Reversal of onerous contracts	-	-	-	-	-	-	-	-	-	-
Changes that relate to past service - adjustments to the LIC	-	-	(2,478,718)	(322,846)	(2,801,564)	-	-	(16,391,670)	(3,192,631)	(19,584,301)
Insurance acquisition cashflows amortisation	3,657,646	-	-	-	3,657,646	1,810,379	-	-	-	1,810,379
Insurance service expenses	3,657,646	-	4,431,522	(183,956)	7,905,212	1,810,379	-	(11,362,294)	(2,993,414)	(12,545,329)
Finance expense (income) from insurance contracts	-	-	125,846	(10,680)	115,166	-	-	1,518	-	1,518
Total changes in the statement of income	(23,660,725)	-	4,557,368	(194,636)	(19,297,993)	(14,157,756)	-	(11,360,776)	(2,993,414)	(28,511,946)
Cashflows										
Premiums received	37,314,642	-	-	-	37,314,642	28,277,476	-	-	-	28,277,476
Claims and other directly attributable expenses paid	-	-	(3,066,352)	-	(3,066,352)	-	-	(5,110,551)	-	(5,110,551)
Insurance acquisition cashflows paid	(4,069,148)	-	-	-	(4,069,148)	(2,518,386)	-	-	-	(2,518,386)
Total cash inflows	33,245,494	-	(3,066,352)	-	30,179,142	25,759,090	-	(5,110,551)	-	20,648,539
Insurance contracts										
Insurance contract liabilities - closing	19,664,872	-	9,140,035	338,977	29,143,884	10,080,103	-	7,649,019	533,613	18,262,735
Insurance contract assets - closing	-	-	-	-	-	-	-	-	-	-
Closing balance - net	19,664,872	-	9,140,035	338,977	29,143,884	10,080,103	-	7,649,019	533,613	18,262,735

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**11. Insurance and reinsurance contracts** (continued)

**11.2 Analysis by remaining coverage and incurred claims** (continued)

**11.2.1 Insurance contracts** (continued)

**11.2.1.7 Marine Cargo**

	As at 31 December 2023					As at 31 December 2022				
	Liability for remaining coverage		Liability for incurred claims		Total	Liability for remaining coverage		Liability for incurred claims		Total
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk Adjustment for non-financial risk		Excluding loss component	Loss component	Estimates of present value of FCF	Risk Adjustment for non-financial risk	
Insurance contracts										
Insurance contract liabilities - opening	1,105,965	-	-	-	1,105,965	(1,878,596)	-	761,221	36,943	(1,080,432)
Insurance contract assets - opening	(1,258,712)	-	666,391	13,597	(578,724)	-	-	-	-	-
<b>Opening balance - net</b>	<b>(152,747)</b>	<b>-</b>	<b>666,391</b>	<b>13,597</b>	<b>527,241</b>	<b>(1,878,596)</b>	<b>-</b>	<b>761,221</b>	<b>36,943</b>	<b>(1,080,432)</b>
<b>Insurance revenue</b>	<b>(2,131,811)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,131,811)</b>	<b>(159,708)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(159,708)</b>
<b>Insurance service expenses</b>										
Incurred claims and other incurred insurance service expenses	-	-	660,226	15,646	675,872	-	-	270,307	11,645	281,952
Reversal of onerous contracts	-	-	-	-	-	-	-	-	-	-
Changes that relate to past service - adjustments to the LIC	-	-	(151,131)	(13,018)	(164,149)	-	-	(219,199)	(34,991)	(254,190)
Insurance acquisition cashflows amortisation	208,971	-	-	-	208,971	162,394	-	-	-	162,394
<b>Insurance service expenses</b>	<b>208,971</b>	<b>-</b>	<b>509,095</b>	<b>2,628</b>	<b>720,694</b>	<b>162,394</b>	<b>-</b>	<b>51,108</b>	<b>(23,346)</b>	<b>190,156</b>
Finance income from insurance contracts	-	-	(7,781)	(554)	(8,335)	-	-	(3,439)	-	(3,439)
<b>Total changes in the statement of income</b>	<b>(1,922,840)</b>	<b>-</b>	<b>501,314</b>	<b>2,074</b>	<b>(1,419,452)</b>	<b>2,686</b>	<b>-</b>	<b>47,669</b>	<b>(23,346)</b>	<b>27,009</b>
<b>Cashflows</b>										
Premiums received	2,445,399	-	-	-	2,445,399	1,863,207	-	-	-	1,863,207
Claims and other directly attributable expenses paid	-	-	(184,212)	-	(184,212)	-	-	(142,499)	-	(142,499)
Insurance acquisition cashflows paid	(235,826)	-	-	-	(235,826)	(140,044)	-	-	-	(140,044)
<b>Total cash inflows (outflows)</b>	<b>2,209,573</b>	<b>-</b>	<b>(184,212)</b>	<b>-</b>	<b>2,025,361</b>	<b>1,723,163</b>	<b>-</b>	<b>(142,499)</b>	<b>-</b>	<b>1,580,664</b>
Insurance contracts										
Insurance contract liabilities - closing	133,986	-	983,493	15,671	1,133,150	1,105,965	-	-	-	1,105,965
Insurance contract assets - closing	-	-	-	-	-	(1,258,712)	-	666,391	13,597	(578,724)
<b>Closing balance - net</b>	<b>133,986</b>	<b>-</b>	<b>983,493</b>	<b>15,671</b>	<b>1,133,150</b>	<b>(152,747)</b>	<b>-</b>	<b>666,391</b>	<b>13,597</b>	<b>527,241</b>

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**11. Insurance and reinsurance contracts** (continued)

**11.2 Analysis by remaining coverage and incurred claims** (continued)

**11.2.1 Insurance contracts** (continued)

**11.2.1.8 Marine Hull**

	As at 31 December 2023					As at 31 December 2022				
	Liability for remaining coverage		Liability for incurred claims		Total	Liability for remaining coverage		Liability for incurred claims		Total
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk Adjustment for non-financial risk		Excluding loss component	Loss component	Estimates of present value of FCF	Risk Adjustment for non-financial risk	
Insurance contracts										
Insurance contract liabilities - opening	(602,373)	-	600,571	21,437	19,635	(4,253,059)	-	2,430,917	316,970	(1,505,172)
Insurance contract assets - opening	-	-	-	-	-	-	-	-	-	-
Opening balance - net	(602,373)	-	600,571	21,437	19,635	(4,253,059)	-	2,430,917	316,970	(1,505,172)
Insurance revenue	(2,063,991)	-	-	-	(2,063,991)	(4,165,605)	-	-	-	(4,165,605)
Insurance service expenses										
Incurred claims and other incurred insurance service expenses	-	-	2,478,291	8,063	2,486,354	-	-	505,434	20,500	525,934
Reversal of onerous contracts	-	-	-	-	-	-	-	-	-	-
Changes that relate to past service - adjustments to the LIC	-	-	(314,344)	(21,437)	(335,781)	-	-	(1,837,950)	(316,033)	(2,153,983)
Insurance acquisition cashflows amortisation	29,022	-	-	-	29,022	30,372	-	-	-	30,372
Insurance service expenses	29,022	-	2,163,947	(13,374)	2,179,595	30,372	-	(1,332,516)	(295,533)	(1,597,677)
Finance expense (income) from insurance contracts	-	-	786	(432)	354	-	-	4,156	-	4,156
Total changes in the statement of income	(2,034,969)	-	2,164,733	(13,806)	115,958	(4,135,233)	-	(1,328,360)	(295,533)	(5,759,126)
Cashflows										
Premiums received	2,569,112	-	-	-	2,569,112	7,811,812	-	-	-	7,811,812
Claims and other directly attributable expenses paid	-	-	(40,092)	-	(40,092)	-	-	(501,986)	-	(501,986)
Insurance acquisition cashflows paid	(23,143)	-	-	-	(23,143)	(25,893)	-	-	-	(25,893)
Total cash inflows (outflows)	2,545,969	-	(40,092)	-	2,505,877	7,785,919	-	(501,986)	-	7,283,933
Insurance contracts						(602,373)	-	600,571	21,437	19,635
Insurance contract liabilities - closing	(91,373)	-	2,725,212	7,631	2,641,470	(602,373)	-	600,571	21,437	19,635
Insurance contract assets - closing	-	-	-	-	-	-	-	-	-	-
Closing balance - net	(91,373)	-	2,725,212	7,631	2,641,470	(602,373)	-	600,571	21,437	19,635

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**11. Insurance and reinsurance contracts** (continued)

**11.2 Analysis by remaining coverage and incurred claims** (continued)

**11.2.2 Reinsurance contracts held**

	As at 31 December 2023					As at 31 December 2022				
	Asset for remaining coverage		Asset for incurred claims		Total	Asset for remaining coverage		Asset for incurred claims		Total
	Excluding loss recovery component	Loss recovery component	Estimates of present value of FCF	Risk adjustment for non-financial risk		Excluding loss recovery component	Loss recovery component	Estimates of present value of FCF	Risk adjustment for non-financial risk	
Reinsurance contracts										
Reinsurance contract assets - opening	(21,078,971)	-	49,938,073	5,071,518	33,930,620	(17,942,656)	-	72,457,476	9,989,846	64,504,666
Reinsurance contract liabilities - opening	(5,280,305)	-	2,439,899	215,382	(2,625,024)	(5,041,107)	-	873,899	84,775	(4,082,433)
Opening balance - net	(26,359,276)	-	52,377,972	5,286,900	31,305,596	(22,983,763)	-	73,331,375	10,074,621	60,422,233
Allocation of reinsurance premium	(67,152,447)	-	-	-	(67,152,447)	(58,310,004)	-	-	-	(58,310,004)
Amounts recoverable from reinsurers										
Claims recovered and other directly attributable expenses	-	-	28,031,813	1,167,048	29,198,861	-	-	6,495,838	778,827	7,274,665
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-	-	-	-	-
Loss-recovery on onerous underlying contracts	-	-	-	-	-	-	-	-	-	-
Onerous contracts recognized	-	-	-	-	-	-	-	-	-	-
Reinsurance acquisition cash flows amortisation	-	-	-	-	-	-	-	-	-	-
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	-	3,862,529	(4,949,215)	(1,086,686)	-	-	(13,062,923)	(5,566,548)	(18,629,471)
Amounts recoverable from reinsurers - net	-	-	31,894,342	(3,782,167)	28,112,175	-	-	(6,567,085)	(4,787,721)	(11,354,806)
Finance income (expense) from reinsurance contracts	-	-	735,421	(47,506)	687,915	-	-	(1,759,616)	-	(1,759,616)
Total changes in the statement of income	(67,152,447)	-	32,629,763	(3,829,673)	(38,352,357)	(58,310,004)	-	(8,326,701)	(4,787,721)	(71,424,426)
Cashflows										
Premiums ceded and acquisition cashflows paid	75,519,411	-	-	-	75,519,411	54,934,491	-	-	-	54,934,491
Recoveries from reinsurance	-	-	(32,744,053)	-	(32,744,053)	-	-	(12,626,702)	-	(12,626,702)
Total cash inflows (outflows)	75,519,411	-	(32,744,053)	-	42,775,358	54,934,491	-	(12,626,702)	-	42,307,789
Reinsurance contracts										
Reinsurance contract assets - closing	(14,403,299)	-	50,445,438	1,438,146	37,480,285	(21,078,971)	-	49,938,073	5,071,518	33,930,620
Reinsurance contract liabilities - closing	(3,589,013)	-	1,818,244	19,081	(1,751,688)	(5,280,305)	-	2,439,899	215,382	(2,625,024)
Closing balance - net	(17,992,312)	-	52,263,682	1,457,227	35,728,597	(26,359,276)	-	52,377,972	5,286,900	31,305,596

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**11. Insurance and reinsurance contracts** (continued)  
**11.2 Analysis by remaining coverage and incurred claims** (continued)  
**11.2.2 Reinsurance contracts held** (continued)  
**11.2.2.1 Medical**

	As at 31 December 2023					As at 31 December 2022				
	Asset for remaining coverage		Asset for incurred claims		Total	Asset for remaining coverage		Asset for incurred claims		Total
	Excluding loss recovery component	Loss recovery component	Estimates of present value of FCF	Risk adjustment for non-financial risk		Excluding loss recovery component	Loss recovery component	Estimates of present value of FCF	Risk adjustment for non-financial risk	
Reinsurance contracts										
Reinsurance contract assets - opening	(24,716,213)	-	32,474,862	3,009,500	10,768,149	(18,318,461)	-	28,467,649	3,327,467	13,476,655
Reinsurance contract liabilities - opening	-	-	-	-	-	-	-	-	-	-
<b>Opening balance - net</b>	<b>(24,716,213)</b>	<b>-</b>	<b>32,474,862</b>	<b>3,009,500</b>	<b>10,768,149</b>	<b>(18,318,461)</b>	<b>-</b>	<b>28,467,649</b>	<b>3,327,467</b>	<b>13,476,655</b>
<b>Allocation of reinsurance premium</b>	<b>(16,870,481)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(16,870,481)</b>	<b>(16,739,602)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(16,739,602)</b>
<b>Amounts recoverable from reinsurers</b>										
Claims recovered and other directly attributable expenses	-	-	2,676,873	74,481	2,751,354	-	-	2,692,160	255,183	2,947,343
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-	-	-	-	-
Loss-recovery on onerous underlying contracts	-	-	-	-	-	-	-	-	-	-
Onerous contracts recognized	-	-	-	-	-	-	-	-	-	-
Reinsurance acquisition cash flows amortisation	-	-	-	-	-	-	-	-	-	-
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	-	7,484,647	(3,009,480)	4,475,167	-	-	5,574,683	(573,150)	5,001,533
<b>Amounts recoverable from reinsurers - net</b>	<b>-</b>	<b>-</b>	<b>10,161,520</b>	<b>(2,934,999)</b>	<b>7,226,521</b>	<b>-</b>	<b>-</b>	<b>8,266,843</b>	<b>(317,967)</b>	<b>7,948,876</b>
Finance income (expense) from reinsurance contracts	-	-	1,178,309	(2,154)	1,176,155	-	-	(1,691,568)	-	(1,691,568)
<b>Total changes in the statement of income</b>	<b>(16,870,481)</b>	<b>-</b>	<b>11,339,829</b>	<b>(2,937,153)</b>	<b>(8,467,805)</b>	<b>(16,739,602)</b>	<b>-</b>	<b>6,575,275</b>	<b>(317,967)</b>	<b>(10,482,294)</b>
<b>Cashflows</b>										
Premiums ceded and acquisition cashflows paid	32,480,610	-	-	-	32,480,610	10,341,850	-	-	-	10,341,850
Recoveries from reinsurance	-	-	(30,398,529)	-	(30,398,529)	-	-	(2,568,062)	-	(2,568,062)
<b>Total cash inflows (outflows)</b>	<b>32,480,610</b>	<b>-</b>	<b>(30,398,529)</b>	<b>-</b>	<b>2,082,081</b>	<b>10,341,850</b>	<b>-</b>	<b>(2,568,062)</b>	<b>-</b>	<b>7,773,788</b>
Reinsurance contracts										
Reinsurance contract assets - closing	(9,106,084)	-	13,416,162	72,347	4,382,425	(24,716,213)	-	32,474,862	3,009,500	10,768,149
Reinsurance contract liabilities - closing	-	-	-	-	-	-	-	-	-	-
<b>Closing balance - net</b>	<b>(9,106,084)</b>	<b>-</b>	<b>13,416,162</b>	<b>72,347</b>	<b>4,382,425</b>	<b>(24,716,213)</b>	<b>-</b>	<b>32,474,862</b>	<b>3,009,500</b>	<b>10,768,149</b>

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**11. Insurance and reinsurance contracts** (continued)  
**11.2 Analysis by remaining coverage and incurred claims** (continued)  
**11.2.2 Reinsurance contracts held** (continued)  
**11.2.2.2 Motor Comprehensive**

	As at 31 December 2023					As at 31 December 2022				
	Asset for remaining coverage		Asset for incurred claims		Total	Asset for remaining coverage		Asset for incurred claims		Total
	Excluding loss recovery component	Loss recovery component	Estimates of present value of FCF	Risk adjustment for non-financial risk		Excluding loss recovery component	Loss recovery component	Estimates of present value of FCF	Risk adjustment for non- financial risk	
Reinsurance contracts										
Reinsurance contract assets - opening	-	-	-	-	-	(181,235)	-	196,989	28,253	44,007
Reinsurance contract liabilities - opening	(685,491)	-	97,942	10,326	(577,223)	-	-	-	-	-
<b>Opening balance - net</b>	<b>(685,491)</b>	<b>-</b>	<b>97,942</b>	<b>10,326</b>	<b>(577,223)</b>	<b>(181,235)</b>	<b>-</b>	<b>196,989</b>	<b>28,253</b>	<b>44,007</b>
<b>Allocation of reinsurance premium</b>	<b>(4,353,229)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,353,229)</b>	<b>(2,179,906)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,179,906)</b>
<b>Amounts recoverable from reinsurers</b>										
Claims recovered and other directly attributable expenses	-	-	72,658	2,315	74,973	-	-	183,022	1,412	184,434
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-	-	-	-	-
Loss-recovery on onerous underlying contracts	-	-	-	-	-	-	-	-	-	-
Onerous contracts recognized	-	-	-	-	-	-	-	-	-	-
Reinsurance acquisition cash flows amortisation	-	-	-	-	-	-	-	-	-	-
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	-	364,467	(10,116)	354,351	-	-	224,972	(19,339)	205,633
<b>Amounts recoverable from reinsurers - net</b>	<b>-</b>	<b>-</b>	<b>437,125</b>	<b>(7,801)</b>	<b>429,324</b>	<b>-</b>	<b>-</b>	<b>407,994</b>	<b>(17,927)</b>	<b>390,067</b>
Finance income (expense) from reinsurance contracts	-	-	1,725	(83)	1,642	-	-	(6,539)	-	(6,539)
<b>Total changes in the statement of income</b>	<b>(4,353,229)</b>	<b>-</b>	<b>438,850</b>	<b>(7,884)</b>	<b>(3,922,263)</b>	<b>(2,179,906)</b>	<b>-</b>	<b>401,455</b>	<b>(17,927)</b>	<b>(1,796,378)</b>
<b>Cashflows</b>										
Premiums ceded and acquisition cashflows paid	3,664,744	-	-	-	3,664,744	1,675,650	-	-	-	1,675,650
Recoveries from reinsurance	-	-	(58,250)	-	(58,250)	-	-	(500,502)	-	(500,502)
<b>Total cash inflows (outflows)</b>	<b>3,664,744</b>	<b>-</b>	<b>(58,250)</b>	<b>-</b>	<b>3,606,494</b>	<b>1,675,650</b>	<b>-</b>	<b>(500,502)</b>	<b>-</b>	<b>1,175,148</b>
Reinsurance contracts										
Reinsurance contract assets - closing	-	-	-	-	-	-	-	-	-	-
Reinsurance contract liabilities - closing	(1,373,976)	-	478,542	2,442	(892,992)	(685,491)	-	97,942	10,326	(577,223)
<b>Closing balance - net</b>	<b>(1,373,976)</b>	<b>-</b>	<b>478,542</b>	<b>2,442</b>	<b>(892,992)</b>	<b>(685,491)</b>	<b>-</b>	<b>97,942</b>	<b>10,326</b>	<b>(577,223)</b>

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**11. Insurance and reinsurance contracts (continued)**

**11.2 Analysis by remaining coverage and incurred claims (continued)**

**11.2.2 Reinsurance contracts held (continued)**

**11.2.2.3 Motor Third party**

	As at 31 December 2023					As at 31 December 2022				
	Asset for remaining coverage Excluding loss recovery component	Loss recovery component	Estimates of present value of FCF	Risk adjustment for non-financial risk	Total	Asset for remaining coverage Excluding loss recovery component	Loss recovery component	Estimates of present value of FCF	Risk adjustment for non- financial risk	Total
Reinsurance contracts										
Reinsurance contract assets - opening	-	-	-	-	-	-	-	-	-	-
Reinsurance contract liabilities - opening	(3,731,425)	-	2,163,789	187,775	(1,379,861)	(3,845,896)	-	622,433	45,174	(3,178,289)
<b>Opening balance - net</b>	<b>(3,731,425)</b>	<b>-</b>	<b>2,163,789</b>	<b>187,775</b>	<b>(1,379,861)</b>	<b>(3,845,896)</b>	<b>-</b>	<b>622,433</b>	<b>45,174</b>	<b>(3,178,289)</b>
<b>Allocation of reinsurance premium</b>	<b>(3,200,484)</b>	<b>-</b>		<b>-</b>	<b>(3,200,484)</b>	<b>(3,180,359)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,180,359)</b>
<b>Amounts recoverable from reinsurers</b>										
Claims recovered and other directly attributable expenses	-	-	359,572	16,186	375,758	-	-	124,219	14,606	138,825
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-	-	-	-	-
Loss-recovery on onerous underlying contracts	-	-	-	-	-	-	-	-	-	-
Onerous contracts recognized	-	-	-	-	-	-	-	-	-	-
Reinsurance acquisition cash flows amortisation	-	-	-	-	-	-	-	-	-	-
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	-	187,176	(186,880)	296	-	-	1,631,169	127,995	1,759,164
<b>Amounts recoverable from reinsurers - net</b>	<b>-</b>	<b>-</b>	<b>546,748</b>	<b>(170,694)</b>	<b>376,054</b>	<b>-</b>	<b>-</b>	<b>1,755,388</b>	<b>142,601</b>	<b>1,897,989</b>
Finance income (expense) from reinsurance contracts	-	-	50,974	(442)	50,532	-	-	(1,527)	-	(1,527)
<b>Total changes in the statement of income</b>	<b>(3,200,484)</b>	<b>-</b>	<b>597,722</b>	<b>(171,136)</b>	<b>(2,773,898)</b>	<b>(3,180,359)</b>	<b>-</b>	<b>1,753,861</b>	<b>142,601</b>	<b>(1,283,897)</b>
<b>Cashflows</b>										
Premiums ceded and acquisition cashflows paid	4,716,872	-	-	-	4,716,872	3,294,830	-	-	-	3,294,830
Recoveries from reinsurance	-	-	(1,421,809)	-	(1,421,809)	-	-	(212,505)	-	(212,505)
<b>Total cash inflows (outflows)</b>	<b>4,716,872</b>	<b>-</b>	<b>(1,421,809)</b>	<b>-</b>	<b>3,295,063</b>	<b>3,294,830</b>	<b>-</b>	<b>(212,505)</b>	<b>-</b>	<b>3,082,325</b>
Reinsurance contracts										
Reinsurance contract assets - closing	-	-	-	-	-	-	-	-	-	-
Reinsurance contract liabilities - closing	(2,215,037)	-	1,339,702	16,639	(858,696)	(3,731,425)	-	2,163,789	187,775	(1,379,861)
<b>Closing balance - net</b>	<b>(2,215,037)</b>	<b>-</b>	<b>1,339,702</b>	<b>16,639</b>	<b>(858,696)</b>	<b>(3,731,425)</b>	<b>-</b>	<b>2,163,789</b>	<b>187,775</b>	<b>(1,379,861)</b>

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**11. Insurance and reinsurance contracts (continued)**  
**11.2 Analysis by remaining coverage and incurred claims (continued)**  
**11.2.2 Reinsurance contracts held (continued)**  
**11.2.2.4 Engineering**

	As at 31 December 2023					As at 31 December 2022				
	Asset for remaining coverage Excluding loss recovery component	Loss recovery component	Asset for incurred claims Estimates of present value of FCF	Risk adjustment for non-financial risk	Total	Asset for remaining coverage Excluding loss recovery component	Loss recovery component	Asset for incurred claims Estimates of present value of FCF	Risk adjustment for non- financial risk	Total
Reinsurance contracts										
Reinsurance contract assets - opening	2,677,022	-	7,458,267	1,031,768	11,167,057	1,835,649	-	15,482,559	2,341,453	19,659,661
Reinsurance contract liabilities - opening	-	-	-	-	-	-	-	-	-	-
<b>Opening balance - net</b>	<b>2,677,022</b>	<b>-</b>	<b>7,458,267</b>	<b>1,031,768</b>	<b>11,167,057</b>	<b>1,835,649</b>	<b>-</b>	<b>15,482,559</b>	<b>2,341,453</b>	<b>19,659,661</b>
<b>Allocation of reinsurance premium</b>	<b>(10,569,216)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,569,216)</b>	<b>(7,618,589)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,618,589)</b>
<b>Amounts recoverable from reinsurers</b>										
Claims recovered and other directly attributable expenses	-	-	1,263,049	70,438	1,333,487	-	-	951,681	154,356	1,106,037
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-	-	-	-	-
Loss-recovery on onerous underlying contracts	-	-	-	-	-	-	-	-	-	-
Onerous contracts recognized	-	-	-	-	-	-	-	-	-	-
Reinsurance acquisition cash flows amortisation	-	-	-	-	-	-	-	-	-	-
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	-	(314,850)	(753,691)	(1,068,541)	-	-	(1,541,113)	(1,464,041)	(3,005,154)
<b>Amounts recoverable from reinsurers - net</b>	<b>-</b>	<b>-</b>	<b>948,199</b>	<b>(683,253)</b>	<b>264,946</b>	<b>-</b>	<b>-</b>	<b>(589,432)</b>	<b>(1,309,685)</b>	<b>(1,899,117)</b>
Finance expenses from reinsurance contracts	-	-	(95,961)	(13,723)	(109,684)	-	-	(96,580)	-	(96,580)
<b>Total changes in the statement of income</b>	<b>(10,569,216)</b>	<b>-</b>	<b>852,238</b>	<b>(696,976)</b>	<b>(10,413,954)</b>	<b>(7,618,589)</b>	<b>-</b>	<b>(686,012)</b>	<b>(1,309,685)</b>	<b>(9,614,286)</b>
<b>Cashflows</b>										
Premiums ceded and acquisition cashflows paid	8,239,524	-	-	-	8,239,524	8,459,962	-	-	-	8,459,962
Recoveries from reinsurance	-	-	(565,715)	-	(565,715)	-	-	(7,338,280)	-	(7,338,280)
<b>Total cash inflows (outflows)</b>	<b>8,239,524</b>	<b>-</b>	<b>(565,715)</b>	<b>-</b>	<b>7,673,809</b>	<b>8,459,962</b>	<b>-</b>	<b>(7,338,280)</b>	<b>-</b>	<b>1,121,682</b>
Reinsurance contracts										
Reinsurance contract assets - closing	347,330	-	7,744,790	334,792	8,426,912	2,677,022	-	7,458,267	1,031,768	11,167,057
Reinsurance contract liabilities - closing	-	-	-	-	-	-	-	-	-	-
<b>Closing balance - net</b>	<b>347,330</b>	<b>-</b>	<b>7,744,790</b>	<b>334,792</b>	<b>8,426,912</b>	<b>2,677,022</b>	<b>-</b>	<b>7,458,267</b>	<b>1,031,768</b>	<b>11,167,057</b>



**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**11. Insurance and reinsurance contracts** (continued)

**11.2 Analysis by remaining coverage and incurred claims** (continued)

**11.2.2 Reinsurance contracts held** (continued)

**11.2.2.5 Property**

	As at 31 December 2023					As at 31 December 2022				
	Asset for remaining coverage Excluding loss recovery component	Loss recovery component	Asset for incurred claims Estimates of present value of FCF	Risk adjustment for non-financial risk	Total	Asset for remaining coverage Excluding loss recovery component	Loss recovery component	Asset for incurred claims Estimates of present value of FCF	Risk adjustment for non- financial risk	Total
Reinsurance contracts										
Reinsurance contract assets - opening	(2,351,152)	-	5,714,818	544,732	3,908,398	663,180	-	7,529,340	1,149,782	9,342,302
Reinsurance contract liabilities - opening	-	-	-	-	-	-	-	-	-	-
<b>Opening balance - net</b>	<b>(2,351,152)</b>	<b>-</b>	<b>5,714,818</b>	<b>544,732</b>	<b>3,908,398</b>	<b>663,180</b>	<b>-</b>	<b>7,529,340</b>	<b>1,149,782</b>	<b>9,342,302</b>
<b>Allocation of reinsurance premium</b>	<b>(15,445,412)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15,445,412)</b>	<b>(14,377,941)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(14,377,941)</b>
<b>Amounts recoverable from reinsurers</b>										
Claims recovered and other directly attributable expenses	-	-	23,396,444	964,059	24,360,503	-	-	2,148,133	247,726	2,395,859
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-	-	-	-	-
Loss-recovery on onerous underlying contracts	-	-	-	-	-	-	-	-	-	-
Onerous contracts recognized	-	-	-	-	-	-	-	-	-	-
Reinsurance acquisition cash flows amortisation	-	-	-	-	-	-	-	-	-	-
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	-	(2,765,397)	(544,733)	(3,310,130)	-	-	(3,511,986)	(852,776)	(4,364,762)
<b>Amounts recoverable from reinsurers - net</b>	<b>-</b>	<b>-</b>	<b>20,631,047</b>	<b>419,326</b>	<b>21,050,373</b>	<b>-</b>	<b>-</b>	<b>(1,363,853)</b>	<b>(605,050)</b>	<b>(1,968,903)</b>
Finance expenses from reinsurance contracts	-	-	(487,523)	(27,953)	(515,476)	-	-	(147,654)	-	(147,654)
<b>Total changes in the statement of income</b>	<b>(15,445,412)</b>	<b>-</b>	<b>20,143,524</b>	<b>391,373</b>	<b>5,089,485</b>	<b>(14,377,941)</b>	<b>-</b>	<b>(1,511,507)</b>	<b>(605,050)</b>	<b>(16,494,498)</b>
<b>Cashflows</b>										
Premiums ceded and acquisition cashflows paid	14,872,924	-	-	-	14,872,924	11,363,609	-	-	-	11,363,609
Recoveries from reinsurance	-	-	(589,809)	-	(589,809)	-	-	(303,015)	-	(303,015)
<b>Total cash inflows (outflows)</b>	<b>14,872,924</b>	<b>-</b>	<b>(589,809)</b>	<b>-</b>	<b>14,283,115</b>	<b>11,363,609</b>	<b>-</b>	<b>(303,015)</b>	<b>-</b>	<b>11,060,594</b>
Reinsurance contracts										
Reinsurance contract assets - closing	(2,923,640)	-	25,268,533	936,105	23,280,998	(2,351,152)	-	5,714,818	544,732	3,908,398
Reinsurance contract liabilities - closing	-	-	-	-	-	-	-	-	-	-
<b>Closing balance - net</b>	<b>(2,923,640)</b>	<b>-</b>	<b>25,268,533</b>	<b>936,105</b>	<b>23,280,998</b>	<b>(2,351,152)</b>	<b>-</b>	<b>5,714,818</b>	<b>544,732</b>	<b>3,908,398</b>

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**11. Insurance and reinsurance contracts** (continued)

**11.2 Analysis by remaining coverage and incurred claims** (continued)

**11.2.2 Reinsurance contracts held** (continued)

**11.2.2.6 General Accident**

	As at 31 December 2023					As at 31 December 2022				
	Asset for remaining coverage Excluding loss recovery component	Loss recovery component	Asset for incurred claims Estimates of present value of FCF	Risk adjustment for non-financial risk	Total	Asset for remaining coverage Excluding loss recovery component	Loss recovery component	Asset for incurred claims Estimates of present value of FCF	Risk adjustment for non- financial risk	Total
Reinsurance contracts										
Reinsurance contract assets - opening	3,598,834	-	2,282,781	294,143	6,175,758	(1,645,418)	-	16,494,356	2,485,817	17,334,755
Reinsurance contract liabilities - opening	-	-	-	-	-	(221,788)	-	(32,381)	-	(254,169)
<b>Opening balance - net</b>	<b>3,598,834</b>	<b>-</b>	<b>2,282,781</b>	<b>294,143</b>	<b>6,175,758</b>	<b>(1,867,206)</b>	<b>-</b>	<b>16,461,975</b>	<b>2,485,817</b>	<b>17,080,586</b>
<b>Allocation of reinsurance premium</b>	<b>(14,237,207)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(14,237,207)</b>	<b>(10,335,345)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,335,345)</b>
<b>Amounts recoverable from reinsurers</b>										
Claims recovered and other directly attributable expenses	-	-	(17,637)	24,914	7,277	-	-	188,154	78,426	266,580
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-	-	-	-	-
Loss-recovery on onerous underlying contracts	-	-	-	-	-	-	-	-	-	-
Onerous contracts recognized	-	-	-	-	-	-	-	-	-	-
Reinsurance acquisition cash flows amortisation	-	-	-	-	-	-	-	-	-	-
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	-	(774,246)	(236,035)	(1,010,281)	-	-	(13,645,409)	(2,270,100)	(15,915,509)
<b>Amounts recoverable from reinsurers - net</b>	<b>-</b>	<b>-</b>	<b>(791,883)</b>	<b>(211,121)</b>	<b>(1,003,004)</b>	<b>-</b>	<b>-</b>	<b>(13,457,255)</b>	<b>(2,191,674)</b>	<b>(15,648,929)</b>
Finance income (expense) from reinsurance contracts	-	-	22,313	(2,536)	19,777	-	-	234,064	-	234,064
<b>Total changes in the statement of income</b>	<b>(14,237,207)</b>	<b>-</b>	<b>(769,570)</b>	<b>(213,657)</b>	<b>(15,220,434)</b>	<b>(10,335,345)</b>	<b>-</b>	<b>(13,223,191)</b>	<b>(2,191,674)</b>	<b>(25,750,210)</b>
<b>Cashflows</b>										
Premiums ceded and acquisition cashflows paid	9,239,213	-	-	-	9,239,213	15,801,385	-	-	-	15,801,385
Recoveries from reinsurance	-	-	257,153	-	257,153	-	-	(956,003)	-	(956,003)
<b>Total cash inflows (outflows)</b>	<b>9,239,213</b>	<b>-</b>	<b>257,153</b>	<b>-</b>	<b>9,496,366</b>	<b>15,801,385</b>	<b>-</b>	<b>(956,003)</b>	<b>-</b>	<b>14,845,382</b>
Reinsurance contracts										
Reinsurance contract assets - closing	(1,399,160)	-	1,770,364	80,486	451,690	3,598,834	-	2,282,781	294,143	6,175,758
Reinsurance contract liabilities - closing	-	-	-	-	-	-	-	-	-	-
<b>Closing balance - net</b>	<b>(1,399,160)</b>	<b>-</b>	<b>1,770,364</b>	<b>80,486</b>	<b>451,690</b>	<b>3,598,834</b>	<b>-</b>	<b>2,282,781</b>	<b>294,143</b>	<b>6,175,758</b>

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**11. Insurance and reinsurance contracts** (continued)

**11.2 Analysis by remaining coverage and incurred claims** (continued)

**11.2.2 Reinsurance contracts held** (continued)

**11.2.2.7 Marine Cargo**

	As at 31 December 2023				Total	As at 31 December 2022				Total
	Asset for remaining coverage Excluding loss recovery component	Loss recovery component	Asset for incurred claims Estimates of present value of FCF	Risk adjustment for non-financial risk		Asset for remaining coverage Excluding loss recovery component	Loss recovery component	Asset for incurred claims Estimates of present value of FCF	Risk adjustment for non- financial risk	
Reinsurance contracts	-	-	-	-	-	-	-	-	-	-
Reinsurance contract assets - opening	-	-	-	-	-	-	-	-	-	-
Reinsurance contract liabilities - opening	(863,389)	-	178,168	17,281	(667,940)	(973,423)	-	283,847	39,601	(649,975)
<b>Opening balance - net</b>	<b>(863,389)</b>	<b>-</b>	<b>178,168</b>	<b>17,281</b>	<b>(667,940)</b>	<b>(973,423)</b>	<b>-</b>	<b>283,847</b>	<b>39,601</b>	<b>(649,975)</b>
<b>Allocation of reinsurance premium</b>	<b>(758,745)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(758,745)</b>	<b>(97,056)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(97,056)</b>
<b>Amounts recoverable from reinsurers</b>										
Claims recovered and other directly attributable expenses	-	-	164,674	9,414	174,088	-	-	33,658	8,251	41,909
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-	-	-	-	-
Loss-recovery on onerous underlying contracts	-	-	-	-	-	-	-	-	-	-
Onerous contracts recognized	-	-	-	-	-	-	-	-	-	-
Reinsurance acquisition cash flows amortisation	-	-	-	-	-	-	-	-	-	-
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	-	(77,143)	(16,905)	(94,048)	-	-	(121,946)	(30,571)	(152,517)
<b>Amounts recoverable from reinsurers - net</b>	<b>-</b>	<b>-</b>	<b>87,531</b>	<b>(7,491)</b>	<b>80,040</b>	<b>-</b>	<b>-</b>	<b>(88,288)</b>	<b>(22,320)</b>	<b>(110,608)</b>
Finance expenses from reinsurance contracts	-	-	(1,982)	(334)	(2,316)	-	-	(1,876)	-	(1,876)
<b>Total changes in the statement of income</b>	<b>(758,745)</b>	<b>-</b>	<b>85,549</b>	<b>(7,825)</b>	<b>(681,021)</b>	<b>(97,056)</b>	<b>-</b>	<b>(90,164)</b>	<b>(22,320)</b>	<b>(209,540)</b>
<b>Cashflows</b>										
Premiums ceded and acquisition cashflows paid	1,327,297	-	-	-	1,327,297	207,090	-	-	-	207,090
Recoveries from reinsurance	-	-	23,504	-	23,504	-	-	(15,515)	-	(15,515)
<b>Total cash inflows (outflows)</b>	<b>1,327,297</b>	<b>-</b>	<b>23,504</b>	<b>-</b>	<b>1,350,801</b>	<b>207,090</b>	<b>-</b>	<b>(15,515)</b>	<b>-</b>	<b>191,575</b>
Reinsurance contracts	-	-	-	-	-	-	-	-	-	-
Reinsurance contract assets - closing	(294,837)	-	287,221	9,456	1,840	-	-	-	-	-
Reinsurance contract liabilities - closing	-	-	-	-	-	(863,389)	-	178,168	17,281	(667,940)
<b>Closing balance - net</b>	<b>(294,837)</b>	<b>-</b>	<b>287,221</b>	<b>9,456</b>	<b>1,840</b>	<b>(863,389)</b>	<b>-</b>	<b>178,168</b>	<b>17,281</b>	<b>(667,940)</b>

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**11. Insurance and reinsurance contracts** (continued)

**11.2 Analysis by remaining coverage and incurred claims** (continued)

**11.2.2 Reinsurance contracts held** (continued)

**11.2.2.8 Marine Hull**

	As at 31 December 2023				Total	As at 31 December 2022				Total
	Asset for remaining coverage Excluding loss recovery component	Loss recovery component	Estimates of present value of FCF	Asset for incurred claims Risk adjustment for non-financial risk		Asset for remaining coverage Excluding loss recovery component	Loss recovery component	Estimates of present value of FCF	Asset for incurred claims Risk adjustment for non- financial risk	
Reinsurance contracts										
Reinsurance contract assets - opening	(287,462)	-	2,007,345	191,375	1,911,258	(296,371)	-	4,286,583	657,074	4,647,286
Reinsurance contract liabilities - opening	-	-	-	-	-	-	-	-	-	-
<b>Opening balance - net</b>	<b>(287,462)</b>	<b>-</b>	<b>2,007,345</b>	<b>191,375</b>	<b>1,911,258</b>	<b>(296,371)</b>	<b>-</b>	<b>4,286,583</b>	<b>657,074</b>	<b>4,647,286</b>
<b>Allocation of reinsurance premium</b>	<b>(1,717,673)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,717,673)</b>	<b>(3,781,206)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,781,206)</b>
<b>Amounts recoverable from reinsurers</b>										
Claims recovered and other directly attributable expenses	-	-	116,180	5,241	121,421	-	-	174,811	18,867	193,678
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-	-	-	-	-
Loss-recovery on onerous underlying contracts	-	-	-	-	-	-	-	-	-	-
Onerous contracts recognized	-	-	-	-	-	-	-	-	-	-
Reinsurance acquisition cash flows amortisation	-	-	-	-	-	-	-	-	-	-
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	-	(242,125)	(191,375)	(433,500)	-	-	(1,673,293)	(484,566)	(2,157,859)
<b>Amounts recoverable from reinsurers - net</b>	<b>-</b>	<b>-</b>	<b>(125,945)</b>	<b>(186,134)</b>	<b>(312,079)</b>	<b>-</b>	<b>-</b>	<b>(1,498,482)</b>	<b>(465,699)</b>	<b>(1,964,181)</b>
Finance income (expense) from reinsurance contracts	-	-	67,566	(281)	67,285	-	-	(47,936)	-	(47,936)
<b>Total changes in the statement of income</b>	<b>(1,717,673)</b>	<b>-</b>	<b>(58,379)</b>	<b>(186,415)</b>	<b>(1,962,467)</b>	<b>(3,781,206)</b>	<b>-</b>	<b>(1,546,418)</b>	<b>(465,699)</b>	<b>(5,793,323)</b>
<b>Cashflows</b>										
Premiums ceded and acquisition cashflows paid	978,227	-	-	-	978,227	3,790,115	-	-	-	3,790,115
Recoveries from reinsurance	-	-	9,402	-	9,402	-	-	(732,820)	-	(732,820)
<b>Total cash inflows (outflows)</b>	<b>978,227</b>	<b>-</b>	<b>9,402</b>	<b>-</b>	<b>987,629</b>	<b>3,790,115</b>	<b>-</b>	<b>(732,820)</b>	<b>-</b>	<b>3,057,295</b>
Reinsurance contracts										
Reinsurance contract assets - closing	(1,026,908)	-	1,958,368	4,960	936,420	(287,462)	-	2,007,345	191,375	1,911,258
Reinsurance contract liabilities - closing	-	-	-	-	-	-	-	-	-	-
<b>Closing balance - net</b>	<b>(1,026,908)</b>	<b>-</b>	<b>1,958,368</b>	<b>4,960</b>	<b>936,420</b>	<b>(287,462)</b>	<b>-</b>	<b>2,007,345</b>	<b>191,375</b>	<b>1,911,258</b>

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**12. Property and equipment**

	<b>Leasehold improvements</b>	<b>Furniture, fixtures and office equipment</b>	<b>Computers</b>	<b>Motor vehicles</b>	<b>Total</b>
<b>Cost:</b>					
<b>At 1 January 2023</b>	<b>5,702,159</b>	<b>5,597,271</b>	<b>7,239,665</b>	<b>517,800</b>	<b>19,056,895</b>
Additions	-	12,951	117,632	-	130,583
Disposals	-	(4,304)	-	(106,500)	(110,804)
<b>At 31 December 2023</b>	<b>5,702,159</b>	<b>5,605,918</b>	<b>7,357,297</b>	<b>411,300</b>	<b>19,076,674</b>
<b>Accumulated depreciation:</b>					
<b>At 1 January 2023</b>	<b>3,825,656</b>	<b>3,335,982</b>	<b>6,129,157</b>	<b>517,800</b>	<b>13,808,595</b>
Charge for the year	294,240	416,960	492,254	-	1,203,454
Disposals	-	(1,392)	-	(106,500)	(107,892)
<b>At 31 December 2023</b>	<b>4,119,896</b>	<b>3,751,550</b>	<b>6,621,411</b>	<b>411,300</b>	<b>14,904,157</b>
<b>Net book value: At 31 December 2023</b>	<b>1,582,263</b>	<b>1,854,368</b>	<b>735,886</b>	<b>-</b>	<b>4,172,517</b>

	<b>Leasehold improvements</b>	<b>Furniture, fixtures and office equipment</b>	<b>Computers</b>	<b>Motor vehicles</b>	<b>Total</b>
<b>Cost:</b>					
<b>At 1 January 2022</b>	<b>5,574,112</b>	<b>4,651,311</b>	<b>6,549,931</b>	<b>517,800</b>	<b>17,293,154</b>
Additions	128,047	973,095	689,734	-	1,790,876
Disposals	-	(27,135)	-	-	(27,135)
<b>At 31 December 2022</b>	<b>5,702,159</b>	<b>5,597,271</b>	<b>7,239,665</b>	<b>517,800</b>	<b>19,056,895</b>
<b>Accumulated depreciation:</b>					
<b>At 1 January 2022</b>	<b>3,473,692</b>	<b>2,900,398</b>	<b>5,198,372</b>	<b>510,453</b>	<b>12,082,915</b>
Charge for the year	351,964	454,699	930,785	7,347	1,744,795
Disposals	-	(19,115)	-	-	(19,115)
<b>At 31 December 2022</b>	<b>3,825,656</b>	<b>3,335,982</b>	<b>6,129,157</b>	<b>517,800</b>	<b>13,808,595</b>
<b>Net book value: At 31 December 2022</b>	<b>1,876,503</b>	<b>2,261,289</b>	<b>1,110,508</b>	<b>-</b>	<b>5,248,300</b>

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**12. Property and equipment (continued)**

Depreciation is charged to the statement of income on a straight-line basis based on the following estimated useful lives:

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

The assets' useful lives are reviewed at the end of each reporting date and adjusted, if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the statement of income under other income.

**13. Intangible assets**

<b>Cost:</b>	<b>Computer software</b>	
	<b>2023</b>	<b>2022</b>
<b>At 1 January</b>	<b>13,272,948</b>	11,105,855
Additions	<b>332,232</b>	2,167,093
<b>At 31 December</b>	<b>13,605,180</b>	13,272,948
<b>Amortization:</b>		
<b>At 1 January</b>	<b>7,219,768</b>	5,385,232
Charge for the year	<b>1,271,797</b>	1,834,536
<b>At 31 December</b>	<b>8,491,565</b>	7,219,768
<b>Net book value:</b>		
<b>At 31 December</b>	<b>5,113,615</b>	6,053,180

Also refer Note 3.12.

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**14. Right-of-use assets and lease liabilities**

a) *Amounts recognised in the statement of financial position*

The statement of financial position shows the following amounts relating to leases:

**Right-of-use assets**

	<b>2023</b>		
	<b>Office premises</b>	<b>Point-of-sale stores</b>	<b>Total</b>
<b>Cost</b>			
At 1 January	3,776,034	3,044,477	6,820,511
Additions during the year	-	-	-
At 1 January	(1,292,588)	(2,191,140)	(3,483,728)
At 31 December	2,483,446	853,337	3,336,783
<b>Accumulated depreciation</b>			
At 1 January	1,996,022	2,137,169	4,133,191
Charge for the year	696,608	802,777	1,499,385
Derecognition	(1,042,281)	(2,191,140)	(3,233,421)
At 31 December	1,650,349	748,806	2,399,155
<b>Net book value</b>	<b>833,097</b>	<b>104,531</b>	<b>937,628</b>
	<b>2022</b>		
	<b>Office premises</b>	<b>Point-of-sale stores</b>	<b>Total</b>
<b>Cost</b>			
At 1 January	3,776,034	2,941,947	6,717,981
Additions during the year	-	102,530	102,530
At 31 December	3,776,034	3,044,477	6,820,511
<b>Accumulated depreciation</b>			
At 1 January	1,126,125	1,186,388	2,312,513
Charge for the year	869,897	950,781	1,820,678
At 31 December	1,996,022	2,137,169	4,133,191
<b>Net book value</b>	<b>1,780,012</b>	<b>907,308</b>	<b>2,687,320</b>

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**14. Right-of-use assets and lease liabilities (continued)**

a) *Amounts recognised in the statement of financial position (continued)*

**Lease liabilities**

	<b>31 December 2023</b>	<b>31 December 2022</b>
Within one year	<b>1,011,658</b>	1,732,498
Later than one year but not later than five years	<b>450,000</b>	935,000
	<b>1,461,658</b>	2,667,498
Future finance costs	<b>(19,680)</b>	(50,507)
Total lease liabilities	<b>1,441,978</b>	2,616,991
Current	<b>998,207</b>	1,851,673
Non-current	<b>443,771</b>	765,318
	<b>1,441,978</b>	2,616,991

Movement in lease liabilities is as follows:

	<b>2023</b>	<b>2022</b>
January 1	<b>2,616,991</b>	3,805,657
Additions during the year	-	102,530
Terminations during the year	<b>(236,925)</b>	-
Finance costs on lease liabilities	<b>27,358</b>	62,283
	<b>2,407,424</b>	3,970,470
Payments during the year	<b>(965,446)</b>	(1,353,479)
At 31 December	<b>1,441,978</b>	2,616,991

b) *Amounts recognised in the statement of income*

Total finance costs recognised in the statement of income pertaining to lease liabilities amounted to Saudi Riyals 0.03 million for the year ended 31 December, 2023. Expenses relating to short-term leases and low-value leases amounted to Saudi Riyals 1.15 million for the year ended 31 December, 2023 (31 December, 2022: Saudi Riyals 1.3 million).

c) *Details for leasing activities of the Company*

The Company leases office premises and various point-of-sale stores across the Kingdom of Saudi Arabia. Rental contracts are typically made for a period of 6 months to 5 years but may have extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets are not used as security for borrowing purposes.

**15. Statutory deposit**

In accordance with Article 58 of the Insurance Implementing Regulations of SAMA, the Company is required to maintain a statutory deposit of not less than 10% of its paid-up capital. The statutory deposit is maintained with a Saudi Arabian bank and can be withdrawn only with the consent of SAMA.



**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**15. Statutory deposit (continued)**

In accordance with the instruction received from SAMA vide their circular dated 1 March 2016, the Company has disclosed the interest due on the statutory deposit as at 31 December 2023 as an asset and a liability in this financial statements. As requested by SAMA, the Company has released the accrued income on statutory deposit to SAMA up to 31 December 2022 amounting to Saudi Riyals 6.0 million. Also see Note 2 (b).

During the year, a new Insurance Authority (the "IA") i.e. the insurance regulator in KSA has been established by a royal decree, which has replaced the insurance regulations previously issued by SAMA effective from 23 November 2023.

The gross carrying amount of statutory deposit represents the Company's maximum exposure to credit risk on these financial assets which are categorized under investment grade and Stage 1. Investment grade includes those financial assets having credit exposure equivalent to Standard and Poor's rating of AAA to BBB. The Company's exposures to credit risk are not collateralized. At 31 December 2023, 31 December 2022 and 1 January 2022, the ECL allowance on such financial assets was immaterial.

**16. Accrued and other liabilities**

	<b>31 December 2023</b>	<b>31 December 2022 - (Restated)</b>
VAT payable	<b>4,168,963</b>	6,656,611
Accounts payable	<b>3,139,226</b>	10,037,516
Directors' remuneration and meeting fee payable (Note 23)	<b>1,007,000</b>	3,323,889
Accrued Rent	<b>1,005,523</b>	1,005,523
Accrued professional fees	<b>748,063</b>	2,013,969
Accrued Expenses	<b>388,235</b>	395,815
Other	<b>3,130,195</b>	4,300,696
	<b>13,587,205</b>	27,734,019

**17. Employee benefit obligations**

**17.1 General description of the plan**

The Company operates a defined benefit plan in line with the Labour Law requirement in the Kingdom of Saudi Arabia. The end-of-service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labour Laws of the Kingdom of Saudi Arabia. Employees' end-of-service benefit plans are unfunded plans and the benefit payment obligation are met when they fall due upon termination of employment. The most recent comprehensive actuarial valuation coincided with the year-end reporting date.

	<b>2023</b>	<b>2022</b>
At 1 January	<b>8,031,606</b>	9,204,102
Charge during the year (Note 21)	<b>1,887,206</b>	2,124,595
Paid during the year	<b>(2,197,946)</b>	(1,747,583)
Remeasurement gain (loss) on obligation	<b>1,341,454</b>	(1,549,508)
At 31 December	<b>9,062,320</b>	8,031,606

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**17. Employee benefit obligations** (continued)

**17.1 General description of the plan** (continued)

**17.2 Amounts recognised in the statements of income and comprehensive income**

The amounts recognised in the statements of income and comprehensive income related to employee benefit obligations are as follows:

	<b>2023</b>	<b>2022</b>
Current service cost	<b>1,496,696</b>	1,860,874
Interest expense	<b>390,510</b>	263,721
<b>Total amount recognised in the statement of Income</b>	<b>1,887,206</b>	2,124,595
<u>Remeasurements</u>		
Gain (loss) from change in financial assumptions	<b>953,033</b>	(1,513,161)
Gain (loss) from change in experience assumptions	<b>388,421</b>	(265,688)
Gain from change in demographic assumptions	-	229,341
<b>Total amount recognised in the statement of comprehensive income</b>	<b>1,341,454</b>	(1,549,508)

**17.3 Key actuarial assumptions:**

	<b>31 December 2023</b>	<b>31 December 2022</b>
Discount factor used	<b>4.6%</b>	<b>5.20%</b>
Average salary growth rate	<b>4.6%</b>	<b>5.00%</b>
Retirement age		<b>60 years</b>

**17.4 Sensitivity analysis for actuarial assumptions**

	<b>31 December 2023</b>	
	<b>Percentage (%)</b>	<b>Amount Increase (decrease)</b>
Discount rate		
Increase	<b>+ 1.0 %</b>	<b>(725,610)</b>
Decrease	<b>- 1.0 %</b>	<b>844,583</b>
Expected changes in salary		
Increase	<b>+ 1.0 %</b>	<b>888,787</b>
Decrease	<b>- 1.0 %</b>	<b>(776,562)</b>

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**17. Employee benefit obligations** (continued)

**17.4 Sensitivity analysis for actuarial assumptions** (continued)

	<b>31 December 2022</b>	
	<b>Percentage (%)</b>	<b>Amount Increase (decrease)</b>
Discount rate		
Increase	+ 1.0 %	(582,388)
Decrease	- 1.0 %	676,323
Expected changes in salary		
Increase	+ 1.0 %	722,932
Decrease	- 1.0 %	(632,655)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

**17.5 Expected maturity analysis**

The weighted average duration of the defined benefit obligation is 8.8 years (2022: 8.04 years). The expected maturity analysis of undiscounted post-employment benefits is as follows:

	<b>Less than a year</b>	<b>Between 1 - 2 years</b>	<b>Between 2 - 5 years</b>	<b>5 - 10 years</b>	<b>Total</b>
<b>31 December 2023</b>	<b>1,115,774</b>	<b>921,301</b>	<b>1,319,441</b>	<b>10,154,979</b>	<b>13,511,495</b>
<b>31 December 2022</b>	<b>1,490,345</b>	<b>710,309</b>	<b>1,314,022</b>	<b>9,199,207</b>	<b>12,713,883</b>

**18. Share capital**

The authorized, issued and paid-up share capital of the Company was Saudi Riyals 140 million at 31 December 2023 consisting of 14 million shares (31 December 2022: Saudi Riyals 140 million consisting of 14 million shares) of Saudi Riyals 10 each. Also see Note 1.

**AL SAGR COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts expressed in Saudi Riyals unless otherwise stated)

**19. Insurance revenue and expenses**

An analysis of insurance revenue, insurance expenses and net expenses from reinsurance contracts held by product line for the year ended 31 December 2023 and 31 December 2022 is included in following tables respectively. Additional information on amounts recognized in statement of income is included in the insurance contract balances reconciliation.

**For the year ended 31 December 2023:**

	Medical	Motor Comprehensive	Motor Third party	Engineering	Property	General Accident	Marine Cargo	Marine Hull	Total
<b>Insurance revenue from contracts measured under PAA</b>	<b>229,453,894</b>	<b>100,335,912</b>	<b>92,449,864</b>	<b>12,319,432</b>	<b>20,151,290</b>	<b>27,318,371</b>	<b>2,131,811</b>	<b>2,063,991</b>	<b>486,224,565</b>
Incurred claims and other incurred insurance service expenses*	(180,495,466)	(87,835,209)	(89,876,469)	(4,015,264)	(28,669,131)	(7,049,130)	(675,872)	(2,486,354)	(401,102,895)
Changes that relate to past service - adjustments to the LIC	8,576,549	8,217,202	2,795,545	1,985,711	3,832,733	2,801,564	164,149	335,781	28,709,234
Losses on onerous contracts and reversal of the losses	65,876	10,678,688	9,787,655	-	-	-	-	-	20,532,219
Insurance acquisition cashflows amortisation	(29,004,987)	(21,418,539)	(14,823,851)	(2,133,368)	(3,221,817)	(3,657,646)	(208,971)	(29,022)	(74,498,201)
<b>Total insurance service expenses</b>	<b>(200,858,028)</b>	<b>(90,357,858)</b>	<b>(92,117,120)</b>	<b>(4,162,921)</b>	<b>(28,058,215)</b>	<b>(7,905,212)</b>	<b>(720,694)</b>	<b>(2,179,595)</b>	<b>(426,359,643)</b>

\* This includes surplus distribution of SAR 3.6 million for the year ended 31 December, 2023 (31 December, 2022: SAR Nil) (Also see note 36).

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**19. Insurance service results (continued)**

**For the year ended 31 December 2023:** (continued)

	Medical	Motor Comprehensive	Motor Third party	Engineering	Property	General Accident	Marine Cargo	Marine Hull	Total
<b>Reinsurance income - contracts measured under the PAA</b>									
Reinsurance premium ceded	(16,870,481)	(4,353,229)	(3,200,484)	(10,569,216)	(15,445,412)	(14,237,207)	(758,745)	(1,717,673)	(67,152,447)
Claims recovered and other directly attributable expenses	2,751,354	74,973	375,758	1,333,487	24,360,503	7,277	174,088	121,421	29,198,861
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-	-	-	-
Losses on onerous contracts and reversal of the losses	-	-	-	-	-	-	-	-	-
Onerous contracts recognized	-	-	-	-	-	-	-	-	-
Reinsurance acquisition cash flows amortisation	-	-	-	-	-	-	-	-	-
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-	-	-	-
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	4,475,167	354,351	296	(1,068,541)	(3,310,130)	(1,010,281)	(94,048)	(433,500)	(1,086,686)
<b>Total net income (expenses) from reinsurance contracts</b>	<b>7,226,521</b>	<b>429,324</b>	<b>376,054</b>	<b>264,946</b>	<b>21,050,373</b>	<b>(1,003,004)</b>	<b>80,040</b>	<b>(312,079)</b>	<b>28,112,175</b>
<b>Insurance service result from Company's directly written business</b>	<b>18,951,906</b>	<b>6,054,149</b>	<b>(2,491,686)</b>	<b>(2,147,759)</b>	<b>(2,301,964)</b>	<b>4,172,948</b>	<b>732,412</b>	<b>(2,145,356)</b>	<b>20,824,650</b>
Share of surplus from insurance pools	-	-	-	-	-	-	-	-	14,105,156
<b>Total insurance service result</b>	<b>18,951,906</b>	<b>6,054,149</b>	<b>(2,491,686)</b>	<b>(2,147,759)</b>	<b>(2,301,964)</b>	<b>4,172,948</b>	<b>732,412</b>	<b>(2,145,356)</b>	<b>34,929,806</b>

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**19. Insurance service results** (continued)

**For the year ended 31 December 2022:**

	Medical	Motor Comprehensive	Motor Third party	Engineering	Property	General Accident	Marine Cargo	Marine Hull	Total
<b>Insurance revenue from contracts measured under PAA</b>	201,445,443	60,305,211	164,375,644	10,339,856	16,587,946	15,968,135	159,708	4,165,605	473,347,548
Incurring claims and other incurred insurance service expenses*	(165,479,180)	(83,320,849)	(185,698,576)	(4,098,818)	(6,513,664)	(5,228,593)	(281,952)	(525,934)	(451,147,566)
Changes that relate to past service - adjustments to the LIC	21,661,193	245,827	(3,232,496)	4,595,876	4,640,979	19,584,301	254,190	2,153,983	49,903,853
Losses on onerous contracts and reversal of the losses	15,844,504	(6,291,706)	11,681,292	-	-	-	-	-	21,234,090
Insurance acquisition cashflows amortisation	(16,664,736)	(17,167,720)	(23,474,233)	(1,499,033)	(2,522,275)	(1,810,379)	(162,394)	(30,372)	(63,331,142)
<b>Total insurance service (expenses) Income</b>	(144,638,219)	(106,534,448)	(200,724,013)	(1,001,975)	(4,394,960)	12,545,329	(190,156)	1,597,677	(443,340,765)

**AL SAGR COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts expressed in Saudi Riyals unless otherwise stated)

**19. Insurance service results (continued)**

**For the year ended 31 December 2022: (continued)**

	Medical	Motor Comprehensive	Motor Third party	Engineering	Property	General Accident	Marine Cargo	Marine Hull	Total
<b>Reinsurance income - contracts measured under the PAA</b>									
Reinsurance premium ceded	(16,739,602)	(2,179,906)	(3,180,359)	(7,618,589)	(14,377,941)	(10,335,345)	(97,056)	(3,781,206)	(58,310,004)
Claims recovered	2,947,343	184,434	138,825	1,106,037	2,395,859	266,580	41,909	193,678	7,274,665
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-	-	-	-
Losses on onerous contracts and reversal of the losses	-	-	-	-	-	-	-	-	-
Onerous contracts recognized	-	-	-	-	-	-	-	-	-
Reinsurance acquisition cash flows amortisation	-	-	-	-	-	-	-	-	-
Changes that relate to past service - adjustments to incurred claims	5,001,533	205,633	1,759,164	(3,005,154)	(4,364,762)	(15,915,509)	(152,517)	(2,157,859)	(18,629,471)
<b>Total net income (expenses) from reinsurance contracts</b>	<b>7,948,876</b>	<b>390,067</b>	<b>1,897,989</b>	<b>(1,899,117)</b>	<b>(1,968,903)</b>	<b>(15,648,929)</b>	<b>(110,608)</b>	<b>(1,964,181)</b>	<b>(11,354,806)</b>
<b>Insurance service result from Company's directly written business</b>	<b>48,016,498</b>	<b>(48,019,076)</b>	<b>(37,630,739)</b>	<b>(179,825)</b>	<b>(4,153,858)</b>	<b>2,529,190</b>	<b>(238,112)</b>	<b>17,895</b>	<b>(39,658,027)</b>
Share of surplus from insurance pools	-	-	-	-	-	-	-	-	18,747,796
<b>Total insurance service result</b>	<b>48,016,498</b>	<b>(48,019,076)</b>	<b>(37,630,739)</b>	<b>(179,825)</b>	<b>(4,153,858)</b>	<b>2,529,190</b>	<b>(238,112)</b>	<b>17,895</b>	<b>(20,910,231)</b>

**AL SAGR COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts expressed in Saudi Riyals unless otherwise stated)

**20. Insurance finance expense - net**

An analysis of the net insurance finance income (expense) by product line for year ended 31 December 2023 and 31 December 2022 respectively is presented below:

**For the year ended 31 December 2023:**

	Medical	Motor Comprehensive	Motor Third party	Engineering	Property	General Accident	Marine Cargo	Marine Hull	Total
<b>Finance (expense) income from insurance contracts issued</b>									
Interest accreted									
Effects of changes in interest rates and other financial assumptions	(331,147)	190,020	(208,479)	98,132	679,666	(115,166)	8,335	(354)	321,007
Foreign exchange differences									
<b>Finance (expense) income from insurance contracts issued</b>	<b>(331,147)</b>	<b>190,020</b>	<b>(208,479)</b>	<b>98,132</b>	<b>679,666</b>	<b>(115,166)</b>	<b>8,335</b>	<b>(354)</b>	<b>321,007</b>
<b>Finance income (expense) from reinsurance contracts held</b>									
Interest accreted									
Effects of changes in interest rates and other financial assumptions	1,176,155	1,642	50,532	(109,684)	(515,476)	19,777	(2,316)	67,285	687,915
Foreign exchange differences									
<b>Finance income (expense) from reinsurance contracts held</b>	<b>1,176,155</b>	<b>1,642</b>	<b>50,532</b>	<b>(109,684)</b>	<b>(515,476)</b>	<b>19,777</b>	<b>(2,316)</b>	<b>67,285</b>	<b>687,915</b>
<b>Net insurance finance income (expenses)</b>	<b>845,008</b>	<b>191,662</b>	<b>(157,947)</b>	<b>(11,552)</b>	<b>164,190</b>	<b>(95,389)</b>	<b>6,019</b>	<b>66,931</b>	<b>1,008,922</b>



**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**20. Insurance finance expense - net** (continued)

**For the year ended 31 December 2022:**

	Medical	Motor Comprehensive	Motor Third party	Engineering	Property	General Accident	Marine Cargo	Marine Hull	Total
<b>Finance income (expense) from insurance contracts issued</b>									
Interest accreted	-	-	-	-	-	-	-	-	-
Effects of changes in interest rates and other financial assumptions	1,115,209	378,393	601,484	161,842	88,451	(1,518)	3,439	(4,156)	2,343,144
Foreign exchange differences	-	-	-	-	-	-	-	-	-
<b>Finance income (expenses) from insurance contracts issued</b>	<b>1,115,209</b>	<b>378,393</b>	<b>601,484</b>	<b>161,842</b>	<b>88,451</b>	<b>(1,518)</b>	<b>3,439</b>	<b>(4,156)</b>	<b>2,343,144</b>
<b>Finance income (expense) from reinsurance contracts held</b>									
Interest accreted	-	-	-	-	-	-	-	-	-
Effects of changes in interest rates and other financial assumptions	(1,691,568)	(6,539)	(1,527)	(96,580)	(147,654)	234,064	(1,876)	(47,936)	(1,759,616)
Foreign exchange differences	-	-	-	-	-	-	-	-	-
<b>Finance (expense) income from reinsurance contracts held</b>	<b>(1,691,568)</b>	<b>(6,539)</b>	<b>(1,527)</b>	<b>(96,580)</b>	<b>(147,654)</b>	<b>234,064</b>	<b>(1,876)</b>	<b>(47,936)</b>	<b>(1,759,616)</b>
<b>Net insurance finance (expenses) income</b>	<b>(576,359)</b>	<b>371,854</b>	<b>599,957</b>	<b>65,262</b>	<b>(59,203)</b>	<b>232,546</b>	<b>1,563</b>	<b>(52,092)</b>	<b>583,528</b>

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**21. Other operating expenses - net**

	<b>31 December 2023</b>	<b>31 December 2022 (Restated - Note 3)</b>
Commission incurred	<b>74,498,200</b>	63,331,142
Employees' cost	<b>25,944,537</b>	42,201,729
End-of-service indemnities	<b>1,887,206</b>	2,124,595
Insurance	<b>4,913,533</b>	4,660,949
Professional fees	<b>8,382,132</b>	8,180,638
Communication Charges	<b>2,147,104</b>	1,724,529
Directors' remuneration	<b>2,761,000</b>	3,268,056
Training	<b>63,010</b>	302,504
IT related services	<b>4,477,237</b>	3,230,986
Business travel and transport	<b>627,884</b>	1,025,992
Entertainment	<b>215,965</b>	320,424
Others	<b>11,111,657</b>	13,837,768
	<b>137,029,465</b>	144,209,312

**Allocation of expenses is as follows:**

	<b>Note</b>	<b>31 December 2023</b>	<b>31 December 2022 (Restated)</b>
Other incurred insurance service expenses	21.1	<b>40,778,691</b>	49,478,515
Insurance acquisition cashflows amortisation	21.1	<b>74,498,201</b>	63,331,142
Allocation of reinsurance premium paid	21.2	<b>1,444,645</b>	2,145,975
Other operating expenses	21.3	<b>20,307,928</b>	29,253,680
		<b>137,029,465</b>	144,209,312

21.1 Reported as part of insurance service expenses.

21.2 Reported as part of allocation of reinsurance premium paid.

21.3 Other operating expenses include non-attributable expenses which are administrative expenses and are not linked to insurance contracts.

**22. Share of surplus from insurance pools**

	<b>Note</b>	<b>31 December, 2023</b>	<b>31 December, 2022 (Restated)</b>
Share of surplus from Umrah & Hajj scheme	22.1	<b>12,294,000</b>	14,231,373
Share of surplus from Travel and Covid-19 product	22.2	<b>1,133,441</b>	4,492,257
Share of surplus from Inherent defects insurance	22.3	<b>596,023</b>	12,858
Share of surplus from Al Manafeth		<b>81,692</b>	11,308
		<b>14,105,156</b>	18,747,796

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**22. Share of surplus from insurance pools (continued)**

**22.1 Share of surplus from Umrah & Hajj scheme**

This represents the Company's share in the surplus for general accident product arising from the Umrah & haj scheme. The Company with twenty-seven other insurance companies operating in the Kingdom of Saudi Arabia, entered into an agreement with CCI effective from 1 January 2020. The compulsory Umrah product is offered by the ministry and approved by SAMA for insurance of pilgrims coming from outside of the Kingdom of Saudi Arabia except for citizens of the Gulf Cooperation Council countries. This covers general accidents and health benefits of the pilgrims entering the Kingdom of Saudi Arabia to perform Umrah. The agreement terms are for 4 years starting from 1 January 2020 and it is renewable for another four years subject to the terms and conditions of the agreement. There is no renewal to the agreement in 2024 as the aforementioned arrangement has been discontinued. The Company's share of income in the Umrah and Hajj scheme is derived from insurance revenues of SAR 35.8 million (2022: SAR 32.0 million) and net expenses of SAR 23.5 million (2022: SAR 17.7 million).

**22.2 Share of surplus from Travel and Covid-19 product**

Share of surplus from Travel and COVID-19 product principally comprises of income from compulsory travel insurance for Saudi Citizens travelling abroad in addition to coverage related to COVID-19, under an agreement which was signed on 6 April 2021, together with 13 other insurance companies ("Participating Companies"). The agreement was for two years and automatically renewable for similar period or periods subject to the terms and conditions of the agreement. The Travel and COVID-19 product distributes the net surplus after deducting all expenses to the Participating Companies in accordance with the regulations and circulars issued by SAMA in this regard. The surplus distributable to the Participating Companies is in proportion of the participation as per the Travel and COVID-19 Product Agreement.

Effective from 1 September, 2022, in accordance with the announcement of General Directorate of Passports (Jawazat), the Travel and COVID-19 product has ceased to write insurance policies for the citizens travelling abroad. Consequently, Travel and COVID-19 portfolio will be continued as run-off portfolio until all premiums are earned and all claims and related reserves are settled.

**22.3 Share of surplus from Inherent defects insurance**

This represents the Company's share of surplus 6.19% (2022: 8.9%) in the Inherent Defects Insurance ("IDI") product. On 25 June 2020, a Joint Venture agreement was signed among thirteen insurance companies ("Participating Companies") operating in Kingdom of Saudi Arabia for IDI product, based on SAMA approval authorizing Malath Cooperative Insurance Company as the leading company ("Operator"), to manage the IDI program on behalf of the participating insurance companies, selling the product and providing its insurance coverage by creating joint insurance portfolios. Malath Cooperative Insurance Company will exclusively manage the portfolio during the period of validity of the IDI agreement of five years from issue date.

IDI is a mandatory insurance policy for contractors to insure against inherent defects that may appear in buildings and constructions after their occupation in non-governmental sector projects, according to Saudi Council of Ministers Decree No. 509 of 21/09/1439 AH (corresponding to 05/06/2018) and in accordance with the decision 441/187 of the Governor of Saudi Central Bank ("SAMA") dated 05/08/1441 AH (corresponding to 29/03/2020).

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**23. 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 key management personnel. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors.

a) *The following are the details of the major related party transactions during the year ended 31 December:*

	<b>Transactions for the year ended</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2023</b>	<b>2022</b>
<b><u>Shareholders</u></b>		
Insurance revenue	<b>16,405</b>	1,014,546
Insurance service expense	<b>2,186</b>	-
Rent expense	-	(334,534)
Net income from reinsurance contracts held	<b>21,044</b>	259,000

b) *The following are the details of the major related party balances as at 31 December:*

	<b>Balances (payable) as at</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2023</b>	<b>2022</b>
<b><u>Shareholders</u></b>		
Reinsurance premium payable	<b>13,246</b>	16,803
<b><u>Key management personnel</u></b>		
Directors' remuneration and meeting fee payable	<b>(1,007,000)</b>	(3,323,889)

c) *The compensation of key management personnel during the year ended 31 December is as follows:*

	<b>2023</b>	<b>2022</b>
Salaries and benefits	<b>6,953,447</b>	10,237,483
Employee benefit obligations	<b>296,077</b>	454,977
	<b>7,249,524</b>	10,692,460

Key management personnel includes senior management, department heads and board of directors. Board of Directors' fees for the year ended 31 December 2023 was Saudi Riyals 1.0 million (31 December 2022: Saudi Riyals 3.3 million).

d) *Due to a related party*

Due to a related party represents amounts payable to Al Sagr Saudi Insurance Company (B.S.C).

The transactions with related parties are carried out at commercial terms and conditions. Compensation to key management personnel is based on employment terms and as per the by-laws of the Company.

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**24. Zakat**

*a) Zakat charge for the year*

The charge for the year for zakat is as follows:

	<b>2023</b>	<b>2022</b>
Charge for the year	<b>7,200,000</b>	4,600,000

*b) Zakat base*

The principal elements of zakat base are as following:

	<b>2023</b>	<b>2022</b>
Opening shareholders' equity	<b>130,324,813</b>	213,276,938
Non-current assets	<b>52,303,183</b>	38,327,337
Goodwill	<b>25,513,750</b>	25,513,750
Adjusted net gain (loss)	<b>28,457,006</b>	(68,896,262)

The difference between the financial results and adjusted net income is mainly due to adjustments for certain costs based on relevant regulations.

*c) Movement in the provision for zakat during the year*

	<b>2023</b>	<b>2022</b>
At January 1	<b>42,653,769</b>	42,652,370
Provisions		
- For current year	<b>3,500,000</b>	3,678,013
-Adjustments related to prior years	<b>3,700,000</b>	921,987
	<b>7,200,000</b>	4,600,000
Paid during the year	<b>(9,667,458)</b>	(4,598,601)
At 31 December	<b>40,186,311</b>	42,653,769

*d) Shareholding subject to zakat*

The following is the shareholding percentage subject to zakat in these financial statements as at the end of the year:

	<b>31 December 2023</b>	<b>31 December 2022</b>
Shareholding percentage subject to zakat	<b>100%</b>	100%

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**24. Zakat (continued)**

*e) Zakat assessments*

During the year ended 31 December 2021, the Company received final zakat assessments for the years from 2012 to 2018. Total additional zakat liability as per the assessments amounted to Saudi Riyals 36.3 million for such years. The Company had filed an appeal with General Secretariat of Zakat Committees (high committees) against the assessments and in-parallel had submitted a settlement request with the Zakat, Tax and Customs Authority ("ZATCA")-Settlement committee. During the year ended 31 December 2021, the ZATCA-Settlement committee offered to decrease the zakat assessments to Saudi Riyals 36.2 million, which the Company did not accept and, accordingly, continued with the appeal filed with General Secretariat of Zakat Committees (high committees), which also issued the decision and the final additional zakat liability was assessed at Saudi Riyals 36.2 million. The Company had filed an appeal with the Appellate Committee for the resolution of tax disputes against the assessment, which was rejected and the Company is in the process of settling this liability.

During the year ended 31 December 2021, the Company had received preliminary assessment from ZATCA for the years 2019 and 2020, with an additional liability amounting to Saudi Riyals 9.6 million. The Company has filed an appeal with General Secretariat of Zakat Committees (high committees) against such assessments. The final decision is already issued and the case was rejected and the Company is in the process of settling this liability.

During year ended 31 December 2023, the Company received a VAT assessment for the years 2018 to 2020 for 6.2 million, the Company objected the amount and ZATCA decreased the liability to Saudi Riyals 3.3 million. The company is in the process to raise the appeal to General Secretariat of Zakat, Tax and Customs Committees ("GSTC").

**25. Statutory reserve**

In accordance with the By-laws of the Company and Article 70(2)(g) of the Insurance Implementing Regulations issued by SAMA, the Company is required to transfer not less than 20% of its annual profits, after adjusting accumulated losses, to a statutory reserve until such reserve amounts to 100% of the paid-up share capital of the Company. This reserve is not available for distribution to the shareholders until the liquidation of the Company. Also see Note 1.

**26. Basic and diluted earnings (losses) per share**

Basic and diluted loss per share is calculated by dividing net loss for the year by the weighted average number of outstanding shares during the year. Also see Note 1.

	<b>For the year ended 31 December</b>	
	<b>2023</b>	<b>2022 - (Restated)</b>
Net profit (loss) for the year attributable to the shareholders	<b>42,299,859</b>	(53,459,717)
Weighted average number of ordinary shares for basic and diluted loss per share	<b>14,000,000</b>	14,000,000
Basic and diluted earnings (loss) per share	<b>3.02</b>	(3.82)

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**27. Fair value 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 between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction takes place either:

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

The fair values of on-balance sheet financial instruments that are not carried at fair value are not significantly different from their carrying amounts included in the financial statements.

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

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

The following table shows the 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, as these are either short-term in nature or carry interest rates which are based on prevalent market interest rates.

*(a) Carrying amounts and fair value*

<b>31 December 2023</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets measured at fair value</b>				
Investments at FVTPL	<b>38,454,737</b>	-	<b>11,935,335</b>	<b>50,390,072</b>
Investments at FVOCI	-	-	<b>43,484,252</b>	<b>43,484,252</b>
<b>Total investments</b>	<b>38,454,737</b>	-	<b>55,419,587</b>	<b>93,874,324</b>
<b>31 December 2022 (Restated)</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets measured at fair value</b>				
Investments at FVTPL	28,661,938	-	21,692,516	50,354,454
Investments at FVOCI	-	-	39,703,127	39,703,127
<b>Total investments</b>	<b>28,661,938</b>	-	<b>61,395,643</b>	<b>90,057,581</b>

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**27. Fair value of financial instruments (continued)**

The fair value of investment in quoted equity instruments include ordinary shares at level 1 based on quoted prices available in the market. Additionally, there were no changes in the valuation techniques. Fair values of private mutual funds classified in Level 3, except for najm, 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.

Specific valuation techniques used by management's independent experts to value Najm investments (level 3), are as follows:

- **Discounted cashflows ("DCF") method:** The DCF valuation to discount the future operating cash flows of the Company to their present value using a weighted average cost of capital as the discount rate ("WACC"). The value derived from such an analysis results into a value for the enterprise (the "Enterprise Value"). This value includes the equity value of the company in addition to its net debt position. In order to arrive to an equity value of a company (the "Equity Value"), all outstanding financial debt and debt-like items, adjusted for excess cash and other liquid financial assets such as Murabaha and other investments, are subtracted from the Enterprise Value; and
- **Market multiples method:** The acquisition multiples of comparable private precedent transactions were assessed to indicate the value of the Company based on similar private transactions that have occurred during the previous period and covering full economic cycle. The Company has relied on local multiples valuation consisting of companies operating with a similar business model.

A weight of 60% and 40% are then applied to the fair values determined under both methods, to arrive at the equity valuation of najm and the Company then accounts for its share in equity of Najm i.e. 3.45%.

Cash and cash equivalents, deposits, statutory deposit, accrued income on statutory deposits and the financial liabilities except employee benefit obligations are measured at amortized cost.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Furthermore, there were no transfers into and out of level 3 measurements.

*(b) Reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy*

	<b>31 December 2023</b>	<b>31 December 2022</b> <b>- (Restated)</b>
Balance at the beginning of the year	<b>61,395,643</b>	95,024,410
Purchases	-	2,518,592
Disposals	<b>(12,284,039)</b>	(36,821,065)
Unrealised gain on fair value through FVTPL	<b>2,526,858</b>	(1,996,861)
Unrealised gain on fair value through FVOCI	<b>3,781,125</b>	2,670,567
Balance at the end of the year	<b>55,419,587</b>	61,395,643



**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**27. Fair value of financial instruments** (continued)

(b) *Reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy* (continued)

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

	Fair value		Unobservable inputs		Range of inputs		Relationship of Unobservable input to Fair value
	31 December 2023	31 December 2022 - (Restated)	31 December 2023	31 December 2022	31 December 2023	31 December 2022	
Unquoted equity investment in najm	43,484,252	39,703,127	Earnings growth factor	Earnings growth factor	6.9%	13.7%	Reducing the Earnings growth factor to 5%, would decrease the fair value by Saudi Riyals 0.8 million. (2022: Reducing the Earnings growth factor to 10%, would decrease the fair value by Saudi Riyals 1.2 million)
			WACC	WACC	16.5%	16.0%	Increasing the WACC by 100 basis points, would decrease the fair value by Saudi Riyals 1.2 million. (2022: Saudi Riyals 1.1 million)
			Terminal value growth rate	Terminal value growth rate	1.5%	1.5%	Reducing the terminal value growth rate to 0.5%, would decrease the fair value by Saudi Riyals 0.7 million. (2022: Saudi Riyals 0.7 million)

There were no significant inter-relationships between unobservable inputs that materially affect fair values.

(c) *Valuation process*

The finance department of the Company performs the valuations of level 3 fair values required for financial reporting purposes. This team reports directly to the Chief Financial Officer (CFO), Investment Committee and the Audit Committee. Discussions of valuation processes and results are held between the CFO, Audit committee, Investment Committee and the Finance team regularly. The main level 3 inputs used by the Company are derived and evaluated as follows:

- Discount rates are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.
- Terminal value growth rate is derived from publicly available databases.
- Earnings growth factors for unlisted equity securities are estimated based on such Company's own historical results.

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

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

The Board of Directors of the Company monitors the results of the Company's operations and have been identified as the Chief Operating Decision Maker (CODM). The net results of the Company are reported to the Board of Directors for the Company as a whole. Furthermore, the Company operates in one geographical area i.e. Kingdom of Saudi Arabia.

Accordingly, segmental analysis of the statement of income and other comprehensive income and statement of financial position is not carried out as the CODM considers the Company to be a single operating segment based on the nature of its operations and products. However, the Company has disclosed its insurance related balances/results by product lines, which are determined based on the disaggregation principles of IFRS 17. These include insurance contract liabilities/assets, reinsurance contract assets/liabilities, insurance service results and insurance finance income/expenses. Refer Notes 1<sup>1</sup>, 19 and 20 for such analysis.

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**29. Risk management**

**Risk governance**

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

*Risk management structure*

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

*Board of Directors*

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

*Senior management*

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

*Audit Committee and Internal Audit Department*

Risk management processes throughout the Company are audited annually by the Internal Audit Department which examines both the adequacy of the procedures and the Company's compliance with such procedures.

The internal audit department discusses the results of all assessments with senior management, and reports its findings and recommendations directly to the Audit Committee.

The primary objective of the Company's risk and financial management framework is to protect the Company from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities.

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

**29.1 Insurance risk**

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The Company purchases reinsurance as part of its risks mitigation program. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. 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. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**29. Risk management (continued)**

**29.1 Insurance risk (continued)**

**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 this 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. The Board of Directors may decide to increase or decrease the maximum tolerances based on market conditions and other factors. The Company monitors concentration of insurance risks primarily by class of business.

**Concentration of insurance risk**

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

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 primarily in Saudi Arabia, hence, all the insurance risks relate to policies written in Saudi Arabia.

**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 agencies that is not lower than prescribed in the Regulations;
- Reputation of particular reinsurance companies; and
- 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 reinsurance business. As at 31 December 2023, 35.1% of reinsurance receivables balance was due from one party (31 December 2022: 32.8% due from one party).

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**29. Risk management** (continued)

**29.1 Insurance risk** (continued)

**Reinsurance Risk** (continued)

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

There is no single counterparty exposure that exceeds 18.5% of total reinsurance assets at the reporting date.

The nature of the Company's exposure to insurance risks and its objectives, policies and processes used to manage and measure the risks have not changed from the previous period.

The following tables show the concentration of net insurance contract liabilities by type of contract:

	<b>31 December 2023</b>			<b>31 December 2022</b>		
	<b>Insurance contracts issued</b>	<b>Reinsurance contracts held</b>	<b>Net</b>	<b>Insurance contracts issued</b>	<b>Reinsurance contracts held</b>	<b>Net</b>
Medical	<b>122,385,681</b>	<b>4,382,425</b>	<b>126,768,106</b>	140,978,672	(10,768,149)	130,210,523
Motor	<b>50,659,358</b>	<b>(892,992)</b>	<b>49,766,366</b>			
Comprehensive				58,473,057	577,223	59,050,280
Motor Third party	<b>58,085,789</b>	<b>(858,696)</b>	<b>57,227,093</b>	85,433,638	1,379,861	86,813,499
Engineering	<b>10,007,742</b>	<b>8,426,912</b>	<b>18,434,654</b>	11,049,531	(11,167,057)	(117,526)
Property	<b>32,364,245</b>	<b>23,280,998</b>	<b>55,645,243</b>	7,932,789	(3,908,398)	4,024,391
General Accident	<b>29,143,884</b>	<b>451,690</b>	<b>29,595,574</b>	18,262,735	(6,175,758)	12,086,977
Marine Cargo	<b>1,133,150</b>	<b>1,840</b>	<b>1,134,990</b>	527,241	667,940	1,195,181
Marine Hull	<b>2,641,470</b>	<b>936,420</b>	<b>3,577,890</b>	19,635	(1,911,258)	(1,891,623)
<b>Total</b>	<b>306,421,319</b>	<b>35,728,597</b>	<b>342,149,916</b>	<b>322,677,298</b>	<b>(31,305,596)</b>	<b>291,371,702</b>

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.

**Sources of uncertainty in estimation of future claim payments**

The key source of estimation uncertainty at the reporting 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 degrees of judgment and uncertainty. 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 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 at the statement of financial position date. The details of estimation of insurance contract liabilities are given under Note 4.

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**29. Risk management (continued)**

**29.1 Insurance risk (continued)**

**Process used to determine assumptions**

The process used to determine the assumptions for calculating the estimate of present value of cash flows is intended to result in neutral 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 estimate of present value of cash flows 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. Such estimates are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

**Sensitivity analysis on significant assumptions used**

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

The following sensitivity analysis shows the impact on gross and net liabilities, profit / loss before tax and equity for reasonably possible movements in key assumptions with all other assumptions in notes 4 held constant. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

Following are the sensitivities derived for the portfolios computed under PAA approach before risk mitigation by reinsurance contracts held:

	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Liability for incurred claims</b>		
Estimates of present value of FCF	<b>140,977,648</b>	121,543,053
Risk adjustment for non-financial risk	<b>3,970,990</b>	8,563,702
<b>Asset for incurred claims</b>		
Estimates of present value of FCF	<b>52,263,682</b>	52,377,972
Risk adjustment for non-financial risk	<b>1,457,227</b>	5,286,900
	<b>2023</b>	<b>2022</b>
	<b>Impact on profit before zakat</b>	<b>Impact on profit before zakat</b>
<b>Change in estimates of present value of FCF</b>		
Unpaid claims and expenses increase by 5%	<b>(7,048,882)</b>	(6,077,153)
Unpaid claims and expenses decrease by 5%	<b>7,048,882</b>	6,077,153
<b>Change in risk adjustment for non-financial risk</b>		
5 percentiles increase in the confidence level	<b>(2,913,453)</b>	(2,277,885)
5 percentiles decrease in the confidence level	<b>1,467,071</b>	1,445,560

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**29. Risk management** (continued)

**29.1 Insurance risk** (continued)

**Sensitivity analysis on significant assumptions used** (continued)

Following are the sensitivities derived for the portfolios computed under PAA approach for the reinsurance contracts held:

	<b>2023</b> <b>Impact on</b> <b>profit before</b> <b>zakat</b>	<b>2022</b> <b>Impact on</b> <b>profit before</b> <b>zakat</b>
<b>Change in estimates of present value of FCF</b>		
Unpaid claims and expenses increase by 5%	<b>(2,613,184)</b>	(2,618,899)
Unpaid claims and expenses decrease by 5%	<b>2,613,184</b>	2,618,899
<b>Change in risk adjustment for non-financial risk</b>		
5 percentiles increase in the confidence level	<b>1,170,491</b>	922,056
5 percentiles decrease in the confidence level	<b>(510,132)</b>	(506,474)

The following shows the impact of a reasonable possible change in direct expense ratio on the loss component as at the reporting date.

	<b>2023</b>	<b>2022</b>
<b>Impact on net income of change in direct expense ratio – loss component*</b>		
Increase by 2%	<b>75,572</b>	172,658
Decrease by 2%	<b>(75,572)</b>	(172,658)

\*Direct expense ratio is the ratio of sum of directly attributable expenses, acquisition cashflows and surplus for the period to earned premium.

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**29. Risk management** (continued)

**29.1 Insurance risk** (continued)

**Sensitivity analysis on significant assumptions used** (continued)

The sensitivities disclosed in the annual financial statements for the year ended 31 December 2022 were as follows:

Impact of 10% increase in net claims on total income for the year is as follows:

	<b>2022</b>	<b>2021</b>
Medical	3,942,666	5,071,273
Motor	4,347,755	3,053,441
Property and casualty	472,880	765,818
	<u>8,763,301</u>	<u>8,890,532</u>
Impact of change in average claim cost + 10%		
Medical	367,538	367,538
Motor	1,702,894	1,702,894
	<u>2,070,432</u>	<u>2,070,432</u>

A hypothetical 10% decrease in claim ratio, net of reinsurance, would have almost equal but opposite impact on net underwriting income. The sensitivity to changes in the most significant assumption, on claim liabilities while keeping all other assumptions constant, on the Motor and Health segments is as follows:

		<b>Impact on claim liabilities</b>	
<b>Segment</b>	<b>Change in current year ultimate loss ratio</b>	<b>2022</b>	<b>2021</b>
Medical	Increase by 5%	(545,273)	(1,333,666)
Medical	Decrease by 5%	545,273	1,333,666
Motor	Increase by 5%	(1,378,879)	(988,374)
Motor	Decrease by 5%	1,378,879	988,374

**Claims development table**

The following tables show the estimates of cumulative incurred claims, including both claims notified and claims not reported for each successive accident year at each reporting date, together with cumulative payments to date.

In general, the uncertainty associated with the ultimate cost of settling claims is greatest when the claim is at an early stage of development. As claims develop, the ultimate cost of claims becomes more certain.

The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. Claims triangulation analysis is by accident years, spanning a number of financial years.



**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**29. Risk management** (continued)

**29.1 Insurance risk** (continued)

**Claims development table** (continued)

<b>2023</b> <b>Accident year</b>	<b>2020 and earlier</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Total</b>
<b>Undiscounted liabilities for incurred claims, gross of reinsurance:</b>					
At end of accident year	2,095,812,885	140,094,852	411,246,845	352,367,116	<b>2,999,521,698</b>
1 year later	2,666,639,386	234,233,215	376,888,357	-	<b>3,277,760,958</b>
2 years later	2,675,085,283	310,565,469	-	-	<b>2,985,650,752</b>
3 years later	2,784,979,836	-	-	-	<b>2,784,979,836</b>
4 years later	2,206,982,800	-	-	-	<b>2,206,982,800</b>
5 years later	1,425,303,132	-	-	-	<b>1,425,303,132</b>
<b>Gross estimates of the undiscounted amount of the claims</b>	<b>13,854,803,322</b>	<b>684,893,536</b>	<b>788,135,202</b>	<b>352,367,116</b>	<b>15,680,199,176</b>
<b>Cumulative gross claims and other directly attributable expenses paid</b>	<b>(13,853,822,285)</b>	<b>(679,444,057)</b>	<b>(779,478,363)</b>	<b>(247,311,028)</b>	<b>(15,560,055,733)</b>
<b>Gross undiscounted liabilities for incurred claims</b>	<b>981,037</b>	<b>5,449,479</b>	<b>8,656,839</b>	<b>105,056,088</b>	<b>120,143,443</b>
Gross undiscounted liabilities for other incurred insurance service expenses	-	-	-	-	<b>2,276,127</b>
Other liabilities	-	-	-	-	<b>22,190,758</b>
Effect of discounting	-	-	-	-	<b>(3,632,680)</b>
<b>Gross discounted liabilities for incurred claims excluding risk adjustment</b>					<b>140,977,648</b>
Effect of the risk adjustment margin for non-financial risk	-	-	-	-	<b>3,970,990</b>
<b>Gross liabilities for incurred claims</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>144,948,638</b>

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**29. Risk management** (continued)

**29.1 Insurance risk** (continued)

**Claims development table** (continued)

<b>2022</b>				
<b>Accident year</b>	<b>2020 and earlier</b>	<b>2021</b>	<b>2022</b>	<b>Total</b>
<b>Undiscounted liabilities for incurred claims, gross of reinsurance:</b>				
At end of accident year	2,095,812,885	140,094,852	411,246,845	2,647,154,582
1 year later	2,671,371,432	229,501,169	-	2,900,872,601
2 years later	2,673,123,209	-	-	2,673,123,209
3 years later	2,380,427,673	-	-	2,380,427,673
4 years later	1,751,399,192	-	-	1,751,399,192
5 years later	1,425,311,281	-	-	1,425,311,281
<b>Gross estimates of the undiscounted amount of the claims</b>	12,997,445,672	369,596,021	411,246,845	13,778,288,538
<b>Cumulative gross claims and other directly attributable expenses paid</b>	(12,993,143,812)	(364,139,767)	(318,138,941)	(13,675,422,520)
<b>Gross undiscounted liabilities for incurred claims</b>	4,301,860	5,456,254	93,107,904	102,866,018
Gross undiscounted liabilities for other incurred insurance service expenses	-	-	-	4,290,894
Other liabilities	-	-	-	17,819,912
Effect of discounting	-	-	-	(3,433,771)
Any other item forming part of reconciliation to LIC	-	-	-	-
<b>Gross discounted liabilities for incurred claims excluding risk adjustment</b>	-	-	-	121,543,053
Effect of the risk adjustment margin for non-financial risk	-	-	-	8,563,702
<b>Gross liabilities for incurred claims</b>	-	-	-	130,106,755

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**29. Risk management** (continued)

**29.1 Insurance risk** (continued)

**Claims development table** (continued)

<b>2023</b> <b>Accident year</b> <b>Undiscounted liabilities for incurred claims , net of</b> <b>reinsurance:</b>	<b>2020 and earlier</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Total</b>
<b>At end of accident year</b>	<b>1,741,161,575</b>	<b>129,249,563</b>	<b>358,230,800</b>	<b>324,084,864</b>	<b>2,552,726,802</b>
1 year later	2,260,539,429	197,670,236	371,575,955	-	2,829,785,620
2 years later	2,293,637,719	293,990,377	-	-	2,587,628,096
3 years later	2,454,855,935	-	-	-	2,454,855,935
4 years later	1,896,455,778	-	-	-	1,896,455,778
5 years later	1,202,448,609	-	-	-	1,202,448,609
<b>Net estimates of the undiscounted amount of the claims</b>	<b>11,849,099,045</b>	<b>620,910,176</b>	<b>729,806,755</b>	<b>324,084,864</b>	<b>13,523,900,840</b>
<b>Cumulative Net claims and other directly attributable</b> <b>expenses paid</b>	<b>(11,846,816,859)</b>	<b>(619,856,499)</b>	<b>(725,745,196)</b>	<b>(249,284,859)</b>	<b>(13,441,703,413)</b>
<b>Net undiscounted liabilities for incurred claims</b>	<b>2,282,186</b>	<b>1,053,677</b>	<b>4,061,559</b>	<b>74,800,005</b>	<b>82,197,427</b>
Net undiscounted liabilities for other incurred insurance service expenses	-	-	-	-	2,276,127
Effect of surplus distribution payable	-	-	-	-	-
Effect of discounting	-	-	-	-	(2,444,399)
Any other item forming part of reconciliation to net LIC	-	-	-	-	6,684,811
<b>Net discounted liabilities for incurred claims excluding</b> <b>risk adjustment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>88,713,966</b>
Effect of the risk adjustment margin for non-financial risk	-	-	-	-	2,513,763
<b>Net liabilities for incurred claims</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>91,227,729</b>

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**29. Risk management** (continued)

**29.1 Insurance risk** (continued)

**Claims development table** (continued)

<b>2022</b> <b>Accident year</b>	<b>2020 and earlier</b>	<b>2021</b>	<b>2022</b>	<b>Total</b>
<b>Undiscounted liabilities for incurred claims , net of reinsurance:</b>				
<b>At end of accident year</b>	1,741,161,575	129,249,563	358,230,800	2,228,641,938
1 year later	2,264,304,315	193,905,350	-	2,458,209,665
2 years later	2,289,073,346	-	-	2,289,073,346
3 years later	2,056,079,817	-	-	2,056,079,817
4 years later	1,474,342,400	-	-	1,474,342,400
5 years later	1,202,458,438	-	-	1,202,458,438
<b>Net estimates of the undiscounted amount of the claims</b>	11,027,419,891	323,154,913	358,230,800	11,708,805,604
<b>Cumulative Net claims and other directly attributable expenses paid</b>	(11,024,282,486)	(321,276,691)	(275,613,420)	(11,621,172,597)
<b>Net undiscounted liabilities for incurred claims</b>	3,137,405	1,878,222	82,617,380	87,633,007
Net undiscounted liabilities for other incurred insurance service expenses	-	-	-	4,290,894
Other liabilities	-	-	-	(21,248,750)
Effect of discounting	-	-	-	(1,510,070)
<b>Net discounted liabilities for incurred claims excluding risk adjustment</b>	-	-	-	69,165,081
Effect of the risk adjustment margin for non-financial risk	-	-	-	3,276,802
<b>Net liabilities for incurred claims</b>	-	-	-	72,441,883

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**29. Risk management (continued)**

**29.1 Insurance risk (continued)**

The reconciliation of the net liabilities for incurred claims with the aggregate carrying amounts of the groups of insurance contracts and reinsurance contracts is presented below:

	<b>Estimates of present value of FCF</b>	<b>Risk adjustment for non-financial risk</b>	<b>Total</b>
<b>31 December 2023</b>			
Gross liabilities for incurred claims	<b>140,977,648</b>	<b>3,970,990</b>	<b>144,948,638</b>
Amounts recoverable from reinsurers	<b>(52,263,682)</b>	<b>(1,457,227)</b>	<b>(53,720,909)</b>
<b>Net liabilities for incurred claims</b>	<b>88,713,966</b>	<b>2,513,763</b>	<b>91,227,729</b>
	<b>Estimates of present value of FCF</b>	<b>Risk adjustment for non-financial risk</b>	<b>Total</b>
<b>31 December 2022</b>			
Gross liabilities for incurred claims	121,543,053	8,563,702	130,106,755
Amounts recoverable from reinsurers	(52,377,972)	(5,286,900)	(57,664,872)
<b>Net liabilities for incurred claims</b>	<b>69,165,081</b>	<b>3,276,802</b>	<b>72,441,883</b>

**29.2 Financial risk**

The Company's principal financial assets and liabilities are cash and cash equivalents, term deposits, premiums and insurance balances receivable - net, investments, accrued income on statutory deposit, reinsurer's share of outstanding claims, reinsurers' share of claims incurred but not reported and other assets (included in prepaid expenses and other assets). The Company's principal financial liabilities are reinsurance balances payable, outstanding claims, claims incurred but not reported, accrued and other liabilities, accounts payable, dividend payable, surplus distribution payable and amounts due to a related party.

The main risks arising from the Company's financial instruments are market risks (including commission rate risk, price risk and currency risk), credit risk, liquidity risk and, which are summarized below:

**29.2.1 Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

- The Company's market risk policy sets out the assessment and determination of what constitutes market risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains for policyholders which are in line with their expectations.

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**29. Risk management** (continued)

**29.2 Financial risk** (continued)

**29.2.1 Market risk** (continued)

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 of Directors 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.

*a) Currency risk*

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than Saudi Riyals and United States Dollars, during the year. As the Saudi Riyal is pegged to the United States Dollar, balances in United States Dollars are not considered to represent significant currency risk.

*b) 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.

Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value commission rate risk.

There is no direct contractual relationship between financial assets and insurance and reinsurance contracts. However, the Company's interest rate risk policy requires it to manage the extent of net commission rate risk by maintaining an appropriate mix of fixed and variable rate instruments to support the insurance contract liabilities. The Company has no significant concentration of interest rate risk.

The Company is exposed to commission rate risk through its deposits and in respect of liabilities or assets for incurred claims where cash flows are not expected to be settled within a year from when claims are incurred.

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**29. Risk management** (continued)

**29.2 Financial risk** (continued)

**29.2.1 Market risk** (continued)

*b) Commission rate risk (continued)*

The Company's exposure to commission rate risk sensitive insurance and reinsurance contracts and deposits are, as follows:

	<b>2023</b>	<b>2022 - (Restated)</b>
Insurance contract liabilities, net	<b>306,421,319</b>	322,677,298
Reinsurance contract assets, net	<b>35,728,597</b>	31,305,596
Cash and cash equivalents	<b>153,499,724</b>	162,794,233
Term deposits	<b>197,638,465</b>	127,000,000

The following analysis is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit/(loss) before tax. The correlation of variables will have a significant effect in determining the ultimate impact of commission rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear. The method used for deriving sensitivity information and significant variables has not changed from the previous period.

	<b>Changes in commission rate</b>	<b>2023</b>	<b>2022</b>
Insurance contract liabilities, net	+/-2%	<b>6,128,426</b>	6,453,546
Reinsurance contract assets, net	+/-2%	<b>714,572</b>	626,112
Cash and cash equivalents	+/-2%	<b>3,069,994</b>	3,255,885
Term deposits	+/-2%	<b>3,952,769</b>	2,540,000

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**29. Risk management** (continued)

**29.2 Financial risk** (continued)

**29.2.1 Market risk** (continued)

*c) Price risk*

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 FVTPL and FVOCI investments amounting to Saudi Riyals 88.3 million (2022: Saudi Riyals 90.1 million) 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 a hypothetical change of a 5% increase and 5% decrease in the market prices of investments on comprehensive income would be as follows:

<b>% change in equity price</b>	<b>2023</b>	<b>2022</b>
<b>+5</b>	<b>4,414,160</b>	4,502,879
<b>- 5</b>	<b>(4,414,160)</b>	(4,502,879)

The sensitivity analysis presented is based upon the portfolio position as at 31 December 2023 and 2022. 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.



**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**29. Risk management** (continued)

**29.3 Credit risk**

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

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

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

The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.

The Company's investment portfolio is managed by the investment committee in accordance with the investment policy established by the investment committee, which is approved by the Board of Directors.

The Company's other financial assets are held with commercial banks and financial institutions with strong financial positions and credit ratings. The Company's policy is to invest in high-quality, liquid (that is, investment-grade) financial instruments. The Company maintains its bank balances, short-term, long term and statutory deposits with banks which have investment grade credit ratings. Investments are made in instruments with either investment grade or satisfactory non-investment grade credit rating.

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

	<b>2023</b>	<b>2022</b> <b>(Restated)</b>
Cash and cash equivalents	<b>155,747,668</b>	222,966,665
Reinsurance contract assets	<b>37,480,285</b>	33,930,620
Term deposits	<b>197,638,465</b>	127,000,000
Investments carried at FVTPL	<b>50,390,072</b>	50,354,454
Investments carried at FVOCI	<b>43,484,252</b>	39,703,127
Statutory deposits	<b>21,000,000</b>	21,000,000
Accrued income on statutory deposit	<b>1,814,171</b>	6,025,857
Other assets (included in prepaid expenses and other assets)	<b>19,774,013</b>	20,378,089
<b>Total</b>	<b>527,328,926</b>	521,358,812

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**29. Risk management** (continued)

**29.3 Credit risk** (continued)

**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 all of the Company's underwriting activities are carried out in Saudi Arabia.

The Company's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties. Investment grade is considered the highest possible rating. Assets falling outside the range of investment grade are classified as non-investment grade (satisfactory) or past due but not impaired.

	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>Investment grade</b>		<b>satisfactory</b>		<b>Past due impaired</b>	
Cash and cash equivalent	<b>155,747,668</b>	222,966,665	-	-	-	-
Reinsurance contract assets	<b>37,480,285</b>	33,930,620	-	-	-	-
Term deposits	<b>197,638,465</b>	127,000,000	-	-	-	-
Investments carried at FVTPL	<b>9,325,335</b>	20,892,516	<b>41,064,737</b>	29,461,938	-	-
Investments carried at FVOCI	-	-	<b>43,484,252</b>	39,703,127	-	-
Statutory deposits	<b>21,000,000</b>	21,000,000	-	-	-	-
Accrued income on statutory deposit	<b>1,814,171</b>	6,025,857	-	-	-	-
Other assets (included in prepaid expenses and other assets)	-	-	<b>19,774,013</b>	20,378,089	-	-
<b>Total</b>	<b>423,005,924</b>	431,815,658	<b>104,323,002</b>	89,543,154	-	-

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**29. Risk management** (continued)

**29.3 Credit risk** (continued)

**Concentration of credit risk** (continued)

Premiums receivable balances have been classified under insurance contract liabilities and the reinsurers' receivable balances and reinsurers' share of outstanding claims and claims incurred but not reported have been classified under reinsurance contract assets, as rights and obligations under insurance contracts are accounted for under IFRS 17 because the policyholder transfers significant insurance risk to the insurer rather than financial risk, which are in the scope of IFRS 17 for impairment. Also see Notes 3.4 and 4 (vi), for further details in this regard.

The Company applies the three-stage model for impairment of financial assets measured at amortised cost and FVOCI, based on changes in credit quality since initial recognition. Also see Note 3.4 (iii) for further details regarding impairment.

The Company uses "low credit risk" practical expedient for the cash and cash equivalents, term deposits and statutory deposits with the assumption that the credit risk on such financial instruments has not increased significantly since initial recognition, and therefore the ECL is estimated at an amount equal to the expected credit losses for a period of 12 months.

Cash and cash equivalents, term deposits and statutory deposits are placed with banks having minimum credit ratings of A3 or better, and therefore are not subject to significant credit risk. The stated rating is as per the global bank ratings by Moody's Investors Service. Management does not expect any losses from non-performance by these counterparties. At 31 December 2023 and 2022, the ECL allowance on cash at bank was immaterial.

Other financial assets at amortised cost include other receivables. These instruments are considered to be low credit risk since they have a low risk of default and the issuers have a strong capacity to meet their contractual cash flow obligations in the near term. At 31 December 2023 and 2022, the ECL allowance on other financial assets was immaterial.

**29.4 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. Further, the Company manages liquidity risk as follows:

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**29. Risk management** (continued)

**29.4 Liquidity risk** (continued)

- The Company's liquidity risk policy which sets out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance and investment contracts obligations.
- Contingency funding plans are in place, which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.
- The Company's catastrophe excess-of-loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

The table below summarizes the maturities of the Company's undiscounted contractual obligations at 31 December 2023 and 2022. As the Company does not have any commission bearing liabilities, contractual cash flow of financial liabilities approximates their carrying value.

	2023			2022		
	Less than one year	More than 12 months	Total	Less than one year	More than 12 months	Total
Cash and cash equivalent	155,747,668	-	155,747,668	222,966,665	-	222,966,665
Term deposits	177,638,465	20,000,000	197,638,465	127,000,000	-	127,000,000
Prepaid expenses and other assets	19,774,013	-	19,774,013	20,378,089	-	20,378,089
Investments carried at FVTPL	50,390,072	-	50,390,072	50,354,454	-	50,354,454
Investments carried at FVOCI	43,484,252	-	43,484,252	39,703,127	-	39,703,127
Statutory deposit	21,000,000	-	21,000,000	21,000,000	-	21,000,000
Accrued income on statutory deposit	1,814,171	-	1,814,171	6,025,857	-	6,025,857
<b>Total</b>	<b>469,848,641</b>	<b>20,000,000</b>	<b>489,848,641</b>	<b>487,428,192</b>	<b>-</b>	<b>487,428,192</b>

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**29. Risk management (continued)**

**29.4 Liquidity risk (continued)**

	<b>2023</b>			<b>2022</b>		
	<b>Less than one year</b>	<b>More than 12 months</b>	<b>Total</b>	<b>Less than one year</b>	<b>More than 12 months</b>	<b>Total</b>
Accrued and other liabilities	<b>8,911,326</b>	-	<b>8,911,326</b>	20,336,487	-	20,336,487
Accrued commission income payable to SAMA	<b>1,814,171</b>	-	<b>1,814,171</b>	6,025,857	-	6,025,857
Employee benefit obligations	<b>1,115,774</b>	<b>12,395,721</b>	<b>13,511,495</b>	1,490,345	11,223,538	12,713,883
<b>Total</b>	<b>11,841,271</b>	<b>12,395,721</b>	<b>24,236,992</b>	27,852,689	11,223,538	39,076,227
<b>Total liquidity gap</b>	<b>458,007,370</b>	<b>7,604,279</b>	<b>465,611,649</b>	459,575,503	(11,223,538)	448,351,965

For the purpose of the financial assets and liabilities, non-financial assets and non-financial liabilities amounting to Saudi Riyals 6.8 million and Saudi Riyals 4.7 million, respectively (2022: Saudi Riyals 6.5 million and Saudi Riyals 7.4 million, respectively) have been excluded from prepaid expenses and other assets and accrued and other liabilities, respectively.

**Insurance  
contracts  
issued**

	<b>Up to 1 year</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>3-5 years</b>	<b>Above 5 years</b>
Medical	123,289,254	1,728,308	381,055	147	-
Motor Comprehensive	49,425,667	1,055,240	716,084	66,252	-
Motor Third Party	59,842,187	1,483,121	454,976	-	-
Engineering	9,105,538	1,270,849	-	-	-
Property	33,151,890	-	-	-	-
General Accident	29,369,436	37,248	-	-	-
Marine Cargo	1,113,329	33,628	-	-	-
Marine Hull	2,651,892	-	-	-	-
<b>31 December 2023</b>	<b>307,949,193</b>	<b>5,608,394</b>	<b>1,552,115</b>	<b>66,399</b>	-

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**29. Risk management (continued)**

**29.4 Liquidity risk (continued)**

<b>Reinsurance contracts held</b>	<b>Up to 1 year</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>3-4 years</b>	<b>Above 5 years</b>
Medical	3,208,641	7,554	1,573	-	-
Motor Comprehensive	(466,301)	(79,674)	(3,395)	(316)	-
Motor Third Party	(483,925)	(84,149)	(6,876)	-	-
Engineering	5,700,557	673,646	-	-	-
Property	19,149,996	-	-	-	-
General Accident	356,777	8,547	-	-	-
Marine Cargo	945	364	-	-	-
Marine Hull	659,017	100,076	33,952	25	-
<b>31 December 2023</b>	<b>28,125,707</b>	<b>626,364</b>	<b>25,254</b>	<b>(291)</b>	<b>-</b>

<b>Insurance contracts issued</b>	<b>Up to 1 year</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>3-4 years</b>	<b>Above 5 years</b>
Medical	136,067,985	2,898,115	2,240,526	1,764,711	760,001
Motor Comprehensive	78,931,629	3,926,385	1,898,145	358,174	200,715
Motor Third Party	61,511,132	494,576	335,646	12,831	15,793
Engineering	9,302,354	1,915,104	114,444	51,224	-
Property	8,034,563	5,163	2,851	-	-
General Accident	17,338,788	1,270,621	709,043	342,327	80,993
Marine Cargo	502,225	26,785	3,355	-	-
Marine Hull	55,054	54,829	201	201	4,581
<b>31 December 2022</b>	<b>311,743,730</b>	<b>10,591,578</b>	<b>5,304,211</b>	<b>2,529,468</b>	<b>1,062,083</b>

<b>Reinsurance contracts held</b>	<b>Up to 1 year</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>3-4 years</b>	<b>Above 5 years</b>
Medical	8,093,057	97,869	-	-	-
Motor Comprehensive	(414,491)	(1,070)	(272)	-	-
Motor Third Party	(1,064,399)	(2,198)	(3,202)	-	-
Engineering	8,055,498	91,615	915	-	-
Property	2,815,287	-	-	-	-
General Accident	4,013,523	298,106	4,554	-	-
Marine Cargo	(464,472)	(24,184)	-	-	-
Marine Hull	1,312,669	62,212	-	-	-
<b>31 December 2022</b>	<b>22,346,672</b>	<b>522,350</b>	<b>1,995</b>	<b>-</b>	<b>-</b>

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:

- Fair value through profit or loss investments includes investments in mutual funds and equity and are held for cash management purposes and expected to be matured or settled within 12 months from the balance sheet date.
- Term deposits includes deposits placed with high credit rating financial institutions with maturities of less than 12 and more than 12 months from the date of placement.

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**29. Risk management** (continued)

**29.4 Liquidity risk** (continued)

- Cash and bank balances are available on demand.
- Reinsurers contract assets mainly pertain to property and casualty segment and are generally realized within 6 to 9 months based on settlement of claims.

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

- Majority of insurance contract liabilities are expected to be settled within 12 months in accordance with statutory timelines for payment. Property and casualty policies due to the inherent nature are generally settled within 12 months from the date of receipt of loss adjustor report.
- Accrued expenses and other liabilities are expected to settle within a year of 12 months from the year end date.
- Employee benefit obligations are expected to settle based on the maturity analysis disclosed in Note 17.

**29.5 Capital risk management**

The objectives set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value are:

- To comply with the insurance capital requirements as set out in the Law on Supervision of Cooperative Insurance Companies. The Company's current paid-up share capital is in accordance with Article 3 of the Law;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

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

As per Article 66 of the SAMA Regulations, the Company shall maintain a solvency margin equivalent to the highest of the following three methods:

- Minimum capital requirement of Saudi Riyals 100 million;
- Premium solvency margin; or
- Claims solvency margin.

As of 31 December 2023, the Company is in compliance with the minimum solvency margin as required by the Implementing Regulations of the Cooperative Insurance Companies Control Law.

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**30. Commitments and contingencies**

*(a) Legal proceedings*

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business relating to policyholders' insurance claims. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have material impact on the Company's results or financial position.

*(b) Capital commitments*

At 31 December 2023, the Company had outstanding commitment of Saudi Riyals 17.9 million in respect of purchase of investments related to a mutual fund. (31 December 2022: Saudi Riyals 9.8 million).

**31. Auditors' remuneration**

Auditors' fee for 2023 audit and review services amounts to Saudi Riyals 2.9 million (2022: Saudi Riyals 2.6 million) and their fee for other statutory services amounts to Saudi Riyals 0.2 million (2022: Saudi Riyals 1.6 million).

**32. Subsequent event**

No events have arisen subsequent to 31 December 2023, and before the date of signing the independent auditors' report, that could have a significant effect on the financial statements as at 31 December 2023.

**33. Approval of the financial statements**

This financial statements has been approved by the Board of Directors on 7 Ramadan 1445 H corresponding to 17 March 2024.



**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**34. Gross written premium**

Details relating to gross written premium are disclosed below to comply with the requirements of SAMA and are not calculated as per the requirements of IFRS 17.

<b>31 December 2023</b>						
<b>Breakdown of GWP</b>	<b>Medical</b>	<b>Motor</b>	<b>Property &amp; casualty</b>	<b>Protection &amp; Savings</b>		<b>Total</b>
				<b>Individual</b>	<b>Group (Term life)</b>	
<b>Retail</b>	<b>29,573,780</b>	<b>58,732,674</b>	<b>11,236,196</b>	-	-	<b>99,542,650</b>
<b>Very small</b>	<b>22,847,531</b>	<b>3,775,897</b>	<b>668,890</b>	-	-	<b>27,292,318</b>
<b>Small</b>	<b>63,323,416</b>	<b>23,191,694</b>	<b>4,826,244</b>	-	-	<b>91,341,354</b>
<b>Medium</b>	<b>37,552,973</b>	<b>19,081,279</b>	<b>6,671,838</b>	-	-	<b>63,306,090</b>
<b>Corporate</b>	<b>64,462,778</b>	<b>79,724,481</b>	<b>45,824,835</b>	-	-	<b>190,012,094</b>
<b>Total</b>	<b>217,760,478</b>	<b>184,506,025</b>	<b>69,228,003</b>	-	-	<b>471,494,506</b>

<b>31 December 2022</b>						
<b>Breakdown of GWP</b>	<b>Medical</b>	<b>Motor</b>	<b>Property &amp; casualty</b>	<b>Protection &amp; Savings</b>		<b>Total</b>
				<b>Individual</b>	<b>Group (Term life)</b>	
<b>Retail</b>	<b>22,165,640</b>	<b>111,175,521</b>	<b>2,397,821</b>	-	-	<b>135,738,982</b>
<b>Very small</b>	<b>33,936,341</b>	<b>3,294,378</b>	<b>413,566</b>	-	-	<b>37,644,285</b>
<b>Small</b>	<b>79,539,233</b>	<b>17,562,583</b>	<b>2,942,491</b>	-	-	<b>100,044,307</b>
<b>Medium</b>	<b>38,063,423</b>	<b>23,157,616</b>	<b>10,613,642</b>	-	-	<b>71,834,681</b>
<b>Corporate</b>	<b>58,487,829</b>	<b>35,950,461</b>	<b>35,563,929</b>	-	-	<b>130,002,219</b>
<b>Total</b>	<b>232,192,466</b>	<b>191,140,559</b>	<b>51,931,449</b>	-	-	<b>475,264,474</b>

**35. Net written premium**

Details relating to net written premium are disclosed below to comply with the requirements of SAMA and are not calculated as per the requirements of IFRS 17.

<b>31 December 2023</b>						
<b>Item</b>	<b>Medical</b>	<b>Motor</b>	<b>Property &amp; casualty</b>	<b>Protection &amp; Savings</b>		<b>Total</b>
				<b>Individual</b>	<b>Group (Term life)</b>	
<b>Gross written premium</b>	<b>217,760,478</b>	<b>184,506,026</b>	<b>69,228,002</b>	-	-	<b>471,494,506</b>
<b>Reinsurance premium ceded - globally (including excess of loss)</b>	<b>(14,773,229)</b>	<b>(5,042,035)</b>	<b>(39,747,169)</b>	-	-	<b>(59,562,433)</b>
<b>Reinsurance premium ceded - locally (including excess of loss)</b>	<b>(2,097,252)</b>	<b>(3,734,928)</b>	<b>(3,768,290)</b>	-	-	<b>(9,600,470)</b>
<b>Net written premium - total</b>	<b>200,889,997</b>	<b>175,729,063</b>	<b>25,712,543</b>	-	-	<b>402,331,603</b>

<b>31 December 2022</b>						
<b>Item</b>	<b>Medical</b>	<b>Motor</b>	<b>Property &amp; casualty</b>	<b>Protection &amp; Savings</b>		<b>Total</b>
				<b>Individual</b>	<b>Group (Term life)</b>	
<b>Gross written premium</b>	<b>232,192,466</b>	<b>191,140,559</b>	<b>51,931,449</b>	-	-	<b>475,264,474</b>
<b>Reinsurance premium ceded - globally (including excess of loss)</b>	<b>(14,164,361)</b>	<b>(4,032,492)</b>	<b>(41,720,241)</b>	-	-	<b>(59,917,094)</b>
<b>Reinsurance premium ceded - locally (including excess of loss)</b>	<b>(2,498,821)</b>	<b>(1,641,167)</b>	<b>(1,446,113)</b>	-	-	<b>(5,586,101)</b>
<b>Net written premium - total</b>	<b>215,529,284</b>	<b>185,466,900</b>	<b>8,765,095</b>	-	-	<b>409,761,279</b>

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**36. Surplus distribution**

As required by the Implementing Regulations and the by-laws of the Company, surplus arising from the Insurance Operations is distributed as follows:

Transfer to Shareholders' operations	90%
Transfer to Policyholders payable	10%
	<u>100%</u>

In case of deficit arising from insurance operations, the entire deficit is allocated and transferred to shareholders' operations.

The surplus payables to policyholders for the year 31 December 2023 amounts to Saudi Riyals 3.6 million (2022: Saudi Riyals Nil) This has been allocated as follow:

	<b>31 December 2023</b>	31 December 2022
Medical	<b>19,634</b>	-
Motor Comprehensive	<b>781,426</b>	-
Motor Third Party	-	-
Engineering	-	-
Property	-	-
General Accident	<b>549,341</b>	-
Marine Cargo	<b>102,373</b>	-
Marine Hull	<b>2,102,679</b>	-
	<b><u>3,555,453</u></b>	-

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**37. Supplementary information**

As required by the SAMA Implementing Regulations, the statement of financial position, statement of income and statement of cash flows are separately disclosed for both insurance operations and shareholders' operations as follows:

**STATEMENT OF FINANCIAL POSITION**

	<b>31 December 2023</b>			<b>31 December 2022</b>			<b>31 December 2021</b>		
	<b>Insurance operations</b>	<b>Shareholders' operations</b>	<b>Total</b>	<b>Insurance operations</b>	<b>Shareholders' operations</b>	<b>Total</b>	<b>Insurance operations</b>	<b>Shareholders' operations</b>	<b>Total</b>
<b>ASSETS</b>									
Cash and cash equivalents	<b>20,736,880</b>	<b>135,010,788</b>	<b>155,747,668</b>	106,789,301	116,177,364	222,966,665	144,148,184	144,070,069	288,218,253
Term deposits	<b>162,300,813</b>	<b>40,905,567</b>	<b>203,206,380</b>	73,000,000	54,000,000	127,000,000	11,250,000	75,000,000	86,250,000
Investments:									
Financial assets at fair value through profit or loss ("FVTPL")	<b>24,516,853</b>	<b>25,873,219</b>	<b>50,390,072</b>	22,206,205	28,148,249	50,354,454	20,825,152	66,489,184	87,314,336
Financial assets at fair value through other comprehensive income ("FVOCI")	<b>43,484,252</b>	-	<b>43,484,252</b>	39,703,127	-	39,703,127	37,032,560	-	37,032,560
Prepaid expenses and other assets	<b>24,723,590</b>	<b>372,267</b>	<b>25,095,857</b>	26,252,286	581,178	26,833,464	11,991,034	1,695,925	13,686,959
Insurance contract assets	-	-	-	578,724	-	578,724	-	-	-
Reinsurance contract assets	<b>37,480,285</b>	-	<b>37,480,285</b>	33,930,620	-	33,930,620	64,504,666	-	64,504,666
Right-of-use assets	<b>937,628</b>	-	<b>937,628</b>	2,687,320	-	2,687,320	4,405,468	-	4,405,468
Property and equipment	<b>4,172,517</b>	-	<b>4,172,517</b>	5,248,300	-	5,248,300	5,210,239	-	5,210,239
Intangible assets	<b>5,113,615</b>	-	<b>5,113,615</b>	6,053,180	-	6,053,180	5,720,623	-	5,720,623
Goodwill	-	<b>25,513,750</b>	<b>25,513,750</b>	-	25,513,750	25,513,750	-	25,513,750	25,513,750
Statutory deposit	-	<b>21,000,000</b>	<b>21,000,000</b>	-	21,000,000	21,000,000	-	40,000,000	40,000,000
Accrued income on statutory deposit	-	<b>1,814,171</b>	<b>1,814,171</b>	-	6,025,857	6,025,857	-	5,840,536	5,840,536
Due From shareholders' operations	<b>52,714,404</b>	-	<b>52,714,404</b>	87,174,368	-	87,174,368	140,134,713	-	140,134,713
<b>TOTAL ASSETS</b>	<b>376,180,837</b>	<b>250,489,762</b>	<b>626,670,599</b>	403,623,431	251,446,398	655,069,829	445,222,639	358,609,464	803,832,103
<b>Due from Insurance Operation</b>	<b>(52,714,404)</b>	-	<b>(52,714,404)</b>	(87,174,368)	-	(87,174,368)	(140,134,713)	-	(140,134,713)
<b>TOTAL ASSETS AS PER FINANCIAL STATEMENTS</b>	<b>323,466,433</b>	<b>250,489,762</b>	<b>573,956,195</b>	316,449,063	251,446,398	567,895,461	305,087,926	358,609,464	663,697,390

**AL SAGR COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts expressed in Saudi Riyals unless otherwise stated)

**37. Supplementary information (continued)****LIABILITIES**

Accrued and other liabilities	12,359,076	1,228,129	13,587,205	24,389,003	3,345,016	27,734,019	12,757,531	4,274,739	17,032,270
Insurance contract liabilities	306,421,319	-	306,421,319	323,256,022	-	323,256,022	376,888,206	-	376,888,206
Reinsurance contract liabilities	1,751,688	-	1,751,688	2,625,024	-	2,625,024	4,082,433	-	4,082,433
Employee benefit obligations	9,062,320	-	9,062,320	8,031,606	-	8,031,606	9,204,102	-	9,204,102
Lease liabilities	1,441,978	-	1,441,978	2,616,991	-	2,616,991	3,805,657	-	3,805,657
Due to related parties	-	1,123,750	1,123,750	-	1,123,750	1,123,750	-	1,123,750	1,123,750
Zakat payable	-	40,186,311	40,186,311	-	42,653,769	42,653,769	-	42,652,370	42,652,370
Accrued income payable to SAMA	-	1,814,171	1,814,171	-	6,025,857	6,025,857	-	5,840,537	5,840,537
Dividends payable	-	369,849	369,849	-	370,349	370,349	-	370,349	370,349
Due to insurance operations	-	52,714,404	52,714,404	-	87,174,368	87,174,368	-	140,134,713	140,134,713
<b>TOTAL LIABILITIES</b>	<b>331,036,381</b>	<b>97,436,614</b>	<b>428,472,995</b>	<b>360,918,646</b>	<b>140,693,109</b>	<b>501,611,755</b>	<b>406,737,929</b>	<b>194,396,458</b>	<b>601,134,387</b>
<b>Due to shareholders' operations</b>	<b>-</b>	<b>(52,714,404)</b>	<b>(52,714,404)</b>	<b>-</b>	<b>(87,174,368)</b>	<b>(87,174,368)</b>	<b>-</b>	<b>(140,134,713)</b>	<b>(140,134,713)</b>
<b>TOTAL LIABILITIES AS PER FINANCIAL STATEMENTS</b>	<b>331,036,381</b>	<b>44,722,210</b>	<b>375,758,591</b>	<b>360,918,646</b>	<b>53,518,741</b>	<b>414,437,387</b>	<b>406,737,929</b>	<b>54,261,745</b>	<b>460,999,674</b>
<b>EQUITY</b>									
Share capital	-	140,000,000	140,000,000	-	140,000,000	140,000,000	-	400,000,000	400,000,000
Statutory reserve	-	2,610,630	2,610,630	-	-	-	-	-	-
Retained earnings (accumulated losses)	-	10,442,518	10,442,518	-	(29,246,711)	(29,246,711)	-	(235,786,994)	(235,786,994)
Fair value reserve	41,561,172	-	41,561,172	37,780,047	-	37,780,047	35,109,480	-	35,109,480
Remeasurement reserve of employee benefit obligations	3,583,284	-	3,583,284	4,924,738	-	4,924,738	3,375,230	-	3,375,230
<b>TOTAL EQUITY</b>	<b>45,144,456</b>	<b>153,053,148</b>	<b>198,197,604</b>	<b>42,704,785</b>	<b>110,753,289</b>	<b>153,458,074</b>	<b>38,484,710</b>	<b>164,213,006</b>	<b>202,697,716</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>376,180,837</b>	<b>197,775,358</b>	<b>573,956,195</b>	<b>403,623,431</b>	<b>164,272,030</b>	<b>567,895,461</b>	<b>445,222,639</b>	<b>218,474,751</b>	<b>663,697,390</b>

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**37. Supplementary information** (continued)

**STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER**

	<b>2023</b>			<b>2022</b>		
	<b>Insurance operations</b>	<b>Shareholders' operations</b>	<b>Total</b>	<b>Insurance operations</b>	<b>Shareholders' operations</b>	<b>Total</b>
<b>REVENUES</b>						
Insurance revenue	486,224,565	-	486,224,565	473,347,548	-	473,347,548
Insurance service expense*	(426,359,643)	-	(426,359,643)	(443,340,765)	-	(443,340,765)
Net expenses from reinsurance contracts	(39,040,272)	-	(39,040,272)	(69,664,810)	-	(69,664,810)
<b>Insurance service result from Company operations</b>	<b>20,824,650</b>	<b>-</b>	<b>20,824,650</b>	<b>(39,658,027)</b>	<b>-</b>	<b>(39,658,027)</b>
Share of surplus from insurance pools	14,105,156	-	14,105,156	18,747,796	-	18,747,796
<b>Total insurance service result</b>	<b>34,929,806</b>	<b>-</b>	<b>34,929,806</b>	<b>(20,910,231)</b>	<b>-</b>	<b>(20,910,231)</b>
Interest income (expense) from financial assets not measured at FVTPL	9,360,423	11,099,560	20,459,983	(193,343)	3,876,514	3,683,171
Net gain (loss) on financial assets measured at FVTPL	6,443,427	6,993,007	13,436,434	(347,041)	(2,553,181)	(2,900,222)
<b>Net investment income</b>	<b>15,803,850</b>	<b>18,092,567</b>	<b>33,896,417</b>	<b>(540,384)</b>	<b>1,323,333</b>	<b>782,949</b>
Finance (expenses) income from insurance contracts issued	321,007	-	321,007	2,343,144	-	2,343,144
Finance income (expenses) from reinsurance contracts held	687,915	-	687,915	(1,759,616)	-	(1,759,616)
<b>Net insurance finance income</b>	<b>1,008,922</b>	<b>-</b>	<b>1,008,922</b>	<b>583,528</b>	<b>-</b>	<b>583,528</b>
<b>Net insurance and investment result</b>	<b>51,742,578</b>	<b>18,092,567</b>	<b>69,835,145</b>	<b>(20,867,087)</b>	<b>1,323,333</b>	<b>(19,543,754)</b>
Other operating expenses	(19,865,142)	(442,786)	(20,307,928)	(28,764,665)	(489,015)	(29,253,680)
Finance costs on lease liabilities	(27,358)	-	(27,358)	(62,283)	-	(62,283)
<b>Net surplus (deficit) from Operations</b>	<b>31,850,078</b>	<b>17,649,781</b>	<b>49,499,859</b>	<b>(49,694,035)</b>	<b>834,318</b>	<b>(48,859,717)</b>
Surplus (deficit) transfer to shareholders	(31,850,078)	31,850,078	-	49,694,035	(49,694,035)	-
<b>Total profit for the year before zakat</b>	<b>-</b>	<b>49,499,859</b>	<b>49,499,859</b>	<b>-</b>	<b>(48,859,717)</b>	<b>(48,859,717)</b>
Zakat expense	-	(7,200,000)	(7,200,000)	-	(4,600,000)	(4,600,000)
<b>NET PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS</b>	<b>-</b>	<b>42,299,859</b>	<b>42,299,859</b>	<b>-</b>	<b>(53,459,717)</b>	<b>(53,459,717)</b>
<b>Earnings (losses) per share (expressed in Saudi Riyals per share)</b>						
Basic (losses) earnings per share	-	3.02	3.02	-	(3.82)	(3.82)
Diluted (losses) earnings per share	-	3.02	3.02	-	(3.82)	(3.82)

\* This includes surplus distribution of SAR 3.6 million for the year ended 31 December, 2023 (31 December, 2022: SAR Nil) (Also see note 36).

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**37. Supplementary information** (continued)

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER**

	<b>2023</b>			<b>2022</b>		
	<b>Insurance operations</b>	<b>Shareholders' operations</b>	<b>Total</b>	<b>Insurance operations</b>	<b>Shareholders' operations</b>	<b>Total</b>
<b>NET PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS</b>	-	<b>42,299,859</b>	<b>42,299,859</b>	-	(53,459,717)	(53,459,717)
Other comprehensive income	-	-	-	-	-	-
<b>Items that will not be reclassified to the statement of income in subsequent years</b>						
Remeasurement (loss) gain on employee benefit obligations	<b>(1,341,454)</b>	-	<b>(1,341,454)</b>	1,549,508	-	1,549,508
<b>Items that will be reclassified to the statement of income in subsequent years</b>						
Net change in fair value of FVOCI investments	<b>3,781,125</b>	-	<b>3,781,125</b>	2,670,567	-	2,670,567
<b>Total other comprehensive income</b>	<b>2,439,671</b>	-	<b>2,439,671</b>	4,220,075	-	4,220,075
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS</b>	<b>2,439,671</b>	<b>42,299,859</b>	<b>44,739,530</b>	4,220,075	(53,459,717)	(49,239,642)

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**37. Supplementary information** (continued)

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>Insurance operations</b>	<b>2023 Shareholders' operations</b>	<b>Total</b>	<b>Insurance operations</b>	<b>2022 Shareholders' operations</b>	<b>Total</b>
Total profit (loss) for the year before zakat	-	49,499,859	49,499,859	-	(48,859,717)	(48,859,717)
<u>Adjustments for non-cash items:</u>						
Depreciation of property and equipment	1,203,454	-	1,203,454	1,744,795	-	1,744,795
Amortisation of intangible assets	1,271,797	-	1,271,797	1,834,536	-	1,834,536
Depreciation for right-of-use assets	1,499,385	-	1,499,385	1,820,678	-	1,820,678
Finance costs on lease liabilities	27,358	-	27,358	62,283	-	62,283
Gain on disposal of property and equipment	(16,788)	-	(16,788)	3,170	-	3,170
Net gain on FVTPL investments	(6,646,307)	(6,790,127)	(13,436,434)	347,041	2,553,181	2,900,222
Loss on derecognition of leases	13,382	-	13,382	-	-	-
Provision for employees benefit obligations	1,887,206	-	1,887,206	2,124,595	-	2,124,595
Interest income from financial assets not measured at FVTPL	(9,360,423)	(11,099,560)	(20,459,983)	193,343	(3,876,514)	(3,683,171)
<b>Changes in operating assets and liabilities:</b>						
Prepaid expenses and other assets	1,528,696	208,911	1,737,607	(14,261,252)	1,114,747	(13,146,505)
Accrued and other liabilities	(12,029,927)	(2,116,887)	(14,146,814)	11,631,472	(929,723)	10,701,749
Accrued income on statutory deposit	-	4,211,686	4,211,686	-	(185,321)	(185,321)
Accrued income payable to SAMA	-	(4,211,686)	(4,211,686)	-	185,320	185,320
Changes in insurance contract assets	578,724	-	578,724	(578,724)	-	(578,724)
Changes in reinsurance contract assets	(3,549,665)	-	(3,549,665)	30,574,046	-	30,574,046
Changes in insurance contract liabilities	(16,834,703)	-	(16,834,703)	(53,632,184)	-	(53,632,184)
Changes in reinsurance contract liabilities	(873,336)	-	(873,336)	(1,457,409)	-	(1,457,409)
<b>Cash used in operations</b>	<b>(41,301,147)</b>	<b>29,702,196</b>	<b>(11,598,951)</b>	<b>(19,593,610)</b>	<b>(49,998,027)</b>	<b>(69,591,637)</b>
Employee benefit obligations paid	(2,197,946)	-	(2,197,946)	(1,747,583)	-	(1,747,583)
Finance costs paid on lease liabilities	(27,358)	-	(27,358)	(62,283)	-	(62,283)
Interest income received from financial assets not measured at FVTPL	9,360,423	11,099,560	20,459,983	(193,343)	3,876,514	3,683,171
Zakat	-	(9,667,458)	(9,667,458)	-	(4,598,601)	(4,598,601)
<b>Net cash used in operating activities</b>	<b>(34,166,028)</b>	<b>31,134,298</b>	<b>(3,031,730)</b>	<b>(21,596,819)</b>	<b>(50,720,114)</b>	<b>(72,316,933)</b>

**AL SAGR COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**37. Supplementary information** (continued)

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER** (continued)

	<b>Insurance operations</b>	<b>2023 Shareholders' operations</b>	<b>Total</b>	<b>Insurance operations</b>	<b>2022 Shareholders' operations</b>	<b>Total</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Placement in term deposits	(191,097,933)	(41,108,447)	(232,206,380)	(103,000,000)	(54,000,000)	(157,000,000)
Liquidations of term deposits	102,000,000	54,000,000	156,000,000	41,250,000	75,000,000	116,250,000
Purchases of financial assets held at FVTPL	(9,746,269)	(5,780,575)	(15,526,844)	(21,572,310)	(38,768,344)	(60,340,654)
Proceeds from disposal of financial assets held at FVTPL	13,879,048	15,048,612	28,927,660	19,844,216	74,556,098	94,400,314
Payments for purchases of property and equipment	(130,583)	-	(130,583)	(1,790,876)	-	(1,790,876)
Purchases of intangible assets	(332,232)	-	(332,232)	(2,167,093)	-	(2,167,093)
Proceeds from disposal of property and equipment	19,700	-	19,700	4,850	-	4,850
Liquidation of statutory deposits	-	-	-	-	19,000,000	19,000,000
<b>Net cash (used in) generated from investing activities</b>	<b>(85,408,269)</b>	<b>22,159,590</b>	<b>(63,248,679)</b>	<b>(67,431,213)</b>	<b>75,787,754</b>	<b>8,356,541</b>
Principal elements of lease payments	(938,088)		(938,088)	(1,291,196)	-	(1,291,196)
Dividend paid	-	(500)	(500)	-	-	-
Due to operations	34,459,964	(34,459,964)	-	52,960,345	(52,960,345)	-
<b>Net cash used in financing activities</b>	<b>33,521,876</b>	<b>(34,460,464)</b>	<b>(938,588)</b>	<b>51,669,149</b>	<b>(52,960,345)</b>	<b>(1,291,196)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(86,052,421)</b>	<b>18,833,424</b>	<b>(67,218,997)</b>	<b>(37,358,883)</b>	<b>(27,892,705)</b>	<b>(65,251,588)</b>
Cash and cash equivalents at the beginning of the year	106,789,301	116,177,364	222,966,665	144,148,184	144,070,069	288,218,253
<b>Cash and cash equivalents at end of the year</b>	<b>20,736,880</b>	<b>135,010,788</b>	<b>155,747,668</b>	<b>106,789,301</b>	<b>116,177,364</b>	<b>222,966,665</b>
<b>Supplemental non-cash information:</b>						
Net change in fair value of financial assets at fair value through other comprehensive income	3,781,125	-	3,781,125	2,670,567	-	2,670,567
Right-of-use assets recorded against lease liabilities	-	-	-	102,530	-	102,530
Remeasurement (loss) gain on employee benefit obligations	(1,341,454)	-	(1,341,454)	1,549,508	-	1,549,508