

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

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KPMG Al Fozan & Partners
Certified Public Accountants

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

INTRODUCTION

We have reviewed the accompanying interim condensed statement of financial position of The Company for Cooperative Insurance (the "Company") as at September 30, 2020 and the related interim condensed statement of income, interim condensed statement of comprehensive income for the three and nine month periods then ended, and interim condensed statement of changes in equity and interim condensed statement of cash flows for nine month period then ended and other explanatory notes (collectively referred to as "the interim condensed financial statements"). Management is responsible for the preparation and presentation of this interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements as at September 30, 2020 of the Company are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

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19 Rabi Al Awal 1442H

5 November 2020

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

	Notes	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
		SAR'000	
<u>ASSETS</u>			
Statutory deposit	12	125,000	125,000
Accrued income on statutory deposit		2,708	2,513
Property and equipment, net		254,883	260,119
Intangible assets		7,623	3,971
Investment property		9,861	9,861
Investments in associates		80,531	101,520
Available for sale investments	4	3,127,432	2,746,748
Mudaraba/ Murabaha deposits	5	2,986,677	3,539,376
Prepaid expenses and other assets	6	699,975	243,912
Deferred excess of loss premiums		10,890	7,714
Deferred policy acquisition costs		139,295	120,845
Reinsurers' share of gross outstanding claims	8	1,912,906	3,100,446
Reinsurers' share of incurred but not reported claims	8	281,316	327,724
Reinsurers' share of unearned premiums	8	640,121	715,959
Receivables, net	3	2,592,936	1,495,894
Accrued investment income		94,550	6,333
Cash and cash equivalents	7	538,496	1,306,550
<u>TOTAL ASSETS</u>		<u>13,505,200</u>	<u>14,114,485</u>
<u>LIABILITIES</u>			
Surplus distribution payable		34,283	34,283
Defined benefit obligations		136,089	129,480
Return payable on statutory deposit		2,708	2,513
Claims payable, accrued expenses and other liabilities		1,750,173	1,174,982
Short-term borrowings	10	400,371	-
Reserve for takaful activities		4,356	5,006
Gross outstanding claims	8	2,469,854	3,684,891
Incurred but not reported claims reserve	8	1,508,761	1,925,584
Premium deficiency reserve	8	161,564	2,830
Unearned commission income		34,424	43,323
Gross unearned premiums	8	3,780,684	3,826,119
Reinsurers' balances payable		161,560	523,820
Dividends payable		6,411	6,411
Accumulated surplus from insurance operations		42,750	-
Zakat payable		307,725	255,554
<u>TOTAL LIABILITIES</u>		<u>10,801,713</u>	<u>11,614,796</u>
<u>EQUITY</u>			
Share capital	9	1,250,000	1,250,000
Statutory reserve	13	1,065,517	1,065,517
Fair value reserve for investments		21,693	167,472
Remeasurement of defined benefit obligation		(14,540)	(14,540)
Retained earnings		380,817	31,240
<u>TOTAL EQUITY</u>		<u>2,703,487</u>	<u>2,499,689</u>
<u>TOTAL LIABILITIES AND EQUITY</u>		<u>13,505,200</u>	<u>14,114,485</u>
CONTINGENT LIABILITIES	11		

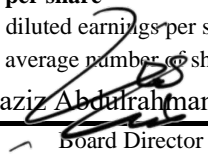
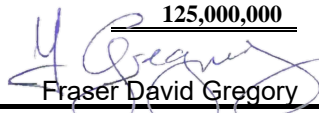
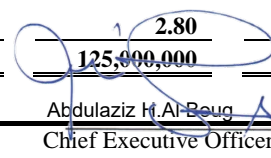

Abdulaziz Abdulrahman AlKhamis
Board Director


Fraser David Gregory
Chief Financial Officer


Abdulaziz H. Al Bouq
Chief Executive Officer

The accompanying notes 1 to 23 form an integral part of these interim condensed financial statements.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF INCOME
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2020

	Three months ended September 30, 2020 (Unaudited)	Three months ended September 30, 2019 (Unaudited)	Nine months ended September 30, 2020 (Unaudited)	Nine months ended September 30, 2019 (Unaudited)
SAR'000				
REVENUES				
Gross premiums written	1,319,889	1,422,638	6,362,423	5,879,185
Reinsurance ceded – local	(9,936)	(10,545)	(76,344)	(72,573)
Reinsurance ceded – international	(315,377)	(229,457)	(984,795)	(866,298)
Fee income from takaful	635	1,968	3,590	4,506
Excess of loss premiums	(4,990)	(3,581)	(20,541)	(15,974)
Net premiums written	990,221	1,181,023	5,284,333	4,928,846
Changes in unearned premiums	789,382	691,713	45,435	206,138
Changes in reinsurers' share of unearned premiums	(53,248)	(86,361)	(75,838)	7,943
Net premiums earned	1,726,355	1,786,375	5,253,930	5,142,927
Reinsurance commissions	31,376	28,474	86,341	78,377
Other underwriting income	554	2,979	6,418	8,606
TOTAL REVENUES	1,758,285	1,817,828	5,346,689	5,229,910
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	1,793,592	1,437,468	5,195,882	4,830,001
Expenses incurred related to claims	1,175	7,358	58,380	17,843
Reinsurers' share of claims paid	(284,307)	(262,424)	(976,649)	(690,034)
Net claims and other benefits paid	1,510,460	1,182,402	4,277,613	4,157,810
Changes in outstanding claims	(394,762)	768,107	(1,215,037)	671,923
Changes in reinsurance share of outstanding claims	397,225	(634,791)	1,187,540	(571,421)
Changes in incurred but not reported claims reserve	(63,718)	154,218	(416,823)	117,049
Changes in reinsurance share of incurred but not reported claims	7,191	(9,623)	46,408	(62,981)
Changes in premium deficiency reserve	(47,601)	(319)	158,734	(5,676)
Net claims and other benefits incurred	1,408,795	1,459,994	4,038,435	4,306,704
Changes in reserves for takaful activities	(210)	(125)	(650)	(1,425)
Policy acquisition costs	90,097	90,890	285,836	263,360
Other underwriting expenses	17,084	30,245	108,230	98,892
Manafeth and Umrah Insurance share distribution	9,292	16,234	133,709	46,893
TOTAL UNDERWRITING COSTS AND EXPENSES	1,525,058	1,597,238	4,565,560	4,714,424
Net underwriting income	233,227	220,590	781,129	515,486
OTHER OPERATING (EXPENSES) / INCOME				
General and administrative expenses	(132,214)	(129,705)	(430,709)	(379,888)
Allowance for doubtful debts	(19,567)	(37,965)	(52,177)	(96,288)
Dividend and realized gain on investments, net	38,256	57,146	136,269	172,016
Share of profit from investments in associates, net	3,189	2,674	10,919	14,024
Impairment of available for sale investments	-	-	(4,812)	-
Other income, net	2,074	5,458	11,095	15,630
TOTAL OTHER OPERATING EXPENSES	(108,262)	(102,392)	(329,415)	(274,506)
Net income before attribution and zakat	124,965	118,198	451,714	240,980
Net income for the period attributed to the insurance operations	(11,167)	(9,090)	(42,750)	(15,438)
Net income for the period attributable to the shareholders before Zakat	113,798	109,108	408,964	225,542
Zakat charge for the period	(19,265)	(16,141)	(59,387)	(51,983)
Net income attributable to the shareholders after Zakat	94,533	92,967	349,577	173,559
Earnings per share				
Basic and diluted earnings per share (in SAR)	0.76	0.74	2.80	1.39
Weighted average number of shares in issue	125,000,000	125,000,000	125,000,000	125,000,000
Abdulaziz Abdulrahman AIKhamis				
Board Director	Fraser David Gregory	Abdulaziz H. Al-Bouq	Chief Executive Officer	
	Chief Financial Officer			

The accompanying notes 1 to 23 form an integral part of these interim condensed financial statements.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2020

		Three months ended September 30, 2020 (Unaudited)	Three months ended September 30, 2019 (Unaudited)	Nine months ended September 30, 2020 (Unaudited)	Nine months ended September 30, 2019 (Unaudited)
	Notes	SAR'000			
Net income attributable to the shareholders after Zakat		94,533	92,967	349,577	173,559
Other comprehensive income:					
<i>To be recycled back to interim statement of income in subsequent periods:</i>					
<i>Available for sale investments:</i>					
- Net change in fair value	4	114,774	87,645	(153,691)	345,334
- Net amounts transferred to interim statement of income	4	4,248	-	9,329	1,145
Share of other comprehensive income of investment in Associates		1,980	-	(1,417)	1,355
Total comprehensive income for the period		215,535	180,612	203,798	521,393


Abdulaziz Abdulrahman AlKhamis

Board Director

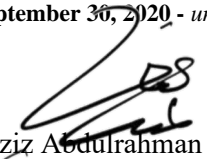

Fraser David Gregory
Chief Financial Officer


Abdulaziz (H. Al-Bouq)
Chief Executive Officer

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THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

Notes	Share capital	Statutory reserve	Fair value reserve for investments	Remeasurements of defined benefit obligation	Retained earnings	Total
SAR'000						
Balance at January 1, 2019 – audited	1,250,000	1,000,000	(198,724)	(12,226)	(230,829)	1,808,221
Total comprehensive income for the period:						
Net income for the period attributable to the shareholders after zakat	20	-	-	-	173,559	173,559
Changes in fair value of available-for-sale investments	20	-	345,334	-	-	345,334
Net amount recycled to interim statement of income	20	-	1,145	-	-	1,145
Share of other comprehensive income of investments in associates	20	-	1,355	-	-	1,355
Total comprehensive income	-	-	347,834	-	173,559	521,393
Balance at September 30, 2019 - unaudited	1,250,000	1,000,000	149,110	(12,226)	(57,270)	2,329,614
Balance at January 1, 2020 – audited	1,250,000	1,065,517	167,472	(14,540)	31,240	2,499,689
Total comprehensive income for the period:						
Net income for the period attributable to the shareholders after zakat	20	-	-	-	349,577	349,577
Changes in fair value of available-for-sale investments	20	-	(153,691)	-	-	(153,691)
Net amount recycled to interim statement of income	20	-	9,329	-	-	9,329
Share of other comprehensive income of investments in associates	20	-	(1,417)	-	-	(1,417)
Total comprehensive income	-	-	(145,779)	-	349,577	203,798
Balance at September 30, 2020 - unaudited	1,250,000	1,065,517	21,693	(14,540)	380,817	2,703,487


Abdulaziz Abdulrahman AlKhamis
Board Director


Fraser David Gregory
Chief Financial Officer


Abdulaziz H. Al-Bouq
Chief Executive Officer

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THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CASHFLOWS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

	Notes	Nine months ended September 30, 2020 (Unaudited)	Nine months ended September 30, 2019 (Unaudited)
SAR'000			
Operating activities:			
Net income before attribution and zakat for the period		451,714	240,980
Adjustments for non-cash items:			
Depreciation of property and equipment		24,082	16,826
Amortization of intangible assets		836	3,769
Allowance for doubtful debts		52,177	96,288
Gain on sale of investments		4,517	1,145
Impairment of available-for-sale investments		4,812	-
Share of profit from investments in associates, net		(10,919)	(14,024)
Provision for defined benefit obligations		16,023	9,924
		<u>543,242</u>	<u>354,908</u>
Changes in operating assets and liabilities:			
Prepaid expenses and other assets		(456,063)	(66,210)
Deferred excess of loss premiums		(3,176)	1,338
Deferred policy acquisition costs		(18,450)	5,600
Reinsurers' share of gross outstanding claims		1,187,540	(571,421)
Reinsurers' share of claims incurred but not reported		46,408	(62,981)
Reinsurers' share of unearned premiums		75,838	(7,943)
Receivables, net		(1,149,219)	39,464
Reinsurers' balances payable		(362,260)	144,897
Gross unearned premiums		(45,435)	(206,138)
Unearned commission income		(8,899)	2,061
Gross outstanding claims		(1,215,037)	671,923
Incurred but not reported claims reserve		(416,823)	117,049
Premium deficiency reserve		158,734	(5,676)
Reserve for takaful activities		(650)	(1,425)
Claims payable, accrued expenses and other liabilities		575,191	70,490
		<u>(1,089,059)</u>	<u>485,936</u>
Zakat paid during the period		(7,216)	(56,105)
Defined benefit obligations paid		(9,414)	(10,850)
Net cash (used in) / generated from operating activities		<u>(1,105,689)</u>	<u>418,981</u>
Investing activities:			
Proceeds from sale of available-for-sale investments		1,486,550	1,310,144
Purchase of available-for-sale investments		(2,010,675)	(646,524)
Proceeds from maturity of mudaraba/ murabaha deposits		7,718,245	6,733,216
Placement in mudaraba / murabaha deposits		(7,165,546)	(7,808,548)
Accrued investment income		(88,217)	(62,489)
Dividends received from investments in associates		20,241	26,209
Purchase of property and equipment		(18,846)	(1,725)
Purchase of intangible assets		(4,488)	(5,407)
Net cash used in investing activities		<u>(62,736)</u>	<u>(455,124)</u>
Financing activities:			
Proceeds from Short-term borrowings		400,371	-
Net cash generated from financing activities		<u>400,371</u>	<u>-</u>
Net change in cash and cash equivalents		<u>(768,054)</u>	<u>(36,143)</u>
Cash and cash equivalents, beginning of the period	7	<u>1,306,550</u>	<u>1,600,240</u>
Cash and cash equivalents, end of the period	7	<u>538,496</u>	<u>1,564,097</u>
Non-cash supplemental information:			
Changes in fair value for available-for-sale investments		(144,362)	346,479
Share of other comprehensive income of associates		(1,417)	1,355
Reclassification to available-for-sale investments from investment in associates		10,250	-
Abdulaziz Abdulrahman AlKhamis			
Board Director			
Fraser David Gregory			
Chief Financial Officer			
Abdulaziz H. Al Doug			
Chief Executive Officer			

The accompanying notes 1 to 23 form an integral part of these interim condensed financial statements.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2020

1. GENERAL

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

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

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

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

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

These condensed interim financial statements comprise the financial statements of the Company. The Company has the following subsidiary and associates.

<i>Name of the Subsidiary / Associate</i>	<i>Registration No.</i>	<i>Registration date</i>	<i>Ownership interest</i>	<i>Financial year end</i>	<i>Principal Activities</i>
Subsidiary					
Teejan Al- Khaleej	1010644057	21 July 2020	100%	31 December	Developing technology based solutions and extending consultancy services for the insurance and healthcare businesses.
Associates					
United Insurance Company B.S.C.	17337-1	12 May 1986	50%	31 December	Insurance for all motor vehicles which travel through the King Fahad Causeway in accordance with the Bahrain Insurance Company Law
Waseel Application Service Provider Limited	1010186558	15 April 2003	45%	31 December	Internet based connectivity, information services, and B2B e-commerce capabilities for the healthcare insurance market

THE COMPANY FOR COOPERATIVE INSURANCE

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued) FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2020

2. BASIS OF PREPARATION

(a) Statement of compliance

The interim condensed financial statements of the Company as at and for the period ended 30 September, 2020 have been prepared in accordance with *International Accounting Standard 34 Interim Financial Reporting* ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA")

The interim condensed financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of available for sale investments and investment in associates which is accounted for under the equity method and end of service benefits based on actuarial valuation techniques. The Company's interim condensed statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as non-current: statutory deposit, accrued income on statutory deposit, property and equipment, intangible assets, investment property, investments in associates, available for sale investments, end-of-service indemnities and return payable on statutory deposit. All other financial statement line items would generally be classified as current.

The Company presents its statement of financial position in order of liquidity. As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and presents the financial statements accordingly (Note 19). Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

The interim statement of financial position, statement of income, comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in Note 19 of the financial statement have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations and is not required under IFRSs. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the interim 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 income or losses of the respective operations.

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

The interim condensed financial statements does not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statement as of and for the year ended December 31, 2019. This interim condensed financial statements are expressed in Saudi Arabian Riyals (SAR) and is rounded off to the nearest thousands.

(b) Critical accounting judgments, estimates and assumptions

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

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

In preparing this interim condensed financial statements, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2019. However, the Company has reviewed the key sources of estimation uncertainties disclosed in the last annual financial statements against the backdrop of the COVID-19 pandemic. Management will continue to assess the situation and reflect any required changes in future reporting periods.

THE COMPANY FOR COOPERATIVE INSURANCE

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued) FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2020

2. BASIS OF PREPARATION (continued)

(b) Critical accounting judgments, estimates and assumptions (continued)

Following are the accounting judgments and estimates that are critical in preparation of this interim condensed financial statements:

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

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

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

ii) Impairment of available-for-sale financial assets

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

iii) Impairment of receivables

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

iv) Fair value of financial instruments

Fair values of available-for-sale investments are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed. All models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates. Please refer fair value of financial instruments disclosure in note 14.

THE COMPANY FOR COOPERATIVE INSURANCE

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued) FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2020

2. BASIS OF PREPARATION (continued)

(b) Critical accounting judgments, estimates and assumptions (continued)

v) Impact of Covid-19 on technical reserves

- On 11 March 2020, the World Health Organisation (“WHO”) declared the Coronavirus (“Covid-19”) outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.
- In response to the spread of the Covid-19 virus in the Kingdom of Saudi Arabia including the GCC region, where the Company operates and its consequential disruption to the social and economic activities in those markets, the Company’s management has proactively assessed its impacts on its operations and has taken a series of proactive and preventative measures and processes to ensure:
 - the health and safety of its employees and the wider community where it is operating
 - the continuity of its business throughout the Kingdom is protected and kept intact.
- The major impact of Covid-19 pandemic is seen in medical and motor line of business as explained below. As with any estimate, the projections and likelihoods of occurrence are underpinned by significant judgment and rapidly evolving situation and uncertainties surrounding the duration and severity of the pandemic, and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental, and the Company will continue to reassess its position and the related impact on a regular basis.

Medical technical reserves

Based on the management’s assessment, the management believes that the Government’s decision to assume the medical treatment costs for both Saudi citizens and expatriates has helped in reducing any unfavourable impact. During the lockdown, the Company saw a decline in medical reported claims (majorly elective and non-chronic treatment claims) which resulted in a drop in claims experience. However, subsequent to the lifting of lockdown since June 21, 2020, the Company is experiencing a surge in claims which is in line with the expectations of the Company’s management. The Company’s management has duly considered the impact of surge in claims in the current estimate of future contractual cashflows of the insurance contracts in force as at September 30, 2020 for its liability adequacy test. Based on the results, the Company has booked an amount of SR 144.7 million (December 31, 2019: Nil ; March 31, 2020: Nil) as a premium deficiency reserve.

Motor technical reserves

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

The Management, in conjunction with its appointed actuary, deliberated on a variety of internal factors and concluded, that the Company considers the extension of two months in exiting motor policies as new policy and record a premium deficiency reserve, if any based on the expected claims for the extended 2 months period. The Company’s actuary has performed a liability adequacy test using current estimates of future cash flows under its insurance contracts at a segmented level for motor line of business and no additional liability recorded as premium deficiency reserve as at September 30, 2020.

For new policies written as per above circular, the premium is earned over the period of coverage i.e 14 month as per the Company accounting policy. There is no significant impact of two month extension in earned premium as of June and September 30, 2020 as no material amounts of premium have been written during the one month period.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued) FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2020

2. BASIS OF PREPARATION (continued)

(b) Critical accounting judgments, estimates and assumptions (continued)

Other financial assets

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

Based on these assessments, the Company's management believes that the Covid-19 pandemic has had no material effects on Company's reported results for the three and nine-month periods ended 30 September 2020. The Company's management continues to monitor the situation closely.

(c) Significant accounting policies

The accounting and risk management policies adopted in the preparation of these condensed interim financial statements are consistent with the Company's audited financial statements for the year ended December 31, 2019, except for the adoption of the amendments to existing standards which has had no material impact on the financial statements of the Company and investment in subsidiary (note 1) as follows.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

The financial statements of subsidiaries are included in the consolidated financial statements from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

THE COMPANY FOR COOPERATIVE INSURANCE

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued) FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2020

2. BASIS OF PREPARATION (continued)

(c) Significant accounting policies (continued)

Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in consolidated statement of profit or loss and other comprehensive income. Any interest retained in the former subsidiary is measured at fair value when control is lost. A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses and cash flows relating to transactions arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(d) Standards issued but not yet effective

The following standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards when they become effective. Further, the Company has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards which have been published and are mandatory for compliance for the Company with effect from future dates.

IFRS 9 - "Financial instruments"

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

Classification and measurement:

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

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

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

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

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

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

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

ii) Impairment:

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued) FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2020

2. BASIS OF PREPARATION (continued)

(d) Standards issued but not yet effective (continued)

iii) Hedge accounting:

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

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

iv) Effective date

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

- Apply a temporary exemption from implementing IFRS 9 until the earlier of:
 - the effective date of a new insurance contract standard; or
 - annual reporting periods beginning on or after January 1, 2023. On 17 March 2020, the International Accounting Standards Board (“IASB”) decided to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in

IFRS 4 from January 1, 2021 to January 1, 2023. . Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or

- Adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

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

IFRS 17 - “Insurance Contracts”, the effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4, is currently 1 January 2023, and will supersede IFRS 4 “Insurance Contracts”. Earlier adoption permitted if both IFRS 15 “Revenue from Contracts with Customers” and IFRS 9 “Financial Instruments” have also been applied. The Company expects a material impact on measurement and disclosure of insurance and reinsurance that will affect both the statement of income and the statement of financial position. The Company has decided not to early adopt this new standard.

(e) Segmental reporting

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

- Medical - coverage for health insurance.
- Medical Umrah - coverage for health insurance for pilgrims.
- Motor insurance.
- Manafeth - third party liability insurance for foreign vehicles and the profit of this segment is shared with other insurance companies.
- Property and Casualty - coverage for property, engineering, marine, aviation, energy and general accidents insurance.

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
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2. BASIS OF PREPARATION (continued)

(e) Segment reporting (continued)

- General accidents insurance - coverage for pilgrims.
- Protection & Savings.
- Shareholders' segment - reporting shareholder operations of the Company. Income earned from investments is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The surplus or loss from the insurance operations is allocated to this segment on an appropriate basis.

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

(f) Seasonality of operations

Other than normal seasonality in Medical Insurance Business in the Kingdom of Saudi Arabia, there are no seasonal changes that may affect insurance operations of the Company.

3. RECEIVABLES, NET

Receivables comprise net amounts due from the following:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
Policyholders	1,747,458	668,599
Brokers and agents	510,671	806,205
Related parties (note 15)	81,436	122,283
	<u>2,339,565</u>	<u>1,597,087</u>
Receivables from reinsurers	451,880	45,015
Administrative service plan	5,310	5,434
	<u>2,796,755</u>	<u>1,647,536</u>
Provision for doubtful receivables	(203,819)	(151,642)
Receivables, net	<u>2,592,936</u>	<u>1,495,894</u>

4. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise the following:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
<u>Insurance Operations</u>		
Mutual funds	301,746	53,165
Fixed income portfolio (Government and corporate securities)	1,431,984	1,213,310
Discretionary Portfolio Management – Equity shares	343,682	157,084
Private equity investment	10,250	-
Sukuks	-	6,341
Funds placed with portfolio manager	-	81,624
Total	<u>2,087,662</u>	<u>1,511,524</u>
<u>Shareholders' Operations</u>		
Mutual funds	419,446	651,917
Fixed income portfolio (Government and corporate securities)	281,284	388,344
Discretionary Portfolio Management – Equity shares	339,040	122,723
Funds placed with portfolio manager	-	72,240
Total	<u>1,039,770</u>	<u>1,235,224</u>
Total available-for-sale investments	<u>3,127,432</u>	<u>2,746,748</u>

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
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4. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Movements in available-for-sale investments are as follows:

	September 30, 2020 (Unaudited)			December 31, 2019 (Audited)		
	Quoted securities	Unquoted securities	Total	Quoted securities	Unquoted securities	Total
	SAR'000					
Insurance Operations						
Balance at the beginning of the period / year	162,837	1,348,687	1,511,524	-	1,234,907	1,234,907
Purchases	336,810	1,162,949	1,499,759	153,750	360,277	514,027
Reclassification from investment in associates	-	10,250	10,250	-	-	-
Disposals	(222,799)	(595,405)	(818,204)	-	(430,787)	(430,787)
Changes in fair value of Investments	66,833	(182,500)	(115,667)	9,087	184,290	193,377
Balance as at the end of the period/ year	343,681	1,743,981	2,087,662	162,837	1,348,687	1,511,524
Shareholders' Operations						
Balance at the beginning of the period/ year	194,980	1,040,244	1,235,224	-	1,670,223	1,670,223
Purchases	-	510,916	510,916	179,939	234,552	414,491
Disposals	(107,129)	(561,217)	(668,346)	-	(992,865)	(992,865)
Changes in fair value of Investments	(13,357)	(24,667)	(38,024)	15,041	128,334	143,375
Balance as at the end of the period/ year	74,494	965,276	1,039,770	194,980	1,040,244	1,235,224
Total	418,175	2,709,257	3,127,432	357,817	2,388,931	2,746,748

As at September 30, 2020 the Company investment in Shariah Notes amounting to SAR 3.021 billion (2019: SAR 2.5 billion). The Shariah Notes are issued by a special purpose vehicle "SPV" established in Cayman Islands. The administrator of these Shariah Notes is a Company registered in Dubai International Financial Center in Dubai. The underlying investments of Shariah Notes include mutual funds, private equity funds, discretionary portfolio management – equity shares and fixed income portfolios. The legal ownership of these underlying investments is not with the Company, however, the Company is the ultimate beneficial owner of the underlying investments while having control over the Shariah Notes and underlying investments. The custody of the underlying investments is in the custody account of the SPV or its nominee entity opened with fund and portfolio managers.

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

	Three months ended Sep 30, 2020 (Unaudited)	Three months ended Sep 30, 2019 (Unaudited)	Nine months ended Sep 30, 2020 (Unaudited)	Nine months ended Sep 30, 2019 (Unaudited)
	SAR'000			
Insurance Operations				
Change in fair value	82,249	70,990	(115,667)	197,034
Net amount recycled to interim statement of income	4,569	-	(18,012)	-
Impairment on available-for-sale investments	-	-	2,637	-
	86,818	70,990	(131,042)	197,034
Shareholders' Operations				
Change in fair value	32,525	16,655	(38,024)	148,300
Net amount recycled to interim statement of income	(321)	-	22,529	1,145
Impairment on available-for-sale investments	-	-	2,175	-
	32,204	16,655	(13,320)	149,445
Total	119,022	87,645	(144,362)	346,479

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FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2020****4. AVAILABLE-FOR-SALE INVESTMENTS (continued)**

- 4.1 This represents the Company's 3.85% holding in Najm for Insurance Services Company ("Najm"), a Saudi Closed Joint Stock Company. Due to change in board structure of Najm, the Company lost significant influence and resultantly classified the investment as available for sale investment. The investment is unquoted and carried at cost. In the absence of reliable financial information, management believes that the fair value cannot be measured reliably.

5. MUDARABA/ MURABAHA DEPOSITS

The deposits are held with banks and financial institution registered with Capital Market Authority in the Kingdom of Saudi Arabia. These deposits are predominately in Mudaraba structures. These deposits are denominated in SAR and have an original maturity of more than three months. The average yield on these deposits is 2.6% p.a (31 December 2019: 2.24% p.a).

The movements in deposits during the period/ year is as follows:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
<u>Insurance Operations</u>		
Balance at the beginning of the period/ year	1,577,912	1,387,500
Placed during the period/ year	3,395,761	5,534,846
Matured during the period/ year	(3,730,682)	(5,344,434)
Balance at the end of the period/ year	<u>1,242,991</u>	<u>1,577,912</u>
<u>Shareholders' Operations</u>		
Balance at the beginning of the period/ year	1,961,464	851,625
Placed during the period/ year	3,769,785	5,362,907
Matured during the period/ year	(3,987,563)	(4,253,068)
Balance at the end of the period/ year	<u>1,743,686</u>	<u>1,961,464</u>
Total	<u>2,986,677</u>	<u>3,539,376</u>

6. PREPAID EXPENSES AND OTHER ASSETS

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
Advance to medical service providers and others	271,494	169,132
Prepaid expenses	24,387	40,159
Other assets	403,857	34,621
	<u>699,738</u>	<u>243,912</u>

Other assets include payment made by the Company in relation to VAT assessment raised by General Authority of Zakat and Tax ("GAZT") for 2018 and 2019 financial years amounting to Saudi Riyals 306 million. The payments were made to GAZT to avoid penalties. However, subsequent to period end, the Company has submitted objections to the GAZT assessment. The Company's management believes that there is strong basis that the assessment raised by the GAZT will be reversed and the full amount will be reclaimed in due course.

7. CASH AND CASH EQUIVALENTS

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
<u>Insurance Operations</u>		
Bank balances and cash	441,575	1,297,401
	<u>441,575</u>	<u>1,297,401</u>
<u>Shareholders' Operations</u>		
Bank balances and cash	96,921	9,149
	<u>96,921</u>	<u>9,149</u>
Total cash and cash equivalents	<u>538,496</u>	<u>1,306,550</u>

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
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7. CASH AND CASH EQUIVALENTS (continued)

Bank balances and cash include call account balance of SAR 89 million (December 31, 2019: SAR 1.2 million). Bank balances (including off-balance sheet exposures) are placed with counterparties with sound credit ratings under Standard and Poor's and Moody's ratings methodology

8. UNEARNED PREMIUM, OUTSTANDING CLAIMS AND RESERVES, NET

(i) The movement in unearned premiums is as follows:

	September 30, 2020 (Unaudited)			December 31, 2019 (Audited)		
	Gross	Due from reinsurers	Net	Gross	Due from reinsurers	Net
	SAR'000					
Balance as at the beginning of the period / year	3,826,119	(715,959)	3,110,160	3,820,293	(544,839)	3,275,454
Premiums written during the period / year	6,362,423	(1,061,139)	5,301,284	8,375,860	(1,650,188)	6,725,672
Premiums earned during the period / year	(6,407,858)	1,136,977	(5,270,881)	(8,370,034)	1,479,068	(6,890,966)
Balance as at the end of the period / year	3,780,684	(640,121)	3,140,563	3,826,119	(715,959)	3,110,160

(ii) Gross outstanding claims and reserves, net comprise of the following:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
Gross outstanding claims	2,499,295	3,717,931
Less: Realizable value of salvage and subrogation	(29,441)	(33,040)
	2,469,854	3,684,891
Incurred but not reported claims reserve	1,508,761	1,925,584
Premium deficiency reserve	161,564	2,830
Gross outstanding claims and reserves	4,140,179	5,613,305
Reinsurers' share of gross outstanding claims	(1,912,906)	(3,100,446)
Reinsurers' share of incurred but not reported claims	(281,316)	(327,724)
Reinsurers' share of outstanding claims and reserves	(2,194,222)	(3,428,170)
Net outstanding claims and reserves	1,945,957	2,185,135

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

As at September 30, 2020, based on the recommendations of its appointed actuary, management has recorded technical reserves (Gross outstanding claims and reserves including premium deficiency reserves) amounted to SAR 4.1 billion (December 31, 2019: SAR 5.6 billion). Significant portion of these reserves relate to medical and property and casualty line of business which are a best-estimate of the expected ultimate claim trends as at September 30, 2020.

THE COMPANY FOR COOPERATIVE INSURANCE**(A SAUDI JOINT STOCK COMPANY)****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2020****9. SHARE CAPITAL**

The authorized, issued and paid up capital of the Company was SAR 1.25 billion at September 30, 2020 (December 31, 2019: SAR 1.25 billion) consisting of 125 million shares (December 31, 2019: 125 million shares) of SAR 10 each.

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

	September 30, 2020		
	Authorized and issued		Paid up
	No. of Shares	SAR'000	
Held by the public	79,025,509	790,255	790,255
Public Pension Agency	23,612,685	236,127	236,127
General Organization for Social Insurance	22,361,806	223,618	223,618
	125,000,000	1,250,000	1,250,000
	December 31, 2019		
	Authorized and issued		Paid up
	No. of Shares	SAR'000	
Held by the public	79,025,509	790,255	790,255
Public Pension Agency	23,612,685	236,127	236,127
General Organization for Social Insurance	22,361,806	223,618	223,618
	125,000,000	1,250,000	1,250,000

10. SHORT TERM BORROWINGS

As at September 30, 2020 the Company has utilised SAR 400 million (31 December 2019: SAR Nil) from a credit facility by a local bank. The accrued interest expense on this running finance facility amounts to SAR 0.37 million.

11. CONTINGENT LIABILITIES

As at September 30, 2020, the Company was contingently liable for letters of guarantees, issued on its behalf by the banks, amounting to SAR 182 million (December 31, 2019: SAR 200 million) occurring in the normal course of business.

The Company, in common with significant majority of insurers, is subject to litigation in the normal course of its business. Appropriate provisions have been made in relation to pending cases and management believes that finalization of these court cases is not expected to have a material impact on the interim condensed financial statements.

12. STATUTORY DEPOSIT

In compliance with Article 58 of the Insurance Implementing Regulations of SAMA, the Company has deposited 10 percent of its share capital, amounting to SAR 125 million (December 31, 2019: SAR 125 million), with a bank designated by SAMA. The statutory deposit is maintained with the National Commercial Bank and can be withdrawn only with the consent of SAMA.

13. STATUTORY RESERVE

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

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14. INSURANCE SHARED AGREEMENTS

(i) **Manafeth shared agreement:**

On January 13, 2015 together with 25 other insurance companies, the Company signed the Manafeth shared agreement relating to third party liability motor insurance which is effective from 1 January 2015. The agreement relates to motor insurance for vehicles entering the Kingdom of Saudi Arabia. The agreement has subsequently been renewed for two years from January 1, 2019 to December 31, 2020 with 25 other insurance companies.

The main terms of the agreement are as follows:

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

(ii) **Umrah shared agreement:**

On January 01, 2020 together with 28 other insurance companies, the Company signed the Umrah shared agreement relating to medical and general accident insurance which is effective from 1 January 2020. The agreement relates to insurance of pilgrims who enter the Kingdom of Saudi Arabia.

The main terms of the agreement are as follows:

- The Company obtains 2% management fee of the net result of the Umrah portfolio;
- The Company obtains 2.5% of Umrah's gross premiums written to cover the related indirect expenses;
- The Company obtains 0.3% of investing portfolio funds;
- The company pays 7.5% brokerage commission of Umrah's gross premiums written through broker;
- The company pays 10% of Umrah's portfolio surplus to Ministry of Hajj and Umrah; and
- The net result of the Umrah portfolio after deducting all the above mentioned items is shared equally by the Company and other insurers.

15. RELATED PARTY TRANSACTIONS AND BALANCES

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

	Transactions for the period ended		Balance receivable / (payable) as at	
	Sep 30, 2020 (Unaudited)	Sep 30, 2019 (Unaudited)	Sep 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000			
<u>Major shareholders</u>				
Insurance premium written	58,027	54,047	37,856	3,862
General Organization for Social Insurance – Other services	134	82	-	-
<u>Associates</u>				
Insurance premium written	745	15,082	313	674
Najm fees paid	-	9,806	-	-
Waseel fees paid	2,923	11,613	-	-
United Insurance Co. fees and claims, net	5,794	8,667	7,139	2,663
<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>				
Insurance premium written	98,928	119,415	43,267	117,747
Rent expenses paid	675	223	-	561
Amount of claims paid to hospitals	-	46,918	-	(4,197)

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
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In accordance with the Company's Articles of Association, the Board of Directors is entitled each year to remuneration of up to 10% of the remaining profit from Shareholders' operations, as defined, based on a decision by the General Assembly.

The compensation of key management personnel during the period is as follows:

	Sep 30, 2020 (Unaudited)	Sep 30, 2019 (Unaudited)
	SAR'000	
Salaries and other allowances	7,757	7,617
End of service indemnities	646	522

16. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or the most advantageous) market between market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. The fair values of recognised financial instruments are not significantly different from the carrying values included in the financial statements. The estimated fair values of financial instruments are based on quoted market prices, when available.

Determination of fair value and fair value hierarchy

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

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

The fair values of bank balances, cash and other financial assets in statement of financial position which are carried at amortized cost, are not significantly different from the carrying values included in the financial statements due to the short term nature of balances.

The table below presents the available-for-sale investments based on the fair value hierarchy:

September 30, 2020 (Unaudited)	SAR'000			
	Level 1	Level 2	Level 3	Total
Available-for- sale investments				
<u>Insurance Operations</u>				
Mutual funds	-	301,746	-	301,746
Fixed income portfolio (Governments and corporate securities)	-	1,431,984	-	1,431,984
Discretionary Portfolio Management – Equities	343,682	-	-	343,682
Private equity investment	-	-	10,250	10,250
	343,682	1,733,730	10,250	2,087,662
<u>Shareholders' Operations</u>				
Mutual funds	-	-	419,446	419,446
Fixed income portfolio (Governments and corporate securities)	-	281,284	-	281,284
Discretionary Portfolio Management – Equities	275,336	-	63,704	339,040
	275,336	281,284	483,150	1,039,770
Total	619,018	2,015,014	493,400	3,127,432

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16. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

December 31, 2019 (Audited)	SAR'000			
	Level 1	Level 2	Level 3	Total
Available-for-sale investments				
<u>Insurance Operations</u>				
Mutual funds	-	53,165	-	53,165
Fixed income portfolio (Governments and corporate securities)	-	1,213,310	-	1,213,310
Discretionary Portfolio Management – Equities	157,084	-	-	157,084
Sukuks	-	-	6,341	6,341
Funds placed with portfolio manager	81,624	-	-	81,624
	<u>238,708</u>	<u>1,266,475</u>	<u>6,341</u>	<u>1,511,524</u>
<u>Shareholders' Operations</u>				
Mutual funds	-	-	651,917	651,917
Fixed income portfolio (Governments and corporations securities)	-	388,344	-	388,344
Discretionary Portfolio Management – Equities	122,723	-	-	122,723
Funds placed with portfolio manager	72,240	-	-	72,240
	<u>194,963</u>	<u>388,344</u>	<u>651,917</u>	<u>1,235,224</u>
Total	<u>433,671</u>	<u>1,654,819</u>	<u>658,258</u>	<u>2,746,748</u>

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

September 30, 2020 (Unaudited)	SAR'000						Balance Sep 30
	Balance January 1	Purchases	Reclassification from investment in associates (Note 4.1)	Disposals	Statement of income	Other comprehensive income	
<u>Insurance Operations</u>							
Sukuks	6,341	-	-	(6,341)	-	-	10,250
Private equity investment	-	-	10,250	-	-	-	-
	<u>6,341</u>	<u>-</u>	<u>10,250</u>	<u>(6,341)</u>	<u>-</u>	<u>-</u>	<u>10,250</u>
<u>Shareholders' operations</u>							
Mutual funds	651,917	207,663	-	(439,169)	(46,751)	45,786	419,446
Discretionary Portfolio Management – Equities	-	63,704	-	-	-	-	63,704
	<u>651,917</u>	<u>271,367</u>	<u>-</u>	<u>(439,169)</u>	<u>(46,751)</u>	<u>45,786</u>	<u>483,150</u>
Total	658,258	271,367	10,250	(445,510)	(46,751)	45,786	493,400

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

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17. OPERATING SEGMENTS

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

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

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

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FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2020

17. OPERATING SEGMENTS (continued)

Operating Segments	For the three months period ended September 30, 2020									
	(Unaudited)									
	Medical	Medical - Umrah	Motor	Manafeth	Property & casualty	General Accident - Umrah	Protection & Savings	Total - Insurance operations	Total Shareholders' operations	Total
SAR'000										
REVENUES										
Gross premiums written										
- Retail	3,486	-	115,778	16,320	4,804	-	-	140,388		140,388
- Micro Enterprises	85,713	-	4,824	-	3,807	-	-	94,344		94,344
- Small Enterprises	51,592	-	2,594	-	1,927	-	24	56,137		56,137
- Medium Enterprises	62,187	-	7,313	-	4,327	-	9	73,836		73,836
- Corporates	617,942	-	7,345	-	326,223	-	3,674	955,184		955,184
	820,920	-	137,854	16,320	341,088	-	3,707	1,319,889		1,319,889
Reinsurance ceded – local	-	-	-	-	(8,176)	-	(1,760)	(9,936)		(9,936)
Reinsurance ceded – international	(103)	-	-	-	(313,694)	-	(1,580)	(315,377)		(315,377)
Fees income from takaful	-	-	-	-	-	-	635	635		635
Excess of loss premiums	-	-	(567)	(658)	(3,015)	(750)	-	(4,990)		(4,990)
Net premiums written	820,817	-	137,287	15,662	16,203	(750)	1,002	990,221		990,221
Changes in unearned premiums, net	714,378	-	19,851	(2,189)	3,914	-	180	736,134		736,134
Net premiums earned	1,535,195	-	157,138	13,473	20,117	(750)	1,182	1,726,355		1,726,355
Reinsurance commissions	153	-	-	-	31,223	-	-	31,376		31,376
Other underwriting income	143	-	384	-	27	-	-	554		554
TOTAL REVENUES	1,535,491	-	157,522	13,473	51,367	(750)	1,182	1,758,285		1,758,285
UNDERWRITING COSTS AND EXPENSES										
Gross claims paid and related expenses	1,444,252	662	74,891	3,613	261,078	-	10,271	1,794,767		1,794,767
Reinsurers' share of claims paid	(20,030)	-	9	-	(254,584)	-	(9,702)	(284,307)		(284,307)
Net claims paid	1,424,222	662	74,900	3,613	6,494	-	569	1,510,460		1,510,460
Changes in outstanding claims, net	(12,362)	(456)	9,052	(381)	4,108	2,406	96	2,463		2,463
Changes in incurred but not reported claims reserve, net	(40,502)	(7,592)	(1,781)	(1,080)	(946)	(4,626)	-	(56,527)		(56,527)
Changes in premium deficiency reserves	(49,016)	-	-	-	1,415	-	-	(47,601)		(47,601)
Net claims and other benefits incurred	1,322,342	(7,386)	82,171	2,152	11,071	(2,220)	665	1,408,795		1,408,795
Changes in reserve for takaful activities	-	-	-	-	-	-	(210)	(210)		(210)
Policy acquisition costs	48,209	-	24,568	5,827	11,316	-	177	90,097		90,097
Other underwriting expenses	12,319	845	689	466	2,430	157	178	17,084		17,084
Insurance share distribution	-	6,071	-	2,094	-	1,127	-	9,292		9,292
TOTAL UNDERWRITING COSTS AND EXPENSES	1,382,870	(470)	107,428	10,539	24,817	(936)	810	1,525,058		1,525,058

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17. OPERATING SEGMENTS (continued)

Operating Segments	For the three months period ended September 30, 2020									
	(Unaudited)									
	Medical	Medical - Umrah	Motor	Manafeth	Property & casualty	General Accident - Umrah	Protection & Savings	Total - Insurance operations	Total Shareholders' operations	Total
	SAR'000									
NET UNDERWRITING INCOME	152,621	470	50,094	2,934	26,550	186	372	233,227		233,227
General and administrative expenses								(130,835)	(1,379)	(132,214)
Allowance for doubtful debts								(19,567)	-	(19,567)
Dividend and realized gain on investments, net								26,764	11,492	38,256
Share of profit from investments in associates, net								-	3,189	3,189
Impairment of available for sale investments								-	-	-
Other income								2,074	-	2,074
NET INCOME FOR THE PERIOD BEFORE ZAKAT								111,663	13,302	124,965

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17. OPERATING SEGMENTS (continued)

Operating Segments	For the three months period ended September 30, 2019							
	(Unaudited)							
	Medical	Motor	Manafeth	Property & casualty	Protection & Savings	Total - Insurance operations	Total Shareholders' operations	Total
SAR'000								
REVENUES								
Gross premiums written								
- Retail	5,521	136,542	38,169	7,341	-	187,573		187,573
- Micro Enterprises	28,111	4,374	-	4,375	-	36,860		36,860
- Small Enterprises	55,494	3,331	-	3,771	32	62,628		62,628
- Medium Enterprises	85,604	2,693	-	4,040	317	92,654		92,654
- Corporates	886,032	7,030	-	141,410	8,451	1,042,923		1,042,923
	1,060,762	153,970	38,169	160,937	8,800	1,422,638		1,422,638
Reinsurance ceded - local	-	-	-	(4,117)	(6,428)	(10,545)		(10,545)
Reinsurance ceded - international	(89,276)	-	-	(138,607)	(1,574)	(229,457)		(229,457)
Fees income from takaful	-	-	-	-	1,968	1,968		1,968
Excess of loss premiums	-	(2,953)	(477)	(151)	-	(3,581)		(3,581)
Net premiums written	971,486	151,017	37,692	18,062	2,766	1,181,023		1,181,023
Changes in unearned premiums, net	594,512	3,560	7	7,193	80	605,352		605,352
Net premiums earned	1,565,998	154,577	37,699	25,255	2,846	1,786,375		1,786,375
Reinsurance commissions	576	-	-	27,898	-	28,474		28,474
Other underwriting income	-	2,979	-	-	-	2,979		2,979
TOTAL REVENUES	1,566,574	157,556	37,699	53,153	2,846	1,817,828		1,817,828
UNDERWRITING COSTS AND EXPENSES								
Gross claims paid and related expenses	1,117,906	75,074	6,118	244,780	948	1,444,826		1,444,826
Reinsurers' share of claims paid	(19,547)	(2,812)	-	(239,196)	(869)	(262,424)		(262,424)
Net claims paid	1,098,359	72,262	6,118	5,584	79	1,182,402		1,182,402
Changes in outstanding claims, net	123,043	9,167	54	1,067	(15)	133,316		133,316
Changes in incurred but not reported claims reserve, net	150,275	(4,241)	(12)	(1,427)	-	144,595		144,595
Changes in premium deficiency Reserves	-	-	-	(319)	-	(319)		(319)
Net claims and other benefits incurred	1,371,677	77,188	6,160	4,905	64	1,459,994		1,459,994
Changes in reserve for takaful activities	-	-	-	-	(125)	(125)		(125)
Policy acquisition costs	49,984	23,703	7,876	9,083	244	90,890		90,890
Other underwriting expenses	20,375	770	3,170	5,837	93	30,245		30,245
Insurance share distribution	-	-	16,234	-	-	16,234		16,234
TOTAL UNDERWRITING COSTS AND EXPENSES	1,442,036	101,661	33,440	19,825	276	1,597,238		1,597,238
NET UNDERWRITING INCOME	124,538	55,895	4,259	33,328	2,570	220,590		220,590
General and administrative expenses						(126,583)	(3,122)	(129,705)
Allowance for doubtful debts						(37,965)	-	(37,965)
Dividend and realized gain on investments, net						28,931	28,215	57,146
Share of profit from investments in associates, net						476	2,198	2,674
Other income						5,458	-	5,458
NET INCOME FOR THE PERIOD BEFORE ZAKAT						90,907	27,291	118,198

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17. OPERATING SEGMENTS (continued)

Operating Segments	For the nine months period ended September 30, 2020									
	(Unaudited)									
	Medical	Medical - Umrah	Motor	Manafeth	Property & casualty	General Accident - Umrah	Protection & Savings	Total - Insurance operations	Total Shareholders' operations	Total
SAR'000										
REVENUES										
Gross premiums written										
- Retail	22,910	145,053	388,145	56,100	14,246	92,384	-	718,838		718,838
- Micro Enterprises	253,996	-	14,209	-	13,179	-	-	281,384		281,384
- Small Enterprises	173,014	-	9,008	-	12,824	-	157	195,003		195,003
- Medium Enterprises	209,382	-	24,911	-	19,382	-	584	254,259		254,259
- Corporates	3,817,228	-	21,942	-	1,057,216	-	16,553	4,912,939		4,912,939
	4,476,530	145,053	458,215	56,100	1,116,847	92,384	17,294	6,362,423		6,362,423
Reinsurance ceded – local	-	-	-	-	(64,007)	-	(12,337)	(76,344)		(76,344)
Reinsurance ceded – international	(1,332)	-	-	-	(980,188)	-	(3,275)	(984,795)		(984,795)
Fees income from takaful	-	-	-	-	-	-	3,590	3,590		3,590
Excess of loss premiums	-	-	(4,578)	(2,033)	(8,680)	(5,250)	-	(20,541)		(20,541)
Net premiums written	4,475,198	145,053	453,637	54,067	63,972	87,134	5,272	5,284,333		5,284,333
Changes in unearned premiums, net	(47,298)	-	7,347	8,084	1,125	-	339	(30,403)		(30,403)
Net premiums earned	4,427,900	145,053	460,984	62,151	65,097	87,134	5,611	5,253,930		5,253,930
Reinsurance commissions	1,303	-	-	-	85,038	-	-	86,341		86,341
Other underwriting income	1,328	-	3,748	-	1,342	-	-	6,418		6,418
TOTAL REVENUES	4,430,531	145,053	464,732	62,151	151,477	87,134	5,611	5,346,689		5,346,689
UNDERWRITING COSTS AND EXPENSES										
Gross claims paid and related expenses	4,027,631	54,745	207,972	13,452	931,678	1,991	16,793	5,254,262		5,254,262
Reinsurers' share of claims paid	(46,987)	-	(2,468)	-	(911,512)	-	(15,682)	(976,649)		(976,649)
Net claims paid	3,980,644	54,745	205,504	13,452	20,166	1,991	1,111	4,277,613		4,277,613
Changes in outstanding claims, net	(30,864)	365	(2,631)	1,125	1,632	2,406	470	(27,497)		(27,497)
Changes in incurred but not reported claims reserve, net	(333,452)	1,839	(11,572)	(7,120)	(22,762)	2,652	-	(370,415)		(370,415)
Changes in premium deficiency reserves	144,759	-	-	-	13,975	-	-	158,734		158,734
Net claims and other benefits incurred	3,761,087	56,949	191,301	7,457	13,011	7,049	1,581	4,038,435		4,038,435
Changes in reserve for takaful activities	-	-	-	-	-	-	(650)	(650)		(650)
Policy acquisition costs	151,005	10,879	62,710	20,724	32,925	6,929	664	285,836		285,836
Other underwriting expenses	67,071	13,968	2,291	4,029	9,042	11,014	815	108,230		108,230
Insurance share distribution	-	56,318	-	20,423	-	56,968	-	133,709		133,709
TOTAL UNDERWRITING COSTS AND EXPENSES	3,979,163	138,114	256,302	52,633	54,978	81,960	2,410	4,565,560		4,565,560

THE COMPANY FOR COOPERATIVE INSURANCE

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2020

17. OPERATING SEGMENTS (continued)

Operating Segments	For the nine months period ended September 30, 2020									
	(Unaudited)									
	Medical	Medical - Umrah	Motor	Manafeth	Property & casualty	General Accident - Umrah	Protection & Savings	Total - Insurance operations	Total Shareholders' operations	Total
SAR'000										
NET UNDERWRITING INCOME	451,368	6,939	208,430	9,518	96,499	5,174	3,201	781,129		781,129
General and administrative expenses								(426,501)	(4,208)	(430,709)
Allowance for doubtful debts								(52,177)	-	(52,177)
Dividend and realized gain on investments, net								116,696	19,573	136,269
Share of (loss) / profit from investments in associates, net								(108)	11,027	10,919
Impairment of available for sale investments								(2,637)	(2,175)	(4,812)
Other income								11,095	-	11,095
NET INCOME FOR THE PERIOD BEFORE ZAKAT								427,497	24,217	451,714

THE COMPANY FOR COOPERATIVE INSURANCE

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17. OPERATING SEGMENTS (continued)

For the nine months period ended September 30, 2019

Operating Segments	(Unaudited)						Total - Insurance operations	Total Shareholders' operations	Total
	Medical	Motor	Manafeth	Property & casualty	Protection & Savings	SAR'000			
REVENUES									
Gross premiums written									
- Retail	19,405	402,309	115,924	19,291	-	556,929		556,929	
- Micro Enterprises	177,521	12,628	-	30,870	-	221,019		221,019	
- Small Enterprises	219,498	10,770	-	16,165	127	246,560		246,560	
- Medium Enterprises	299,881	14,468	-	13,823	846	329,018		329,018	
- Corporates	3,670,396	25,443	-	816,414	13,406	4,525,659		4,525,659	
	4,386,701	465,618	115,924	896,563	14,379	5,879,185		5,879,185	
Reinsurance ceded - local	-	-	-	(64,434)	(8,139)	(72,573)		(72,573)	
Reinsurance ceded - international	(93,832)	-	-	(767,908)	(4,558)	(866,298)		(866,298)	
Fees income from takaful	-	-	-	-	4,506	4,506		4,506	
Excess of loss premiums	-	(11,710)	(1,432)	(2,832)	-	(15,974)		(15,974)	
Net premiums written	4,292,869	453,908	114,492	61,389	6,188	4,928,846		4,928,846	
Changes in unearned premiums, net	189,294	14,128	(1,216)	11,560	315	214,081		214,081	
Net premiums earned	4,482,163	468,036	113,276	72,949	6,503	5,142,927		5,142,927	
Reinsurance commissions	2,002	148	-	76,227	-	78,377		78,377	
Other underwriting income	-	8,606	-	-	-	8,606		8,606	
TOTAL REVENUES	4,484,165	476,790	113,276	149,176	6,503	5,229,910		5,229,910	
UNDERWRITING COSTS AND EXPENSES									
Gross claims paid and related expenses	3,950,344	237,905	19,877	630,251	9,467	4,847,844		4,847,844	
Reinsurers' share of claims paid	(60,126)	(6,438)	-	(614,786)	(8,684)	(690,034)		(690,034)	
Net claims paid	3,890,218	231,467	19,877	15,465	783	4,157,810		4,157,810	
Changes in outstanding claims, net	60,320	38,617	1,200	857	(492)	100,502		100,502	
Changes in incurred but not reported claims reserve, net	100,319	(43,273)	(1,108)	(1,874)	4	54,068		54,068	
Changes in premium deficiency Reserves	(4,510)	-	-	(1,166)	-	(5,676)		(5,676)	
Net claims and other benefits incurred	4,046,347	226,811	19,969	13,282	295	4,306,704		4,306,704	
Changes in reserve for takaful activities	-	-	-	-	(1,425)	(1,425)		(1,425)	
Policy acquisition costs	148,195	63,762	23,657	27,011	735	263,360		263,360	
Other underwriting expenses	70,492	2,328	9,186	15,473	1,413	98,892		98,892	
Insurance share distribution	-	-	46,893	-	-	46,893		46,893	
TOTAL UNDERWRITING COSTS AND EXPENSES	4,265,034	292,901	99,705	55,766	1,018	4,714,424		4,714,424	
NET UNDERWRITING INCOME	219,131	183,889	13,571	93,410	5,485	515,486		515,486	
General and administrative expenses						(376,296)	(3,592)	(379,888)	
Allowance for doubtful debts						(96,288)	-	(96,288)	
Dividend and realized gain on investments, net						94,951	77,065	172,016	
Share of profit from investments in associates, net						901	13,123	14,024	
Other income						15,630	-	15,630	
NET INCOME FOR THE PERIOD BEFORE ZAKAT						154,384	86,596	240,980	

THE COMPANY FOR COOPERATIVE INSURANCE

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FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2020

17. OPERATING SEGMENTS (continued)

Operating Segments	As at September 30, 2020									
	(Unaudited)									
	Medical	Medical - Umrah	Motor	Manafeth	Property & casualty	General Accident - Umrah	Protection & Savings	Total - Insurance operations	Total Shareholders' operations	Total
	SAR'000									
Assets										
Deferred excess of loss premiums	-	-	-	1,044	9,846	-	-	10,890		10,890
Deferred policy acquisition costs	108,124	-	18,266	1,037	11,670	-	198	139,295		139,295
Reinsurer's share of outstanding claims	490	-	19,131	5,303	1,865,768	-	22,214	1,912,906		1,912,906
Reinsurer's share of incurred but not reported										
Claims	14,315	-	7,864	-	254,610	-	4,527	281,316		281,316
Reinsurer's share of unearned premiums	-	-	-	-	637,726	-	2,395	640,121		640,121
Unallocated assets:										
Investments (including investment property, mudaraba/ murabaha deposit, investments in associates and accrued investment income)								3,415,015	2,884,036	6,299,051
Receivables, net								2,592,936		2,592,936
Cash and cash equivalents								441,575	96,921	538,496
Other unallocated assets								962,244	127,945	1,090,189
Total assets	122,929	-	45,261	7,384	2,779,620	-	29,334	10,396,298	3,108,902	13,505,200
Liabilities										
Reserve for takaful activities	-	-	-	-	-	-	4,356	4,356		4,356
Gross outstanding claims	225,993	365	192,544	22,071	2,002,784	2,406	23,691	2,469,854		2,469,854
Incurred but not reported claims reserve	1,092,444	1,839	144,713	6,477	255,721	2,652	4,915	1,508,761		1,508,761
Premium deficiency reserve	144,759	-	-	-	16,771	-	34	161,564		161,564
Unearned commission income	-	-	-	-	33,026	-	1,398	34,424		34,424
Gross unearned premiums	2,749,058	-	318,631	18,562	691,674	-	2,759	3,780,684		3,780,684
Unallocated liabilities:										
Reinsurers' balances payable								161,560		161,560
Unallocated liabilities and accumulated surplus								2,358,637	321,873	2,680,510
Total liabilities and surplus	4,212,254	2,204	655,888	47,110	2,999,976	5,058	37,153	10,479,840	321,873	10,801,713

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17. OPERATING SEGMENTS (continued)

Operating Segments	As at December 31, 2019							
	(Audited)							
	Medical	Motor	Manafeth	Property & casualty	Protection & Savings	Total - Insurance operations	Total - Shareholders' operations	Total
SAR'000								
Assets								
Deferred excess of loss premiums	-	2,650	-	5,064	-	7,714		7,714
Deferred policy acquisition costs	84,932	21,645	1,431	12,447	390	120,845		120,845
Reinsurer's share of outstanding Claims	22	20,581	5,241	3,057,935	16,667	3,100,446		3,100,446
Reinsurer's share of incurred but not reported claims	24,365	13,017	-	285,815	4,527	327,724		327,724
Reinsurer's share of unearned Premiums	51,951	-	-	659,903	4,105	715,959		715,959
Unallocated assets:								
Investments (including investment property, mudaraba/ murabaha deposit, investments in associates and accrued investment income)						3,113,846	3,289,992	6,403,838
Receivables, net						1,495,894		1,495,894
Cash and cash equivalents						1,297,401	9,149	1,306,550
Other unallocated assets						508,002	127,513	635,515
Total assets						10,687,831	3,426,654	14,114,485
Liabilities								
Reserve for takaful activities	-	-	-	-	5,006	5,006		5,006
Gross outstanding claims	256,389	196,625	20,884	3,193,319	17,674	3,684,891		3,684,891
Incurring but not reported claims Reserve	1,435,946	161,438	13,597	309,688	4,915	1,925,584		1,925,584
Premium deficiency reserve	-	-	-	2,796	34	2,830		2,830
Unearned commission income	1,271	-	-	41,170	882	43,323		43,323
Gross unearned premiums	2,753,711	325,978	26,646	714,976	4,808	3,826,119		3,826,119
Unallocated liabilities:								
Reinsurers' balances payable						523,820		523,820
Other unallocated liabilities and accumulated surplus						1,334,585	268,638	1,603,223
Total liabilities and surplus						11,346,158	268,638	11,614,796

18. EARNINGS PER SHARE

Basic and diluted earnings per share for the three and nine month periods ended 30 September 2020 and 30 September 2019 have been calculated by dividing the net income for the period attributed to shareholders' by the weighted average number of ordinary shares issued and outstanding at the end of the period.

19. ZAKAT

Status of assessments

The Company filed Zakat returns with the General Authority of Zakat and Tax ("GAZT") for the years 2014 through 2019. The GAZT raised queries for the years 2014 through 2018 and the Company submitted response, the GAZT's review and assessment for these years are awaited. The Zakat return for the year 2019 awaits GAZT's review. Management believes that, appropriate provisions have been created that finalization of the above mentioned assessments is not expected to have a material impact on the financial statements for the year ended 2019.

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20. SUPPLEMENTARY INFORMATION

i) Interim condensed statement of financial position

	As at September 30, 2020			As at December 31, 2019		
	(Unaudited)			(Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000					
ASSETS						
Statutory deposit	-	125,000	125,000	-	125,000	125,000
Accrued income on statutory deposit	-	2,708	2,708	-	2,513	2,513
Property and equipment, net	254,883	-	254,883	260,119	-	260,119
Intangible assets	7,623	-	7,623	3,971	-	3,971
Investment property	9,861	-	9,861	9,861	-	9,861
Investments in associates	-	80,531	80,531	10,358	91,162	101,520
Available for sale investments	2,087,662	1,039,770	3,127,432	1,511,524	1,235,224	2,746,748
Mudaraba/ Murabaha deposits	1,242,991	1,743,686	2,986,677	1,577,912	1,961,464	3,539,376
Due from/ to Shareholder's operations	52,731	(52,731)	-	758,558	(758,558)	-
Prepaid expenses and other assets	699,738	237	699,975	243,912	-	243,912
Deferred excess of loss premiums	10,890	-	10,890	7,714	-	7,714
Deferred policy acquisition costs	139,295	-	139,295	120,845	-	120,845
Reinsurers' share of gross outstanding claims	1,912,906	-	1,912,906	3,100,446	-	3,100,446
Reinsurers' share of incurred but not reported claims	281,316	-	281,316	327,724	-	327,724
Reinsurers' share of unearned premiums	640,121	-	640,121	715,959	-	715,959
Receivables, net	2,592,936	-	2,592,936	1,495,894	-	1,495,894
Accrued investment income	74,501	20,049	94,550	4,191	2,142	6,333
Cash and cash equivalents	441,575	96,921	538,496	1,297,401	9,149	1,306,550
TOTAL ASSETS	10,449,029	3,056,171	13,505,200	11,446,389	2,668,096	14,114,485
LIABILITIES						
Surplus distribution payable	34,283	-	34,283	34,283	-	34,283
Defined benefit obligations	136,089	-	136,089	129,480	-	129,480
Return payable on statutory deposit	-	2,708	2,708	-	2,513	2,513
Claims payable, accrued expenses and other liabilities	1,745,144	5,029	1,750,173	1,170,822	4,160	1,174,982
Short term borrowing	400,371	-	400,371	-	-	-
Reserve for takaful activities	4,356	-	4,356	5,006	-	5,006
Gross outstanding claims	2,469,854	-	2,469,854	3,684,891	-	3,684,891
Incurred but not reported claims reserve	1,508,761	-	1,508,761	1,925,584	-	1,925,584
Premium deficiency reserve	161,564	-	161,564	2,830	-	2,830
Unearned commission income	34,424	-	34,424	43,323	-	43,323
Gross unearned premiums	3,780,684	-	3,780,684	3,826,119	-	3,826,119
Reinsurers' balances payable	161,560	-	161,560	523,820	-	523,820
Dividends payable	-	6,411	6,411	-	6,411	6,411
Accumulated surplus	42,750	-	42,750	-	-	-
Zakat payable	-	307,725	307,725	-	255,554	255,554
TOTAL LIABILITIES	10,479,840	321,873	10,801,713	11,346,158	268,638	11,614,796
EQUITY						
Share capital	-	1,250,000	1,250,000	-	1,250,000	1,250,000
Statutory reserve	-	1,065,517	1,065,517	-	1,065,517	1,065,517
Fair value reserve for investments	(16,271)	37,964	21,693	114,771	52,701	167,472
Remeasurements of defined benefit obligation	(14,540)	-	(14,540)	(14,540)	-	(14,540)
Retained earnings	-	380,817	380,817	-	31,240	31,240
TOTAL EQUITY	(30,811)	2,734,298	2,703,487	100,231	2,399,458	2,499,689
TOTAL LIABILITIES AND EQUITY	10,449,029	3,056,171	13,505,200	11,446,389	2,668,096	14,114,485

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FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2020

20. SUPPLEMENTARY INFORMATION (continued)

ii) Interim condensed statement of income

	For the three months period ended September 30, 2020			For the three months period ended September 30, 2019		
	(Unaudited)			(Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR'000					
REVENUES						
Gross premiums written	1,319,889	-	1,319,889	1,422,638	-	1,422,638
Reinsurance premium ceded	(325,313)	-	(325,313)	(240,002)	-	(240,002)
Fees income from takaful	635	-	635	1,968	-	1,968
Excess of loss premiums	(4,990)	-	(4,990)	(3,581)	-	(3,581)
Net premiums written	990,221	-	990,221	1,181,023	-	1,181,023
Changes in unearned premiums, net	736,134	-	736,134	605,352	-	605,352
Net premiums earned	1,726,355	-	1,726,355	1,786,375	-	1,786,375
Reinsurance commissions	31,376	-	31,376	28,474	-	28,474
Other underwriting income	554	-	554	2,979	-	2,979
Total revenues	1,758,285	-	1,758,285	1,817,828	-	1,817,828
COST AND EXPENSES						
Gross claims paid	1,793,592	-	1,793,592	1,437,468	-	1,437,468
Expenses incurred related to claims	1,175	-	1,175	7,358	-	7,358
Reinsurance share of claims paid	(284,307)	-	(284,307)	(262,424)	-	(262,424)
Net claims and other benefits paid	1,510,460	-	1,510,460	1,182,402	-	1,182,402
Changes in outstanding claims, net	2,463	-	2,463	133,316	-	133,316
Changes in incurred but not reported claims, net	(56,527)	-	(56,527)	144,595	-	144,595
Changes in premium deficiency reserves	(47,601)	-	(47,601)	(319)	-	(319)
Net claims and other benefits incurred	1,408,795	-	1,408,795	1,459,994	-	1,459,994
Changes in reserves for takaful activities	(210)	-	(210)	(125)	-	(125)
Policy acquisition costs	90,097	-	90,097	90,890	-	90,890
Other underwriting expenses	17,084	-	17,084	30,245	-	30,245
Insurance share distribution	9,292	-	9,292	16,234	-	16,234
Total underwriting costs and expenses	1,525,058	-	1,525,058	1,597,238	-	1,597,238
Net underwriting income	233,227	-	233,227	220,590	-	220,590
General and administrative expenses	(130,835)	(1,379)	(132,214)	(126,583)	(3,122)	(129,705)
Allowance for doubtful debts	(19,567)	-	(19,567)	(37,965)	-	(37,965)
Dividend and realized gain on investments, net	26,764	11,492	38,256	28,931	28,215	57,146
Share of profit from investments in associates, net	-	3,189	3,189	476	2,198	2,674
Other income, net	2,074	-	2,074	5,458	-	5,458
Net income for the period before Zakat	111,663	13,302	124,965	90,907	27,291	118,198
Surplus transferred to Shareholders'	(100,496)	100,496	-	(81,817)	81,817	-
Net income for the period after Shareholders' appropriations before Zakat	11,167	113,798	124,965	9,090	109,108	118,198
Zakat charge for the period		<u>(19,265)</u>			<u>(16,141)</u>	
Net income for the period after Zakat		<u>94,533</u>			<u>92,967</u>	

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20. SUPPLEMENTARY INFORMATION (continued)

iii) Interim condensed statement of income (continued)

	For the nine months period ended September 30, 2020			For the nine months period ended September 30, 2019		
	(Unaudited)			(Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR'000					
REVENUES						
Gross premiums written	6,362,423	-	6,362,423	5,879,185	-	5,879,185
Reinsurance premium ceded	(1,061,139)	-	(1,061,139)	(938,871)	-	(938,871)
Fees income from takaful	3,590	-	3,590	4,506	-	4,506
Excess of loss premiums	(20,541)	-	(20,541)	(15,974)	-	(15,974)
Net premiums written	5,284,333	-	5,284,333	4,928,846	-	4,928,846
Changes in unearned premiums, net	(30,403)	-	(30,403)	214,081	-	214,081
Net premiums earned	5,253,930	-	5,253,930	5,142,927	-	5,142,927
Reinsurance commissions	86,341	-	86,341	78,377	-	78,377
Other underwriting income	6,418	-	6,418	8,606	-	8,606
Total revenues	5,346,689	-	5,346,689	5,229,910	-	5,229,910
COST AND EXPENSES						
Gross claims paid	5,195,882	-	5,195,882	4,830,001	-	4,830,001
Expenses incurred related to claims	58,380	-	58,380	17,843	-	17,843
Reinsurance share of claims paid	(976,649)	-	(976,649)	(690,034)	-	(690,034)
Net claims and other benefits paid	4,277,613	-	4,277,613	4,157,810	-	4,157,810
Changes in outstanding claims, net	(27,497)	-	(27,497)	100,502	-	100,502
Changes in incurred but not reported claims, net	(370,415)	-	(370,415)	54,068	-	54,068
Changes in premium deficiency reserves	158,734	-	158,734	(5,676)	-	(5,676)
Net claims and other benefits incurred	4,038,435	-	4,038,435	4,306,704	-	4,306,704
Changes in reserves for takaful activities	(650)	-	(650)	(1,425)	-	(1,425)
Policy acquisition costs	285,836	-	285,836	263,360	-	263,360
Other underwriting expenses	108,230	-	108,230	98,892	-	98,892
Insurance share distribution	133,709	-	133,709	46,893	-	46,893
Total underwriting costs and expenses	4,565,560	-	4,565,560	4,714,424	-	4,714,424
Net underwriting income	781,129	-	781,129	515,486	-	515,486
General and administrative expenses	(426,501)	(4,208)	(430,709)	(376,296)	(3,592)	(379,888)
Allowance for doubtful debts	(52,177)	-	(52,177)	(96,288)	-	(96,288)
Dividend and realized gain on investments, net	116,696	19,573	136,269	94,951	77,065	172,016
Share of profit from investments in associates, net	(108)	11,027	10,919	901	13,123	14,024
Impairment of available for sale investments	(2,637)	(2,175)	(4,812)	-	-	-
Other income, net	11,095	-	11,095	15,630	-	15,630
Net income for the period before Zakat	427,497	24,217	451,714	154,384	86,596	240,980
Surplus transferred to Shareholders'	(384,747)	384,747	-	(138,946)	138,946	-
Net income for the period after Shareholders' appropriations before Zakat	42,750	408,964	451,714	15,438	225,542	240,980
Zakat charge for the period		(59,387)			(51,983)	
Net income for the period after Zakat		349,577			173,559	

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FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2020

20. SUPPLEMENTARY INFORMATION (continued)

iv) Interim condensed statement of comprehensive income

	For the three months period ended September 30, 2020 (Unaudited)			For the three months period ended September 30, 2019 (Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR'000					
Net income after Zakat	11,167	94,533	105,700	9,090	92,967	102,057
Other comprehensive income:						
<i>To be recycled back to interim statement of income in subsequent periods:</i>						
<u>Available for sale investments</u>						
- Net change in fair value	82,249	32,525	114,774	70,990	16,655	87,645
- Net amounts recycled to interim statement of income	4,569	(321)	4,248	-	-	-
Share of other comprehensive income of investments in associates	-	1,980	1,980	-	-	-
Total comprehensive income for the Period	97,985	128,717	226,702	80,080	109,622	189,702
Reconciliation:						
Less: Net income attributable to insurance operations transferred to accumulated surplus			(11,167)			(9,090)
Total comprehensive income for the period			215,535			180,612
	For the nine months period ended September 30, 2020 (Unaudited)			For the nine months period ended September 30, 2019 (Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR'000					
Net income after Zakat	42,750	349,577	392,327	15,438	173,559	188,997
Other comprehensive income:						
<i>To be recycled back to interim statement of income in subsequent periods:</i>						
<u>Available for sale investments</u>						
- Net change in fair value	(115,667)	(38,024)	(153,691)	197,034	148,300	345,334
- Net amounts recycled to interim statement of income	(15,375)	24,704	9,329	-	1,145	1,145
Share of other comprehensive income of investments in associates	-	(1,417)	(1,417)	-	1,355	1,355
Total comprehensive (loss) / income for the Period	(88,292)	334,840	246,548	212,472	324,359	536,831
Reconciliation:						
Less: Net income attributable to insurance operations transferred to accumulated surplus			(42,750)			(15,438)
Total comprehensive income for the period			203,798			521,393

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FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2020

20. SUPPLEMENTARY INFORMATION (continued)

v) Interim condensed statement of cash flows

	For the nine months period ended September 30, 2020			For the nine months period ended September 30, 2019		
	(Unaudited)			(Unaudited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR*000					
Operating activities:						
Net income before attribution and zakat	42,750	408,964	451,714	15,438	225,542	240,980
Adjustments for non-cash items:						
Depreciation of property and equipment	24,082	-	24,082	16,826	-	16,826
Amortization of intangible assets	836	-	836	3,769	-	3,769
Allowance for doubtful debts	52,177	-	52,177	96,288	-	96,288
Gain on sale of available-for-sale investments	(18,012)	22,529	4,517	-	1,145	1,145
Impairment of available-for-sale- investments	2,637	2,175	4,812	-	-	-
Share of profit from investments in associates, net	108	(11,027)	(10,919)	(901)	(13,123)	(14,024)
Provision for defined benefit obligation	16,023	-	16,023	9,924	-	9,924
	120,601	422,641	543,242	141,344	213,564	354,908
Changes in operating assets and liabilities:						
Prepaid expenses and others assets	(455,826)	(237)	(456,063)	(66,110)	(100)	(66,210)
Deferred excess of loss premiums	(3,176)	-	(3,176)	1,338	-	1,338
Deferred policy acquisition costs	(18,450)	-	(18,450)	5,600	-	5,600
Reinsurers' share of outstanding claims	1,187,540	-	1,187,540	(571,421)	-	(571,421)
Reinsurers' share of claims incurred but not reported	46,408	-	46,408	(62,981)	-	(62,981)
Reinsurers' share of unearned premiums	75,838	-	75,838	(7,943)	-	(7,943)
Receivables, net	(1,149,219)	-	(1,149,219)	39,464	-	39,464
Reinsurers' balances payable	(362,260)	-	(362,260)	144,897	-	144,897
Gross unearned premiums	(45,435)	-	(45,435)	(206,138)	-	(206,138)
Unearned commission income	(8,899)	-	(8,899)	2,061	-	2,061
Gross outstanding claims	(1,215,037)	-	(1,215,037)	671,923	-	671,923
Claims incurred but not reported reserves	(416,823)	-	(416,823)	117,049	-	117,049
Premium deficiency reserve	158,734	-	158,734	(5,676)	-	(5,676)
Reserve for takaful activities	(650)	-	(650)	(1,425)	-	(1,425)
Claims payable, accrued expenses and other liabilities	574,322	869	575,191	75,292	(4,802)	70,490
	(1,512,332)	423,273	(1,089,059)	277,274	208,662	485,936
Zakat paid during the period	-	(7,216)	(7,216)	-	(56,105)	(56,105)
Defined benefit obligation paid	(9,414)	-	(9,414)	(10,850)	-	(10,850)
Net cash (used in) / generated from operating activities	(1,521,746)	416,057	(1,105,689)	266,424	152,557	418,981
Investing activities:						
Proceeds from sale of available-for-sale investments	818,204	668,346	1,486,550	405,419	904,725	1,310,144
Purchase of available-for-sale investments	(1,499,759)	(510,916)	(2,010,675)	(261,088)	(385,436)	(646,524)
Proceeds from maturity of mudarabah/ murabaha deposits	3,730,682	3,987,563	7,718,245	4,208,633	2,524,583	6,733,216
Placement in mudarabah/ murabaha deposits	(3,395,761)	(3,769,785)	(7,165,546)	(4,358,494)	(3,450,054)	(7,808,548)
Accrued investment income	(70,310)	(17,907)	(88,217)	(32,486)	(30,003)	(62,489)
Dividends received from investments in associates	-	20,241	20,241	-	26,209	26,209
Purchase of property and equipment	(18,846)	-	(18,846)	(1,725)	-	(1,725)
Purchase of intangible assets	(4,488)	-	(4,488)	(5,407)	-	(5,407)
Net cash (used in) / generated from investing activities	(440,278)	377,542	(62,736)	(45,148)	(409,976)	(455,124)

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20. SUPPLEMENTARY INFORMATION (continued)

v) Interim condensed statement of cash flows (continued)

	For the nine months period ended September 30, 2020			For the nine months period ended September 30, 2019		
	(Unaudited)			(Unaudited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR'000					
Financing activities:						
Proceeds from Short-term borrowings	400,371	-	400,371	-	-	-
Due to shareholders	705,827	(705,827)	-	(30,066)	30,066	-
Net cash generated from / (used in) financing activities	1,106,198	(705,827)	400,371	(30,066)	30,066	-
Net change in cash and cash equivalents	(855,826)	87,772	(768,054)	191,210	(227,353)	(36,143)
Cash and cash equivalents, beginning of the period	1,297,401	9,149	1,306,550	1,117,258	482,982	1,600,240
Cash and cash equivalents, end of the period	441,575	96,921	538,496	1,308,468	255,629	1,564,097
Non-cash supplemental information:						
Changes in fair value for available-for-sale investments	(131,042)	(13,320)	(144,362)	197,034	149,445	346,479
Share of other comprehensive income of Associates	-	(1,417)	(1,417)	-	1,355	1,355
Reclassification to available-for-sale investments from investment in associates	10,250	-	10,250	-	-	-

21. RISK MANAGEMENT

The risk management policies used in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2019 except for the following:

Credit risk management

The Company has strengthened its credit risk management policies to address the fast changing and evolving risks posed by the current circumstances. These include review of credit concentrations at granular economic sector, region, counterparty level and take appropriate action where required. Based on the review, the Company has identified the following major sectors, which are Food, Airlines, Freight Companies, Hotels, Retail, Construction, Entertainment, Tourism etc. being impacted significantly by the Covid-19 pandemic and lower oil prices.

Capital risk management

The Company's management, through various scenario analysis as required by the regulator, has assessed the potential of the Covid-19 pandemic by performing stress testing for various variables like: gross premium growth, increase in employee cost, YTD loss ratio, outstanding premium provisions etc. and the related impact on the revenue, profitability, loss ratio and solvency ratio. The Company's management has concluded that based on stress testing performed, the solvency margin of the Company could be reduced from 135% to 75%, under such circumstances the company would take corrective actions. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgements and uncertainties and, therefore, the actual outcomes may be different to those projected. As the situation is fluid and rapidly evolving, the Company will continue to reassess its position and the related impact on a regular basis.

Liquidity risk management

The Company is aware of the need to keep a close focus on liquidity management during this period and has enhanced its monitoring of current liquidity needs as well as the pandemic in its entirety. The Company regularly reviews and updates the liquidity forecast based on the individual liquidity balance as well as the continued development of external economic factors.

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22. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain of the prior period amounts have been reclassified to conform with the presentation in the current period. These changes were made for better presentation of balances and transactions in the interim condensed financial statements of the Company.

23. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Audit Committee on behalf the Board of Directors, on Rabi Al Awal 12, 1442H, corresponding to October 29, 2020.