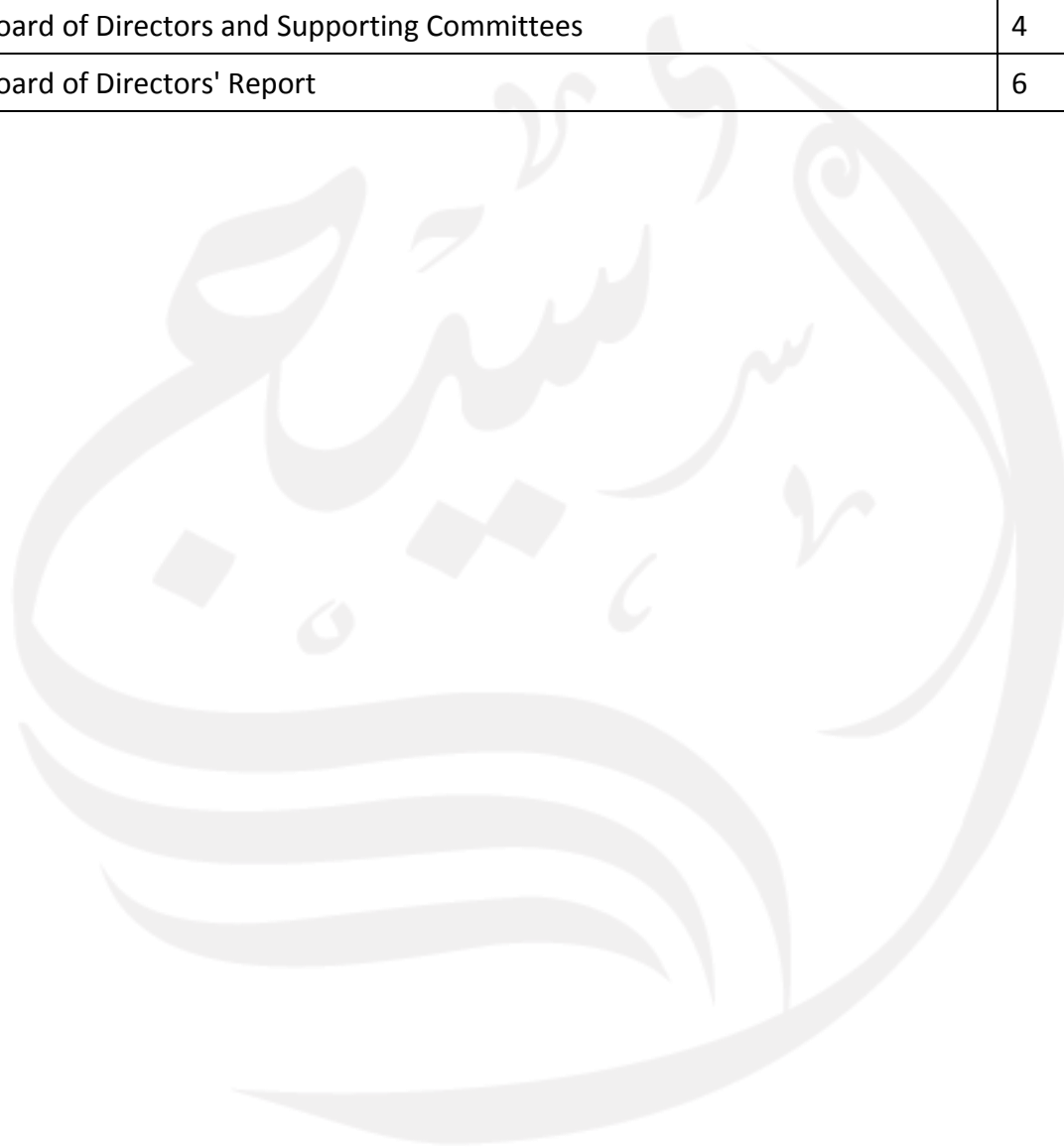


ALLIED COOPARTIVE INSURANCE GROUP



**Board of Directors' Report  
1440 AH -2018 AD**

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## The board chairman speech

**Ladies and gentlemen, the shareholders**

### **Greetings**

On behalf the Board of Directors and me, I am pleased to put in your hands the annual report of 2018, which shows the performance of the company, and the results of its principal activities as well as the financial statements for the year ending December 31, 2018. Thanks to God Almighty for the achievements and we look forward to achieve better results.

On behalf of myself and the Board of Directors I thank you and all concerned Regulatory and Governmental Authorities and all ACIG employees for the efforts, support and contribution to what has been achieved during the year 2018.

Thamer Abdullah Mohammed Bin Rayes  
Chairman of Board of Directors

## **Board of Directors and Supporting Committees**

### **Board of Directors:**

- |   |                              |
|---|------------------------------|
| 1. Eng./ Thamer bin Abdullah bin Reese        | (Chairman of the Board)      |
| 2. Eng./ Soliman bin Abdullah Al Khraiji      | (Vice Chairman of the Board) |
| 3. Eng./ Mohammed Hani Abdul Qadir Al Bakry   | (Member)                     |
| 4. Mr./ Hossam Bin Talal Al Ghazzawi          | (Member)                     |
| 5. Dr./ Abdul Latif bin Mohammed Al-Sheikh    | (Member)                     |
| 6. Mr./ Ali bin Hassan Al Jasser Al Shahri    | (Member)                     |
| 7. Eng./ Tarek bin Abdullah Hussein Al Rumeim | (Member)                     |
| 8. Dr./ Yousef bin Abdullah Basoudan          | (Member)                     |
| 9. Ms. / Zain Eyad Al Imam                    | (Member)                     |
| 10. Mr./ Hisham bin Mohammed Al Sharif        | (Member and CEO)             |

### **Executive Committee:**

- |   |                             |
|---|-----------------------------|
| 1. Eng./ Thamer bin Abdullah bin Reese      | (Chairman of the Committee) |
| 2. Eng./ Mohammed Hani Abdul Qadir Al Bakry | (Committee Member)          |
| 3. Mr./ Hossam Bin Talal Al Ghazzawi        | (Committee Member)          |
| 4. Mr./ Hisham bin Mohammed Al Sharif       | (Committee Member)          |
| 5. Mr./ Ali bin Hassan Al Jasser Al Shahri  | (Committee Member)          |

### **Audit Committee:**

- |                                      |                             |
|--------------------------------------|-----------------------------|
| 1. Dr./ Yousef bin Abdullah Basoudan | (Chairman of the Committee) |
| 2. Mr./ Nabil Nassif                 | (Committee Member)          |
| 3. Dr./ Masum Billah                 | (Committee Member)          |
| 4. Mr./ Abdullah Al-Harbi            | (Committee Member)          |

### **Committee of Nominations and Rewards:**

- |  |                             |
|--|-----------------------------|
| 1. Mr./ Ali bin Hassan Al Jasser Al Shahri | (Chairman of the Committee) |
| 2. Dr./ Abdul Latif bin Mohammed Al-Sheikh | (Committee Member)          |
| 3. Mr./ Nayef Al-Tamimi                    | (Committee Member)          |

### **Investment Committee:**

- |   |                             |
|---|-----------------------------|
| 1. Eng./ Thamer bin Abdullah bin Reese        | (Chairman of the Committee) |
| 2. Mr./ Hisham bin Mohammed Al Sharif         | (Committee Member)          |
| 3. Eng./ Tarek bin Abdullah Hussein Al Rumeim | (Committee Member)          |
| 4. Mr./ Shagul Hamid                          | (Committee Member)          |

### **Risk Management Committee:**

- |  |                             |
|--|-----------------------------|
| 1. Eng./ Soliman bin Abdullah Al Khraiji | (Chairman of the Committee) |
| 2. Mr./ Hossam Bin Talal Al Ghazzawi     | (Committee Member)          |
| 3. Mr./ Hisham bin Mohammed Al Sharif    | (Committee Member)          |

### **Shariah Supervisory Board:**

- |                                       |            |
|---------------------------------------|------------|
| 1. Sheikh/ Abdullah Bin Beah          | (Chairman) |
| 2. Dr./ Hani Bin Ahmed Abdul Shakoor  | (Member)   |
| 3. Mr./ Hassan Bin Hussein Al-Mubarak | (Member)   |

### First: Main Activities:

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**, as a public company, operates in cooperative insurance, under the final authorization issued by the Saudi Arabian Monetary No. T M N / 20095/21 dated 15/05/1430 AH corresponding to 11/05/2009, where the authorization has been renovated for a period of three years ending on 14/5/1439 AH (corresponding to 31/01/2018).

The main activity of the company includes: health insurance, general insurance, including vehicle insurance, property insurance against fire, theft, damage and the like, marine insurance, engineering insurance and general accidents insurance.

**The effect of these main activities on the company's business and its contribution on the results is as follow:**

Activities Revenues		
Product	Value per thousand riyals	percentage
Vehicle	323,683	64.73%
Health	152,751	30.55%
General Accidents	9,361	1.87%
Engineering	2,845	0.57%
Fire	9,258	1.85%
Marine	1,656	0.33 %
Others	459	0.09%
Total	500,013	100%

The company faces several risks by offering general insurance and health insurance, most important of which are market's risks including the big competition within more than thirty insurance companies. The Company hopes to achieve its objectives and pursue its work for the interests of shareholders and clients.

## **Second: Description of the Company's Important Plans and Decisions, and the Future Prospects for Company's Business:**

During 2018 the board of directors decided to not continue the dissection about ( starting the initial agreement with Malath Insurance Company to feasibility study to corporate integration) , because of the failure to reach an initial agreement with Malath Insurance company regarding the used methodology in evaluating the two companies.

The company's organizational structure has been modified by establishing the Cyber Security Administration, and the engineer Majid AL Shodary has been appointed as head of information security since 1/ January/2019.

### **Future Prospects for Company's Business:**

1. Developing the e-services systems to include the mediators.
2. Increasing the effectiveness of telesales unit works and their contribution in bringing the insurance of companies sector through insurance producers: Comprehensive vehicle insurance and companies health insurance, in addition to increasing the activation of their work in order to increase the insurance product sales: medical malpractice insurance, health insurance product for small groups and compulsory insurance on vehicles (third party).
3. Develop the e-sales to include all the clients' needed services.
4. Develop special programs about loyalty and customer retention.
5. Develop the multiple product mechanism through various sales channels.
6. Developing agent's mechanisms and activate the e-services through the agent.
7. Continuing the intensification of training courses for sales staff at the level of the Kingdom under the terms and conditions of sale of insurance companies.
8. Working on marketing campaigns for some insurance products of individuals segments, which shall be meeting all the terms and conditions of the Saudi Arabian Monetary Agency.
9. Working on increasing e-marketing campaigns in order to raise the sales of non-compulsory products.
10. Establishing specialized departments according to the insurance product.

## **Third: Summary of Financial Results:**

The following table shows a summary of financial statements for the fiscal year ending 31/12/2018:

### 1-Summary of Financial Statements of the Company in thousands SAR)

Activity	2018	2017	2016	2015	2014
Assets of insurance operations	407,425	388,329	431,714	395,779	242,731
Assets of Shareholders'	144,791	141,468	127,456	118,380	112,438
Total Assets	552,216	529,797	559,170	514,159	355,169
Totals of insurance operations	407,785	388,329	431,714	395,779	242,731
Shareholders' liabilities	6,783	3,534	2,305	1,421	1,907
Shareholders' equity	137,648	137,934	125,151	116,959	110,531
Total liabilities and shareholders' equity	144,431	141,468	127,456	118,380	112,438
Gross written premiums	500,013	429,972	510,618	549,441	297,374
Net written premiums	456,012	365,917	431,792	458,544	229,320
Total of revenue	450,305	370,159	450,687	401,944	216,591
Total paid claims	346,972	299,436	353,566	284,317	165,503
Net incurred claims	324,871	246,888	344,715	290,990	149,357
General administrative expenses	79,150	76,247	62,442	56,540	44,473
Investment revenues and other income of insurance operations	4,157	2,570	6,584	2,094	2,344
Surplus (deficit) in the insurance operations less return on investments of the policyholders (the results of operations)	4,347	14,975	6,519	9,986	5,347
Net profit (loss) for the year before Zakat	2,358	18,117	8,344	11,133	8,932

### 2-The following are some of the indicators and financial ratios for the previous numbers: -

- Net profit for the year has reached 2,358 thousand riyals compared to net profit of 18,117 thousand riyals for the previous year with a decrease of 87%.
- Surplus from insurance operations less return on investments of the policyholders (the results of operations) during the year has reached 4,347 thousand riyals compared to 14,975 thousand riyals for the previous year with a decrease of 71%.
- Gross written premiums (GWP) during the year has reached 500,013 thousand riyals compared to 429,972 thousand riyals compared to the previous year with a decrease of 16%, as well, the net written premiums (NWP) during the year has reached 456,012 thousand riyals compared to 365,917 thousand riyals compared to the previous year with a increase of 25%.
- Net incurred claims during the year has reached 324,871 thousand riyals compared to 246,888 thousand riyals compared to the previous year with an increase of 32%.

- Total assets of the insurance operations during the year has reached 407,425 thousand riyals compared to 246,888 thousand riyals compared to the previous year with an increase of 5 %.
- Total shareholders' assets during the year has reached 552,216 thousand riyals compared to 529,797 thousand riyals compared to the previous year with an estimated increase by 2 %.
- Total assets during the year has reached 529,797 thousand riyals compared to 529,797 thousand riyals compared to the previous year, with an increase of 4 %.
- Total liabilities from insurance operations during the year has reached 407,785 thousand riyals compared to 388,329 thousand riyals compared to the previous year, with an increase of 5 %.
- Total liabilities of shareholders during the year has reached 6,783 thousand riyals compared to 3,534 thousand riyals compared to the previous year, with an increase of 92 %.
- Total shareholders' equity during the year has reached 137,648 thousand riyals compared to 137,934 thousand riyals compared to the previous year, with a decrease of 286 thousand riyals.
- Total liabilities and shareholders' equity during the year has reached 144,431 thousand riyals compared to 141,468 thousand riyals compared to the previous year, with an increase of 2 %.

### 3-The fundamental differences in the operating results:

Statement	(Value in thousand riyal )  2018	(Value in thousand riyal )  2017	Value of changes (Value in thousand riyal)	Percentage of changes
Gross written premiums	500,013	429,972	70,041	16%
Net written premiums	456,012	365,917	90,095	25%
Total of revenue	450,305	370,159	80,146	22%
Total paid claims	346,972	299,436	47,536	16%
Net incurred claims	324,871	246,888	77,983	32%
General administrative expenses	79,150	76,247	2,903	4%
Investment revenues and other income of insurance operations	4,157	2,570	1,587	62%
Surplus (deficit) in the insurance operations less return on investments of the policyholders (the results of operations)	4,347	14,975	(10,628)	-71%
Net profit (loss) for the year	2,358	18,117	(15,759)	-87%

The company has decreasing of net profit during the current year compared to the same period of the previous year due to the increase in net claims incurred by 32%, decrease in reinsurance commission earned by 35%, increase general and administrative expenses by 4%, decrease in other underwriting income by 21%, the increase in doubtful provision of debts by 7,499 thousands riyals which is due to a provision for not



collected VAT which have been charged to the on the uninsured premiums of customers by 3,6 million riyals. As well as the loss in shareholders investments in amount of SR 3,182 thousands during the current year comparing to the profit of shareholders investments in amount SR 4,496 thousands during the previous year. Although of the gross written premiums increase by 16%, the increase in net written premiums earned by 25% , the increase in net premiums earned by 13%, decrease in acquisition costs of documents by 5% and the net profit from the investment funds of the policyholders by 84%.

The company sells all types of general and health insurance. The following is an analysis of work volume carried out by the Company during the years 2014 – 2018:

Name	Value per thousand riyals 2018	Value per thousand riyals 2017	Value per thousand riyals 2016	Value per thousand riyals 2015	Value per thousand riyals 2014
Fire Insurance	9,258	10,496	12,441	18,002	23,213
Engineering Insurance	2,845	10,591	8,817	12,768	4,959
Marine Insurance	1,656	1,054	1,134	1,073	1,604
General Insurance	9,360	21,119	22,170	19,831	15,276
Motor Insurance	323,683	271,305	278,858	320,469	130,251
Health Insurance	152,751	115,155	186,765	177,031	121,127
Other types of insurance	460	252	433	267	944
<b>Total</b>	<b>500,013</b>	<b>429,972</b>	<b>510,618</b>	<b>549,441</b>	<b>297,374</b>

#### 4-The following is a geographical sales analysis through 2018

Area Name	Value per thousand riyals 2018
Central Region	75,956
Western Region	342,333
Eastern Province	43,628
Northern Region	876
Southern Region	37,220
<b>Total</b>	<b>500,013</b>

#### Fourth: Statutory Disclosures:

##### **1. The provision of the Corporate Governance Regulations, Unless and the Reasons Behind that:**

Through Internal Audit and Compliance Departments, the Company does follow up the release of all the rules and regulations and ensure their application in accordance with the requirements laid down by the regulatory authorities. The Compliance Department follows up the contact with regulatory authorities to verify full compliance. The company has committed to all the contents of the Corporate

Governance Regulation issued by the Capital Market Authority. In the first non-regular meeting of the General Assembly held on Monday 21/07/1433 AH, corresponding to 11/06/2012, the Assembly approved the addition of an article bearing No. (37) of the Company's Articles of Association which is concerned with the cumulative voting in the general assemblies of shareholders. According to the Articles of Association and internal regulations of the Company, the shareholders will be entitled to:

- Obtain a share of the dividend payments.
- Obtain a share of the company's assets on liquidation.
- Attend and participate in the deliberations of the General Assemblies and vote on its decisions.
- Dispose of the shares.
- Control the works of the Board and sue the members of the Board for responsibility.
- Inquiry and request information as not to compromise the interests of the company and not oppose the market system and implementing regulations.

The Ordinary General Meeting has met on Monday 20-10-1437 AH corresponding to 25/07/2016, and approved the amendments and additions to the Corporate Governance Regulation, in order to keep in line with Corporate Governance Regulation issued by the Saudi Market Authority, with the consideration of the issued Corporate Governance Regulation by the Saudi Arabian Monetary Agency.

The company apply all the issued regulations of the Corporate Governance Regulation by the Saudi Market Authority except the followings:

Reasons for not applying	The article text	The article number
There are terms of references to chairman of board of directors in the company's articles of association , and a policy will be prepared for the vice chairman	The board of directors has to determine the terms of reference of the chairman of board of directors, his deputy and the managing director if any, clearly assume their responsibilities if the company's main policy fails to do so	Paragraph (G) of Article XXIV
Guidance material	<ol style="list-style-type: none"> <li>1. The board of directors shall, upon the proposal of the nomination committee, establish the necessary mechanisms to evaluate the performance of the Board and its committee and the executive management annually , through appropriate performance indicators related to the extent to the achieved strategic objectives</li> <li>2. Performance evaluation procedures should be written and clear and disclosed to Board members and evaluators</li> <li>3. Performance assessment should include the skills and expertise of the Board and identify weaknesses and strengths While working to address the weaknesses in the possible ways such as the nomination of professional competencies that can develop the performance of the board and must also include the evaluation of work mechanisms in the board in general</li> <li>4. The individual evaluation of the members of the board of directors shall take into account the extent of the active participation of the member and his obligation to perform his duties and its responsibilities, including attendance at meetings of the board and its committees and allocation of the required time.</li> <li>5. The Board of Directors shall make the necessary arrangements to obtain the evaluation of a competent third party of its performance every three years.</li> <li>6. The non-executive board members assess the performance of the board periodically after taking the members point of views</li> <li>7. Executives - without the chairman of the board attending the discussion for this purpose - to determine the weakness and strength of the company's aspects and process it according to the company's policy</li> </ol>	Paragraph (all) of Article XLI

Guidance material	<p>The company puts programs to develop and stimulate the participation and performance of the employees of the company, including - in particular –</p> <ol style="list-style-type: none"> <li>1. the formation of committees or holding specialized workshops to listen to the employees' opinions of the company and to discuss important issues and topics.</li> <li>2. Programs to grant employees shares at the company or share some of the profits achieved and Retirement programs and establishing an independent fund to spend on those programs.</li> <li>3. Establish social institutions for employees at the company</li> </ol>	Article LXXXV
Guidance material	On the proposal of the Governing Council, the Ordinary General Assembly shall establish a policy to ensure the balance between its objectives and the objectives of the society aspires to achieve to develop the social and economic conditions of the society.	Article LXXXVII
Guidance material	<p>The Board of Directors sets out the programs and identifies the necessary means to launch the company's social work initiatives, including the following:</p> <ol style="list-style-type: none"> <li>1. Establishing and comparing indicators of the company performance in its social work initiatives.</li> <li>2. Disclosure of plans for achieving social responsibility in periodic reports related to the company's activities</li> <li>3. Development of awareness programs for the community to define the social responsibility of the company.</li> </ol>	Article LXXXVIII
The shown data included the total received amount which transparency and disclosure were made available to the public	Disclosure of remuneration the disclosure contained in this article shall be in the report of the board of directors in accordance to the accompanying schedules	Paragraph (4-B) of Article XCIII
Guidance material and the committee of the nomination and rewords perform the tasks of the corporate governance	In the case that the board of directors establishes a Corporate Governance Committee, it shall delegate to the terms of reference established by Article 94 of this Regulation. The Committee shall follow up on any matters related to the application of governance and provide the Board of Directors at least annually with submit the reports and its recommendations.	Article XCV

## 2- **Dividend Policy:**

The Company is working on applying the policies set out in the Company's Articles of Association related to distribution of shareholder dividends in Article (46) and regarding the Article (45) of the Zakat and reservoir as follows:

Article (45) : the Zakat and reservoir:

The company has to:

1. Retention of Zakat and income tax.
2. Retention of (20%) of the net profit to form a statutory reserve. The Ordinary General Assembly may stop such retention whenever the said reserve reaches (100%) of paid-up capital.
3. Based on the proposal of the Board of Directors, in determining the share of the net profits, the General Assembly decides to make other reserves, to the extent that it serves the interest of the company or ensures the distribution of as stable a dividend as possible to the shareholders.

### **Article (46): Profits: |**

The shareholder shall be entitled to his share of the profits in accordance with the General Assembly resolution issued in this regard. The decision shall indicate the date of maturity and the date of distribution.

The Company shall notify the Capital Market Authority immediately of any distribution decisions or recommending the profits and pay the dividends to be distributed to the shareholders in the place and the dates determined by the Board of Directors, in accordance with the instructions issued by the competent authority taking into account the Saudi Arabian Monetary Agency written approval.

### **3. Board of Directors names, Executive directors and committee members and their jobs and previous**

#### **Experiences:**

#### **Board of Directors:**

	The name	Current functions	previous jobs	Qualifications	Of experience
1	Eng./ Thamer bin Abdullah bin Reese	Chairman of Board of Directors	Member of the Board of Directors	MBA - Cass City - London Bachelor of Engineering - King Saud University	Executive Director of some companies Member of the Board of Directors of a group of companies Chairman of the Board of Directors of ASIG
2	Eng./ Soliman bin Abdullah Al Khuraiji	Head of Sulaiman Bin Abdullah Al Khuraiji Consulting Office	Chairman of the Board of Directors of the United Arab Bank of Albania	Bachelor of Architecture 1975	40 years in financial management - Member of the Consultative Council (formerly) - Economic Committee - Chairman of the Board of Directors of the Saudi Organization For Engineers in the Western Region (formerly) - Chairman of the Board of Directors of the Albanian Bank Investment Albania (formerly) - Former Chairman of the Board of Directors of Al-Thamar Company - Turkey
3	Eng./ Mohammed Hani Abdul Qadir Al Bakry	Member of the Board of Directors of the Maritime Transport Committee at Jeddah Chamber of Commerce and Industry	Teaching Assistant at the King Abdulaziz University, Chairman of the Navigation Committee at Jeddah Chamber of Commerce	Bachelor of Nuclear Engineering 1982	Member of the Board of Directors of a group of companies
4	Mr./ Ali bin Hassan Al Jasser Al Shahri	Director of the company of the example of Arab Information Technology	Operations Manager at Rawabi Telecom	Secondary 1996	Over 10 years' experience in Operations Management, Business Development and Information Technology Secondary 1996
5	Mr./ Hisham bin Mohammed Al Sharif	CEO of ACIG and Chairman of the Board of Directors of Najm Insurance Services	Executive Vice President of Automotive Sector	High school	Executive Vice President of Automotive Sector 2006-2011 Director of Motor Claims Department 2004-2006 Customer Service Manager 2002-2004 Director of Marketing and Electronic Sales 2001-2002
6	Dr./ Abdul Latif bin Mohammed Al-	Chief Executive Officer of BA Systems Saudi	Executive vice president of	Dr. In Business Administration	Experience in business development, strategy and business management

	Sheikh	Arabia for Development and Training	strategy and business development for BA Systems		
7	Dr./ Yousef bin Abdullah Basoudan	Retired and contracted with King Abdulaziz University	<ul style="list-style-type: none"> <li>•Assistant Professor, Department of Accounting, Faculty of Economics and Administration, King Abdul Aziz University since 1415</li> <li>•Vice President for Financial and Administrative Affairs, General Authority of Civil Aviation, 1/9/2007, 18/8/2011</li> <li>•Assistant Secretary General for Financial and Administrative Affairs of the International Islamic Relief Organization, 17/7/1421 - 16/7/1423</li> </ul>	Doctor of Accounting	<p>Member of the Board of Directors of the Cooperative Society for the employees of King Abdul Aziz University from Muharram 1422 to 25/3/1424 H.</p> <ul style="list-style-type: none"> <li>•Chairman of the Audit Committee for Endowment of the Association of Neighborhood Centers 25/3/2017-now</li> <li>•Member of the Audit Committee of Education Development Company 26/5/2010 - 8/1/2014</li> </ul>
8	Eng./ Tarek bin Abdullah Hussein Al Rumeim	Founding Partner of Wether Trading Company	Head of Wealth and Asset Management at Deutsche Bank	Master of Business Administration	More than 14 years' experience in business and investment
9	Mr./ Hossam Bin Talal Al Ghazzawi	Managing Partner of Al-Ghazzawi Legal Consultancy Member of the Board of Directors	Managing Partner of Al-Ghazzawi Legal Consultancy Member of the Board of Directors	Bachelor of Systems	Member of the Board of Directors from 1992 to date Experience in legal work, business management and development
10	Ms.zain eyad alemam	Senior Investment Specialist, Islamic Development Bank	Foreign Currency Trading and Structured Products: Treasury Management - Banque Saudi Fransi - Finance Management and Control - Credit Risk Management - Saudi National Commercial Bank	Master of Finance and Management, University of Exeter, UK	extensive experience in banking - direct investment in foreign exchange and structured products - companies and institutions

## The board committee:

### Audit Committee:

name	Current jobs	Previous jobs	Qualifications	Experience
Dr./ Yousef bin Abdullah Basoudan	Retired - and currently a contractor with King Abdulaziz University / faculty member	Deputy of the Institute of Islamic Economics for Graduate Studies and Scientific Research - King Abdulaziz University	Ph.D.	Auditing and financial accounting
Mr./ Nabil Nassif	Deputy Secretary General of the Association of Neighborhood Centers in Jeddah	Islamic Development Bank	Master of Business Administration	The banking sector and the charitable sector
Dr./ Masum Billah	Professor of Finance, Insurance and Islamic Economics - King Abdulaziz University	Deputy Counselor Okeech Malaysia	PhD	Insurance
Mr./ Abdullah Al-Harbi	Legal accountant and tax advisor	Director of Internal Audit at Al Rajhi Bank	M.A.	Internal audit - Zakat and tax - Audit - VAT

### Committee of Nominations and compensations:

	name	Current jobs	Previous jobs	Qualifications	Experience
1	Mr./ Ali bin Hassan Al Jasser Al Shahri	Director of the company of the example of Arab Information Technology	Operations Manager at Rawabi Telecom	Secondary 1996	Over 10 years' experience in Operations
2	Dr./ Abdul Latif bin Mohammed Al-Sheikh	Head of Human Resources Management - Four Seasons Hotel,	Regional Manager for Personnel - Intercontinental Hotel	Business Administration (Bachelor)	Management, Business Development and Information Technology HR
3	Mr./ Nayef Al-Tamimi	Chief Executive Officer of BA Systems Saudi Arabia for Development and Training	Executive vice president of strategy and business development for BA Systems	PhD in Business Administration	Experience in business development, strategy and business management



### Investment Committee:

	name	Current jobs	Previous jobs	Qualifications	Experience
1	Eng./ Thamer bin Abdullah bin Reese	Chairman of Board of Directors	Member of the Board of Directors	MBA - Cass City - London  Bachelor of Engineering - King Saud University	Executive Director of some companies Member of the Board of Directors of a group of companies Chairman of the Board of Directors of ASIG
2	Mr./ Hisham bin Mohammed Al Sharif	CEO of ACIG and Chairman of the Board of Directors of Najm Insurance Services	Executive Vice President of Automotive Sector	High school	Executive Vice President of Automotive Sector 2006-2011 Director of Motor Claims Department 2004-2006 Customer Service Manager 2002-2004 Director of Electronic Marketing and Sales 2001-2002
3	Eng./ Tarek bin Abdullah Hussein Al Rumeim	Founding Partner of Watr Trading Company	Head of Wealth and Asset Management at Deutsche Bank	Master of Business Administration	More than 14 years experience in business and investment
4	Mr./ Shagul Hamid	Vice President of Finance and Investment	Accountant (2 years) - Auditor (2 years) - Auditor (6 years) - Accounts Manager (2 years) - Financial Consultant (two years).	Master of Financial Management	Accountant (2 years) - Internal Auditor (2 years) - Auditor (6 years) - Accounts Manager (2 years) - Financial Consultant (2 years).

### Risk Management Committee :

	name	Current jobs	Previous jobs	Qualifications	Experience
1	Eng. Sulaiman bin Abdullah Al-Khuraiji	Head of Sulaiman Bin Abdullah Al Khuraiji Consulting Office	Chairman of the Board of Directors of the United Arab Bank of Albania	Bachelor of Architecture 1975	40 years in financial management -Member of the Consultative Council (formerly) - Economic Committee -Chairman of the Board of Directors of the Saudi Organization For Engineers in the Western Region (formerly) -Chairman of the Board of Directors of the Albanian Bank Investment Albania (formerly) -Former Chairman of the Board of Directors of Al-Thamar Company - Turkey
2	Mr./ Hisham bin Mohammed Al Sharif	(CEO of ACIG and Chairman of the Board of Directors of Najm Insurance Services	Executive Vice President, Automotive Sector 2006-2011 Director of Motor Claims Department 2004-2006 Customer Service Manager 2002-2004 Marketing and Electronic Sales Officer 2001-2002	High school	Subscription & Auto Claims - Customer Service - Marketing & Electronic Sales

3	Mr. Hussam Talal Ghazzawi	(Managing Partner of Al-Ghazzawi Legal Consultancy Member of the Board of Directors	Managing Partner of Al-Ghazzawi Legal Consultancy Member of the Board of Directors	Bachelor of Systems	Member of the Board of Directors from 1992 to date
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#### Executive committee:

Name	Current job	previous jobs	Qualifications	Experience
Engineer / Thamer bin Abdullah bin Rees	Chairman of Board of Directors	Member of the Board of Directors	MBA - Cass City - London	Executive Director of some companies
Eng. Mohamed Hani bin Abdulqadir Al Bakri	Member of the Board of Directors of the Maritime Transport Committee at Jeddah Chamber of Commerce and Industry	Teaching Assistant at the King Abdulaziz University, Chairman of the Navigation Committee at Jeddah Chamber of Commerce	Bachelor of Engineering - King Saud University	Member of the Board of Directors of a group of companies
Mr. Hussam Talal Ghazzawi	Managing Partner of Al-Ghazzawi Legal Consultancy	Managing Partner of Al-Ghazzawi Legal Consultancy	Bachelor of Nuclear Engineering 1982	Chairman of the Board of Directors of ASIG
Mr. Hisham Mohammed Abdullah Al Shareef	CEO of ACIG and Chairman of the Board of Directors of Najm Insurance Services	Executive Vice President of Automotive Sector	Bachelor of Systems	Member of the Board of Directors of a group of companies
Mr. Ali Hassan Al-Jasser Monthly	Director of the company of the example of Arab Information Technology	Operations Manager at Rawabi Telecom	High school	Member of the Board of Directors from 1992 to date

#### Shariah Supervisory Board :

	name	Current jobs	Previous jobs	Qualifications	Experience
1	Sheikh/ Abdullah Bin Beah	Chairman of the Emirates Council for Issuing Fatwas	Professor at King Abdulaziz University in Jeddah. -Head of the Sharia Department in the Ministry of Justice. -Vice-President of the Court of Appeal. -Vice-President of the Supreme Court. -Minister of Islamic Affairs. -Minister of Basic Education and Religious Affairs. -Permanent Secretary of the Mauritanian People's Party	Several certificates with high scientific, cultural and legal degrees	Scientific, legal and educational experiences more than forty years



			Head of the Sharia Department in the Ministry of Justice. -Vice-President of the Court of Appeal. -Vice-President of the Supreme Court. -Minister of Islamic Affairs. -Minister of Basic Education and Religious Affairs.		
2	Dr./ Hani Bin Ahmed Abdul Shakoor	Professor, Department of Islamic Studies, Faculty of Arts, King Abdulaziz University, Jeddah	Imam and preacher of Al-Harthy Mosque in Makkah. -Member of the Advisory Committee at the Ministry of Interior. -Scientific advisor to the site: Islam today. -Participation in scientific courses and internal and external advocacy. -Participation via radio and television	B.Sc. in Sharia from the University of Imam Muhammad bin Saud. Islamic in 1410 e. Master degree in jurisprudence and authenticity from Umm Al-Qura University in 1418 AH. PhD in Islamic jurisprudence from Umm Al-Qura University in 1423 AH	Various experience in education and university education
3	Mr./ Ahmed Bin Hussein Al-Mubarak	Director of the Center for the Revival of Islamic Heritage at Umm Al Qura University	Head of Sharia Department, Umm Al-Qura University, 1419-1422H. Director of the Center for Islamic Studies, Umm Al-Qura University, 1424-1426	BA in Islamic Law, Imam Muhammad bin Saud Islamic University in the South (Abha Branch) 1404H. -Master in Islamic law, specialization and jurisprudence. University of Umm Al - Qura, Makkah 1411. -PhD in Islamic law, specialization and jurisprudence. Umm Al-Qura University, Makkah 1419H	Administrative, educational and legal experience

#### Executive Director:

The name	Current job	previous jobs	Qualifications	experience
Hisham Mohammed Abdullah Al Shareef	CEO of ACIG and Chairman of the Board of Directors of Najm Insurance Services	Executive Vice President, Automotive Sector 2006-2011 Director of Motor Claims Department 2004-2006 Customer Service Manager 2002-2004 Marketing and Electronic Sales Officer 2001-2002	High school	Subscription & Auto Claims - Customer Service - Marketing & Electronic Sales
Mohammed bin Abdullah al-Qadi	Chief of Operations and Technical Affairs	* Regional Director of the Central Region	* Bachelor of Marketing (1992) * Diploma in Customer Satisfaction & it's contribution to Profit (1995) * COP - London (1996) * PIC - London (2004)	* Design of insurance products. * Study the insurance market and forecasts. * Spread and invasion of markets. * Preparing budgets and strategic plans. * Department of Technical Section.
Hassan Awad Hassan Al-Hazmi	Executive Vice President of Marketing and Sales	Individual insurance manger – IT manger Erfan group , CEO of holool ofr brokers	Bachelor of Engineer	IT and insurance sale
Shaqol Hamid Sharif	Vice President of Finance and	Accountant (2 years) - Auditor (2 years) - Auditor (6 years) - Accounts	Finance MBA	Finance – auditing

	Investment	Manager (2 years) - Financial Consultant (two years).		
<b>Ammar Alsahn</b>	AGM for development and strategies	Alrowad for insurance agency – 16 years in insurance sector	Bachelor Operation research	Development and strategies
<b>Abdulaziz Farian Al Enezi</b>	Motor VP	*Motor underwriting manger	Insurance diploma	Motor insurance

#### **4-Board of Directors:**

The Board of Directors of the Company assumes the responsibility for supervising the management of the Company, which operates its operational and financial affairs, and takes all key decisions related to its policies. The primary responsibility of the Board is ensuring the effective governance of the Company's affairs for the interests of shareholders and policyholders. The Board bears also the responsibility for the balance between the diverse interests of beneficiaries, including the customers of the Company and institutions associated with the Company in business relations. Through all the measures determined by the Board, the members of the Board of Directors are keen on taking the appropriate action to serve the interest of the Company in the best possible image. The Board and its committees follow up the executive management of the Company in applying the decisions and strategies adopted by the Board and its committees, and ensure their implementation as required.

This is the fourth session of the Board of Directors formed by the ordinary general assembly dated 1/5/2016. This session shall commence on 18/5/2016 and expires on 17/5/2019 (for three years), the members have been elected by accumulative voting. The number of the current board of directors is 10 members as follows:

Membership Category	Name
Non-executive	THAMER ABDULLAH BIN RAYES
Non-executive	SULIMAN ABDULLAH ALKHARIJI
Non-executive	MOHAMED HANI ABDULKADER ALBAKRI
Non – Executive	HOSSAM TALAL ALGHAZAWI
Non – Executive	Zain Eyad Elemam
Independent	ALI HASSAN ALJASER ALSHEHRI
Independent	ABDULLATEEF M. AL SHEIKH
Independent	TAREQ ABDULLAH HUSSAIN AL RAMIM
Independent	Dr./ YOUSEF ABDULLAH BASODAN
Executive	HESHAM MOHAMMED AL SHERIF

On July 4, 2018, Directors of the Board Member , Mr. Riyad Ahmed Ali Al Thaqafi, resigned from the Board of Directors in his capacity as "Non-executive Director", representing the Islamic Development Bank in the Board of Directors of the United Cooperative Insurance Group, who joined the Board on 25 July 2016 to the ending committee on 17 may 2019.

The resignation has been approved by the Board of Directors of the Company on the same day as it was submitted and approved on 24 July 2018, to be settled as of the date of its acceptance, in view of its special circumstances. The Board of Directors approved by Council Resolution No. 2018/09 ) On 2018/11/28 on the appointment of Ms. Zain Eyad Imam as a non-denominational member of the Board of Directors starting from the date of the decision, after receiving the company letter SAMA No. 18099/89 dated 2018/11/28, which states the non-objection of the institution to this appointment.

In accordance with Article (11) of the Company's Articles of Association, the Board members have purchased 1000 shares, which were held to guarantee the liability of the Board members.

Name	Number of the shares owned by the Company
Eng./MOHAMMED HANI ABDELQADER AL BAKRI	REPRESENTED ACIG BAHREEB (4,000,000 SHARES)
Eng./ THAMER ABDULLAH BIN RAYES.	1,025 SHARES
Mr./ HOSSAM TALAL AL-GHAZAWI	1,000 SHRES
Ms. Zain Eyad Al Imam	REPRESENTED IDB (4,000,000 SHARES)
Eng./ SULIMAN ABDULLAH ALKHARIJI	1,000 SHARES
Dr. ABDULLATEEF M. AL SHEIKH	1,000 SHARES
Mr./ALI HASSAN ALJASER ALSHEHRI	2,000 SHARES
Mr./HESHAM MOHAMMED AL SHERIF	2,000 SHARES
Eng./TAREQ ABDULLAH HUSSAIN AL RAMIM	1,000 SHARES
Dr./ YOUSEF ABDULLAH BASODAN	1,000 SHARES

Actions taken by the Board of Directors to inform its members, especially non-executives, of the shareholders' proposals and their comments about the Company and its performance

The Board has taken this action to inform its members, especially non-executives, in accordance with shareholders' suggestions and observations regarding the company and its performance by opening the discussion and inquiries and making observations by the shareholders through the general assemblies of the

company and responding to them by the president of the association during its existence. The Company's policies are recorded in the minutes of the meeting and submitted for the first Board meeting for discussion.

## **7. Disclosure of bonuses and allowances of board members, committees and senior executives:**

- (A) The remuneration policy of directors and committees in accordance with Article (19) of the Articles of Association of the Company

"The minimum annual remuneration of the Chairman of the Board of Directors for the services he performs shall be one hundred and eighty (180,000) Saudi Riyals annually. The minimum remuneration of each member of the Board of Directors for the service he commits shall be one hundred and twenty thousand (120,000) (SR 500.000) per annum. This is due to their membership in the Board of Directors and their participation in its work, including the additional bonuses in the event of the participation of the member in any of the committees emanating from the Board of Directors.

In case the company achieves profits, 10% of the rest of the net profit may be distributed after deducting the reserves decided by the General Assembly in application of the provisions of the Cooperative Insurance Companies Control Law and after distributing a profit to the shareholders not less than 5% , Provided that the entitlement to such remuneration is commensurate with the number of meetings attended by the member, and any otherwise contrary assessment shall be null and void.

In all cases, the sum of the remuneration of a member of the Board of Directors shall not exceed the amount of SR 500,000 (five hundred thousand Riyals) annually.

The maximum limit for attending the sessions of the Council and its committees (SR 5,000) is SR 5,000 for each session, not including travel and accommodation expenses.

Each member of the Board, including the President of the Council, shall be paid the amount of actual expenses incurred in order to attend meetings of the Board or committees emanating from the Board of Directors, including travel, subsistence and subsistence expenses.

The Board of Directors' Report shall include in the Ordinary General Assembly a comprehensive statement of all remuneration received by the members of the Board of Directors during the fiscal year, as well as expenses and other benefits. As well as a statement of what members of the Board have received as administrative, administrative or other personnel for technical, administrative or consulting work. And shall also include a statement of the number of meetings of the Council and the number of meetings attended by each member from the date of the last meeting of the General Assembly" .

The policy of the remuneration of Board members, the committees of the Board and senior executives approved by the Ordinary General Assembly on 2 April 2018

### First: Introduction:

The remuneration policy of the Board of Directors, the committees of the Board and the senior executives has been prepared to comply with paragraph (1) of Article 61 of the Corporate Governance Regulations issued by the Capital Market Authority, stipulating that the Remuneration and Nominations Committee shall prepare a clear policy for the remuneration of members Board of Directors and Committees emanating from the Council and senior executives, and submit them to the Governing Council for consideration in preparation for adoption by the General Assembly"

### Second: Objective:

This policy aims at setting clear criteria for the remuneration of board members, executive committees and senior executives in light of the requirements of the corporate system and the rules and regulations of the Capital Market Authority. The policy aims to attract individuals who are competent, capable and talented to work on the Board of Directors, Through the adoption of plans and programs to stimulate rewards and performance-related, which contributes to improving the performance of the company and the interests of its shareholders.

### Third: General criteria for rewards:

The Remuneration and Nominations Committee shall recommend to the Board the remuneration of the members of the Board, the members of the committees and the senior executives of the Company, in accordance with the approved criteria, as follows:

1. The remuneration should be commensurate with the company's activity and the skills required managing it.
2. The company shall take into consideration the harmony of the rewards with the company's strategy and objectives, and with the size, nature and degree of risks.
3. The company takes into account the practices of other companies and what is prevalent in the labor market in determining the rewards.
4. Rewards are determined based on the level of the job, the tasks and responsibilities of the operator, the qualifications, the practical experience, the skills and the level of performance.
5. The remuneration should be fair and commensurate with the terms of reference of the member / employee and the business and responsibilities carried out by the members of the Board of Directors or committees and senior executives, in addition to the objectives set by the Board of Directors to be achieved during the fiscal year.
6. The payment or refund of the bonus shall be suspended if it is determined on the basis of inaccurate information provided by a member of the Board of Directors or Executive Management in order to prevent the exploitation of the employment status to obtain undue rewards.

### Fourth: Directors' Remuneration:

1. Members of the Board of Directors shall be entitled to a fixed amount for attendance and additional travel allowance.
2. A bonus for the Chairman and members of the Council in exchange for the service they perform annually as described in this policy according to the schedule contained therein.
3. The remuneration of the members of the Board of Directors may also be a percentage of the profits, subject to the provisions of Article 19 of the Company's Articles of Association if the sum of the remuneration of one member of the Board of Directors did not exceed the amount of 500,000 SR five hundred thousand annually.
4. The annual report of the Board of Directors shall be included in the General Assembly of Shareholders, a comprehensive statement of all remuneration, expenses and other benefits received by the members of the Governing Council during the fiscal year, as well as a statement of the members of the Board as officers, administrators, technical, administrative or consultancy work (if any) to indicate the number of meetings of the board and the number of meetings.

#### **Fifth: Remuneration of committee members:**

1. Membership fees for committees emanating from the Board of Directors shall consist of attendance allowance and additional travel allowance.
2. Each member of the Audit Committee, whether a member of the Board or an outside Board of Directors, shall be entitled to an annual remuneration as set forth in this Policy in accordance with the schedule contained therein.
3. Each member of the other committees, who is a member of the Board of Directors or the management of the Company, shall be entitled to an annual remuneration as set of this Policy in accordance with the schedule contained therein.
4. Each member of the other committees from outside the Board of Directors shall be entitled to an annual remuneration as set of this Policy in accordance with the schedule contained therein.

#### **Sixth: The Shari'a Supervisory Board:**

1. The remuneration of members of the Shari'a Supervisory Board consists of attendance allowances and additional travel allowance
2. A bonus to the Chairman of the Shari'a Supervisory Board in exchange for the service he performs annually as described in this policy according to the schedule included therein.
3. Every member of the Shari'ah Supervisory Board shall be entitled to an annual remuneration to set out in this Policy in accordance with the schedule contained therein.

#### **Seventh: Executive Management Bonus:**

The Rewards and Nominations Committee reviews the performance of senior executives, develops incentive policies and plans and submits recommendations to the Board of Directors,

The annual bonus system (based on monthly base salary) will depend on the correlation between the company's performance and the level of employee performance (for example, good, good,excellent). The



company's performance determines the level of net income output and is linked to the level of employee performance.

### 1) Board Members:

A. A) Attendance allowance per session	SAR 3,000
B. (B) Additional allowance (travel) for those who are outside the city of the meeting headquarters	SAR 2,500
C. (C) an annual bonus for the Chairman of the Board of Directors	Minimum SR 180,000
D. D) Annual bonus for each member of the Board of Directors	SR 120,000 minimum wage
Dividend-related bonus A certain percentage of net profits determined by recommendation of the Remuneration and Nomination Committee in case the company achieves profits after fulfilling the statutory requirements and requirements	

### 2) Members of committees emanating from the Board of Directors:

A. Attendance allowance per session	1,500 riyals
B. Additional allowance (travel) for those who are outside the city of the meeting headquarters	SAR 2,500
C. Each member of the Audit Committee, whether a member of the Board or an outside Board of Directors, shall be entitled to an annual remuneration	SR 50,000
D. Every member of the other committees who is a member of the Board of Directors or the management of the Company shall be entitled to an annual remuneration	15,000 SR
Each member of the other committees is entitled to an annual remuneration	SR 30,000

### 3) Members of the Sharia Supervisory Board:

A. Attendance allowance per session	SR 2,000
B. Additional allowance (travel) for those who are outside the city of the meeting headquarters	SAR 2,500
C. An annual bonus for the Chairman of the Shari'a Supervisory Board	SR 50,000
D. Every member of the Shariah Board shall be entitled to an annual remuneration	30,000 riyals

### **B. Executive Directors' remuneration policy**

The Rewards and Nominations Committee reviews the performance of senior executives, develops incentive policies and plans and submits recommendations to the Board of Directors,

The annual bonus system (based on monthly base salary) depends on the correlation between the performance of the company and the level of employee performance (for example, good, good, excellent).

The company's performance determines the level of net income output and is linked to the level of employee performance.

### Remuneration and compensation paid to members of the Board of Directors during 2018 (Saudi Riyal)

Fixed payouts							Variable Rewards								
member name:	A certain amount	Allowances of attending Council meetings	Total allowance of attend committee meetings	In-kind Privileges	Bonus of Chairman or Managing Director if he is a member	Total	Percent age of Profits	Periodical Bonus	Short-Term incentive plans	Long-Term incentive plans	Stocks Granted (Value to be added)	Total	Payoff of Service End	Grand Total	Expenses allowance
First: Independent members:															
1 Ali bin Hassan al - Jasser monthly		15,000	10,500			25,500		120,000				120,000		145,500	10,960
2 Tariq Abdullah Hussein Al-Remem		15,000	9,000			24,000		120,000				120,000		144,000	
3 Dr. Yousef Abdullah Basoudan		15,000	9,000			24,000		170,000				170,000		194,000	15,000
4 Dr. Abdul Latif bin Mohammed Al-Sheikh		9,000	1,500			10,500		120,000				120,000		130,500	
Total		54,000	30,000			84,000		530,000				530,000	-	614,000	25,960
Second: Non-executive members															
1 Thamer Abdullah bin Rees		12,000	15,000			27,000		180,000				180,000		207,000	
2 Mohammed Hani bin Abdul Qadir Bakri		18,000	7,500			25,500		120,000				120,000		145,500	
3 Hossam Talal Ghazzawi		9,000	6,000			15,000		120,000				120,000		135,000	2,500
4 Riad Ahmed Al-Thaqafi		12,000				12,000		-				-		12,000	
5 Zain Iyad Imam		3,000				3,000		-				-		3,000	2,288
6 Suleiman bin Abdullah Al - Khuraiji		15,000				15,000		120,000				120,000		135,000	9,353
Total		69,000	28,500			97,500		540,000				540,000	-	637,500	14,141
Third: Executive members															
1 Hisham Mohamed El Sherif		18,000	16,500		120,000	154,500		120,000				120,000	823,604	1,098,104	
Total		18,000	16,500		120,000	154,500		120,000				120,000	823,604	1,098,104	-
Total		141,000	75,000		120,000	336,000		1,190,000				1,190,000	823,604	2,349,604	40,101



There is no substantial deviation between the bonuses awarded and the applicable bonus policy as all members received minimum bonuses

The CEO's remuneration is in accordance with the contract, which is worth SR 120,000

For Mr. Riad Al-Thaqafi and Ms. Zain Al-Imam, their attendance allowances are transferred to the Islamic Development Bank account.

**C. Benefits and rewards paid to five senior executives who received the highest compensation and compensation, plus the CEO and CFO:**

Statement	Value in Saudi Riyals
Salaries and compensation	5,476,824
Allowances	
Annual and annual bonuses	120,000
Motivation plans	-
Any compensation or other in-kind benefits paid monthly or annually	20,400
<b>Total</b>	<b>5,620,904</b>

**Th Rewards:**

Members of the Audit Committee	Fixed payouts (except attendance allowance)	Instead of attending sessions	Total
Dr. Youssef Bassoudan	50,000	9,000	59,000
A. Nabil Naseef	50,000	7,500	57,500
D / Massoum belal	50,000	7,500	57,500
Abdullah Al Harbi	50,000	9,000	59,000
<b>Total</b>	<b>200,000</b>	<b>33,000</b>	<b>233,000</b>
Members of Nominations and Rewards Committee			
Ali Al-Jasser		3,000	3,000
Dr. Abdul Latif Mohammed Al Sheikh		1,500	1,500
Nayef Al Tamimi		3,000	3,000
<b>Total</b>	<b>-</b>	<b>7,500</b>	<b>7,500</b>
Members of the Investment Committee:			
Thamer Abdullah bin Rees	-	7,500	7,500
Tarek Abdullah Al-Rameem	-	9,000	9,000
Hisham Mohamed El Sherif	-	9,000	9,000
Shagul Hamid Sharif	-	10,500	10,500
<b>Total</b>	<b>-</b>	<b>36,000</b>	<b>36,000</b>
Members of the Executive Committee			
Thamer Abdullah bin Rees	-	7,500	7,500
Mohammed Hani Abdelkader Bakri	-	7,500	7,500
Hossam Tala El Ghazzawy	-	6,000	6,000

Hisham Mohamed El Sherif	-	7,500	7,500
Ali Hassan Al Jasser Monthly	-	7,500	7,500
<b>Total</b>	<b>-</b>	<b>36,000</b>	<b>36,000</b>
<b>Shari'a Supervisory Board</b>			
Sheikh Abdullah bin Bih	50,000	2,000	52,000
Dr. Hani Ahmed Abdul Shakour	-	2,000	2,000
Hassan Hussein Al - Mubarak	-	2,000	2,000
<b>Total</b>	<b>50,000</b>	<b>6,000</b>	<b>56,000</b>

Name		Meeting no. 51 2018/01/30	Meeting no.52 2018/02/27	Meeting no.53 2018/05/02	Meeting no.54 2018/07/24	Meeting no.55 2018/10/23	Meeting no.56 2018/12/18	Number of attendees
Eng / Thamer Abdullah bin Rees	<b>Board director</b>	Attended	Attended	Attended	representative	Attended	representative	6
Eng / Suleiman Al-Khuraiji	<b>Vice-president</b>	Attended	Attended	Attended	representative	Attended	Attended	6
Mohamed Hani El Bakry	<b>Member</b>	Attended	Attended	Attended	Attended	Attended	Attended	6
Hisham El Sherif	<b>Member</b>	Attended	Attended	Attended	Attended	Attended	Attended	6
Ali Al - Jasser	<b>Member</b>	Attended	Attended	representative	Attended	Attended	Attended	5
Hossam Ghazzawy	<b>Member</b>	Absent	Attended	Attended	Absent	Attended	Attended	4
Dr. Youssef Bassoudan	<b>Member</b>	Attended	Attended	representative	Attended	Attended	Attended	6
M / Tarek Al-Remem	<b>Member</b>	Attended	Attended	Attended	representative	Attended	Attended	6
Dr. Abdul Latif Al-Sheikh	<b>Member</b>	representative	representative	Attended	representative	Attended	Attended	6
Riad Al-Thaqafi	<b>Member</b>	Attended	Attended	representative	Attended	Resigned	Resigned	4
Ms. Zain Imam	<b>Member</b>	-	-	-	-	-	Attended	1

### **Board meetings:**

The Board of Directors held six meetings during 2018, and the number of attendees are as follows:

The last meeting of the General Assembly was held on 27 June 2018

The Board of Directors also passed several resolutions passed by six resolutions, which are as follows:

- 1- Board of Directors Resolution No. 1/2018 dated 12/01/2018

- 2- Board of Directors Resolution No. 2/2018 dated 07/03/2018
- 3- Board of Directors Resolution No. 3/2018 dated 11/07/2018
- 4- Board of Directors Resolution No. 4/2018 dated 19/09/2018
- 5- Board of Directors Resolution No. 5/2018 dated 31/10/2018
- 6- Board of Directors Resolution No. 6/2018 dated 28/11/2018

## 9. Penalty, Sanction, Precautionary Measure or Attachment Imposed upon the Company

Penalty / Sanction Precautionary Measure or Attachment	Reasons for Violation	Period	Signatory Of the Violation	Ways to remedy and avoid such penalty in the future
Notice to the Company	There is a repeated IBAN number for more than one customer	See a sample of the Company sales for the period 01/01/2018 to 28/05/2018	Saudi Arabian Monetary Agency	<p>Policy and procedures for IBAN numbers were prepared and approved on 11/04/2018 which included several restrictions including:</p> <ul style="list-style-type: none"> <li>The bank codes shall be activated in the system to ensure that the code entered by the customer in the system matches the configuration of the bank codes, was implemented earlier in the electronic sales. This was applied to all sales channels since 01/08/2018.</li> <li>Link the IBAN number to the customer's civil register so that the IBAN number cannot be used for another customer. This was applied since 01/08/2018 .</li> </ul>

## 10. Board Committees:

- Executive Committee:

The Executive Committee consists of five Board members, namely Eng. Thamer bin Abdullah bin Mohammad bin Rayes (the Chairman of Committee), Eng. Mohamed Hani Al Bakri, Mr. Hussam bin Talal Al Ghazzawi, Mr. Hisham bin Mohammed Al Sharif and Mr. Ali bin Hassan Al Jasser Al Shehri .The Executive Committee held six meetings during the year 2018. The Executive Committee examines the issues before the Board before discussing them in the Board and issuing its recommendations, which facilitates the Board's discussions, in addition to the Committee taking decisions in matters assigned by the Board from time to time, which gives the Committee some authorities according to the Company's labor requirement.

Sr. No.	Name	Nature of Membership	First Meeting 27/02/2018	Second Meeting 02/05/2018	Third Meeting: 24/07/2018	Fourth Meeting 23/10/2018	Fifth Meeting 27/11/2018	Sixth Meeting 05/12/2018
1	Eng. Thamer Abdullah bin Rayes	Chairman	Attended	Attended	Attended by proxy	Attended	Attended	Attended
2	Eng. Mohamed Hani Al Bakri	Member	Attended	Attended	Attended	Attended	Attended	Absent
3	Mr. Hisham Al Sharif	Member	Attended	Attended	Attended	Attended	Attended	Absent
4	Mr. Ali Al Jasser	Member	Attended	Absent	Attended	Attended	Attended	Attended
5	Mr. Hossam Al Ghazzawi	Member	Attended	Attended	Absent	Attended	Attended	Attended

- **Audit Committee:**

The Audit Committee consists of four independent members. The Chairman of Committee is also an independent board member and the rest of the members from outside the Board of Directors are:

▪ <b>Dr. Yousef bin Abdullah Basudan</b>	<b>Chairman of Committee</b>
▪ <b>Mr. Nabil bin Abdul Ilah Nassif</b>	<b>Member</b>
▪ <b>Dr. Maasoum Bellah</b>	<b>Member</b>
▪ <b>Mr. Abdullah Al Harbi</b>	<b>Member</b>

The Audit Committee held six meetings during the year 2018, and performed the following tasks:

- Review the Company's financial statements and ensure their integrity and the integrity of the financial reporting procedures, the internal accounting systems and the financial oversight controls in the Company.
- The independent annual audit of the Company's financial statements, the use of external auditors, the evaluation of the qualifications, performance and independence of external auditors.
- Recommend the appointment of the internal auditor and the statutory auditor, and periodically review their tasks and responsibilities.
- The Company's compliance with the legal and regulatory requirements, including the controls and procedures of the Company's disclosure policy.
- The Company's commitment to the policies and procedures prescribed by the Company.
- Attendance data and meeting dates as shown in the table below:

Number of Meetings							
Name	Nature of Membership	First Meeting 21/01/2018	Second Meeting 25/02/2018	Third Meeting 29/04/2018	Fourth Meeting 17/07/2018	Fifth Meeting 22/10/2018	Sixth Meeting 06/12/2018
<b>Dr. Yousef Basudan</b>	<b>Chairman of Committee</b>	Attended	Attended	Attended	Attended	Attended	Attended
<b>Mr. Nabil Nassif</b>	<b>Member</b>	Attended	Attended	Attended	Attended	Attended	Did not attend
<b>Dr. Maasoum Bellah</b>	<b>Member</b>	Attended	Attended	Attended	Did not attend	Attended	Attended
<b>Abdullah Al Harbi</b>	<b>Member</b>	Attended	Attended	Attended	Attended	Attended	Attended

- **Nomination and Remuneration Committee:**

The Nomination and Remuneration Committee consists of three Board members:

1. Mr. Ali bin Hassan Al Jasser Al Shehri	<b>Chairman of Committee</b>
2. Dr. Abdul Latif Al Sheikh	<b>Committee Member</b>
3. Mr. Nayef Al Tamimi	<b>Committee Member</b>

The Committee held three meetings during 2018. The Committee has the following tasks and responsibilities:

- Submit special recommendations on candidates for Board membership to the General Meeting and candidates for senior executive management positions, such as the Chief Executive Officer and his deputies.
- Prepare clear policies and procedures for the development of remuneration policy for the Board of Directors.

- Report to the Board of Directors regarding the annual review of the Board performance and submit its recommendations to the Board regarding the appointment of candidates for membership of the Board Committees.
- Recommend the Board of Directors to approve the policy and compensation annual bonus plans, and incentive schemes to attract, maintain and motivate outstanding employees.
- Evaluate the skills and expertise of the Board members and the senior executive management, and make recommendations on the necessary training programs in light of the evaluation results.
- Develop social responsibility programs and follow up their implementation in cooperation with the executive management.
- Ensure that the Company complies with the governance requirements and report this to the Board of Directors.
- Member attendance data and meeting dates as shown in the table below:

Number of Meetings				
Name	Nature of Membership	First Meeting 10/01/2018	Second Meeting 26/02/2018	Third Meeting 13/09/2018
Mr. Ali Hassan Al Jasser	<b>Chairman of Committee</b>	Attended	Attended	Attended
Dr. Abdul Latif Abdullah Al Sheikh	<b>Member</b>	Attended	Did not attend	Attended
Mr. Nayef Abdul Aziz Al Tamimi	<b>Member</b>	Attended	Attended	Attended

- **Investment Committee :**

The Investment Committee consists of four members, namely: Eng. Thamer bin Abdullah Rayes (the Chairman of Committee), and the members: Mr. Hisham bin Mohammed Al Sharif, and Mr. Tariq bin Abdullah bin Hussein Al Rameem, and Mr. Shaghool Hamid. The Committee is concerned with the full management of the investment company file, and the Committee has all powers in this regard. The Committee has the right to appoint Expertise Houses in respect of the investment file. The Committee held six meetings during 2018 .

- Member attendance data and meeting dates as shown in the table below:

Number of Meetings							
Name	Nature of Membership	First Meeting 01/01/2018	Second Meeting 04/01/2018	Third Meeting 05/03/2018	Fourth Meeting 25/10/2018	Fifth Meeting 18/12/2018	Sixth Meeting 25/12/2018
Eng. Thamer Abdullah bin Rayes	<b>Chairman of Committee</b>	Attended	Attended	Attended	Attended	Did not attend	Attended
Mr. Tariq Al Rameem	<b>Member</b>	Attended	Attended	Attended	Attended	Attended	Attended
Mr. Hisham Al Sharif	<b>Member</b>	Attended	Attended	Attended	Attended	Attended	Attended
Mr. Shaghool Hamid	<b>Member</b>	Attended	Attended	Attended	Attended	Attended	Attended

- **Risk Management Committee :**

The Risk Management Committee consists of three members: Eng. Sulaiman Al Khuraiji (the Chairman of Committee), Mr. Hisham bin Mohammed Al Sharif and Mr. Hussam Talal Al Ghazzawi. The Committee is responsible for managing the Company's risks, adopting a comprehensive risk management strategy based on

market conditions and expertise in dealing with the risks that the Company may face. And updates on the risk management strategy by taking into consideration the internal and external variables of the Company. The Committee held two meetings during 2018.

-Attendance data and meeting dates as shown in the table below:

Sr. No.	Name	Nature of Membership	First Meeting 02/05/2018	Second Meeting 23/10/2018
1	Mr. Suleiman Al Khuraiji	Chairman of Committee	Attended	Attended
2	Mr. Hisham Al Sharif	Member	Attended	Attended
3	Mr. Hossam Al Ghazzawi	Member	Attended	Absent

- **Shari'a Supervisory Committee:**

The Shari'a Supervisory Committee is an independent body composed of scholars specialized in the Jurisprudence of Transactions, namely: Sheikh Abdallah bin Bayyah (the Chairman of Committee), Dr. Hani bin Ahmed Abdul Shakour and Mr. Ahmed bin Hussein Al Mubarki. The Shari'a Supervisory Committee shall issue decisions and advisory opinions concerning the approval of contracts and documents to comply with the provisions of the Islamic Shari'a, as well as all the acts submitted to it by the Executive Management, with a view to ascertaining the Company's compliance with the provisions of the Islamic Shariah .The Committee held two meetings during 2018.

- Attendance data and meeting dates as shown in the table below:

Sr. No.	Name	Nature of Membership	First Meeting: 07/04/2018	Second Meeting 15/12/2018
1	Honorable Sheikh Abdallah bin Bayyah	Chairman of Committee	Attended	Attended
2	Honorable Sheikh Dr. Hani bin Ahmed Abdul Shakour	Member	Attended	Attended
3	Honorable Sheikh Dr. Ahmed Al Mubarki	Member	Attended	Did not attend

## **11. General Meeting :**

### **During 2018, two ordinary general meetings were held as follows:**

The Company's Ordinary General Meeting was held. The Ordinary General Meeting held on 02/04/2018 approved of the following resolutions:

1. Approve of the appointment of the Company's auditors, Dr. Mohamed Al-Amri & Co. and Al Azem & Al Sudairy CPA's & Consultants to check, review and audit the financial statements for the first, second, third, fourth quarters and annual financial statement of the fiscal year 2018, and determine their fees
2. Approve of the amendment of the remuneration policy of the Board of Directors, the Committees of the Board and senior executives.



**The Company's Second Ordinary General Meeting was held during the six months following the end of the fiscal year, as stipulated in the Company's Articles of Association. The General Meeting held on 27/06/2018 approved of the following resolutions:**

1. Approve of the Board of Directors' report for the fiscal year ended 31/12/2017.
2. Approve of the Company's financial statements for the year ended 31/12/2017.
3. Approve of the auditors' report for the financial year 31/12/2017.
4. Approve of the works and contracts that will be concluded between the Company and Fuji Saudi Arabia for Elevators and Escalators Co. Ltd, in which the board member Eng. Thamer Abdullah bin Rayes has a direct interest, i.e., insurance policies. The total insurance premiums written during 2017 are SR 43,055, and the license therein is for the year to come without any preferential conditions.
5. Approve of the works and contracts that will be concluded between the Company and Gulf Elevators & Escalators Co. Ltd., in which the board member Eng. Thamer Abdullah bin Rayes has a direct interest, i.e., insurance policies. The total insurance premiums written during 2017 are SR 759,936, and the license therein is for the year to come without any preferential conditions.
6. Approve of the works and contracts that will be concluded between the Company and Public Investment and Real Estate Business Co Ltd, in which the board member Eng. Thamer Abdullah bin Rayes has a direct interest, i.e., insurance policies. The total insurance premiums written during 2017 are SR 166,191, and the license therein is for the year to come without any preferential conditions.
7. Approve of the works and contracts that will be concluded between the Company and Al-Huda Charitable Association, in which the board member Eng. Thamer Abdullah bin Rayes has a direct interest, i.e., insurance policies. The total insurance premiums written during 2017 are SR 31,430, and the license therein is for the year to come without any preferential conditions.
8. Approve of the works and contracts that will be concluded between the Company and Zuhair Qassem & Partners Eng. Consulting Co. (Abyat), in which the board member Eng. Thamer Abdullah bin Rayes has a direct interest, i.e., insurance policies. The total insurance premiums written during 2017 are SR 60,875, and the license therein is for the year to come without any preferential conditions.
9. Approve the works and contracts that will be concluded between the Company and Mayar Holding Group, in which the board member Eng. Thamer Abdullah bin Rayes has a direct interest, i.e., insurance policies. The total insurance premiums written during 2017 are SR 15,085, and the license therein is for the year to come without any preferential conditions.
10. Approve of the works and contracts that will be concluded between the Company and Saudi Wings Travel & Tourism, in which the board member Eng. Thamer Abdullah bin Rayes has a direct interest, i.e., insurance policies. The total insurance premiums written during 2017 are SR 21,035, and the license therein is for the year to come without any preferential conditions.
11. Approve of the works and contracts that will be concluded between the Company and Taya Agricultural Co., Ltd, in which the board member Eng. Thamer Abdullah bin Rayes has a direct interest, i.e., insurance policies. The total insurance premiums written during 2017 are SR 486,488, and the license therein is for the year to come without any preferential conditions.
12. Approve of the works and contracts that will be concluded between the Company and Saudi Drip Irrigation Co. Ltd, in which the board member Eng. Thamer Abdullah bin Rayes has a direct interest, i.e., insurance policies. The total insurance premiums written during 2017 are SR 266,161, and the license therein is for the year to come without any preferential conditions.
13. Approve of the works and contracts that will be concluded between the Company and Taya Holding, in which the board member Eng. Thamer Abdullah bin Rayes has a direct interest, i.e., insurance policies. The total insurance premiums written during 2017 are SR 245,242, and the license therein is for the year to come without any preferential conditions.
14. Approve of the works and contracts that will be concluded between the Company and Taya Real Estate, in which the board member Eng. Thamer Abdullah bin Rayes has a direct interest, i.e., insurance policies. The total insurance

premiums written during 2017 are SR 219,917, and the license therein is for the year to come without any preferential conditions.

15. Approve of the works and contracts that will be concluded between the Company and Taya Feed Mill, in which the board member Eng. Thamer Abdullah bin Rayes has a direct interest, i.e., insurance policies. The total insurance premiums written during 2017 are SR 159,665, and the license therein is for the year to come without any preferential conditions.

16. Approve of the works and contracts that will be concluded between the Company and Arabian Gulf Maintenance & Contracting Co., in which the board member Eng. Thamer Abdullah bin Rayes has a direct interest, i.e., insurance policies. The total insurance premiums written during 2017 are SR 62,118, and the license therein is for the year to come without any preferential conditions.

17. Approve of the works and contracts that will be concluded between the Company and A.K. Albakri & Sons Holding Co., in which the board member Eng. Mohamed Hani bin Abdul Qader Al Bakri has a direct interest, i.e., insurance policies. The total insurance premiums written during 2017 are SR 1,818, and the license therein is for the year to come without any preferential conditions.

18. Approve of the works and contracts that will be concluded between the Company and Red Sea Marine Services Co. Ltd, in which the board member Eng. Mohamed Hani bin Abdul Qader Al Bakri has a direct interest, i.e., insurance policies. The total insurance premiums written during 2017 are SR 24,937, and the license therein is for the year to come without any preferential conditions.

19. Approve of the works and contracts that will be concluded between the Company and International Seas Co. Ltd, in which the board member Eng. Mohamed Hani bin Abdul Qader Al Bakri has a direct interest, i.e., insurance policies. The total insurance premiums written during 2017 are SR 23,873, and the license therein is for the year to come without any preferential conditions.

20. Approve of the works and contracts that will be concluded between the Company and Mr. Hisham Mohammed Al Sharif (Member of the Board), which are insurance policies. The total insurance premiums written during 2017 are SR 31,385, and the license therein is for the year to come without any preferential conditions.

21. Approve of the works and contracts that will be concluded between the Company and Dr. Yousef bin Abdullah Basudan (Member of the Board), which are insurance policies. The total insurance premiums written during 2017 are SR 1,771, and the license therein is for the year to come without any preferential conditions.

22. Approve of the payment of remunerations for members of the Board for the year 2017 in the amount of SR 1,260,000 as per Article 19 of the Company's Articles of Association.

23. Approve of discharging the members of the Board from responsibility for managing the Company during the financial year ended 31/12/2017.

### **3. The Company's Articles of Association and its regulations included:**

1. The right to receive a share of the profits to be distributed .
2. The right to receive a share of the Company's assets upon liquidation.
3. The right to attend general meetings, participate in its deliberations and vote on its decisions.
4. The right to dispose of shares.
5. The right to control the Board of Directors' works and bring the claim of responsibility against the members of the Board.
6. The right to inquire and request information in a way that does not harm the interests of the Company and does not conflict with the financial market law and its executive regulations .

### **12. Equity, debt and loan activities of the Company and any of its subsidiaries:**

The authorized and issued capital of the Company is SR 200,000,000 as of 31/12/2018, which consists of 20,000,000 shares, with nominal value of SR 10 per share. The Group's shares are owned %20 by the Islamic Development Bank (IDB), 20% by ACIG Bahrain, and 60% by the public. During the financial year



ended 31 December 2018, there were no debt instruments issued by the Company, there was no interest in the shares entitled to vote for any person, and there was no interest, option rights and subscription rights attributable to members of the Board and senior executives or their family members in the Company's shares. As there are no debt instruments convertible into shares or any option right or memorandums of subscription rights or similar rights issued by the Company, or granted during the financial year ended on that date. Also, there are also no any transfer or subscription rights under the debt instruments convertible into shares or option rights or certificates of similar rights issued or granted by the Company during the year 2018, and there is no recovery or purchase or cancellation by the company, for any debt instruments refundable. There are also no arrangements or agreements whereby any shareholder waives any rights in profits. The Company has no financial obligations to third parties, loans, debt instruments or equity related activities. The Board of Directors acknowledges that there are no loans to the Company.

**Description of any interest accruing to the members of the Board, their spouses and minor children in the shares or debt instruments of the Company or any of its subsidiaries:**

Sr. No.	Name of those who have interest	the beginning of the year		End of the year		Net change	Percentage change
		Number of Shares	Debt instruments	Number of Shares	Debt instruments		
1	Eng. Thamer Abdullah bin Rayes	1,025	-----	1,025	-----	-----	-----
2	Eng. Mohamed Hani Al Bakri	-----	-----	-----	-----	-----	-----
3	Mr. Hisham Mohammed Al Sharif	2,000	-----	2,000	-----	-----	-----
4	Mr. Hussam Talal Al Ghazzawi	1,000	-----	1,000	-----	-----	-----
5	Ms. Zain Iyad Imam	-----	-----	-----	-----	-----	-----
6	Eng. Tarek bin Abdullah bin Hussein Al Remem	1,000	-----	1000	-----	-----	-----
7	Eng. Suleiman bin Abdullah Al Khuraiji	1,000	-----	1,000	-----	-----	-----
8	Dr. Abdul Latif Aal Sheikh	1,000	-----	1000	-----	-----	-----
9	Mr. Ali Hassan Al Jasser Al Shehri	2,000	-----	2,000	-----	-----	-----
10	Dr. Yousef Abdullah Basudan	1,000	-----	1,000	-----	-----	-----

While they are represented by companies, there is no interest of senior executives, their spouses and minor children in the shares or debt instruments of the Company or any of its subsidiaries.

**13. Zakat, Statutory Payments and Loans:**

Statement	2018		Brief Description	Statement of Reasons
	Paid	Due up to the end of the annual financial period and has not been paid		
Zakat	2,780,644		Annual Zakat	Annual Zakat
Tax	-	-	Income taxes on third parties	Income taxes on third parties
General Organization for Social Insurance (GOSI)	4,298,382	373,856	Paid subscriptions	Paid subscriptions
Costs of visas and passports	536,681			
Office fees	33,500		Renewal fees for work permits	Renewal fees for work permits
Saudi Arabian Monetary Authority (SAMA) Supervisory fees	2,638,647	526,948	Fees	Fees
Council Of Cooperative Health	1,487,090	274,967	Fees	Fees

Insurance (CCHI) Supervisory fees				
Trading fees	257,960		Fees	Fees
Fines	533,467		A fine for withholding tax for previous years	A fine for withholding tax for previous years
Withholding Tax	4,722,725	27,395	Tax payable on reinsurance premiums and consultancy outside the Kingdom	Tax payable on reinsurance premiums and consultancy outside the Kingdom

#### **14. Declarations:**

Allied Cooperative Insurance Group (ACIG) announces that:

1. There are no companies affiliated thereto.
2. There are no loans payable thereon, whether they are payable on demand or otherwise, and the Company did not make any payments for loans during the fiscal year 2018.
3. There are no debt instruments convertible into shares and there are no option rights, warrants, subscription rights or similar rights issued or granted by the Company during the fiscal year 2018.
4. There are no rights of transfer or subscription under debt instruments convertible into shares, rights, option, rights certificates or similar rights issued or granted by the Company during the fiscal year 2018.
5. The Company has not recovered, bought or canceled any redeemable debt instruments, or any value for the remaining securities.
6. There is no interest in the shares entitled to vote for any persons.
7. There are no rights of option or rights of subscription to which the issuer is a party, to the members of the Board of the Issuer, senior executives, their spouses and minor children.
8. There is no arrangement or agreement whereby a shareholder of the Issuer waives any rights in profits.
9. There are no other investments or reserves created for the benefit of the Issuer's employees.
10. There are no concessions on salaries or compensation.

#### **15. Number of Company's Applications for Shareholders' Register and Dates of and Reasons for Applications**

Number of Company's Applications for Shareholders' Register	Date of Application	Reasons for Application
1	31 March 2018	Ordinary General Meeting
2	25 June 2018	Ordinary General Meeting

#### **16. External Auditors and IFRS:**

The Company Shareholders' General Meeting, which was held on 02/04/2018, approved of appointing Dr. Mohamed Al-Amri & Co. and Al Azem & Al Sudairy CPA's & Consultants to check, review and audit the financial statements for the first, second, third, fourth quarters and annual financial statement of the fiscal year 2018.

#### **The auditors issued their report in an unmodified opinion according to the following text:**

We have reviewed the financial statements of Allied Cooperative Insurance Group (ACIG) ("the Company") which comprise the statement of financial position as at 31 December 2018, insurance operations and accumulated surplus statements, shareholders' operations, shareholders' comprehensive income, changes in equity, cash flows of shareholders' operations for the year then ended, a summary of significant accounting policies and other explanatory notes from (1) to (28).

In our opinion, the accompanying financial statements present fairly, in all intrinsic respects, the Company's financial position as at 31 December 2018, its financial performance and its cash flows for the year then ended

in accordance with the International Financial Reporting Standards (IFRS), as amended by the Saudi Arabian Monetary Agency (SAMA) for accounting treatment of zakat and income tax.

**The Company acknowledges that: -**

1. The accounting records were prepared correctly.
2. The internal control system had been properly prepared and effectively implemented
3. there was little doubt about the Issuer's ability to continue its activity.

**17. Effectiveness and Efficiency of Internal Control Procedures:**

The scope of internal audit management includes the examination and evaluation of the efficiency and effectiveness of the Company's internal control systems during 2018. The reviews were carried out according to a methodology based on risk assessment, evaluation of internal control systems, identifying and evaluating weaknesses, updating the procedures followed in accordance with the established standards and based on the internal audit management regulations approved by the Audit Committee and the Board of Directors.

The Internal Audit Department submits its quarterly reports to the Audit Committee of the Board of Directors. These reports are based on the audit plan to be prepared at the beginning of each financial year by the Internal Audit Department with the approval and supervision of the Audit Committee .

The final reports shall be sent to the Audit Committee with a copy to the executive management and the relevant departments. The Audit Committee shall discuss these reports at its quarterly meetings for approval or recommend appropriate action to address any observations.

The Internal Audit Department also ensures that the various departments implement the Company's internal regulations and it has directed some departments that have not followed some written procedures to follow these procedures.

The Internal Audit Department has sent warning notices to some departments that have not implemented the requirements of the regulations and circulars of the Saudi Arabian Monetary Agency and the Council Of Cooperative Health Insurance.

The executive management has not exceeded the total general expenses according to the approved estimated budget for the fiscal year ended 31/12/2018.

The mechanisms for issuing medical insurance policies for small and medium-sized groups have been reviewed and modified .

The addition of some required documents to the subscription departments was reviewed prior to issuing the documents.

Some statements have been added in accordance with the instructions of the General Authority for Zakat and Tax regarding VAT.

The implementation of the 2017 surplus distribution policy has been confirmed.

It has been confirmed that the technical departments follow the instructions of the actuarial expert and SAMA regulations and circulars.

In 2018, the Company completed an inventory of all fixed assets and put a barcode on each asset

Moreover, it has been generally confirmed that the Company follow the instructions of the Ministry of Commerce and the instructions of the Capital Market Authority, the General Organization of Social Insurance and other government agencies.

Based on the above, the Audit Committee believes that the internal control system implemented by the Company is properly prepared and implemented efficiently and effectively by ensuring reliability of the

financial reports and compliance with the applicable regulations. The internal control system seeks to provide oversight and control means within the Company are suitable for risk reduction.

#### **18. Details of the Company's Social Contributions**

The Company has trained the students. 9 students have been trained during this year as follows:

Name	Specialization	Certificate	Training Sections
Abdullah Rashed Aal Issa	Computer Engineering	BA	Information Systems
Rowan Al Khareef	Information Technology	Diploma	Information Systems
Rehab Khalid Al Otaibi	Insurance	BA	Technical Management
Raghad Mishal Al Hamdan	Insurance and Risk Management	BA	Technical Management
Lujain Al Subayani	Finance	BA	Finance
Atef Sadaqa Mohamed Khayat	Business Administration, Insurance	Diploma	Claims
Shahd Ibrahim Aal Talib	Information Systems	BA	HR
Nawaf Mohammed Abalkhail	Advertising or Marketing Communications	BA	Sales
Khalid bin Salem Al Bariq	Finance	BA	Finance

#### **19. Dates of Shareholders' General Meetings Held During the Last Financial Year and Names of the Members of the Board present at these Meetings**

Name	First General Meeting 02 April 2018	Second General Meeting 27 June 2018
Eng. Thamer Abdullah bin Rayes	Absent	Absent
Mr. Hisham Mohammed Al Sharif	Attended	Attended
Mr. Riad Ahmed Al Thaqafi	Attended	Attended
Dr. Yousef Basudan	Absent	Absent
Eng. Mohammed Hani Al Bakri	Absent	Absent
Mr. Hossam Al Ghazzawi	Absent	Absent
Eng. Suleiman Al Khuraiji	Attended	Absent
Eng. Tarek bin Abdullah bin Hussein Al Remem	Absent	Attended
Mr. Ali bin Hassan Al Jasser Al Shehri	Attended	Attended
Dr. Abdul Latif bin Mohammed Al Sheikh	Absent	Attended
Mr. Zain Imam	She was not a board member on that date	She was not a board member on that date

#### **20. Future Risks:**

There is no doubt that there are future risks that may affect the performance of companies operating in the insurance sector, including the influence of global reinsurance companies with the effects of international

markets, and therefore non-compliance with the terms of reinsurance agreements. Although the Company only contracts with reinsurers with high financial assessment, however, the change in the general policies of the reinsurers is deemed a future risk that may affect the performance of the Company. Among the potential risks: lack of qualified human resources in the Saudi insurance sector, which the Company seeks to reduce through training and rehabilitation programs, in addition to other risks such as technical risks, liquidity risks, legal and regulatory risks, and competitive risks.

The Company established Risk Department due to its great importance as it plays an effective role in maintaining the stability of the Company and reaching the most appropriate means to identify and study the risks facing the Company, thus, work to control them.

## **Risk management**

### **(a) Insurance**

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

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

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 36% of total reinsurance assets at the reporting date.

### **Frequency and severity of claims**

The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risks, civil riots etc. The Company manages these risk through the measures described above. The company has limited its risk by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The overall aim is currently to restrict the impact of a single catastrophic event to approximately 15% of shareholders' equity on a gross basis and 3% on a net basis. In the event of such a catastrophe, counterparty



exposure to a single reinsurer is estimated not to exceed 5% of shareholders' equity. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

### **Concentration of insurance risk**

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

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

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

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

The key source of estimation uncertainty at the statement of financial position date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Claims are payable to Policyholders and third parties depending upon the terms of the contract as contained in policy terms and conditions. The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence; changes in market factors such as public attitude to claiming; economic conditions; as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

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

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

### **Process used to decide on assumptions**

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

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs. For details please refer note 2(e).

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods. The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

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

### **Sensitivity analysis**

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

A hypothetical 2% change in the claim ratio, net of reinsurance, would impact net underwriting income/ (loss) as follows;

	Income from insurance operations	
	2018	2017
	SAR'000	
<b>Impact of change in claim ratio by - 2%</b>		
Medical	8,916	44,574
Motor	80,856	42,289
General Accident	7,507	8,649
Others	1,989	2,018
	99,268	97,530
	Income from insurance operations	
	2018	2017
	SAR'000	
<b>Impact of change in claim ratio by + 2%</b>		
Medical	4,980	40,112
Motor	68,836	33,127
General Accident	7,061	8,239
Others	1,713	1,996
	82,590	83,474

#### (a) Reinsurance risk

In order to limit the financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for reinsuring its exposures.

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

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

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

Furthermore, the financial strength and managerial and technical expertise as well as historical performance of the reinsurers, wherever applicable, are thoroughly reviewed by the Company and



agreed to pre-set requirements of the Company's Board of Directors before approving them for exchange of reinsurance business. As at December 31, 2018 and 2017, there is no significant concentration of reinsurance balances.

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

## **(b) Market Risk**

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

- The Company's market risk policy sets out the assessment and determination of what constitutes market risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company's Board Investment Committee and Risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains for policyholders and shareholders which are in line with their expectations.
- The Company stipulates diversification benchmarks by type of instrument and geographical area, as the Company is exposed to guaranteed bonuses, cash and annuity options when interest rates fall.
- There is strict control over hedging activities (e.g., equity derivatives are only permitted to be held to facilitate portfolio management or to reduce investment risk).

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

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

### **Currency Risk**

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

The currency exposures of available-for-sale investments are set out below and all are in Saudi Arabian Riyals and GCC currencies:

Shareholders Operations	2018	2017
	SAR'000	
Sukuk	25,000	25,000

<b>Listed Equity</b>	20,712	16,800
<b>REIT</b>	10,099	-
<b>Unlisted securities</b>	1,923	1,923
	57,734	43,723

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

### **Commission Rate Risk**

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

An increase or decrease of 50 basis points in interest yields would result in a change in the income for the year of SAR 9.36 million (2017: SAR 9.25 million).

**The commission and non-commission bearing investments of the Company and their maturities as at December 31, 2018 and 2017 are as follows:**

	Less than 1 year	More than 1 year	Non-commission bearing	Total
<b>Insurance Operations</b>	SAR'000			
<b>2018</b>	<b>138,256</b>	-	-	<b>138,256</b>
<b>2017</b>	147,249	-	-	147,249
<b>Shareholders Operations</b>				
<b>2018</b>	<b>48,983</b>	<b>25,000</b>	-	<b>73,983</b>
<b>2017</b>	37,751	25,000	-	62,751

### **Other Price Risk**

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

The Company's investments amounting to SAR 30.8 million (2017: SAR 16.8 million) are susceptible to market price risk arising from uncertainty about the future value of invested securities. The Company limits this nature of market risk by diversifying its invested portfolio and by actively monitoring the developments in markets.

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

	Fair value change	Effect on Company's profit SAR'000
<b>December 31, 2018</b>	+ / - 10%	+/- 3.080

The sensitivity analysis presented is based upon the portfolio position as at December 31, 2018 and 2017. Accordingly, the sensitivity analysis prepared is not necessarily indicative of the effect on the Company's assets of future movements in the value of investments held by the Company.

### (c) Credit Risk

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

The table below shows the maximum exposure to credit risk for the relevant components of the statement of financial position:

ASSETS - INSURANCE OPERATIONS	2018	2017
	SAR'000	
Cash and cash equivalents	83,409	44,283
Available-for-sale investments	-	-
Premium receivables, net	88,087	81,333
Reinsurance receivables, net	5,891	5,592
Reinsurers' share of outstanding claims	16,547	22,173
Prepayments and other receivables	28,047	33,230
<b>Total</b>	<b>221,981</b>	<b>186,611</b>

ASSETS - SHAREHOLDERS' OPERATIONS	2018	2017
	SAR'000	
Cash and cash equivalents	10,086	33,315
Available-for-sale investments	57,734	43,723
<b>Total</b>	<b>67,820</b>	<b>77,038</b>

### Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. Approximately 100% (2017: approximately 100%) of the Company's underwriting activities are carried out in Saudi Arabia. The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

### Credit risk exposure

	2018 SAR' 000	2017 SAR' 000	2018 SAR' 000	2017 SAR' 000	2018 SAR' 000	2017 SAR' 000
	Investment grade		Non-investment grade		Unrated	
<b>Investments:</b>						
- Available for sale						

Debt instruments	-	-	25,000	25,000	-	-
Equities	20,712	16,800	-	-	-	-
Other	10,099	-	-	-	1,923	1,923
Premium and reinsurance balances receivable						
Policyholders'	-	-	-	-	88,087	81,333
Due from a related party	-	-	-	-	2,391	2,247
Reinsurance receivables	-	-	-	-	5,891	5,592
Total	30,811	16,800	25,000	25,000	98,292	91,095

#### (d) Liquidity Risk

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

- The Company's liquidity risk policy which sets out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance and investment contracts obligations.
- Contingency funding plans are in place, which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.
- The Company's catastrophe excess-of-loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

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

Maturity Profile	2018 SAR '000			2017 SAR '000		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
<b>ASSETS</b>						
<b>INSURANCE OPERATIONS</b>						
Short term deposit	138,256	-	138,256	147,249	-	147,249
<b>SHAREHOLDER OPERATIONS</b>						
Short term deposit	48,983	-	48,983	37,751	-	37,751
SUKUK	-	25,000	25,000	-	25,000	25,000
Total	187,239	25,000	212,239	185,000	25,000	210,000
<b>LIABILITIES</b>						
<b>INSURANCE OPERATIONS</b>						
Reinsurance payables	11,505	-	11,505	23,731	-	23,731
Accounts payable	17,038	-	17,038	13,107	-	13,107
Outstanding claims	98,188	-	98,188	88,108	-	88,108
Accrued and other payables	7,589	-	7,589	9,854	-	9,854

SHAREHOLDER OPERATIONS						
Accrued and other payables	5,397	1,386	6,783	2,382	1,152	3,534
Total	139,717	1,386	141,103	137,182	1,152	138,334

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

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

- Deposits are expected to be matured within 6 months from the date of placement.
- Cash and bank balances are available on demand.
- Reinsurers share of outstanding claims majorly pertain to property and casualty segment and are generally realized within 6 to 12 months based on settlement of balances with reinsurers.

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

- Reinsurers' balances payable are settled on a quarterly basis as per terms of reinsurance agreements.
- As per the Regulation, all insurance claims need to be settled within the time limits specified in this regard. Majority of gross outstanding claims are expected to be settled within the time limits set in this regard subject to meeting all the documentation requirements. Property and casualty policies due to the inherent nature are generally settled within 45 days from the date of receipt of loss adjustor report
- The claims payable, accrued expenses and other liabilities are expected to settle within a period of 1-3 months from the period end date.
- Surplus distribution payable is to be settled within 6 months of annual general meeting in which financial statements are approved.

**(e) Operational Risk**

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

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

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

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

**21. Description of any transaction between the Company and a related party**

Related Party	Name of Board Member	Transaction Type	Duration	Value (SR)
Bakri Group of Companies	M. Mohammed Hani Bakri	Fidelity Insurance and Cash and Cars Insurance	One year	116,000
Rees Group of Companies	Eng. Thamer Abdullah bin Rayes	Property and car insurance; Medical Insurance	One year	3,525,000
Family of Mr. Hisham Al Sharif	Mr. Hisham Al Sharif	Car Insurance	One year	41,000
Eng. Sulaiman Al - Khuraiji Consulting Office	Mr. Suleiman Al Khuraiji	Car Insurance	One year	49,000

## **22. Information relating to any works or contracts in which the Company is a party or in which there is an interest of a member of the Board or senior executives**

Member Name / Senior Executives	Terms of employment or contract	Duration of work or contract	Amount of work or contract (SR)	Nature of work or contract
Eng. Thamer Abdullah bin Rayes	Insurance in accordance with the established regulations	One year	3,408	Car Insurance
Mr. Hisham Al Sharif	Insurance in accordance with the established regulations	One year	8,166	Car Insurance
Dr. Abdul Latif Al Sheikh	Insurance in accordance with the established regulations	One year	1,452	Car Insurance
Dr. Yousef Basudan	Insurance in accordance with the established regulations	One year	5,127	Car Insurance
Mr. Mohammed Al Qadi	Insurance in accordance with the established regulations	One year	845	Car Insurance
Mr. Hassan Al-Hazmi	Insurance in accordance with the established regulations	One year	2,198	Car Insurance
Mr. Ammar Alsahn	Insurance in accordance with the established regulations	One year	9,000	Car Insurance

## **23. Investments:**

The Company invests its funds in local banks in low risk Murabaha programs in accordance with the provisions of the Islamic Shari'a, in addition to investing in sukuk and investment in listed securities and units in a local real estate fund available for sale. ACIG also owns shares in Najm Insurance Company (Saudi Shareholding Company Closed). It owns 3.85% of the Company's shares and the nominal investment value in the Company's books is SR 1,923,000. It has started its activities to do car insurance claim settlement works As follows:

### **i) Shareholders' operations**

Investments of the insurance operations comprise the following:

	2018	2017
	SAR'000	
Available for sale "AFS"	57,734	43,723
Total	57,734	43,723



a) Investment securities are classified as follows:

i) Available-for-sale investments

	Domestic		International		Total	
	2018 SAR'000	2017 SAR'000	2018 SAR'000	2017 SAR'000	2018 SAR'000	2017 SAR'000
Investment in sukuk	25,000	25,000	-	-	25,000	25,000
Quoted securities	15,755	10,944	4,957	5,856	20,712	16,800
Unquoted securities	1,923	1,923	-	-	1,923	1,923
Units in quoted local real estate fund	10,099	-	-	-	10,099	-
Available for sale	<b>52,777</b>	37,867	<b>4,957</b>	5,856	<b>57,734</b>	43,723

Movements in available for sale investments are as follows:

	Investment in sukuk	Quoted securities	Unquoted Securities	Units in quoted local real estate fund	Total
	SAR'000				
As at January 1, 2017	25,000	20,759	1,923	-	47,682
Purchases	-	13,635	-	-	13,635
Disposals	-	(18,280)	-	-	(18,280)
Changes in fair value of investments	-	686	-	-	686
As at December 31, 2017	25,000	16,800	1,923	-	43,723
As of January 1, 2018	25,000	16,800	1,923	-	<b>43,723</b>
Purchases	-	9,746	-	9,992	<b>19,738</b>
Disposals	-	(3,018)	-	-	<b>(3,018)</b>
Changes in fair value of investments	-	(2,816)	-	107	<b>(2,709)</b>
As at December 31, 2018	25,000	20,712	1,923	10,099	<b>57,734</b>

## TERM DEPOSITS

	December 31, 2018 SR'000	December, 31 2017 SR'000
Insurance Operations		
Term deposits	<b>138,256</b>	147,249
Shareholders' Operations		
Term deposits	<b>48,983</b>	37,751

The term deposits are held with the commercial banks. These term deposits are denominated in Saudi Arabian Riyals and have been an original maturity of more than three months and less than twelve months. The carrying amounts of these term deposits reasonably approximate their fair values at the reporting date.



**Therefore, this is the end of the Board of Directors' report on the Company's works for the year 2018. May Allah grant us success.**

