

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

**UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION AND  
INDEPENDENT AUDITORS' REVIEW REPORT  
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020**

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020**

---

<b>INDEX</b>	<b>PAGE</b>
Independent auditors' review report	1
Interim statement of financial position	2
Interim statement of income	3
Interim statement of comprehensive income	4
Interim statement of changes in equity	5
Interim statement of cash flows	6
Notes to the interim condensed financial information	7 - 31

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

**INTRODUCTION**

We have reviewed the accompanying interim statement of financial position of The Company for Cooperative Insurance (A Saudi Joint Stock Company) (the "Company") as at March 31, 2020 and the related interim statement of income, interim statement of comprehensive income, interim statement of changes in equity and interim statement of cash flows for the three-month period then ended and other explanatory notes (the interim condensed financial information). Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial information based on our review.

**SCOPE OF REVIEW**

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

**CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with ("IAS 34") as endorsed in the Kingdom of Saudi Arabia.

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



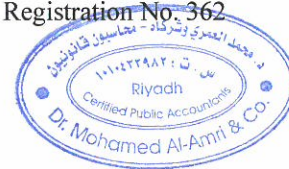
Omar M. Al Sagga  
Certified Public Accountant  
Registration No. 369



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



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



Shawwal 11, 1441H  
June 03, 2020

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF FINANCIAL POSITION**

	Notes	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
<b>SAR'000</b>			
<b><u>ASSETS</u></b>			
Statutory deposit	10	125,000	125,000
Accrued income on statutory deposit		2,578	2,513
Property and equipment, net		255,293	260,119
Intangible assets		5,399	3,971
Investment property		9,861	9,861
Investments in associates		104,918	101,520
Available for sale investments	4	3,195,762	2,746,748
Mudaraba/ Murabaha deposits	5	3,301,345	3,539,376
Prepaid expenses and other assets		299,565	243,912
Deferred excess of loss premiums		15,781	7,714
Deferred policy acquisition costs		126,817	120,845
Reinsurers' share of gross outstanding claims	7	2,899,357	3,100,446
Reinsurers' share of incurred but not reported claims	7	304,806	327,724
Reinsurers' share of unearned premiums	7	507,899	715,959
Receivables, net	3	2,212,246	1,495,894
Accrued investment income		25,267	6,333
Cash and cash equivalents	6	691,400	1,306,550
<b>TOTAL ASSETS</b>		<b>14,083,294</b>	<b>14,114,485</b>
<b><u>LIABILITIES</u></b>			
Surplus distribution payable		34,283	34,283
Defined benefit obligations		131,549	129,480
Return payable on statutory deposit		2,578	2,513
Claims payable, accrued expenses and other liabilities		1,427,467	1,174,982
Reserve for takaful activities		4,900	5,006
Gross outstanding claims	7	3,478,510	3,684,891
Incurred but not reported claims reserve	7	1,830,035	1,925,584
Premium deficiency reserve	7	16,853	2,830
Unearned commission income		38,432	43,323
Gross unearned premiums	7	4,107,397	3,826,119
Reinsurers' balances payable		182,294	523,820
Dividends payable		6,411	6,411
Accumulated surplus		6,171	-
Zakat		273,768	255,554
<b>TOTAL LIABILITIES</b>		<b>11,540,648</b>	<b>11,614,796</b>
<b><u>EQUITY</u></b>			
Share capital	8	1,250,000	1,250,000
Legal reserve	11	1,065,517	1,065,517
Fair value reserve for investments		143,584	167,472
Remeasurement of defined benefit obligation		(14,540)	(14,540)
Retained earnings		98,085	31,240
<b>TOTAL EQUITY</b>		<b>2,542,646</b>	<b>2,499,689</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>14,083,294</b>	<b>14,114,485</b>
<b>CONTINGENT LIABILITIES</b>			
	9		

Board Director

Fraser David Gregory

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 21 form an integral part of these interim condensed financial information.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF INCOME**

	Three months ended March 31, 2020 (Unaudited)	Three months ended March 31, 2019 (Unaudited) Restated
	SAR'000	
<b><u>REVENUES</u></b>		
Gross premiums written	2,572,707	2,457,033
Reinsurance ceded – local	(5,570)	(7,355)
Reinsurance ceded – international	(151,808)	(229,314)
Fee income from takaful	685	798
Excess of loss premiums	(8,972)	(6,416)
<b>Net premiums written</b>	<b>2,407,042</b>	<b>2,214,746</b>
Changes in unearned premiums	(281,278)	(503,470)
Changes in reinsurers' share of unearned premiums	(208,060)	(63,342)
<b>Net premiums earned</b>	<b>1,917,704</b>	<b>1,647,934</b>
Reinsurance commissions	30,778	26,819
Other underwriting income	4,235	3,520
<b>TOTAL REVENUES</b>	<b>1,952,717</b>	<b>1,678,273</b>
<b><u>UNDERWRITING COSTS AND EXPENSES</u></b>		
Gross claims paid	1,750,529	1,821,403
Expenses incurred related to claims	2,202	5,314
Reinsurers' share of claims paid	(237,312)	(319,454)
<b>Net claims and other benefits paid</b>	<b>1,515,419</b>	<b>1,507,263</b>
Changes in outstanding claims	(206,381)	(201,810)
Changes in reinsurance share of outstanding claims	201,089	201,891
Changes in incurred but not reported claims reserve	(95,549)	(23,991)
Changes in reinsurance share of incurred but not reported claims	22,918	(33,679)
Changes in premium deficiency reserve	14,023	(5,457)
<b>Net claims and other benefits incurred</b>	<b>1,451,519</b>	<b>1,444,217</b>
Changes in reserves for takaful activities	(106)	(880)
Policy acquisition costs	103,515	86,872
Other underwriting expenses	103,342	40,205
Insurance share distribution	100,684	19,182
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>1,758,954</b>	<b>1,589,596</b>
<b>Net underwriting income</b>	<b>193,763</b>	<b>88,677</b>
<b><u>OTHER OPERATING (EXPENSES) / INCOME</u></b>		
General and administrative expenses	(154,521)	(123,524)
(Allowance for)/ reversal of allowance for doubtful debts	(15,620)	17,800
Dividend and realized gain on investments, net	62,283	54,261
Share of profit from investments in associates, net	3,164	4,985
Impairment of available for sale investments	(4,812)	-
Other income, net	6,973	5,877
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>(102,533)</b>	<b>(40,601)</b>
<b>Net income before attribution and zakat</b>	<b>91,230</b>	<b>48,076</b>
Net income for the period attributed to the insurance operations	(6,171)	(2,048)
<b>Net income for the period attributable to the shareholders before Zakat</b>	<b>85,059</b>	<b>46,028</b>
Zakat charge for the period	(18,214)	(16,984)
<b>Net income for the period attributable to the shareholders after zakat</b>	<b>66,845</b>	<b>29,044</b>
<b>Earnings per share</b>		
Basic and diluted earnings per share (in SAR)	0.53	0.23
Weighted average number of shares in issue	125,000,000	125,000,000

Board Director

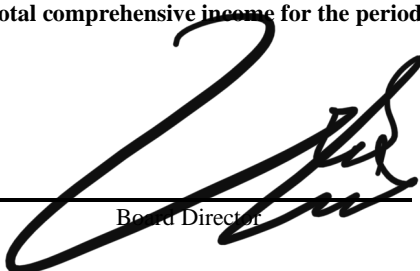
Fraser David Gregory  
 Chief Financial Officer


Chief Executive Officer

The accompanying notes 1 to 21 form an integral part of these interim condensed financial information.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF COMPREHENSIVE INCOME**

	Notes	Three months ended March 31, 2020 (Unaudited)	Three months ended March 31, 2019 (Unaudited) Restated
<b>SAR'000</b>			
Net income attributable to the shareholders after Zakat		66,845	29,044
<b>Other comprehensive income:</b>			
<i>To be recycled back to interim statement of income in subsequent periods:</i>			
<i>Available for sale investments:</i>			
- Net change in fair value	4	(10,718)	181,126
- Net amounts transferred to interim statement of income	4	(13,404)	1,145
Share of other comprehensive income of investments in associates		234	1,636
<b>Total comprehensive income for the period</b>		<b>42,957</b>	<b>212,951</b>

  
 \_\_\_\_\_  
 Board Director

  
 \_\_\_\_\_  
**Fraser David Gregory**  
 Chief Financial Officer

  
 \_\_\_\_\_  
 Chief Executive Officer

The accompanying notes 1 to 21 form an integral part of these interim condensed financial information.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF CHANGES IN EQUITY**

Notes	Share capital	Legal reserve	Fair value reserve for investments	Remeasurements of defined benefit obligation	Retained earnings	Total
SAR'000						
<b>Balance at January 1, 2019 - audited</b>	1,250,000	1,000,000	(198,724)	(12,226)	(230,829)	1,808,221
Total comprehensive income for the period:						
Net income for the period attributable to the shareholders after zakat	18	-	-	-	29,044	29,044
Changes in fair value of available-for-sale investments	18	-	181,126	-	-	181,126
Net amount recycled to interim statement of income	18	-	1,145	-	-	1,145
Share of other comprehensive income of investments in associates		-	1,636	-	-	1,636
Total comprehensive income (restated)		-	183,907	-	29,044	212,951
<b>Balance at March 31, 2019 - unaudited</b>	<b>1,250,000</b>	<b>1,000,000</b>	<b>(14,817)</b>	<b>(12,226)</b>	<b>(201,785)</b>	<b>2,021,172</b>
<b>Balance at January 1, 2020 - audited</b>	<b>1,250,000</b>	<b>1,065,517</b>	<b>167,472</b>	<b>(14,540)</b>	<b>31,240</b>	<b>2,499,689</b>
Total comprehensive income for the period:						
Net income for the period attributable to the shareholders after zakat	18	-	-	-	66,845	66,845
Changes in fair value of available-for-sale investments	18	-	(10,718)	-	-	(10,718)
Net amount recycled to interim statement of income	18	-	(13,404)	-	-	(13,404)
Share of other comprehensive income of investments in associates	18	-	234	-	-	234
Total comprehensive income		-	(23,888)	-	66,845	42,957
<b>Balance at March 31, 2020 - unaudited</b>	<b>1,250,000</b>	<b>1,065,517</b>	<b>143,584</b>	<b>(14,540)</b>	<b>98,085</b>	<b>2,542,646</b>

Board Director

Fraser David Gregory

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 21 form an integral part of these interim condensed financial information.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF CASHFLOWS**

	Notes	Three months ended March 31, 2020 (Unaudited)	Three months ended March 31, 2019 (Unaudited)
		SAR'000	
<b>Operating activities:</b>			
Net income before attribution and zakat for the period		91,230	48,076
Adjustments for non-cash items:			
Depreciation of property and equipment		7,549	5,494
Amortization of intangible assets		279	1,328
Allowance for/ (reversal of) doubtful debts		15,620	(17,800)
(Gain)/ loss on sale of investments		(18,216)	1,145
Impairment of available-for-sale investments		4,812	-
Share of profit from investments in associates, net		(3,164)	(4,985)
Provision for defined benefit obligations		9,347	4,623
		<u>107,457</u>	<u>37,881</u>
<b>Changes in operating assets and liabilities:</b>			
Prepaid expenses and others assets		(55,653)	26,126
Deferred excess of loss premiums		(8,067)	4,477
Deferred policy acquisition costs		(5,972)	(3,034)
Reinsurers' share of gross outstanding claims		201,089	201,891
Reinsurers' share of claims incurred but not reported		22,918	(33,679)
Reinsurers' share of unearned premiums		208,060	63,342
Receivables, net		(731,972)	(649,796)
Reinsurers' balances payable		(341,526)	171,420
Gross unearned premiums		281,278	503,470
Unearned commission income		(4,891)	(6,010)
Gross outstanding claims		(206,381)	(201,810)
Incurred but not reported claims reserve		(95,549)	(23,991)
Premium deficiency reserve		14,023	(5,457)
Reserve for takaful activities		(106)	(880)
Claims payable, accrued expenses and other liabilities		252,485	(27,122)
		<u>(362,807)</u>	<u>56,828</u>
Defined benefit obligations paid		(7,278)	(2,285)
		<u>(370,085)</u>	<u>54,543</u>
<b>Net cash (used in) / generated from operating activities</b>			
<b>Investing activities:</b>			
Proceeds from sale of available-for-sale investments		370,914	178,514
Purchase of available-for-sale investments		(830,646)	(49,788)
Proceeds from maturity of mudaraba / murabaha deposits		3,949,982	2,239,125
Placement in mudaraba / murabaha deposits		(3,711,951)	(2,425,972)
Accrued investment income		(18,934)	-
Dividends received from investments in associates		-	9,940
Purchase of property and equipment		(2,723)	(92)
Purchase of intangible assets		(1,707)	(1,102)
		<u>(245,065)</u>	<u>(49,375)</u>
<b>Financing activities:</b>			
Zakat paid during the period		-	(970)
		<u>-</u>	<u>(970)</u>
<b>Net cash used in financing activities</b>			
<b>Net change in cash and cash equivalents</b>			
Cash and cash equivalents, beginning of the period	6	1,306,550	1,600,240
<b>Cash and cash equivalents, end of the period</b>	6	<u>691,400</u>	<u>1,604,438</u>
<b>Non-cash supplemental information:</b>			
Changes in fair value for available-for-sale investments		(24,122)	182,271
Share of other comprehensive income of associates		234	1,636

Board Director

Fraser David Gregory  
Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 21 form an integral part of these interim condensed financial information.



**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**MARCH 31, 2020**

---

**1. GENERAL**

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

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

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

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

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

**2. BASIS OF PREPARATION**

**(a) Statement of compliance**

The interim condensed financial information of the Company as at and for the period ended March 31, 2020 have been prepared in accordance with *International Accounting Standard 34 Interim Financial Reporting* (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (“SOCPA”)

The financial statements of the Company as at and for the period and year ended 31 March 2019 and 31 December 2018, respectively, were prepared in compliance with the IAS 34 and the International Financial Reporting Standards (“IFRS”) respectively, as modified by SAMA for the accounting of zakat and income tax (relating to the application of IAS 12 – “Income Taxes” and IFRIC 21 – “Levies” so far as these relate to zakat and income tax).

On 18 July 2019, SAMA instructed the insurance companies in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of income. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board (“IASB”) and as endorsed in the Kingdom of Saudi Arabia and with the other standards and pronouncements that are issued by the Saudi Organisation for Certified Public Accountants (“SOCPA”) (collectively referred to as “IFRS as endorsed in KSA”).

Accordingly, the Company changed its accounting treatment for zakat by retrospectively adjusting the impact in line with International Accounting Standard 8, Accounting Policies, Changes in Accounting Estimates and Errors and the effects of this change are disclosed in note 17 to the interim condensed financial information.

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

The Company presents its statement of financial position in order of liquidity. As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders’ Operations and presents the financial statements accordingly (Note 18). Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**MARCH 31, 2020**

---

**2. BASIS OF PREPARATION (continued)**

**(a) Basis of presentation (continued)**

The interim statement of financial position, statement of income, comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in Note 18 of the financial statement have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations and is not required under IFRSs. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the interim statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive income or losses of the respective operations.

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

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

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

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

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

In preparing this interim condensed financial information, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2019. Further, the Company has considered the following:

- On 11 March 2020, the World Health Organisation ("WHO") declared the Coronavirus ("Covid-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.
- In response to the spread of the Covid-19 virus in the GCC region and other territories, including the Kingdom of Saudi Arabia, where the Company operates and its consequential disruption to the social and economic activities in those markets, the Company's management has proactively assessed its impacts on its operations and has taken a series of proactive and preventative measures and processes to ensure:
  - the health and safety of its employees and the wider community where it is operating
  - the continuity of its business throughout the Kingdom is protected and kept intact.
- Also refer subsequent event note 21 in relation to SAMA Circular 189 issued on 8 May 2020 in response to the Covid-19 pandemic.

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

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

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimates are made at the end of the reporting period both for the expected ultimate cost of claim reported and for the expected ultimate costs of claims incurred but not reported ("IBNR"). Liabilities for unpaid

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**MARCH 31, 2020**

---

**2. BASIS OF PREPARATION (continued)**

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

reported claims are estimated using the input of assessments for individual cases reported to the Company. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

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

ii) Impairment of available-for-sale financial assets

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

iii) Impairment of receivables

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

iv) Fair value of financial instruments

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

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

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

v) Impact of covid-19 on the medical technical reserves and financial assets

Medical technical reserves

Notwithstanding these challenges, the Company's management believes that the technical reserves for medical line of business remain largely unaffected as the insurance industry is facilitated by the Saudi Arabian Government initiative of bearing all costs associated with Covid-19 pandemic, which include testing and treatment cost. Moreover, there is a general decrease in trend of medical claims, which are of routine nature, received by the company since Covid-19 pandemic was declared.. Furthermore, the industry likewise has not experienced significantly high number of reported claims. Based on these factors, the Company's management believes that the Covid-19 pandemic has had no material effects on Company's reported results for the three-month period ended 31 March 2020. The Company's management continues to monitor the situation closely.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
(A SAUDI JOINT STOCK COMPANY)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
(continued)  
**MARCH 31, 2020**

---

**2. BASIS OF PREPARATION (continued)**

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

Other financial assets

The Company has performed an assessment in accordance with its accounting policy due to the Covid-19 pandemic to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired. These include factors such as, significant financial difficulties of issuers or debtors, default or delinquency in payments, probability that the issuer or debtor will enter bankruptcy or other financial reorganisation, etc. In case of equities classified under available-for-sale, the Company has performed an assessment to determine whether there is a significant decline in the fair value of financial assets below their cost. Based on these assessments, the Company's management believes that the Covid-19 pandemic has had no material effects on Company's reported results for the three month period ended 31 March 2020. The Company's management continues to monitor the situation closely.

**(c) Significant accounting policies**

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

**i) Standards issued but not yet effective**

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

***IFRS 9 - "Financial instruments"***

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

**i) Classification and measurement:**

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

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

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

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

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

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

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

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**MARCH 31, 2020**

---

**2. BASIS OF PREPARATION (continued)**

**(c) Significant accounting policies (continued)**

**ii) Impairment:**

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

**iii) Hedge accounting:**

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

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

**iv) Effective date**

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

- Apply a temporary exemption from implementing IFRS 9 until the earlier of:
  - the effective date of a new insurance contract standard; or
  - annual reporting periods beginning on or after January 1, 2021. (The IASB is proposing to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 to January 1, 2023). Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or
- Adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

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

IFRS 17 - "Insurance Contracts", applicable for the period beginning on or after 1 January 2022, and will supersede IFRS 4 "Insurance Contracts". Earlier adoption permitted if both IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" have also been applied. The Company expects a material impact on measurement and disclosure of insurance and reinsurance that will affect both the statement of income and the statement of financial position. The Company has decided not to early adopt this new standard.

**(d) Segmental reporting**

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

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

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**MARCH 31, 2020**

**2. BASIS OF PREPARATION (continued)**

**(d) Segmental reporting (continued)**

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

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

**(e) Seasonality of operations**

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

**3. RECEIVABLES, NET**

Receivables comprise net amounts due from the following:

	<b>March 31, 2020 (Unaudited)</b>	December 31, 2019 (Audited)
	<b>SAR'000</b>	
Policyholders	502,476	668,599
Brokers and agents	1,629,656	806,205
Related parties (note 13)	168,506	122,283
	<b>2,300,638</b>	1,597,087
Receivables from reinsurers	75,238	45,015
Administrative service plan	3,632	5,434
	<b>2,379,508</b>	1,647,536
Provision for doubtful receivables	<b>(167,262)</b>	(151,642)
Receivables, net	<b>2,212,246</b>	1,495,894

**4. AVAILABLE-FOR-SALE INVESTMENTS**

Available-for-sale investments comprise the following:

	<b>March 31, 2020 (Unaudited)</b>	December 31, 2019 (Audited)
	<b>SAR'000</b>	
<b><u>Insurance Operations</u></b>		
Mutual funds	50,558	53,165
Fixed income portfolio (Governments and corporations securities)	1,657,372	1,213,310
Discretionary Portfolio Management – Equity shares	351,405	157,084
Sukuks	-	6,341
Funds placed with portfolio manager	-	81,624
Total	<b>2,059,335</b>	1,511,524
<b><u>Shareholders' Operations</u></b>		
Mutual funds	621,717	651,917
Fixed income portfolio (Governments and corporations securities)	320,257	388,344
Discretionary Portfolio Management – Equity shares	194,453	122,723
Funds placed with portfolio manager	-	72,240
Total	<b>1,136,427</b>	1,235,224
Total available-for-sale investments	<b>3,195,762</b>	2,746,748

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**MARCH 31, 2020**

**4. AVAILABLE-FOR-SALE INVESTMENTS (continued)**

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

	<b>March 31, 2020</b>			<b>December 31, 2019</b>		
	<b>(Unaudited)</b>			<b>(Audited)</b>		
	Quoted securities	Unquoted securities	Total	Quoted securities	Unquoted securities	Total
<b>SAR'000</b>						
<b><u>Insurance Operations</u></b>						
Balance at the beginning of the period / year	162,837	1,348,687	1,511,524	-	1,234,907	1,234,907
Purchases	179,440	527,456	706,896	153,750	360,277	514,027
Disposals	-	(163,663)	(163,663)	-	(430,787)	(430,787)
Changes in fair value of Investments	9,128	(4,550)	4,578	9,087	184,290	193,377
Balance as at the end of the period/ year	<u>351,405</u>	<u>1,707,930</u>	<u>2,059,335</u>	<u>162,837</u>	<u>1,348,687</u>	<u>1,511,524</u>
<b><u>Shareholders' Operations</u></b>						
Balance at the beginning of the period/ year	194,980	1,040,244	1,235,224	-	1,670,223	1,670,223
Purchases	-	123,750	123,750	179,939	234,552	414,491
Disposals	(1,002)	(206,249)	(207,251)	-	(992,865)	(992,865)
Changes in fair value of Investments	475	(15,771)	(15,296)	15,041	128,334	143,375
Balance as at the end of the period/ year	<u>194,453</u>	<u>941,974</u>	<u>1,136,427</u>	<u>194,980</u>	<u>1,040,244</u>	<u>1,235,224</u>
Total	<u>545,858</u>	<u>2,649,904</u>	<u>3,195,762</u>	<u>357,817</u>	<u>2,388,931</u>	<u>2,746,748</u>

As at March 31, 2020 the Company investment in Shraiah Notes amounting to SAR 2.8 billion (2019: SAR 2.5 billion). The Shraiah Notes are issued by a special purpose vehicle "SPV" established in Cayman Islands. The administrator of these Shariah Notes is a Company registered in Dubai International Financial Center in Dubai. The underlying investments of Shariah Notes include mutual funds, private equity funds, discretionary portfolio management – equity shares and fixed income portfolios. The legal ownership of these underlying investments is not with the Company, however, the Company is the ultimate beneficial owner of the underlying investments while having control over the Shariah Notes and underlying investments. The custody of the underlying investments is in the custody account of the SPV or its nominee entity opened with fund and portfolio managers.

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

	<b>Three months ended March 31, 2020</b>	<b>Three months ended March 31, 2019</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>SAR'000</b>		
<b><u>Insurance Operations</u></b>		
Change in fair value	4,578	80,587
Impairment on available-for-sale investments	2,637	-
	<u>7,215</u>	<u>80,587</u>
<b><u>Shareholders' Operations</u></b>		
Change in fair value	(15,296)	100,539
Net amount recycled to interim statement of income	(18,216)	1,145
Impairment on available-for-sale investments	2,175	-
	<u>(31,337)</u>	<u>101,684</u>
Total	<u>(24,122)</u>	<u>182,271</u>

**THE COMPANY FOR COOPERATIVE INSURANCE**

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)****(continued)****MARCH 31, 2020****5. MUDARABA/ MURABAHA DEPOSITS**

The deposits are held with banks and financial institution registered with Capital Market Authority in the Kingdom of Saudi Arabia. These deposits are predominately in Mudaraba structures. These deposits are denominated in SAR and have an original maturity of more than three months to one year and yield on average financial incomes at rates 3.26%.

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

	<b>March 31, 2020 (Unaudited)</b>	December 31, 2019 (Audited)
	<b>SAR'000</b>	
<b><u>Insurance Operations</u></b>		
Balance at the beginning of the period/ year	<b>1,577,912</b>	1,387,500
Placed during the period/ year	<b>1,791,161</b>	5,534,846
Proceeds during the period/ year	<b>(1,995,776)</b>	(5,344,434)
Balance at the end of the period/ year	<b>1,373,297</b>	1,577,912
<b><u>Shareholders' Operations</u></b>		
Balance at the beginning of the period/ year	<b>1,961,464</b>	851,625
Placed during the period/ year	<b>1,920,790</b>	5,362,907
Matured during the period/ year	<b>(1,954,206)</b>	(4,253,068)
Balance at the end of the period/ year	<b>1,928,048</b>	1,961,464
Total	<b>3,301,345</b>	3,539,376

**6. CASH AND CASH EQUIVALENTS**

	<b>March 31, 2020 (Unaudited)</b>	December 31, 2019 (Audited)
	<b>SAR'000</b>	
<b><u>Insurance Operations</u></b>		
Bank balances and cash	<b>677,424</b>	1,297,401
	<b>677,424</b>	1,297,401
<b><u>Shareholders' Operations</u></b>		
Bank balances and cash	<b>13,976</b>	9,149
	<b>13,976</b>	9,149
Total cash and cash equivalents	<b>691,400</b>	1,306,550

Bank balances and cash includes call account balance of SAR 6.2 million (December 31, 2019: SAR 1.2 million). Bank balances (including off-balance sheet exposures) are placed with counterparties with sound credit ratings under Standard and Poor's and Moody's ratings methodology.



**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**MARCH 31, 2020**

**7. UNEARNED PREMIUM AND GROSS OUTSTANDING CLAIMS AND RESERVES, NET**

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

	March 31, 2020			December 31, 2019		
	(Unaudited)			(Audited)		
	Gross	Due from reinsurers	Net	Gross	Due from reinsurers	Net
	<b>SAR'000</b>					
Balance as at the beginning of the period / year	3,826,119	(715,959)	3,110,160	3,820,293	(544,839)	3,275,454
Premiums written during the period / year	2,572,707	(157,378)	2,415,329	8,375,860	(1,650,188)	6,725,672
Premiums earned during the period / year	(2,291,429)	365,438	(1,925,991)	(8,370,034)	1,479,068	(6,890,966)
Balance as at the end of the period / year	<b>4,107,397</b>	<b>(507,899)</b>	<b>3,599,498</b>	<b>3,826,119</b>	<b>(715,959)</b>	<b>3,110,160</b>

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

	March 31, 2020	December 31, 2019
	(Unaudited)	(Audited)
	<b>SAR'000</b>	
Gross outstanding claims	3,512,643	3,717,931
Less: Realizable value of salvage and subrogation	(34,133)	(33,040)
	3,478,510	3,684,891
Add: Incurred but not reported claims reserve	1,830,035	1,925,584
Add: Premium deficiency reserve	16,853	2,830
Gross outstanding claims and reserves	5,325,398	5,613,305
Less: Reinsurers' share of gross outstanding claims	(2,899,357)	(3,100,446)
Less: Reinsurers' share of incurred but not reported claims	(304,806)	(327,724)
Reinsurers' share of outstanding claims and reserves	(3,204,163)	(3,428,170)
Net outstanding claims and reserves	<b>2,121,235</b>	<b>2,185,135</b>

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

As at March 31, 2020, based on the recommendations of external actuary, management had recorded technical reserves (Gross outstanding claims and reserves) which amounted to SAR 5.32 billion (2019: SAR 5.61 billion). Significant portion of reserves relates to property and casualty and medical line of business which are a best-estimate of the expected ultimate claim trends as at March 31, 2020.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**MARCH 31, 2020**

**8. SHARE CAPITAL**

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

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

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

**9. CONTINGENT LIABILITIES**

As at March 31, 2020, the Company was contingently liable for letters of credit and guarantees, issued on its behalf by the banks, amounting to SAR 201 million (December 31, 2019: SAR 200 million) occurring in the normal course of business.

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

**10. STATUTORY DEPOSIT**

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

**11. LEGAL RESERVE**

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

**12. INSURANCE SHARED AGREEMENTS**

**(i) Manafeth shared agreement:**

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

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

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

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**MARCH 31, 2020**

**12. INSURANCE SHARED AGREEMENTS (continued)**

**(ii) Umrah shared agreement:**

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

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

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

**13. RELATED PARTY TRANSACTIONS AND BALANCES**

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

	Transactions for the period ended		Balance receivable / (payable) as at	
	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	<b>SAR'000</b>			
<b><u>Major shareholders</u></b>				
Insurance premium written	27,353	22,502	30,262	3,862
General Organization for Social Insurance - Other services	134	37	-	-
<b><u>Associates</u></b>				
Insurance premium written/ (reversed)	358	(22)	663	674
Najm fees paid	2,687	2,668	-	-
Waseel fees paid	2,548	1,849	-	-
United Insurance Co. fees and claims, net	2,989	2,797	6,702	2,663
<b><u>Entities controlled, jointly controlled or significantly influenced by related parties</u></b>				
Insurance premium written	92,715	75,776	137,581	117,747
Rent expenses paid	141	17	561	561
Amount of claims paid to hospitals	9,726	24,868	(6,018)	(4,197)

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

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

	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
	<b>SAR'000</b>	
Salaries and other allowances	2,586	2,525
End of service indemnities	302	162

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**MARCH 31, 2020**

**14. FAIR VALUES OF FINANCIAL INSTRUMENTS**

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

**Determination of fair value and fair value hierarchy**

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

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

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

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

	SAR'000			
	Level 1	Level 2	Level 3	Total
<b>March 31, 2020 (Unaudited)</b>				
Available-for- sale investments				
<b><u>Insurance Operations</u></b>				
Mutual funds	-	50,558	-	50,558
Fixed income portfolio (Governments and corporations securities )	-	1,657,372	-	1,657,372
Discretionary Portfolio Management – Equities	351,405	-	-	351,405
	<b>351,405</b>	<b>1,707,930</b>	<b>-</b>	<b>2,059,335</b>
<b><u>Shareholders' Operations</u></b>				
Mutual funds	-	-	621,717	621,717
Fixed income portfolio (Governments and corporations securities )	-	320,257	-	320,257
Discretionary Portfolio Management – Equities	194,453	-	-	194,453
	<b>194,453</b>	<b>320,257</b>	<b>621,717</b>	<b>1,136,427</b>
<b>Total</b>	<b>545,858</b>	<b>2,028,187</b>	<b>621,717</b>	<b>3,195,762</b>

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

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**MARCH 31, 2020**

**14. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**

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

March 31, 2020 (Unaudited)	SAR'000					Balance March 31
	Balance January 1	Purchases	Sales	Statement of income	Other comprehensive income	
<b><u>Insurance Operations</u></b>						
Sukuks	6,341	-	(6,341)	-	-	-
	6,341	-	(6,341)	-	-	-
<b><u>Shareholders' operations</u></b>						
Mutual funds	651,917	-	-	-	(30,200)	621,717
	651,917	-	-	-	(30,200)	621,717
<b>Total</b>	<b>658,258</b>	<b>-</b>	<b>(6,341)</b>	<b>-</b>	<b>(30,200)</b>	<b>621,717</b>

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

**15. OPERATING SEGMENTS**

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

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

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

**THE COMPANY FOR COOPERATIVE INSURANCE**  
(A SAUDI JOINT STOCK COMPANY)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**MARCH 31, 2020**

**15. OPERATING SEGMENTS (continued)**

Operating Segments	For the three months period ended March 31, 2020									
	(Unaudited)									
	Medical	Medical - Umrah	Motor	Manafeth	Property & casualty	General Accident - Umrah	Protection & Savings	Total - Insurance operations	Total Shareholders' operations	Total
SAR'000										
<b>REVENUES</b>										
Gross premiums written										
- Retail	14,335	145,053	132,500	33,850	5,562	92,384	-	423,684		423,684
- Micro Enterprises	99,877	-	5,584	-	4,681	-	-	110,142		110,142
- Small Enterprises	62,189	-	2,948	-	4,709	-	107	69,953		69,953
- Medium Enterprises	92,309	-	5,232	-	4,722	-	290	102,553		102,553
- Corporates	1,696,321	-	6,399	-	161,670	-	1,985	1,866,375		1,866,375
	1,965,031	145,053	152,663	33,850	181,344	92,384	2,382	2,572,707		2,572,707
Reinsurance ceded – local	-	-	-	-	(4,850)	-	(720)	(5,570)		(5,570)
Reinsurance ceded – international	(979)	-	-	-	(149,466)	-	(1,363)	(151,808)		(151,808)
Fees income from takaful	-	-	-	-	-	-	685	685		685
Excess of loss premiums	-	-	(3,181)	(709)	(2,832)	(2,250)	-	(8,972)		(8,972)
<b>Net premiums written</b>	<b>1,964,052</b>	<b>145,053</b>	<b>149,482</b>	<b>33,141</b>	<b>24,196</b>	<b>90,134</b>	<b>984</b>	<b>2,407,042</b>		<b>2,407,042</b>
Changes in unearned premiums, net	(492,938)	(442)	3,275	2,293	(1,602)	(86)	162	(489,338)		(489,338)
<b>Net premiums earned</b>	<b>1,471,114</b>	<b>144,611</b>	<b>152,757</b>	<b>35,434</b>	<b>22,594</b>	<b>90,048</b>	<b>1,146</b>	<b>1,917,704</b>		<b>1,917,704</b>
Reinsurance commissions	575	-	-	-	30,203	-	-	30,778		30,778
Other underwriting income	874	-	2,138	-	1,223	-	-	4,235		4,235
<b>TOTAL REVENUES</b>	<b>1,472,563</b>	<b>144,611</b>	<b>154,895</b>	<b>35,434</b>	<b>54,020</b>	<b>90,048</b>	<b>1,146</b>	<b>1,952,717</b>		<b>1,952,717</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>										
Gross claims paid and related expenses	1,424,795	-	95,477	6,558	221,826	59	4,016	1,752,731		1,752,731
Reinsurers' share of claims paid	(17,355)	-	(1,499)	-	(214,794)	-	(3,664)	(237,312)		(237,312)
<b>Net claims paid</b>	<b>1,407,440</b>	<b>-</b>	<b>93,978</b>	<b>6,558</b>	<b>7,032</b>	<b>59</b>	<b>352</b>	<b>1,515,419</b>		<b>1,515,419</b>
Changes in outstanding claims, net	514	445	(13,620)	2,899	2,695	1,933	(158)	(5,292)		(5,292)
Changes in incurred but not reported claims reserve, net	(92,232)	28,817	(2,242)	(84)	(23,451)	16,561	-	(72,631)		(72,631)
Changes in premium deficiency reserves	-	-	-	-	14,023	-	-	14,023		14,023
<b>Net claims and other benefits incurred</b>	<b>1,315,722</b>	<b>29,262</b>	<b>78,116</b>	<b>9,373</b>	<b>299</b>	<b>18,553</b>	<b>194</b>	<b>1,451,519</b>		<b>1,451,519</b>
Changes in reserve for takaful activities	-	-	-	-	-	-	(106)	(106)		(106)
Policy acquisition costs	47,614	10,835	19,188	8,114	10,545	6,922	297	103,515		103,515
Other underwriting expenses	29,380	61,414	763	2,308	1,663	7,684	130	103,342		103,342
Insurance share distribution	-	37,051	-	11,651	-	51,982	-	100,684		100,684
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>1,392,716</b>	<b>138,562</b>	<b>98,067</b>	<b>31,446</b>	<b>12,507</b>	<b>85,141</b>	<b>515</b>	<b>1,758,954</b>		<b>1,758,954</b>

**THE COMPANY FOR COOPERATIVE INSURANCE**

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**

(continued)

**MARCH 31, 2020****15. OPERATING SEGMENTS (continued)**

Operating Segments	For the three months period ended March 31, 2020									
	(Unaudited)									
	Medical	Medical - Umrah	Motor	Manafeth	Property & casualty	General Accident - Umrah	Protection & Savings	Total - Insurance operations	Total Shareholders' operations	Total
SAR'000										
<b>NET UNDERWRITING INCOME</b>	<b>79,847</b>	<b>6,049</b>	<b>56,828</b>	<b>3,988</b>	<b>41,513</b>	<b>4,907</b>	<b>631</b>	<b>193,763</b>		<b>193,763</b>
General and administrative expenses								(153,126)	(1,395)	(154,521)
Allowance for doubtful debts								(15,620)	-	(15,620)
Dividend and realized gain on investments, net								32,356	29,927	62,283
Share of profit from investments in associates, net								-	3,164	3,164
Impairment of available for sale investments								(2,637)	(2,175)	(4,812)
Other income								6,973	-	6,973
<b>NET INCOME FOR THE PERIOD BEFORE ZAKAT</b>								<b>61,709</b>	<b>29,521</b>	<b>91,230</b>

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**MARCH 31, 2020**

**15. OPERATING SEGMENTS (continued)**

Operating Segments	For the three months period ended March 31, 2019							Total
	(Unaudited)							
	Medical	Motor	Manafeth	Property & casualty	Protection & Savings	Total - Insurance operations	Total Shareholders' operations	
SAR'000								
<b>REVENUES</b>								
Gross premiums written								
- Retail	8,305	148,353	42,904	5,463	-	205,025		205,025
- Micro Enterprises	55,997	4,585	-	15,353	-	75,935		75,935
- Small Enterprises	68,722	4,444	-	5,700	80	78,946		78,946
- Medium Enterprises	121,870	7,332	-	3,460	320	132,982		132,982
- Corporates	1,723,826	13,848	-	223,881	2,590	1,964,145		1,964,145
	1,978,720	178,562	42,904	253,857	2,990	2,457,033		2,457,033
Reinsurance ceded - local	-	-	-	(6,990)	(365)	(7,355)		(7,355)
Reinsurance ceded - international	(4,516)	-	-	(222,470)	(2,328)	(229,314)		(229,314)
Fees income from takaful	-	-	-	-	798	798		798
Excess of loss premiums	-	(4,493)	(477)	(1,446)	-	(6,416)		(6,416)
<b>Net premiums written</b>	1,974,204	174,069	42,427	22,951	1,095	2,214,746		2,214,746
Changes in unearned premiums, net	(553,986)	(14,454)	(116)	1,454	290	(566,812)		(566,812)
<b>Net premiums earned</b>	1,420,218	159,615	42,311	24,405	1,385	1,647,934		1,647,934
Reinsurance commissions	840	-	-	25,979	-	26,819		26,819
Other underwriting income	-	3,520	-	-	-	3,520		3,520
<b>TOTAL REVENUES</b>	1,421,058	163,135	42,311	50,384	1,385	1,678,273		1,678,273
<b>UNDERWRITING COSTS AND EXPENSES</b>								
Gross claims paid and related Expenses	1,436,972	83,230	6,635	294,867	5,013	1,826,717		1,826,717
Reinsurers' share of claims paid	(23,371)	(2,282)	-	(289,229)	(4,572)	(319,454)		(319,454)
<b>Net claims paid</b>	1,413,601	80,948	6,635	5,638	441	1,507,263		1,507,263
Changes in outstanding claims, net	(14,190)	15,105	(329)	(484)	(21)	81		81
Changes in incurred but not reported claims reserve, net	(29,525)	(30,118)	(350)	2,323	-	(57,670)		(57,670)
Changes in premium deficiency Reserves	(4,510)	-	-	(947)	-	(5,457)		(5,457)
<b>Net claims and other benefits incurred</b>	1,365,376	65,935	5,956	6,530	420	1,444,217		1,444,217
Changes in reserve for takaful Activities	-	-	-	-	(880)	(880)		(880)
Policy acquisition costs	49,141	20,171	8,477	8,826	257	86,872		86,872
Other underwriting expenses	29,906	892	3,735	5,126	546	40,205		40,205
Insurance share distribution	-	-	19,182	-	-	19,182		19,182
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	1,444,423	86,998	37,350	20,482	343	1,589,596		1,589,596
<b>NET UNDERWRITING (LOSS)/ INCOME</b>	(23,365)	76,137	4,961	29,902	1,042	88,677		88,677
General and administrative expenses						(123,303)	(221)	(123,524)
Reversal of provision for doubtful debts						17,800	-	17,800
Dividend and realized gain on investments, net						31,008	23,253	54,261
Share of profit from investments in associates, net						425	4,560	4,985
Other income						5,877	-	5,877
<b>NET INCOME FOR THE PERIOD</b>						20,484	27,592	48,076



**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**MARCH 31, 2020**

**15. OPERATING SEGMENTS (continued)**

Operating Segments	For the three months period ended March 31, 2020									
	(Unaudited)									
	Medical	Medical - Umrah	Motor	Manafeth	Property & casualty	General Accident - Umrah	Protection & Savings	Total - Insurance operations	Total Shareholders' operations	Total
SAR'000										
<b>Assets</b>										
Reinsurer's share of unearned premiums	29,927	-	-	-	474,434	-	3,538	507,899		507,899
Reinsurer's share of incurred but not reported Claims	24,326	-	11,602	-	264,351	-	4,527	304,806		304,806
Reinsurer's share of outstanding claims	61	-	19,629	5,041	2,858,005	-	16,621	2,899,357		2,899,357
Deferred excess of loss premiums	-	-	-	1,265	7,733	6,783	-	15,781		15,781
Deferred policy acquisition costs	90,885	44	21,106	1,400	13,143	7	232	126,817		126,817
Investments (including investment property, mudaraba deposit, investments in associates and accrued investment income )								3,474,986	3,162,167	6,637,153
Receivables, net								2,212,246		2,212,246
Cash and cash equivalents								677,424	13,976	691,400
Unallocated assets								559,818	128,017	687,835
<b>Total assets</b>								<b>10,779,134</b>	<b>3,304,160</b>	<b>14,083,294</b>
<b>Liabilities</b>										
Gross unearned premiums	3,224,625	442	322,703	24,353	531,109	86	4,079	4,107,397		4,107,397
Gross outstanding claims	256,942	445	182,053	23,583	2,996,084	1,933	17,470	3,478,510		3,478,510
Incurred but not reported claims reserve	1,343,675	28,817	157,781	13,513	264,773	16,561	4,915	1,830,035		1,830,035
Premium deficiency reserve	-	-	-	-	16,819	-	34	16,853		16,853
Unearned commission income	719	-	-	-	36,771	-	942	38,432		38,432
Reserve for takaful activities	-	-	-	-	-	-	4,900	4,900		4,900
Reinsurers' balances payable								182,294		182,294
Unallocated liabilities and accumulated surplus								1,594,171	288,056	1,882,227
<b>Total liabilities and surplus</b>								<b>11,252,592</b>	<b>288,056</b>	<b>11,540,648</b>

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**MARCH 31, 2020**

**15. OPERATING SEGMENTS (continued)**

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

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**MARCH 31, 2020**

**16. EARNINGS PER SHARE**

Basic and diluted earnings per share have been calculated by dividing the income attributed to shareholders' by 125 million shares.

**17. ZAKAT**

**Status of assessments**

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

**Change in accounting treatment in relation to zakat and income tax**

The change in the accounting treatment for zakat and income tax has the following impact on the line items of the statements of income, comprehensive income and changes in shareholders' equity. There is no impact on the statement of financial position as at 31 December 2019 and statement of cash flows for the period ended March 31, 2019.

*As at and for the three months ended 31 March 2019 – SAR in '000*

<b>Financial statement impacted</b>	<b>Account</b>	<b>As previously stated for three months ended 31 March 2019</b>	<b>Effect of restatement relating to zakat</b>	<b>As restated for three months ended 31 March 2019</b>
Statement of income and comprehensive income	Zakat charge for the year	-	(16,984)	(16,984)
Statement of income	Basic and diluted loss per share	0.37	(0.14)	0.23
Statement of income and comprehensive income	Net income attributable to the shareholders	46,028	(16,984)	29,044
Statement of change in shareholders' equity	Zakat charge for the year	(16,984)	16,984	-
Statement of change in shareholders' equity	Total comprehensive income after zakat	46,028	(16,984)	29,044

**THE COMPANY FOR COOPERATIVE INSURANCE**

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**

(continued)

**MARCH 31, 2020**

**18. SUPPLEMENTARY INFORMATION**

**i) Interim statement of financial position**

	As at March 31, 2020			As at December 31, 2019		
	(Unaudited)			(Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000					
<b>ASSETS</b>						
Statutory deposit	-	125,000	125,000	-	125,000	125,000
Accrued income on statutory deposit	-	2,578	2,578	-	2,513	2,513
Property and equipment, net	255,293	-	255,293	260,119	-	260,119
Intangible assets	5,399	-	5,399	3,971	-	3,971
Investment property	9,861	-	9,861	9,861	-	9,861
Investments in associates	10,358	94,560	104,918	10,358	91,162	101,520
Available for sale investments	2,059,335	1,136,427	3,195,762	1,511,524	1,235,224	2,746,748
Mudaraba/ Murabaha deposits	1,373,297	1,928,048	3,301,345	1,577,912	1,961,464	3,539,376
Due from/ to Shareholder's operations	580,904	(580,904)	-	758,558	(758,558)	-
Prepaid expenses and other assets	299,126	439	299,565	243,912	-	243,912
Deferred excess of loss premiums	15,781	-	15,781	7,714	-	7,714
Deferred policy acquisition costs	126,817	-	126,817	120,845	-	120,845
Reinsurers' share of gross outstanding claims	2,899,357	-	2,899,357	3,100,446	-	3,100,446
Reinsurers' share of incurred but not reported claims	304,806	-	304,806	327,724	-	327,724
Reinsurers' share of unearned premiums	507,899	-	507,899	715,959	-	715,959
Receivables, net	2,212,246	-	2,212,246	1,495,894	-	1,495,894
Accrued investment income	22,135	3,132	25,267	4,191	2,142	6,333
Cash and cash equivalents	677,424	13,976	691,400	1,297,401	9,149	1,306,550
<b>TOTAL ASSETS</b>	<b>11,360,038</b>	<b>2,723,256</b>	<b>14,083,294</b>	<b>11,446,389</b>	<b>2,668,096</b>	<b>14,114,485</b>
<b>LIABILITIES</b>						
Surplus distribution payable	34,283	-	34,283	34,283	-	34,283
Defined benefit obligations	131,549	-	131,549	129,480	-	129,480
Return payable on statutory deposit	-	2,578	2,578	-	2,513	2,513
Claims payable, accrued expenses and other liabilities	1,422,168	5,299	1,427,467	1,170,822	4,160	1,174,982
Reserve for takaful activities	4,900	-	4,900	5,006	-	5,006
Gross outstanding claims	3,478,510	-	3,478,510	3,684,891	-	3,684,891
Incurred but not reported claims reserve	1,830,035	-	1,830,035	1,925,584	-	1,925,584
Premium deficiency reserve	16,853	-	16,853	2,830	-	2,830
Unearned commission income	38,432	-	38,432	43,323	-	43,323
Gross unearned premiums	4,107,397	-	4,107,397	3,826,119	-	3,826,119
Reinsurers' balances payable	182,294	-	182,294	523,820	-	523,820
Dividends payable	-	6,411	6,411	-	6,411	6,411
Accumulated surplus	6,171	-	6,171	-	-	-
Zakat	-	273,768	273,768	-	255,554	255,554
<b>TOTAL LIABILITIES</b>	<b>11,252,592</b>	<b>288,056</b>	<b>11,540,648</b>	<b>11,346,158</b>	<b>268,638</b>	<b>11,614,796</b>
<b>EQUITY</b>						
Share capital	-	1,250,000	1,250,000	-	1,250,000	1,250,000
Legal reserve	-	1,065,517	1,065,517	-	1,065,517	1,065,517
Fair value reserve for investments	121,986	21,598	143,584	114,771	52,701	167,472
Remeasurements of defined benefit obligation	(14,540)	-	(14,540)	(14,540)	-	(14,540)
Retained earnings	-	98,085	98,085	-	31,240	31,240
<b>TOTAL EQUITY</b>	<b>107,446</b>	<b>2,435,200</b>	<b>2,542,646</b>	<b>100,231</b>	<b>2,399,458</b>	<b>2,499,689</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>11,360,038</b>	<b>2,723,256</b>	<b>14,083,294</b>	<b>11,446,389</b>	<b>2,668,096</b>	<b>14,114,485</b>

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**MARCH 31, 2020**

**18. SUPPLEMENTARY INFORMATION (continued)**

*ii) Interim statement of income*

	For the three months period ended March 31, 2020 (Unaudited)			For the three months period ended March 31, 2019 (Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
SAR'000						
<b>REVENUES</b>						
Gross premiums written	2,572,707		2,572,707	2,457,033		2,457,033
Reinsurance premium ceded	(157,378)		(157,378)	(236,669)		(236,669)
Fees income from takaful	685		685	798		798
Excess of loss premiums	(8,972)		(8,972)	(6,416)		(6,416)
Net premiums written	2,407,042		2,407,042	2,214,746		2,214,746
Changes in unearned premiums, net	(489,338)		(489,338)	(566,812)		(566,812)
Net premiums earned	1,917,704		1,917,704	1,647,934		1,647,934
Reinsurance commissions	30,778		30,778	26,819		26,819
Other underwriting income	4,235		4,235	3,520		3,520
<b>Total revenues</b>	<b>1,952,717</b>		<b>1,952,717</b>	<b>1,678,273</b>		<b>1,678,273</b>
<b>COST AND EXPENSES</b>						
Gross claims paid	1,750,529		1,750,529	1,821,403		1,821,403
Expenses incurred related to claims	2,202		2,202	5,314		5,314
Reinsurance share of claims paid	(237,312)		(237,312)	(319,454)		(319,454)
Net claims and other benefits paid	1,515,419		1,515,419	1,507,263		1,507,263
Changes in outstanding claims, net	(5,292)		(5,292)	81		81
Changes in incurred but not reported claims, net	(72,631)		(72,631)	(57,670)		(57,670)
Changes in premium deficiency reserves	14,023		14,023	(5,457)		(5,457)
Net claims and other benefits incurred	1,451,519		1,451,519	1,444,217		1,444,217
Changes in reserves for takaful activities	(106)		(106)	(880)		(880)
Policy acquisition costs	103,515		103,515	86,872		86,872
Other underwriting expenses	103,342		103,342	40,205		40,205
Insurance share distribution	100,684		100,684	19,182		19,182
<b>Total underwriting costs and expenses</b>	<b>1,758,954</b>		<b>1,758,954</b>	<b>1,589,596</b>		<b>1,589,596</b>
<b>Net underwriting income</b>	<b>193,763</b>		<b>193,763</b>	<b>88,677</b>		<b>88,677</b>
General and administrative expenses	(153,126)	(1,395)	(154,521)	(123,303)	(221)	(123,524)
Allowance for / (reversal of) allowance for doubtful debts	(15,620)	-	(15,620)	17,800	-	17,800
Dividend and realized gain on investments, net	32,356	29,927	62,283	31,008	23,253	54,261
Share of profit from investments in associates, net	-	3,164	3,164	425	4,560	4,985
Impairment of available for sale investments	(2,637)	(2,175)	(4,812)			
Other income, net	6,973	-	6,973	5,877	-	5,877
<b>Net income for the period before Zakat</b>	<b>61,709</b>	<b>29,521</b>	<b>91,230</b>	<b>20,484</b>	<b>27,592</b>	<b>48,076</b>
<b>Surplus transferred to Shareholders'</b>	<b>(55,538)</b>	<b>55,538</b>	<b>-</b>	<b>(18,436)</b>	<b>18,436</b>	<b>-</b>
<b>Net income for the period after Shareholders' appropriations before Zakat</b>	<b>6,171</b>	<b>85,059</b>	<b>91,230</b>	<b>2,048</b>	<b>46,028</b>	<b>48,076</b>
Zakat charge for the period	-	(18,214)	(18,214)	-	(16,984)	(16,984)
<b>Net income for the period after Zakat</b>	<b>6,171</b>	<b>66,845</b>	<b>73,016</b>	<b>2,048</b>	<b>29,044</b>	<b>31,092</b>

**THE COMPANY FOR COOPERATIVE INSURANCE**  
(A SAUDI JOINT STOCK COMPANY)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
(continued)  
**MARCH 31, 2020**

**18. SUPPLEMENTARY INFORMATION (continued)**

iii) **Interim statement of comprehensive income**

	For the three months period ended March 31, 2020 (Unaudited)			For the three months period ended March 31, 2019 (Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	<b>SAR'000</b>					
Net income for the period	6,171	66,845	73,016	2,048	29,044	31,092
<b>Other comprehensive income:</b>						
<i>To be recycled back to interim statement of income in subsequent periods:</i>						
<u>Available for sale investments</u>						
- Net change in fair value	4,578	(15,296)	(10,718)	80,587	100,539	181,126
- Net amounts recycled to interim statement of income	2,637	(16,041)	(13,404)	-	1,145	1,145
Share of other comprehensive income of investments in associates	-	234	234	-	1,636	1,636
<b>Total comprehensive income for the period</b>	<b>13,386</b>	<b>35,742</b>	<b>49,128</b>	<b>82,635</b>	<b>132,364</b>	<b>214,999</b>
<b>Reconciliation:</b>						
Less: Net income attributable to insurance operations transferred to accumulated surplus			(6,171)			(2,048)
<b>Total comprehensive income for the period</b>			<b>42,957</b>			<b>212,951</b>

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**MARCH 31, 2020**

**18. SUPPLEMENTARY INFORMATION (continued)**

**iv) Interim statement of cash flows**

	For the three months period ended March 31, 2020			For the three months period ended March 31, 2019		
	(Unaudited)			(Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
SAR'000						
<b>Operating activities:</b>						
Net income before attribution and zakat for the Period	6,171	85,059	91,230	2,048	46,028	48,076
<b>Adjustments for non-cash items:</b>						
Depreciation	7,549	-	7,549	5,494	-	5,494
Amortization of intangible assets	279	-	279	1,328	-	1,328
Allowance for / (reversal of) allowance for doubtful debts	15,620	-	15,620	(17,800)	-	(17,800)
Loss/ (gain) on sale of available-for-sale investments	-	(18,216)	(18,216)	-	1,145	1,145
Impairment of available-for-sale investments	2,637	2,175	4,812	-	-	-
Share of profit from investments in associates, net	-	(3,164)	(3,164)	(425)	(4,560)	(4,985)
Provision for defined benefit obligation	9,347	-	9,347	4,623	-	4,623
	<b>41,603</b>	<b>65,854</b>	<b>107,457</b>	<b>(4,732)</b>	<b>42,613</b>	<b>37,881</b>
<b>Changes in operating assets and liabilities:</b>						
Prepaid expenses and others assets	(55,214)	(439)	(55,653)	26,546	(420)	26,126
Deferred excess of loss premiums	(8,067)	-	(8,067)	4,477	-	4,477
Deferred policy acquisition costs	(5,972)	-	(5,972)	(3,034)	-	(3,034)
Reinsurers' share of outstanding claims	201,089	-	201,089	201,891	-	201,891
Reinsurers' share of claims incurred but not reported	22,918	-	22,918	(33,679)	-	(33,679)
Reinsurers' share of unearned premiums	208,060	-	208,060	63,342	-	63,342
Receivables, net	(731,972)	-	(731,972)	(649,796)	-	(649,796)
Reinsurers' balances payable	(341,526)	-	(341,526)	171,420	-	171,420
Gross unearned premiums	281,278	-	281,278	503,470	-	503,470
Unearned commission income	(4,891)	-	(4,891)	(6,010)	-	(6,010)
Gross outstanding claims	(206,381)	-	(206,381)	(201,810)	-	(201,810)
Claims incurred but not reported reserves	(95,549)	-	(95,549)	(23,991)	-	(23,991)
Premium deficiency reserve	14,023	-	14,023	(5,457)	-	(5,457)
Reserve for takaful activities	(106)	-	(106)	(880)	-	(880)
Claims payable, accrued expenses and other liabilities	251,346	1,139	252,485	(27,122)	-	(27,122)
	<b>(429,361)</b>	<b>66,554</b>	<b>(362,807)</b>	<b>14,635</b>	<b>42,193</b>	<b>56,828</b>
Defined benefit obligation paid	(7,278)	-	(7,278)	(2,285)	-	(2,285)
<b>Net cash (used in)/ from operating activities</b>	<b>(436,639)</b>	<b>66,554</b>	<b>(370,085)</b>	<b>12,350</b>	<b>42,193</b>	<b>54,543</b>
<b>Investing activities:</b>						
Proceeds from sale of available-for-sale investments	163,663	207,251	370,914	84,000	94,514	178,514
Purchase of available-for-sale investments	(706,896)	(123,750)	(830,646)	(49,788)	-	(49,788)
Proceeds from maturity of mudarabah/ murabaha deposits	1,995,776	1,954,206	3,949,982	1,387,500	851,625	2,239,125
Placement in mudarabah/ murabaha deposits	(1,791,161)	(1,920,790)	(3,711,951)	(1,520,464)	(905,508)	(2,425,972)
Accrued investment income	(17,944)	(990)	(18,934)	-	-	-
Dividends received from investments in associates	-	-	-	-	9,940	9,940
Purchase of property and equipment	(2,723)	-	(2,723)	(92)	-	(92)
Purchase of intangible assets	(1,707)	-	(1,707)	(1,102)	-	(1,102)
<b>Net cash (used in) / from investing activities</b>	<b>(360,992)</b>	<b>115,927</b>	<b>(245,065)</b>	<b>(99,946)</b>	<b>50,571</b>	<b>(49,375)</b>

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**MARCH 31, 2020**

**18. SUPPLEMENTARY INFORMATION (continued)**

**iv) Interim statement of cash flows (continued)**

	For the three months period ended March 31, 2020			For the three months period ended March 31, 2019		
	(Unaudited)			(Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR'000					
<b>Financing activities:</b>						
Zakat paid during the period	-	-	-	-	(970)	(970)
Due to shareholders	177,654	(177,654)	-	70,682	(70,682)	-
<b>Net cash from/ (used in) financing activities</b>	<b>177,654</b>	<b>(177,654)</b>	<b>-</b>	<b>70,682</b>	<b>(71,652)</b>	<b>(970)</b>
<b>Net change in cash and cash equivalents</b>	<b>(619,977)</b>	<b>4,827</b>	<b>(615,150)</b>	<b>(16,914)</b>	<b>21,112</b>	<b>4,198</b>
Cash and cash equivalents, beginning of the period	1,297,401	9,149	1,306,550	1,117,258	482,982	1,600,240
<b>Cash and cash equivalents, end of the Period</b>	<b>677,424</b>	<b>13,976</b>	<b>691,400</b>	<b>1,100,344</b>	<b>504,094</b>	<b>1,604,438</b>
<b>Non-cash supplemental information:</b>						
Changes in fair value for available-for-sale investments	7,215	(31,337)	(24,122)	80,587	101,684	182,271
Share of other comprehensive income of Associates	-	234	234	-	1,636	1,636

**19. RISK MANAGEMENT**

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

**Credit risk management**

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

**Capital risk management**

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

**Liquidity risk management**

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

**20. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION**

The interim condensed financial information have been approved by the Audit Committee on behalf the Board of Directors, on Ramadan 12, 1441H, corresponding to May 5, 2020.



**THE COMPANY FOR COOPERATIVE INSURANCE**

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**

(continued)

**MARCH 31, 2020**

---

**21. SUBSEQUENT EVENTS**

In response to the Covid-19 pandemic, SAMA issued a circular 189 (the “Circular”) dated 08 May 2020 to all insurance companies in the Kingdom of Saudi Arabia. Among various other matters relating to the insurance sector, the Circular instructs all the insurance companies to extend the period of validity of all existing retail motor insurance policies by two months as well as providing a two-month additional coverage for all new retail motor policies written within one month of this Circular and allowing insurance companies not to cancel the policy in the event the insured fails to pay the premiums. This shall have an impact on changes in unearned premiums and Gross unearned premiums and the respective reinsurance share. The management believes that such requirements of the Circular are a non-adjusting event and therefore the interim condensed financial information has not been adjusted..