



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

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

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT**  
**AS AT DECEMBER 31, 2023**

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**KPMG Professional Services**

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Kingdom of Saudi Arabia  
Commercial Registration No 1010425494  
Headquarters in Riyadh

**الدكتور محمد العمري وشركاه****Dr. Mohamed Al-Amri & Co.****INDEPENDENT AUDITORS' REPORT****TO THE SHAREHOLDERS OF THE COMPANY FOR COOPERATIVE INSURANCE (A SAUDI JOINT STOCK COMPANY)*****Opinion***

We have audited the consolidated financial statements of The Company for Cooperative Insurance (the "Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

***Basis for Opinion***

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia ("the Code"), that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Key Audit Matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



## INDEPENDENT AUDITORS' REPORT

## TO THE SHAREHOLDERS OF THE COMPANY FOR COOPERATIVE INSURANCE (A SAUDI JOINT STOCK COMPANY) (CONTINUED)

<b>Insurance contract liabilities</b>	
See notes 2.4(f), 3.1 and 8 to the consolidated financial statements.	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>On 1 January 2023, the Group adopted the new accounting standard IFRS 17, Insurance Contracts. The Group has evaluated the requirements of IFRS 17 and exercised judgement to develop accounting policies and related disclosures in addition to determining appropriate methodologies to comply with IFRS 17, which, represents a material change to the recognition, measurement and presentation of insurance contracts.</p> <p>As at 31 December 2023, the Group's insurance contract liabilities amount to SAR 13,436 million; of which there are two components:</p> <ol style="list-style-type: none"> <li>liability for incurred claims ("LIC") amounting to SAR 6,372 million; and</li> <li>liability for remaining coverage ("LRC") amounting to SAR 7,064 million.</li> </ol> <p>Actuarial projection methods, based on both historical information and assumptions on future developments, are used to measure the insurance contract liabilities. For liability for incurred claims, estimates include assumptions related to the amount of the expected settlement and claim payment patterns.</p> <p>Due to their nature, there is a significant degree of uncertainty, and a change in assumptions could significantly impact the consolidated financial statements. Therefore, this has been considered a key audit matter.</p>	<p>Together with our actuarial specialists, on a sample basis, we:</p> <ul style="list-style-type: none"> <li>assessed the design and implementation, and tested the operating effectiveness of key controls over management's processes for estimating the liability for incurred claims and key assumptions, including controls over the completeness and accuracy of the claims estimate recorded;</li> <li>tested the amounts recorded for claims notified and paid, together with the outstanding claims amount to appropriate source documentation to evaluate the valuation of ultimate expected claims;</li> <li>assessed the reasonableness of the actuarial models and assumptions used to calculate the present value of the future cash flows of the liability for incurred claims and the risk adjustment. We also analysed the actuarial reserve report issued by the Group's appointed actuary;</li> <li>evaluated the completeness and accuracy of data used by management in their calculation of liability for incurred claims; and</li> <li>assessed the adequacy of the disclosures in the consolidated financial statements in respect of the transition and insurance contract liabilities, considering the disclosure requirements of IFRS 17.</li> </ul>



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

## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF THE COMPANY FOR COOPERATIVE INSURANCE (A SAUDI JOINT STOCK COMPANY) (CONTINUED)

#### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

#### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

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

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

Those charged with governance, i.e. the Board of Directors of the Company, is responsible for overseeing the Group's financial reporting process.

#### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



KPMG Professional Services



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

## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF THE COMPANY FOR COOPERATIVE INSURANCE (A SAUDI JOINT STOCK COMPANY) (CONTINUED)

#### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)*


- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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


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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Khalil Ibrahim Al Sedais  
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Certified Public Accountant  
License No. 362

Riyadh on 14 March 2024  
Corresponding to: 4 Ramadhan 1445H



**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2023**

		December 31, 2023	December 31, 2022 (Restated)*	January 1, 2022 (Restated)*
	Notes	SAR'000		
<b><u>ASSETS</u></b>				
Cash and cash equivalents	4	2,081,707	1,659,193	1,188,136
Term deposits	5	7,368,373	5,980,827	3,787,578
Investments including accrued investment income	6	1,019,969	1,062,977	2,374,986
Receivable from brokers / agents	7	2,893,877	2,705,472	1,454,205
Reinsurance contract assets	8	3,534,941	2,754,454	2,648,206
Prepaid expenses and other assets	9	792,181	533,468	537,880
Investments in equity accounted investments	10	116,653	105,028	91,136
Investment properties	11	134,310	59,562	60,850
Intangible assets	12	10,027	13,441	16,627
Property, equipment, and right-of-use assets	13	310,858	255,565	236,970
Accrued income on statutory deposit		3,853	5,420	3,050
Statutory deposit	14	149,977	124,983	124,992
<b><u>TOTAL ASSETS</u></b>		<b>18,416,726</b>	<b>15,260,390</b>	<b>12,524,616</b>
<b><u>LIABILITIES</u></b>				
Accrued expenses and other liabilities	15	858,365	615,314	573,057
Zakat payable	23	359,844	272,168	415,023
Dividends payable		8,751	8,602	8,630
Insurance contract liabilities	8	13,436,157	11,101,029	8,445,180
Reinsurance contract liabilities	8	-	-	1,369
Accrued income payable on statutory deposit		3,853	5,420	3,050
Defined benefits obligation	16	127,939	125,297	142,110
<b><u>TOTAL LIABILITIES</u></b>		<b>14,794,909</b>	<b>12,127,830</b>	<b>9,588,419</b>
<b><u>EQUITY</u></b>				
Share capital	17	1,500,000	1,250,000	1,250,000
Statutory reserve	18	1,373,285	1,250,000	1,197,495
Re-measurement of defined benefit obligations		(13,199)	(7,674)	(20,096)
Fair value reserve for investments	19	20,489	17,133	135,385
Retained earnings		741,242	623,101	373,413
<b><u>TOTAL EQUITY</u></b>		<b>3,621,817</b>	<b>3,132,560</b>	<b>2,936,197</b>
<b><u>TOTAL LIABILITIES AND EQUITY</u></b>		<b>18,416,726</b>	<b>15,260,390</b>	<b>12,524,616</b>
<b>CONTINGENT LIABILITIES</b>	<b>31</b>			

\* Comparative information has been restated (refer note 3).



**Abdulaziz M. AlSedeas**  
Board Director



**Mater S. Alenazi**  
Chief Financial Officer



**Othman Y. Alkassabi**  
Chief Executive Officer

The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Notes	December 31, 2023	December 31, 2022 (Restated)*
<b>SAR'000</b>			
Insurance revenue		15,265,424	11,408,348
Insurance service expenses	20	(14,067,493)	(10,485,303)
<b>Insurance service result before reinsurance contracts held</b>		<b>1,197,931</b>	<b>923,045</b>
Allocation of reinsurance premiums		(1,889,590)	(1,618,800)
Amounts recoverable from reinsurers for incurred claims		1,372,831	1,012,888
<b>Net expense from reinsurance contracts held</b>	21	<b>(516,759)</b>	<b>(605,912)</b>
<b>Insurance service result</b>		<b>681,172</b>	<b>317,133</b>
Commission income		450,430	260,002
Dividend income		2,576	3,452
Gain on disposal of available-for-sale investments		-	36,488
Net fair value (losses) / gains on financial assets at fair value through profit or loss		(56,176)	39,967
Share of profit from equity accounted investments	10	38,710	32,207
<b>Net investment income</b>		<b>435,540</b>	<b>372,116</b>
Reversal of / (allowance for) expected credit losses on financial assets		16,234	(141,502)
Finance (expense) / income from insurance contracts issued		(142,152)	2,347
Finance income / (expense) from reinsurance contracts held		73,838	(8,098)
<b>Net insurance finance expense</b>		<b>(68,314)</b>	<b>(5,751)</b>
<b>Net insurance financial result</b>		<b>1,064,632</b>	<b>541,996</b>
Other operating expenses	22	(427,394)	(178,003)
Other income		80,568	27,586
<b>Net profit for the year before zakat</b>		<b>717,806</b>	<b>391,579</b>
Zakat charge for the year	23	(101,380)	(89,386)
<b>Net profit for the year after zakat</b>		<b>616,426</b>	<b>302,193</b>
Basic and diluted earnings per share (in SAR)	25	4.11	2.01
Weighted average number of shares in issue (December 31, 2022: Restated)		150,000,000	150,000,000

\* Comparative information has been restated (refer note 3).



**Abdulaziz M. AlSedeas**  
Board Director



**Mater S. Alenazi**  
Chief Financial Officer



**Othman Y. Alkassabi**  
Chief Executive Officer

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**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Notes	2023	2022 (Restated)*
<b>SAR'000</b>			
Net profit for the year after Zakat		616,426	302,193
<b>Other comprehensive income:</b>			
<b><u>Items that will not be reclassified to consolidated statement of income subsequently:</u></b>			
Re-measurement of defined benefits obligation	16	(5,525)	12,422
Net movement in fair value of investments carried at FVOCI		6,456	20,924
		931	33,346
<b><u>Items that are or may be reclassified to consolidated statement of income subsequently:</u></b>			
Net movement in fair value of available-for-sale investments		-	(134,122)
Share of other comprehensive loss of investment in equity accounted investments	10	(3,100)	(5,054)
		(3,100)	(139,176)
<b>Total comprehensive income for the year</b>		<b>614,257</b>	<b>196,363</b>

\* Comparative information has been restated (refer note 3).



**Abdulaziz M. AlSedeas**  
Board Director



**Mater S. Alenazi**  
Chief Financial Officer



**Othman Y. Alkassabi**  
Chief Executive Officer

The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Notes	Share capital	Statutory reserve	Remeasurement of defined benefit obligation	Fair value reserve for investments	Retained earnings	Total
SAR'000							
<b>Balance as at January 1, 2022 – reported</b>		1,250,000	1,197,495	(20,096)	152,513	459,152	3,039,064
Adjustment on initial application of IFRS 17		-	-	-	-	(102,693)	(102,693)
Adjustment on initial application of IFRS 9		-	-	-	(17,128)	16,954	(174)
<b>Restated balance as at January 1, 2022</b>		1,250,000	1,197,495	(20,096)	135,385	373,413	2,936,197
Net profit for the year after zakat - restated		-	-	-	-	302,193	302,193
Re-measurement gain on defined benefits obligation		-	-	12,422	-	-	12,422
Transfer to statutory reserve		-	52,505	-	-	(52,505)	-
Other comprehensive income for the year - restated		-	-	-	(118,252)	-	(118,252)
<b>Total comprehensive income for the year</b>		-	52,505	12,422	(118,252)	249,688	196,363
<b>Restated balance as at December 31, 2022</b>		1,250,000	1,250,000	(7,674)	17,133	623,101	3,132,560
Net profit for the year after zakat		-	-	-	-	616,426	616,426
Re-measurement loss on defined benefits obligation		-	-	(5,525)	-	-	(5,525)
Transfer to statutory reserve		-	123,285	-	-	(123,285)	-
Other comprehensive income for the year		-	-	-	3,356	-	3,356
<b>Total comprehensive income for the period</b>		-	123,285	(5,525)	3,356	493,141	614,257
<b>Increase in share capital</b>	17	250,000	-	-	-	(250,000)	-
<b>Dividends</b>	17	-	-	-	-	(125,000)	(125,000)
<b>Balance as at December 31, 2023</b>		1,500,000	1,373,285	(13,199)	20,489	741,242	3,621,817

\* Comparative information has been restated (refer note 3).



**Abdulaziz M. AlSedeas**  
Board Director



**Mater S. Alenazi**  
Chief Financial Officer



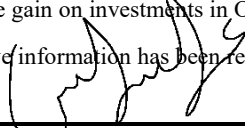
**Othman Y. Alkassabi**  
Chief Executive Officer

The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.


**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Notes	2023	2022 *(Restated)
		SAR*000	
<b>Operating activities:</b>			
Net income before zakat		717,806	391,579
<u>Adjustments for non-cash items:</u>			
Depreciation	11,13	27,796	28,108
Amortisation of intangible assets	12	23,350	18,836
Share of profit from investments in equity accounted investments, net	9	(38,710)	(32,207)
Impairment of investment property	10	7,000	-
Commission income		(450,430)	(260,002)
Dividend income		(2,576)	(3,452)
(Reversal) / allowance for expected credit loss		(16,234)	141,502
Net fair value loss / (gain) on available for sale and FVPL investments		56,176	(76,455)
Finance cost	16.3	5,892	5,453
Provision for defined benefits obligation	16.3	18,143	13,431
		<u>348,213</u>	<u>226,793</u>
<u>Changes in operating assets and liabilities:</u>			
Receivable from brokers / agents		(172,145)	(1,392,733)
Reinsurance contract assets		(780,487)	(106,248)
Prepaid expenses and other assets		(341,749)	4,412
Accrued expenses and other liabilities		243,051	42,257
Reinsurance contract liabilities		-	(1,369)
Insurance contract liabilities		2,335,128	2,655,849
		<u>1,632,011</u>	<u>1,428,961</u>
Zakat paid during the year	23	(13,704)	(232,241)
Defined benefits obligation paid	15	(26,918)	(23,275)
<b>Net cash generated from operating activities</b>		<u>1,591,389</u>	<u>1,173,445</u>
<b>Investing activities:</b>			
Placement in statutory deposit		(25,000)	-
Proceeds from sale of investments		332,922	3,363,365
Purchase of investments at FVPL		(323,956)	(2,087,506)
Proceeds from term deposits	5	12,323,222	10,350,370
Placement in term deposits	5	(13,696,959)	(12,473,524)
Commission income received		420,923	190,083
Dividends income received		2,576	3,452
Dividends received from investments in equity accounted investments		23,985	13,261
Purchase of property, equipment and right-of-use assets, net	13	(81,801)	(46,211)
Purchase of intangible assets	12	(19,936)	(15,650)
<b>Net cash used in investing activities</b>		<u>(1,044,024)</u>	<u>(702,360)</u>
<b>Financing activities:</b>			
Dividends paid		(124,851)	(28)
<b>Net cash flows used in financing activities</b>		<u>(124,851)</u>	<u>(28)</u>
<b>Net change in cash and cash equivalents during the year</b>		<u>422,514</u>	<u>471,057</u>
Cash and cash equivalents, beginning of the period		<u>1,659,193</u>	<u>1,188,136</u>
<b>Cash and cash equivalents, end of the year</b>		<u>2,081,707</u>	<u>1,659,193</u>
<b>Non-cash supplemental information:</b>			
Share of other comprehensive loss of investments in equity accounted investments	9	(3,100)	(5,054)
Reclassification from prepaid expenses and other assets to investment property		83,036	-
Net fair value gain on investments in OCI	6	6,456	(113,198)

\* Comparative information has been restated (refer note 3)

  
**Abdulaziz M. AlSedeas**  
Board Director

  
**Mater S. Alenazi**  
Chief Financial Officer

  
**Othman Y. Alkassabi**  
Chief Executive Officer

The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2023**

**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) Ar Rabi 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 property 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 Insurance Authority (formerly Saudi Central Bank “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. During the year, the Insurance Authority has been established by a royal decree as the insurance regulator. Previously issued regulations by SAMA will be upheld until the Insurance Authority issued updated regulations.

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 Insurance Authority, 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.

The Company has the following subsidiaries and associates.

<i>Name of the Subsidiary / Associate</i>	<i>Registration No.</i>	<i>Registration date</i>	<i>Ownership interest</i>	<i>Financial year end</i>	<i>Principal Activities</i>
<b>Subsidiary</b>					
Teejan Al- Khaleej	1010644057	July 21, 2020	100%	December 31	Developing technology based solutions and extending consultancy services for the insurance and healthcare businesses.
Tree Digital Company	1010816901	August 4, 2022	100%	December 31	Introducing innovative products and services with an end-to-end digital journey to drive insurance penetration in the Kingdom of Saudi Arabia (e.g. convenience of choice, behaviour change based products, rewards program), while building an ecosystem of partnerships to fulfil growing customer needs and provide a differentiating proposition versus local and regional competitors.
<b>Meena healthcare Company</b>	1010887256	June 8, 2023	100%	December 31	Extending health care services for Medical line of business.
<b>Associates</b>					
United Insurance Company B.S.C.	17337-1	May 12, 1986	50%	December 31	Insurance for all motor vehicles which travel through the King Fahad Causeway in accordance with the Bahrain Insurance Company Law.
Waseel Application Service Provider Limited	1010186558	April 15, 2003	45%	December 31	Internet based connectivity, information services, and B2B e-commerce capabilities for the healthcare insurance market.

These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the ‘Group’).

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**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standard (IFRSs) Accounting Standards (“IFRS Accounting Standards”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) and in compliance with Regulations for Companies in the Kingdom of Saudi Arabia and By-Laws of the Company.

The Group’s consolidated 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, equipment and right-of-use assets, net, intangible assets, return payable on statutory deposit, investment properties, investments in equity accounted investments, defined benefits obligation and those balances of insurance & reinsurance contracts liabilities and reinsurance contract assets that would not settle within next twelve months. All other financial statement line items would generally be classified as current.

The Group presents its consolidated 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. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses between Insurance Operations and Shareholders’ Operations is determined and approved by the management and the Board of Directors.

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

**2.2 Basis of measurement**

These consolidated financial statements are prepared under the historical cost convention, except for the measurement of investments carried at fair value through profit or loss (FVPL) and investments carried at fair value through other comprehensive income (FVOCI), investment in equity accounted investments which is accounted for under the equity method, defined benefits obligation recorded at the present value using the projected unit credit method and liability of incurred claims (LIC) and assets for incurred claims (AIC) recorded at the present value at the current discount rates.

**Functional and presentation currency**

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

**Fiscal year**

The Group follows a fiscal year ending December 31.

**Seasonality of operations**

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

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

**2.3 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company, using consistent accounting policies.

**Subsidiaries**

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

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and;
- The Group's voting rights and potential voting rights.

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

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

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

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

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

Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. All subsidiaries of the Company is fully owned and therefore NCI share is zero.

Loss of control

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

Transactions eliminated on consolidation

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

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

**2.4 Critical accounting judgments, estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

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. Revisions to estimates are recognised prospectively.

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

**Key accounting judgements, estimates and assumptions related to adoption of IFRS 17 and IFRS 9**

**a) PAA eligibility assessment**

The Group has calculated a Liability for remaining coverage (LRC) and Asset for remaining coverage (ARC) for those groups of insurance contracts written and reinsurance contracts held respectively where the coverage period was more than one year. The calculation was performed under both simplified approach i.e., Premium Allocation Approach (PAA) and General Measurement Model (GMM). Situations, which may cause the LRC and / or ARC under the PAA to differ from the LRC and / or ARC under the GMM:

- When the expectation of the profitability for the remaining coverage changes at a particular valuation date during the coverage period of a group of contracts;
- If yield curves change significantly from those in place at the group's initial recognition;
- When the incidence of claims occurrence differs from the coverage units; and
- The effect of discounting under the GMM creates an inherent difference; this difference compounds over longer contract durations.

Upon analysis of the possible differences between LRC and / or ARC applying the PAA and GMM approach, respectively, the Group did not note any material difference for contracts with coverage period of more than one year. Hence, it has opted to report all such contracts using the PAA approach maintaining a consistent accounting treatment to the rest of the portfolio of insurance contracts issued and reinsurance contracts held that have a coverage period of up to one year. The Group assesses materiality at each respective group of contracts level (GoCs) and at an aggregate insurance contract liabilities / re-insurance contract assets level using pre-determined quantitative threshold for differences at the GoCs.

**b) Insurance acquisition cash flows**

Commissions and other acquisition related expenses are deferred and amortized over the term of the insurance contracts to which these relate, similar to premiums earned. The Group uses a systematic and rational method to allocate such expenses. Insurance acquisition cash flows that are directly attributable to a group of insurance contracts are allocated:

- to that group; and
- to groups that include insurance contracts that are expected to arise from the renewals of the insurance contracts in that group.

**c) Expense attribution**

The Group identifies expenses which are directly attributable towards acquiring insurance contracts (acquisition costs) and fulfilling / maintaining (other attributable expenses) such contracts and those expenses which are not directly attributable to the aforementioned contracts (non-attributable expenses). Acquisition costs, such as underwriting costs including other expenses except for initial commission paid, are no longer recognized in the consolidated statement of income when incurred and instead spread over the lifetime of the group of contracts based on the passage of time.

Other attributable expenses are allocated to the groups of contracts using an allocation mechanism considering the activity-based costing principles. The Group has determined costs directly identified to the groups of contracts, as well as, costs where a judgement is applied to determine the share of expenses as applicable to that group.

On the other hand, non-directly attributable expenses, overheads and one-off exceptional expenses is recognized in the consolidated statement of income immediately when incurred. The proportion of directly attributable and non-attributable costs at inception will change the pattern at which expenses are recognized.

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

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

**d) Discounting methodology**

Insurance contract liabilities and Reinsurance contracts assets are calculated by discounting expected future cash flows at a discount rate that reflects the characteristics of the cash flows and the liquidity characteristics of the insurance contracts. The Group applied a bottom-up approach to derive the applicable yield curve when determining the discount rate, where the curve is based on the European Insurance and Occupational Pensions Authority (EIOPA) volatility adjusted risk-free curve denominated in United States Dollars while applying certain adjustments for factors under IFRS 17.

Discount rates applied for discounting of future cash flows are listed below:

**Risk free rates**

<b>Evaluation date</b>	<b>1 Year</b>	<b>2 Year</b>	<b>3 Year</b>	<b>4 Year</b>	<b>5 Year</b>
31 December 2023	6.30%	5.56%	5.21%	5.05%	4.97%
31 December 2022	6.61%	6.17%	5.75%	5.53%	5.43%
31 December 2021	1.42%	1.83%	2.09%	2.20%	2.30%

**e) Risk adjustment methodology, including correlations, and confidence level selected**

The risk adjustment for non-financial risk is the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value of claims.

The Group has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 75th percentile. That is, the Group has assessed its indifference to uncertainty for all product lines, as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 75th percentile confidence level less the mean of an estimated probability distribution of the future cash flows.

The Company has appointed a qualified actuary who supports in reviewing and providing recommendation with regards to the expected ultimate claims and the associated claims reserves. The Company booked reserves following the recommendation of the appointed actuary who is currently external and independent from the Company. A range of methods were used by the appointed actuary to determine these claims. From the diverse methods available to estimate the volatility of future cash flows and, thus, the applicable confidence interval for each line of business, the Group relied on the following three methods depending on the nature of each portfolio:

- Mack Model
- Bootstrap – over dispersed Poisson model
- Stochastic Bornhuetter-Ferguson

**f) Liability for incurred claims**

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate given the level of subjectivity inherent in estimating the impact of claim events that have occurred and incurred but not reported for which the ultimate outcome remains uncertain. 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. Both of these estimates are recorded under the liability for incurred claims ("LIC"). Moreover, the Company includes claims payable and advance payment made to or on behalf of policyholders under LIC.

Events not in data ("ENID") represents an additional amount that needs to be included in the best estimate claim liability to ensure that the best estimate is a true best estimate of all possible outcomes. The methodology used by the Group to derive the ENID is based on Lloyd's Technical Provisions Guidance issued in March 2011, which suggests several approaches to allow for Binary events / Events Not in Data. In this guidance, Lloyd's details an approach that offers uplifting reserve best estimates to allow for a limited range of historical (observable) data. This approach is also called the Truncated Statistical Distribution approach and defines the uplift factor of reserve best estimate as: "the ratio of the 'true mean' to the 'mean only including realistically foreseeable events". The distribution is adjusted to add to the tail and a new mean is estimated from the new distribution which represents a "true" distribution of claims. The ENID uplift factor applied to the claims is then the ratio of the new mean to the old mean.

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



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

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

**f) Liability for incurred claims (continued)**

The Company has appointed a qualified actuary who supports in reviewing and providing recommendation with regards to the expected ultimate claims and the associated claims reserves. The Company booked reserves following the recommendation of the appointed actuary who is currently external and independent from the Company. A range of methods were used by the appointed actuary to determine these claims. 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. The 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.

Some insurance contracts permit the Group to sell (usually damaged) assets acquired in settling a claim (for example, salvage). The Group may also have the right to pursue third parties for payment of some or all costs (for example, subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the LIC. The allowance is the amount that can reasonably be recovered from the disposal of the asset. Subrogation reimbursements are also considered as an allowance in the measurement of the LIC. The allowance is the assessment of the amount that can be recovered from the third party.

**g) Significant financing component**

The Group has assessed its Liability for Remaining Coverage (LRC) and Assets for remaining coverage (ARC) and concluded that no significant financing component exists within LRC and ARC respectively. Therefore, the Group has not adjusted the carrying amount of the LRC and ARC to reflect the time value of money and the effect of financial risk using the discount rates.

**h) Onerosity determination**

The profitability of groups of insurance contracts is assessed by actuarial valuation models that take into consideration existing and new business. Profitability is measured through the expected risk-adjusted combined ratio (including premiums, expenses, discounted risk adjusted claims and an allowance for ENID). The expected risk adjusted combined ratio approximates the fulfilment cash flows as defined in IFRS 17. The Group assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. The Group also considers facts and circumstances to identify whether a group of contracts are onerous based on the following key inputs:

- Pricing information: Underwriting combined ratios and price adequacy ratio. This input is most relevant for the Medical insurance portfolio;
- Historical combined ratio of similar and comparable sets of contracts for Motor and P&C portfolios in particular;
- Any relevant inputs from underwriters;
- Other external factors such as inflation and change in market claims experience or change in regulations; and
- For subsequent measurement, the Group also relies on the same group of contracts' weighted actual emerging experience.

The actuarial profitability valuation and results are then discussed with the Profitability Assessment Committee (the "Committee") which is chaired by Group's CFO and includes other relevant stakeholders as members. The objective of the Committee is to formulate management's view of the profitability of new and in-force contracts. The Committee, based on aforementioned inputs, classifies all new contracts into either onerous or profitable and produce the estimated combined loss ratio. For existing contracts, the Committee also produces a view of the combined ratio for such contracts. The expected combined loss ratio is then fed into the loss component calculation. Any loss-recovery component is determined with reference to the loss component recognised on underlying contracts and the recovery expected on such claims from reinsurance contracts held, if any.

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

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

**i) Expected premium receipts adjustment**

Insurance revenue will be adjusted with the amounts of expected premium receipts adjustment calculated on premiums not yet collected as at date of the statement of financial position. The computation is performed using IFRS 9 simplified approach to calculate Expected Credit Loss (ECL) allowance. The corresponding impact of this adjustment is recorded to LRC.

**j) Non-performance risk**

The Group measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognized under Amounts recoverable from reinsurers for incurred claims in the consolidated statement of income. The computation is performed using IFRS 9 simplified approach to calculate ECL allowance.

**k) Impairment losses on financial assets**

The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgement, in particular, for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled Expected Credit Losses ("ECL") scenarios and the relevant inputs used.

**Other accounting judgements, estimates and assumptions**

**l) Fair value of financial instruments**

Fair values of financial instruments 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. Refer fair value of financial instruments disclosure in note 25.

**m) Impairment of available-for-sale financial assets (for financial assets derecognised before January 1, 2023)**

The Group 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 Group policy. In making this judgment, the Group also evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. The Group reviews its debt securities classified as available for sale at each reporting date to assess whether they are impaired.

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**3. CHANGES IN MATERIAL ACCOUNTING POLICIES**

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2022 except as mentioned in notes below:

**a) New IFRS Standards, IFRIC interpretations and amendments thereof, adopted by the Group**

<b><u>Standard, interpretation, amendments</u></b>	<b><u>Description</u></b>	<b><u>Effective date</u></b>
Narrow scope amendments to IAS 1, IFRS Practice Statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after January 1, 2023
Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after January 1, 2023
IFRS 17	Insurance Contracts	Annual periods beginning on or after January 1, 2023
IFRS 9	Financial Instruments	Annual periods beginning on or after January 1, 2023

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**3. CHANGE IN MATERIAL ACCOUNTING POLICIES (continued)**

**b. Standards issued but not yet effective**

The Group has chosen not to early adopt the following new standards, which have been issued but not yet effective for the Group's accounting year beginning on or after January 1, 2024, and is currently assessing their impact:

<b><u>Standard, interpretation, amendments</u></b>	<b><u>Description</u></b>	<b><u>Effective date</u></b>
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities as current or non-current	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.	January 1, 2024
Amendments to IFRS 10 and IAS 28	Amendments to IFRS 10 consolidated financial statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	The effective date of the amendments has yet to be set by The IASB.
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	It requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains.	Annual periods beginning on or after January 1, 2024
Amendments to IAS 21 - Lack of Exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. No material impact is expected for the Group.	Annual periods beginning on or after January 1, 2025 (early adoption is available)
Amendment to IAS 7 and IFRS 7 Supplier finance	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis. No material impact is expected for the Group	Annual periods beginning on or after January 1, 2024 (with transitional reliefs in the first year)

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**3. CHANGES IN MATERIAL ACCOUNTING POLICIES (continued)**

**3.1 Insurance and reinsurance contracts**

**Transition**

On transition date, January 1, 2022, the Group:

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

The statement of financial position for January 1, 2022, has been restated due to adoption of IFRS 17 and IFRS 9. Consequently, the third balance sheet as at January 1, 2022 has also been presented under the requirements of IAS 1.

Full Retrospective Approach

On transition to IFRS 17, the Group has applied the full retrospective approach unless impracticable.

Modified retrospective approach

The Group has applied the modified retrospective approach for certain groups of contracts, as prior to transition (before January 1, 2022), it grouped its contracts from multiple cohorts and years into a single unit for accounting purposes. The application of the full retrospective approach on transition for these portfolios was determined to be impracticable for the Group, as obtaining all required historical data for its existing products from the actuarial valuation reports was not possible. Therefore, the Group has used reasonable and supportable information from its existing reporting systems, which resulted in the closest outcome to the full retrospective approach. The Group has applied fully retrospective approach to groups of insurance contracts issued / reinsurance contracts held after January 1, 2022.

The Group has aggregated contracts issued more than one year apart for groups of contracts applying the modified retrospective approach at transition, as it did not have supportable information to aggregate contracts into groups including only contracts issued within one year.

At the date of initial recognition of a group of insurance contracts originating before the transition date, groups are discounted using an observable yield curve that, based on discount rates for 2019-2021, approximate the yield curve, had discount rate principles for fully retrospective approach been applied.

The Group estimated the risk adjustment for non-financial risk at the date of initial recognition by adjusting the risk adjustment at the transition date by the expected release of risk in the periods before transition. The expected release of risk was determined with reference to the release of risk for similar contracts that the Group has issued subsequent to the transition date.

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**3. CHANGES IN MATERIAL ACCOUNTING POLICIES (continued)**

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

**Classification**

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. The Company issues non-life insurance to individuals and businesses. Non-life insurance products offered include medical, motor, marine, fire, engineering, energy, aviation and casualty insurance. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of a policyholder's accident.

**Level of aggregation**

IFRS 17 requires a company to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: (a) onerous contracts, (b) contracts with no significant risk of becoming onerous, and (c) the remainder. This means that, for determining the level of aggregation, the Company identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Company makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). Further, no group for level of aggregation purposes contains contracts issued more than one year apart.

The Company has elected to group together those contracts that would fall into different groups only because law or regulation specifically constrains its practical ability to set a different price or level of benefits for policyholders with different characteristics.

The portfolios are further divided by year of issue and profitability for recognition and measurement purposes. Hence, within each quarter of issue, portfolios of contracts are divided into three groups, as follows:

- A group of contracts that are onerous at initial recognition (if any)
- A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any)
- A group of the remaining contracts in the portfolio (if any)

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Company considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognised
- Environmental factors, e.g., a change in market experience or regulations

The Company divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

The Group does not issue any insurance contracts and reinsurance contracts held which qualify for contract combination / unbundling.

**Length of Cohorts**

The Group has adopted quarterly cohorts to measure groups of insurance contracts issued and reinsurance contracts held. This means that the groups of contracts are identified at a more granular level. The Group has elected to use quarterly cohorts that aligns with external quarterly reporting periods as well.

**Recognition**

The Company recognises groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous

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**3. CHANGES IN MATERIAL ACCOUNTING POLICIES (continued)**

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

Premium received in advance represents premiums received by the Company before initial recognition of the group of insurance contracts. These are excluded from liability for remaining coverage and recognised as other liabilities (refer above policy for conditions relevant to initial recognition of the group of contracts).

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

- The beginning of the coverage period of the group of reinsurance contracts held. However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held; and
- The date the Company recognises an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Company adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

**Measurement model**

The Group applies the Premium Allocation Approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds. The Group applies the PAA as the coverage period of these contracts is one year or less. In case of contracts with more than one-year of coverage period, the Group had carried out the PAA eligibility test (refer note 2.4(a)) to confirm that PAA may be applied. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Group's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Group now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk as well as provision for ENID.

**Contract boundary**

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

- The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or

Both of the following criteria are satisfied:

- The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
- The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

**Insurance contracts – initial measurement**

The Company applies the premium allocation approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds, as:

- The coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary; or
- For contracts longer than one year, the Company has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the General Measurement Model ("GMM").

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**3. CHANGE IN MATERIAL ACCOUNTING POLICIES (continued)**

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

For a group of contracts that is not onerous at initial recognition, the Company measures the liability for remaining coverage as:

- The premiums, if any, received at initial recognition,
- Minus any insurance acquisition cash flows at that date,
- Plus or minus any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows, and
- Any other asset or liability previously recognised for cash flows related to the group of contracts that the Company pays or receives before the group of insurance contracts is recognised.

For all insurance contracts, there is no allowance for time value of money in the calculation of LRC. The Group expects that the time between providing each part of the services and the related premium due date is no more than a year.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Company performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Company recognises a loss in consolidated statement of income for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised.

**VAT treatment**

Transaction-based taxes (such as premium taxes, value added taxes and goods & services taxes) and levies that arise directly from existing insurance contracts, or that can be attributed to them on a reasonable and consistent basis are included within insurance contract liabilities as part of fulfilment cash flows within the boundary of insurance contracts.

**Reinsurance contracts held – initial measurement**

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. The Company uses a systematic and rational method to determine the portion of losses recognised on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held.

The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

**Insurance contracts – subsequent measurement**

The Company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus premiums received in the period,
- Minus insurance acquisition cash flows,
- Plus any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense in the reporting period for the group,
- Plus any adjustment to the financing component, where applicable,
- Minus the amount recognised as insurance revenue for the services provided in the period, and
- Minus any investment component paid or transferred to the liability for incurred claims, where applicable.

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company, and include an explicit adjustment for non-financial risk (the risk adjustment).



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**3. CHANGES IN MATERIAL ACCOUNTING POLICIES (continued)**

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

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company recognises a loss in consolidated statement of income for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised.

**Reinsurance contracts held – subsequent measurement**

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

Where the Company has established a loss-recovery component, the Company subsequently reduces the loss recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

**Insurance contracts – modification and derecognition**

The Company derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired), or
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

When a modification is not treated as a derecognition, the Company recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

**Presentation**

The Company presents separately, in the consolidated statement of financial position, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

The Company disaggregates the total amount recognised in the consolidated statement of income into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

The Group has chosen not to disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion. Hence, the total charge for both financial and insurance portions are included as part of the insurance service result in the consolidated statement of income.

**Insurance revenue**

The insurance revenue for the period is the amount of expected premium receipts allocated to the period (excluding any investment component). The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

The Company changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

For the periods presented, all revenue has been recognised on the basis of the passage of time.

Fee income from takaful is calculated in accordance with the terms of agreement and is accounted for on an accrual basis and are recognised in insurance revenue.

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**3. CHANGES IN MATERIAL ACCOUNTING POLICIES (continued)**

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

**Loss components**

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, the facts and circumstances indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

**Loss-recovery components**

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses. A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

**Insurance finance income and expense / reinsurance finance income and expenses**

Insurance / reinsurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts issued / reinsurance contracts held arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

The Group presents insurance / reinsurance finance income or expenses on group of insurance contracts issued / reinsurance contracts held in the consolidated statement of income.

**Net income or expense from reinsurance contracts held**

The Company presents separately on the face of the consolidated statement of income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held and excludes commissions from an allocation of reinsurance premiums presented on the face of the consolidated statement of income.

**Accounting for Shared pools**

Insurance Contract Liability for Hajj & Umrah and Travel and Covid-19 pool is measured as follows:

- At initial recognition, the premium received by the Company is recorded in full in LRC
- Subsequent to initial recognition
  - commissions paid and claims paid by the Company are recorded in full in LRC and LIC respectively
  - Share of Insurance Revenue for the Company is reduced from LRC while the Company's share of acquisition costs incurred increase the LRC.
  - The Company's share of incurred claims and related expenses, risk adjustment on LIC and discounting of LIC are included in the measurement of LIC.

In calculating the reinsurance contract assets, the Group includes its share of allocation of reinsurance premium, amounts recoverable from reinsurers, risk adjustment and discounting impacts AIC. Gross cash flows for RI premiums paid and Reinsurance claims recovered are included within measurement of ARC and AIC respectively with a corresponding effect recorded in other liabilities / other assets.

The Company measures its share in groups of insurance contracts issued and reinsurance contracts held relating to Inherent Defect Insurance (IDI) within property and casualty line of business.

**Policyholder surplus accounting**

Policyholder surplus as described in note 1 to these consolidated financial statements are recognized under liability for incurred claims within insurance contract liabilities with the corresponding effect recorded under insurance service expenses.

The Group writes back surplus to 'other income' in the consolidated statement of income that remains unclaimed for more than 10 years.

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**3. CHANGES IN MATERIAL ACCOUNTING POLICIES (continued)**

**3.2 Financial instruments**

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. However, the Group has met the relevant criteria and has applied the temporary exemption from IFRS 9 for annual periods before January 1, 2023. For transition to IFRS 9, the Group applied a retrospective approach to be in line with transition option adopted under IFRS 17.

IFRS 9 has not been applied to financial instruments that have already been derecognized at the date of initial application i.e., 1 January 2023. IAS 39 has been applied to such transaction / items.

**Initial recognition**

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially recognised on the trade date measured at their fair value. Except for financial assets and financial liabilities recorded at Fair value through profit or loss, transaction costs are added to this amount.

**3.2.1 Financial assets held on or recognised after January 1, 2023**

**Measurement categories**

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms. The categories include the following:

- Amortised cost
- Fair value through other comprehensive income ("FVOCI")
- Fair value through profit or loss ("FVPL")

**Debt instrument measured at amortised cost**

Debt instruments are held at amortised cost if both of the following conditions are met:

- The instruments are held within a business model with the objective of holding the instrument to collect the contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The details of these conditions are outlined below:

**a) Business model assessment**

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company considers the timing, amount, and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- The expected frequency, value and timing of asset sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

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**3. CHANGES IN MATERIAL ACCOUNTING POLICIES (continued)**

**3.2 Financial instruments (continued)**

**3.2.1 Financial assets held on or recognised after January 1, 2023 (continued)**

**b) The solely payments of principal and interest (SPPI) test**

As a second step of its classification process the Company assesses the contractual terms to identify whether they meet the SPPI test.

Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium / discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

**Financial instruments at fair value through other comprehensive income**

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are SPPI.

The Group elects to present changes in the fair value of certain equity investments that are not held for trading in other comprehensive income. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

**Financial assets measured at fair value through profit or loss**

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. These instruments largely comprise debt instruments that had previously been classified as available-for-sale.

This investment portfolio has been designated at fair value through profit or loss since the Group has provided an unconditional mandate to the Investment Manager to make purchases and sales decisions without referring to the Group for each transaction. Hence, the Group does not carry the capacity to hold these Investments to realize contractual cash flows on these Investments, either partly or wholly.

**Cash and cash equivalents**

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

**Subsequent measurement**

**Debt instrument at amortised cost**

After initial measurement, financial assets are measured at amortised cost, using the effective interest rate (EIR) method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. ECLs are recognised in the consolidated statement of income and deducted from the gross carrying amount of an asset.

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**3. CHANGES IN MATERIAL ACCOUNTING POLICIES (continued)**

**3.2 Financial instruments (continued)**

**3.2.1 Financial assets held on or recognised after January 1, 2023 (continued)**

**Financial assets at fair value through other comprehensive income**

Equity instruments that are measured at FVOCI category are subsequently measured at fair value. Dividends are recognised as income in the consolidated statement of income when the Group's right to receive payment is established, unless they clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognised in the consolidated statement of comprehensive income and are never reclassified to the consolidated statement of income. Cumulative gains and losses recognised in the consolidated statement of comprehensive income are transferred to retained earnings on disposal of an investment.

**Financial assets at fair value through profit or loss**

Financial assets that are measured at FVPL category are subsequently measured at fair value. Changes in fair value are recorded in the consolidated statement of income. Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate.

Dividend income is recorded in consolidated statement of income when the right to the payment has been established.

**Derecognition of financial assets**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all of the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

On derecognition of a financial asset, the difference between the carrying amount at the date of derecognition and the consideration received (including any new asset obtained less any new liability assumed) is recognised in the consolidated statement of income or consolidated statement of comprehensive income as the case may be.

**Impairment of financial assets**

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model. The Company applies the expected credit losses ('ECL') on its financial assets measured at amortised cost and FVOCI, which are in the scope of IFRS 9 for impairment. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

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

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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**3. CHANGES IN MATERIAL ACCOUNTING POLICIES (continued)**

**3.2 Financial instruments (continued)**

**3.2.1 Financial assets held on or recognised after 1 January 2023 (continued)**

The receivable from broker / agents to be in default when it is due more than 365 while the Company considers other financial asset to be in default (credit impaired) when contractual payments are 30 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. It is estimated with consideration of economic scenarios and forward-looking information.
- EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and accrued interest from missed payments.
- LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive. It is usually expressed as a percentage of the EAD.

The Group allocates its assets subject to ECL calculations to one of these categories, determined as follows:

**Stage 1 12-month ECL (12mECL):**

The 12mECL is calculated as the portion of life time ECLs (LTECLs) that represent the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an appropriate EIR.

**Stage 2 LTECL:**

When an instrument has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected losses are discounted by an appropriate EIR.

**Stage 3 Credit impaired:**

For debt instruments considered credit-impaired, the Group recognizes the lifetime expected credit losses for these instruments. The method is similar to that for LTECL assets, with the PD set at 100%.

**Receivable from brokers / agents**

Insurance contracts sold via brokers where brokers have collected the premiums from the insured and not yet paid to the Group are classified as "receivable from brokers / agents". The balances are outside the contract boundary of insurance contracts issued and are subject to impairment assessment based on simplified approach of IFRS 9. Under IFRS 9 simplified approach, the Group measures the loss allowance at an amount equal to lifetime expected credit losses for broker receivables.

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**3. CHANGES IN MATERIAL ACCOUNTING POLICIES (continued)**

**3.2 Financial instruments (continued)**

**3.2.1 Financial assets held on or recognised after 1 January 2023 (continued)**

**Forward looking information**

In its ECL models, the Company relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Inflation

**Write-offs**

Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to expected credit loss expense. There were no write-offs over the period reported in these consolidated financial statements.

All potential write-offs are reviewed for recoverability before it is submitted to the Board for their approval as per Group's standard operating procedures.

**3.2.2 Financial liabilities**

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised costs are initially measured at fair value minus transaction costs.

Financial liabilities are subsequently measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

**Recognition of commission income**

Under IFRS 9, commission income is recorded using the effective interest rate (EIR) method for all debt instruments measured at amortised cost.

If expectations of a fixed rate financial asset's cash flows are revised for reasons other than credit risk, the changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference to the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset in the consolidated statement of financial position with a corresponding increase or decrease in commission income.

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**3. CHANGES IN MATERIAL ACCOUNTING POLICIES (continued)**

**3.3 Effect of initial application**

**a) Classification and measurement of financial assets \***

Particulars	Classification	IAS 39		Classification	IFRS 9	
		December 31, 2022	January 1, 2022		December 31, 2022	January 1, 2022
				SAR '000		
Cash and cash equivalents	Loans and receivables	1,659,343	1,188,266	Amortised cost	1,659,193	1,188,136
Statutory deposit	Loans and receivables	125,000	125,000	Amortised cost	124,983	124,992
Mudaraba / murabaha deposits (Term deposits)	Loans and receivables	5,903,752	3,780,598	Amortised cost	5,903,739	3,780,592
Investments in Shariah Notes	Available for sale investments – AFS	946,703	2,364,736	FVPL	946,703	58,599
Investments in unquoted equities	Available for sale investments	111,638	10,250	FVOCI	111,638	10,250
		8,746,436	7,468,850		8,746,256	5,162,569

\* The change between the carrying value of cash and cash equivalents, statutory deposits and term deposits under IAS 39 and IFRS 9 is mainly represents expected credit loss allowance.

**b) Impact on retained earnings on transition to IFRS 17 at January 1, 2022**

<b><u>Particulars of drivers</u></b>	<b><u>SAR '000</u></b>
Explicit risk adjustment, net of reinsurance	(161,827)
Increase in deferred part of insurance acquisition cash flows	125,471
Expected premium receipts adjustment	56,861
ENID, net of reinsurance	(27,327)
Loss components, net of PDR and loss recovery	(69,588)
Discounting of liability for incurred claims (LIC), net of reinsurance	13,885
Impact of non-performance risk provision	(16,799)
Impact of exclusion of self-insurance policy	(26,000)
Impact of share of profit of our share in UIC due to adoption of IFRS 17	1,610
Other impacts	1,021
	<b><u>(102,693)</u></b>
<b><u>Impact on retained earnings on transition to IFRS 9 at January 1, 2022</u></b>	
Expected credit loss allowance on financial instruments	(144)
Impact of share of profit of our share in UIC due to adoption of IFRS 9	5,885
Reclassification of unrealised gain on investments at FVPL (previously classified as AFS)	11,213
	<b><u>16,954</u></b>



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**3. CHANGES IN MATERIAL ACCOUNTING POLICIES (continued)**

**3.3 Effect of initial application (continued)**

**c) Reconciliation of consolidated statement of financial position as at January 1, 2022:**

	Pre-adoption IFRS 17 and IFRS 9	IFRS 17		IFRS 9		Post-adoption IFRS 17 and IFRS 9
		Remeasurement	Reclassification	Remeasurement	Reclassification	
SAR '000						
<b>ASSETS</b>						
Cash and cash equivalents	1,188,266	-	-	(130)	-	1,188,136
Term deposits	3,780,598	-	-	(6)	6,986	3,787,578
Available for sale investments	2,370,943	-	-	-	(64,806)	2,306,137
Investments including accrued investment income	-	-	-	-	68,849	68,849
Receivable from brokers / agents	-	-	1,454,205	-	-	1,454,205
Reinsurance contract assets	-	333,739	2,314,467	-	-	2,648,206
Prepaid expenses and other assets	668,962	(26,000)	(105,082)	-	-	537,880
Investments in equity accounted investments	89,556	1,610	-	(30)	-	91,136
Investment properties	60,850	-	-	-	-	60,850
Intangible assets	16,627	-	-	-	-	16,627
Property, equipment and right-of-use assets, net	236,970	-	-	-	-	236,970
Accrued income on statutory deposit	3,050	-	-	-	-	3,050
Statutory deposit	125,000	-	-	(8)	-	124,992
Accrued investment income	11,029	-	-	-	(11,029)	-
Deferred excess of loss premiums	7,501	-	(7,501)	-	-	-
Deferred policy acquisition costs	127,951	-	(127,951)	-	-	-
Reinsurers' share of gross outstanding claims	1,762,324	-	(1,762,324)	-	-	-
Reinsurers' share of incurred but not reported claims	329,243	-	(329,243)	-	-	-
Reinsurers' share of gross unearned premiums	717,382	-	(717,382)	-	-	-
Receivables, net	3,222,001	-	(3,222,001)	-	-	-
<b>TOTAL ASSETS</b>	<b>14,718,253</b>	<b>309,349</b>	<b>(2,502,812)</b>	<b>(174)</b>	<b>-</b>	<b>12,524,616</b>

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**3. MATERIAL ACCOUNTING POLICIES (continued)**

**3.3 Effect of initial application (continued)**

**d) Reconciliation of consolidated statement of financial position as at January 1, 2022:**

	Pre-adoption IFRS 17 and IFRS 9	IFRS 17		IFRS 9		Post-adoption IFRS 17 and IFRS 9
		Remeasurement	Reclassification	Remeasurement	Reclassification	
<b>SAR '000</b>						
<b>LIABILITIES</b>						
Claims payable, accrued expenses and other liabilities	1,070,631	-	(497,574)	-	-	573,057
Zakat payable	415,023	-	-	-	-	415,023
Dividends payable	8,630	-	-	-	-	8,630
Insurance contract liabilities	-	412,042	8,033,138	-	-	8,445,180
Reinsurance contract liabilities	-	-	1,369	-	-	1,369
Return payable on statutory deposit	3,050	-	-	-	-	3,050
Defined benefits obligation	142,110	-	-	-	-	142,110
Reserve for takaful activities	3,372	-	(3,372)	-	-	-
Incurred but not reported claims reserve	1,770,241	-	(1,770,241)	-	-	-
Gross outstanding claims	2,400,729	-	(2,400,729)	-	-	-
Premium deficiency reserve	30,277	-	(30,277)	-	-	-
Unearned commission income	42,289	-	(42,289)	-	-	-
Surplus distribution payable	258,163	-	(258,163)	-	-	-
Gross unearned premiums	5,031,265	-	(5,031,265)	-	-	-
Reinsurers' balances payable	503,409	-	(503,409)	-	-	-
<b>TOTAL LIABILITIES</b>	<b>11,679,189</b>	<b>412,042</b>	<b>(2,502,812)</b>	<b>-</b>	<b>-</b>	<b>9,588,419</b>
<b>EQUITY</b>						
Share capital	1,250,000	-	-	-	-	1,250,000
Statutory reserve	1,197,495	-	-	-	-	1,197,495
Remeasurement of defined benefits obligation	(20,096)	-	-	-	-	(20,096)
Fair value reserve for investments	152,513	-	-	(5,915)	(11,213)	135,385
Retained earnings	459,152	(102,693)	-	5,741	11,213	373,413
<b>TOTAL EQUITY</b>	<b>3,039,064</b>	<b>(102,693)</b>	<b>-</b>	<b>(174)</b>	<b>-</b>	<b>2,936,197</b>
<b>TOTAL LIABILITIES AND EQUITIES</b>	<b>14,718,253</b>	<b>309,349</b>	<b>(2,502,812)</b>	<b>(174)</b>	<b>-</b>	<b>12,524,616</b>

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**3. MATERIAL ACCOUNTING POLICIES (continued)**

**3.3 Effect of initial application (continued)**

**e) Reconciliation of consolidated statement of financial position as at December 31, 2022:**

	Pre-adoption IFRS 17 and IFRS 9	IFRS 17		IFRS 9		Post-adoption IFRS 17 and IFRS 9
		Re-measurement	Re-classification	Re-measurement	Re-classification	
<b>SAR '000</b>						
<b>ASSETS</b>						
Cash and cash equivalents	1,659,343	-	-	(150)	-	1,659,193
Term deposits	5,903,752	-	-	(13)	77,088	5,980,827
Available for sale investments	1,058,341	-	-	(1,058,341)	-	-
Investment including accrued investment income				1,058,341	4,636	1,062,977
Receivable from brokers / agents	-	(57,400)	2,904,374	(141,502)	-	2,705,472
Reinsurance contract assets	-	421,947	2,332,507	-	-	2,754,454
Prepaid expenses and other assets	767,968	(30,000)	(204,500)	-	-	533,468
Investments in equity accounted investments	95,948	-	-	9,080	-	105,028
Investment properties	59,562	-	-	-	-	59,562
Intangible assets	13,441	-	-	-	-	13,441
Property, equipment and right-of-use assets, net	255,565	-	-	-	-	255,565
Accrued income on statutory deposit	5,420	-	-	-	-	5,420
Statutory deposit	125,000	-	-	(17)	-	124,983
Accrued investment income	81,724	-	-	-	(81,724)	-
Deferred excess of loss premiums	7,088	-	(7,088)	-	-	-
Deferred policy acquisition costs	187,314	-	(187,314)	-	-	-
Reinsurers' share of gross outstanding claims	1,782,371	-	(1,782,371)	-	-	-
Reinsurers' share of incurred but not reported claims	392,894	-	(392,894)	-	-	-
Reinsurers' share of gross unearned premiums	1,097,752	-	(1,097,752)	-	-	-
Receivables, net	5,421,514	-	(5,421,514)	-	-	-
<b>TOTAL ASSETS</b>	<b>18,914,997</b>	<b>334,547</b>	<b>(3,856,552)</b>	<b>(132,602)</b>	<b>-</b>	<b>15,260,390</b>

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**3. MATERIAL ACCOUNTING POLICIES (continued)**

**3.3 Effect of initial application (continued)**

**f) Reconciliation of consolidated statement of financial position as at December 31, 2022:**

	Pre-adoption IFRS 17 and IFRS 9	IFRS 17		IFRS 9		Post-adoption IFRS 17 and IFRS 9
		Re-measurement	Re-classification	Re-measurement	Re-classification	
<b>SAR '000</b>						
<b>LIABILITIES</b>						
Claims payable, accrued expenses and other liabilities	1,591,463	-	(976,149)	-	-	615,314
Zakat payable	272,168	-	-	-	-	272,168
Dividends payable	8,602	-	-	-	-	8,602
Insurance contract liabilities	-	436,418	10,664,611	-	-	11,101,029
Return payable on statutory deposit	5,420	-	-	-	-	5,420
Defined benefits obligation	125,297	-	-	-	-	125,297
Reserve for takaful activities	2,861	-	(2,861)	-	-	-
Incurred but not reported claims reserve	2,400,908	-	(2,400,908)	-	-	-
Gross outstanding claims	2,826,056	-	(2,826,056)	-	-	-
Premium deficiency reserve	13,591	-	(13,591)	-	-	-
Unearned commission income	61,183	-	(61,183)	-	-	-
Surplus distribution payable	265,167	-	(265,167)	-	-	-
Gross unearned premiums	7,014,914	-	(7,014,914)	-	-	-
Reinsurers' balances payable	962,225	-	(962,225)	-	-	-
<b>TOTAL LIABILITIES</b>	<b>15,549,855</b>	<b>436,418</b>	<b>(3,858,443)</b>	<b>-</b>	<b>-</b>	<b>12,127,830</b>
<b>EQUITY</b>						
Share capital	1,250,000	-	-	-	-	1,250,000
Statutory reserve	1,250,000	-	-	-	-	1,250,000
Remeasurement of defined benefits obligation	(7,674)	-	-	-	-	(7,674)
Fair value reserve for investments	75,166	-	-	(6,853)	(51,180)	17,133
Retained earnings	797,650	(101,871)	1,891	(125,749)	51,180	623,101
<b>TOTAL EQUITY</b>	<b>3,365,142</b>	<b>(101,871)</b>	<b>1,891</b>	<b>(132,602)</b>	<b>-</b>	<b>3,132,560</b>
<b>TOTAL LIABILITIES AND EQUITIES</b>	<b>18,914,997</b>	<b>334,547</b>	<b>(3,856,552)</b>	<b>(132,602)</b>	<b>-</b>	<b>15,260,390</b>

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**3. MATERIAL ACCOUNTING POLICIES (continued)**

**3.3 Effect of initial application (continued)**

**g) Reclassification impact on consolidated statement of income on adoption of IFRS 17**

The line-item descriptions in the consolidated statement of income have been changed significantly compared with prior year. Previously, the Group reported the following line items:

- Gross premiums written
- Reinsurance premiums ceded – Local
- Reinsurance premiums ceded – International
- Changes in unearned premiums – net
- Gross claims paid
- Reinsurers' share of claims paid
- Changes in outstanding claims
- Changes in claims incurred but not reported
- Changes in premium deficiency reserve
- Reinsurance share of changes in outstanding claims
- Reinsurance share of changes in claims incurred but not reported
- Policy acquisition costs
- Allowance for doubtful receivables
- General and administrative expenses
- Fee income from takaful
- Income attributed to the insurance operations

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expense
- Net expenses from reinsurance contracts held
- Other operating expenses

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**3 MATERIAL ACCOUNTING POLICIES (continued)**

**3.3 Effect of initial application (continued)**

**h) Reconciliation of consolidated statement of income for the year ended December 31, 2022**

	Pre-adoption IFRS 17 and IFRS 9	IFRS 17		IFRS 9		Post-adoption IFRS 17 and IFRS 9
		Re-classification	Re-measurement	Re-classification	Re-measurement	
<b>SAR '000</b>						
Insurance revenue	-	11,433,534	(25,186)	-	-	11,408,348
Insurance service expenses	-	(10,423,933)	(61,370)	-	-	(10,485,303)
Allocation of reinsurance premiums	-	(1,618,800)	-	-	-	(1,618,800)
Amounts recoverable from reinsurers for incurred claims	-	916,294	96,594	-	-	1,012,888
<b>Insurance service result</b>	-	307,095	10,038	-	-	317,133
Gross premiums written	14,355,406	(14,355,406)	-	-	-	-
Reinsurance ceded	(2,143,509)	2,143,509	-	-	-	-
Excess of loss premiums	(47,168)	47,168	-	-	-	-
<b>Net premiums written</b>	12,164,729	(11,857,634)	10,038	-	-	317,133
Changes in gross unearned premiums	(1,983,649)	1,983,649	-	-	-	-
Changes in reinsurers' share of gross unearned premiums	380,368	(380,368)	-	-	-	-
<b>Net premiums earned</b>	10,561,448	(10,254,353)	10,038	-	-	317,133
Reinsurance commissions	136,464	(136,464)	-	-	-	-
Other underwriting income	11,867	(11,867)	-	-	-	-
<b>TOTAL REVENUES</b>	10,709,779	(10,402,684)	10,038	-	-	317,133
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	(8,336,582)	8,336,582	-	-	-	-
Expenses incurred related to claims	-	-	-	-	-	-
Reinsurers' share of claims paid	836,863	(836,863)	-	-	-	-
<b>Net claims and other benefits paid</b>	(7,499,719)	7,499,719	-	-	-	-
Changes in gross outstanding claims	(425,327)	425,327	-	-	-	-
Changes in reinsurance share of gross outstanding claims	20,047	(20,047)	-	-	-	-
Changes in incurred but not reported claims reserve	(630,667)	630,667	-	-	-	-
Changes in reinsurance share of incurred but not reported claims	63,651	(63,651)	-	-	-	-
Changes in premium deficiency reserve	16,686	(16,686)	-	-	-	-
<b>Net claims and other benefits incurred</b>	(8,455,329)	8,455,329	-	-	-	-
Changes in reserves for takaful activities	511	(511)	-	-	-	-
Policy acquisition costs	(495,742)	495,742	-	-	-	-
Other underwriting expenses	(251,269)	251,269	-	-	-	-
Insurance share distribution	(441,137)	441,137	-	-	-	-
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	(9,642,966)	9,642,966	-	-	-	-

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**3. MATERIAL ACCOUNTING POLICIES (continued)**

**3.3 Effect of initial application (continued)**

**h) Reconciliation of consolidated statement of income for the year ended December 31, 2022 (continued)**

	Pre-adoption IFRS 17 and IFRS 9	IFRS 17		IFRS 9		Post-adoption IFRS 17 and IFRS 9
		Re-classification	Re-measurement	Re-classification	Re-measurement	
<b>SAR '000</b>						
Commission income	-	-	-	260,002	-	260,002
Dividend income	-	-	-	3,452	-	3,452
Gain on disposal of AFS investments	-	-	-	36,488	-	36,488
Net fair value gains / (losses) on financial assets at fair value through profit or loss	-	-	-	-	39,967	39,967
Share of profit from equity accounted investments	-	-	-	23,769	8,438	32,207
<b>Net income on financial assets</b>	-	-	-	323,711	48,405	372,116
Expected credit loss allowance on financial assets	-	-	-	-	(141,502)	(141,502)
Finance (expense) / income from insurance contracts issued	-	-	2,347	-	-	2,347
Finance expenses from reinsurance contracts held	-	-	(8,098)	-	-	(8,098)
	-	-	(5,751)	-	-	(5,751)
<b>Net underwriting income / Net insurance and investment results</b>	1,066,813	(759,718)	4,287	323,711	(93,097)	541,996
<b>OTHER OPERATING (EXPENSES) / INCOME</b>						
General and administrative expenses	(901,229)	716,255	-	6,971	-	(178,003)
Allowance for doubtful debts	(33,830)	-	-	33,830	-	-
Investment income, net	280,712	-	-	(280,712)	-	-
Other income, net	87,617	-	-	(60,031)	-	27,586
<b>TOTAL OTHER OPERATING EXPENSES</b>	(566,730)	716,255	-	(299,942)	-	(150,417)
<b>Net operating income</b>	500,083	(43,463)	4,287	23,769	(93,097)	391,579
Share of profit from equity accounted investments, net	23,769	-	-	(23,769)	-	-
<b>Net income before attribution and zakat</b>	523,852	(43,463)	4,287	-	(93,097)	391,579
Net income attributed to the insurance operations	(43,463)	43,463	-	-	-	-
<b>Net income attributable to the shareholders before zakat</b>	480,389	-	4,287	-	(93,097)	391,579
Zakat charge for the period	(89,386)	-	-	-	-	(89,386)
<b>Net income attributable to the shareholders after zakat</b>	391,003	-	4,287	-	(93,097)	302,193

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**3. MATERIAL ACCOUNTING POLICIES (continued)**

**3.3 Effect of initial application (continued)**

**Sensitivity analysis**

The liability for incurred claims is sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

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

<b>December 31, 2023</b>					
<b>SAR '000</b>					
	<b>Changes in assumptions</b>	<b>Impact on profit before zakat gross of reinsurance</b>	<b>Impact on profit before zakat net of reinsurance</b>	<b>Impact on equity gross of reinsurance</b>	<b>Impact on equity net of reinsurance</b>
Risk adjustment changes	+/-10%	55,567	21,531	55,567	21,531
Liability for incurred claims changes	+/-5%	317,564	165,988	317,564	165,988
Discounting impact changes	+/-50%	96,970	40,441	96,970	40,441
<b>December 31, 2022</b>					
<b>SAR '000</b>					
	<b>Changes in assumptions</b>	<b>Impact on profit before zakat gross of reinsurance</b>	<b>Impact on profit before zakat net of reinsurance</b>	<b>Impact on equity gross of reinsurance</b>	<b>Impact on equity net of reinsurance</b>
Risk adjustment changes	+/-10%	72,585	24,713	72,585	24,713
Liability for incurred claims changes	+/-5%	292,622	164,008	292,622	164,008
Discounting impact changes	+/-50%	83,689	37,428	83,689	37,428
<b>January 1, 2022</b>					
<b>SAR '000</b>					
	<b>Changes in assumptions</b>	<b>Impact on profit before zakat gross of reinsurance</b>	<b>Impact on profit before zakat net of reinsurance</b>	<b>Impact on equity gross of reinsurance</b>	<b>Impact on equity net of reinsurance</b>
Risk adjustment changes	+/-10%	53,038	16,183	53,038	16,183
Liability for incurred claims changes	+/-5%	234,788	113,525	234,788	113,525
Discounting impact changes	+/-50%	23,546	7,103	23,546	7,103

The sensitivities relating to risk adjustment on LIC and impact of discounting have been disclosed in addition to overall LIC sensitivity. These above base LIC amounts is inclusive of risk adjustment and impact of discounting.



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**3 MATERIAL ACCOOUNTING POLICIES (continued)**

**3.4 Operating segments**

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments. The Group has following reportable segments.

- Medical - coverage for health insurance.
- Medical Umrah - coverage for health insurance for pilgrims.
- Motor - coverage for motor insurance and for Manafeth third party liability insurance for foreign vehicles.
- Property and casualty - coverage for property, engineering, marine, aviation, energy and general accidents insurance.
- General accidents – Hajj & Umrah insurance - coverage for pilgrims
- Travel and COVID-19 – coverage of compulsory travel insurance in addition to some coverages related to COVID-19 for citizens travelling abroad.
- Protection and savings

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

**3.5 Insurance shared agreement**

The shared agreements are an insurance pooling arrangement related to medical and general accidents in KSA. This is an arrangement between different number of insurance companies in KSA where the Company leads in providing insurance coverages for medical and general accidents for the pilgrims entering KSA (for Hajj and Umrah) and travel COVID 19 (Travel and COVID-19). In principle, the Company manages the shared pool arrangement on behalf of the other insurers and accordingly accounts for only its share under IFRS 17.

The Company also recognised its share in groups of insurance contracts issued and reinsurance contracts held relating to Inherent Defect Insurance (IDI) and the same is presented within property and casualty line of business.

**3.6 Investment in equity accounted investments**

An associate is an entity in which the Group has significant influence (but not control), over financial and operating policies and which is neither a subsidiary nor a joint venture. Although the Group holds 50% ownership in UIC, however, the Group does not exercise power over the financial and operating policies of UIC and therefore classified as investment in associate.

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

The consolidated statement of income reflects the Group's share of the results of operations of the associate, while the Group share of other comprehensive income / loss is included in the consolidated statement of other comprehensive income. Dividend from such investments is recognized when received and is credited to the investment account. Where there has been a change recognized directly in the equity of the associate, the Group recognises its share of any such changes and presents, when applicable, in the consolidated statement of changes in equity.

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

At each reporting date, the Group determines whether there is objective evidence that the investment in associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss in the consolidated statement of income, as the case may be.

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**3 MATERIAL ACCOUNTING POLICIES (continued)**

**3.7 Available-for-sale investments - for financial assets derecognised before 1 January 2023**

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

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

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

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

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

For transfers financial assets are recognized if, and only if, it either:

- (a) transfers the contractual rights to receive the cash flows of the financial asset; or
- (b) retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement.

When an entity transfers a financial asset, it shall evaluate the extent to which it retains the risks and rewards of ownership of the financial asset. In this case:

- (a) if the entity transfers substantially all the risks and rewards of ownership of the financial asset, the entity shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.
- (b) if the entity retains substantially all the risks and rewards of ownership of the financial asset, the entity shall continue to recognise the financial asset.
- (c) if the entity neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the entity shall determine whether it has retained control of the financial asset. In this case:

- (i) if the entity has not retained control, it shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.

- (ii) if the entity has retained control, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial Asset.

**3.8 Investments at held to maturity - for financial assets derecognised before 1 January 2023**

Mudaraba / murabaha deposits, with original maturity of more than three months, having fixed or determinable payments are classified as loans and receivables. Loans and receivables are initially recognized at fair value including direct and incremental transaction costs and subsequently measured at Amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any discount or premium on acquisition using an effective yield basis. Any gain or loss on such investments is recognized in the consolidated statement of income when the investment is derecognized or impaired.

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**3 MATERIAL ACCOOUNTING POLICIES (continued)**

**3.9 Impairment of financial assets - for financial assets derecognised before 1 January 2023**

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

Evidence of impairment may include:

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

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

- For equities and fund carried at fair value, impairment is the significant or prolong decline in the fair value of the financial asset.
- For debt securities and sukuks carried at amortised cost, impairment is based on estimated future cash flows that are discounted at the original effective commission rate.

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

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

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

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

**3.10 Offsetting**

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

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**3 MATERIAL ACCOOUNTING POLICIES (continued)**

**3.11 Trade date accounting**

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

**3.12 Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred. Land is not depreciated. The cost of other items of property and equipment is depreciated on the straight-line method to allocate the cost over estimated useful lives, as follows :

	<b>Years</b>
Buildings	40-48
Furniture and fixtures	10
Computer equipment	4
Vehicles	4

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

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

**3.13 Investment property**

Investment property include property (land or a building or part of a building or both) that is held by the Group to earn rentals or for capital appreciation purposes or both. Investment property is measured at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated based on the depreciable amount, which is the cost of an asset or other amount substitute for cost, less its residual value. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. The cost is depreciated on a straight-line basis over the estimated useful lives of the assets. When parts of an item of investment property have different useful lives, they are accounted for as separate items (major components) of investment property.

The cost of replacing a part of an item of investment property is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized.

The costs of the day-to-day servicing of investment property are recognized in consolidated statement of income and other comprehensive income as incurred.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in consolidated statement of income and other comprehensive income. The estimated useful lives of the investment property for the calculation of depreciation are as follows:

	<b>Years</b>
Buildings	38-40

The depreciation methods, useful lives and residual values are reviewed at each reporting date and are adjusted prospectively, if required. Transfers are made from investment properties to other operating assets categories only when there is a change in use evidenced by commencement of related activity such as development with a view to sell. Such transfers are made at the carrying value of the properties at the date of transfer.

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**3 MATERIAL ACCOOUNTING POLICIES (continued)**

**3.14 Impairment of non-financial assets**

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

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

**3.15 Employees’ benefits**

**Defined benefits obligation**

The Group operates an end of service benefits plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made at the present value of expected future payments in respect of services provided by the employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expect future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period (as more fully defined in note 15). The benefits payments obligation is discharged as and when it falls due. Re-measurements (actuarial gains / losses) as a result of experience adjustments and changes in actuarial assumptions are recognized in consolidated statement of comprehensive income .

**Short term employee benefits**

Short term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus or any other benefits if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**3.16 Provisions, accrued expenses and other liabilities**

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

**3.17 Zakat**

The Group is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority (“ZATCA”). Zakat is computed on the Saudi shareholders’ share of equity or net income using the basis defined under the Zakat regulations. Zakat is accrued on a quarterly basis and charge to the consolidated statement of income.

**3.18 Withholding tax**

The Group withholds taxes on certain transactions with non-resident parties as required under Saudi Arabian Income Tax Law.

**3.19 Value Added Tax (VAT)**

Output VAT related to revenue is payable to tax authorities on the earlier of :

- (a) Collection of receivables from customers or
- (b) Delivery of services to customers .

Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis.

VAT related to sales/services and purchases is recognized in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and a liability.

VAT that is not recoverable is charged to consolidated statement of income as expense.

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**3 MATERIAL ACCOOUNTING POLICIES (continued)**

**3.20 Dividend distribution**

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

**3.21 Cash flow statement**

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

**3.22 Foreign currencies**

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

**3.23 Contingencies and commitments**

Contingent liability is :

- A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- a present obligation that arises from past events but is not recognized because :
- it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- The amount of the obligation cannot be measured with sufficient reliability .

Contingent assets are not recognized in the consolidated financial statements. Contingent assets are not disclosed unless an inflow of economic benefits is probable .

Commitments represent binding agreements of the Group to carry out specified courses of action involving in a transfer of cash or other asset to the respective counterparties.

**3.24 Statutory reserve**

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

**3.25 Surplus distribution payable**

The Group shall write-back surplus to 'other income' in the consolidated statement of income that remains unclaimed for more than 10 years.

**3.26 Management fee income**

Management fee income is calculated in accordance with the terms of shared pool agreements and is accounted for on an accrual basis.

**3.27 Leases**

**Right of Use Asset / Lease Liabilities**

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

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

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**3 MATERIAL ACCOOUNTING POLICIES (continued)**

**Right of Use Assets**

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

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

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

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

**Lease Liability**

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

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

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

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

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in consolidated statement of income if the carrying amount of the right-of-use asset has been reduced to zero .

**Short-term leases and leases of low-value assets**

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

**3.28 Intangible assets**

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

	<b>Years</b>
Software licenses	1 - 4

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**4. CASH AND CASH EQUIVALENTS**

	<b>December 31, 2023</b>	December 31, 2022 (Restated)	January 1, 2022 (Restated)
	<b>SAR'000</b>		
Short term deposits (note 4.1)	<b>750,000</b>	750,000	-
Banks balances and cash (note 4.2)	<b>1,324,129</b>	909,343	1,188,266
Accrued income on short term deposits	<b>7,745</b>	-	-
	<b>2,081,874</b>	1,659,343	1,188,266
Expected credit loss allowance *	<b>(167)</b>	(150)	(130)
Total cash and cash equivalents	<b>2,081,707</b>	1,659,193	1,188,136

- 4.1 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 Saudi riyals and have an original maturity of less than three months. The average yield on these deposits is 6.04% (December 31, 2022: 5.31%) per annum.
- 4.2 These balance include cash placed with custodian amounting to SAR 436 million (31 December 2022: SAR 33 million & 1 January 2022: SAR 7 million). Bank balances are placed with counterparties with sound credit ratings of AA to BBB- (as per S&P and Fitch) and/or Aaa to Baa3 (as per Moody's).

**5. TERM 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 Saudi riyals and have an original maturity of more than three months. The average yield on these deposits is 6.25% (December 31, 2022: 5.86% and January 1, 2022: 2.86%) per annum.

The movements in deposits during the year is as follows:

	<b>December 31, 2023</b>	December 31, 2022 (Restated)
	<b>SAR'000</b>	
Balance at the beginning of the year	<b>5,903,752</b>	3,780,598
Placed during the year	<b>13,696,959</b>	12,473,524
Matured during the year	<b>(12,323,222)</b>	(10,350,370)
Balance at the end of the year	<b>7,277,489</b>	5,903,752
Accrued investment income	<b>90,900</b>	77,088
	<b>7,368,389</b>	5,980,840
Expected credit loss allowance	<b>(16)</b>	(13)
Total	<b>7,368,373</b>	5,980,827



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**6. INVESTMENTS INCLUDING ACCRUED INVESTMENT INCOME**

Investments including accrued investment income comprise the following:

	<b>December 31, 2023</b>	December 31, 2022 (Restated)	January 1, 2022 (Restated)
	<b>SAR'000</b>		
<b><u>Available-for-sale investments</u></b>			
Mutual funds	-	-	681,976
Fixed income investments	-	-	1,156,137
Equity securities	-	-	275,414
Funds with portfolio manager	-	-	188,567
Accrued investment income	-	-	4,043
	-	-	2,306,137
<b><u>Financial instruments measured at FVPL*</u></b>			
Mutual funds	<b>349,506</b>	17,588	7,500
Fixed income investments	<b>276,284</b>	472,309	-
Equity securities	<b>262,687</b>	335,238	51,099
Funds with portfolio manager	<b>73,548</b>	121,568	-
Accrued investment income	<b>20,314</b>	4,636	-
	<b>982,339</b>	951,339	58,599
<b><u>Equity instrument measured at FVOCI</u></b>			
Unquoted private equities **	<b>37,630</b>	111,638	10,250
Total investments	<b>1,019,969</b>	1,062,977	2,374,986

6.1 The Group has invested in Shariah Notes including accrued investment income having fair value amounting to SAR 982 million (December 31, 2022: SAR 951 million and January 1, 2022: SAR 2,364 million). The Shariah Notes are issued by a special purpose vehicle "SPV" established in Cayman Islands. The administrator of these Shariah Notes is a Company registered in Mauritius. The underlying investments of Shariah Notes include funds, discretionary portfolio management - equity shares and fixed income portfolios. The legal ownership of these underlying investments is not with the Group; however, the Group is the ultimate beneficial owner of the underlying investments while having control over the Shariah Notes but not over the underlying investments. The Shariah Notes are issued within a ring-fenced cell / structure and the underlying assets are ring-fenced as well for that structure managed by the SPV. 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 Group does not exercise any control over SPV and / or fund and portfolio managers.

\* Financial Instruments measured at FVPL are those which are mandatorily classified as fair value through profit or loss.

\*\* These represent unquoted private equities, which are designated at FVOCI, comprise of the following:

	<b>December 31, 2023</b>	December 31, 2022 (Restated)	January 1, 2022 (Restated)
	<b>SAR'000</b>		
Najm for insurance services	<b>37,630</b>	31,174	10,250
Saudi digital bank	-	80,464	-
	<b>37,630</b>	111,638	10,250

The movement of these investments are as follows:

	<b>December 31, 2023</b>	December 31, 2022 (Restated)
	<b>SAR'000</b>	
Opening balance	111,638	10,250
Purchases	15,000	80,464
Disposals	(95,464)	-
Changes in fair value of investments	6,456	20,924
Closing balance	<b>37,630</b>	111,638

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**6. INVESTMENTS INCLUDING ACCRUED INVESTMENT INCOME (continued)**

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

	<b>December 31, 2023</b>	December 31, 2022 (Restated)
	<u>SAR '000</u>	
Opening balance	<b>20,924</b>	-
Change for the year	<b>6,456</b>	20,924
Closing balance	<b>27,380</b>	20,924

**7. RECEIVABLE FROM BROKERS / AGENTS**

These comprise balances receivable from brokers / agents on account of sale of insurance policies by the broker / agent on behalf of the Group.

	<b>December 31, 2023</b>	December 31, 2022 (Restated)	January 1, 2022 (Restated)
	<u>SAR '000</u>		
Receivable from brokers / agents	<b>3,076,518</b>	2,904,374	1,511,605
Less: expected credit loss allowance	<b>(182,641)</b>	(198,902)	(57,400)
	<b>2,893,877</b>	2,705,472	1,454,205

Movement of receivables from brokers / agents during the year was as follows:

	<b>December 31, 2023</b>	December 31, 2022 (Restated)
	<u>SAR '000</u>	
Opening balance	<b>2,904,374</b>	1,511,605
Recognised during the year	<b>8,659,782</b>	6,364,279
Received during the year	<b>(8,487,638)</b>	(4,971,510)
Closing balance	<b>3,076,518</b>	2,904,374

Movement in expected credit loss allowance during the year was as follows:

	<b>December 31, 2023</b>	December 31, 2022 (Restated)
	<u>SAR '000</u>	
Opening balance	<b>198,902</b>	57,400
(Reversal) / charge for the year	<b>(16,261)</b>	141,502
Closing balance	<b>182,641</b>	198,902

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**8. INSURANCE AND REINSURANCE CONTRACTS**

The breakdown of groups of insurance contracts issued, and reinsurance contracts held, that are in an asset position and those in a liability position is set out in the table below:

	December 31, 2023		December 31, 2022 (Restated)		January 1, 2022 (Restated)	
	SAR '000					
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
<b>Insurance contracts issued</b>						
Medical	-	5,746,264	-	5,476,773	-	4,496,489
Medical - Umrah	-	345,748	-	267,455	-	2,182
Motor	-	2,145,087	-	1,017,471	-	751,279
Property and Casualty	-	4,422,970	-	3,761,886	-	3,161,662
General accidents - Hajj & Umrah	-	656,315	-	459,016	-	1,797
Travel & COVID-19	-	76,335	-	84,838	-	9,974
Protection and Savings	-	43,438	-	33,590	-	21,797
<b>Total insurance contracts issued</b>	-	<b>13,436,157(a)</b>	-	<b>11,101,029(b)</b>	-	<b>8,445,180(c)</b>

(a) represents LIC of SAR 6,372 million and LRC of SAR 7,064 million

(b) represents LIC of SAR 5,117 million and LRC of SAR 5,984 million

(c) represents LIC of SAR 5,281 million and LRC of SAR 3,164 million

**Reinsurance contracts held**

Medical	(87,468)	-	(106,861)	-	(103,270)	-
Medical - Umrah	-	-	-	-	-	-
Motor	(13,167)	-	(28,490)	-	(28,846)	-
Property and Casualty	(3,293,992)	-	(2,549,865)	-	(2,489,482)	-
General accidents - Hajj & Umrah	(102,332)	-	(35,566)	-	-	461
Travel & COVID-19	(1,718)	-	(1,117)	-	-	908
Protection and Savings	(36,264)	-	(32,555)	-	(26,608)	-
<b>Total reinsurance contracts held</b>	<b>(3,534,941)(d)</b>	-	<b>(2,754,454)(e)</b>	-	<b>(2,648,206)(f)</b>	<b>1,369</b>

(d) represents AIC of SAR 3,348 million and ARC of SAR 187 million

(e) represents AIC of SAR 2,900 million and ARC of SAR (146) million

(f) represents AIC of SAR 2,703 million and ARC of SAR (56) million

**Movements in insurance and reinsurance contract balances**

The Group disaggregates information to provide disclosure in respect of major product lines separately: Medical, Medical - Umrah, Motor, Property and Casualty, General accidents - Hajj & Umrah, Travel & COVID-19 and Protection and Savings. The following reconciliations show how the net carrying amounts of insurance and reinsurance contracts in each segment changed during the year as a result of cash flows and amounts recognised in the consolidated statement of income. For each segment, the Company presents a table that separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the consolidated statement of income.

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**8. INSURANCE AND REINSURANCE CONTRACTS (continued)**

**8.1 Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims**

**a. Medical**

	<b>Liabilities for remaining coverage</b>		<b>Liabilities for incurred claims</b>		<b>Total</b>
	<b>Excluding loss component</b>	<b>Loss component</b>	<b>Estimates of the present value of future cash flows</b>	<b>Risk Adjustment</b>	
	<b>SAR '000</b>				
<b>December 31, 2023</b>					
Opening liabilities	2,565,359	23,971	2,695,942	191,501	5,476,773
<b>Changes in the consolidated statement of income</b>					
Insurance revenue	11,254,531	-	-	-	11,254,531
<b>Insurance service expenses</b>					
Incurred claims and other directly attributable expenses	-	-	10,160,895	154,292	10,287,201
Changes that relate to past service - changes in fulfilment cash flows ("FCF") relating to LIC	-	-	(82,107)	(175,778)	(257,885)
Losses on onerous contracts and reversal of those losses	-	109,967	-	-	109,967
Insurance acquisition cash flows amortisation	684,708	-	-	-	684,708
	684,708	109,967	10,050,802	(21,486)	10,823,991
<b>Insurance service result</b>	10,569,823	(109,967)	(10,050,802)	21,486	430,540
Net finance expenses from insurance contracts	-	-	(53,329)	(3,699)	(57,028)
<b>Total changes in the consolidated statement of income</b>	10,569,823	(109,967)	(10,104,131)	17,787	373,512
<b>Cash flows</b>					
Premiums received	11,661,233	-	-	-	11,661,233
Claims and other directly attributable expenses paid	-	-	(10,235,868)	-	(10,235,868)
Insurance acquisition cash flows	(782,362)	-	-	-	(782,362)
	10,878,871	-	(10,235,868)	-	643,003
Net closing liabilities	2,874,407	133,938	2,564,205	173,714	5,746,264

\* There are no opening / closing groups of assets in this line item.

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**8 INSURANCE AND REINSURANCE CONTRACTS (continued)**

**Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)**

**b. Medical Umrah**

	<u>Liabilities for remaining coverage</u>		<u>Liabilities for incurred claims</u>		<u>Total</u>
	<u>Excluding loss component</u>	<u>Loss component</u>	<u>Estimates of the present value of future cash flows</u>	<u>Risk Adjustment</u>	
	<u>SAR '000</u>				
<b>December 31, 2023</b>					
Opening liabilities	471,492	-	(204,072)	35	267,455
<b>Changes in the consolidated statement of income</b>					
Insurance revenue	22,972	-	-	-	22,972
<b>Insurance service expenses</b>					
Incurring claims and other directly attributable expenses	-	-	9,071	1,347	10,418
Changes that relate to past service - changes in fulfilment cash flows ("FCF") relating to LIC	-	-	(7,883)	(893)	(8,776)
Losses on onerous contracts and reversal of those losses	-	-	-	-	-
Insurance acquisition cash flows amortisation	15,946	-	-	-	15,946
	<b>15,946</b>	<b>-</b>	<b>1,188</b>	<b>454</b>	<b>17,588</b>
<b>Insurance service result</b>	<b>7,026</b>	<b>-</b>	<b>(1,188)</b>	<b>(454)</b>	<b>5,384</b>
Net finance expenses from insurance contracts	-	-	(378)	(23)	(401)
<b>Total changes in the consolidated statement of income</b>	<b>7,026</b>	<b>-</b>	<b>(1,566)</b>	<b>(477)</b>	<b>4,983</b>
<b>Cash flows</b>					
Premiums received	550,073	-	-	-	550,073
Claims and other directly attributable expenses paid	-	-	(64,814)	-	(64,814)
Insurance acquisition cash flows	(401,983)	-	-	-	(401,983)
	<b>148,090</b>	<b>-</b>	<b>(64,814)</b>	<b>-</b>	<b>83,276</b>
Net closing liabilities	<b>612,556</b>	<b>-</b>	<b>(267,320)</b>	<b>512</b>	<b>345,748</b>

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**8 INSURANCE AND REINSURANCE CONTRACTS (continued)**

**Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)**

**c. Motor**

	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk Adjustment	
SAR '000					
<b>December 31, 2023</b>					
Opening liabilities	534,437	27,201	434,318	21,515	1,017,471
<b>Changes in the consolidated statement of income</b>					
Insurance revenue	1,855,140	-	-	-	1,855,140
<b>Insurance service expenses</b>					
Incurred claims and other directly attributable expenses	-	-	1,449,085	16,732	1,465,817
Changes that relate to past service - changes in fulfilment cash flows ("FCF") relating to LIC	-	-	(40,922)	(14,705)	(55,627)
Losses on onerous contracts and reversal of those losses	-	(9,983)	-	-	(9,983)
Insurance acquisition cash flows amortisation	333,984	-	-	-	333,984
	333,984	(9,983)	1,408,163	2,027	1,734,191
<b>Insurance service result</b>					
Net finance expenses from insurance contracts	1,521,156	9,983	(1,408,163)	(2,027)	120,949
	-	-	(7,792)	(433)	(8,225)
<b>Total changes in the consolidated statement of income</b>	<b>1,521,156</b>	<b>9,983</b>	<b>(1,415,955)</b>	<b>(2,460)</b>	<b>112,724</b>
<b>Cash flows</b>					
Premiums received	2,841,334	-	-	-	2,841,334
Claims and other directly attributable expenses paid	-	-	(1,226,925)	-	(1,226,925)
Insurance acquisition cash flows	(374,069)	-	-	-	(374,069)
	2,467,265	-	(1,226,925)	-	1,240,340
Net closing liabilities	1,480,546	17,218	623,348	23,975	2,145,087

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**8 INSURANCE AND REINSURANCE CONTRACTS (continued)**

**Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)**

**d. Property and casualty**

	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows SAR '000	Risk Adjustment	
<b>December 31, 2023</b>					
Opening liabilities	912,617	36,608	2,317,653	495,008	3,761,886
<b>Changes in the consolidated statement of income</b>					
Insurance revenue	2,062,001	-	-	-	2,062,001
<b>Insurance service expenses</b>					
Incurring claims and other directly attributable expenses	-	-	1,276,860	98,396	1,375,256
Changes that relate to past service - changes in fulfilment cash flows ("FCF") relating to LIC	-	-	243,215	(255,001)	(11,786)
Losses on onerous contracts and reversal of those losses	-	(29,364)	-	-	(29,364)
Insurance acquisition cash flows amortisation	130,946	-	-	-	130,946
	130,946	(29,364)	1,520,075	(156,605)	1,465,052
<b>Insurance service result</b>	1,931,055	29,364	(1,516,930)	156,605	596,949
Net finance expenses from insurance contracts	-	-	(64,356)	(10,197)	(74,553)
<b>Total changes in the consolidated statement of income</b>	1,931,055	29,364	(1,584,431)	146,408	522,396
<b>Cash flows</b>					
Premiums received	2,361,339	-	-	-	2,361,339
Claims and other directly attributable expenses paid	-	-	(1,017,773)	-	(1,017,773)
Insurance acquisition cash flows	(160,086)	-	-	-	(160,086)
	2,201,253	-	(1,017,773)	-	1,183,480
Net closing liabilities	1,182,815	7,244	2,884,311	348,600	4,422,970

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**8 INSURANCE AND REINSURANCE CONTRACTS (continued)**

**Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)**

**e. General accidents - Hajj & Umrah**

	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk Adjustment	
SAR '000					
<b>December 31, 2023</b>					
Opening liabilities	476,518	-	(17,763)	261	459,016
Net opening balance	476,518	-	(17,763)	261	459,016
<b>Changes in the consolidated statement of income</b>					
Insurance revenue	12,810	-	-	-	12,810
<b>Insurance service expenses</b>					
Incurring claims and other directly attributable expenses	-	-	17,447	1,132	18,579
Changes that relate to past service - changes in fulfilment cash flows ("FCF") relating to LIC	-	-	(34,356)	(6,984)	(41,340)
Losses on onerous contracts and reversal of those losses	-	-	-	-	-
Insurance acquisition cash flows amortisation	961	-	-	-	961
	961	-	(16,909)	(5,852)	(21,800)
<b>Insurance service result</b>	11,849	-	16,909	5,852	34,610
Net finance expenses from insurance contracts	-	-	(559)	(71)	(630)
<b>Total changes in the consolidated statement of income</b>	11,849	-	16,350	5,781	33,980
<b>Cash flows</b>					
Premiums received	260,842	-	-	-	260,842
Claims and other directly attributable expenses paid	-	-	(4,775)	-	(4,775)
Insurance acquisition cash flows	(24,788)	-	-	-	(24,788)
	236,054	-	(4,775)	-	231,279
Net closing liabilities	700,723	-	(38,888)	(5,520)	656,315



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**8 INSURANCE AND REINSURANCE CONTRACTS (continued)**

**Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)**

**f. Travel & COVID-19**

	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk Adjustment	
SAR '000					
<b>December 31, 2023</b>					
Opening liabilities	83,121	-	1,041	676	84,838
<b>Changes in the consolidated statement of income</b>					
Insurance revenue	-	-	-	-	-
<b>Insurance service expenses</b>					
Incurred claims and other directly attributable expenses	-	-	-	-	-
Changes that relate to past service - changes in fulfilment cash flows ("FCF") relating to LIC	-	-	(2,452)	(2,249)	(4,701)
Losses on onerous contracts and reversal of those losses	-	-	-	-	-
Insurance acquisition cash flows amortisation	-	-	-	-	-
	-	-	(2,452)	(2,249)	(4,701)
<b>Insurance service result</b>					
Net finance expenses from insurance contracts	-	-	2,452	2,249	4,701
	-	-	(204)	(43)	(247)
<b>Total changes in the consolidated statement of income</b>			<b>2,248</b>	<b>2,206</b>	<b>4,454</b>
<b>Cash flows</b>					
Premiums received	-	-	-	-	-
Claims and other directly attributable expenses paid	-	-	(3,257)	-	(3,257)
Insurance acquisition cash flows	(792)	-	-	-	(792)
	(792)	-	(3,257)	-	(4,049)
Net closing liabilities	<b>82,329</b>	-	<b>(4,464)</b>	<b>(1,530)</b>	<b>76,335</b>

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**8 INSURANCE AND REINSURANCE CONTRACTS (continued)**

**Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)**

**g. Protection and savings**

	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk Adjustment	
SAR '000					
<b>December 31, 2023</b>					
Opening liabilities	(17,501)	3,662	42,356	5,073	33,590
<b>Changes in the consolidated statement of income</b>					
Insurance revenue	57,970	-	-	-	57,970
<b>Insurance service expenses</b>					
Incurred claims and other directly attributable expenses	-	-	63,724	2,999	66,723
Changes that relate to past service - changes in fulfilment cash flows ("FCF") relating to LIC	-	-	(10,929)	(3,955)	(14,884)
Losses on onerous contracts and reversal of those losses	-	(1,160)	-	-	(1,160)
Insurance acquisition cash flows amortisation	2,493	-	-	-	2,493
	2,493	(1,160)	52,795	(956)	53,172
<b>Insurance service result</b>	55,477	1,160	(52,795)	956	4,798
Net finance expenses from insurance contracts	-	-	(1,003)	(65)	(1,068)
<b>Total changes in the consolidated statement of income</b>	55,477	1,160	(53,798)	891	3,730
<b>Cash flows</b>					
Premiums received	45,681	-	-	-	45,681
Claims and other directly attributable expenses paid	-	-	(29,712)	-	(29,712)
Insurance acquisition cash flows	(2,391)	-	-	-	(2,391)
	43,290	-	(29,712)	-	13,578
Net closing balance	(29,688)	2,502	66,442	4,182	43,438

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**8 INSURANCE AND REINSURANCE CONTRACTS (continued)**

**Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims**

**a. Medical**

	<b>Liabilities for remaining coverage</b>		<b>Liabilities for incurred claims</b>		<b>Total</b>
	<b>Excluding loss component</b>	<b>Loss component</b>	<b>Estimates of the present value of future cash flows</b>	<b>Risk Adjustment</b>	
	<b>SAR '000</b>				
<b>December 31, 2022</b>					
Opening liabilities	2,282,282	76,735	2,032,093	105,379	4,496,489
<b>Changes in the consolidated statement of income</b>					
Insurance revenue	8,749,835	-	-	-	8,749,835
<b>Insurance service expenses</b>					
Incurring claims and other directly attributable expenses	-	-	8,002,437	177,519	8,179,956
Changes that relate to past service - changes in fulfilment cash flows ("FCF") relating to LIC	-	-	(70,607)	(91,806)	(162,413)
Losses on onerous contracts and reversal of those losses	-	(52,764)	-	-	(52,764)
Insurance acquisition cash flows amortisation	547,773	-	-	-	547,773
	547,773	(52,764)	7,931,830	85,713	8,512,552
<b>Insurance service result</b>					
Net finance expenses from insurance contracts	8,202,062	52,764	(7,931,830)	(85,713)	237,283
	-	-	(5,435)	(409)	(5,844)
<b>Total changes in the consolidated statement of income</b>	<b>8,202,062</b>	<b>52,764</b>	<b>(7,937,265)</b>	<b>(86,122)</b>	<b>231,439</b>
<b>Cash flows</b>					
Premiums received	9,028,028	-	-	-	9,028,028
Claims and other directly attributable expenses paid	-	-	(7,273,416)	-	(7,273,416)
Insurance acquisition cash flows	(542,889)	-	-	-	(542,889)
	8,485,139	-	(7,273,416)	-	1,211,723
Net closing balance	2,565,359	23,971	2,695,942	191,501	5,476,773

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**8 INSURANCE AND REINSURANCE CONTRACTS (continued)**

**Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)**

**b. Medical Umrah**

	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk Adjustment	
SAR '000					
<b>December 31, 2022</b>					
Opening liabilities	203	-	1,974	5	2,182
<b>Changes in the consolidated statement of income</b>					
Insurance revenue	15,955	-	-	-	15,955
<b>Insurance service expenses</b>					
Incurring claims and other directly attributable expenses	-	-	15,348	34	15,382
Changes that relate to past service - changes in fulfilment cash flows ("FCF") relating to LIC	-	-	(1,342)	(4)	(1,346)
Losses on onerous contracts and reversal of those losses	-	-	-	-	-
Insurance acquisition cash flows amortisation	(643)	-	-	-	(643)
	(643)	-	14,006	30	13,393
<b>Insurance service result</b>	16,598	-	(14,006)	(30)	2,562
Net finance expenses from insurance contracts	-	-	-	-	-
<b>Total changes in the consolidated statement of income</b>	16,598	-	(14,006)	(30)	2,562
<b>Cash flows</b>					
Premiums received	543,203	-	-	-	543,203
Claims and other directly attributable expenses paid	-	-	(220,052)	-	(220,052)
Insurance acquisition cash flows	(55,316)	-	-	-	(55,316)
	487,887	-	(220,052)	-	267,835
Net closing balance	471,492	-	(204,072)	35	267,455

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**8 INSURANCE AND REINSURANCE CONTRACTS (continued)**

**Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)**

**c. Motor**

	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk Adjustment	
SAR '000					
<b>December 31, 2022</b>					
Opening liabilities	287,118	12,527	427,110	24,524	751,279
<b>Changes in the consolidated statement of income</b>					
Insurance revenue	784,401	-	-	-	784,401
<b>Insurance service expenses</b>					
Incurring claims and other directly attributable expenses	-	-	755,607	10,507	766,114
Changes that relate to past service - changes in fulfilment cash flows ("FCF") relating to LIC	-	-	(87,849)	(13,467)	(101,316)
Losses on onerous contracts and reversal of those losses	-	14,674	-	-	14,674
Insurance acquisition cash flows amortisation	120,255	-	-	-	120,255
	120,255	14,674	667,758	(2,960)	799,727
<b>Insurance service result</b>	664,146	(14,674)	(667,758)	2,960	(15,326)
Net finance expenses from insurance contracts	-	-	669	49	718
<b>Total changes in the consolidated statement of income</b>	664,146	(14,674)	(667,089)	3,009	(14,608)
<b>Cash flows</b>					
Premiums received	1,046,784	-	-	-	1,046,784
Claims and other directly attributable expenses paid	-	-	(659,881)	-	(659,881)
Insurance acquisition cash flows	(135,319)	-	-	-	(135,319)
	911,465	-	(659,881)	-	251,584
Net closing balance	534,437	27,201	434,318	21,515	1,017,471

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**8 INSURANCE AND REINSURANCE CONTRACTS (continued)**

**Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)**

**d. Property and casualty**

	<b>Liabilities for remaining coverage</b>		<b>Liabilities for incurred claims</b>		<b>Total</b>
	<b>Excluding loss component</b>	<b>Loss component</b>	<b>Estimates of the present value of future cash flows</b>	<b>Risk Adjustment</b>	
	<b>SAR '000</b>				
<b>December 31, 2022</b>					
Opening liabilities	515,849	10,658	2,249,622	385,533	3,161,662
<b>Changes in the consolidated statement of income</b>					
Insurance revenue	1,756,114	-	-	-	1,756,114
<b>Insurance service expenses</b>					
Incurred claims and other directly attributable expenses	-	-	1,022,773	175,658	1,198,431
Changes that relate to past service - changes in fulfilment cash flows ("FCF") relating to LIC	-	-	(138,329)	(64,676)	(203,005)
Losses on onerous contracts and reversal of those losses	-	25,950	-	-	25,950
Insurance acquisition cash flows amortisation	96,340	-	-	-	96,340
	96,340	25,950	884,444	110,982	1,117,716
<b>Insurance service result</b>	1,659,774	(25,950)	(884,444)	(110,982)	638,398
Net finance expenses from insurance contracts	-	-	6,066	1,507	7,573
<b>Total changes in the consolidated statement of income</b>	1,659,774	(25,950)	(878,378)	(109,475)	645,971
<b>Cash flows</b>					
Premiums received	2,144,768	-	-	-	2,144,768
Claims and other directly attributable expenses paid	-	-	(810,347)	-	(810,347)
Insurance acquisition cash flows	(88,226)	-	-	-	(88,226)
	2,056,542	-	(810,347)	-	1,246,195
Net closing balance	912,617	36,608	2,317,653	495,008	3,761,886

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**8 INSURANCE AND REINSURANCE CONTRACTS (continued)**

**Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)**

**e. General accidents - Hajj & Umrah**

	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk Adjustment	
SAR '000					
<b>December 31, 2022</b>					
Opening liabilities	267	-	1,510	20	1,797
<b>Changes in the consolidated statement of income</b>					
Insurance revenue	15,998	-	-	-	15,998
<b>Insurance service expenses</b>					
Incurring claims and other directly attributable expenses	-	-	8,900	253	9,153
Changes that relate to past service - changes in fulfilment cash flows ("FCF") relating to LIC	-	-	(1,771)	(12)	(1,783)
Losses on onerous contracts and reversal of those losses	-	-	-	-	-
Insurance acquisition cash flows amortisation	1,200	-	-	-	1,200
	1,200	-	7,129	241	8,570
<b>Insurance service result</b>					
Net finance expenses from insurance contracts	14,798	-	(7,129)	(241)	7,428
	-	-	-	-	-
<b>Total changes in the consolidated statement of income</b>	14,798	-	(7,129)	(241)	7,428
<b>Cash flows</b>					
Premiums received	543,198	-	-	-	543,198
Claims and other directly attributable expenses paid	-	-	(26,402)	-	(26,402)
Insurance acquisition cash flows	(52,149)	-	-	-	(52,149)
	491,049	-	(26,402)	-	464,647
Net closing balance	476,518	-	(17,763)	261	459,016

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**8 INSURANCE AND REINSURANCE CONTRACTS (continued)**

**Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)**

**f. Travel & COVID-19**

	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk Adjustment	
SAR '000					
<b>December 31, 2022</b>					
Opening liabilities	1,654	-	6,958	1,362	9,974
<b>Changes in the consolidated statement of income</b>					
Insurance revenue	40,129	-	-	-	40,129
<b>Insurance service expenses</b>					
Incurring claims and other directly attributable expenses	-	-	16,900	485	17,385
Changes that relate to past service - changes in fulfilment cash flows ("FCF") relating to LIC	-	-	(16,293)	(1,175)	(17,468)
Losses on onerous contracts and reversal of those losses	-	-	-	-	-
Insurance acquisition cash flows amortisation	1,570	-	-	-	1,570
	1,570	-	607	(690)	1,487
<b>Insurance service result</b>					
	38,559	-	(607)	690	38,642
Net finance expenses from insurance contracts	-	-	(21)	(4)	(25)
<b>Total changes in the consolidated statement of income</b>	<b>38,559</b>	<b>-</b>	<b>(628)</b>	<b>686</b>	<b>38,617</b>
<b>Cash flows</b>					
Premiums received	125,362	-	-	-	125,362
Claims and other directly attributable expenses paid	-	-	(6,545)	-	(6,545)
Insurance acquisition cash flows	(5,336)	-	-	-	(5,336)
	120,026	-	(6,545)	-	113,481
Net closing balance	83,121	-	1,041	676	84,838



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**8 INSURANCE AND REINSURANCE CONTRACTS (continued)**

**Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)**

**g. Protection and savings**

	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk Adjustment	
SAR '000					
<b>December 31, 2022</b>					
Opening liabilities	(23,376)	-	38,596	6,577	21,797
<b>Changes in the consolidated statement of income</b>					
Insurance revenue	45,916	-	-	-	45,916
<b>Insurance service expenses</b>					
Incurring claims and other directly attributable expenses	-	-	44,821	3,825	48,646
Changes that relate to past service - changes in fulfilment cash flows ("FCF") relating to LIC	-	-	(17,271)	(5,337)	(22,608)
Losses on onerous contracts and reversal of those losses	-	3,662	-	-	3,662
Insurance acquisition cash flows amortisation	2,158	-	-	-	2,158
	2,158	3,662	27,550	(1,512)	31,858
<b>Insurance service result</b>	43,758	(3,662)	(27,550)	1,512	14,058
Net finance expenses from insurance contracts	-	-	(67)	(8)	(75)
<b>Total changes in the consolidated statement of income</b>	43,758	(3,662)	(27,617)	1,504	13,983
<b>Cash flows</b>					
Premiums received	51,144	-	-	-	51,144
Claims and other directly attributable expenses paid	-	-	(23,857)	-	(23,857)
Insurance acquisition cash flows	(1,511)	-	-	-	(1,511)
	49,633	-	(23,857)	-	25,776
Net closing balance	(17,501)	3,662	42,356	5,073	33,590

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**8 INSURANCE AND REINSURANCE CONTRACTS (continued)**

**Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims**

**a. Medical**

	Assets for remaining coverage		Assets recoverable on incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk Adjustment	
SAR '000					
<b>December 31, 2023</b>					
Opening assets	42,261	-	(147,650)	(1,472)	(106,861)
<b>Changes in the consolidated statement of income</b>					
<b><i>Income (expenses) from reinsurance contracts held</i></b>					
Reinsurance expenses	(153,782)	-	-	-	(153,782)
Incurred claims recovery	-	-	141,282	4,738	146,020
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	-	(7,502)	(618)	(8,120)
Income on initial recognition of onerous underlying contracts	-	-	-	-	-
Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	-	-	-	-
Effect of changes in risk of reinsurers' non-performance	-	-	759	-	759
	(153,782)	-	134,539	4,120	(15,123)
Finance income from reinsurance contracts held	-	-	1,414	98	1,512
<b>Total changes in the consolidated statement of income</b>	<b>(153,782)</b>	<b>-</b>	<b>135,953</b>	<b>4,218</b>	<b>(13,611)</b>
<b>Cash flows</b>					
Premiums paid net of ceding commissions and other directly attributable expenses	(48,248)	-	-	-	(48,248)
Recoveries from reinsurance	-	-	54,030	-	54,030
	(48,248)	-	54,030	-	5,782
Net closing balance	147,795	-	(229,573)	(5,690)	(87,468)

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**8 INSURANCE AND REINSURANCE CONTRACTS (continued)**

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)

**b. Medical Umrah**

	Assets for remaining coverage		Assets recoverable on incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows SAR '000	Risk Adjustment	
<b>December 31, 2023</b>					
Net opening balance	-	-	-	-	-
<b>Changes in the consolidated statement of income</b>					
<i>Income (expenses) from reinsurance contracts held</i>					
Reinsurance expenses	-	-	-	-	-
Incurred claims recovery	-	-	-	-	-
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	-	-	-	-
Income on initial recognition of onerous underlying contracts	-	-	-	-	-
Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	-	-	-	-
Effect of changes in risk of reinsurers' non-performance	-	-	-	-	-
Finance income from reinsurance contracts held	-	-	-	-	-
<b>Total changes in the consolidated statement of income</b>	-	-	-	-	-
Investment components	-	-	-	-	-
<b>Cash flows</b>					
Premiums paid net of ceding commissions and other directly attributable expenses	-	-	-	-	-
Recoveries from reinsurance	-	-	-	-	-
Net closing balance	-	-	-	-	-

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**8 INSURANCE AND REINSURANCE CONTRACTS (continued)**

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)

**c. Motor**

	Assets for remaining coverage		Assets recoverable on incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk Adjustment	
SAR '000					
<b>December 31, 2023</b>					
Opening assets	(1,835)	-	(24,877)	(1,778)	(28,490)
<b>Changes in the consolidated statement of income</b>					
<i>Income (expenses) from reinsurance contracts held</i>					
Reinsurance expenses	(12,360)	-	-	-	(12,360)
Incurring claims recovery	-	-	6,223	326	6,549
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	-	(5,190)	(535)	(5,725)
Income on initial recognition of onerous underlying contracts	-	-	-	-	-
Effect of changes in risk of reinsurers' non-performance	-	-	142	-	142
	(12,360)	-	1,175	(209)	(11,394)
Finance income from reinsurance contracts held	-	-	650	54	704
<b>Total changes in the consolidated statement of income</b>	(12,360)	-	1,825	(155)	(10,690)
<b>Cash flows</b>					
Premiums paid net of ceding commissions and other directly attributable expenses	392	-	-	-	392
Recoveries from reinsurance	-	-	4,241	-	4,241
	392	-	4,241	-	4,633
Net closing balance	10,917	-	(22,461)	(1,623)	(13,167)

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**8 INSURANCE AND REINSURANCE CONTRACTS (continued)**

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)

**d. Property & Casualty**

	Assets for remaining coverage		Assets recoverable on incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk Adjustment	
SAR '000					
<b>December 31, 2023</b>					
Opening assets	154,697	(22,422)	(2,212,709)	(469,431)	(2,549,865)
<b>Changes in the consolidated statement of income</b>					
<i>Income (expenses) from reinsurance contracts held</i>					
Reinsurance expenses	(1,674,424)	-	-	-	(1,674,424)
Incurred claims recovery	-	-	1,093,000	91,471	1,184,471
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	-	258,798	(242,345)	16,453
Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	(17,097)	-	-	(17,097)
Effect of changes in risk of reinsurers' non performance	-	-	9,061	-	9,061
	(1,674,424)	(17,097)	1,360,859	(150,874)	(481,536)
Finance income from reinsurance contracts held	-	-	60,632	9,942	70,574
<b>Total changes in the consolidated statement of income</b>	(1,674,424)	(17,097)	1,421,491	(140,932)	(410,962)
<b>Cash flows</b>					
Premiums paid net of ceding commissions and other directly attributable expenses	(2,088,837)	-	-	-	(2,088,837)
Recoveries from reinsurance	-	-	933,748	-	933,748
	(2,088,837)	-	933,748	-	(1,155,089)
Net closing balance	(259,716)	(5,325)	(2,700,452)	(328,499)	(3,293,992)

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**8 INSURANCE AND REINSURANCE CONTRACTS (continued)**

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)

**e. General Accident - Hajj & Umrah**

	Assets for remaining coverage		Assets recoverable on incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk Adjustment	
SAR '000					
<b>December 31, 2023</b>					
Opening assets	(35,738)	-	189	(17)	(35,566)
<b>Changes in the consolidated statement of income</b>					
<b><i>Income (expenses) from reinsurance contracts held</i></b>					
Reinsurance expenses	(2,640)	-	-	-	(2,640)
Incurred claims recovery	-	-	871	154	1,025
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	-	(1,975)	(475)	(2,450)
Income on initial recognition of onerous underlying contracts	-	-	-	-	-
Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	-	-	-	-
Effect of changes in risk of reinsurers' non-performance	-	-	17	-	17
	(2,640)	-	(1,087)	(321)	(4,048)
Finance income from reinsurance contracts held	-	-	38	5	43
<b>Total changes in the consolidated statement of income</b>	<b>(2,640)</b>	<b>-</b>	<b>(1,049)</b>	<b>(316)</b>	<b>(4,005)</b>
<b>Cash flows</b>					
Premiums paid net of ceding commissions and other directly attributable expenses	(71,121)	-	-	-	(71,121)
Recoveries from reinsurance	-	-	350	-	350
	(71,121)	-	350	-	(70,771)
Net closing balance	(104,219)	-	1,588	299	(102,332)

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**8 INSURANCE AND REINSURANCE CONTRACTS (continued)**

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)

**f. Travel & COVID 19**

	Assets for remaining coverage		Assets recoverable on incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk Adjustment	
SAR '000					
<b>December 31, 2023</b>					
Opening assets	(773)	-	(318)	(26)	(1,117)
<b>Changes in the consolidated statement of income</b>					
<i>Income (expenses) from reinsurance contracts held</i>					
Reinsurance expenses	-	-	-	-	-
Incurred claims recovery	-	-	-	-	-
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	-	(176)	(85)	(261)
Income on initial recognition of onerous underlying contracts	-	-	-	-	-
Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	-	-	-	-
Effect of changes in risk of reinsurers' non-performance	-	-	5	-	5
	-	-	(171)	(85)	(256)
Finance income from reinsurance contracts held	-	-	10	2	12
<b>Total changes in the consolidated statement of income</b>	-	-	(161)	(83)	(244)
<b>Cash flows</b>					
Premiums paid net of ceding commissions and other directly attributable expenses	(2,239)	-	-	-	(2,239)
Recoveries from reinsurance	-	-	277	-	277
	(2,239)	-	277	-	(1,962)
Net closing balance	(2,239)	-	438	83	(1,718)

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**8 INSURANCE AND REINSURANCE CONTRACTS (continued)**

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)

**g. Protection & Savings**

	Assets for remaining coverage		Assets recoverable on incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk Adjustment	
SAR '000					
<b>December 31, 2023</b>					
Opening assets	12,719	(3,198)	(37,413)	(4,663)	(32,555)

**Changes in the consolidated statement of income**

***Income (expenses) from reinsurance contracts held***

Reinsurance expenses	(46,384)	-	-	-	(46,384)
Incurred claims recovery	-	-	54,095	2,720	56,815
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	-	(10,375)	(3,649)	(14,024)
Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	(1,018)	-	-	(1,018)
Effect of changes in risk of reinsurers' non-performance	-	-	209	-	209
	(46,384)	(1,018)	43,929	(929)	(4,402)
Finance income from reinsurance contracts held	-	-	932	61	993
<b>Total changes in the consolidated statement of income</b>	<b>(46,384)</b>	<b>(1,018)</b>	<b>44,861</b>	<b>(868)</b>	<b>(3,409)</b>

**Cash flows**

Premiums paid net of ceding commissions and other					
directly attributable expenses	(31,108)	-	-	-	(31,108)
Recoveries from reinsurance	-	-	23,990	-	23,990
	(31,108)	-	23,990	-	(7,118)
Net closing balance	27,995	(2,180)	(58,284)	(3,795)	(36,264)



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**8 INSURANCE AND REINSURANCE CONTRACTS (continued)**

**Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims**

**a. Medical**

	Assets for remaining coverage		Assets recoverable on incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk Adjustment	
SAR '000					
<b>December 31, 2022</b>					
Opening assets	39,524	-	(141,235)	(1,559)	(103,270)
<b>Changes in the consolidated statement of income</b>					
<b><i>Income (expenses) from reinsurance contracts held</i></b>					
Reinsurance expenses	(96,659)	-	-	-	(96,659)
Incurred claims recovery	-	-	55,149	1,537	56,686
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	-	(9,720)	(1,614)	(11,334)
Income on initial recognition of onerous underlying contracts	-	-	-	-	-
Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	-	-	-	-
Effect of changes in risk of reinsurers' non-performance	-	-	38	-	38
	(96,659)	-	45,467	(77)	(51,269)
Finance income from reinsurance contracts held	-	-	(131)	(10)	(141)
<b>Total changes in the consolidated statement of income</b>	(96,659)	-	45,336	(87)	(51,410)
<b>Cash flows</b>					
Premiums paid net of ceding commissions and other directly attributable expenses	(93,922)	-	-	-	(93,922)
Recoveries from reinsurance	-	-	38,921	-	38,921
	(93,922)	-	38,921	-	(55,001)
Net closing balance	42,261	-	(147,650)	(1,472)	(106,861)

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**8 INSURANCE AND REINSURANCE CONTRACTS (continued)**

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)

**b. Medical Umrah**

	Assets for remaining coverage		Assets recoverable on incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk Adjustment	
SAR '000					
<b>December 31, 2022</b>					
Net opening balance	-	-	-	-	-
<b>Changes in the consolidated statement of income</b>					
<i>Income (expenses) from reinsurance contracts held</i>					
Reinsurance expenses	-	-	-	-	-
Incurred claims recovery	-	-	-	-	-
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	-	-	-	-
Income on initial recognition of onerous underlying contracts	-	-	-	-	-
Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	-	-	-	-
Effect of changes in risk of reinsurers' non-performance	-	-	-	-	-
Finance income from reinsurance contracts held	-	-	-	-	-
<b>Total changes in the consolidated statement of income</b>	-	-	-	-	-
<b>Cash flows</b>					
Premiums paid net of ceding commissions and other directly attributable expenses	-	-	-	-	-
Recoveries from reinsurance	-	-	-	-	-
Net closing balance	-	-	-	-	-

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**AS AT DECEMBER 31, 2023**

**8 INSURANCE AND REINSURANCE CONTRACTS (continued)**

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)

**c. Motor**

	Assets for remaining coverage		Assets recoverable on incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk Adjustment	
	SAR '000				
<b>December 31, 2022</b>					
Opening assets	(2,514)	-	(24,402)	(1,930)	(28,846)
<b>Changes in the consolidated statement of income</b>					
<i>Income (expenses) from reinsurance contracts held</i>					
Reinsurance expenses	(2,870)	-	-	-	(2,870)
Incurred claims recovery	-	-	1,365	206	1,571
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	-	6,876	(347)	6,529
Income on initial recognition of onerous underlying contracts	-	-	-	-	-
Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	-	-	-	-
Effect of changes in risk of reinsurers' non-performance	-	-	5	-	5
	(2,870)	-	8,246	(141)	5,235
Finance income from reinsurance contracts held	-	-	(128)	(11)	(139)
<b>Total changes in the consolidated statement of income</b>	(2,870)	-	8,118	(152)	5,096
<b>Cash flows</b>					
Premiums paid net of ceding commissions and other directly attributable expenses	(2,191)	-	-	-	(2,191)
Recoveries from reinsurance	-	-	7,643	-	7,643
	(2,191)	-	7,643	-	5,452
Net closing balance	(1,835)	-	(24,877)	(1,778)	(28,490)

**THE COMPANY FOR COOPERATIVE INSURANCE**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**8 INSURANCE AND REINSURANCE CONTRACTS (continued)**

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)

**d. Property & Casualty**

	Assets for remaining coverage		Assets recoverable on incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk Adjustment	
SAR '000					
<b>December 31, 2022</b>					
Opening assets	4,404	(55)	(2,135,628)	(358,203)	(2,489,482)
<b>Changes in the consolidated statement of income</b>					
<i>Income (expenses) from reinsurance contracts held</i>					
Reinsurance expenses	(1,478,824)	-	-	-	(1,478,824)
Incurred claims recovery	-	-	902,810	167,152	1,069,962
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	-	(105,048)	(54,336)	(159,384)
Income on initial recognition of onerous underlying contracts	-	22,367	-	-	22,367
Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	-	-	-	-
Effect of changes in risk of reinsurers' non-performance	-	-	590	-	590
	(1,478,824)	22,367	798,352	112,816	(545,289)
Finance income from reinsurance contracts held	-	-	(6,301)	(1,588)	(7,889)
<b>Total changes in the consolidated statement of income</b>	(1,478,824)	22,367	792,051	111,228	(553,178)
<b>Cash flows</b>					
Premiums paid net of ceding commissions and other directly attributable expenses	(1,328,531)	-	-	-	(1,328,531)
Recoveries from reinsurance	-	-	714,970	-	714,970
	(1,328,531)	-	714,970	-	(613,561)
Net closing balance	154,697	(22,422)	(2,212,709)	(469,431)	(2,549,865)

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**8 INSURANCE AND REINSURANCE CONTRACTS (continued)**

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)

**e. General Accident - Hajj & Umrah**

	Assets for remaining coverage		Assets recoverable on incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk Adjustment	
SAR '000					
<b>December 31, 2022</b>					
Opening liabilities	464	-	(2)	(1)	461
<b>Changes in the consolidated statement of income</b>					
<i>Income (expenses) from reinsurance contracts held</i>					
Reinsurance expenses	(1,998)	-	-	-	(1,998)
Incurred claims recovery	-	-	73	17	90
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	-	(9)	(1)	(10)
Income on initial recognition of onerous underlying contracts	-	-	-	-	-
Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	-	-	-	-
Effect of changes in risk of reinsurers' non-performance	-	-	(16)	-	(16)
	(1,998)	-	48	16	(1,934)
Finance income from reinsurance contracts held	-	-	-	-	-
<b>Total changes in the consolidated statement of income</b>	(1,998)	-	48	16	(1,934)
<b>Cash flows</b>					
Premiums paid net of ceding commissions and other directly attributable expenses	(38,200)	-	-	-	(38,200)
Recoveries from reinsurance	-	-	239	-	239
	(38,200)	-	239	-	(37,961)
Net closing balance	(35,738)	-	189	(17)	(35,566)

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**8 INSURANCE AND REINSURANCE CONTRACTS (continued)**

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)

**f. Travel & COVID 19**

	Assets for remaining coverage		Assets recoverable on incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk Adjustment	
<b>SAR '000</b>					
<b>December 31, 2022</b>					
Opening liabilities	1,134	-	(185)	(41)	908

**Changes in the consolidated statement of income**

***Income (expenses) from reinsurance contracts held***

Reinsurance expenses	(1,387)	-	-	-	(1,387)
Incurred claims recovery	-	-	416	20	436
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	-	(453)	(35)	(488)
Income on initial recognition of onerous underlying contracts	-	-	-	-	-
Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	-	-	-	-
Effect of changes in risk of reinsurers' non-performance	-	-	-	-	-
	(1,387)	-	(37)	(15)	(1,439)
Finance income from reinsurance contracts held	-	-	1	-	1
<b>Total changes in the consolidated statement of income</b>	(1,387)	-	(36)	(15)	(1,438)

**Cash flows**

Premiums paid net of ceding commissions and other directly attributable expenses	(3,294)	-	-	-	(3,294)
Recoveries from reinsurance	-	-	(169)	-	(169)
	(3,294)	-	(169)	-	(3,463)
Net closing balance	(773)	-	(318)	(26)	(1,117)

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**8 INSURANCE AND REINSURANCE CONTRACTS (continued)**

**Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)**

**g. Protection & Savings**

	Assets for remaining coverage		Assets recoverable on incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk Adjustment	
SAR '000					
<b>December 31, 2022</b>					
Opening assets	13,419	-	(33,973)	(6,054)	(26,608)
<b>Changes in the consolidated statement of income</b>					
<b><i>Income (expenses) from reinsurance contracts held</i></b>					
Reinsurance expenses	(37,062)	-	-	-	(37,062)
Incurred claims recovery	-	-	40,006	3,545	43,551
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	-	(15,955)	(4,944)	(20,899)
Income on initial recognition of onerous underlying contracts	-	3,198	-	-	3,198
Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	-	-	-	-
Effect of changes in risk of reinsurers' non-performance	-	-	(4)	-	(4)
	(37,062)	3,198	24,047	(1,399)	(11,216)
Finance income from reinsurance contracts held	-	-	62	8	70
<b>Total changes in the consolidated statement of income</b>	<b>(37,062)</b>	<b>3,198</b>	<b>24,109</b>	<b>(1,391)</b>	<b>(11,146)</b>
<b>Cash flows</b>					
Premiums paid net of ceding commissions and other directly attributable expenses	(37,762)	-	-	-	(37,762)
Recoveries from reinsurance	-	-	20,669	-	20,669
	(37,762)	-	20,669	-	(17,093)
Net closing balance	12,719	(3,198)	(37,413)	(4,663)	(32,555)

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**9. PREPAID EXPENSES AND OTHER ASSETS**

	December 31, 2023	December 31, 2022 (Restated)	January 1, 2022 (Restated)
	SAR '000		
Receivable from shared pool participants and others	792,181	251,596	194,838
Other assets (refer note 9.1)	-	281,872	343,042
	<b>792,181</b>	<b>533,468</b>	<b>537,880</b>

9.1 Other assets included an amount of SAR 101.6 million receivable from a financial institution as of 31 December 2022. The said receivable is recognized since the Group has entered into an agreement dated December 28, 2022, whereby the Group exchanged its investment in Mudaraba deposits amounting to SR 101.6 million for a land amounting to SR 83 million. Remaining balance of SR 18.6 million was due on April 01, 2023 which has been received during the year.

**10. INVESTMENTS IN EQUITY ACCOUNTED INVESTMENTS**

	2023	2022 (Restated)
	SAR'000	
<b>Shareholders Operations</b>		
Balance, January 1 (Restated)	105,028	91,136
Share of profit	38,710	32,207
Dividends received	(23,985)	(13,261)
Share of other comprehensive loss	(3,100)	(5,054)
Balance, December 31	<b>116,653</b>	<b>105,028</b>

The Group's interest in equity accounted investments, which are unquoted, is as follows along with summarized financial information:

**a) United Insurance Company**

As of	Country of Incorporation	Assets	Liabilities	Revenue	Profit after tax	% Interest Held	Carrying amount
SAR'000							
December 31, 2023	Bahrain	318,417	150,672	103,201	47,649	50%	80,509
December 31, 2022 (Restated)	Bahrain	288,388	133,541	85,274	30,558	50%	77,400

**b) Waseel Application Services Provider**

As of	Country of Incorporation	Assets	Liabilities	Revenue	Profit after tax	% Interest Held	Carrying amount
SAR'000							
December 31, 2023	Saudi Arabia	69,953	24,195	54,999	15,504	45%	20,591
December 31, 2022	Saudi Arabia	62,381	16,166	45,662	16,058	45%	20,797

**11. INVESTMENT PROPERTIES**

	Land	Building	Total 2023	Total 2022
	SAR'000			
January 1	104,517	51,027	155,544	72,507
December 31	104,517	51,027	155,544	72,507
<b>Accumulated depreciation:</b>				
January 1	-	12,946	12,946	11,657
Charge for the year	-	1,288	1,288	1,288
Impairment charge during the year	7,000	-	7,000	-
December 31	7,000	14,234	21,234	12,945
<b>Net book value</b>	<b>97,517</b>	<b>36,793</b>	<b>134,310</b>	<b>59,562</b>

**a) Measurement of fair values:**

For the purpose of the disclosure requirements in accordance with IAS 40 "Investment properties", the Company has appointed Ejadah Saudia for Valuation, professionally qualified independent valuers accredited by the Saudi Authority for Accredited Valuers (Taqeem), with License No. (1210000003) for the purpose of estimating the land and buildings fair value as at December 31, 2023, which amounted to SAR 167 million (2022: SAR 90 million and 2021: SAR 89 million). Investment properties are held for earning rental income and / or capital appreciation.



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**11. INVESTMENT PROPERTIES (continued)**

The fair value has been determined using the market value of the property. Market value of the property has been determined in accordance with the Practice Statements and relevant Guidance notes of the Royal Institution of Chartered Surveyors (RICS) and approved by the International Valuation Standards Committee (IVSC) as follows: Market value is the estimated amount for which an asset or liability could exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. Market value of the property has been assessed using a combination of Discounted Cash flow ('DCF') approach and Cost approach. The fair value measurement for all the investment properties has been categorized under Level 3 of the fair value hierarchy. The Group has recognized rental income in other income amounting to SAR 8.3 million (31 December 2022: 7.4 million).

**12. INTANGIBLE ASSETS**

	<b>2023</b>	<b>2022</b>
	<b>SAR'000</b>	
<b>Cost:</b>		
January 1	<b>56,799</b>	41,149
Additions	<b>19,936</b>	15,650
December 31	<b>76,735</b>	56,799
<b>Accumulated amortisation:</b>		
January 1	<b>43,358</b>	24,522
Charge for the year	<b>23,350</b>	18,836
December 31	<b>66,708</b>	43,358
<b>Net book value</b>	<b>10,027</b>	13,441

12.1 Amortisation is charged to other operating expenses in the consolidated statement of income.

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**13. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS**

	Land	Buildings	Furniture and fixtures	Computer equipment	Vehicles	Work in progress	Right of use asset	Total 2023
<b>SAR'000</b>								
<b>Cost:</b>								
January 1	41,417	148,899	87,218	171,793	426	32,422	56,350	538,525
Additions	-	-	3,868	6,733	756	47,551	22,893	81,801
Transfers	-	33,031	-	-	-	(33,031)	-	-
December 31	41,417	181,930	91,086	178,526	1,182	46,942	79,243	620,326
<b>Accumulated Depreciation:</b>								
January 1	-	31,284	80,512	154,018	426	-	16,720	282,960
Charge for the year	-	4,398	3,462	9,310	63	-	9,275	26,508
Disposals	-	-	-	-	-	-	-	-
December 31	-	31,284	80,512	154,018	426	-	16,720	282,960
<b>Net book value</b>								
<b>December 31, 2023</b>	<b>41,417</b>	<b>146,248</b>	<b>7,112</b>	<b>15,198</b>	<b>693</b>	<b>46,942</b>	<b>53,248</b>	<b>310,858</b>
<b>SAR'000</b>								
	Land	Buildings	Furniture and fixtures	Computer equipment	Vehicles	Work in progress	Right of use asset	Total 2022
<b>Cost:</b>								
January 1	41,417	148,899	86,246	162,470	456	-	56,350	495,838
Additions	-	-	3,045	10,384	-	32,422	-	46,211
Disposals	-	-	(2,433)	(1,061)	(30)	-	-	(3,524)
December 31	41,417	148,899	87,218	171,793	426	32,422	56,350	538,525
<b>Accumulated Depreciation:</b>								
January 1	-	27,723	76,153	147,167	456	-	7,369	258,868
Charge for the year	-	3,561	6,133	7,775	-	-	9,351	26,820
Disposals	-	-	(1,774)	(924)	(30)	-	-	(2,728)
December 31	-	31,284	80,512	154,018	426	-	16,720	282,960
<b>Net book value</b>								
<b>December 31, 2022</b>	<b>41,417</b>	<b>117,615</b>	<b>6,706</b>	<b>17,775</b>	<b>-</b>	<b>32,422</b>	<b>39,630</b>	<b>255,565</b>

13.1 Right-of-use assets pertain to lease of premises of the Group's branches.

13.2 Depreciation is charged to insurance service expense and other operating expenses in the consolidated statement of income based on expense attribution model as mentioned in note 2.4(c).

**14. STATUTORY DEPOSIT**

In compliance with Article 58 of the Insurance Implementing Regulations of Insurance Authority, the Company has deposited 10 percent of its share capital, amounting to SAR 150 million (December 31, 2022: SAR 125 million and January 1, 2022: SAR 125 million). During the year 2022, the Company transferred the said deposit from Saudi National Bank to Riyadh Bank after obtaining approval from Insurance Authority. The statutory deposits can only be withdrawn after Insurance Authority's consent.

	December 31, 2023	December 31, 2022 (Restated)	January 1, 2022 (Restated)
<b>SAR '000</b>			
Statutory deposit	150,000	125,000	125,000
Less: expected credit loss allowance	(23)	(17)	(8)
	<b>149,977</b>	<b>124,983</b>	<b>124,992</b>

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**15. ACCRUED EXPENSES AND OTHER LIABILITIES**

	<b>31 December 2023</b>	31 December 2022	1 January 2022
	<b>(Restated)</b>		
	<b>SAR'000</b>		
Payable - Zakat, Tax and Custom Authority	498,879	345,400	270,717
Accrued expenses	152,736	98,863	63,119
Payable - Ministry of Hajj and Umrah	36,524	55,970	14,851
Share of profit distribution payable	-	-	42,800
Provision for leave encashment	27,857	21,203	21,221
Employees' savings plan (15.1)	29,883	29,910	37,100
Lease liability (15.2)	50,955	38,644	47,149
Other liabilities	61,531	25,324	76,100
	<b>858,365</b>	<b>615,314</b>	<b>573,057</b>

15.1 The Group has a savings plan for its Saudi employees under which a percentage of the employees' salary is periodically deducted, with the Company investing this amount through one of the investment funds compatible with the rules of Islamic Shariah. The total number of subscribers at the end of 2023 reached 286 employees (December 31, 2022: 226 employees and January 1, 2022: 267 employees) with a subscription amounting to SAR 20 million (December 31, 2022: SAR 19 million and January 1, 2022: SAR 22 million).

15.2 Movement of lease liability are as follows:

	<b>2023</b>	<b>2022</b>
	<b>(Restated)</b>	
	<b>SAR'000</b>	
January 1	38,644	47,149
Additions	17,370	-
Finance cost	726	875
Repayment	(5,785)	(9,380)
December 31	<b>50,955</b>	<b>38,644</b>

**16. DEFINED BENEFITS OBLIGATION**

The Company operates an end of service benefits plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made in accordance with the actuarial valuation under projected unit credit method while the benefits payments obligation is discharged as and when it falls due. The expected cost of end of service benefits charge for the year 2024 is not expected to be materially different than the cost charge to statement of income for the year 2023.

16.1 The amounts recognised in the consolidated statement of financial position based on its present value are as follows:

	<b>2023</b>	<b>2022</b>
	<b>SAR'000</b>	
Present value of defined benefits obligation	<b>127,939</b>	<b>125,297</b>

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**16 DEFINED BENEFITS OBLIGATION (continued)**

**16.2 Movement of defined benefits obligation:**

	2023	2022
	SAR'000	
Opening balance	125,297	142,110
Charge to the consolidated statement of income	24,035	18,884
Charge to the consolidated statement of comprehensive income	5,525	(12,422)
Payment of benefits during the year	(26,918)	(23,275)
Closing balance	127,939	125,297

**16.3 Reconciliation of present value of defined benefits obligation**

	2023	2022
	SAR '000	
Present value of defined benefits obligation as at January 1	125,297	142,110
Current service costs	18,143	13,431
Financial costs	5,892	5,453
Actuarial loss / (gain) from experience adjustments	5,525	(12,422)
Benefits paid during the year	(26,918)	(23,275)
Present value of defined benefits obligation as at December 31	127,939	125,297

**16.4 Principal actuarial assumptions**

In the absence of a deep market for "High Quality" local currency corporate bonds, the valuation discount rate was set based on the yields offered by USD-denominated bond yields as published by the European Insurance and Occupational Pensions Authority "EIOPA" and then adjusted for the Kingdom of Saudi Arabia's country risk (versus the US).

**16.5 Sensitivity analysis of actuarial assumptions**

The impact of changes in sensitivities on present value of defined benefits obligation is as follows:

	2023	2022
	SAR '000	
	Impact on defined benefits obligation	
Valuation discount rate		
- Increase by 0.5%	(4,683)	(3,866)
- Decrease by 0.5%	4,906	4,102
Expected rate of increase in salary level across different age bands		
- Increase by 0.5%	4,706	3,946
- Decrease by 0.5%	(4,530)	(3,760)

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**17. SHARE CAPITAL**

The authorized, issued and paid-up capital of the Company is SAR 1.5 billion as at December 31, 2023 (December 31, 2022: SAR 1.25 billion and January 1, 2022: SAR 1.25 billion) consisting of 150 million shares (December 31, 2022: 125 million shares and January 1, 2022: 125 million shares) of SAR 10 each.

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

	<b>December 31, 2023</b>		
	<b>Authorized and issued</b>		<b>Paid up</b>
	<b>No. of Shares</b>	<b>SAR'000</b>	<b>SAR'000</b>
Held by the public	<b>111,212,078</b>	<b>1,112,121</b>	<b>1,112,121</b>
General Organization for Social Insurance	<b>38,787,922</b>	<b>387,879</b>	<b>387,879</b>
	<b>150,000,000</b>	<b>1,500,000</b>	<b>1,500,000</b>
	<b>December 31, 2022</b>		
	<b>Authorized and issued</b>		<b>Paid up</b>
	<b>No. of Shares</b>	<b>SAR'000</b>	<b>SAR'000</b>
Held by the public	92,676,731	926,767	926,767
General Organization for Social Insurance	32,323,269	323,233	323,233
	125,000,000	1,250,000	1,250,000
	<b>January 1, 2022</b>		
	<b>Authorized and issued</b>		<b>Paid up</b>
	<b>No. of Shares</b>	<b>SAR'000</b>	<b>SAR'000</b>
Held by the public	79,025,509	790,255	790,255
General Organization for Social Insurance	45,974,491	459,745	459,745
	125,000,000	1,250,000	1,250,000

During the year, the board of directors recommended to the extraordinary General Assembly to increase Company's share capital by 20% by granting bonus shares via capitalizing SAR 250 million from the retained earnings which has been duly approved by the shareholders. Each shareholder was granted 1 bonus share for every 5 existing shares owned by the shareholders at the eligibility date.

During the year, the Company has paid cash dividend of SAR 125 million which constitute SAR 1.0 per share as per the recommendation and approval of Board of Directors and shareholders of the Company.

Further during the year, the board of directors approved to purchase a maximum of SAR 250 thousand shares with the aim of allocating it to the company's employee long term incentive plan.

During the year 2022, General Organization for Social Insurance (GOSI), as part of its restructuring process, transferred part of its holdings in various Tadawul listed companies to its subsidiaries. Consequently, the direct holding percentage of GOSI as at December 31, 2023 is 25.86% (December 31, 2022: 25.86% and 1 January 2022: 36.78%)

**18. STATUTORY RESERVE**

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

**19. FAIR VALUE RESERVE FOR INVESTMENTS**

The fair value reserve for investments comprises the cumulative net change in the fair value of equity securities measured at FVOCI and share of other comprehensive income / loss of investment in equity accounted investments.

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**20. INSURANCE SERVICE EXPENSES**

	For the year ended December 31, 2023							Total
	Medical	Medical – Umrah	Motor	Property & Casualty	General accidents – Hajj & Umrah	Travel & COVID-19	Protection & Savings	
	SAR '000							
Incurring claims and other directly attributable expenses – Estimates of the present value of future cash flows *	10,132,909	9,071	1,449,085	1,276,860	17,447	-	63,724	12,949,096
Incurring claims and other directly attributable expenses – Risk adjustment (RA)	154,292	1,347	16,732	98,396	1,132	-	2,999	274,898
Changes that relate to past service – changes in fulfilment cash flows (“FCF”) relating to LIC	(257,885)	(8,776)	(55,627)	(11,786)	(41,340)	(4,701)	(14,884)	(394,999)
Losses on onerous contracts and reversal of those losses	109,967	-	(9,983)	(29,364)	-	-	(1,160)	69,460
Amortisation of insurance acquisition cash flows	684,708	15,946	333,984	130,946	961	-	2,493	1,169,038
	<b>10,823,991</b>	<b>17,588</b>	<b>1,734,191</b>	<b>1,465,052</b>	<b>(21,800)</b>	<b>(4,701)</b>	<b>53,172</b>	<b>14,067,493</b>

\* These include other attributable expenses amounting to SAR 617 million.

	For the year ended December 31, 2022							Total
	Medical	Medical – Umrah	Motor	Property & Casualty	General accidents – Hajj & Umrah	Travel & COVID-19	Protection & Savings	
	SAR '000							
Incurring claims and other directly attributable expenses – Estimates of the present value of future cash flows **	8,002,437	15,348	755,607	1,022,773	8,900	16,900	44,821	9,866,786
Incurring claims and other directly attributable expenses – Risk adjustment (RA)	177,519	34	10,507	175,658	253	485	3,825	368,281
Changes that relate to past service – changes in fulfilment cash flows (“FCF”) relating to LIC	(162,413)	(1,346)	(101,316)	(203,005)	(1,783)	(17,468)	(22,608)	(509,939)
Losses on onerous contracts and reversal of those losses	(52,764)	-	14,674	25,950	-	-	3,662	(8,478)
Amortisation of insurance acquisition cash flows	547,773	(643)	120,255	96,340	1,200	1,570	2,158	768,653
	<b>8,512,552</b>	<b>13,393</b>	<b>799,727</b>	<b>1,117,716</b>	<b>8,570</b>	<b>1,487</b>	<b>31,858</b>	<b>10,485,303</b>

\*\* These include other attributable expenses amounting to SAR 498 million.

**21. NET EXPENSES FROM REINSURANCE CONTRACTS HELD**

	For the year ended December 31, 2023							Total
	Medical	Medical – Umrah	Motor	Property & Casualty	General accidents – Hajj & Umrah	Travel & COVID-19	Protection & Savings	
	SAR '000							
Allocation of reinsurance premiums	(153,782)	-	(12,360)	(1,674,424)	(2,640)	-	(46,384)	(1,889,590)
Amounts recoverable from reinsurers for incurred claims	138,659	-	966	1,192,888	(1,408)	(256)	41,982	1,372,831
	<b>(15,123)</b>	<b>-</b>	<b>(11,394)</b>	<b>(481,536)</b>	<b>(4,048)</b>	<b>(256)</b>	<b>(4,402)</b>	<b>(516,759)</b>

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**21. NET EXPENSES FROM REINSURANCE CONTRACTS HELD (continued)**

	For the year ended December 31, 2022							Total
	Medical	Medical – Umrah	Motor	Property & Casualty	General accidents – Hajj & Umrah	Travel & COVID -19	Protectio n & Savings	
	(Restated)							
	SAR '000							
Allocation of reinsurance premiums	(96,659)	-	(2,870)	(1,478,824)	(1,998)	(1,387)	(37,062)	(1,618,800)
Amounts recoverable from reinsurers for incurred claims	45,390	-	8,105	933,535	64	(52)	25,846	1,012,888
	(51,269)	-	5,235	(545,289)	(1,934)	(1,439)	(11,216)	(605,912)

**22. OTHER OPERATING EXPENSES**

	2023	2022
	(Restated)	
	SAR'000	
Salaries and benefits	122,611	60,243
Advertising	30,237	19,133
Insurance, utilities, and maintenance	8,230	5,335
License and other charges	10,457	8,857
Utilities	6,058	503
Office supplies and printing	2,957	2,038
Training and education	15,817	7,599
Professional fees	35,727	14,450
Unrecoverable VAT	57,930	13,059
Strategy expenses	62,466	23,529
Others	74,904	23,257
	<b>427,394</b>	<b>178,003</b>

22.1 Auditors' remuneration for the statutory audit of the Group's consolidated financial statements and the financial statements of its subsidiary for the year ended 31 December 2023 amounts to SR 3.05 million (2022: SR 1.9 million). Auditors' remuneration for the review of the Group's interim financial information during the year ended 31 December 2023 amounts to SR 1.9 million (2022: SR 0.9 million). Fee for other related services provided by the auditors to the Group amounts to SR 0.3 million (2022: SR 0.5 million).

**23. ZAKAT**

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

	2023	2022
	SAR'000	
Share capital	1,250,000	1,250,000
Reserves, opening provisions and other adjustments	2,567,606	2,254,373
Book value of long-term assets	(434,556)	(570,564)
	<b>3,125,440</b>	<b>2,933,809</b>
Adjusted net income	832,647	542,177
Zakat @ 2.578% on Zakat base	80,564	75,832
Zakat @ 2.5% on adjusted net income	20,816	13,554
	<b>101,380</b>	<b>89,386</b>

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

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

	2023	2022
	SAR'000	
Balance, January 1	272,168	415,023
Provided during the year	101,380	89,386
Payments during the year	(13,704)	(232,241)
Balance, December 31	<b>359,844</b>	<b>272,168</b>

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**23. ZAKAT (CONTINUED)**

**c) Status of Assessments:**

The Company has filed Zakat returns with the Zakat, Tax and Customs Authority (ZATCA) for the years from 2019 to 2022. Furthermore, ZATCA has started its review procedures for years 2019 through 2022 but has not raised any final assessment related to these years.

Management believes that appropriate and adequate provisions have been created and that the finalization of the above-mentioned assessments is not expected to have a material impact on the consolidated financial statements for the period ending December 31, 2023.

**24. INSURANCE SHARED POOL ARRANGEMENTS**

**a) Hajj and Umrah shared agreement:**

On January 1, 2020 the Company, together with 28 other insurance companies, signed the Umrah shared agreement relating to medical and general accidents insurance which is effective from January 1, 2020. Effective from March 30, 2022, the Company has also signed an Appendix "3" to an existing Umrah shared agreement with Ministry of Hajj and Umrah to include Hajj insurance product relating to general accidents insurance including Covid-19 coverage. The agreement relates to insurance of pilgrims who enter the Kingdom of Saudi Arabia. During the year, the Company, together with 28 other insurance companies, signed an Appendix. The main terms of appendix was to amend the fees related to indirect expenses of 2.5% to be calculated as fixed amount of SAR 7 for each insurance certificate.

The main terms of the amended agreement are as follows:

- The Company obtains 2% management fee of the net result of the Hajj and Umrah portfolio;
- The Company obtains fixed amount of SAR 7 for each insurance certificate written to cover the related indirect expenses;
- The Company obtains 0.3% of investing portfolio funds;
- The Company pays 7.5% brokerage commission of Hajj and Umrah's gross premiums written through broker;
- The Company pays 10% of Hajj and Umrah's portfolio surplus to Ministry of Hajj and Umrah; and
- The net result of the Hajj and Umrah portfolio after deducting all the above-mentioned items is shared equally by the Company and other insurers.

**b) Travel and COVID-19 shared agreement:**

On April 6, 2021 the Company, together with 12 other insurance companies, signed the Travel and COVID-19 shared agreement relating to compulsory travel insurance in addition to coverages related to COVID-19 which is effective from April 6, 2021. The agreement relates to insurance of citizens traveling abroad.

The main terms of the agreement are as follows:

- The Company obtains 2.5% management fee of Travel and COVID-19 gross premiums written; and
- The Company obtains 30% of net result of Travel & COVID-19 portfolio after deducting the above-mentioned item and the remaining is shared equally with other insurers.

Effective from September 01, 2022, in accordance with the announcement of General Directorate of Passports (Jawazat), the Company has ceased to write Travel and COVID-19 insurance policies for the citizens traveling abroad. Consequently, Travel and COVID-19 portfolio will be continued as run-off portfolio until all premiums are earned and all claims and related reserves are settled.

**c) Inherent Defects Insurance agreement (IDI):**

On January 1, 2023 the Company, together with 13 other insurance companies, signed the Inherent Defects Insurance (IDI) (the Pool) shared agreement relating to compulsory Inherent Defects Insurance, mandated by Council of Ministers requiring all contractors involved in private sector construction project to obtain an IDI policy.

The main terms of the agreement are as follows:

- The Company's share of IDI portfolio is 25.63% of total share excluding share of Saudi Reinsurance Company (participant for reinsurance contract);
- The pool is being led by Malath Cooperative Insurance Company on behalf of the participating insurance companies and will exclusively be entitled to management fees of managing the portfolio.

The Group measured insurance contract liabilities for IDI using General Measurement Model (GMM) of IFRS 17. The Impact of Group's share of insurance contract liability of the Pool is not considered material and hence GMM disclosures have not been included in the consolidated financial statements.



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**25. BASIC AND DILUTED EARNINGS PER SHARE**

Basic and diluted earnings per share for the year ended December 31, 2023 and 2022 have been calculated by dividing the net income for the year by the weighted average number of ordinary shares issued and outstanding at the end of the period.

The weighted average number of ordinary shares issued and outstanding for comparative periods have been adjusted for the bonus shares issued during the year ending December 31, 2023 (refer note 16).

**26. RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties represent major shareholders, government related entities, directors and key management personnel of the Group, 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 Group's management and Board of Directors.

A government-related entity is an entity that is controlled, jointly controlled or significantly influenced by a government. The Group's majority shareholder, GOSI, is fully owned by the government of the Kingdom of Saudi Arabia. GOSI exercises significant influence over the Group. The shareholding of GOSI is disclosed in note 17 to the consolidated financial statements. The Group has claimed exemption from the requirements of para 18 of IAS 24 ("Related Party Disclosure")

Transactions and balances with related parties and government related entities are listed below:

	Amount of transactions for the year ended		Balance receivable / (payable) as at	
	2023	2022	2023	2022
	SAR'000			
<b><u>Shareholder with significant influence</u></b>				
Insurance premium written	37,536	52,923	22,435	857
Claims paid to medical services provider	25,649	396	-	-
General Organization for Social Insurance – other services	-	778	-	-
<b><u>Government related entities</u></b>				
Insurance premium written	4,379,623	4,371,965	1,968,751	1,962,575
Claims paid to medical services provider	3,548,320	2,635,525	166,266	585,736
<b><u>Associates</u></b>				
Insurance premium written	1,497	1,007	1,459	30
Claims paid	4,722	-	-	-
Waseel fees paid	9,683	10,146	-	(1,016)
United Insurance Company fees and claims	1,556	7,894	-	646
<b><u>Entities controlled, jointly controlled by related parties</u></b>				
Insurance premium written	630,030	2,461,655	497,211	1,796,913
Claims paid to medical services provider	12,809	26,671	-	(7,030)
Najm fees paid	112,225	55,990	(22,436)	(10,107)
Other services	-	1,184	-	(456)

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

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**26. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

**Remuneration and compensation of BOD Members and Top Executives**

The following table shows the annual salaries, remuneration and allowances obtained by the Board members and key executives for the year ended December 31, 2023 and 2022:

2023	BOD members (Executives)	BOD members (non-Executive)	Key Executives including the CEO and CFO
	SAR'000		
Salaries and compensation	-	-	17,083
Other allowances	-	890	3,812
Annual remuneration	-	4,200	-
End of service indemnities	-	-	729
Total	-	5,090	21,624

2022	BOD members (Executives)	BOD members (non-Executive)	Top Executives including the CEO and CFO
	SAR'000		
Salaries and compensation	-	-	17,752
Other allowances	-	970	3,698
Annual remuneration	-	4,920	-
End of service indemnities	-	-	1,004
Total	-	5,890	22,454

**27. FAIR VALUES OF FINANCIAL INSTRUMENTS**

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

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

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

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

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

<u>December 31, 2023</u>	SAR'000			
	Level 1	Level 2	Level 3	Total
Investments at FVPL	-	982,339	-	982,339
Unquoted equities at FVOCI	-	-	37,630	37,630
	-	982,339	37,630	1,019,969

<u>December 31, 2022</u>	SAR'000			
	Level 1	Level 2	Level 3	Total
Investments at FVPL	-	951,339	-	951,339
Unquoted equities at FVOCI	-	-	111,638	111,638
	-	951,339	111,638	1,062,977

The fair value used for valuation of Level 2 investments are based on prices quoted on reliable and third-party sources including Reuters, Bloomberg, etc. Fair value of unquoted equities at FVOCI classified in Level 3 are determined based on the blended valuation technique (i.e., DCF and P/E multiple with equal weightage). There were no transfers in between levels during the year ended December 31, 2023 and 2022.

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**27. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)**

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

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

	SAR'000					
				Total gain or loss recognised in		Balance December 31
December 31, 2023	Balance January 1	Purchases	Disposals	Statement of income	Other comprehensive income	
Private equity investment	111,638	15,000	(95,464)	-	6,456	37,630
	SAR'000					
				Total gain or loss recognised in		Balance December 31
December 31, 2022	Balance January 1	Purchases	Disposals	Statement of income	Other comprehensive income	
Private equity investment	10,250	80,464	-	-	20,924	111,638
	SAR'000					
				Total gain or loss recognised in		Balance December 31
January 1, 2022	Balance January 1	Purchases	Disposals	Statement of income	Other comprehensive income	
Private equity investment	10,250	-	-	-	-	10,250

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

Description	Fair value			Unobservable inputs			Range of inputs			Relationship of unobservable inputs to FV
	December 31, 2023	December 31, 2022	January 1, 2022	December 31, 2023	December 31, 2022	January 1, 2022	December 31, 2023	December 31, 2022	January 1, 2022	
Private equity investment	37,630	111,638	10,250	- Annual growth rate 6.4% (Years from 2023 to 2027) (2022 & 2021: 7%) - Terminal Growth rate 2.5% (2022 & 2021: 2.5%) - WACC 9.25% (2022 & 2021: 10.23%)			+/- 30% (illiquidity discount)			Annual growth rate is directly proportional - Discount rate is inversely proportional

**Sensitivity analysis of Level 3 investments**

December 31, 2023	Sensitivity factor	Impact on fair value due to increase in sensitivity factor	Impact on fair value due to increase in sensitivity factor
Private equity investment	+/- 10% change in price	3,763	(3,763)
December 31, 2022	Sensitivity factor	Impact on fair value due to increase in sensitivity factor	Impact on fair value due to increase in sensitivity factor
Private equity investment	+/- 10% change in price	11,164	(11,164)
January 1, 2022	Sensitivity factor	Impact on fair value due to increase in sensitivity factor	Impact on fair value due to increase in sensitivity factor
Private equity investment	+/- 10% change in price	1,025	(1,025)

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**28. RISK MANAGEMENT**

**Insurance risk**

Insurance risk is the risk transferred from the policyholder to the company, other than financial risk. Definition of insurance risk is not changed due to adoption of IFRS 17. The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefits payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid being greater than originally estimated and subsequent development of long-term claims. The objective of the Company is to ensure that sufficient reserves are available to cover the liabilities associated with these insurance and reinsurance contracts that it issues.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements. The underwriting strategy includes underwriting limits on the Company's total exposure to specific risks, together with limits on geographic and industry exposures. The aim is to ensure that a diversified book is maintained, with no over-exposure in any one geographic region.

Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are established to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly settling claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities and pricing appropriately.

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

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

**Frequency and severity of claims**

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

**Concentration of insurance risk**

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

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

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

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**28. RISK MANAGEMENT (continued)**

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

	31 December 2023			31 December 2022		
	Insurance	Reinsurance held	Net	Insurance	Reinsurance held	Net
Medical	5,746,264	(87,468)	5,658,796	5,476,773	(106,861)	5,369,912
Medical Umrah	345,748	-	345,748	267,455	-	267,455
Motor	2,145,087	(13,167)	2,131,920	1,017,471	(28,490)	988,981
Property and casualty	4,422,970	(3,293,992)	1,128,978	3,761,886	(2,549,865)	1,212,021
Property and casualty - Hajj & Umrah	656,315	(102,332)	553,983	459,016	(35,566)	423,450
Travel and Covid-19	76,335	(1,718)	74,617	84,838	(1,117)	83,721
Protection and Savings	43,438	(36,264)	7,174	33,590	(32,555)	1,035
	<b>13,436,157</b>	<b>(3,534,941)</b>	<b>9,901,216</b>	<b>11,101,029</b>	<b>(2,754,454)</b>	<b>8,346,575</b>

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

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

**Claims development table**

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

The Company considers the probability and magnitude of future experience being more adverse than assumed which is reflected in the risk adjustment. In general, the uncertainty associated with the ultimate cost of settling claims is greatest when the claim is at an early stage of development. As claims develop, the ultimate cost of claims becomes more certain.

**Gross undiscounted liabilities for incurred claims**

	31 December 2023						Total
	2018 & earlier	2019	2020	2021	2022	2023	
At the end of the Accident Year	42,688,896	5,946,043	4,554,241	6,020,436	7,558,455	9,825,188	
One Year Later	49,895,218	7,129,338	5,521,225	7,502,578	9,778,798		
Two Year Later	49,922,296	7,052,371	5,601,323	7,579,134			
Three Year Later	49,668,610	6,986,996	5,613,320				
Four Year Later	49,408,423	6,959,781					
Five Year Later	49,327,491						
<b>Gross estimates of the undiscounted amount of the claims reported</b>	<b>49,327,491</b>	<b>6,959,781</b>	<b>5,613,320</b>	<b>7,579,134</b>	<b>9,778,798</b>	<b>9,825,188</b>	<b>89,083,712</b>
Cumulative payments to date	(49,047,251)	(6,742,732)	(5,508,553)	(7,117,145)	(8,690,313)	(8,900,545)	(86,006,538)
<b>Gross undiscounted liabilities for incurred claims</b>	<b>280,241</b>	<b>217,049</b>	<b>104,767</b>	<b>461,989</b>	<b>1,088,485</b>	<b>924,643</b>	<b>3,077,174</b>
Salvage and subrogation							(169,551)
IBNR	10,163	4,517	1,311	14,763	259,635	2,726,707	3,017,095
Risk adjustment	39,034	28,154	11,547	78,449	120,679	277,833	555,696
Payables							(2,407)
Effect of discounting							(176,972)
							<b>6,301,035</b>

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**28. RISK MANAGEMENT (continued)**

*Net undiscounted liabilities for incurred claims*

	31 December 2023						Total
	SAR'000						
	2018 & earlier	2019	2020	2021	2022	2023	
<b>Accident Year</b>							
At the end of the Accident Year	38,954,653	4,773,693	4,370,006	5,764,220	6,897,968	8,986,407	
One Year Later	39,866,239	5,824,840	5,143,894	6,727,233	8,319,484		
Two Year Later	40,220,196	5,840,405	5,261,332	6,836,701			
Three Year Later	40,176,139	5,858,104	5,271,753				
Four Year Later	40,118,245	5,859,926					
Five Year Later	40,101,928						
<b>Gross estimates of the undiscounted amount of the claims reported</b>	<b>40,101,928</b>	<b>5,859,926</b>	<b>5,271,753</b>	<b>6,836,701</b>	<b>8,319,484</b>	<b>8,986,407</b>	<b>75,376,199</b>
Cumulative payments to date	(40,023,762)	(5,849,119)	(5,241,616)	(6,803,209)	(8,240,805)	(8,431,010)	(74,589,522)
<b>Gross undiscounted liabilities for incurred claims</b>	<b>78,166</b>	<b>10,807</b>	<b>30,137</b>	<b>33,492</b>	<b>78,679</b>	<b>555,397</b>	<b>786,677</b>
Salvage and subrogation							(169,551)
IBNR	6,168	4,465	1,324	14,035	236,217	2,258,242	2,520,451
Risk adjustment	5,148	719	2,803	3,641	23,948	179,055	215,315
Payables							(331,552)
Effect of discounting							(76,608)
							<u>2,944,732</u>

*Gross undiscounted liabilities for incurred claims*

	31 December 2022						Total
	SAR'000						
	2017 & earlier	2018	2019	2020	2021	2022	
<b>Accident Year</b>							
At the end of the Accident Year	39,812,081	7,423,498	5,946,043	4,554,241	6,020,436	7,558,455	
One Year Later	35,265,398	8,583,529	7,129,338	5,521,225	7,502,578		
Two Year Later	41,311,689	8,587,813	7,052,371	5,601,323			
Three Year Later	41,334,483	8,427,517	6,986,996				
Four Year Later	41,241,093	8,373,047					
Five Year Later	41,035,376						
<b>Gross estimates of the undiscounted amount of the claims reported</b>	<b>41,035,376</b>	<b>8,373,047</b>	<b>6,986,996</b>	<b>5,601,323</b>	<b>7,502,578</b>	<b>7,558,455</b>	<b>77,057,775</b>
Cumulative payments to date	(40,758,037)	(8,166,583)	(6,722,632)	(5,486,659)	(6,815,060)	(6,211,834)	(74,160,806)
<b>Gross undiscounted liabilities for incurred claims</b>	<b>277,338</b>	<b>206,464</b>	<b>264,364</b>	<b>114,664</b>	<b>687,518</b>	<b>1,346,621</b>	<b>2,896,969</b>
Salvage and subrogation							(70,914)
IBNR	19,807	8,803	3,453	10,961	165,579	2,192,306	2,400,909
Risk adjustment	44,831	45,832	56,936	21,677	176,543	380,012	725,831
Payables							154,113
Effect of discounting							(146,823)
							<u>5,960,085</u>

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**28. RISK MANAGEMENT (continued)**

*Net undiscounted liabilities for incurred claims*

	<b>31 December 2022</b>						<b>Total</b>
	<b>SAR'000</b>						
	<b>2017 &amp; earlier</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	
<b>Accident Year</b>							
At the end of the Accident Year	32,485,293	5,219,686	4,773,693	4,370,006	5,764,220	6,897,968	
One Year Later	33,734,967	5,952,086	5,824,840	5,143,894	6,727,233		
Two Year Later	33,914,153	6,302,817	5,840,405	5,261,332			
Three Year Later	33,917,379	6,297,516	5,858,104				
Four Year Later	33,878,623	6,297,337					
Five Year Later	33,820,908						
<b>Gross estimates of the undiscounted amount of the claims reported</b>	33,820,908	6,297,337	5,858,104	5,261,332	6,727,233	6,897,968	64,862,881
Cumulative payments to date	(33,737,716)	(6,280,357)	(5,837,631)	(5,224,152)	(6,674,897)	(5,993,531)	(63,748,283)
<b>Gross undiscounted liabilities for incurred claims</b>	83,192	16,980	20,473	37,180	52,336	904,437	1,114,598
Salvage and subrogation							(70,914)
IBNR	16,082	8,551	3,416	10,937	160,714	1,808,315	2,008,015
Risk adjustment	9,012	2,219	2,599	5,362	19,497	208,624	247,313
Payables							(187,241)
Effect of discounting							(71,166)
							3,040,605

*Gross undiscounted liabilities for incurred claims*

	<b>1 January 2022</b>						<b>Total</b>
	<b>SAR'000</b>						
	<b>2016 &amp; earlier</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	
<b>Accident Year</b>							
At the end of the Accident Year	33,073,839	5,842,642	7,423,498	5,946,043	4,554,241	6,020,436	
One Year Later	33,969,439	7,065,784	8,583,529	7,129,338	5,521,225		
Two Year Later	28,199,614	7,263,141	8,587,813	7,052,371			
Three Year Later	34,048,547	7,303,280	8,427,517				
Four Year Later	34,031,203	7,284,187					
Five Year Later	33,956,906						
<b>Gross estimates of the undiscounted amount of the claims reported</b>	33,956,906	7,284,187	8,427,517	7,052,371	5,521,225	6,020,436	68,262,642
Cumulative payments to date	(33,632,067)	(7,108,392)	(8,107,618)	(6,359,779)	(5,209,984)	(5,403,972)	(65,821,812)
<b>Gross undiscounted liabilities for incurred claims</b>	324,840	175,795	319,899	692,593	311,241	616,464	2,440,830
Salvage and subrogation							(40,101)
IBNR	27,267	12,114	6,372	5,388	103,581	1,615,517	1,770,240
Risk adjustment	52,179	25,607	57,098	117,030	59,251	210,385	521,550
Payables							450,680
Effect of discounting							(30,591)
							5,112,608

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**28. RISK MANAGEMENT (continued)**

*Net undiscounted liabilities for incurred claims*

	<b>1 January 2022</b>						<b>Total</b>
	<b>2016 &amp; earlier</b>	<b>2017</b>	<b>2018</b>	<b>SAR'000</b>		<b>2021</b>	
<b>Accident Year</b>				<b>2019</b>	<b>2020</b>		
At the end of the Accident Year	26,043,900	5,444,158	5,219,686	4,773,693	4,370,006	5,764,220	
One Year Later	27,041,135	6,521,216	5,952,086	5,824,840	5,143,894		
Two Year Later	27,213,751	6,693,505	6,302,817	5,840,405			
Three Year Later	27,220,648	6,713,412	6,297,516				
Four Year Later	27,203,967	6,702,493					
Five Year Later	27,176,131						
<b>Gross estimates of the undiscounted amount of the claims reported</b>	27,176,131	6,702,493	6,297,516	5,840,405	5,143,894	5,764,220	56,924,658
Cumulative payments to date	(27,066,295)	(6,665,283)	(6,266,416)	(5,810,428)	(5,103,877)	(5,333,852)	(56,246,152)
<b>Gross undiscounted liabilities for incurred claims</b>	109,835	37,209	31,100	29,977	40,017	430,368	678,506
Salvage and subrogation							(40,101)
IBNR	33,029	5,921	2,951	4,992	97,459	1,296,646	1,440,997
Risk adjustment	14,227	4,684	4,706	4,599	11,917	117,871	158,005
Payables							414,889
Effect of discounting							(526)
							<u>2,651,770</u>

**Reinsurance risk**

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

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

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

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

Furthermore, the financial strength and managerial and technical expertise as well as historical performance of the reinsurers, wherever applicable, are thoroughly reviewed by the Company and agreed to pre-set requirements of the Company's Board of Directors and Reinsurance Committee before approving them for exchange of reinsurance business. As at December 31, 2023, December 31, 2022 and January 1, 2022 there is no significant concentration of reinsurance balances.

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

**Financial risk**

**Market risk**

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market commission rates or the market price of securities or the instrument, change in market sentiments, speculative activities, supply and demand for securities and liquidity in the market. Market risk will affect the fulfilment cash flows of insurance and reinsurance contracts as well as the fair value or future cash flows of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return on risk.

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



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**28. RISK MANAGEMENT (continued)**

The Board of Directors of the Company ensure that the overall market risk exposure is maintained at prudent levels and is consistent with the available capital. While the Board gives a strategic direction and goals, risk management function related to market risk is mainly the responsibility of investment management team supported by risk management team. The team prepares forecasts showing the effects of various possible changes in market conditions related to risk exposures. This risk is being mitigated through the proper selection of securities. The Company maintains diversified portfolio and performs regular monitoring of developments in related markets. The nature of the Company's exposure to market risks and its objectives, policies and processes used to manage and measure the risks have not changed from the previous period.

**Currency Risk**

Currency risk is the risk that the fair value of future cash flows of a financial instrument, insurance contract assets and/or liabilities will fluctuate because of changes in foreign exchange rates. Tawuniya is exposed to foreign currency transaction risk to the extent that the currencies in which insurance and reinsurance contracts and financial instruments are denominated differ from the functional currencies of the Company.

Foreign currency transaction risk arising from insurance and reinsurance contracts is managed by holding cash and investing in assets denominated in currencies that match the related liabilities to the extent that it is deemed by local management to be both practical and appropriate. The company policy is to ensure that its net exposure is kept to an acceptable level. The Company also mitigates some of the foreign currency risk associated with insurance contracts by holding reinsurance contracts denominated in the same currencies as its insurance contract liabilities.

The Company's principal transactions are predominantly conducted in USD and SAR. The Company is not exposed to its dealing in USD since SAR is pegged with USD. The transactions in currencies other than SAR and USD are not significant and accordingly the Company is not exposed to currency risk. The Company mitigates some of the foreign currency risk associated with insurance contracts by holding reinsurance contracts denominated in the same currencies as its insurance contract liabilities.

**Commission Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract or reinsurance contract will fluctuate because of changes in market interest rates.

The Company invests in securities and has deposits that are subject to commission rate risk. Commission rate risk to the Company is the risk of changes in commission rates reducing the overall return on its fixed commission rate bearing securities. The Commission rate risk is limited by monitoring changes in commission rates and by investing in floating rate instruments. The company manages interest rate risk by closely matching, where possible, the durations of insurance contracts with fixed and guaranteed terms and the supporting financial assets. The company monitors its interest rate risk exposure through periodic reviews of asset and liability positions. Additionally, estimates of cash flows and the impact of interest rate fluctuations are reviewed every six months. The Company has no significant concentration of interest rate risk. The commission and non-commission bearing investments of the Company and their maturities as at December 31, 2023 and 2022 are as follows:

	Less than 1 year	More than 1 year	Non- commission bearing	Total
	SAR '000			
<b>December 31, 2023</b>				
Term deposits	7,376,118	-	-	7,376,118
Investments at FVPL	-	-	982,339	982,339
Investments at FVOCI	-	-	37,630	37,630
Cash and cash equivalents	750,000	-	1,323,962	2,073,962
<b>Total</b>	<b>8,126,118</b>	<b>-</b>	<b>2,343,931</b>	<b>10,470,049</b>
<b>December 31, 2022</b>				
Term deposits	5,980,827	-	-	5,980,827
Investments at FVPL	-	-	951,339	951,339
Investments at FVOCI	-	-	111,638	111,638
Cash and cash equivalents	750,000	-	909,193	1,659,193
<b>Total</b>	<b>6,730,827</b>	<b>-</b>	<b>1,972,170</b>	<b>8,702,997</b>

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**28. RISK MANAGEMENT (continued)**

**Equity Price Risk**

Price risk is the risk that the fair value or future cash flows of financial instruments or insurance contract assets and/or liabilities will fluctuate because of changes in market prices (other than those arising from interest rate or foreign exchange rate risk), whether those changes are caused by factors specific to the individual financial instrument or contract, or by factors affecting all similar contracts or financial instruments traded in the market. The Company's price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices. The Company does not issue any participating contracts. Therefore, there are no insurance or reinsurance contracts which are exposed to price risk.

The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on individual and total equity instruments. Tawuniya's risk committee regularly monitors equity price risk and manages material investments on an individual basis. Investment limits require business units to hold diversified portfolios of assets and restrict concentrations to geographies and industries. The Group does not have a significant concentration of equity price risk.

The Company has no significant concentration of price risk.

The Group's investments in underlying mutual funds amounting to SAR 17.5 million (2021: SAR 689 million) and underlying equities amounting to SAR 499 million (2021: SAR 336 million) are susceptible to market price risk arising from uncertainty about the future value of invested securities. The Group fund manager limits this nature of market risk by diversifying its invested portfolio and by actively monitoring the developments in markets.

This analysis was performed for reasonably possible movements in the market index with all other variables held constant. The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non linear. The method used for deriving sensitivity information and significant variables has not changed from the previous period.

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

	<b>Fair value change</b>	<b>Effect on consolidate statement of income</b>	<b>Effect on Group's total equity</b>
<b>December 31, 2023</b>			
Underlying mutual funds	34,950	34,950	34,950
Underlying equities	26,268	26,268	26,268
	<b>Fair value change</b>	<b>Effect on consolidate statement of income</b>	<b>Effect on Group's total equity</b>
<b>December 31, 2022</b>			
Underlying mutual funds	1,758	1,758	1,758
Underlying equities	33,524	33,524	33,524

**Operational risk**

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

The Company cannot expect to eliminate all operational risks, company's objective in managing operational risk is to balance the avoidance of financial losses and damage to its reputation with overall cost-effectiveness and innovation. In all cases, company policy requires compliance with all applicable legal and regulatory requirements.

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**28. RISK MANAGEMENT (continued)**

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

Requirements for appropriate segregation of duties between various functions, roles and responsibilities;

Requirements for the reconciliation and monitoring of transactions:

Compliance with regulatory and other legal requirements;

- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Ethical and business standards; and
- Risk mitigation policies and procedures.

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

**Credit risk**

Credit risk is the risk that one party to a financial instrument, insurance contract issued in an asset position or reinsurance contract held will cause a financial loss for the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk.

The Company have approved credit policies in consultation with business units, covering, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements. The Company's credit risk policy sets out the assessment and determination of what constitutes credit risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company's risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

The Company seeks to manage its credit risk with respect to customers by following the Company's credit control policy and monitoring outstanding receivables on an on-going basis in order to reduce the Company's exposure to doubtful debts. The Company seeks to limit its credit risk with respect to other counterparties by placing deposits and investments with reputable financial institutions. The Company enters into reinsurance contracts with recognised, creditworthy third parties (rated A or above).

Credit risk relating to financial instruments is monitored by the Company's finance team. It is their responsibility to review and manage credit risk, including environmental risk for all counterparties. Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy.

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

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

	31-Dec-23	31-Dec-22	1-Jan-22
	<b>SAR '000</b>		
Statutory deposits	149,977	124,983	124,992
Reinsurance contract assets	3,534,941	2,754,454	2,648,206
Term deposits	7,376,118	5,980,827	3,787,578
Receivable from brokers / agents	2,893,877	2,705,472	1,454,205
Cash and cash equivalents	2,073,962	1,659,193	1,188,136
	<b>16,028,875</b>	<b>13,224,929</b>	<b>9,203,117</b>

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**28. RISK MANAGEMENT (continued)**

**Concentration of credit risk**

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. Approximately 99% (2020: approximately 99%) of the Company's underwriting activities are carried out in Saudi Arabia. The Company's portfolio of financial instruments is broadly diversified, and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk. The Company has significant exposure amounting to SAR 982 billion (2022: SAR 2951 billion) classified as debt instruments in Shariah Notes issued by Castle Investments Limited. The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

**Credit exposure by credit rating**

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties. Investment grade ratings refers to companies with sound credit standing of AA to BBB- (as per S&P) and/or Aaa to Baa3 (as per Moody's). Ratings below the mentioned threshold are considered sub-investment grade with a higher default risk.

<b>December 31, 2023</b>	<b>Investment grade</b>	<b>Non-investment Grade</b>	<b>Not rated</b>	<b>Total</b>
Statutory deposits	149,977	-	-	149,977
Reinsurance contract assets	3,534,941	-	-	3,534,941
Term deposits	7,376,118	-	-	7,376,118
Receivable from brokers / agents	-	-	2,893,877	2,893,877
Investments (including accrued investment income)	-	-	1,019,969	1,019,969
Cash and cash equivalents	2,073,962	-	-	2,073,962
	<b>13,134,998</b>	<b>-</b>	<b>3,913,846</b>	<b>17,048,844</b>

<b>December 31, 2022</b>	<b>Investment grade</b>	<b>Non-investment Grade</b>	<b>Not rated</b>	<b>Total</b>
Statutory deposits	124,983	-	-	124,983
Reinsurance contract assets	2,754,454	-	-	2,754,454
Term deposits	5,980,827	-	-	5,980,827
Receivable from brokers / agents	-	-	2,705,472	2,705,472
Investments (including accrued investment income)	-	-	1,062,977	1,062,977
Cash and cash equivalents	1,659,193	-	-	1,659,193
	<b>10,519,457</b>	<b>-</b>	<b>3,768,449</b>	<b>14,287,906</b>

**Impairment assessment**

The Company's ECL assessment and measurement method is set out below:

***Significant increase in credit risk, default and cure***

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition.

There has been no significant increase in credit risk or default for financial assets during the year.

***Expected credit loss***

The Company assesses the possible default events within 12 months for the calculation of the 12mECL. Given the investment policy, the probability of default for new instruments acquired is generally determined to be minimal and the expected loss given default ratio assumed to be 100%. In rare cases where a lifetime ECL is required to be calculated, the probability of default is estimated based on economic scenarios.

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**28. RISK MANAGEMENT (continued)**

*Impairment losses on financial investments subject to impairment assessment*

The table below shows the credit quality and the maximum exposure to credit risk based on the Company's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	31-Dec-23			31-Dec-22		
	SAR '000					
	12mECL	LTECL	Total	12mECL	LTECL	Total
High grade	9,600,057	-	9,600,057	7,765,003	-	7,765,003
Not rated	-	3,076,518	3,076,518	-	2,904,374	2,904,374
ECL	(434)	(182,641)	(183,075)	(171)	(198,902)	(199,073)
	<b>9,599,623</b>	<b>2,893,877</b>	<b>12,493,500</b>	<b>7,764,832</b>	<b>2,705,472</b>	<b>10,470,304</b>

\* The above exposure doesn't include investment including accrued investment income which is measured at fair value and reinsurance contract assets under IFRS 17.

The Group uses the provision matrix to measure the ECL of receivable from brokers / agents. The following table provides information about the exposure to credit risk and ECL for receivable from brokers / agents.

	31-Dec-23			31-Dec-22		
	SAR'000					
	Gross carrying amount	Weighted average loss rate	Loss allowance	Gross carrying amount	Weighted average loss rate	Loss allowance
Current	1,827,952	0%	424	1,606,908	0%	4,738
1 to 30 days	440,766	0%	1,730	389,971	1%	2,825
31 to 60 days	146,323	1%	901	188,998	2%	3,514
61 to 90 days	247,096	2%	5,344	316,805	2%	6,823
91 to 365 days	332,712	6%	18,408	212,319	30%	63,321
More than 365 days	81,669	64%	51,883	189,373	62%	117,681
	<b>3,076,518</b>		<b>78,690</b>	<b>2,904,374</b>		<b>198,902</b>
Specific provision			<b>103,951</b>			-
Total ECL			<b>182,641</b>			<b>198,902</b>

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The key drivers of credit risk include GDP growth and interest rates.

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with insurance liabilities that are settled by delivering cash or another financial asset. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries. The following policies and procedures are in place to mitigate the Company's exposure to liquidity risk.

The Company's liquidity risk policy sets out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company's risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

Further, the Company has a proper cash management system, where daily cash collections and payments are strictly monitored and reconciled on a regular basis. The Company manages liquidity risk by maintaining maturities of financial assets and financial liabilities and investing in liquid financial assets. The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseeable interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs. The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseeable interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs.

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**28. RISK MANAGEMENT (continued)**

The following table set out the remaining contractual maturities of the Group's financial assets and liabilities:

***Maturity profiles***

***Maturity analysis for insurance & reinsurance contract liabilities and reinsurance contracts assets (present value of future cash flows basis) (discounted cashflows)***

The following table summarises the maturity profile of insurance & reinsurance contracts liabilities and reinsurance contract assets of the Company based on remaining discounted cash flows. Portfolios of insurance contracts issued that are liabilities and portfolios of reinsurance contracts held that are liabilities of the Company are based on the estimates of the present value of the future cash flows expected to be paid out in the periods presented.

	31-Dec-23						No maturity	Total
	Up to 1 Year	1-2 year	2-3 year	3-4 year	4-5 year	> 5 years		
	SAR '000							
<b>Insurance contract liabilities</b>								
Medical	5,417,781	306,526	20,634	1,323	-	-	5,746,264	
Medical - Umrah	345,710	38	-	-	-	-	345,748	
Motor	2,071,409	65,933	6,495	1,250	-	-	2,145,087	
Property and casualty	3,581,310	560,734	260,323	10,137	10,458	8	4,422,970	
General & Accident – Umrah	656,315	-	-	-	-	-	656,315	
Travel & Covid	76,335	-	-	-	-	-	76,335	
Protection & savings	39,223	4,162	53	-	-	-	43,438	
	<b>12,188,083</b>	<b>937,393</b>	<b>287,505</b>	<b>12,710</b>	<b>10,458</b>	<b>8</b>	<b>13,436,157</b>	
<b>Reinsurance contract assets</b>								
Medical	62,760	24,694	12	2	-	-	87,468	
Medical - Umrah	-	-	-	-	-	-	-	
Motor	12,978	144	36	9	-	-	13,167	
Property and casualty	2,577,297	487,641	219,991	5,390	3,673	-	3,293,992	
General & Accident – Umrah	102,332	-	-	-	-	-	102,332	
Travel & Covid	1,718	-	-	-	-	-	1,718	
Protection & savings	32,427	3,789	48	-	-	-	36,264	
	<b>2,789,512</b>	<b>516,268</b>	<b>220,087</b>	<b>5,401</b>	<b>3,673</b>	<b>-</b>	<b>3,534,941</b>	

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**28. RISK MANAGEMENT (continued)**

	31-Dec-22							Total
	SAR '000							
	Up to 1 Year	1-2 year	2-3 year	3-4 year	4-5 year	> 5 years	No maturity	
<b>Insurance contract liabilities</b>								
Medical	5,282,329	182,265	12,035	144	-	-	-	5,476,773
Medical - Umrah	267,455	-	-	-	-	-	-	267,455
Motor	962,502	49,513	4,717	739	-	-	-	1,017,471
Property and casualty	3,061,081	601,442	87,229	5,464	2,875	3,795	-	3,761,886
General & Accident – Umrah	459,016	-	-	-	-	-	-	459,016
Travel & Covid	84,838	-	-	-	-	-	-	84,838
Protection & savings	31,574	2,016	-	-	-	-	-	33,590
	10,148,795	835,236	103,981	6,347	2,875	3,795	-	11,101,029
<b>Reinsurance contract assets</b>								
Medical	106,225	635	1	-	-	-	-	106,861
Medical - Umrah	-	-	-	-	-	-	-	-
Motor	28,399	68	17	6	-	-	-	28,490
Property and casualty	2,236,148	270,322	40,849	2,522	16	8	-	2,549,865
General & Accident – Umrah	35,566	-	-	-	-	-	-	35,566
Travel & Covid	1,117	-	-	-	-	-	-	1,117
Protection & savings	30,681	1,874	-	-	-	-	-	32,555
	2,438,136	272,898	40,866	2,528	16	8	-	2,754,454

**29. OPERATING SEGMENTS**

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

Segment assets do not include insurance operations' Property, equipment and right-of-use assets, net, intangible assets, investment properties, investments, term deposits, prepaid expenses and other assets, accrued investment income and cash and cash equivalents. Accordingly, they are included in unallocated assets. Segment liabilities do not include insurance operations' defined benefits obligation, accrued expenses and other liabilities. Accordingly, they are included in unallocated liabilities.

These unallocated assets and liabilities (including depreciation on the Property, equipment and right-of-use assets, net) are not reported to chief operating decision maker under related segments and are monitored on a centralized basis.

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**29. OPERATING SEGMENTS (continued)**

**a) Statement of income**

Operating Segments	For the year ended December 31, 2023							Total - Insurance operations
	Medical*	Medical - Umrah	Motor	Property & casualty	General accidents - Hajj & Umrah	Travel & COVID-19	Protection & Savings	
	SAR'000							
Insurance revenue	11,254,531	22,972	1,855,140	2,062,001	12,810	-	57,970	15,265,424
Insurance service expenses	(10,823,991)	(17,588)	(1,734,191)	(1,465,052)	21,800	4,701	(53,172)	(14,067,493)
<b>Insurance service result before reinsurance contracts held</b>	<b>430,540</b>	<b>5,384</b>	<b>120,949</b>	<b>596,949</b>	<b>34,610</b>	<b>4,701</b>	<b>4,798</b>	<b>1,197,931</b>
Allocation of reinsurance premiums	(153,782)	-	(12,360)	(1,674,424)	(2,640)	-	(46,384)	(1,889,590)
Amounts recoverable from reinsurers for incurred claims	138,659	-	966	1,192,888	(1,408)	(256)	41,982	1,372,831
<b>Net expenses / (income) from reinsurance contracts held</b>	<b>(15,123)</b>	<b>-</b>	<b>(11,394)</b>	<b>(481,536)</b>	<b>(4,048)</b>	<b>(256)</b>	<b>(4,402)</b>	<b>(516,759)</b>
<b>Insurance service result</b>	<b>415,417</b>	<b>5,384</b>	<b>109,555</b>	<b>115,413</b>	<b>30,562</b>	<b>4,445</b>	<b>396</b>	<b>681,172</b>
Net finance expenses from insurance contracts issued	(57,028)	(401)	(8,225)	(74,553)	(630)	(247)	(1,068)	(142,152)
Net finance income from reinsurance contracts held	1,512	-	704	70,574	43	12	993	73,838
<b>Net insurance finance (expenses) / income</b>	<b>(55,516)</b>	<b>(401)</b>	<b>(7,521)</b>	<b>(3,979)</b>	<b>(587)</b>	<b>(235)</b>	<b>(75)</b>	<b>(68,314)</b>
<b>Other non-insurance items</b>								
Commission income								450,430
Dividend income								2,576
Net fair value losses on financial assets at fair value through profit or loss								(56,176)
Share of profit from equity accounted investments, net								38,710
Expected credit loss allowance on financial assets								16,234
Other operating expenses								(427,394)
Other income, net								80,568
<b>Net profit for the period before zakat</b>								<b>717,806</b>
The details of gross written premiums are as follows:								
- Retail	45,246	550,073	2,411,194	117,926	260,842	-	-	3,385,281
- Micro Enterprises	457,680	-	60,573	54,581	-	-	-	572,834
- Small Enterprises	1,273,629	-	53,827	83,576	-	-	925	1,411,957
- Medium Enterprises	934,343	-	75,981	63,432	-	-	2,028	1,075,784
- Corporates	9,804,995	-	268,281	1,890,044	-	-	61,174	12,024,494
	<b>12,515,893</b>	<b>550,073</b>	<b>2,869,856</b>	<b>2,209,559</b>	<b>260,842</b>	<b>-</b>	<b>64,127</b>	<b>18,470,350</b>

\* Gross written premiums relating to medical segment includes medical compulsory business amounting to SAR 10,686 million.

Gross written premiums should comprise the total premiums receivable for the whole period of cover provided by the contracts entered into during the accounting period, regardless of whether these are wholly due for payment in the accounting period, together with any adjustments arising in the accounting period to such premiums receivable in respect of business written in prior accounting periods.

Gross written premiums is not defined in International Financial Reporting Standard as endorsed in the Kingdom of Saudi Arabia.



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**29. OPERATING SEGMENTS (continued)**

**a) Statement of income (continued)**

Operating Segments	For the year ended December 31, 2022 (Restated)							
	Medical*	Medical - Umrah	Motor	Property & casualty	General accidents - Hajj & Umrah	Travel & COVID-19	Protection & Savings	Total - Insurance & Shareholders' operations
	SAR'000							
Insurance revenue	8,749,835	15,955	784,401	1,756,114	15,998	40,129	45,916	11,408,348
Insurance service expenses	(8,512,552)	(13,393)	(799,727)	(1,117,716)	(8,570)	(1,487)	(31,858)	(10,485,303)
<b>Insurance service result before reinsurance contracts held</b>	237,283	2,562	(15,326)	638,398	7,428	38,642	14,058	923,045
Allocation of reinsurance premiums	(96,659)	-	(2,870)	(1,478,824)	(1,998)	(1,387)	(37,062)	(1,618,800)
Amounts recoverable from reinsurers for incurred claims	45,390	-	8,105	933,535	64	(52)	25,846	1,012,888
<b>Net expenses / (income) from reinsurance contracts held</b>	(51,269)	-	5,235	(545,289)	(1,934)	(1,439)	(11,216)	(605,912)
<b>Insurance service result</b>	186,014	2,562	(10,091)	93,109	5,494	37,203	2,842	317,133
Net finance expenses / (income) from insurance contracts issued	(5,844)	-	718	7,573	-	(25)	(75)	2,347
Net finance (income) / from reinsurance contracts held	(141)	-	(139)	(7,889)	-	1	70	(8,098)
<b>Net insurance finance (expenses) / income</b>	(5,985)	-	579	(316)	-	(24)	(5)	(5,751)
<b>Other non-insurance items</b>								
Commission income								260,002
Dividend income								3,452
Gain on disposal of available-for-sale investments								36,488
Net fair value losses on financial assets at fair value through profit or loss								39,967
Share of profit from equity accounted investments								32,207
Expected credit loss allowance on financial assets								(141,502)
Other operating expenses								(178,003)
Other income, net								27,586
<b>Net profit for the period before zakat</b>								<u>391,579</u>
The details of gross written premiums are as follows:								
- Retail	37,088	543,203	794,631	25,544	543,198	125,358	-	2,069,022
- Micro Enterprises	465,560	-	67,455	55,561	-	-	-	588,576
- Small Enterprises	385,371	-	29,785	28,039	-	-	316	443,511
- Medium Enterprises	385,719	-	65,540	38,952	-	-	1,375	491,586
- Corporates	8,644,492	-	84,445	1,985,392	-	-	48,489	10,762,818
	9,918,230	543,203	1,041,856	2,133,488	543,198	125,358	50,180	14,355,513

\* Gross written premiums relating to medical segment includes medical compulsory business amounting to SAR 8,167 million.

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**29. OPERATING SEGMENTS (continued)**

**b) Statement of financial position**

Operating Segments	As at December 31, 2023							Total - Insurance & Shareholders' operations
	Medical*	Medical - Umrah	Motor	Property & casualty	General accidents - Hajj & Umrah	Travel & COVID-19	Protection & Savings	
	SAR'000							
<b>Assets</b>								
Reinsurance contract assets	87,468	-	13,167	3,293,992	102,332	1,718	36,264	3,534,941
Cash and cash equivalents								2,081,707
Term deposits								7,368,373
Investments including accrued investment income								1,019,969
Total unallocated assets								4,411,736
<b>Total assets</b>								<b>18,416,726</b>
<b>Liabilities</b>								
Insurance contract liabilities	5,746,264	345,748	2,145,087	4,422,970	656,315	76,335	43,438	13,436,157
Unallocated liabilities								1,358,752
<b>Total liabilities</b>								<b>14,794,909</b>
	As at December 31, 2022 (Restated)							
Operating Segments	Medical*	Medical - Umrah	Motor	Property & casualty	General accidents - Hajj & Umrah	Travel & COVID-19	Protection & Savings	Total Insurance & Shareholders' operations
	SAR'000							
<b>Assets</b>								
Reinsurance contract assets	106,861	-	28,490	2,549,865	35,566	1,117	32,555	2,754,454
Cash and cash equivalents								1,659,193
Term deposits								5,980,827
Investments including accrued investment income								1,062,977
Total unallocated assets								3,802,939
<b>Total assets</b>								<b>15,260,390</b>
<b>Liabilities</b>								
Insurance contract liabilities	5,476,773	267,455	1,017,471	3,761,886	459,016	84,838	33,590	11,101,029
Unallocated liabilities								1,026,801
<b>Total liabilities</b>								<b>12,127,830</b>

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**29. OPERATING SEGMENTS (continued)**

**b) Statement of financial position (continued)**

Operating Segments	As of January 1, 2022 (Restated)							Total - Insurance operations
	Medical*	Medical - Umrah	Motor	Property & casualty	General accidents - Hajj & Umrah	Travel & COVID-19	Protection & Savings	
	SAR'000							
<b>Assets</b>								
Reinsurance contract assets	103,270	-	28,846	2,489,482	-	-	26,608	2,648,206
Cash and cash equivalents								1,188,136
Term deposits								3,787,578
Investments including accrued investment income								2,374,986
Total unallocated assets								2,525,710
<b>Total assets</b>								<b>12,524,616</b>
<b>Liabilities</b>								
Insurance contract liabilities	4,496,489	2,182	751,279	3,161,662	1,797	9,974	21,797	8,445,180
Reinsurance contract liabilities	-	-	-	-	461	908	-	1,369
Unallocated liabilities								1,141,870
<b>Total liabilities</b>								<b>9,588,419</b>

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**30. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND APPROACH**

The Group has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

1. To maintain the required level of stability of the Group thereby providing a degree of security to policyholders;
2. To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and shareholders;
3. To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
4. To align the profile of assets and liabilities, taking account of risks inherent in the business;
5. To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.
6. To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.

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

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

- a) Minimum Capital Requirement of SAR 200 million.
- b) Premium Solvency Margin.
- c) Claims Solvency Margin

The Group has complied with above requirement at each reporting date presented.

**Approach to capital management**

The Group seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders.

The Group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics. An important aspect of the Company's overall capital management process is the setting of target risk adjusted rates of return, which are aligned to performance objectives and ensure that the Company is focused on the creation of value for shareholders. The capital requirements are routinely forecast on a periodic basis and assessed against both the forecast available capital and the expected internal rate of return, including risk and sensitivity analyses. The process is ultimately subject to approval by the Board.

**31. CONTINGENT LIABILITIES**

As at December 31, 2023, the Group was contingently liable for letters of guarantees, issued on its behalf by the banks, amounting to SAR 457 million (December 31, 2022: SAR 276 million and January 1, 2022: SAR 258 million) occurring in the normal course of business.

The Company, in common with other 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 consolidated financial statements.

**32. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements have been approved by the Board of Directors, on 25, Shaban 1445H, corresponding to March 6, 2024G.

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**1. SUPPLEMENTARY INFORMATION**

**a. CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE**

	31 December 2023			31 December 2022		
	Insurance operations	Shareholders' operation	Total	Insurance operations	Shareholders' operation	Total
	SAR'000					
Total Assets	14,357,194	4,172,174	18,529,368	11,824,687	3,536,295	15,360,982
Total Liabilities	14,350,205	557,346	14,907,551	11,818,290	410,132	12,228,422
Total Equities	6,989	3,614,828	3,621,817	6,397	3,126,163	3,132,560

**b. CONSOLIDATED STATEMENT OF INCOME**

	31 December 2023			31 December 2022		
	Insurance operations	Shareholders' operation	Total	Insurance operations	Shareholders' operation	Total
Insurance revenue	15,265,424	-	15,265,424	11,408,348	-	11,408,348
Insurance service expenses	(14,067,493)	-	(14,067,493)	(10,485,303)	-	(10,485,303)
<b>Insurance service result before reinsurance contracts held</b>	<b>1,197,931</b>	<b>-</b>	<b>1,197,931</b>	<b>923,045</b>	<b>-</b>	<b>923,045</b>
Allocation of reinsurance premiums	(1,889,590)	-	(1,889,590)	(1,618,800)	-	(1,618,800)
Amounts recoverable from reinsurers for incurred claims	1,372,831	-	1,372,831	1,012,888	-	1,012,888
<b>Net income from reinsurance contracts held</b>	<b>(516,759)</b>	<b>-</b>	<b>(516,759)</b>	<b>(605,912)</b>	<b>-</b>	<b>(605,912)</b>
<b>Insurance service result - net</b>	<b>681,172</b>	<b>-</b>	<b>681,172</b>	<b>317,133</b>	<b>-</b>	<b>317,133</b>
Commission & dividend income	313,002	137,428	450,430	187,945	72,057	260,002
Dividend income	2,576	-	2,576	3,452	-	3,452
Gain on disposal of AFS investments	-	-	-	55,304	(18,816)	36,488
Net fair value gains / (losses) on investments at FVPL	23,526	(79,702)	(56,176)	32,931	7,036	39,967
Share of profit from equity accounted investments, net	-	38,710	38,710	-	32,207	32,207
<b>Net profits on investments</b>	<b>339,104</b>	<b>96,436</b>	<b>435,540</b>	<b>279,632</b>	<b>92,484</b>	<b>372,116</b>
Expected credit loss allowance on financial assets	16,234	-	16,234	(141,502)	-	(141,502)
Finance (expense) / income from insurance contracts issued	(142,152)	-	(142,152)	2,347	-	2,347
Finance income / (expense) from reinsurance contracts held	73,838	-	73,838	(8,098)	-	(8,098)
Net insurance finance (expense) / income	(68,314)	-	(68,314)	(5,751)	-	(5,751)
<b>Net insurance financial result</b>	<b>968,196</b>	<b>96,436</b>	<b>1,064,632</b>	<b>449,512</b>	<b>92,484</b>	<b>541,996</b>
Other operating expenses	(365,136)	(62,258)	(427,394)	(170,464)	(7,539)	(178,003)
Other income, net	73,846	6,722	80,568	26,655	931	27,586
<b>Net profit for the year before zakat</b>	<b>676,906</b>	<b>40,900</b>	<b>717,806</b>	<b>305,703</b>	<b>85,876</b>	<b>391,579</b>
Zakat charge for the period	-	(101,380)	(101,380)	-	(89,386)	(89,386)
<b>Net profit for the year after zakat</b>	<b>676,906</b>	<b>(60,480)</b>	<b>616,426</b>	<b>305,703</b>	<b>(3,510)</b>	<b>302,193</b>

**c. CONSOLIDATED STATEMENT OF CASH FLOWS**

	31 December 2023			31 December 2022		
	Insurance operations	Shareholders' operation	Total	Insurance operations	Shareholders' operation	Total
	SAR'000					
Net income for the year before zakat	676,906	40,900	717,806	305,703	85,876	391,579
Net cash generated from operating activities	750,301	123,282	873,583	693,214	88,652	781,866
Net cash used in investing activities	(951,457)	(92,567)	(1,044,024)	(242,617)	(459,743)	(702,360)
Net cash used in financing activities	-	(124,851)	(124,851)	-	(28)	(28)
Net change in cash and cash equivalents	475,750	(53,236)	422,514	756,300	(285,243)	471,057
Cash and cash equivalents at the beginning of the year	1,606,212	52,981	1,659,193	1,160,972	27,164	1,188,136
Cash and cash equivalents at the end of the year	2,081,962	(255)	2,081,707	1,917,272	(258,079)	1,659,193