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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
AND INDEPENDENT AUDITORS' REPORT

AL SAGR COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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PKF Ibrahim Ahmed Al-Bassam & Co
Certified Public Accountants - Al-Bassam & Co.
(member firm of PKF International)

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Al Sagr Cooperative Insurance Company (the "Company"), which comprise the statement of financial position as at December 31, 2020, the statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS"), that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Certified Public 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 financial statements* section of our report. We are independent of the Company in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key audit matters

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

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

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Valuation of ultimate claim liabilities arising from insurance contracts	
As at December 31, 2020, outstanding claims, claims incurred but not reported ("IBNR"), additional premium reserves and other technical reserves amounted to Saudi Riyals 106.6 million, Saudi Riyals 76.1 million, Saudi Riyals 14.0 million and Saudi Riyals 6.1 million, respectively. The estimation of insurance contract liabilities involves a significant degree of judgement. The liabilities are based on the best-estimate of the ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with the related claims handling costs. The Company uses an external actuary ("management's expert") to provide them with the estimate of such liabilities. A range of methods were used to determine these provisions which were based on a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. We considered this as a key audit matter as the valuation of insurance contract liabilities, including the impact of COVID-19, require the use of significant judgement and estimates. Refer to Note 3.8 to the financial statements for the accounting policy relating to insurance contract liabilities, Note 4 for the disclosure of significant accounting estimates and judgements and Notes 11 and 29.7 for the disclosure of matters related to insurance contract liabilities.	We performed the following procedures: • Understood, evaluated and tested key controls around the claims handling and provision setting processes; • Tested the amounts recorded for a sample of claims notified and paid. On a sample basis, we also compared the outstanding claims amounts to the appropriate source documentation to evaluate the valuation of outstanding claims; • Evaluated the competence, capabilities and objectivity of the management's expert based on their professional qualifications and experience and assessed their independence; • Obtained sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, and tested on sample basis, the accuracy and completeness of underlying claims data utilised by the management's expert in estimating the IBNR, additional premium reserves and other technical reserves by verifying it with the underlying accounting and other records; • Involved our internal experts to evaluate the Company's actuarial practices and related provisions established and gained comfort over the actuarial report issued by the management's expert. We also performed the following procedures: (i) Evaluated whether the Company's actuarial methodologies were consistent with generally accepted actuarial practices and with prior years. We sought sufficient justification for any significant differences; (ii) Assessed key actuarial assumptions including claims ratios and expected frequency and severity of claims. We challenged these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge; and

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

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
	(iii) Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivity analysis performed. • Our internal experts also performed independent re-projections on IBNR, additional premium reserves and other technical reserves for significant operating segments to compare them with the amounts recorded by management and sought to understand any significant differences; and • Assessed the adequacy and appropriateness of the related disclosures in Notes 3.8, 4, 11 and 29.7 to the financial statements.

Other information

The Board of Directors of the Company (the "Directors") are responsible for the other information. The other information comprises information included in the Company's 2020 annual report, but does not include the financial statements and our auditors' report thereon, which is expected to be made available to us after the date of this auditors' report.

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

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

When we read the Company's 2020 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Responsibilities of the Directors and those charged with governance for the financial statements

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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Certified Public Accountants - Al-Bassam & Co.
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Independent auditors' report to the shareholders of Al Sagr Cooperative Insurance Company (continued)

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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March 31, 2021
18 Shaaban 1442H

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

	Note	As at December 31, 2020	As at December 31, 2019
ASSETS			
Cash and cash equivalents	6	**343,337,078**	255,104,408
Short-term deposits	7	**-**	120,130,556
Premiums and insurers' balances receivable - net	8	**63,838,511**	94,924,166
Reinsurers' share of unearned premiums	11	**18,949,044**	15,100,022
Reinsurers' share of outstanding claims	11	**26,901,755**	70,047,887
Reinsurers' share of claims incurred but not reported	11	**12,002,373**	13,902,786
Deferred policy acquisition costs	9	**9,025,462**	11,860,665
Investments			
Available-for-sale investments	12	**44,085,244**	39,093,682
Financial assets at fair value through profit or loss	12	**100,464,703**	98,111,866
Held-to-maturity investments	12	**-**	110,000,000
Prepaid expenses and other assets	10	**22,213,192**	24,058,296
Long-term deposits	7	**86,250,000**	101,250,000
Property and equipment	13	**3,983,519**	4,143,639
Intangible assets	14	**1,862,987**	1,596,438
Goodwill	15	**25,513,750**	25,513,750
Statutory deposit	16	**40,000,000**	40,000,000
Accrued income on statutory deposit	16	**5,573,503**	4,753,639
TOTAL ASSETS		**804,001,121**	1,029,591,800
LIABILITIES			
Accounts payable		**7,791,663**	5,417,406
Accrued and other liabilities	19	**29,921,083**	32,154,043
Reinsurers' balances payable		**2,702,094**	5,333,811
Unearned premiums	11	**171,428,813**	230,733,866
Unearned reinsurance commission	20	**3,195,070**	2,197,204
Outstanding claims	11	**106,553,198**	169,692,335
Claims incurred but not reported	11	**76,121,056**	63,180,565
Additional premium reserves	11	**14,025,166**	17,314,969
Other technical reserves	11	**6,128,675**	2,045,033
Due to a related party	17	**1,123,750**	1,123,750
Employee benefit obligations	21	**9,207,307**	9,664,194
Zakat payable	18	**46,857,518**	45,730,348
Accrued commission income payable to SAMA	16	**5,573,503**	4,753,639
Dividend payable		**370,743**	370,743
Surplus distribution payable	25	**35,219,225**	44,432,361
TOTAL LIABILITIES		**516,218,864**	634,144,267
EQUITY			
Share capital	22	**400,000,000**	400,000,000
Statutory reserve	1, 23	**-**	47,342,202
Accumulated losses		**(122,571,875)**	(57,434,850)
Remeasurement reserve of employee benefit obligations		**2,296,547**	471,446
Fair value reserve on investments		**8,057,585**	5,068,735
NET EQUITY		**287,782,257**	395,447,533
TOTAL LIABILITIES AND EQUITY		**804,001,121**	1,029,591,800

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

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

	Note	Year ended December 31, 2020	2019
REVENUES			
Gross premiums written	5	**379,113,658**	455,702,761
Reinsurance premiums ceded:			
- Foreign	5	**(37,499,244)**	(31,095,749)
- Local	5	**(2,415,663)**	(1,379,520)
Excess of loss premiums:			
- Foreign	5	**(21,292,607)**	(32,259,289)
- Local	5	**(3,738,264)**	(4,733,717)
Net premiums written		**314,167,880**	386,234,486
Changes in unearned premiums	5	**59,305,053**	(47,854,109)
Changes in reinsurers' share of unearned premiums	5	**3,849,022**	2,248,334
Net premiums earned		**377,321,955**	340,628,711
Reinsurance commissions	20	**6,315,317**	4,769,343
Total revenues		**383,637,272**	345,398,054
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	5	**(495,300,165)**	(315,173,583)
Reinsurers' share of claims paid		**85,390,184**	32,814,789
Claims handling expenses		**(17,035,819)**	(15,015,459)
Net claims and other benefits paid		**(426,945,800)**	(297,374,253)
Changes in outstanding claims	11	**63,139,137**	(26,362,098)
Changes in reinsurers' share of outstanding claims	11	**(43,146,132)**	25,988,451
Changes in claims incurred but not reported	11	**(12,940,491)**	(24,046,174)
Changes in reinsurers' share of claims incurred but not reported	11	**(1,900,413)**	(2,488,670)
Net claims and other benefits incurred		**(421,793,699)**	(324,282,744)
Policy acquisition costs	9	**(23,345,148)**	(26,401,175)
Changes in additional premium reserves	11	**3,289,803**	7,396,184
Changes in other technical reserves	11	**(4,083,642)**	1,580,874
Other underwriting expenses, net	27	**(9,619,698)**	(6,114,198)
Total underwriting costs and expenses, net		**(455,552,384)**	(347,821,059)
NET UNDERWRITING LOSS		**(71,915,112)**	(2,423,005)

(Continued)

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

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

	Note	Year ended December 31, 2020	2019
OTHER OPERATING (EXPENSES) INCOME			
Allowance for doubtful debts	8	**(83,258)**	(9,848,364)
General and administrative expenses	26	**(69,380,570)**	(58,467,954)
Investment and commission income		**12,510,552**	23,433,174
Changes in fair value of financial assets at fair value through profit or loss - net	12	**6,156,992**	1,999,661
Realized gain on available-for-sale investments	12	**2,419,474**	3,174,967
Reversal of surplus distribution payable	25	**9,187,005**	-
Other income		**5,125,690**	2,270,215
Total other operating expenses, net		**(34,064,115)**	(37,438,301)
Total loss for the year before surplus attribution and zakat		**(105,979,227)**	(39,861,306)
Surplus attributed to the insurance operations	30	**-**	-
Total loss for the year before zakat		**(105,979,227)**	(39,861,306)
Zakat expense	18	**(6,500,000)**	(8,400,000)
Total loss for the year attributable to the shareholders		**(112,479,227)**	(48,261,306)
Weighted average number of outstanding shares	22	**40,000,000**	40,000,000
Loss per share (expressed in Saudi Riyals per share)			
Basic loss per share	24	**(2.81)**	(1.21)
Diluted loss per share	24	**(2.81)**	(1.21)

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

Masood

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

	Note	Year ended December 31, 2020	2019
Total loss for the year attributable to the shareholders		**(112,479,227)**	(48,261,306)
Other comprehensive income (loss):			
Items that will not be reclassified to the statement of income in subsequent years			
Re-measurement gain (loss) on employee benefit obligations	21	**1,825,101**	(89,745)
Items that will be reclassified to the statement of income in subsequent years			
Net change in fair value of available-for-sale investments	12	**2,988,850**	1,904,618
Total other comprehensive income		**4,813,951**	1,814,873
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(107,665,276)**	(46,446,433)

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

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

	Note	Share capital	Statutory reserve	Accumulated losses	Remeasurement reserve of employee benefit obligation	Fair value reserve on investments	Total
At January 1, 2020		**400,000,000**	**47,342,202**	**(57,434,850)**	**471,446**	**5,068,735**	**395,447,533**
Total comprehensive (loss) income for the year							
Total loss for the year attributable to the shareholders		**-**	**-**	**(112,479,227)**	**-**	**-**	**(112,479,227)**
Re-measurement gain on employee benefit obligations	21	**-**	**-**	**-**	**1,825,101**	**-**	**1,825,101**
Net change in fair value of available-for-sale investments	12	**-**	**-**	**-**	**-**	**2,988,850**	**2,988,850**
Total comprehensive (loss) income for the year		**-**	**-**	**(112,479,227)**	**1,825,101**	**2,988,850**	**(107,665,276)**
Transfer to retained earnings	1, 23	**-**	**(47,342,202)**	**47,342,202**	**-**	**-**	**-**
At December 31, 2020		**400,000,000**	**-**	**(122,571,875)**	**2,296,547**	**8,057,585**	**287,782,257**
At January 1, 2019		400,000,000	47,342,202	(9,173,544)	561,191	3,164,117	441,893,966
Total comprehensive (loss) income for the year							
Total loss for the year attributable to the shareholders		-	-	(48,261,306)	-	-	(48,261,306)
Re-measurement loss on employee benefit obligations	21	-	-	-	(89,745)	-	(89,745)
Net change in fair value of available-for-sale investments	12	-	-	-	-	1,904,618	1,904,618
Total comprehensive (loss) income for the year		-	-	(48,261,306)	(89,745)	1,904,618	(46,446,433)
At December 31, 2019		400,000,000	47,342,202	(57,434,850)	471,446	5,068,735	395,447,533

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

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

		Year ended December 31,	
		2020	**2019**
CASH FLOWS FROM OPERATING ACTIVITIES			
Total loss for the year before surplus attribution and zakat		**(105,979,227)**	(39,861,306)
Adjustments for non-cash items:			
Depreciation of property and equipment	13	**1,248,563**	1,353,200
Amortization of intangible assets	14	**654,344**	471,961
Provision for employee benefit obligations	21	**2,472,668**	2,345,910
Changes in fair value on financial assets at fair value through profit or loss	12	**(6,156,992)**	(1,999,661)
Realized gain on available-for-sale investments	12	**(2,419,474)**	(3,174,967)
Realized gain on financial assets at fair value through profit or loss	12	**(1,109,408)**	-
Reversal of surplus distribution payable		**(9,187,005)**	-
Allowance for doubtful debts	8	**83,258**	9,848,364
Changes in operating assets and liabilities:			
Unearned premiums	11	**(59,305,053)**	47,854,109
Premiums and insurers' balances receivable - net	8	**27,979,416**	(11,829,676)
Reinsurers' share of unearned premiums	11	**(3,849,022)**	(2,248,334)
Reinsurers' share of outstanding claims	11	**43,146,132**	(25,988,451)
Reinsurers' share of claims incurred but not reported	11	**1,900,413**	2,488,670
Deferred policy acquisition costs	9	**2,835,203**	655,627
Prepaid expenses and other assets	10	**1,845,104**	(2,453,385)
Accounts payable		**2,374,257**	98,195
Accrued and other liabilities	19	**(1,061,110)**	6,451,472
Reinsurers' balances payable		**(2,631,717)**	(2,523,744)
Unearned reinsurance commission	20	**997,866**	447,162
Outstanding claims	11	**(61,314,137)**	26,362,098
Claims incurred but not reported	11	**12,940,491**	24,046,174
Additional premium reserves	11	**(3,289,803)**	(7,396,184)
Other technical reserves	11	**4,083,642**	(1,580,874)
Employee benefit obligations paid	21	**(1,104,454)**	(1,586,706)
Zakat paid	18	**(5,372,830)**	(4,940,173)
Accrued commission income payable to SAMA		**819,864**	1,285,523
Surplus distribution payable to policyholders	25	**-**	(64,199)
Net cash (utilized in) generated from operating activities		**(159,399,011)**	18,060,805
CASH FLOWS FROM INVESTING ACTIVITIES			
Liquidation of short-term deposits		**170,130,556**	371,576,871
Placement in short-term deposits		**(50,000,000)**	(358,451,356)
Statutory deposit commission income		**(819,864)**	(1,285,523)
Purchase of financial assets at fair value through profit or loss	12	**(285,113)**	(68,625,000)
Purchase of available-for-sale investments	12	**(42,991,081)**	(32,550,993)
Purchase of property and equipment	13	**(1,088,443)**	(1,237,290)
Purchase of intangible assets	14	**(920,893)**	(1,308,870)
Proceeds from disposal of available-for-sale investments	12	**43,407,843**	31,566,662
Proceeds from disposal of financial assets at fair value through profit or loss	12	**5,198,676**	10,862,283
Proceeds from disposal of held-to-maturity investments	12	**110,000,000**	-
Liquidation of long-term deposits		**15,000,000**	-
Net cash generated from (utilized in) investing activities		**247,631,681**	(49,453,216)

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

		Year ended December 31,	
		2020	**2019**
Net change in cash and cash equivalents		**88,232,670**	(31,392,411)
Cash and cash equivalents, beginning of the year		**255,104,408**	286,496,819
Cash and cash equivalents, end of the year	6	**343,337,078**	255,104,408
Supplemental non-cash information:			
Net change in fair value reserve for available-for-sale investments	12	**2,988,850**	1,904,618
Surplus distribution payable adjusted against:			
- Insurance premium receivable from policyholders		**26,131**	363,277
- VAT receivable on unearned premium		**-**	862,600
- Insurance premium receivable from related parties		**-**	85,148
Settlement of premium receivable from a shareholder through rent due to them		**1,171,850**	1,082,572
Settlement of premium receivable from a shareholder against outstanding claims due to the shareholder		**1,825,000**	-
Re-measurement (gain) loss on employee benefit obligations	21	**1,825,101**	(89,745)

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

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(All amounts expressed in Saudi Riyals unless otherwise stated)

1. General - Legal status and principal activities

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

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

The loss for the year ended December 31, 2020 is mainly attributable to the substantial increase in the medical claims. Management has formulated and implemented measures which, among others, include better pricing strategies and diversification of insurance portfolio. Results from such measures are expected to reflect positively in the year 2021 and such positive trend as a result of corrective measures is expected to continue, provided that the underlying projections of the business and economic conditions continue to be realized.

On 29 Dhul Qada 1442H (corresponding to July 20, 2020), the Board of Directors of the Company resolved to utilise the statutory reserve amounting to Saudi Riyals 47.3 million to absorb a portion of the accumulated losses of the Company. On 29 Muharram 1442H (corresponding to September 17, 2020), the Company received SAMA's approval in relation to the utilisation of statutory reserve to absorb the accumulated losses. The Company's shareholders, in an ordinary general assembly meeting held on 10 Rabi'I 1442H (corresponding to October 27, 2020), approved the Board of Directors' recommendation to utilise the statutory reserve to absorb a portion of the accumulated losses. The impact of such adjustment to the statutory reserve has been reflected in the accompanying financial statements.

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

Branch Name	**Location**	**CR number**
Regional Branch	Dammam	2051036871
Regional Branch	Jeddah	4030182618
Regional Branch	Riyadh	1010243765

2. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

2. Basis of preparation (continued)

(a) *Statement of compliance* (continued)

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

In accordance with the requirements of Implementing Regulation for Co-operative Insurance Companies (the "Regulations") issued by SAMA and as per by-laws of the Company, shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policyholders are to receive the remaining 10%. Any deficit arising from insurance operations is transferred to the shareholders' operations in full.

The statements of financial position, income, comprehensive income and cash flows of the insurance operations and shareholders' operations which are presented in Note 30 to the financial statements have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations require the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders' operations. Accordingly, the statements of financial position, income, comprehensive income and cash flows prepared for the insurance operations and shareholders' operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

In preparing the Company's financial statements in compliance with IFRS as endorsed in the Kingdom of Saudi Arabia, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Inter-operation balances, transactions and unrealized 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.

(b) *Basis of measurement*

These financial statements are prepared under the going concern basis and the historical cost convention, except as described in Note 3.

(c) *Basis of presentation*

The Company's statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, short-term deposits, premiums and insurers' balances receivable - net, prepaid expenses and other assets, available-for-sale investments, financial assets at fair value through profit or loss, accrued income on statutory deposit, accounts payable, accrued and other liabilities, reinsurers' balances payable, due to a related party, outstanding claims, claims incurred but not reported ("IBNR"), additional premium reserves, other technical reserves, zakat payable, accrued commission income payable to SAMA, dividend payable and surplus distribution payable. The following balances would generally be classified as non-current: long-term deposits, held-to-maturity investments, property and equipment, intangible assets, goodwill, statutory deposit and employee benefit obligations. The balances which are of mixed in nature i.e. include both current and non-current portions include reinsurers' share of unearned premiums, deferred policy acquisition costs, unearned premiums and unearned reinsurance commission.

2. Basis of preparation (continued)

(d) Functional and presentation currency

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

(e) Seasonality of operations

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

3. Summary of significant accounting policies

The significant accounting policies used in the preparation of these financial statements are consistently applied for all years presented.

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

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

- **IFRS 9 - Financial Instruments ("IFRS 9")**

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

a) Classification and measurement:

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

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

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

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

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

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

3. Summary of significant accounting policies (continued)

3.1 New standards, amendments and interpretations not yet applied by the Company (continued)

- **IFRS 9 - Financial Instruments ("IFRS 9")** (continued)

a) *Classification and measurement (continued):*

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

b) *Impairment:*

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

c) *Hedge accounting:*

IFRS 9 introduces new requirements for hedge accounting that align hedge accounting more closely with Risk Management. The requirements establish a more principles-based approach to the general hedge accounting model. The amendments apply to all hedge accounting with the exception of portfolio fair value hedges of interest rate risk (commonly referred to as "fair value macro hedges"). For these, an entity may continue to apply the hedge accounting requirements currently in IAS 39. This exception was granted largely because the IASB is addressing macro hedge accounting as a separate project.

Effective date

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

1. apply a temporary exemption from implementing IFRS 9 until the earlier of:

   a. the effective date of a new insurance contract standard; or

   b. annual reporting periods beginning on or after January 1, 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or

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

   The Company has performed a detailed assessment during 2019:

   i) the carrying amount of the Company's liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives unbundled from insurance contracts) were compared to the total carrying amount of all its liabilities; and

3. Summary of significant accounting policies (continued)

3.1 New standards, amendments and interpretations not yet applied by the Company (continued)

- **IFRS 9 - Financial Instruments ("IFRS 9")** (continued)

Effective date (continued)

ii) the total carrying amount of the Company's liabilities connected with insurance were compared to the carrying amount of all its liabilities. As of 1 April 2016, the Company's liabilities connected with insurance were 93% of all of its liabilities, and based on such assessment, the Company determined that it is eligible for the temporary exemption. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of IFRS 17. Disclosures related to financial assets required during the deferral period are included in the Company's financial statements.

Impact assessment

As at December 31, 2020, the Company has total financial assets and insurance related assets amounting to Saudi Riyals 773.1 million and Saudi Riyals 263.5 million, respectively (2019: Saudi Riyals 1,001.0 million and Saudi Riyals 213.1 million, respectively). Currently, financial assets held at amortized cost consists of loans and receivables (i.e cash and cash equivalents, short and long-term deposits, premiums and insurers' balances receivable, reinsurers' share of outstanding claims, reinsurers' share of claims incurred but not reported and other assets), and held to maturity investments amounting to Saudi Riyals 628.5 million (2019: Saudi Riyals 864 million). Financial assets held at amortised cost are expected to meet the SPPI test as required by IFRS 9, and the Company expects to measure such assets at amortised cost.

Fair value of unit linked investments held at fair value through profit or loss as at December 31, 2020 is Saudi Riyals 100.5 million (2019: Saudi Riyals 98.1 million). Other financial assets consist of available-for-sale investments measured at fair value, of Saudi Riyals 44.1 million (2019: Saudi Riyals 39.1 million) with net increase in fair value during the year of Saudi Riyals 3.0 million (2019: net increase of Saudi Riyals 1.9 million). The Company expects to use the FVOCI classification for these financial assets based on the business model of the Company for debt securities and strategic nature of equity investments. However, the Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9.

Credit risk exposure, concentration of credit risk and credit quality of these financial assets are mentioned in Note 29.9 to the financial statements.

The Company's financial assets have low credit risk as at December 31, 2020 and 2019. The above is based on high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects some effect of applying the impairment requirements of IFRS 9. However, the impact of the same is not expected to be significant. At present, it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed review.

- **IFRS 17, 'Insurance Contracts'**

Overview

This standard has been published in May 2017. It establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 - Insurance contracts.

The new standard applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features, provided the entity also issues insurance contracts.

3. Summary of significant accounting policies (continued)

3.1 New standards, amendments and interpretations not yet applied by the Company (continued)

- **IFRS 17, 'Insurance Contracts'** (continued)

Overview (continued)

It requires to separate the following components from insurance contracts:

i. embedded derivatives, if they meet certain specified criteria;
ii. distinct investment components; and
iii. any promise to transfer distinct goods or non-insurance services.

These components should be accounted for separately in accordance with the related standards (IFRS 9 and IFRS 15).

Measurement

In contrast to the requirements in IFRS 4, which permitted insurers to continue to use the accounting policies for measurement purposes that existed prior to January 2015, IFRS 17 provides the following different measurement models:

The General Measurement Model ("GMM")

GMM is based on the following "building blocks":

a) the fulfilment cash flows (FCF), which comprise:
  - probability-weighted estimates of future cash flows;
  - an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows; and
  - a risk adjustment for non-financial risk.

b) the Contractual Service Margin ("CSM"). The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately.

At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:

- the liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date; and
- the liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.

The CSM is adjusted subsequently for changes in cash flows related to future services but the CSM cannot be negative, changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss.

The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.

Interest is also accreted on the CSM at rates locked in at initial recognition of a contract (i.e. discount rate used at inception to determine the present value of the estimated cash flows). Moreover, the CSM will be released into profit or loss based on coverage units, reflecting the quantity of the benefits provided and the expected coverage duration of the remaining contracts in the group.

3. Summary of significant accounting policies (continued)

3.1 New standards, amendments and interpretations not yet applied by the Company (continued)

- **IFRS 17, 'Insurance Contracts'** (continued)

Measurement (continued)

The Variable Fee Approach ("VFA")

VFA is a mandatory model for measuring contracts with direct participation features (also referred to as 'direct participating contracts'). This assessment of whether the contract meets these criteria is made at inception of the contract and not reassessed subsequently. For these contracts, in addition to the adjustment under GMM, CSM is also adjusted for:

i. the entity's share of the changes in the fair value of underlying items; and
ii. the effect of changes in the time value of money and in financial risks not relating to the underlying items.

Premium Allocation Approach ("PAA")

PAA, a simplified approach, is permitted for the measurement of the liability for remaining coverage if it provides a measurement that is not materially different from the GMM for a group of contracts or if the coverage period for each contract in the group is one year or less. With the PAA, the liability for remaining coverage corresponds to premiums received at initial recognition less insurance acquisition cash flows. The GMM remains applicable for the measurement of the liability for incurred claims. However, the entity is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid / received in one year or less from the date the claims are incurred.

Effective date

The IASB issued an Exposure Draft Amendments to IFRS 17 during June 2019 and received comments from various stakeholders. The IASB is currently re-deliberating issues raised by stakeholders. For any proposed amendments to IFRS 17, the IASB will follow its normal due process for standard-setting. The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4, is currently January 1, 2023. Earlier application is permitted if both IFRS 15 - Revenue from Contracts with Customers and IFRS 9 - Financial Instruments have also been applied. The Company intends to apply the standard on its effective date.

Transition

Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

Presentation and Disclosures

The Company expects that the new standard will result in a change to the accounting policies for insurance contracts and reinsurance, together with amendments to presentation and disclosures.

3. Summary of significant accounting policies (continued)

3.1 New standards, amendments and interpretations not yet applied by the Company (continued)

- **IFRS 17, 'Insurance Contracts'** (continued)

Impact

The Company is currently in design phase of IFRS 17 implementation which requires developing and designing new processes and procedures for the business including any system developments required under IFRS 17 and detailed assessment of business requirements. Following are the main areas under design phase and status of the progress made so far by the Company:

Major areas of design phase	Summary of progress
Governance and control framework	The Company has put in place a comprehensive IFRS 17 governance program which includes establishing oversight steering committee for monitoring the progress of implementation and assigning roles and responsibilities to various stakeholders.
Operational area	The Company is in progress of designing operational aspects of the design phase which includes establishing comprehensive data policy and data dictionary. Also, the Company is finalizing architectural designs for various sub-systems. The Company has progressed through assessment of business requirements and has selected IFRS 17 solution and has developed system implementation plan with a vendor along with high level timelines, while finalizing various process needed for transition and assessment of new resources needed.
Technical and financial area	The Company has completed various policy papers encompassing various technical and financial matters after concluding on policy decisions required under the IFRS 17 standard. The policy decisions are taken after due deliberations among various stakeholders. Currently majority of policy papers have been approved by the Company's IFRS 17 project steering committee.
Assurance plan	The Company is working along with other stakeholders to finalize the assurance plan for transitional and post-implementation periods.

3.1.1 Other amendments to standards

Certain other amendments to standards became applicable for the current reporting period. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments to standards.

There are no other IFRSs or International Financing Reporting Standards Interpretations Committee (IFRS - IC) interpretations that are not yet effective that would be expected to have a material impact on the Company.

3. Summary of significant accounting policies (continued)

3.2 Revenue recognition

3.2.1 Recognition of premium and reinsurance commissions

Premiums and commission are recorded in the statement of income over the terms of the policies to which they relate on a pro-rata basis. The portion of premiums, reinsurance share of premiums and reinsurance commissions that will be earned in the future is reported as unearned premiums and unearned reinsurance commissions, respectively, and is deferred based on the following methods:

- Premium written in last three months of the period in respect of marine cargo;
- Pre-defined calculation for engineering class of business for risks undertaken that extend beyond a single year. In accordance with this calculation, lower premiums are earned in the first year which gradually increase towards the end of the tenure of the policy; and
- Actual number of days for other lines of business.

Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premium is taken to the statement of income in the same order that revenue is recognized over the period of risk.

3.2.2 Commission, dividend income and other income

Commission income on short-term deposits and long-term deposits is recognized on a time proportion basis using the effective interest rate method and are disclosed under 'Investment and commission income' in statement of income. Dividend income is recognized when the right to receive a dividend is established, and is included under realised gain on available-for-sale investments in the statement of income. Income from Al Manafeth third party liability insurance fund and Umrah product medical, general and accident insurance fund, is recognized as other income on the basis of quarterly financial statements released by their Fund Manager i.e. The Company for Cooperative Insurance.

3.3 Insurance contracts

Insurance contracts are contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits that would be paid if the insured event arose, with benefits payable if the insured event did not occur.

3.4 Claims

Claims comprise of amounts payable to policyholders and related loss adjustment expenses, net of salvage and other recoveries, and are charged to statement of income as incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the reporting date, whether reported or not. Provisions for reported claims not paid as at reporting date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported at the statement of financial position date. The ultimate liability may be in excess of or less than the amount provided.

Any difference between the provisions at the reporting date and settlements in the following year is included in the underwriting account for that year. The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately. The Company does not discount its liabilities for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

3. Summary of significant accounting policies (continued)

3.5 Salvage and subrogation reimbursement

Some insurance contracts permit the Company to sell assets (usually damaged) acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the outstanding claims liability. The allowance is the amount that can reasonably be recovered from the disposal of damaged assets.

Subrogation reimbursements are also considered as an allowance in the measurement of the outstanding claims liability. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

3.6 Reinsurance

The Company's reinsurance program is affected through proportional, non-proportional and facultative placements based on the Company's net retention policy, treaty limits, nature and size of the risks. The Company cedes insurance risk in the normal course of business for all of its products. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with reinsurance contracts.

An impairment review is performed at each statement of financial position date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Premiums and claims on assumed reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are determined in a manner consistent with the associated reinsurance contract.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Claims recoveries receivable from the reinsurers are recognised as an asset at the same time as the claims which give rise to the right of recovery are also recognised as a liability and are measured at the amount expected to be recovered.

3.7 Liability adequacy test

At each statement of financial position date, the Company reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the statement of income by setting up a provision.

3. Summary of significant accounting policies (continued)

3.8 Insurance contract liabilities

Insurance contract liabilities include the outstanding claims provision, claims incurred but not reported ("IBNR") provision, the provision for unearned and additional premium reserve (including premium deficiency reserves) and other technical reserves. The outstanding claims provision and IBNR provision are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions. The liability is not discounted for the time value of money. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract. At each reporting date, the Company reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the statement of income by setting up a provision for premium deficiency under "additional premium reserves". Other technical reserves comprise unallocated loss adjustment expense reserve and proportional and non-proportional reinsurance accrual reserve. Unallocated loss adjustment expense reserve is determined at the end of each reporting period and represents the estimated cost of claims processing that the Company would incur at the time of claims payout. Reinsurance accrual reserve (proportional and non-proportional) are reserves measured as the amount of reinsurance premiums, reinsurance commissions or any loss participations that have not been fully accrued.

3.9 Deferred policy acquisition costs

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate, similar to premiums earned. All other acquisition costs are recognized as an expense when incurred. Amortization is recorded in the "Policy acquisition costs" in the statement of income.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of income. Deferred policy acquisition costs are also considered in the liability adequacy test at each reporting date.

3. Summary of significant accounting policies (continued)

3.10 Unearned reinsurance commission income

Reinsurance commission income on outwards reinsurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate, similar to premiums earned. Amortization is recorded in the statement of income.

3.11 Premiums and insurers' balances receivable - net

Premiums and insurers' receivable are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable and are stated at gross less allowance for any uncollectable amount (allowance for doubtful debts) and any impairment in value. Bad debts are written off as incurred. The carrying value of premiums receivable and reinsurance receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income. Premiums receivable and reinsurance receivable are derecognized when the de-recognition criteria for financial assets have been met.

3.12 Financial assets

3.12.1 Classification

The Company classifies its financial assets in the following categories:

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short-term or that it has designated as available-for-sale investments. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

(b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are those investments that upon initial recognition are designated at fair value. Such investments are measured and carried at fair value with all changes in fair value being recorded in the statement of income.

(c) Available-for-sale investments

Available-for-sale investments are those investments that are not held-to-maturity nor held for trading.

Investments which are classified as "available-for-sale" are subsequently measured at fair value. For an available-for-sale investment where the fair value has not been hedged, any unrealized gain or loss arising from a change in its fair value is recognised directly in the statement of comprehensive income until the investment is derecognised or impaired at which time the cumulative gain or loss previously recognised in the statement of comprehensive income should be included in the statement of income for the year. Available-for-sale investments whose fair value cannot be reliably measured are carried at amortized cost less impairment provision.

(d) Held-to-maturity investments

Investments, which have fixed or determined payments and the Company has the positive intention and ability to hold to maturity are classified under this category. These investments are subsequently measured at amortized cost, less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on such investments is recognised in the statement of income when the investment is derecognized or impaired.

3. Summary of significant accounting policies (continued)

3.12 Financial assets (continued)

3.12.2 Recognition, measurement and de-recognition

Loans and receivable and investments held-to-maturity are carried at amortized costs less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on such investments is recognised in the statement of income when the investment is derecognised or impaired.

Financial assets at fair value through profit or loss are measured and carried at fair value. Any subsequent changes to the fair value are included in the statement of income.

Financial assets are derecognised when the rights to receive cash flows from those assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Purchases and sale of available-for-sale investments are recognised on the trade-date, which is the date on which the Company commits to purchase or sell the investment. Available-for-sale investments are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition and are subsequently carried at fair value.

Changes in the fair value of available-for-sale investments are recognised in statement of comprehensive income. When available-for-sale investments are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of income as 'gains and losses from available-for-sale investments'.

3.12.3 Determination of fair values

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, fair value is determined using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, and other valuation techniques commonly used by market participants. Dividends on financial assets at fair value through profit or loss and available-for-sale investments are recognised in the statement of income, when the Company's right to receive payments is established.

3.12.4 Impairment of financial assets

(a) Financial assets carried at amortised cost

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of income.

3. Summary of significant accounting policies (continued)

3.12 Financial assets (continued)

3.12.4 Impairment of financial assets (continued)

(b) Financial assets at fair value through profit or loss

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as financial asset at fair value through profit or loss, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment resulting in the recognition of an impairment loss. Impairment loss or its reversal is recognized in the statement of income.

(c) Available-for-sale investments

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment resulting in the recognition of an impairment loss.

The cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in statement of comprehensive income is removed from equity and recognised in the statement of income. If in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the statement of comprehensive income.

3.13 Financial liabilities

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the statements of income.

3.14 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 Company commits to purchase or sell the assets). Regular way purchases or sales of financial assets are transactions that require settlement of assets within the time frame generally established by regulation or convention in the market place.

3.15 Off-setting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised 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 are not off-set in the statement of income unless required or permitted by any accounting standard or interpretation.

3.16 Cash and cash equivalents

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

3. Summary of significant accounting policies (continued)

3.17 Short-term and long-term deposits

Short-term deposits comprise of time deposits with banks with maturity periods of more than three months and less than one year from the date of acquisition. Long-term deposits represent time deposits with maturity periods of more than one year from the date of placement.

3.18 Property and equipment

Property and equipment are initially recorded at cost and are stated at cost less accumulated depreciation and impairment in value, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

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

3.19 Goodwill

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

3.20 Intangible assets

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

3. Summary of significant accounting policies (continued)

3.21 Impairment of non-financial assets

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

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

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

3.22 Provisions and other liabilities

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

3.23 Employee benefit obligations

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

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

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

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

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

3. Summary of significant accounting policies (continued)

3.24 Dividend distribution

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

3.25 Zakat

The Company is subject to zakat in accordance with the regulations of the GAZT. Zakat, for the Company is calculated based on higher of approximate zakat base and adjusted net income. Additional amounts, if any, are accounted for when determined to be required for payment. Zakat is accrued on a quarterly basis.

3.26 Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to Saudi Riyals at the rate of exchange prevailing at the statement of financial position date. All differences, except for those arising on available-for-sale financial assets, are taken to the statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. As the Company's foreign currency transactions are primarily in US dollars which is pegged to Saudi Riyal, foreign exchange gains and losses are not significant.

3.27 Right-of-use assets and lease liabilities

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

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

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

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and

3. Summary of significant accounting policies (continued)

3.27 Right-of-use assets and lease liabilities (continued)

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

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

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

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

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

Based on the impact assessment performed by management, the identified impact from the adoption of IFRS 16 was not material and, hence, no adjustments were recognised by management in the accompanying financial statements.

The Company has used exemption available in IFRS 16 - Leases, for short-term leases and leases of low-value assets. These are recognised on a straight-line basis as an expense in the statement of income and amounted to Saudi Riyals 2.7 million and Saudi Riyals 3.1 million for the year ended December 31, 2020 and 2019, respectively.

4. Critical accounting judgments, estimates and assumptions

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

On March 11, 2020, the World Health Organization ("WHO") declared the Coronavirus ("Covid-19") outbreak as a pandemic in recognition of its rapid spread globally. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world have taken steps to contain the spread of Covid-19. The Kingdom of Saudi Arabia also implemented a number of measures including closure of borders, released social distancing guidelines and enforced country-wide lockdowns and curfews, which were subsequently lifted from June 21, 2020 owing to the drop in daily cases across the Kingdom of Saudi Arabia.

In response to the spread of Covid-19 in the Kingdom of Saudi Arabia and its consequential disruption to social and economic activities, the Company's management has assessed its impact on the Company's operations and has taken a series of proactive and preventive measures to ensure:

- the health and safety of its employees and the wider community where it is operating; and
- the continuity of its business throughout the Kingdom of Saudi Arabia is protected and remains intact.

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

4. Critical accounting judgments, estimates and assumptions (continued)

(i) Impact of Covid-19

Medical technical reserves

The Company's management believes that the Saudi Arabian government initiative of providing free healthcare to infected and suspected patients has helped in reducing any unfavourable impact. During the period of lockdowns and curfews as implemented by the Saudi Arabian government, the Company experienced a decline in medical reported claims (mainly elective and non-chronic treatment claims) which resulted in a decrease in claims experience which could have resulted from the deferral of certain medical treatments. Accordingly, the Company's management has duly considered the impact of such deferral of medical claims in the current estimate of future contractual cashflows of the insurance contracts in force as at December 31, 2020 for its liability adequacy test. Based on the results, the management believes that no additional IBNR is required to be maintained as at December 31, 2020, for the issued medical policies to account for the above explained deferral (December 31, 2019: Nil, September 30, 2020: IBNR of Saudi Riyals 3.1 million, June 30, 2020: additional premium reserves of Saudi Riyals 9.7 million, March 31, 2020: Nil).

Motor technical reserves

In response to the Covid-19 pandemic, SAMA issued a circular 189 (the "Circular") dated May 8, 2020 to all insurance companies in the Kingdom of Saudi Arabia. Amongst other things, the Circular instructed the insurance companies to extend the period of validity of all existing retail motor insurance policies by two months as well as providing two months of additional coverage for all new retail motor insurance policies written within one month of the date of the Circular.

Management, in conjunction with its appointed actuary, deliberated on a variety of internal factors and the Company prospectively assessed the sufficiency of its unexpired risk reserves in relation to those existing retail motor policies impacted by the Circular. For new retail motor policies issued as per the above Circular, the premium is earned over the period of twelve months as the impact of earnings over the period of coverage i.e. fourteen months is not considered significant by management for the year ended December 31, 2020 and subsequent periods. The Company's management has duly considered the impact of such existing and new retail motor policies impacted by the Circular on claims in the current estimate of future contractual cashflows of the insurance contracts in force as at December 31, 2020 for its liability adequacy test. As a result, the Company has maintained a premium deficiency reserve of Saudi Riyals 6.3 million on such policies as at December 31, 2020 (December 31, 2019: Nil, September 30, 2020: premium deficiency reserve of Saudi Riyals 5.7 million, June 30, 2020: additional premium deficiency reserve of Saudi Riyals 9.7 million, March 31, 2020: Nil).

Financial assets - investments and loans and receivables

For held-to-maturity investments and financial assets designated as loans and receivables, the Company has performed an assessment in accordance with its accounting policy due to the Covid-19 pandemic to determine whether there is objective evidence that a financial asset or group of financial assets is impaired. These include factors such as significant financial difficulties of issuers or debtors, default or delinquency in payments, probability that the issuer or debtor will enter bankruptcy or other financial reorganization, etc. For available-for-sale investments and at fair value through profit or loss, the Company has performed an assessment to determine whether there is a significant decline in the fair value of these investments to below cost along with other qualitative factors such as prolonged decline in the value of investments for equity instruments and / or occurrence of a credit default event in case of debt instruments. Based on these assessments, the Company believes that the Covid-19 pandemic has had no material effect on the Company's reported results for the year ended December 31, 2020. The Company continues to monitor the situation closely.

4. Critical accounting judgments, estimates and assumptions (continued)

(ii) Liability arising from claims under insurance contracts

Considerable judgement by management is required in the estimation of amounts due to policyholders arising from claims made under insurance policies. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the date of statement of financial position and for the expected ultimate cost of IBNR claims at the reporting date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions, if any, are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred and claims incurred but not reported, on a quarterly basis.

The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

(iii) Impairment of premiums and insurers' balances receivable and goodwill

An estimate of the uncollectible amount of premiums receivable, if any, is made when collection of the full amount of the receivables as per the original terms of the insurance policy is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due and Company's past experience.

The recoverable amount of goodwill is estimated based on the present value of the future cash flows expected to be derived from the asset. In case, the receivable amount is less than carrying value, the difference is charged to statement of income as impairment loss.

(iv) Impairment of investments

The Company treats investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. In addition, the Company evaluates other factors, including normal volatility in share price for quoted investments and the future cash flows and the discount factors for unquoted investments. Also see Note 3.21.

5. Segmental information

Operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the Company's Board of Directors in their function as chief operating decision maker in order to allocate resources to the segments and to assess its performance.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since December 31, 2019.

Segment results do not include general and administrative expenses, allowances for doubtful debts, investment and commission income, changes in fair value of financial assets at fair value through profit or loss - net, realized gain (loss) on available-for-sale investments, reversal of surplus distribution payable and other income.

Segment assets do not include cash and cash equivalents, term deposits, premiums and insurers' balances receivable - net, investments, prepaid expenses and other assets, property and equipment, intangible assets, goodwill, statutory deposits, accrued income on statutory deposit and, accordingly, they are included in unallocated assets.

Segment liabilities do not include accounts payable, accrued and other liabilities, reinsurer's balances payable, due to a related party, employee benefit obligations, zakat payable, accrued commission income payable to SAMA, dividend payable and surplus distribution payable and, accordingly, they are included in unallocated liabilities.

These unallocated assets and liabilities are not reported to chief operating decision maker under related segments and are monitored on a centralized basis.

For management purposes, the Company is organized into business units based on their products and services and has the following reportable segments:

- Medical
- Motor
- Property and casualty; and
- Protection and savings

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

Where intersegment transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments, which will then be eliminated at the level of financial statements of the Company.

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at December 31, 2020 and December 31, 2019, its total revenues, expenses, and net income for the years then ended, is as follows:

(All amounts expressed in Saudi Riyals unless otherwise stated)

5. Segmental information (continued)

	Medical	Motor	Property and casualty	Protection and savings	Total	Shareholders' operations	Total
For the year ended December 31, 2020							
REVENUES							
Gross premiums written	209,514,331	123,991,709	45,607,618	-	379,113,658	-	379,113,658
Reinsurance premiums ceded:							
- Foreign	(82,923)	-	(37,416,321)	-	(37,499,244)	-	(37,499,244)
- Local	-	(255,278)	(2,160,385)	-	(2,415,663)	-	(2,415,663)
Excess of loss premiums:				-		-	
- Foreign	(18,534,007)	(1,889,030)	(869,570)	-	(21,292,607)	-	(21,292,607)
- Local	(2,962,745)	(655,587)	(119,932)	-	(3,738,264)	-	(3,738,264)
Net premiums written	187,934,656	121,191,814	5,041,410	-	314,167,880	-	314,167,880
				-		-	
Changes in unearned premiums	87,179,161	(23,830,397)	(4,043,711)	-	59,305,053	-	59,305,053
Changes in reinsurers' share of unearned premiums	7,483	(175,561)	4,017,100	-	3,849,022	-	3,849,022
Net premiums earned	275,121,300	97,185,856	5,014,799	-	377,321,955	-	377,321,955
				-		-	
Reinsurance commissions	12,447	86,168	6,216,702	-	6,315,317	-	6,315,317
Total revenues	275,133,747	97,272,024	11,231,501	-	383,637,272	-	383,637,272
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	(378,704,199)	(58,434,782)	(58,161,184)	-	(495,300,165)	-	(495,300,165)
Reinsurers' share of claims paid	27,624,313	273,708	57,492,163	-	85,390,184	-	85,390,184
Claims handling expenses	(11,840,689)	(5,195,130)	-	-	(17,035,819)	-	(17,035,819)
Net claims and other benefits paid	(362,920,575)	(63,356,204)	(669,021)	-	(426,945,800)	-	(426,945,800)
Changes in outstanding claims	19,227,296	5,750,356	38,161,485	-	63,139,137	-	63,139,137
Changes in reinsurers' share of outstanding claims	(3,369,145)	78,072	(39,855,059)	-	(43,146,132)	-	(43,146,132)
Changes in claims incurred but not reported	(4,392,907)	(9,408,367)	860,783	-	(12,940,491)	-	(12,940,491)
Changes in reinsurers' share of claims incurred but not reported	(815,108)	109,067	(1,194,372)	-	(1,900,413)	-	(1,900,413)
Net claims and other benefits incurred	(352,270,439)	(66,827,076)	(2,696,184)	-	(421,793,699)	-	(421,793,699)

(Continued)

(All amounts expressed in Saudi Riyals unless otherwise stated)

5. **Segmental information** (continued)

	Medical	Motor	Property and casualty	Protection and savings	Total	Shareholders' operations	Total
Policy acquisition costs	(16,772,399)	(3,418,874)	(3,153,875)	-	(23,345,148)	-	(23,345,148)
Changes in additional premium reserves	8,811,063	(4,849,093)	(672,167)	-	3,289,803	-	3,289,803
Changes in other technical reserves	(892,361)	(2,403,391)	(787,890)	-	(4,083,642)	-	(4,083,642)
Other underwriting expenses, net	(6,282,767)	(2,966,469)	(370,462)	-	(9,619,698)	-	(9,619,698)
Total underwriting costs and expenses, net	(367,406,903)	(80,464,903)	(7,680,578)	-	(455,552,384)	-	(455,552,384)
NET UNDERWRITING (LOSS) INCOME	(92,273,156)	16,807,121	3,550,923	-	(71,915,112)	-	(71,915,112)
OTHER OPERATING (EXPENSES) INCOME							
Allowance for doubtful debts					(83,258)	-	(83,258)
General and administrative expenses					(63,539,339)	(5,841,231)	(69,380,570)
Investment and commission income					5,719,863	6,790,689	12,510,552
Changes in fair value of financial assets at fair value through profit or loss - net					(381,612)	6,538,604	6,156,992
Realized gain on available-for-sale investments					684,432	1,735,042	2,419,474
Reversal of surplus distribution payable					9,187,005	-	9,187,005
Other income					5,125,690	-	5,125,690
Total other operating (expenses) income, net					(43,287,219)	9,223,104	(34,064,115)
Total (loss) income for the year before surplus attribution and zakat					(115,202,331)	9,223,104	(105,979,227)
Surplus attributed to the insurance operations					-	-	-
Total (loss) income for the year before zakat					(115,202,331)	9,223,104	(105,979,227)
Zakat expense					-	(6,500,000)	(6,500,000)
Total (loss) income for the year attributable to the shareholders					(115,202,331)	2,723,104	(112,479,227)

(All amounts expressed in Saudi Riyals unless otherwise stated)

5. **Segmental information** (continued)

	Insurance operations						
	Medical	Motor	Property and casualty	Protection and savings	Total	Shareholders' operations	Total
For the year ended December 31, 2019							
REVENUES							
Gross premiums written	367,503,363	51,361,427	36,837,971	-	455,702,761	-	455,702,761
Reinsurance premiums ceded:							
- Foreign	(73,341)	-	(31,022,408)	-	(31,095,749)	-	(31,095,749)
- Local	-	(631,019)	(748,501)	-	(1,379,520)	-	(1,379,520)
Excess of loss premiums:							
- Foreign	(30,465,807)	(923,693)	(869,789)	-	(32,259,289)	-	(32,259,289)
- Local	(4,346,004)	(292,313)	(95,400)	-	(4,733,717)	-	(4,733,717)
Net premiums written	332,618,211	49,514,402	4,101,873	-	386,234,486	-	386,234,486
Changes in unearned premiums	(31,635,525)	(13,698,202)	(2,520,382)	-	(47,854,109)	-	(47,854,109)
Changes in reinsurers' share of unearned premiums	21,055	(60,866)	2,288,145	-	2,248,334	-	2,248,334
Net premiums earned	301,003,741	35,755,334	3,869,636	-	340,628,711	-	340,628,711
Reinsurance commissions	8,627	138,377	4,622,339	-	4,769,343	-	4,769,343
Total revenues	301,012,368	35,893,711	8,491,975	-	345,398,054	-	345,398,054
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	(284,648,714)	(27,339,757)	(3,185,112)	-	(315,173,583)	-	(315,173,583)
Reinsurers' share of claims paid	29,680,175	423,140	2,711,474	-	32,814,789	-	32,814,789
Claims handling expenses	(14,937,738)	(77,721)	-	-	(15,015,459)	-	(15,015,459)
Net claims and other benefits paid	(269,906,277)	(26,994,338)	(473,638)	-	(297,374,253)	-	(297,374,253)
Changes in outstanding claims	(23,333,862)	17,933,462	(20,961,698)	-	(26,362,098)	-	(26,362,098)
Changes in reinsurers' share of outstanding claims	9,101,499	(2,990,667)	19,877,619	-	25,988,451	-	25,988,451
Changes in claims incurred but not reported	(28,127,239)	(3,132,849)	7,213,914	-	(24,046,174)	-	(24,046,174)
Changes in reinsurers' share of claims incurred but not reported	3,950,694	(511,296)	(5,928,068)	-	(2,488,670)	-	(2,488,670)
Net claims and other benefits incurred	(308,315,185)	(15,695,688)	(271,871)	-	(324,282,744)	-	(324,282,744)

(Continued)

AL SAGR COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020
(All amounts expressed in Saudi Riyals unless otherwise stated)

5. **Segmental information** (continued)

	Insurance operations						
	Medical	**Motor**	**Property and casualty**	**Protection and savings**	**Total**	**Shareholders' operations**	**Total**
Policy acquisition costs	(22,420,112)	(1,603,214)	(2,377,849)	-	(26,401,175)	-	(26,401,175)
Changes in additional premium reserves	8,239,468	(761,054)	(82,230)	-	7,396,184	-	7,396,184
Changes in other technical reserves	643,896	(673,457)	1,610,435	-	1,580,874	-	1,580,874
Other underwriting expenses, net	(6,061,481)	(549,264)	496,547	-	(6,114,198)	-	(6,114,198)
Total underwriting costs and expenses, net	(327,913,414)	(19,282,677)	(624,968)	-	(347,821,059)	-	(347,821,059)
NET UNDERWRITING (LOSS) INCOME	(26,901,046)	16,611,034	7,867,007	-	(2,423,005)	-	(2,423,005)
OTHER OPERATING (EXPENSES) INCOME							
Allowance for doubtful debts					(9,848,364)	-	(9,848,364)
General and administrative expenses					(54,460,358)	(4,007,596)	(58,467,954)
Investment and commission income					7,288,983	16,144,191	23,433,174
Changes in fair value of financial assets at fair value through profit or loss - net					(559,763)	2,559,424	1,999,661
Realized gain on available-for-sale investments					686,248	2,488,719	3,174,967
Other income					2,270,215	-	2,270,215
Total other operating (expenses) income, net					(54,623,039)	17,184,738	(37,438,301)
Total (loss) income for the year before surplus attribution and zakat					(57,046,044)	17,184,738	(39,861,306)
Surplus attributed to the insurance operations					-	-	-
Total (loss) income for the period before zakat					(57,046,044)	17,184,738	(39,861,306)
Zakat expense					-	(8,400,000)	(8,400,000)
Total (loss) income for the year attributable to the shareholders					(57,046,044)	8,784,738	(48,261,306)

(All amounts expressed in Saudi Riyals unless otherwise stated)

5. Segmental information (continued)

	Insurance operations						
	Medical	Motor	Property and casualty	Protection and savings	Total	Shareholders' operations	Total
December 31, 2020							
Assets							
Reinsurers' share of unearned premiums	28,538	123,581	18,796,925	-	18,949,044	-	18,949,044
Reinsurers' share of outstanding claims	5,732,374	884,500	20,284,881	-	26,901,755	-	26,901,755
Reinsurers' share of claims incurred but not reported	3,140,061	109,067	8,753,245	-	12,002,373	-	12,002,373
Deferred policy acquisition costs	5,394,124	1,695,533	1,935,805	-	9,025,462	-	9,025,462
Segment assets	14,295,097	2,812,681	49,770,856	-	66,878,634	-	66,878,634
Unallocated assets					291,837,173	445,285,314	737,122,487
Total assets					358,715,807	445,285,314	804,001,121
Total liabilities							
Unearned premiums	98,468,560	52,082,067	20,878,186	-	171,428,813	-	171,428,813
Unearned reinsurance commission	4,709	24,716	3,165,645	-	3,195,070	-	3,195,070
Outstanding claims	77,337,035	3,694,913	25,521,250	-	106,553,198	-	106,553,198
Claims incurred but not reported	52,334,352	13,904,832	9,881,872	-	76,121,056	-	76,121,056
Additional premium reserves	6,875,739	6,316,037	833,390	-	14,025,166	-	14,025,166
Other technical reserves	1,811,190	3,200,194	1,117,291	-	6,128,675	-	6,128,675
Segment liabilities	236,831,585	79,222,759	61,397,634	-	377,451,978	-	377,451,978
Unallocated liabilities and equity					84,763,322	341,785,821	426,549,143
Total liabilities and equity					462,215,300	341,785,821	804,001,121

(All amounts expressed in Saudi Riyals unless otherwise stated)

5. Segmental information (continued)

	Insurance operations						
	Medical	Motor	Property and casualty	Protection and savings	Total	Shareholders' operations	Total
December 31, 2019							
Assets							
Reinsurers' share of unearned premiums	21,055	299,142	14,779,825	-	15,100,022	-	15,100,022
Reinsurers' share of outstanding claims	9,101,519	806,428	60,139,940	-	70,047,887	-	70,047,887
Reinsurers' share of claims incurred but not reported	3,955,169	-	9,947,617	-	13,902,786	-	13,902,786
Deferred policy acquisition costs	9,339,983	1,264,584	1,256,098	-	11,860,665	-	11,860,665
Segment assets	22,417,726	2,370,154	86,123,480	-	110,911,360	-	110,911,360
Unallocated assets					412,843,722	505,836,718	918,680,440
Total assets					523,755,082	505,836,718	1,029,591,800
Total liabilities							
Unearned premiums	185,647,721	28,251,670	16,834,475	-	230,733,866	-	230,733,866
Unearned reinsurance commission	3,474	59,828	2,133,902	-	2,197,204	-	2,197,204
Outstanding claims	96,564,331	9,445,269	63,682,735	-	169,692,335	-	169,692,335
Claims incurred but not reported	47,941,445	4,496,465	10,742,655	-	63,180,565	-	63,180,565
Additional premium reserves	15,686,802	1,466,944	161,223	-	17,314,969	-	17,314,969
Other technical reserves	918,829	796,803	329,401	-	2,045,033	-	2,045,033
Segment liabilities	346,762,602	44,516,979	93,884,391	-	485,163,972	-	485,163,972
Unallocated liabilities and equity					96,070,537	448,357,291	544,427,828
Total liabilities and equity					581,234,509	448,357,291	1,029,591,800

5. Segmental information (continued)

5.1 Gross premiums written - categorization

	Year ended December 31, 2020				
	Medical	Motor	Property and casualty	Protection and savings	Total
Large corporates	**22,773,012**	**10,293,085**	**35,378,362**	**-**	**68,444,459**
Medium corporates	**47,405,576**	**11,479,244**	**1,786,054**	**-**	**60,670,874**
Small enterprises	**81,129,019**	**5,888,050**	**5,008,216**	**-**	**92,025,285**
Micro enterprises	**55,984,897**	**578,926**	**499,323**	**-**	**57,063,146**
Retail	**2,221,827**	**95,752,404**	**2,935,663**	**-**	**100,909,894**
	209,514,331	**123,991,709**	**45,607,618**	**-**	**379,113,658**

	Year ended December 31, 2019				
	Medical	Motor	Property and casualty	Protection and savings	Total
Large corporates	87,775,115	12,488,023	19,231,531	-	119,494,669
Medium corporates	71,129,435	8,250,649	11,688,379	-	91,068,463
Small enterprises	130,804,281	5,628,391	1,122,911	-	137,555,583
Micro enterprises	52,269,692	1,410,017	466,371	-	54,146,080
Retail	25,524,840	23,584,347	4,328,779	-	53,437,966
	367,503,363	51,361,427	36,837,971	-	455,702,761

6. Cash and cash equivalents

	Insurance operations		Shareholders' operations		Total	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Cash in hand	**31,930**	30,000	**-**	-	**31,930**	30,000
Cash at banks - current accounts	**26,468,936**	26,121,952	**333,635**	20,353	**26,802,571**	26,142,305
Time deposits	**-**	20,000,000	**48,750,000**	50,000,000	**48,750,000**	70,000,000
Money market fund	**123,029,039**	98,477,827	**144,723,538**	60,454,276	**267,752,577**	158,932,103
	149,529,905	144,629,779	**193,807,173**	110,474,629	**343,337,078**	255,104,408

Cash at banks is placed with counterparties that have investment grade credit ratings. As at December 31, 2020, time deposits are placed with local banks and money market funds are held with financial institutions denominated in Saudi Riyals with original maturities of less than three months from the date of placement and earned commission income at an average rate of 0.70% to 2.70% per annum (December 31, 2019: 2.35% to 3.35% per annum).

(All amounts expressed in Saudi Riyals unless otherwise stated)

7. Short-term and long-term deposits

Short-term deposits are placed with local banks and financial institutions with an original maturity of more than three months but less than or equal to twelve months from the date of placement. These deposits earn commission income at an average rate of 2.86% to 4.31% (December 31, 2019: 2.45% to 4.80%) per annum.

Long-term deposits represent deposits with maturity of more than one year from the date of placement and are placed with banks carrying commission income at an average rate of 2.70% to 2.90% (December 31, 2019: 2.79% to 2.98%) per annum.

Short-term and long-term deposits are classified under loan and receivables category for financial assets, and are carried at amortized cost.

8. Premiums and insurers' balances receivable - net

	December 31, 2020	December 31, 2019
Premiums receivable	**68,918,023**	107,387,793
Premiums receivable from related parties (Note 17)	**11,480,291**	13,634,740
Receivable from insurance and reinsurance companies	**19,715,565**	10,093,743
	100,113,879	131,116,276
Less: allowance for doubtful debts	**(36,275,368)**	(36,192,110)
	63,838,511	94,924,166

Movement in the allowance for doubtful debts is as follows:

	December 31, 2020	December 31, 2019
At the beginning of the year	**36,192,110**	26,343,746
Charge for the year	**83,258**	9,848,364
At the end of the year	**36,275,368**	36,192,110

The aging analysis of premiums and insurers' balances receivable at the year-end is set out below:

Premiums receivable:

			Past due and impaired		
	Total	Neither impaired nor past due	91-180 days	181-360 days	More than 360 days
2020	**68,918,023**	**17,153,100**	**7,340,808**	**8,570,199**	**35,853,916**
2019	107,387,793	65,416,687	7,815,247	6,619,380	27,536,479

(All amounts expressed in Saudi Riyals unless otherwise stated)

8. Premiums and insurers' balances receivable - net (continued)

Premium receivables from related parties:

			Past due and impaired		
	Total	Neither impaired nor past due	91-180 days	181-360 days	More than 360 days
2020	**11,480,291**	**3,974,449**	**3,847,483**	**1,991,206**	**1,667,153**
2019	13,634,740	3,780,679	4,005,909	2,710,051	3,138,101

Premium receivables from insurance and reinsurance companies:

			Past due and impaired		
	Total	Neither impaired nor past due	91-180 days	181-360 days	More than 360 days
2020	**19,715,565**	**9,355,143**	**6,000,619**	**4,035,889**	**323,914**
2019	10,093,743	5,724,749	273,318	123,518	3,972,158

Premium and insurers' balances receivable outstanding above 90 days amounted to Saudi Riyals 74.6 million (2019: Saudi Riyals 56.2 million) against which a provision of Saudi Riyals 36.3 million (2019: Saudi Riyals 36.2 million) was established.

Premiums receivable, balances receivable from insurance and reinsurance companies and premiums receivable from related parties comprise a large number of customers, reinsurance companies and related parties mainly within the Kingdom of Saudi Arabia. The Company's terms of business generally require premiums to be settled within 90 days. In addition to that the Company is offering premium settlements on instalment basis which are based on the total amount of policy premium. Arrangements with reinsurers normally require settlement as per the reinsurance agreements.

Unimpaired premium balances receivable from insurance, reinsurance companies and from related parties are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables and therefore such receivable balances are unsecured.

9. Deferred policy acquisition costs

	2020	2019
At January 1	**11,860,665**	12,516,292
Incurred during the year	**20,509,945**	25,745,548
Amortised during the year	**(23,345,148)**	(26,401,175)
At December 31	**9,025,462**	11,860,665

(All amounts expressed in Saudi Riyals unless otherwise stated)

10. Prepaid expenses and other assets

	Insurance operations		Shareholders' operations	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Value added tax ("VAT") recoverable	**5,240,483**	4,079,224	**-**	-
Receivable from Umrah Fund	**4,444,000**	-	**-**	-
Deferred supervision fees	**3,814,425**	3,002,755	**-**	-
Other prepaid expenses	**2,621,127**	2,564,397	**-**	-
Receivable from Arab War Risks Insurance Syndicate	**2,548,200**	2,473,399	**-**	-
Employees' receivable	**875,456**	490,931	**-**	-
Receivable from Manafeth Fund	**816,923**	2,430,348	**-**	-
Prepaid rent	**281,088**	474,262	**-**	-
Bank guarantee margin	**-**	1,000,000	**-**	-
Accrued income	**139,829**	1,062,766	**578,523**	5,881,821
Other	**587,771**	547,487	**265,367**	50,906
	21,369,302	18,125,569	**843,890**	5,932,727

11. Technical reserves

11.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	December 31, 2020	December 31, 2019
Gross outstanding claims	**106,553,198**	169,692,335
Gross claims incurred but not reported	**76,121,056**	63,180,565
Less:		
Reinsurers' share of outstanding claims	**(26,901,755)**	(70,047,887)
Reinsurers' share of claims incurred but not reported	**(12,002,373)**	(13,902,786)
Net outstanding claims	**143,770,126**	148,922,227
Additional premium reserves:		
Premium deficiency reserve	**14,025,166**	17,314,969
Other technical reserves:		
Non-proportional reinsurance accrual reserve	**524,909**	482,584
Unallocated loss adjustment expense reserve	**5,603,766**	1,562,449
	6,128,675	2,045,033
Net outstanding claims and reserves	**163,923,967**	168,282,229

(All amounts expressed in Saudi Riyals unless otherwise stated)

11. Technical reserves (continued)

11.2 Movement in net unearned premiums

Movement in net unearned premiums comprise of the following:

	December 31, 2020		
	Gross	Reinsurance	Net
Balance as at the beginning of the year	**230,733,866**	**(15,100,022)**	**215,633,844**
Balance as at the end of the year	**171,428,813**	**(18,949,044)**	**152,479,769**
Changes in unearned premiums	**59,305,053**	**3,849,022**	**63,154,075**
Premium written during the year	**379,113,658**	**(39,914,907)**	**339,198,751**
Excess of loss premiums			
- Foreign	-	**(21,292,607)**	**(21,292,607)**
- Local	-	**(3,738,264)**	**(3,738,264)**
Net premium earned	**438,418,711**	**(61,096,756)**	**377,321,955**

	December 31, 2019		
	Gross	Reinsurance	Net
Balance as at the beginning of the year	182,879,757	(12,851,688)	170,028,069
Balance as at the end of the year	230,733,866	(15,100,022)	215,633,844
Changes in unearned premiums	(47,854,109)	2,248,334	(45,605,775)
Premium written during the year	455,702,761	(32,475,269)	423,227,492
Excess of loss premiums			
- Foreign	-	(32,259,289)	(32,259,289)
- Local	-	(4,733,717)	(4,733,717)
Net premium earned	407,848,652	(67,219,941)	340,628,711

12. Investments

a) Investments are classified as follows:

	Insurance operations		Shareholders' operations		Total	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Held-to-maturity investments	-	30,000,000	-	80,000,000	-	110,000,000
Financial assets at fair value through profit or loss	**26,064,650**	30,535,530	**74,400,053**	67,576,336	**100,464,703**	98,111,866
Available-for-sale investments	**13,938,299**	12,608,045	**30,146,945**	26,485,637	**44,085,244**	39,093,682
	40,002,949	73,143,575	**104,546,998**	174,061,973	**144,549,947**	247,205,548

12. Investments (continued)

b) Category wise investment analysis is as follows:

	Insurance operations		Shareholders' operations	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Quoted	**38,758,521**	71,899,147	**104,546,998**	174,061,973
Unquoted	**1,244,428**	1,244,428	**-**	-
	40,002,949	73,143,575	**104,546,998**	174,061,973

c) The analysis of the composition of investments is as follows:

	December 31, 2020	December 31, 2019
Mutual funds	**100,464,703**	98,111,866
Ordinary shares	**44,085,244**	39,093,682
Sukuks	**-**	110,000,000
Total	**144,549,947**	247,205,548

Management has performed a review of the available-for-sale investments and financial assets at fair value through profit or loss, to assess whether impairment has occurred in the value of these investments. Based on specific information, management is of the view that no impairment is required in respect of such investments. All investments are denominated in Saudi Riyals and United States Dollars. As at the reporting date investments amounting to Saudi Riyals 100.5 million (December 31, 2019: Saudi Riyals 95.6 million) are denominated in United States Dollars.

d) Movement in financial assets at fair value through profit or loss is as follows:

	Insurance operations		Shareholders' operations	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
At the beginning of the year	**30,535,530**	22,483,264	**67,576,336**	15,866,224
Acquisitions during the year	**-**	18,750,000	**285,113**	49,875,000
Disposals during the year	**(5,198,676)**	(10,137,971)	**-**	(724,312)
Changes in fair value - net	**(381,612)**	(559,763)	**6,538,604**	2,559,424
Realised gains on disposal	**1,109,408**	-	**-**	-
At the end of the year	**26,064,650**	30,535,530	**74,400,053**	67,576,336

e) Movement in available-for-sale investments is as follows:

	Insurance operations		Shareholders' operations	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
At the beginning of the year	**12,608,045**	11,082,765	**26,485,637**	21,947,001
Acquisitions during the year	**33,622,654**	21,976,091	**9,368,427**	10,574,902
Disposals during the year	**(33,633,515)**	(21,529,506)	**(9,774,328)**	(10,037,156)
Unrealised gains	**656,683**	392,447	**2,332,167**	1,512,171
Realised (losses) gains on disposal	**684,432**	686,248	**1,735,042**	2,488,719
At the end of the year	**13,938,299**	12,608,045	**30,146,945**	26,485,637

(All amounts expressed in Saudi Riyals unless otherwise stated)

12. Investments (continued)

f) Held-to-maturity investments are as follows:

Insurance operations

Security	Issuer	Maturity	Location	Profit margin	Amortised cost December 31, 2020	Amortised cost December 31, 2019
Sukuk	Financial institution	10 years	Saudi Arabia	6 months SIBOR plus 1.40%	-	30,000,000

Shareholders' operations

Security	Issuer	Maturity	Location	Profit margin	Amortised cost December 31, 2020	Amortised cost December 31, 2019
Sukuk	Financial institution	10 years	Saudi Arabia	6 months SIBOR plus 1.15%	-	30,000,000
Sukuk	Financial institution	10 years	Saudi Arabia	6 months SIBOR plus 1.30%	-	50,000,000
					-	80,000,000

g) Geographical concentration:

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

	Insurance operations		Shareholders' operations	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Kingdom of Saudi Arabia	**30,411,589**	61,358,045	**30,146,945**	106,485,637
Singapore	**9,591,360**	11,785,530	-	-
United States of America	-	-	**19,197,599**	17,701,336
United Arab Emirates	-	-	**55,202,454**	49,875,000
	40,002,949	73,143,575	**104,546,998**	174,061,973

(All amounts expressed in Saudi Riyals unless otherwise stated)

13. Property and equipment

	Leasehold improvements	Furniture, fixtures and office equipment	Computers	Motor vehicles	Total
Cost:					
At January 1, 2020	4,364,741	3,730,919	5,599,545	517,800	14,213,005
Additions	**85,195**	**280,662**	722,586	-	**1,088,443**
At December 31, 2020	**4,449,936**	**4,011,581**	**6,322,131**	**517,800**	**15,301,448**
Accumulated depreciation:					
At January 1, 2020	2,959,806	2,353,067	4,288,013	468,480	10,069,366
Charge for the year	**287,049**	**294,248**	**626,654**	**40,612**	**1,248,563**
At December 31, 2020	**3,246,855**	**2,647,315**	**4,914,667**	**509,092**	**11,317,929**
Net book value:					
At December 31, 2020	**1,203,081**	**1,364,266**	**1,407,464**	**8,708**	**3,983,519**

	Leasehold improvements	Furniture, fixtures and office equipment	Computers	Motor vehicles	Total
Cost:					
At January 1, 2019	4,084,878	3,474,646	4,898,391	517,800	12,975,715
Additions	279,863	256,273	701,154	-	1,237,290
At December 31, 2019	4,364,741	3,730,919	5,599,545	517,800	14,213,005
Accumulated depreciation:					
At January 1, 2019	2,660,613	1,943,689	3,685,010	426,854	8,716,166
Charge for the year	299,193	409,378	603,003	41,626	1,353,200
At December 31, 2019	2,959,806	2,353,067	4,288,013	468,480	10,069,366
Net book value:					
At December 31, 2019	1,404,935	1,377,852	1,311,532	49,320	4,143,639

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

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

(All amounts expressed in Saudi Riyals unless otherwise stated)

13. Property and equipment (continued)

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

14. Intangible assets

	Computer software	
Cost:	**2020**	**2019**
At January 1	**5,724,155**	4,415,285
Additions	**920,893**	1,308,870
At December 31	**6,645,048**	5,724,155
Amortization:		
At January 1	**4,127,717**	3,655,756
Charge for the year	**654,344**	471,961
At December 31	**4,782,061**	4,127,717
Net book value:		
At December 31	**1,862,987**	1,596,438

Also refer Note 3.20.

15. Goodwill

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

As at the reporting date, impairment testing, based on expected discounted cash flows, was performed. The assumptions used involve a considerable degree of estimation on the part of management. Actual conditions may differ from assumptions and thus actual cash flows may be different to those expected with a potential material effect on the recoverability of amounts. The key significant assumptions used in the determination of expected discounted cash flows for the next 5 years are:

- Weighted average cost of capital of 13%
- Gross premiums written at compound growth rate of 14%
- Long-term growth rate of 2%

Although management believes that the assumptions used to evaluate potential impairment are reasonable, with a significant portion based on the actual performance achieved in the past, such assumptions are inherently subjective.

Based on the assumptions made, the expected discounted future cash flows exceeded the carrying amount of goodwill and accordingly no impairment has been recognised.

A sensitivity analysis has been performed and an increase from 13% to 14% of the weighted average cost of capital and a decrease from 13% to 12%, and from 2% to 1% of the gross premiums written at compound growth rate and long-term growth, respectively, have no significant impact on the result of impairment tests.

(All amounts expressed in Saudi Riyals unless otherwise stated)

16. Statutory deposit

The statutory deposit represents 10% of the paid up share capital which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. SAMA is entitled to the earnings of this statutory deposit and it cannot be withdrawn without its consent.

In accordance with the instruction received from SAMA vide their circular dated March 1, 2016, the Company has disclosed the commission due on the statutory deposit as at December 31, 2020 as an asset and a liability in these financial statements.

17. Related party transactions and balances

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

a) The following are the details of the major related party transactions during the year ended December 31, 2020 and 2019 and the related balances.

	Transactions for the year ended		**Balance receivable (payable) as at**	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Shareholders				
Gross premium written	**14,517,568**	15,007,513	-	-
Premiums receivable from related parties	-	-	**11,480,291**	13,634,740
Rent expense	**(1,174,472)**	(1,098,580)	-	-
Consultancy services	**(552,278)**	(1,102,733)	-	-
Reinsurance commission income	**32,940**	53,167	-	-
Reinsurance share of gross claims paid	**194,301**	160,753	-	-
Reinsurance premium ceded	**(461,381)**	(616,228)	-	-
Claims incurred	**(2,315,154)**	(8,074,967)	-	-
Directors' remuneration and meeting fee	**(3,816,667)**	(2,173,111)	**(3,836,667)**	(2,203,111)
Gross outstanding claims	-	-	**(1,550,137)**	(3,449,927)
Reinsurance premium payable	-	-	**(616,386)**	(390,273)
Claims handling expenses	-	-	-	-

(All amounts expressed in Saudi Riyals unless otherwise stated)

17. Related party transactions and balances (continued)

b) The compensation of key management personnel during the year is as follows:

	December 31, 2020	December 31, 2019
Salaries and benefits	11,754,884	9,350,629
Employee benefit obligations	561,775	533,250
	12,316,659	9,883,879

c) Board of Directors fees for the year ended December 31, 2020 was Saudi Riyals 3.8 million (December 31, 2019: Saudi Riyals 2.2 million).

d) Due to a related party

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

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

18. Zakat

a) Zakat charge for the year

The charge for the year for zakat is as follows:

	2020	2019
Charge for the year	6,500,000	8,400,000

b) Zakat base

The principal elements of zakat base are as following:

	December 31, 2020	December 31, 2019
Opening shareholders' equity	395,447,533	441,893,966
Non-current assets	137,670,009	151,743,716
Held-to-maturity investments	-	110,000,000
Goodwill	25,513,750	25,513,750
Adjusted net loss	(105,979,227)	(39,861,306)

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

c) Movement in the provision for zakat during the year

	2020	2019
At January 1	45,730,348	42,270,521
Provision for the year	6,500,000	8,400,000
Paid during the year	(5,372,830)	(4,940,173)
At December 31	46,857,518	45,730,348

(All amounts expressed in Saudi Riyals unless otherwise stated)

18. **Zakat** (continued)

d) Shareholding subject to zakat

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

	December 31, 2020	December 31, 2019
Shareholding percentage subject to zakat	**100**	100

e) Zakat assessments

During the year ended December 31, 2020, the Company received final zakat assessments for the years from 2012 to 2018. Total additional zakat liability as per the assessments amounted to Saudi Riyals 36.3 million for such years. The Company had filed an appeal with General Secretariat of Zakat Committees (high committees) against the assessments and in-parallel had submitted a settlement request with the GAZT-Settlement committee. Subsequent to the year ended December 31, 2020, the GAZT-Settlement committee offered to decrease the zakat assessments to Saudi Riyals 36.2 million, which the Company did not accept and accordingly, intends to continue with the appeal filed with General Secretariat of Zakat Committees (high committees). Management is of the view that GAZT will reconsider the assessments and will allow for certain deductions from the zakat base, and believes that the level of the existing provision of Saudi Riyals 46.9 million for zakat maintained by the Company is presently sufficient to cover such uncertain zakat position.

(All amounts expressed in Saudi Riyals unless otherwise stated)

19. Accrued and other liabilities

	Insurance operations		Shareholders' operations	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Accrued commission	**9,408,469**	11,928,091	-	-
Accrued excess of loss premium	**6,777,483**	5,838,449	-	-
Accrued supervision fees	**1,893,839**	1,790,799	-	-
Accrued Najm fees	**1,809,300**	354,584	-	-
Accrued professional fees	**1,482,314**	2,236,099	-	-
Survey fee and other charges payable	**1,252,960**	2,015,622	-	-
Directors' remuneration and meeting fee payable (Note 17)	-	-	**3,836,667**	2,203,111
Third party administrator fee payable	**611,727**	2,939,067	-	-
VAT payable	-	141,328	-	-
Accrued employee benefits	**566,584**	-	-	-
Other	**2,260,612**	2,680,765	**21,128**	26,128
	26,063,288	29,924,804	**3,857,795**	2,229,239

20. Unearned reinsurance commission

	2020	**2019**
At January 1	**2,197,204**	1,750,042
Commission received during the year	**7,313,183**	5,216,505
Commission earned during the year	**(6,315,317)**	(4,769,343)
At December 31	**3,195,070**	2,197,204

21. Employee benefit obligations

21.1 General description of the plan

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

	2020	**2019**
At January 1	**9,664,194**	8,815,245
Charge during the year (Note 26)	**2,472,668**	2,345,910
Paid during the year	**(1,104,454)**	(1,586,706)
Re-measurement (gain) loss on obligation	**(1,825,101)**	89,745
At December 31	**9,207,307**	9,664,194

(All amounts expressed in Saudi Riyals unless otherwise stated)

21. Employee benefit obligations (continued)

21.2 Amounts recognised in the statements of income and comprehensive income

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

	2020	2019
Current service cost	**2,097,772**	1,877,020
Interest expense	**374,896**	468,890
Total amount recognised in the statement of income	**2,472,668**	2,345,910
Remeasurements		
(Gain) loss from change in financial assumptions	**(1,825,101)**	89,745
Total amount recognised in the statement of comprehensive income	**(1,825,101)**	89,745

21.3 Key actuarial assumptions:

	December 31, 2020	December 31, 2019
Discount factor used	**2.40%**	3.55%
Average salary growth rate	**2.40%**	3.55%
Retirement age	**60**	60

21.4 Sensitivity analysis for actuarial assumptions

	December 31, 2020	
	Percentage (%)	Amount Increase (decrease)
Discount rate		
Increase	+ 0.5 %	**(472,504)**
Decrease	- 0.5 %	**515,196**
Expected changes in salary		
Increase	+ 0.5 %	**327,312**
Decrease	- 0.5 %	**(306,215)**

	December 31, 2019	
	Percentage (%)	Amount Increase (decrease)
Discount rate		
Increase	+ 0.5 %	(615,937)
Decrease	- 0.5 %	679,465
Expected changes in salary		
Increase	+ 0.5 %	512,826
Decrease	- 0.5 %	(474,050)

(All amounts expressed in Saudi Riyals unless otherwise stated)

21. Employee benefit obligations (continued)

21.4 Sensitivity analysis for actuarial assumptions (continued)

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

21.5 Expected maturity analysis

The weighted average duration of the defined benefit obligation is 10.7 years (2019: 13.37 years). The expected maturity analysis of undiscounted post-employment benefits is as follows:

	Less than a year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
December 31, 2020	**513,047**	**879,294**	**2,201,417**	**8,695,667**	**12,289,425**
December 31, 2019	289,464	614,098	1,919,328	7,588,757	10,411,647

22. Share capital

The authorized, issued and paid up share capital of the Company was Saudi Riyals 400 million at December 31, 2020 consisting of 40 million shares (December 31, 2019: Saudi Riyals 400 million consisting of 40 million shares) of Saudi Riyals 10 each.

23. Statutory reserve

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

24. Basic and diluted loss per share

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

	For the year ended December 31,	
	2020	**2019**
Total loss for the year attributable to the shareholders	**(112,479,227)**	(48,261,306)
Weighted average number of ordinary shares for basic and diluted loss per share	**40,000,000**	40,000,000
Basic and diluted loss per share	**(2.81)**	(1.21)

(All amounts expressed in Saudi Riyals unless otherwise stated)

25. Surplus distribution payable

	2020	2019
At January 1	**44,432,361**	45,807,585
Reversal of surplus distribution payable	**(9,187,005)**	-
Adjustment against insurance premium receivables from policyholders and related parties	**(26,131)**	(1,311,025)
Paid during the year	-	(64,199)
At December 31	**35,219,225**	44,432,361

As per Article 35 of SAMA surplus distribution policy, the Company has written back unclaimed surplus distribution payable amounting to Saudi Riyals 9.2 million for the year 2015.

26. General and administrative expenses

	Insurance operations		Shareholders' operations	
	2020	2019	2020	2019
Employees' cost	**39,951,997**	33,585,751	**1,100,287**	1,024,537
Professional fees	**4,194,318**	5,641,044	-	-
Repairs and maintenance	**2,979,781**	1,534,448	-	-
Rent	**2,681,374**	3,044,146	**58,711**	54,929
Employee benefit obligations (Note 21)	**2,472,668**	2,345,910	-	-
Bank charges	**2,419,889**	1,410,780		
Depreciation and amortization (Note 13, 14)	**1,902,907**	1,825,161	-	-
Utilities	**1,211,619**	1,059,733	-	-
Promotion and advertising	**1,151,006**	403,432	**5,563**	17,306
Storage	**1,095,650**	1,177,617	-	-
Communication	**611,814**	740,389	-	-
Business travel and transport	**497,678**	534,308	-	-
Stationery	**179,097**	628,187	**9,427**	33,062
Fee and subscription	-	-	**329,466**	416,205
Directors' remuneration and meeting fees (Note 17)	-	-	**3,816,667**	2,173,111
Other	**2,189,541**	529,452	**521,110**	288,446
	63,539,339	54,460,358	**5,841,231**	4,007,596

27. Other underwriting expenses, net

	2020	2019
Supervision and inspection fees	**5,128,476**	5,371,068
Customer enquiry expenses	**3,898,000**	2,843,111
Production incentives	-	(2,302,875)
Other	**593,222**	202,894
	9,619,698	6,114,198

(All amounts expressed in Saudi Riyals unless otherwise stated)

28. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction takes place either:

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

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

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

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; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

(a) Carrying amounts and fair value

The following table shows the carrying amount and fair values 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.

	December 31, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value				
Mutual funds - financial assets at fair value through profit or loss	-	100,464,703	-	100,464,703
Ordinary shares - available-for-sale	42,840,816	-	1,244,428	44,085,244
	42,840,816	100,464,703	1,244,428	144,549,947
Financial assets not measured at fair value				
Sukuks - held-to-maturity	-	-	-	-
Total investments	**42,840,816**	**100,464,703**	**1,244,428**	**144,549,947**

	December 31, 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value				
Mutual funds - fair value through profit or loss	-	98,111,866	-	98,111,866
Ordinary shares - available-for sale	37,849,254	-	1,244,428	39,093,682
	37,849,254	98,111,866	1,244,428	137,205,548
Financial assets not measured at fair value				
Sukuks - held-to-maturity	-	110,000,000	-	110,000,000
Total investments	37,849,254	208,111,866	1,244,428	247,205,548

During the year, there has been no transfers between level 1, level 2 and level 3.

28. Fair value of financial instruments (continued)

(a) Carrying amounts and fair value (continued)

The valuation of publicly traded investments classified under level 1 is based upon the closing market price of that security as of the valuation date, less a discount if the security is restricted. Fair values of private mutual funds classified in Level 2 are determined based on the investees' latest reported net assets values as at the date of statement of financial position taking into account the fair value of underlying investments by the fund. The fair value of Level 2 fixed income investments and funds are taken from the holding statements issued by the respective fund managers. Fair values of other investments classified in Level 3 are, where applicable, determined based on discounted cash flows, which incorporate assumptions regarding an appropriate credit spread. Level 3 available-for-sale investment also comprises equity investment of 4,444 shares of Najm for Insurance Services (Najm) (2019: 4,444 shares) and 80,000 shares of Saudi NextCare (2019: 80,000 shares), respectively. As at December 31, 2020 and 2019, the investment is carried at cost less impairment as management considers that the recent available information is insufficient to determine fair value and the cost represents the best estimate of fair value in the current circumstances.

Cash and cash equivalents, short-term deposits, premiums and insurers' balances receivable - net, reinsurers' share of outstanding claims, statutory deposit, accrued income on statutory deposits and the financial labilities except employee benefit obligations are measured at amortized cost.

29. Risk management

Risk governance

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

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

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

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

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

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

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

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

29. Risk management (continued)

Risk governance (continued)

29.1 Insurance risk management

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The principal risk that the Company faces under such contracts is the occurrence of the insured events and the severity of reported claims. The Company's risk profile is improved by diversification of these risks of losses to a large portfolio of contracts as a diversified portfolio is less likely to be affected by an unexpected event in a single subset.

Underwriting and retention policies and procedures and limits and clear underwriting authorities precisely regulate who is authorized and accountable for concluding insurance and reinsurance contracts and at what conditions. Compliance with these guidelines is regularly checked and developments in the global, regional and local markets are closely observed, reacting were necessary with appropriate measures that are translated without delay into underwriting guidelines if required.

The primary risk control measure in respect of the insurance risk is the transfer of risks to third parties via reinsurance. The reinsurance business ceded is placed on a proportional and non-proportional basis with retention limits varying by lines of business. The placements of reinsurance contracts are diversified so that the Company is not dependent on a single reinsurer or a reinsurance contract.

Property (covered under property and casualty)
Property insurance is designed to compensate policyholders for damage suffered to properties or for the value of property lost. Policyholders could also receive compensation for the loss of earnings caused by the inability to use the insured properties. Significant risks underwritten by the Company under this class are physically inspected by qualified risk engineers to make sure adequate fire protection and security is in place. Also, the Company tracks for the potential of risk accumulation.

Engineering (covered under property and casualty)
The engineering business includes long tail Erection All Risks ("EAR") and Contractor All Risk ("CAR") policies and annual policies for Machinery Break Down ("MBD"), Plant and Machinery All Risk, Electronic Data Processing, Deterioration of Stock and Business Interruption in conjunction with MBD. The long tail EAR/CAR policies cover various projects for the whole project period. Selection of the risks and proper underwriting are the criteria for this line of business. Significant risks underwritten by the Company under this class are physically inspected to make sure adequate fire protection, security and project management is in place. These are amply covered under the engineering proportional and non-proportional treaties.

Motor
For motor insurance contracts, the main elements of risk are claims arising out of death and bodily injury and damage to third party properties as well as that of insured vehicles.

The potential court awards for deaths and bodily injury and the extent of damage to properties are the key factors that influence the level of claims. This risk is covered by per occurrence excess of loss treaties that also covers involvement of more than one vehicle in an accident. The Company has well developed risk acceptance procedures based on critical underwriting factors such as driver's age, driving experience and nature of vehicle to control the quality of risks that it accepts. It also has risk management procedures in place to control the costs of claims.

29. Risk management (continued)

29.1 Insurance risk management (continued)

General Accident and Workmen's Compensation (covered under property and casualty)
For miscellaneous accident classes of insurance such as loss of money, personal accident, workmen's compensation, travel, general third party liability and professional indemnity are underwritten. The extent of loss or damage and the potential court awards for liability classes are the main factors that influence the level of claims.

Marine (covered under property and casualty)
In marine insurance the main risk elements are loss or damage to insured cargo and hull due to various mishaps resulting in total or partial loss claims. The extent of the loss or damage is the main factor that influences the level of claims.

The insurance risks mainly emanate from Saudi Arabia. An arrangement has been made with reinsurers through proportional and non-proportional treaties.

Medical
The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across the industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions, regular view of actual claims experience and product pricing, as well as detailed claims handling procedures. The Company further enforces a policy of actively managing and promptly pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company. The Company has reinsurance cover to limit the losses for any claim to Saudi Riyals 60,000 (2019: Saudi Riyals 40,000) per person per year.

Concentration of insurance risk

The Company monitors concentration of insurance risks primarily by class of business. The major concentration lies in medical insurance segment, which accounts for 55% (2019: 81%) of gross written premium.

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

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

29.2 Reinsurance risk

Reinsurance is used to manage insurance risk. Although the Company has reinsurance arrangements, it does not, however, discharge the Company's liability as primary insurer and thus a credit risk exposure remains with respect to reinsurance ceded to the extent that any reinsurer may be unable to meet its obligations under such reinsurance arrangements. The Company minimizes such credit risk by entering into reinsurance arrangements with reinsurers having good credit ratings, which are reviewed on a regular basis. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract. Reserve risks are controlled by constantly monitoring the provisions for insurance claims that have been submitted but not yet settled and by amending the provisions, if deemed necessary.

(All amounts expressed in Saudi Riyals unless otherwise stated)

29. Risk management (continued)

29.3 Regulatory framework risk

The operations of the Company are subject to regulatory requirements in Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimise the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise. In management's opinion, the Company has substantially complied with such regulatory requirements.

29.4 Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like political violence, environmental and economical, atmospheric disturbances, natural disasters, concentration of risks, civil riots, etc. The Company manages these risks through the measures described above. The Company has limited its exposure to catastrophic and riot events by use of reinsurance arrangements.

The Company monitors concentration of insurance risks primarily by class of business. The table below sets out the concentration of the outstanding claims and unearned premiums (in percentage terms) by class of business at the reporting date:

	2020				2019			
	Outstanding claims		Unearned premiums		Outstanding claims		Unearned premiums	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Medical	73%	90%	57%	65%	57%	88%	80%	86%
Motor	3%	4%	30%	34%	6%	9%	12%	13%
Property and casualty	24%	6%	13%	1%	37%	3%	8%	1%
	100%	100%	100%	100%	100%	100%	100%	100%

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.

29.5 Sources of uncertainty in estimation of future claim payments

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

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of IBNR at the statement of financial position date. The details of estimation of outstanding claims including IBNR are given under Notes 3 and 4 (ii).

(All amounts expressed in Saudi Riyals unless otherwise stated)

29. Risk management (continued)

29.6 Process used to determine assumptions

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

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

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

29.7 Sensitivity analysis

The Company believes that the claim liabilities under insurance contracts outstanding at the reporting date are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The impact on the total income of the changes in the claim liabilities, net of reinsurance, is analysed below. The sensitivity to changes in claim liabilities, net of reinsurance, is determined separately for each class of business while keeping all other assumptions constant.

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

	2020	2019
Medical	**12,079,895**	13,144,909
Motor	**1,660,618**	1,313,531
Property and casualty	**636,500**	433,783
	14,377,013	14,892,223
Impact of change in average claim cost + 10%		
Medical	**1,184,069**	1,493,774
Motor	**519,513**	7,772
	1,703,582	1,501,546

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

		Impact on claim liabilities	
	Change in current year ultimate loss ratio	**2020**	**2019**
Segment			
Medical	Increase by 5%	**(2,043,642)**	(2,340,228)
Medical	Decrease by 5%	**2,043,642**	2,340,228
Motor	Increase by 5%	**(1,011,082)**	(512,155)
Motor	Decrease by 5%	**1,011,082**	512,155

(All amounts expressed in Saudi Riyals unless otherwise stated)

29. Risk management (continued)

29.8 Claims development

The following reflects the cumulative incurred claims, including both claims notified and incurred but not reported for each successive accident year at each financial position date, together with the cumulative payments to date. The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of the claims.

The Company maintains adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year.

Claims development table gross of reinsurance:

Accident year Estimate of ultimate claims as at December 31, 2020:	2015 & earlier	2016	2017	2018	2019	2020	Total
At the end of accident year	1,031,199,043	244,749,925	136,064,324	232,337,186	352,226,122	173,430,160	-
One year later	1,112,323,198	243,879,486	165,686,767	252,405,626	634,009,364	-	-
Two years later	1,056,933,212	252,206,342	146,239,356	307,911,604	-	-	-
Three years later	1,040,524,789	248,299,829	148,219,952	-	-	-	-
Four years later	1,046,787,735	249,858,049	-	-	-	-	-
Five years later	1,028,852,542	-	-	-	-	-	-
Current estimate of cumulative claims	1,028,852,542	249,858,049	148,219,952	307,911,604	634,009,364	173,430,160	2,542,281,671
Cumulative payments to date	(1,027,053,868)	(248,000,568)	(146,391,737)	(297,900,192)	(572,469,192)	(60,287,200)	(2,352,102,757)
Liability recognized in statement of financial position	1,798,674	1,857,481	1,828,215	10,011,412	61,540,172	113,142,960	190,178,914
Salvage and subrogation							(7,504,660)
Additional premium reserve							14,025,166
Other technical reserves							6,128,675
Outstanding claims and reserves							**202,828,095**

(All amounts expressed in Saudi Riyals unless otherwise stated)

29. Risk management (continued)

29.8 Claims development (continued)

Claims development table net of reinsurance:

Accident year							
Estimate of ultimate claims as at December 31, 2020:	**2015 & earlier**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
At the end of accident year	850,869,024	222,035,971	125,673,219	187,150,844	293,223,642	122,605,672	-
One year later	922,806,496	213,177,688	145,730,969	203,796,184	565,944,717	-	-
Two years later	879,947,096	220,233,642	126,914,963	258,083,388	-	-	-
Three years later	865,030,083	216,536,631	129,476,051	-	-	-	-
Four years later	870,282,364	216,927,550	-	-	-	-	-
Five years later	856,603,334	-	-	-	-	-	-
Current estimate of cumulative claims	856,603,334	216,927,550	129,476,051	258,083,388	565,944,717	122,605,672	2,149,640,712
Cumulative payments to date	(855,229,758)	(215,843,182)	(127,868,592)	(249,034,998)	(525,278,895)	(32,615,161)	(2,005,870,586)
Liability recognized in statement of financial position	1,373,576	1,084,368	1,607,459	9,048,390	40,665,822	89,990,511	143,770,126
Salvage and subrogation							-
Premium deficiency reserve							14,025,166
Other technical reserves							6,128,675
Outstanding claims and reserves							**163,923,967**

29. Risk management (continued)

29.9 Financial risk

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

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and market risks (including commission rate risk, price risk and currency risk). The audit committee appointed by the Board of Directors of the Company reviews and agrees policies for managing each of these risks which are summarized below:

i) Credit risk

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

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

The Company only enters into insurance and reinsurance contracts with recognised, credit worthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.

The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.

The Company's investment portfolio is managed by the investment committee in accordance with the investment policy established by the investment committee, which is approved by the Board of Directors.

The Company's other financial assets are held with commercial banks and financial institutions with strong financial positions and credit ratings.

(All amounts expressed in Saudi Riyals unless otherwise stated)

29. Risk management (continued)

29.9 Financial risk (continued)

i) Credit risk (continued)

The table below classifies financial assets between those relating to insurance operations and shareholders' assets, and these are further disaggregated based on the credit rating of counterparties:

	2020	2019
Insurance operations' assets		
Cash and cash equivalents	**149,497,975**	144,599,779
Short-term deposits	-	50,030,556
Long-term deposits	**11,250,000**	26,250,000
Premiums and insurers' balances receivable	**100,113,879**	131,116,276
Reinsurers' share of outstanding claims	**26,901,755**	70,047,887
Reinsurers' share of claims incurred but not reported	**12,002,373**	13,902,786
Investments	**40,002,949**	73,143,575
Prepaid expenses and other assets	**13,777,206**	11,593,224
	353,546,137	520,684,083

Shareholders' assets	2020	2019
Cash and cash equivalents	**193,807,173**	110,474,629
Short-term deposits	-	70,100,000
Long-term deposits	**75,000,000**	75,000,000
Prepaid expenses and other assets	**578,523**	5,881,821
Investments	**104,546,998**	174,061,973
Statutory deposit	**40,000,000**	40,000,000
Accrued commission on statutory deposit	**5,573,503**	4,753,639
	419,506,197	480,272,062
Total	**773,052,334**	1,000,956,145

(All amounts expressed in Saudi Riyals unless otherwise stated)

29. Risk management (continued)

29.9 Financial risk (continued)

i) Credit risk (continued)

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. Approximately all of the Company's underwriting activities are carried out in Saudi Arabia.

The Company's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties. Based on such credit ratings, investment grade is considered the highest possible rating. Assets falling outside the range of investment grade are classified as non-investment grade (satisfactory) or past due and impaired.

Insurance operations' financial assets as at December 31, 2020:

		Non-investment grade		
	Investment grade	Satisfactory	Past due and impaired	Total
Cash and cash equivalents	149,497,975	-	-	149,497,975
Long-term deposits	11,250,000	-	-	11,250,000
Premiums and insurers' balances receivable	-	30,482,692	69,631,187	100,113,879
Reinsurers' share of outstanding claims	26,901,755	-	-	26,901,755
Reinsurers' share of claims incurred but not reported	12,002,373	-	-	12,002,373
Prepaid expenses and other assets	-	13,777,206	-	13,777,206
Investments	26,064,650	13,938,299	-	40,002,949
Total	225,716,753	58,198,197	69,631,187	353,546,137

Shareholders' operations' financial assets as at December 31, 2020:

		Non-investment grade		
	Investment grade	Satisfactory	Past due and impaired	Total
Cash and cash equivalents	193,807,173	-	-	193,807,173
Long-term deposits	75,000,000	-	-	75,000,000
Prepaid expenses and other assets	-	578,523	-	578,523
Investments	74,400,053	30,146,945	-	104,546,998
Statutory deposit	40,000,000	-	-	40,000,000
Accrued commission on statutory deposit	5,573,503	-	-	5,573,503
Total	388,780,729	30,725,468	-	419,506,197

(All amounts expressed in Saudi Riyals unless otherwise stated)

29. Risk management (continued)

29.9 Financial risk (continued)

i) Credit risk (continued)

Insurance operations financial assets as at December 31, 2019:

	Investment grade	Non-investment grade Satisfactory	Non-investment grade Past due and impaired	Total
Cash and cash equivalents	144,599,779	-	-	144,599,779
Short-term deposits	50,030,556	-	-	50,030,556
Long-term deposits	26,250,000	-	-	26,250,000
Premiums and insurers' balances receivable	-	74,922,115	56,194,161	131,116,276
Reinsurers' share of outstanding claims	70,047,887	-	-	70,047,887
Reinsurers' share of claims incurred but not reported	13,902,786	-	-	13,902,786
Prepaid expenses and other assets	-	11,593,224	-	11,593,224
Investments	60,535,530	12,608,045	-	73,143,575
Total	365,366,538	99,123,384	56,194,161	520,684,083

Shareholders' operations financial assets as at December 31, 2019:

	Investment grade	Non-investment grade Satisfactory	Non-investment grade Past due and impaired	Total
Cash and cash equivalents	110,474,629	-	-	110,474,629
Short-term deposits	70,100,000	-	-	70,100,000
Long-term deposits	75,000,000	-	-	75,000,000
Prepaid expenses and other assets	-	5,881,821	-	5,881,821
Investments	147,576,336	26,485,637	-	174,061,973
Statutory deposit	40,000,000	-	-	40,000,000
Accrued commission on statutory deposit	4,753,639	-	-	4,753,639
	447,904,604	32,367,458	-	480,272,062

(All amounts expressed in Saudi Riyals unless otherwise stated)

29. Risk management (continued)

29.9 Financial risk (continued)

ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. A significant amount of funds are invested in term deposits and investments.

The table below summarizes the maturity profile of the financial assets and financial liabilities of the Company based on remaining expected undiscounted contractual obligations:

	December 31, 2020				
	Not later than three-months	Three-months to one year	One to five years	Later than five years	Total
INSURANCE OPERATIONS FINANCIAL ASSETS					
Cash and cash equivalents	149,529,905	-	-	-	149,529,905
Long-term deposits	-	-	11,250,000	-	11,250,000
Available-for-sale investments	13,938,299	-	-	-	13,938,299
Financial assets at fair value through profit or loss	26,064,650	-	-	-	26,064,650
Premiums and insurers' balances receivable	30,482,692	31,786,204	37,844,983	-	100,113,879
Reinsurers' share of outstanding claims	26,901,755	-	-	-	26,901,755
Reinsurers' share of claims incurred but not reported	12,002,373	-	-	-	12,002,373
Prepaid expenses and other assets	13,777,206	-	-	-	13,777,206
Total insurance operations financial assets	272,696,880	31,786,204	49,094,983	-	353,578,067

(All amounts expressed in Saudi Riyals unless otherwise stated)

29. Risk management (continued)

29.9 Financial risk (continued)

ii) Liquidity risk (continued)

	December 31, 2020				
	Not later than three-months	Three- months to one year	One to five years	Later than five years	Total
INSURANCE OPERATIONS FINANCIAL LIABILITIES					
Outstanding claims	106,553,198	-	-	-	106,553,198
Claims incurred but not reported	76,121,056	-	-	-	76,121,056
Reinsurers' balances payable	2,702,094	-	-	-	2,702,094
Accounts payable	7,791,663	-	-	-	7,791,663
Accrued and other liabilities	24,169,449	-	-	-	24,169,449
Surplus distribution payable	35,219,225	-	-	-	35,219,225
Total insurance operations financial liabilities	252,556,685	-	-	-	252,556,685
Total liquidity gap	20,140,195	31,786,204	49,094,983	-	101,021,382

(All amounts expressed in Saudi Riyals unless otherwise stated)

29. **Risk management** (continued)

29.9 **Financial risk** (continued)

ii) **Liquidity risk** (continued)

	December 31, 2020				
	Not later than three-months	Three-months to one year	One to five years	Later than five years	Total
SHAREHOLDERS' OPERATIONS FINANCIAL ASSETS					
Cash and cash equivalents	193,807,173	-	-	-	193,807,173
Long-term deposits	-	-	75,000,000	-	75,000,000
Available-for-sale investments	30,146,945	-	-	-	30,146,945
Financial assets at fair value through profit or loss	74,400,053	-	-	-	74,400,053
Prepaid expenses and other assets	578,523	-	-	-	578,523
Statutory deposit	-	-	-	40,000,000	40,000,000
Accrued income on statutory deposit	5,573,503	-	-	-	5,573,503
Total shareholders' operations financial assets	304,506,197	-	75,000,000	40,000,000	419,506,197
SHAREHOLDERS' OPERATIONS FINANCIAL LIABILITIES					
Dividend payable	370,743	-	-	-	370,743
Due to a related party	1,123,750	-	-	-	1,123,750
Accrued and other liabilities	3,857,795	-	-	-	3,857,795
Accrued commission income payable to SAMA	5,573,503	-	-	-	5,573,503
Total shareholders' operations financial liabilities	10,925,791	-	-	-	10,925,791
Total liquidity gap	293,580,406	-	75,000,000	40,000,000	408,580,406

(All amounts expressed in Saudi Riyals unless otherwise stated)

29. Risk management (continued)

29.9 Financial risk (continued)

ii) Liquidity risk (continued)

	December 31, 2019				
	Not later than three-months	**Three-months to one year**	**One to five years**	**Later than five years**	**Total**
INSURANCE OPERATIONS FINANCIAL ASSETS					
Cash and cash equivalents	144,629,779	-	-	-	144,629,779
Short-term deposits	50,030,556	-	-	-	50,030,556
Long-term deposits	-	15,000,000	11,250,000		26,250,000
Held-to-maturity investments				30,000,000	30,000,000
Available-for-sale investments	12,608,045	-	-	-	12,608,045
Financial assets at fair value through profit or loss	30,535,530	-	-	-	30,535,530
Premiums and insurers' balances receivable	74,922,115	21,547,423	34,646,738	-	131,116,276
Reinsurers' share of outstanding claims	70,047,887	-	-	-	70,047,887
Reinsurers' share of claims incurred but not reported	13,902,786	-	-	-	13,902,786
Prepaid expenses and other assets	11,593,224	-	-	-	11,593,224
Total insurance operations financial assets	408,269,922	36,547,423	45,896,738	30,000,000	520,714,083

(All amounts expressed in Saudi Riyals unless otherwise stated)

29. Risk management (continued)

29.9 Financial risk (continued)

ii) Liquidity risk (continued)

	December 31, 2019				
	Not later than three-months	**Three-months to one year**	**One to five years**	**Later than five years**	**Total**
INSURANCE OPERATIONS FINANCIAL LIABILITIES					
Outstanding claims	169,692,335	-	-	-	169,692,335
Claims incurred but not reported	63,180,565	-	-	-	63,180,565
Reinsurers' balances payable	5,333,811	-	-	-	5,333,811
Accounts payable	5,417,406	-	-	-	5,417,406
Accrued and other liabilities	27,992,677	-	-	-	27,992,677
Surplus distribution payable	44,432,361	-	-	-	44,432,361
Total insurance operations financial liabilities	316,049,155	-	-	-	316,049,155
Total liquidity gap	92,220,767	36,547,423	45,896,738	30,000,000	204,664,928

(All amounts expressed in Saudi Riyals unless otherwise stated)

29. Risk management (continued)

29.9 Financial risk (continued)

ii) Liquidity risk (continued)

	December 31, 2019				
	Not later than three-months	**Three-months to one year**	**One to five years**	**Later than five years**	**Total**
SHAREHOLDERS' OPERATIONS FINANCIAL ASSETS					
Cash and cash equivalents	110,474,629	-	-	-	110,474,629
Short-term deposits	20,100,000	50,000,000	-	-	70,100,000
Long-term deposits	-	-	75,000,000	-	75,000,000
Held-to-maturity investments	-	-		80,000,000	80,000,000
Available-for-sale investment	26,485,637	-	-	-	26,485,637
Financial assets at fair value through profit or loss	67,576,336	-	-	-	67,576,336
Prepaid expenses and other assets	5,881,821	-	-	-	5,881,821
Statutory deposit	-	-	-	40,000,000	40,000,000
Accrued income on statutory deposit	4,753,639	-	-	-	4,753,639
Total shareholders' operations financial assets	235,272,062	50,000,000	75,000,000	120,000,000	480,272,062

(All amounts expressed in Saudi Riyals unless otherwise stated)

29. Risk management (continued)

29.9 Financial risk (continued)

ii) Liquidity risk (continued)

	December 31, 2019				
	Not later than three-months	**Three-months to one year**	**One to five years**	**Later than five years**	**Total**
SHAREHOLDERS' OPERATIONS FINANCIAL LIABILITIES					
Dividend payable	370,743	-	-	-	370,743
Amount due to a related party	1,123,750	-	-	-	1,123,750
Accrued and other liabilities	2,229,239	-	-	-	2,229,239
Accrued income payable to SAMA	4,753,639	-	-	-	4,753,639
Total shareholders' operations financial liabilities	8,477,371	-	-	-	8,477,371
Total liquidity gap	226,794,691	50,000,000	75,000,000	120,000,000	471,794,691

29. Risk management (continued)

29.9 Financial risk (continued)

ii) Liquidity risk (continued)

For the purpose of the financial assets and liabilities, non-financial assets and non-financial liabilities amounting to Saudi Riyals 7.9 million and Saudi Riyals 1.9 million, respectively (2019: Saudi Riyals 6.5 million and Saudi Riyals 1.8 million, respectively) have been excluded from prepaid expenses and other assets and accrued and other liabilities, respectively.

iii) Commission rate risk

Commission rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market commission rates. Floating rate instruments expose the Company to cash flow commission risk, whereas fixed rate instruments expose the Company to fair value commission rate risk.

The Company is exposed to commission rate risk on certain of its term deposits and investments. The Company limits commission rate risk by monitoring changes in commission rates in the currencies in which its investments are denominated.

An increase or decrease of 10% in interest yields would result in a change in the income for the year of Saudi Riyals 1.0 million (2019: income of Saudi Riyals 2.1 million).

(All amounts expressed in Saudi Riyals unless otherwise stated)

29. Risk management (continued)

29.9 Financial risk (continued)

iii) Commission rate risk (continued)

The commission and non-commission bearing investments of the Company and their maturities as at December 31, 2020 and 2019 are as follows:

	Commission bearing				
2020	**Less than 1 year**	**Above 1 year**	**Effective rate (%)**	**Non-commission bearing**	**Total**
Insurance operations					
Loans and receivables					
Cash and cash equivalents	123,029,039	-	1.13%	26,500,866	149,529,905
Long-term deposit	-	11,250,000	2.78%	-	11,250,000
	123,029,039	11,250,000		26,500,866	160,779,905
Available-for-sale Investments	-	-	-	13,938,299	13,938,299
Financial assets at fair value through profit or loss	-	-	-	26,064,650	26,064,650
December 31, 2020	123,029,039	11,250,000	-	66,503,815	200,782,854

	Commission bearing				
	Less than 1 year	**Above 1 year**	**Effective rate (%)**	**Non-commission bearing**	**Total**
Shareholders' operations					
Loans and receivables					
Cash and cash equivalents	193,473,538	-	1.67%	333,635	193,807,173
Long-term deposits	-	75,000,000	2.88%	-	75,000,000
Statutory deposit	-	40,000,000	2.05%	-	40,000,000
	193,473,538	115,000,000		333,635	308,807,173
Available-for-sale investments	-	-	-	30,146,945	30,146,945
Financial assets at fair value through profit or loss	-	-	-	74,400,053	74,400,053
December 31, 2020	193,473,538	115,000,000	-	104,880,633	413,354,171

(All amounts expressed in Saudi Riyals unless otherwise stated)

29. Risk management (continued)

29.9 Financial risk (continued)

iii) Commission rate risk (continued)

2019	Commission bearing: Less than 1 year	Commission bearing: Above 1 year	Commission bearing: Effective rate (%)	Non-commission bearing	Total
Insurance operations					
Loans and receivables					
Cash and cash equivalents	118,477,827	-	2.85%	26,151,952	144,629,779
Short-term deposits	50,030,556	-	3.62%	-	50,030,556
Long-term deposit	-	26,250,000	2.8%	-	26,250,000
	168,508,383	26,250,000		26,151,952	220,910,335
Available-for-sale investments	-	-	-	12,608,045	12,608,045
Held-to-maturity investments	-	30,000,000	4.20%	-	30,000,000
Financial assets at fair value through profit or loss	-	-	-	30,535,530	30,535,530
December 31, 2019	168,508,383	56,250,000	-	69,295,527	294,053,910

	Commission bearing: Less than 1 year	Commission bearing: Above 1 year	Commission bearing: Effective rate (%)	Non-commission bearing	Total
Shareholders' operations					
Loans and receivables					
Cash and cash equivalents	110,454,276	-	2.85%	20,353	110,474,629
Short-term deposits	70,100,000	-	3.6%	-	70,100,000
Long-term deposits	-	75,000,000	2.97%	-	75,000,000
Statutory deposit	-	40,000,000	3.21%	-	40,000,000
	180,554,276	115,000,000		20,353	295,574,629
Available-for-sale investments	-	-	-	26,485,637	26,485,637
Held-to-maturity investments	-	80,000,000	4.18%	-	80,000,000
Financial assets at fair value through profit or loss	-	-	-	67,576,336	67,576,336
December 31, 2019	180,554,276	195,000,000	-	94,082,326	469,636,602

iv) Price risk

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

29. Risk management (continued)

29.9 Financial risk (continued)

iv) Price risk (continued)

The Company has unquoted equity investments carried at cost where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired and then the statement of income will be impacted.

The Company's financial assets at fair value through profit or loss and available-for-sale investments are susceptible to market price risk arising from uncertainty about the future value of investment securities. The Company limits market risk by diversifying its equity investment portfolio and by actively monitoring the developments in equity and money markets.

The impact of a hypothetical change of a 5% increase and 5% decrease in the market prices of investments on the Company's total comprehensive income for the year would be as follows:

% Change in equity price	2020	2019
+5	**7,165,276**	6,798,056
-5	**(7,165,276)**	(6,798,056)

v) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than Saudi Riyals and United States Dollars, during the year. As the Saudi Riyal is pegged to the United States Dollar, balances in United States Dollars are not considered to represent significant currency risk.

29.10 Capital management risk

The objectives set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value are:

- To comply with the insurance capital requirements as set out in the Law on Supervision of Cooperative Insurance Companies. The Company's current paid-up share capital is in accordance with Article 3 of the Law;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares.

In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial period.

As per Article 66 of the SAMA Regulations, the Company shall maintain a solvency margin equivalent to the highest of the following three methods:

- Minimum capital requirement of Saudi Riyals 100 million;
- Premium solvency margin; or
- Claims solvency margin.

29. Risk management (continued)

29.10 Capital management risk (continued)

The Company's management, through various scenario analyses as required by SAMA, has assessed the potential impact of Covid-19 on the Company's solvency margin by performing stress testing for various variables such as gross premium growth, increase in employee cost, year-to-date loss ratios, outstanding premium provisions, etc. and the related impact on the revenue, profitability, loss ratios and solvency ratios. The Company's management has concluded that, based on the stress testing performed, the solvency margin of the Company was 179% as at December 31, 2020 (As at December 31, 2019: 170%). As the situation is fluid and rapidly evolving, the Company will continue to reassess its position and the related impact on a regular basis.

(All amounts expressed in Saudi Riyals unless otherwise stated)

30. Supplementary information

As required by the SAMA Implementing Regulations, the statement of financial position, statement of income, statement of comprehensive income and statement of cash flows are separately disclosed for both insurance operations and shareholders' operations as follows:

STATEMENT OF FINANCIAL POSITION

	December 31, 2020			December 31, 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
ASSETS						
Cash and cash equivalents	149,529,905	193,807,173	343,337,078	144,629,779	110,474,629	255,104,408
Short-term deposits	-	-	-	50,030,556	70,100,000	120,130,556
Premiums and insurers' balances receivable - net	63,838,511	-	63,838,511	94,924,166	-	94,924,166
Reinsurers' share of unearned premiums	18,949,044	-	18,949,044	15,100,022	-	15,100,022
Reinsurers' share of outstanding claims	26,901,755	-	26,901,755	70,047,887	-	70,047,887
Reinsurers' share of claims incurred but not reported	12,002,373	-	12,002,373	13,902,786	-	13,902,786
Deferred policy acquisition costs	9,025,462	-	9,025,462	11,860,665	-	11,860,665
Available-for-sale investments	13,938,299	30,146,945	44,085,244	12,608,045	26,485,637	39,093,682
Financial assets at fair value through profit or loss	26,064,650	74,400,053	100,464,703	30,535,530	67,576,336	98,111,866
Held-to-maturity investments	-	-	-	30,000,000	80,000,000	110,000,000
Prepaid expenses and other assets	21,369,302	843,890	22,213,192	18,125,569	5,932,727	24,058,296
Long-term deposits	11,250,000	75,000,000	86,250,000	26,250,000	75,000,000	101,250,000
Property and equipment	3,983,519	-	3,983,519	4,143,639	-	4,143,639
Intangible assets	1,862,987	-	1,862,987	1,596,438	-	1,596,438
Goodwill	-	25,513,750	25,513,750	-	25,513,750	25,513,750
Statutory deposit	-	40,000,000	40,000,000	-	40,000,000	40,000,000
Accrued income on statutory deposit	-	5,573,503	5,573,503	-	4,753,639	4,753,639
Amounts due from shareholders' operations	103,499,493	-	103,499,493	57,479,427	-	57,479,427
TOTAL ASSETS	462,215,300	445,285,314	907,500,614	581,234,509	505,836,718	1,087,071,227
Less: inter-operations elimination	(103,499,493)	-	(103,499,493)	(57,479,427)	-	(57,479,427)
TOTAL ASSETS	358,715,807	445,285,314	804,001,121	523,755,082	505,836,718	1,029,591,800

AL SAGR COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020
(All amounts expressed in Saudi Riyals unless otherwise stated)

30. Supplementary information (continued)

STATEMENT OF FINANCIAL POSITION (continued)

	December 31, 2020			December 31, 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
LIABILITIES						
Accrued and other liabilities	**26,063,288**	**3,857,795**	**29,921,083**	29,924,804	2,229,239	32,154,043
Reinsurers' balances payable	**2,702,094**	-	**2,702,094**	5,333,811	-	5,333,811
Unearned premiums	**171,428,813**	-	**171,428,813**	230,733,866	-	230,733,866
Unearned reinsurance commission	**3,195,070**	-	**3,195,070**	2,197,204	-	2,197,204
Outstanding claims	**106,553,198**	-	**106,553,198**	169,692,335	-	169,692,335
Claims incurred but not reported	**76,121,056**	-	**76,121,056**	63,180,565	-	63,180,565
Additional premium reserves	**14,025,166**	-	**14,025,166**	17,314,969	-	17,314,969
Other technical reserves	**6,128,675**	-	**6,128,675**	2,045,033	-	2,045,033
Due to a related party	-	**1,123,750**	**1,123,750**	-	1,123,750	1,123,750
Employee benefit obligations	**9,207,307**	-	**9,207,307**	9,664,194	-	9,664,194
Zakat payable	-	**46,857,518**	**46,857,518**	-	45,730,348	45,730,348
Accrued commission income payable to SAMA	-	**5,573,503**	**5,573,503**	-	4,753,639	4,753,639
Accounts payable	**7,791,663**	-	**7,791,663**	5,417,406	-	5,417,406
Dividend payable	-	**370,743**	**370,743**	-	370,743	370,743
Amounts due to insurance operations	-	**103,499,493**	**103,499,493**	-	57,479,427	57,479,427
Surplus distribution payable	**35,219,225**	-	**35,219,225**	44,432,361	-	44,432,361
TOTAL LIABILITIES	**458,435,555**	**161,282,802**	**619,718,357**	579,936,548	111,687,146	691,623,694
Less: inter-operations elimination	-	**(103,499,493)**	**(103,499,493)**	-	(57,479,427)	(57,479,427)
TOTAL LIABILITIES	**458,435,555**	**57,783,309**	**516,218,864**	579,936,548	54,207,719	634,144,267

(All amounts expressed in Saudi Riyals unless otherwise stated)

30. Supplementary information (continued)

STATEMENT OF FINANCIAL POSITION (continued)

	December 31, 2020			December 31, 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
EQUITY						
Share capital	-	**400,000,000**	**400,000,000**	-	400,000,000	400,000,000
Statutory reserve	-	-	-	-	47,342,202	47,342,202
Retained earnings	-	**(122,571,875)**	**(122,571,875)**	-	(57,434,850)	(57,434,850)
Remeasurement reserve of employee benefit obligations	**2,296,547**	-	**2,296,547**	471,446	-	471,446
Fair value reserve on investments	**1,483,198**	**6,574,387**	**8,057,585**	826,515	4,242,220	5,068,735
NET EQUITY	**3,779,745**	**284,002,512**	**287,782,257**	1,297,961	394,149,572	395,447,533
TOTAL LIABILITIES AND EQUITY	**462,215,300**	**341,785,821**	**804,001,121**	581,234,509	448,357,291	1,029,591,800

(All amounts expressed in Saudi Riyals unless otherwise stated)

30. Supplementary information (continued)

STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31,

	2020			2019		
	Insurance operations	**Shareholders' operations**	**Total**	**Insurance operations**	**Shareholders' operations**	**Total**
REVENUES						
Gross premiums written	**379,113,658**	-	**379,113,658**	455,702,761	-	455,702,761
Reinsurance premiums ceded:						
- Foreign	**(37,499,244)**	-	**(37,499,244)**	(31,095,749)	-	(31,095,749)
- Local	**(2,415,663)**	-	**(2,415,663)**	(1,379,520)	-	(1,379,520)
Excess of loss premiums						
- Foreign	**(21,292,607)**	-	**(21,292,607)**	(32,259,289)	-	(32,259,289)
- Local	**(3,738,264)**	-	**(3,738,264)**	(4,733,717)		(4,733,717)
Net premiums written	**314,167,880**	-	**314,167,880**	386,234,486	-	386,234,486
Changes in unearned premiums	**59,305,053**	-	**59,305,053**	(47,854,109)	-	(47,854,109)
Changes in reinsurers' share of unearned premiums	**3,849,022**	-	**3,849,022**	2,248,334	-	2,248,334
Net premiums earned	**377,321,955**	-	**377,321,955**	340,628,711	-	340,628,711
Reinsurance commissions	**6,315,317**	-	**6,315,317**	4,769,343	-	4,769,343
Total revenues	**383,637,272**	-	**383,637,272**	345,398,054	-	345,398,054
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	**(495,300,165)**	-	**(495,300,165)**	(315,173,583)	-	(315,173,583)
Reinsurers' share of claims paid	**85,390,184**	-	**85,390,184**	32,814,789	-	32,814,789
Claims handling expenses	**(17,035,819)**	-	**(17,035,819)**	(15,015,459)	-	(15,015,459)
Net claims and other benefits paid	**(426,945,800)**	-	**(426,945,800)**	(297,374,253)	-	(297,374,253)
Changes in outstanding claims	**63,139,137**	-	**63,139,137**	(26,362,098)	-	(26,362,098)
Changes in reinsurers' share of outstanding claims	**(43,146,132)**	-	**(43,146,132)**	25,988,451		25,988,451
Changes in claims incurred but not reported	**(12,940,491)**	-	**(12,940,491)**	(24,046,174)	-	(24,046,174)
Changes in reinsurers' share of claims incurred but not reported	**(1,900,413)**	-	**(1,900,413)**	(2,488,670)	-	(2,488,670)
Net claims and other benefits incurred	**(421,793,699)**	-	**(421,793,699)**	(324,282,744)	-	(324,282,744)

(Continued)

(All amounts expressed in Saudi Riyals unless otherwise stated)

30. Supplementary information (continued)

STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, (continued)

	2020			2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Policy acquisition costs	(23,345,148)	-	(23,345,148)	(26,401,175)	-	(26,401,175)
Changes in additional premium reserves	3,289,803	-	3,289,803	7,396,184	-	7,396,184
Changes in other technical reserves	(4,083,642)	-	(4,083,642)	1,580,874	-	1,580,874
Other underwriting expenses, net	(9,619,698)	-	(9,619,698)	(6,114,198)	-	(6,114,198)
Total underwriting costs and expenses, net	(455,552,384)	-	(455,552,384)	(347,821,059)	-	(347,821,059)
NET UNDERWRITING LOSS	(71,915,112)	-	(71,915,112)	(2,423,005)	-	(2,423,005)
OTHER OPERATING (EXPENSES) INCOME						
Allowance for doubtful debts	(83,258)	-	(83,258)	(9,848,364)	-	(9,848,364)
General and administrative expenses	(63,539,339)	(5,841,231)	(69,380,570)	(54,460,358)	(4,007,596)	(58,467,954)
Investment and commission income	5,719,863	6,790,689	12,510,552	7,288,983	16,144,191	23,433,174
Changes in fair value of financial assets at fair value through profit or loss – net	(381,612)	6,538,604	6,156,992	(559,763)	2,559,424	1,999,661
Reversal of surplus distribution payable	9,187,005	-	9,187,005	-	-	-
Realized gain on available-for-sale investments	684,432	1,735,042	2,419,474	686,248	2,488,719	3,174,967
Other income	5,125,690	-	5,125,690	2,270,215	-	2,270,215
Total other operating (expenses) income, net	(43,287,219)	9,223,104	(34,064,115)	(54,623,039)	17,184,738	(37,438,301)
Total (loss) income for the year before surplus attribution and zakat	(115,202,331)	9,223,104	(105,979,227)	(57,046,044)	17,184,738	(39,861,306)
Zakat expense	-	(6,500,000)	(6,500,000)	-	(8,400,000)	(8,400,000)
Total (loss) income for the year	(115,202,331)	2,723,104	(112,479,227)	(57,046,044)	8,784,738	(48,261,306)
Deficit transferred to the shareholders' operations	115,202,331	(115,202,331)	-	57,046,044	(57,046,044)	-
Total loss for the year after transfer of deficit	-	(112,479,227)	(112,479,227)	-	(48,261,306)	(48,261,306)

30. Supplementary information (continued)

STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, (continued)

	2020			2019		
	Insurance operations	**Shareholders' operations**	**Total**	**Insurance operations**	**Shareholders' operations**	**Total**
Weighted average number of outstanding shares	-	**40,000,000**	**40,000,000**	-	40,000,000	40,000,000
Loss per share (expressed in Saudi Riyals per share)						
Basic loss per share	-	**(2.81)**	**(2.81)**	-	(1.21)	(1.21)
Diluted loss per share	-	**(2.81)**	**(2.81)**	-	(1.21)	(1.21)

(All amounts expressed in Saudi Riyals unless otherwise stated)

30. Supplementary information (continued)

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31,

	2020			2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Total loss for the year attributable to the shareholders	-	**(112,479,227)**	**(112,479,227)**	-	(48,261,306)	(48,261,306)
Other comprehensive income (loss):						
Items that will not be reclassified to the statement of income in subsequent years						
Re-measurement gain (loss) on employee benefit obligations	**1,825,101**	-	**1,825,101**	(89,745)	-	(89,745)
Items that will be reclassified to the statement of income in subsequent years						
Net change in fair value of available-for-sale investments	**656,683**	**2,332,167**	**2,988,850**	392,447	1,512,171	1,904,618
Total comprehensive income (loss) for the year	**2,481,784**	**(110,147,060)**	**(107,665,276)**	302,702	(46,749,135)	(46,446,433)

(All amounts expressed in Saudi Riyals unless otherwise stated)

30. Supplementary information (continued)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31,

	2020			2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Total loss for the year before surplus attribution and zakat	-	(105,979,227)	(105,979,227)	-	(39,861,306)	(39,861,306)
Adjustments for non-cash items:						
Depreciation of property and equipment	1,248,563	-	1,248,563	1,353,200	-	1,353,200
Amortization of intangible assets	654,344	-	654,344	471,961	-	471,961
Provision for employee benefit obligations	2,472,668	-	2,472,668	2,345,910	-	2,345,910
Changes in fair value of financial assets at fair value through profit or loss	381,612	(6,538,604)	(6,156,992)	559,763	(2,559,424)	(1,999,661)
Realized gain on available-for-sale investments	(684,432)	(1,735,042)	(2,419,474)	(686,248)	(2,488,719)	(3,174,967)
Realized gain on financial assets at fair value through profit or loss	(1,109,408)	-	(1,109,408)			
Allowance for doubtful debts	83,258	-	83,258	9,848,364	-	9,848,364
Reversal of surplus distribution payable	(9,187,005)	-	(9,187,005)	-	-	-
Changes in operating assets and liabilities:						
Unearned premiums	(59,305,053)	-	(59,305,053)	47,854,109	-	47,854,109
Premiums and insurers' balances receivable - net	27,979,416	-	27,979,416	(11,829,676)	-	(11,829,676)
Reinsurers' share of unearned premiums	(3,849,022)	-	(3,849,022)	(2,248,334)	-	(2,248,334)
Reinsurers' share of outstanding claims	43,146,132	-	43,146,132	(25,988,451)	-	(25,988,451)
Reinsurers' share of claims incurred but not reported	1,900,413	-	1,900,413	2,488,670	-	2,488,670
Amounts due from (to) insurance operations	121,993,647	(121,993,647)	-	4,646,724	(4,646,724)	-
Amounts due (from) to shareholders' operations	(168,013,713)	168,013,713	-	(57,046,044)	57,046,044	-
Deferred policy acquisition costs	2,835,203	-	2,835,203	655,627	-	655,627
Prepaid expenses and other assets	(3,243,733)	5,088,837	1,845,104	101,891	(2,555,276)	(2,453,385)
Accrued and other liabilities	(2,689,666)	1,628,556	(1,061,110)	6,451,861	(389)	6,451,472
Reinsurers' balances payable	(2,631,717)	-	(2,631,717)	(2,523,744)	-	(2,523,744)
Unearned reinsurance commission	997,866	-	997,866	447,162	-	447,162
Outstanding claims	(61,314,137)	-	(61,314,137)	26,362,098	-	26,362,098
Claims incurred but not reported	12,940,491	-	12,940,491	24,046,174	-	24,046,174
Accrued commission income payable to SAMA	-	819,864	819,864	-	1,285,523	1,285,523

(Continued)

(All amounts expressed in Saudi Riyals unless otherwise stated)

30. Supplementary information (continued)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, (continued)

	2020			2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Accounts payable	2,374,257	-	2,374,257	98,195	-	98,195
Additional premium reserves	(3,289,803)	-	(3,289,803)	(7,396,184)	-	(7,396,184)
Other technical reserves	4,083,642	-	4,083,642	(1,580,874)	-	(1,580,874)
Employee benefit obligations paid	(1,104,454)	-	(1,104,454)	(1,586,706)	-	(1,586,706)
Zakat paid	-	(5,372,830)	(5,372,830)	-	(4,940,173)	(4,940,173)
Surplus distribution payable to policyholders	-	-	-	(64,199)	-	(64,199)
Net cash (utilized in) generated from operating activities	(93,330,631)	(66,068,380)	(159,399,011)	16,781,249	1,279,556	18,060,805
CASH FLOWS FROM INVESTING ACTIVITIES						
Liquidation of short-term deposits	100,030,556	70,100,000	170,130,556	141,256,071	230,320,800	371,576,871
Placements in short term deposits	(50,000,000)	-	(50,000,000)	(158,030,556)	(200,420,800)	(358,451,356)
Statutory deposit commission income	-	(819,864)	(819,864)	-	(1,285,523)	(1,285,523)
Purchase of financial assets at fair value through profit or loss	-	(285,113)	(285,113)	(18,750,000)	(49,875,000)	(68,625,000)
Proceeds from disposal of financial assets at fair value through profit or loss	5,198,676	-	5,198,676	10,137,971	724,312	10,862,283
Purchase of property and equipment	(1,088,443)	-	(1,088,443)	(1,237,290)	-	(1,237,290)
Purchase of intangible assets	(920,893)	-	(920,893)	(1,308,870)	-	(1,308,870)
Purchase of available-for-sale investments	(33,622,654)	(9,368,427)	(42,991,081)	(21,976,091)	(10,574,902)	(32,550,993)
Proceeds from disposal of available-for-sale investments	33,633,515	9,774,328	43,407,843	21,529,506	10,037,156	31,566,662
Liquidation of long-term deposits	15,000,000	-	15,000,000	-	-	-
Proceeds from disposal of held-to-maturity investments	30,000,000	80,000,000	110,000,000	-	-	-
Net cash generated from (utilized in) investing activities	98,230,757	149,400,924	247,631,681	(28,379,259)	(21,073,957)	(49,453,216)
Net change in cash and cash equivalents	4,900,126	83,332,544	88,232,670	(11,598,010)	(19,794,401)	(31,392,411)
Cash and cash equivalents, beginning of the year	144,629,779	110,474,629	255,104,408	156,227,789	130,269,030	286,496,819
Cash and cash equivalents, end of the year	149,529,905	193,807,173	343,337,078	144,629,779	110,474,629	255,104,408

(All amounts expressed in Saudi Riyals unless otherwise stated)

30. Supplementary information (continued)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, (continued)

	2020			2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Supplemental non-cash information:						
Change in fair value reserve for available-for-sale investments	656,683	2,332,167	2,988,850	392,447	1,512,171	1,904,618
Surplus distribution payable adjusted against insurance premium receivable from policyholders	26,131	-	26,131	363,277	-	363,277
Surplus distribution payable adjusted against insurance premium receivable from related parties	-	-	-	85,148	-	85,148
Surplus distribution payable adjusted against VAT receivable on unearned premium	-	-	-	862,600	-	862,600
Settlement of premium receivable from a shareholder through rent due to them	1,171,850	-	1,171,850	1,082,572	-	1,082,572
Settlement of premium receivable from a shareholder through outstanding claims due them	1,825,000	-	1,825,000	-	-	-
Re-measurement (gain) loss on employee benefit obligations	1,825,101	-	1,825,101	(89,745)	-	(89,745)

31. Commitments and contingencies

a) Legal proceedings

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business relating to policyholders' insurance claims. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have material impact on the Company's results or financial position.

b) Capital commitments

At December 31, 2020, the Company had outstanding commitment of Saudi Riyals 3.3 million in respect of purchase of investments relating to a mutual fund (December 31, 2019: Saudi Riyals 3.6 million).

32. Approval of the financial statements

The financial statements have been approved by the Board of Directors on 15 Shaaban 1442H (corresponding to March 28, 2021).