# SAUDI REINSURANCE COMPANY

Annual Report 2022

إعـــــادة
Saudi Re

# Radial **Growth**

Saudi Re maintained a robust growth trajectory across most parameters of its business. Over the years, we have continued to grow outwards from “the center” - our home in The Kingdom of Saudi Arabia - building an international presence in 40 plus countries across MENA, Asia, Africa and Lloyd's Market in the UK. We have sharpened our focus on expansion into international markets, guided by our blueprint for the future, Strategy Towards 2026.

# CONTENTS


4 OVERVIEW

4 About this Report
5 About Saudi Re
7 Value Drivers: 2022 at a Glance
10 Five-year Summary
12 Chairman's Statement
18 Chief Executive Officer's Review

21 BUSINESS CONTEXT, STRATEGY AND PERFORMANCE

22 Market Review
26 Strategic Direction
31 Financial Review

49 ESG REPORT

50 Our Sustainability Strategy
54 Our Sustainability Performance

78 CORPORATE GOVERNANCE

80 Governance
108 Risk Management

112 OPERATING PERFORMANCE

113 Independent Auditors' Report
117 Statement of Financial Position
118 Statement of Income
119 Statement of Comprehensive Income
120 Statement of Changes in Equity
122 Statement of Cash Flows
124 Notes to the Financial Statements

# 1. ABOUT THIS REPORT







Saudi Re's Annual Report 2022 has been prepared in accordance with integrated reporting principles. Continuing the tradition of issuing a Financial Report, a Sustainability Report, and a Directors' Report. The Report's objective is to concisely communicate the salient aspects of Saudi Re's strategy, governance, performance, and prospects in the context of the operating environment.

## 1.1 REPORT BOUNDARY

Unless otherwise specified this Report covers Saudi Re's operations. The boundary for financial reporting includes Saudi Re and its associate Companies.

## 1.2 REPORTING PERIOD

This Report covers the period from 1 January 2022 to 31 December 2022. This is consistent with our previous financial and sustainability reporting, as well as the Directors' Report. There are no restatements of any information contained in previous reports, and no significant changes in the scope and aspect boundaries of previous reports. The most recent Directors' Report, Sustainability Report, and Financial Report were all for the fiscal year ended 31 December 2022.

The Report is available in both English and Arabic, and in the event of any discrepancy between the two the Arabic version will prevail.

## 1.3 COMPLIANCE

The Report complies with all the applicable rules, regulations, and standards of the Saudi Central Bank (SAMA), the Capital Market Authority (CMA), and the Ministry of Commerce (MOC), and other regulatory agencies.

## 1.4 FINANCIAL STATEMENTS

The financial statements for the fiscal year ended 31 December 2022 have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia (collectively referred to as 'IFRS endorsed in KSA') as well as other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

## 1.5 QUERIES

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This Report is available in the following formats: print, pdf, and end-to-end comprehensive online HTML

# 2. ABOUT SAUDI RE

## 2.1 WHO WE ARE

Saudi Re is the only specialized reinsurance company in Saudi Arabia which operates in more than 40+ countries across the Middle East, Asia, Africa and Lloyd's Market in the UK through it's HO in Riyadh and through it's Labuan KL branch. The Company operates under the supervision of the Saudi Central Bank (SAMA) and listed on the Saudi Exchange (Tadawul). Based in a G20 economy, with one of the world's fastest-growing insurance markets, giving Saudi Re significant opportunities for growth and development.

Saudi Re's financial strength and stability have been affirmed by receiving a rating of "A-" for long-term issuer credit and insurer financial strength and a "gcAAA'" regional scale rating with a stable outlook by Standard & Poor's Global Ratings (S&P); and a rating of A3 Insurance Financial Strength Rating (IFSR) international scale and an A1.sa national scale IFSR with a stable outlook from Moody's. The financial ratings are attributable to Saudi Re's strong brand and market position (both locally and internationally), low exposure to large risks, strong asset quality, and high capital adequacy.

**The only specialized Reinsurance Company in the Kingdom of Saudi Arabia**

**Among the top performing reinsurance companies in MENA region**

**Established and listed in 2008**

**Capital of SR 891 million**

**GWP SR 1.403 billion in 2022, with CAGR 21% 2019-2022 – strong growth momentum from 2019-22**

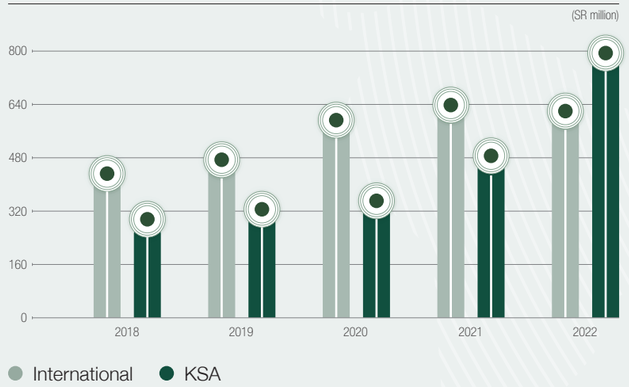
**A- rating by Standard & Poor's S&P/ A3 rating by Moody's (stable outlook)**

In formulating its strategies and policies, Saudi Re follows a sustainability framework based on international practices, incorporating ESG criteria into reinsurance practices, and operates as a Sharia-compliant company. The Company also incorporates sustainability into its supply chain practices, ensuring that its procurement processes are prudently formulated and executed.

## 2.2 WHAT WE DO

Saudi Re specializes in facultative and treaty reinsurance solutions in various classes, including property, engineering, liability, marine, motor, life, and health. The company aims to support Saudi Arabia's Vision 2030 by expanding the non-oil sector and non-oil exports, and by maximizing the local content of reinsurance and retaining premiums within the Kingdom. Strong client relationships, established through direct and broker channels, are managed by market-based underwriting teams and supported by a robust technological and analytical infrastructure. The Company's underwriting expertise, combined with its strong analytical and actuarial skills, enables sound risk assessments and judicious pricing.

### Gross Written Premium (GWP)






# 3. VALUE DRIVERS: 2022 AT A GLANCE



**SR 1.4 billion**

**Gross Written Premium (GWP)**

2021: SR 1.1 billion

**40+**

**Countries in operation**

**44%**

**International business**

**A- S&P & A3 Moody's**

**Credit ratings**

**SR 127.5 million**

**Underwriting profit**

2021: SR 71.6 million

**SR 41.5 million**

**Net profit**

2021: SR 38.3 million

**SR 4.2 billion**

**Total assets**

2021: SR 3.1 billion

**SR 1 billion**

**Total equity**

2021: SR 963 million

**SR 0.47**

**EPS**

2021: SR 0.43

# 3.1 AWARDS AND RECOGNITION

**Saudi Re was awarded General Reinsurance Company of the Year, for the second consecutive year. The Company's excellence in corporate disclosure and Annual Reporting was also recognized at the Middle East Investor Relations (MEIRA) IR Awards, with two awards.**




**General Reinsurance Company of the year**




**Best Annual Report – Print - Small-cap companies – 3rd place**

**Best Digital IR – Middle East, Small-cap companies – 2nd place**



OVERVIEW
BUSINESS CONTEXT, STRATEGY, AND PERFORMANCE
ESG REPORT
CORPORATE GOVERNANCE
OPERATING PERFORMANCE

# 3.2 OUR MARKET PRESENCE



**UK** — 1

**Africa** — 18

- Algeria
- Botswana
- Cameroon
- Egypt
- Ethiopia
- Ghana
- Ivory Coast
- Kenya
- Madagascar
- Malawi
- Mauritius
- Morocco
- Nigeria
- Tanzania, United Rep.
- Togo
- Tunisia
- Zambia
- Zimbabwe

**Middle East** — 8

- Saudi Arabia
- Bahrain
- Jordan
- Kuwait
- Oman
- Qatar
- Turkey
- UAE

**Asia** — 16

- Bangladesh
- Brunei
- Cambodia
- China
- India
- Indonesia
- Kazakhstan
- Malaysia
- Pakistan
- Philippines
- Singapore
- South Korea
- Sri Lanka
- Taiwan
- Thailand
- Vietnam

## GWP By Geographical Representation






OVERVIEW
BUSINESS CONTEXT, STRATEGY, AND PERFORMANCE
ESG REPORT
CORPORATE GOVERNANCE
OPERATING PERFORMANCE

# 4. FIVE-YEAR SUMMARY

## 4.1 REVENUES

| For the years ended 31 December | 2022 (SR '000) | 2021 (SR '000) | 2020 (SR '000) | 2019 (SR '000) | 2018 (SR '000) |
|---|---|---|---|---|---|
| Gross written premiums | **1,403,281** | 1,115,880 | 935,114 | 792,848 | 721,605 |
| Retroceded premiums | **462,919** | 123,898 | 132,993 | 127,844 | 72,997 |
| Net written premiums | **898,599** | 958,968 | 772,639 | 646,605 | 616,896 |
| Net earned premiums | **927,891** | 854,730 | 647,120 | 642,535 | 613,615 |
| Total revenues | **942,706** | 874,406 | 659,814 | 660,711 | 630,083 |

## 4.2 TOTAL COMPREHENSIVE INCOME

| For the years ended 31 December | 2022 (SR '000) | 2021 (SR '000) | 2020 (SR '000) | 2019 (SR '000) | 2018 (SR '000) |
|---|---|---|---|---|---|
| Net Income for the year | **41,479** | 38,309 | 45,918 | 45,444 | 13,722 |
| Other comprehensive income/(loss) | **(8,721)** | (2,124) | 2,191 | (3,021) | 3,036 |
| Total comprehensive income | **32,758** | 36,185 | 48,109 | 42,423 | 16,758 |

## 4.3 TOTAL COSTS AND EXPENSES

| For the years ended 31 December | 2022 (SR '000) | 2021 (SR '000) | 2020 (SR '000) | 2019 (SR '000) | 2018 (SR '000) |
|---|---|---|---|---|---|
| Total policyholders' costs and expenses | **(890,779)** | (852,669) | (629,166) | (593,467) | (578,524) |
| Total shareholders' costs and expenses | **(18,154)** | (13,174) | (10,447) | (9,684) | (9,224) |
| Total costs and expenses | **(908,933)** | (865,842) | (639,614) | (603,151) | (587,748) |

## 4.4 INVESTMENT INCOME

| For the years ended 31 December | 2022 (SR '000) | 2021 (SR '000) | 2020 (SR '000) | 2019 (SR '000) | 2018 (SR '000) |
|---|---|---|---|---|---|
| Shareholders' investment/income | **31,425** | 46,293 | 34,533 | 37,855 | 13,218 |
| Reinsurance investment income | **1,812** | 4,440 | 3,795 | 9,299 | 5,340 |
| Total reinsurance investment income | **33,237** | 50,732 | 38,329 | 47,154 | 18,559 |

## 4.5 NET INVESTMENT INCOME

| For the years ended 31 December | 2022 (SR '000) | 2021 (SR '000) | 2020 (SR '000) | 2019 (SR '000) | 2018 (SR '000) |
|---|---|---|---|---|---|
| Shareholders' investments | **26,645** | 42,969 | 33,765 | 36,341 | 9,702 |
| Reinsurance operations investments | **1,666** | 3,975 | 3,674 | 9,139 | 4,936 |
| Total net investment income | **28,311** | 46,944 | 37,439 | 45,479 | 14,638 |

## 4.6 SURPLUS/DEFICIT FROM REINSURANCE OPERATIONS

| For the years ended 31 December | 2022 (SR '000) | 2021 (SR '000) | 2020 (SR '000) | 2019 (SR '000) | 2018 (SR '000) |
|---|---|---|---|---|---|
| Surplus/(deficit) from reinsurance operations | **48,234** | 23,141 | 30,890 | 31,662 | 12,339 |

## 4.7 NET INCOME FROM SHAREHOLDERS' OPERATIONS

| For the years ended 31 December | 2022 (SR '000) | 2021 (SR '000) | 2020 (SR '000) | 2019 (SR '000) | 2018 (SR '000) |
|---|---|---|---|---|---|
| Net income from shareholders | **41,479** | 38,309 | 45,918 | 45,444 | 819 |

## 4.8 TECHNICAL RESERVE POSITION

| For the years ended 31 December | 2022 (SR '000) | 2021 (SR '000) | 2020 (SR '000) | 2019 (SR '000) | 2018 (SR '000) |
|---|---|---|---|---|---|
| Technical reserves | **1,707,819** | 1,603,938 | 1,343,897 | 1,126,114 | 1,081,668 |

## 4.9 TOTAL ASSETS

| For the years ended 31 December | 2022 (SR '000) | 2021 (SR '000) | 2020 (SR '000) | 2019 (SR '000) | 2018 (SR '000) |
|---|---|---|---|---|---|
| Reinsurance total assets | **3,130,172** | 1,998,858 | 1,751,312 | 1,640,548 | 1,456,378 |
| Shareholders' total assets | **1,134,768** | 1,118,611 | 1,056,898 | 1,013,762 | 1,002,393 |

# 5. CHAIRMAN'S STATEMENT



**Saudi Re has made continuous progress in the "Strategy towards 2026", which aims at achieving a ranking among the top 50 global reinsurers, by placing its primary focus on its home market, while also expanding and diversifying into international markets**



OVERVIEW
BUSINESS CONTEXT, STRATEGY, AND PERFORMANCE
ESG REPORT
CORPORATE GOVERNANCE
OPERATING PERFORMANCE

Saudi Reinsurance Company
Annual Report 2022



The Company's robust performance and resilience during challenging times is a testament to the effectiveness of its strategy

The markets faced yet another turbulent year in 2022, with conflict in Europe hampering global growth prospects, interrupted energy supply, capital markets experiencing high volatility and an increasing threat of inflation. However, the global reinsurance market began to firm up, after a six-year negative spell. Despite a volatile global environment, Saudi Re was able to deliver consistently strong financial results and provide enhanced value to our stakeholders.

## 5.1 A VOLATILE OPERATING ENVIRONMENT

The MENA region is expecting a substantial slowdown in economic activity in 2023, following a period of robust growth in 2022, which was led by the Saudi Arabian economy. Saudi Arabia experienced 8.7% growth in 2022, the highest among the G20 countries.

The insurance market in Saudi Arabia began to improve in 2022, with a turnaround in investor sentiment. Saudi insurers are now required to adopt an adequate pricing strategy for both motor and medical insurance, as they are retaining more risk. Among challenges faced in 2022, were claims resulting from floods in Saudi Arabia and Asia, as well as claims relating to an unexpected mall fire at Dhahran. Additionally, the Company also faced economic hardships, including increased competition and the impact of rising interest rates and currency exchange fluctuation. Despite numerous challenges during the year, Saudi Re was able to deliver a strong performance.

Despite the headwinds facing global economic outlook, the reinsurance market capacity shortage, hardening market and tightened terms are expected to drive further increases in the



OVERVIEW
BUSINESS CONTEXT, STRATEGY, AND PERFORMANCE
ESG REPORT
CORPORATE GOVERNANCE
OPERATING PERFORMANCE

reinsurance pricing. Overlapping disruptions, financial shocks, geopolitical instability, increased exposure to natural catastrophes all have brought resilience to the forefront, making way for risk transfer and reinsurance solutions.

In spite of the overall economic uncertainty, the local market experienced developments that were favorable to Saudi Re, including local retention mechanism and improved reinforcement of the Inherent Defects Insurance (IDI) program.

On a local front, demand for insurance and reinsurance is expected to continue, given the current economic boom in the Kingdom.

## 5.2 A STRONG STRATEGIC FOCUS

Saudi Re has made continuous progress in the "Strategy towards 2026", which aims at achieving a ranking among the top 50 global reinsurers, by placing its primary focus on its home market, while also expanding and diversifying into international markets.

The Company's robust performance and resilience during challenging times is a testament to the effectiveness of its strategic focus. Various key factors have been carefully considered in our strategy formulation, including the evolution of the (re)insurance regulatory landscape, the international reinsurance landscape and global consolidation trends, the Kingdom's national agenda, and the creation of shareholder value. We have leveraged our competitive advantage in the Saudi market through improved market retention and capitalizing on the growth prospects of the economy.

The Board of Directors recommended increasing the Company's capital through a rights issue. The SR 445.5 million rights issue will raise the capital from SR 891 million to SR 1.336 billion. The capital increase will strengthen Saudi Re's capital base and support the expansion plans in the domestic and international markets while aligning with Saudi Re's effort to generate better returns and create greater shareholder value.

Prioritizing diversification has remained central to Saudi Re's strategy, aiming to minimize concentration and accumulation risks in its portfolio. To achieve this objective, the Company has expanded into various business lines, maintaining a balance between proportional and non-proportional contracts, while also diversifying geographically. Its portfolio spans over 40 markets in the Middle East, Asia, Lloyd's market, and Africa. In expanding our international footprint prudently, we have been able to demonstrate the effectiveness of our diversification strategy, with international business accounting for 44% of our portfolio in 2022. This signifies Saudi Re's ability to deploy technical and business development capabilities to build a strong footing in international markets, even during challenging times, in a manner that reinforces profitable growth.

To empower our teams across underwriting, actuarial, analytical, and claims management functions to provide exceptional service to clients, Saudi Re has invested in capability building. In line with our strategy to develop international business, the Company has established strong relationships with partners and brokers outside the home market, projecting Saudi Re as an emerging and reliable Middle Eastern reinsurer.

Moreover, Saudi Re has significantly enhanced communication facilities and data connectivity, as well as strengthened cybersecurity protection to ensure maximum availability of IT services while delivering uninterrupted services to clients.

## 5.3 EXCEPTIONAL GROWTH AND RECORD ACHIEVEMENTS IN 2022

I am pleased to report that 2022 was an exceptional year for Saudi Re, with outstanding results that demonstrate our strength and resilience as a leading reinsurer in the Middle East and beyond. Our Gross Written Premium (GWP) grew by an exceptional 26% to SR 1,403,281, recording the highest year-on-year growth and marking the highest premium level achieved in our history. This remarkable accomplishment is evidence of our unwavering commitment to providing superior value to our clients and partners, reinforcing our position as one of the top-ranked Middle Eastern reinsurers.

Our total equity increased from SR 963 million to SR 1 billion, while total assets increased by 32% to SR 4.2 billion. We maintained a healthy solvency position and our technical reserves reached SR 1.7 billion as of 31 December 2022. These results demonstrate the strength of our balance sheet and our ability to manage risk efficiently.

Additionally, our efficient business model, improved technical performance and recovery of investment returns have led to sustained profitability over the last seven years. Our net profit increased year-on-year, and we have a track record of profitability that underscores our long-term viability.



**Saudi Reinsurance Company**
Annual Report 2022
Chairman's Statement

Our Gross Written Premium (GWP) grew by an exceptional **26%** to **SR 1.4 billion** marking the highest premium level achieved in our history

We continuously seek to optimize the composition of our investment portfolio, considering factors including risk, return, capital, regulation and tax legislation changes.

In December 2022, S&P Global Ratings assigned Saudi Re an "A-" long-term issuer credit and insurer financial strength rating, with a stable outlook, citing the Company's profitable business growth, diversification, and strong capital adequacy. Meanwhile, Moody's affirmed Saudi Re's "A3" Insurance Financial Strength Rating, also with a stable outlook, in June 2022, highlighting the Company's strong brand and market position in Saudi Arabia, as well as its growing presence in Asia, Africa, and Lloyd's. Both ratings reflect Saudi Re's effective governance practices, consistent strategy, and management expertise, as well as its strong financial position, which supports the Company's growth efforts in the local and international markets.

## 5.4 OUR COMMITMENT TO SUSTAINABILITY

As one of the leading reinsurers in the region, we recognize the importance of setting a high standard in sustainability. Saudi Re's sustainability approach centers around the best interests of our stakeholders and their evolving demands. Furthermore, the framework is aligned with national and international standards such as the United Nations Sustainable Development Goals (UN SDGs) and the Principles for Sustainable Insurance (PSI). As the first Middle Eastern reinsurer to publish a sustainability report, we are committed to setting a benchmark in adopting sustainable practices and voluntarily disclosing our ESG performance. Our goal is to improve the image of the insurance industry in society and demonstrate our commitment to sustainability.

The recommended capital increase will strengthen Saudi Re's capital base and support the expansion plans in the domestic and international markets while aligning with Saudi Re's effort to generate better returns and create greater shareholder value

As a Sharia-compliant company, we firmly believe ensuring sustainability requires responsibility in conducting business and investing. We are committed to promoting sustainable practices across our organization, and we will continue to prioritize ESG factors in our decision-making processes.

## 5.5 CONTRIBUTING TO THE SAUDI VISION 2030

Saudi Re's commitment to national development and support of the Saudi Vision 2030 remains steadfast. We actively create opportunities for Saudi citizens through targeted training and development programs, with a special focus on empowering women, and have achieved a Saudization ratio of 60% in 2022.

As the only specialized reinsurer in a rapidly developing market, we play a crucial role in driving professional standards, enhancing product offerings, and filling gaps in insurance coverage. Our efforts align seamlessly with the national agenda, as we actively contribute to the retention of reinsurance premiums within the Kingdom and support national insurance programs, thereby supporting local content development. Additionally, we export reinsurance services in line with the national goal to grow the non-oil Gross Domestic Product (GDP), further underscoring our commitment to national development.

## 5.6 A ROBUST GOVERNANCE FRAMEWORK

In our efforts to maintain a consistent focus on governance, Saudi Re has taken steps to improve effectiveness of the Board, which was done by contracting a consultant to assess the level and standard of governance among Board members. Recommendations from the assessment were taken into consideration, and the Board made decisions to adopt changes in policies and procedures, and introduce new programs and systems to further strengthen governance practice.

To provide shareholders and the public with more insight into the Company's business activities and better disclosures, the 2022 Annual Report contains extended information following best practices. Additionally, Saudi Re proactively publishes a detailed sustainability report, as it continues to address ESG issues.

The Company also actively monitors changes in regulations and accounting standards to ensure it is well-prepared to handle emerging risks and evolving market trends. This is done through regular assessments using an enterprise risk management framework and a strategic planning framework.

Saudi Re has been working on the adoption of the International Financial Reporting Standard (IFRS) 17, which will be applicable in the Kingdom from the beginning of 2023. The progress made so far and the effect on the financial performance have been included in a separate section in this report and in the financial statements for the purpose of keeping our stakeholders aware of this important transition in the financial reporting.

During 2022, we have conducted a study to assess the effectiveness of our compensations and benefits structure and launched a new reward strategy that is geared to establish a stronger link between reward and performance and help retain and attract talents and incentivize them to achieve Saudi Re's strategic goals.

Saudi Re has a robust governance structure in place to protect the rights of its shareholders and other stakeholders. It ensures compliance with applicable laws, regulations, and directives issued by regulatory bodies.

## 5.7 LOOKING TO THE FUTURE, BUILDING ON 15 YEARS OF PROGRESS

As we near our 15th anniversary, we contemplate the progress made by Saudi Re during a tumultuous period, culminating in our present standing as a leading and reliable middle eastern reinsurer. Although Saudi Re has achieved numerous successes, the potential that the company has created is truly commendable and deserving of recognition.

Building on our competitive advantage in the Kingdom, we are poised for exceptional growth opportunities both domestically and in the global arena. We continue to explore a range of organic and inorganic growth opportunities to expand our operations and increase our scale, while maintaining a focus on delivering value to our shareholders. Our long-term strategy is centered on sustainable and diversified growth, and we remain committed to serving the interests of all our stakeholders.

## 5.8 ACKNOWLEDGEMENTS

As we approach our 15th anniversary in 2023, we remain optimistic and committed to our vision for the future. I would like to take this opportunity to extend my sincere gratitude to our employees for their unwavering dedication and commitment during these unprecedented times. I am deeply appreciative of the regulatory bodies for their valuable guidance and advice, as well as our investors for their continued trust and support. I am also grateful for the confidence shown by our clients and partners worldwide, who have made this journey possible. We are committed to creating value and serving for all our stakeholders to the very best of our ability in the years to come.

**Hesham Al-Shaikh**
Chairman of the Board of Directors



**Saudi Reinsurance Company**
Annual Report 2022
Chairman's Statement

# 6. CHIEF EXECUTIVE OFFICER'S REVIEW



**Saudi Re has recorded an exceptional 26% growth in Gross Written Premium (GWP) to reach SR 1,403 billion, while maintaining strong foothold in more than 40 markets across the Middle East, Asia, Africa, and UK**



Benefiting from our strong domestic position and building upon the Company's twinned hallmarks of agility and resilience, Saudi Re has delivered exceptional results. 2022 was a sterling year with an exceptional growth of 26% in Gross Written Premium (GWP) reaching SR 1.4 billion – the highest recorded in our history, and a 6.4% increase in profit before zakat, while increasing total equity by 3.7% to SR 1 billion.

## 6.1 STRATEGIC DIRECTION

These accomplishments give us fresh impetus to build on our advantages, honor our pledge to provide superior value, and reinforce our position as one of the top-ranked reinsurers in the Middle East region.

We have been studying a range of organic and inorganic growth opportunities to expand our operations and increase our scale. As always, our direction is anchored to growth that is both, diversified and sustainable, and we remain steadfast in serving the interests of all our stakeholders.

Several factors are propelling our steady course towards achieving the objectives of the Strategy Towards 2026. While the international market witnessed rapidly changing market conditions, the domestic market remained comparatively tranquil, even as it augurs favorable conditions for growth.

The Saudi Central Bank (SAMA) is directing the implementation of a new reinsurance retention mechanism which will strengthen the domestic reinsurance ecosystem and increase the sector's contribution to the local content. With this, we are hopeful of growing written premiums from our home market by over 5%.

Saudi Re remains privileged to exclusively reinsure the mandatory Inherent Defects Insurance (IDI) program, which has been systematically implemented over phases in the last four years. This was key growth driver for Saudi Re in 2022 and represented a 28% of its total portfolio.

We applaud these initiatives by SAMA to develop the industry and enhance market practices. While they will strengthen the domestic ecosystem, they also provide Saudi Re multiple opportunities to expand internationally and fulfil our vision to be ranked among the top 50 reinsurers in the world.

## 6.2 STERLING PERFORMANCE

Saudi Re has recorded an exceptional 26% growth in Gross Written Premium (GWP) to reach SR 1.4 billion which is the highest year-on-year growth and the highest premium level ever achieved by us. At the same time, Underwriting results (UW) has increased by 78% to reach SR 127 million, as compared to the SR 71 million of last year. Our unwavering focus on diversification has also delivered a healthy portfolio composition that now features 44% international business.

This growth is aligned with our strategy of achieving economic scale through the main growth drivers of countries across the Middle East, led by Saudi Arabia. Most market segments witnessed improved results and positive performance, despite challenges in some segments like Asia and Life.

**Our credit rating of A- S&P, & A3 Moody's is a recognition of Saudi Re's progress and financial strength, and will unlock growth opportunities locally and internationally**

In November, Saudi Re signed reinsurance contracts with Probitas Corporate Capital Ltd, starting on 1 January 2023 and effective for one year. Total GWP from these contracts is estimated at SR 194.40 million, and their impact is also expected to reflect on next year's financial results.

### 6.3 AUTHORITATIVE ENDORSEMENTS

While credit rating is important for many industries it is imperative for the insurance sector, as a reflection of the levels of solvency and creditworthiness, and the ability to meet obligations toward customers and creditors. The multi-pronged assessments of strategy, governance, financial performance, and risk management also support investment decisions.

In this context, we are pleased that Saudi Re obtained "A-" long-term issuer credit and insurer financial strength rating, and "gcAAA" regional scale rating with a stable outlook from S&P Global Ratings. In their report, S&P highlighted the strengthening of our competitive position via profitable business growth, diversification, and local and international expansion. They also noted that our exposure to catastrophes and other large risks remains relatively modest, and that the company maintains good capital adequacy that stands above the "AAA" level in S&P's model.

Concurrently, Moody's Investors Service, has affirmed "A3" Insurance Financial Strength Rating (IFSR), and "A1.sa" national scale IFSR, with a stable outlook. This is testament to our strong brand and market position in Saudi Arabia and a growing presence in target markets of Asia and Africa. More importantly, it strengthens Saudi Re's preferential position due to right of first refusal on a portion of premiums ceded by primary insurers; strong asset quality as exemplified by a conservative investment portfolio; and relatively modest exposure to natural catastrophe risks.

While these ratings come in recognition of our progress thus far, it propels us to unlock growth opportunities in global markets, with a broader investor base.

### 6.4 NEW MILESTONES

Saudi Re was accorded the title of "Reinsurance Company of the Year" at the 10th Middle East Insurance Industry Awards, held in Dubai. The MENA IR awards are viewed as one of the most prestigious awards in the Middle East and North Africa region, as they are overseen by a panel of independent external judges who bring a diverse range of in-depth insurance expertise to the judging process.

These distinctions fuel our efforts as we continue to elevate the standards and benchmarks of the regional reinsurance industry.

In 2021, we became the first regional reinsurer to publish a sustainability report and demonstrate voluntary disclosure of our Environmental, Social and Governance (ESG) performance. Drawing from its success, we continue to focus on better integration of various ESG factors and parameters into our business model, and strengthen our long-term business relationships as a key aspect of this strategy.

Throughout the year, we marked steady progress in our adoption of the new International Financial Reporting Standard, IFRS 17, and deployed advanced solutions to enable full and seamless transition in 2023.

The year also saw ongoing investments in digital transformation, human resource development and upgrading of technology infrastructure as we continue to streamline our operations and adopt analytics, data integration, and globally benchmarked data warehousing and business intelligence infrastructure. Saudi Re retains its position as the only regional reinsurer with the analytical and actuarial capabilities to understand uncertainties by leveraging risk-and-region-specific catastrophe modelling.

Our performance and our progress are a direct result of the dedication of our team, and their diligent efforts. I take this opportunity to express my sincere gratitude to them.

My appreciation also goes to all our clients, suppliers, partners, and other stakeholders who have contributed to our success. Thank you for your continuing support. We look forward to working with all of you as we continue to deliver exceptional value.

**Fahad Al-Hesni**

Managing Director and Chief Executive Officer



OVERVIEW

BUSINESS CONTEXT, STRATEGY, AND PERFORMANCE

ESG REPORT

CORPORATE GOVERNANCE

OPERATING PERFORMANCE

The following provides an overview of the context in which we operate, our business strategy, and Saudi Re's financial performance during the year under review.

# BUSINESS CONTEXT, STRATEGY, AND PERFORMANCE

# 7. MARKET REVIEW

## 7.1 THE GLOBAL CONTEXT

Global economic activity, which was previously affected by the COVID-19 pandemic, was further hampered by geopolitical tensions, climate change, inflation, interest rates hikes, energy shortage were among the issues that are dominated the global agenda. These issues have created uncertainty and affected the global growth prospects.

The conflict between Russia and Ukraine has escalated into a wider geopolitical crisis. Throughout 2022, the ongoing conflict in Ukraine had a significant impact on prices of key commodities such as oil, gas, steel, and grain. The disruption to global energy markets accelerated the already fragmented supply chains. The conflict in Europe swept the global economy back into crisis mode, affecting global growth prospects, which were estimated to be 3.4% in 2022i. However, reopening of economies, particularly in China towards the end of the year, led to a faster-than-anticipated recovery.

Global equities decreased by $14 trillion USD and are on track for their second-worst year ever, with nearly 20% in losses. In addition to the decline driven by the war in Ukraine, combined with rampant inflation: several interest rate hikes, and rallies of 10% or more during this time, have contributed to high volatility in the markets.

Inflation, which remains higher than seen in several decades, is a significant concern in many countries, impacting household budgets and eroding purchasing power. The causes of inflation are complex, including supply chain disruptions, rising energy prices, and government stimulus spending.

Central banks reacted and increased interest rates in response to inflationary pressures, in an attempt to curb curb inflation but also slow economic growth and increase the cost of borrowing for consumers and businesses, which are also grappling with higher transportation and labor costs. The challenge for policymakers is to strike the right balance between controlling inflation and supporting economic growth.

The performance of capital markets reflected the broader economic environment. The pandemic created significant volatility in markets, and uncertainty around inflation and interest rates is likely to continue to impact investor sentiment.

The transition to renewable energy is crucial for tackling climate change, but it presents challenges in terms of energy security. The disruption of global supply chains, geopolitical tensions, and extreme weather events have the potential to impact energy supply and push up global energy prices.

The economic outlook is heavily dependent on the calibration of monetary and fiscal policies, the course of the war in Ukraine, and growth prospects in China. Governments, businesses, and individuals must prioritize resilience as a key element of their strategies for the future. This means investing in infrastructure, diversifying supply chains, and building more robust social safety nets. (Re)insurance companies can play an active role in supporting resilience and offering solutions to help navigate these challenges and build a more sustainable and prosperous future.

## 7.2 PROSPECTS FOR THE FUTURE

The global economy is expected to experience a deceleration in growth from 3.4% in 2022 to 2.9% in 2023, with potential turnaround in 2024, to 3.1%[i]. The continued response of central banks to inflationary pressures, especially in advanced economies, and persistence of the conflict in Ukraine are among factors that continue to affect economic activity across the globe.

Despite a projected decline in global inflation from 8.8% in 2022 to 6.6% in 2023 and 4.3% in 2024[i], inflation is expected to remain above pre-pandemic levels.

After a surge of approximately 60% in 2022, energy prices are expected to decline by 11% in 2023, although they will remain 75% higher than the average of the past five years. The price of Brent crude is predicted to climb to $92 USD per barrel in 2023, well above the five-year average of $ 60 per barrel. Both natural gas and coal prices are projected to ease in 2023 from record highs in 2022. Although demand concerns were the more significant driver at year-end, supply risks continue to present challenges for commodity markets.

Despite commodity markets experiencing a year of difficulty and high volatility, mainly driven by supply risks, the year ended with demand concerns having taken the driver's seat. These challenges continue to persist, creating an uncertain outlook for 2023.

The MENA region is anticipating a substantial slowdown in economic activity in 2023, following a period of robust growth in 2022. Real GDP growth is forecasted to decrease from a record-high of 6.1% in 2022 to roughly 3.5% in the period of 2023-24[ii], which will still be ahead of the general global economic performance in the same timeframe.

## 7.3 IMPACT ON THE INSURANCE AND REINSURANCE SECTOR

The January 2023 reinsurance market renewal was a challenging one, marking a turning point for buyers. After six years of disappointing returns and high catastrophe losses, the market began to firm in 2022, with exogenous factors such as inflation, interest rates, and climate change affecting investor sentiment. As a result, pricing for US property catastrophe and global property retrocessional business hit multi-decade highs, with reinsurers seeking narrower coverage definitions and excluding more perils. This caused difficulties for insurers navigating these changes, especially those not in peak zones.

Reinsurers saw positive returns, but insurers had to restructure their reinsurance programs and underwriting strategies. The hardening of the reinsurance market is expected to affect the entire supply chain, with retrocession prices increasing and direct providers forced to increase their retentions due to the hike in prices. Excess of Loss (XoL) agreements saw a 5% - 20% increase in prices, while underperforming accounts saw an increase of up to 50%. CAT property covers also saw a notable increase in prices in Asia, forcing direct players to increase their retention levels.

In recent years, the severity and frequency of Natural Catastrophe (Nat CAT) losses have led to significant changes in reinsurance programs in Asia. These changes include increased prices, more stringent terms, and changes in commissions, which have left insurers with no choice but to increase their retentions. However, small to medium-sized players have encountered greater difficulties in placing business due to their unbalanced capacity, and some have been forced to restructure their reinsurance programs. Additionally, international and large reinsurers have been withdrawing capacity from Asia and other emerging markets in favor of regions with higher returns. As a result, there has been a wave of restructuring in reinsurance programs in the Gulf Cooperation Council (GCC) region, resulting in a decrease in surplus business.

To achieve higher returns, reinsurers have been using sliding scales for commissions, tied to the profitability of the insurer, which has led to changes in the scale and maximum level of commissions offered. Furthermore, due to the ongoing conflict between Russia and Ukraine, new terms and clauses related to war have been introduced. Coinsurance business has also seen substantial reforms, with some reinsurance programs excluding or reducing the capacity available for conducting coinsurance operations or writing inward facultative business.
The reinsurance market is currently experiencing a period of hardening, which is anticipated to persist throughout the year. Given the current investment norms and projections of no decrease in interest rates, the cost of capital for reinsurance firms is likely to increase. As a result, further hardening is expected, although the degree of its impact cannot be accurately predicted at this time. The industry is currently facing a pivotal moment. The January 2023 renewal season was marked by a convergence of macroeconomic and geopolitical events that extend beyond the regular loss experience that typically drives shifts in reinsurance market terms and conditions. Many of these variables persist and will remain fixtures in our industry's landscape for the foreseeable future. Tumultuous market conditions have arisen from the aftermath of the global pandemic combined with the war in Europe. Adjusting for the uncertainty, risk premiums have surged across asset classes worldwide.



Saudi Reinsurance Company

Annual Report 2022

## 7.4 THE LOCAL CONTEXT

Saudi Arabia's economy grew by 8.7% in 2022[iii], mainly due to a sharp increase in oil prices and rising production. Buoyed by investment, the public sector posted growth of 1.5%, while non-oil activities showed growth of 6.0%[iii]. Non-oil private sector activity is forecast to continue to grow around 6% annually over the next three to five years. Growth in non-oil areas is consistent with the Saudi Vision 2030. The Kingdom expects to post a second consecutive budget surplus in 2023, despite the uncertain global economic outlook and lower crude prices, which look set to weigh on oil export revenues. Projections envisage a more conservative growth rate of 3.7% in 2023[iv]. In the medium to long-term, economic recovery could be supported by the government's capital spending.

The GDP of the Kingdom expanded by 5.4% in the fourth quarter of 2022, compared to the corresponding quarter in 2021. The Saudi economy ranked highest among the G20 countries, with the Kingdom ranking first in terms of ease of starting a business. Saudi Arabia's GDP growth, the fastest in almost a decade, exceeded expectations and posted one of the strongest performances among G20 nations. Contribution to GDP growth of the oil sector, which averaged 2.76% from 2011 until 2022, reached an all-time high of 22.88% in the second quarter of 2022.

The promotion of local content development has emerged as a crucial driver of growth in the Vision 2030, with many sectors such as the insurance industry actively pursuing this strategy. The goal of local content development is to enhance competitiveness and bolster socio-economic value by shifting production of goods and services towards local entities. This has been demonstrated in the insurance sector through new regulations issued by the Saudi Central Bank (SAMA) setting a new mechanism for reinforcing the minimum cession rates of the reinsurance premiums to the domestic reinsurance market to gradually reach 30% by 2025.

The adverse results experienced by the automotive market in Saudi Arabia played a pivotal role in reshaping reinsurance programs. As a result, quota share programs became very rigid and expensive for direct players, leading them to increase their retention rates and rely on XoL agreements. This transformation in the local insurance market has led to insurers needing to revisit their business strategies, due to the large portion of risk being retained, which carries the potential to cause serious profitability issues and other complications. Therefore, it has become crucial for insurers to ensure adequate pricing and increase motor insurance rates.

Despite the reshuffling that led to a reduction in the size of quota share operations, from a reinsurer's perspective, this is considered a positive development. A number of quota share treaties were discontinued, and XoL agreements are likely to encourage adequate pricing of risk. Similar principles have become applicable to medical insurance, as for some providers, even the price of XoL agreements was prohibitively high, leading them to retain 100% of the business. The inflation in medical costs, coupled with the additional benefits introduced by the Council of Health Insurance (CHI), has raised the cost of medical insurance. Providers therefore opted to retain a larger share of their medical portfolio. Insurers must adopt an adequate pricing strategy for both motor and medical insurance, as they are retaining more risk. Underwriting criteria must also be improved, while financial and human capabilities must be enhanced to cope with the new market conditions.

Over the past three years, SAMA has directed players to strengthen their capitalization to improve retention rates. SAMA worked on enhancing the capacities of insurers to increase the market retention and take the industry to the next level. The ultimate goal is to create professional risk carriers instead of maintaining transacting business similar to intermediaries. With the new market conditions and SAMA's endeavors, companies are likely to become more cautious in fronting business and will give more weight to quality.

Furthermore, implementation is underway of the new International Financial Reporting Standard (IFRS) 17, which will be applicable in the Kingdom from the beginning of 2023. Currently, insurance companies are in the implementation and audit phase of the dry-runs for SAMA submission, and some of the common challenges for insurance companies include extracting data from the current systems for input into IFRS 17 models.

In order to capture current opportunities in the Saudi insurance market, given the economic boom the Kingdom is experiencing, businesses must improve their performance and strengthen their capabilities.

## 7.5 SAUDI RE'S RESPONSE

The Company has maintained focus on strengthening its presence in the home market and leverage its unique position to seize growth opportunities its home market while maintaining a healthy balanced portfolio with healthy composition of local and international business. This has resulted in a growing the book of business by 26% driven by growth in the Saudi and Middle East segments. The Company is also eying opportunities to benefit from the increase of the reinsurance prices as a result of the hardening market and rigid terms, while optimizing its retrocession programs. Additionally, Saudi Re's "A-" rating by S&P Global Ratings has enabled us to access quality markets and unique treaties, giving us the confidence to tap into different segments of the market.

With the increase of natural catastrophe risks, Saudi Re takes actions to closely monitor its exposure to these risks and continue to invest in actuarial and analytical tools to help develop comprehensive insights into risk exposure and accumulation modelling including the acquisition of RMS catastrophe modelling services and tools.

Being the only specialized reinsurer in the local market, Saudi Re has been actively engaged with the regulators and market participants to provide support to the new local retention mechanism. Furthermore, the Company continued to effectively lead the Insurance Defects Insurance (IDI) program and avail significant capacity directly and through partnerships with international reinsurers, which resulted in writing a considerable increase of the premiums written under IDI class which represented 28% of the overall portfolio in 2022.

Saudi Re remains committed to its ambitious growth strategies. and we are in the process of increasing our capital to strengthen our financial capabilities through a capital increase in 2023.

To adapt to the financial markets developments, Saudi Re has proactively taken decisions to reallocate its investments by increasing its holdings in money markets and fixed income assets while maintain healthy solvency and liquidity levels.

Probitas Holdings (Bermuda), in which Saudi Re acquired a 49.9% share in 2017, is registering strong performance and opening doors to write business from international markets through its Lloyd's syndicate. This acquisition is one of our strategic tools to expand international business and tap into the Lloyd's market. Saudi Re is also eying other acquisition opportunities that can help us grow in a prudent manner. Our goal is to become one of the top 50 global reinsurers by 2026, and we believe this is achievable, with a solid plan and our unwavering commitment to reaching our objectives.

Saudi Re tailors its sustainability approach to emphasize the importance of ESG principles; demonstrating its commitment to responsible business practices. As an organization that is guided by Sharia principles, sustainability is ingrained in Saudi Re's investment practices. We avoid investments that negatively impact society, while actively promoting equality, inclusion and economic prosperity.

Saudi Re actively monitors changes in regulations and accounting standards. To ensure the Company is well-prepared to handle emerging risks and evolving market trends, we regularly perform assessments using an enterprise risk management framework and a strategic planning framework.

In terms of governance, Saudi Re has a strong structure in place to protect the rights of its shareholders and other stakeholders, while also ensuring compliance with applicable laws, regulations, and directives issued by regulatory bodies.

[i] International Monetary Fund. 2023. World Economic Outlook Update, January 2023.
[ii] S&P Global Market Intelligence. 2022. MENA region's economic growth to slow after strong 2022, December 2022.
[iii] General Authority for Statistics (GASTAT). 2022. GDP and National Accounts Q3/2022. Riyadh, KSA.
[iv] World Bank. 2023. Global Economic Prospects, January 2023. Washington, DC: World Bank.



Saudi Reinsurance Company
Annual Report 2022
Market Review

# 8. STRATEGIC DIRECTION

Placing our mission “To evolve into a large and diversified reinsurer contributing to the growth of our economy and be ranked among the Top 50 global reinsurers” at the center of what we do. Saudi Re has developed “Strategy Towards 2026”, a comprehensive roadmap that will enable the Company to become a reliable provider of reinsurance solutions that meet the evolving needs of the market and help drive economic development.

**The strategy encompasses:**

- Evolving with the Saudi Arabian regulator's direction for the local insurance and reinsurance market.
- Considering the global trend towards consolidation for scale benefits in the reinsurance market.
- Aligning with national objectives for the insurance and reinsurance sector.
- Focusing on building shareholder value.

Saudi Re focuses on solidifying its status as a national champion by pursuing two primary strategic objectives that facilitate growth both locally and internationally.

## Building and expanding core objectives

Supporting local cession program and targeting up to 30% of total reinsured premiums by local insurers.

Leading and managing local reinsurance pools in partnership with international (re)insurers to effectively manage risks.

Leveraging existing international investments to expand geographically and promoting knowledge transfer for writing local business.

## Expanding into global markets

Expanding internationally into global markets to achieve business and geographical diversification and to capitalize on benefits of scale.

Saudi Re aims to support the Kingdom’s national agenda by:

- Providing robust and dependable protection for national assets against a wide variety of risks.
- Promoting economic growth and facilitating access to long-term capital by retaining reinsurance premiums within the local market, and avoiding outward foreign exchange flows.
- Generating local employment opportunities for highly skilled professionals.
- Offering proximity and to leverage its knowledge of the local market to provide superior service to cedants.

By implementing the aforementioned strategy, along with the necessary capability development and balanced global expansion, Saudi Re is poised for growth, profitability, and diversified risk exposure.

The strategic plan was formulated with careful consideration of a range of market trends, including economic, geopolitical, social, technical, and technological factors. The strategy continues to center around the following five pillars:

### 1 Scale

We prioritize the pursuit of scale, which involves expanding our economic scale, earnings, and capital base, as well as enhancing our resilience to major losses.

### 2 Diversification

Our strategy includes diversification, both geographically and in terms of risk type, to ensure a well-balanced portfolio.

### 3 Technical and Operational Capabilities

We are dedicated to continuously improving our technical and operational capabilities, which include risk management, technological advancements, and human capital development.

### 4 Relationships

We place a high value on building strong relationships, particularly with cedants, brokers, partners, and regulators. Our corporate brand is also an essential factor in fostering positive relationships.

### 5 Financial Soundness

Maintaining financial soundness is critical to the strength and stability of our business. We strive to maintain technical profitability, adequate capitalization, and favorable returns on investment.

Growing economies of scale is a crucial aspect of our strategy, as it enables us to reduce volatility and absorb large losses more easily. By attaining economies of scale, we can make larger investments in developing our capabilities and enhancing our operational efficiency. Furthermore, our scale benefits enable us to earn investment income from premium floats, thereby boosting our investment performance.

To support our expansion efforts, we will continue to explore opportunities in high-growth markets in the Middle East and Asia. The strength of the Saudi Re brand and our cooperative model provide further advantages in these markets.

Diversification is a crucial element of our strategic approach, enabling us to minimize correlated risks, concentration risks, and accumulation risks: ensuring a more balanced reinsurance portfolio is maintained with reduced volatility. Our efforts to diversify globally have resulted in a sound portfolio that consists of over 40 markets in the Middle East, Asia, and Africa. At present, our international business accounts for 44% of our portfolio.

Saudi Re also continually strives to build strong capabilities that span the entire gamut of operations in the reinsurance industry. Our underwriting team possesses strong professional skills and an in-depth understanding of the regional risk profile, guided by clearly defined risk appetite parameters. Actuarial and analytical teams work closely with the underwriters to judiciously to better manage our underwriting portfolios, while our streamlined claims management, supported by technical accounting, ensures efficient operations. Saudi Re actively utilizes retrocession to manage risk exposure and mitigate the impact of volatility. Furthermore, our growth and decision-making processes are supported by our advanced capital modeling capabilities, allowing us to make informed and effective decisions.

At Saudi Re, we pride ourselves on our comprehensive operational capabilities. Our team possesses advanced technological, decision-making, and human resources skills. Our client servicing is well supported by advanced technological, analytical, and communication infrastructure, which enables us to be highly responsive to client needs. Our lean and cost-efficient infrastructure allows for efficient operations. We take a holistic approach to risk management, implementing prudent policies and programs and closely monitoring the risk management process through the risk, technical, and Audit Committees of the Board.

Looking to the future, we are committed to leveraging our competitive advantage in the Saudi market by not only retaining our market share but also capitalizing on the growth opportunities presented by the expanding Saudi economy. Saudi Re is also determined to utilize its expertise and experience in the reinsurance industry to achieve sustainable long-term growth in inherent defects insurance and other classes.

Our strategy involves building and strengthening long-term relationships with clients and brokers, which is managed prudently by our skilled underwriting teams. We seek to establish strong links with high-value counterparties, and our markets in Asia are served by the branch in Kuala Lumpur.

Brokers are also integral to our business process. Through leveraging the strong links, we have established with retrocession insurers, we are able to increase our capacity by reducing risk.

To maintain the financial health of the Company, financial soundness is continuously monitored using indicators for all criteria, including:

- Capital adequacy and solvency – measured by relevant ratios and internal capital model
- Asset quality – includes quality of investment portfolio and asset liability matching
- Retro and actuarial provisions – strong reserving and a high-quality retrocession program are in place
- Management strength – effective enterprise risk management program
- Earnings and profitability – measured by relevant ratios
- Liquidity – a highly liquid investment portfolio is maintained
- Sensitivity to market risk – limited exposure to equity markets

## 8.1 OVERVIEW OF NEW DEVELOPMENTS IN 2022

### Capital Increase

In April 2022, corresponding to 05/09/1443H, the Board of Directors made the recommendation to increase the Company's capital through a rights issue of 50%, with a targeted amount of SR 445.5 million. The main reason for the increase was to strengthen Saudi Re's capital base and support its future expansion activities.

Furthermore, Saudi Re obtained SAMA's approval in May 2022 corresponding to 24/10/1443H. The approval indicated the Company had met all the necessary regulatory requirements to proceed with the capital increase. Al Rajhi Capital was appointed financial adviser to manage subscriptions to the rights issues.

## 8.2 NEW MECHANISM FOR LOCAL RETENTION OF REINSURANCE PREMIUMS

The Implementing Regulations issued by the Saudi Central Bank in 2003 require companies to reinsure at least 30% of its total premium in Saudi Arabia. In October 2022, SAMA introduced a new mechanism aiming at improving the enforcement of local retention of reinsurance premiums within the Kingdom and increasing the insurance sector's contribution to the local content. This new mechanism requires insurance companies to cede a share of all their reinsurance treaties, proportional and non-proportional, to the local resonance market with effect from 1 January 2023.

The cession share, under the new mechanism, starting at 20% in 2023 will gradually increase to 25% in 2024 and 30% in 2025. This new mechanism is expected to strengthen the domestic reinsurance ecosystem and enable the national reinsurance market to play an active role. The increased retention of reinsurance premiums within the Kingdom is expected to have a positive economic impact and contribute to the financial stability of the sector. Being the only specialized local reinsurer, Saudi Re is well-positioned to support the implementation the new mechanism and benefit from potential growth of its home market.

## 8.3 INHERENT DEFECTS INSURANCE (IDI) PROGRAM

In August 2020, Saudi Re announced the signing of an exclusive reinsurance contract with Malath Insurance Company on behalf of the Saudi insurance industry's participants in the Inherent Defects Coinsurance Program. As part of the arrangement, Saudi Re acts as the exclusive reinsurer for the Saudi Arabian Inherent Defects Coinsurance Program for five years.

The Inherent Defects Insurance (IDI) became a mandatory requirement for contractors involved in private sector construction projects, following the Council of Ministers Resolution No. 509 issued on 5 June 2018. To support the implementation of the IDI program, SAMA issued a standard policy wording for the IDI cover.

The IDI policy has a duration of 10 years for the cover; Saudi Re has put in place retrocession protection as a risk management measure to manage this long-tail business.

The IDI program underwent various implementation phases and during the year 2022 the program witnessed and improved enforcement. Saudi Re has booked SR 394.5 million of gross written premiums (GWP) under IDI class of business and represented 28% of Saudi Re's 2022 GWP. This IDI program is among the key strategic initiatives as the advancement of IDI implementation stimulates growth for Saudi Re and reflects on its financial performance.

## 8.4 CREDIT RATINGS

The credit rating of an insurance company plays a critical role in the sector, as it indicates the Company's level of solvency and creditworthiness, its ability to meet its obligations to customers and creditors, and its financial performance. Credit ratings also assist investors in assessing a company's strategic approach, risk management, and governance.

Saudi Re was assigned an "A-" long-term issuer credit and insurer financial strength rating and a "gcAA+" GCC regional scale rating, with a stable outlook, by S&P Global Ratings in December 2022. S&P noted that Saudi Re has continued to strengthen its competitive position through profitable business growth and diversification. The Company's exposure to catastrophe and other large risks is relatively modest, and it maintains capital adequacy above the "AAA" level in S&P's model. The stable outlook reflects S&P's expectation that Saudi Re will maintain excellent capital adequacy and continue to profitably expand and diversify its business over the next two years. S&P also views Saudi Re's governance practices as effective and appropriate, and the consistency in strategy, and management expertise and experience as a benefit to the Company.



Saudi Reinsurance Company
Annual Report 2022
Strategic Direction

Moody's affirmed Saudi Re's "A3" Insurance Financial Strength Rating (IFSR), with a stable outlook, in June 2022. The rating reflects the Company's strong brand and market position in Saudi Arabia as the sole reinsurer and its growing presence in the target markets of Asia, Africa, and Lloyd's. It also reflects Saudi Re's preferential position in the Saudi market and its strong asset quality evidenced by its conservative investment portfolio. The rating also reflects the Company's strong capital adequacy, non-existent leverage, and good access to capital markets in Saudi Arabia, given its listing on the Saudi stock market, in addition to a broad investor base. The expanded capital base is expected to provide a platform that helps Saudi Re strengthen its market position in the broader Middle East region while providing additional capacity to support insurance market growth in Saudi Arabia and pursue further international expansion opportunities to diversify its business in line with the Company's strategic plan.

The two A-level ratings, A- from S&P and A3 from Moody's, reinforce the confidence of clients, shareholders, regulators, and all stakeholders of Saudi Re and its future. These ratings are critical in ensuring Saudi Re's financial ability when dealing with reinsurers and in supporting the Company's growth efforts in the international markets.

## 8.5 PERFORMANCE AGAINST OUR STRATEGY

| | Gross Written Premium Growth | Combined Ratio % | Investment Return % | Return on Equity (ROE) % | Expense Ratio % | Credit Rating | Solvency Ratio % | Regional Reinsurance Ranking |
|---|---|---|---|---|---|---|---|---|
| 2021 | 1,115,880 | 99.1 | 3.82 | 3.9 | 7.50 | A3 Moody's | SAMA 163<br>S&P 125 | Among Top 3 Regional Reinsurers |
| **2022** | **1,403,281** | **96.4** | **2.27** | **3.4** | **10.2** | **A- S&P<br>A3 Moody's** | **SAMA 291<br>S&P 133** | **Among Top 3 Regional Reinsurers** |

## 8.6 COMMON SUCCESS FACTORS IN THE REINSURANCE INDUSTRY AND PROGRESS OF SAUDI RE

| Success Factors | Description | Saudi Re's Progress |
|---|---|---|
| Clear strategy and proposition | Clear value proposition boosts market perception<br>Established role with brokers and cedants ensures steady premium income from targeted segments | Evolving into a large and well diversified reinsurance company<br>Strong and responsive relationships with brokers and cedants |
| Geographic diversification | Diversification across business lines and geographies improves capital efficiency and reduces loss volatility | Portfolio is diversified over 9 lines of business and spread across 40+ markets |
| Scale benefit | Expanding size and profitability, enhancing capital base, and improving resilience to loss events | Strong growth momentum, recording 21% CAGR 2019-2022.<br>Progress in increasing capital base. |
| Strong client/ distribution relationships | Strong ties with leading international brokers and global distribution platforms ensure ongoing business<br>Skilled underwriters improve business generation capabilities | Well-established ties with high value counterparties<br>Named "reinsurer of the year" by Middle East Insurance Review.<br>Market-dedicated underwriting teams prudently manage the client relationships |
| High limits/line leader | Increased limits and underwriting capacity increase attractiveness of reinsurers | Growing ample underwriting capacity and prudently engaging as a lead reinsurer. |
| Active broad range of risks | Writing a wide range of risks increases visibility with brokers<br>Exercising flexibility on terms improves relationship with brokers | Engaging in the development of new products and offering main lines of business in life and non-life, both in Treaty and Facultative |
| "A-rated" capital | Required to compete for desirable business<br>Favored by cedants and brokers | Obtained an "A-" long-term issuer credit and insurer financial strength rating by S&P, with a stable outlook.<br>Maintaining "A3" Credit rating by Moody's, with a stable outlook. |
| Robust technical capabilities and operational effectiveness | Strict underwriting, cycle management, and controls drive strong technical and investment returns<br>Strong focus on operational efficiency leads to lower operating costs | Investing in technical and technological capabilities while maintaining operating expense within acceptable range |



# 9. FINANCIAL REVIEW



Saudi Re has demonstrated an exceptionally strong performance that was driven by the Company's client-centric approach, commitment to market development and diversification, and adherence to sustainable business practices. This is evident in the results of operations and the growth in business volumes recorded during the year.

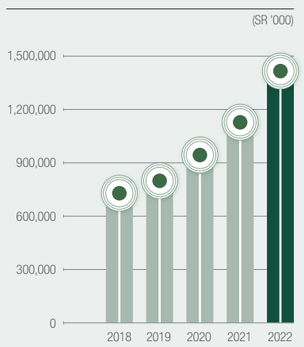
A forward-looking strategy enabled Saudi Re to leverage opportunities in its key classes of business and develop revenue streams across domestic and international markets. Total revenues rose to SR 942.7 million and net profit increased by 8% to reach SR 41.4 million, compared to SR 874.4 million and SR 38.3 million respectively, in 2021. Additionally, shareholder equity grew by 3.7% to reach SR 1 Billion and total assets exceeded SR 4.2 billion.

With 26% growth in Gross Written Premium (GWP) reaching SR 1.4 billion during the year and strong ratings upheld by international ratings agencies, Saudi Re is well set for a period of stable, diversified, and sustainable growth.

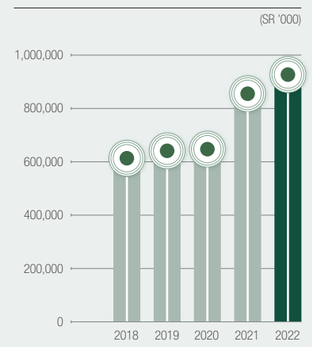
## 9.1 REVENUE

In accordance with the Saudi Arabian Insurance Regulations, separate books of accounts are maintained for policyholder operations and shareholders operations. Incomes, expenses, assets, liabilities are all attributed to either party or shared between them. All reinsurance revenues and related costs are all attributed to the reinsurance activity. Other operating expenses and incomes are either assigned to shareholders or apportioned. Finally the bulk of the surplus income from reinsurance operations is transferred to shareholders operations. This structure is maintained parallel to the conventional account presentation.

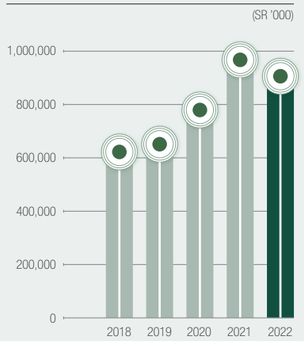
### Gross written premiums



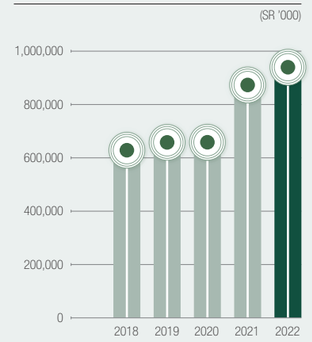

### Net earned premiums




### Net written premiums




### Total revenues



A strong 5-year growth momentum was maintained with a 26% increase in GWP in 2022. The continuing growth of Saudi Re in 2022 was mainly driven by the Saudi and Middle East Markets, with most classes of business witnessing increases in 2022. The Inherent Defects Insurance (IDI), was a key contributor to the growth in Gross Written Premium (GWP), reaching SR 1.4 million in 2022 from SR 1.1 million the previous year. This is the highest premium recorded by Saudi Re, and holds the Company in good stead with regard to its plans for continued growth and expansion. The IDI, which represents 28% of Saudi Re's 2022 GWP, also indicates upbeat future prospects based on the company retaining exclusive privilege to reinsure the mandatory IDI program.

The home market of Saudi Arabia achieved the highest geographic growth of 63% in GWP, rising from SR 482 million in 2021 to SR 788 million in 2022. The Middle East segment also increased by 50% from SR 92 million the previous year, to SR 137 million in 2022.

The business segments of Fire, Others, and General Accidents contributed significantly to GWP growth with 19%, 19% and 18% respectively; while the IDI line of business represents 28% of 2022 GWP. This reflects Saudi Re's continuing focus on diversification and healthy spread of risks across its business classes.

The 2022 earnings were supported by a 78% increase in Underwriting (UW) results, which reached SR 127 million in 2022, compared to 71 million the previous year. Concurrently, there was an 8% increase in Total Underwriting Revenue (TUR), touching SR 942.7 million in 2022, up from SR 874.4 million in 2021. Saudi Arabia marked a 11% increase while all other territories in combination recorded 6% growth.

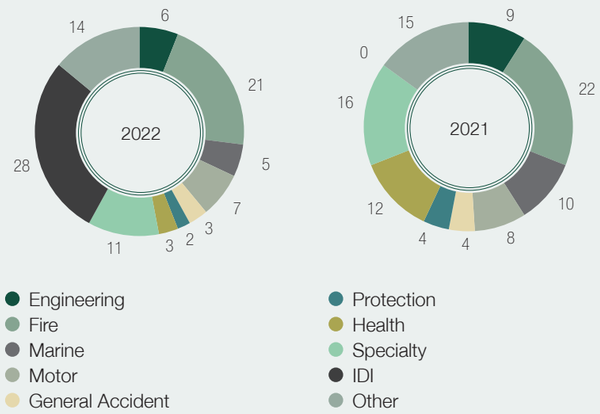
## Total Underwriting Revenue (TUR)

| | 2022 (SR '000) | 2021 (SR '000) | Change % |
|---|---|---|---|
| Within the Kingdom of Saudi Arabia | **342,255** | 309,097 | 11 |
| Outside the Kingdom of Saudi Arabia | **600,452** | 565,308 | 6 |

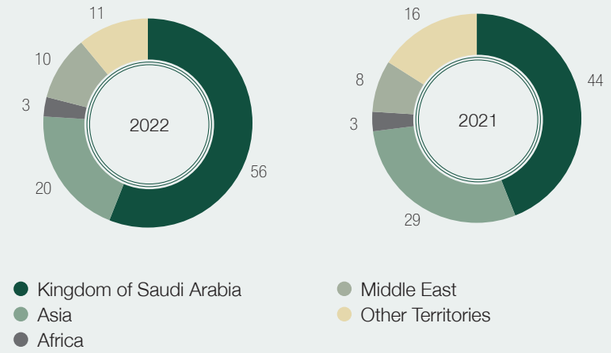
## Key operational ratios (2018-2022)

| | 2022 % | 2021 % | 2020 % | 2019 % | 2018 % |
|---|---|---|---|---|---|
| Premium Growth | **26** | 19 | 18 | 10 | -23 |
| Retention Ratio | **64.04** | 85.9 | 83 | 82 | 85 |
| Net Claims Ratio | **64.1** | 66.1 | 61 | 65 | 66 |
| Net Acquisition cost ratio | **22.1** | 25.5 | 29 | 25 | 26 |
| Technical Ratio | **86.3** | 91.6 | 89 | 90 | 92 |
| G&A Expense Ratio | **10.2** | 7.50 | 8 | 8 | 8 |
| Combined Ratio | **96.4** | 99.1 | 97 | 97 | 100 |

## Lines of business (%)




## Geographical diversification of the portfolio (%)



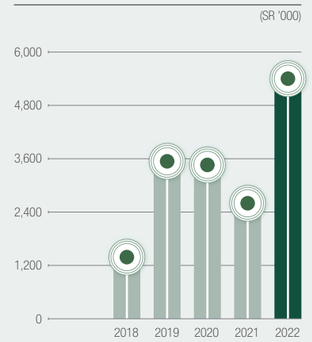

## 9.2 UNDERWRITING COSTS AND EXPENSES

Although net claims increased by 5% overall when compared to last year, the Loss Ratio dropped by 2 points to reach 64.1% against 66.1% the previous year. Change was mainly on account of non-renewals of unprofitable contracts and better management of exposures lines of business such as Life, Marine Hull, and Health. Net Acquisition Cost saw a decrease of 3.3 points compared to the previous year, primarily due to reduction in the Special Risk line of business, which saw reductions due to increase in the loss ratio.

## 9.3 NET INCOME

Net income for policyholder operations more than doubled in 2022, reaching SR 5.3 million from 2.5 million in the previous year, while net income for shareholders' operations showed a stable increase to SR 56.7 million in the current year, up from SR 53.3 million in 2021.

## Total income attributed to the reinsurance operations



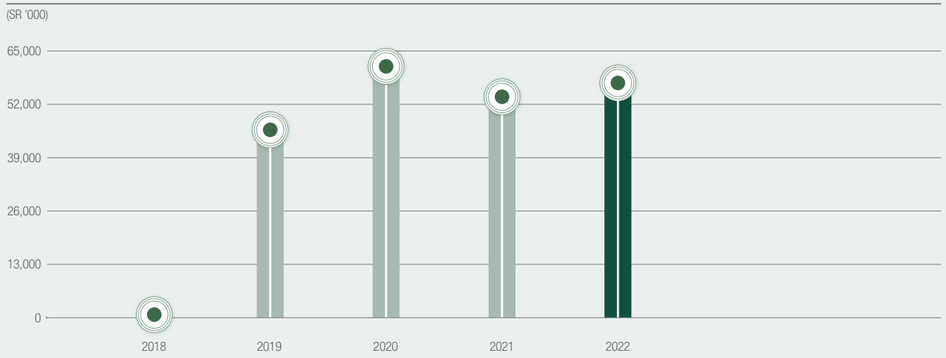

## Underwriting costs and expenses (2018-2022)

| | 2022 (SR '000) | 2021 (SR '000) | 2020 (SR '000) | 2019 (SR '000) | 2018 (SR '000) |
|---|---|---|---|---|---|
| Gross claims paid | **(537,845)** | (471,216) | (481,191) | (436,701) | (389,327) |
| Retroceded share of claims paid | **75,974** | 61,707 | 181,476 | 60,006 | 24,638 |
| Net claims incurred | **(595,044)** | (565,312) | (391,980) | (417,070) | (404,054) |
| Policy acquisition costs and profit commissions | **(218,199)** | (232,404) | (194,682) | (172,781) | (172,472) |
| Other underwriting expenses | **(1,995)** | (5,063) | (4,002) | (3,616) | (1,997) |
| Total underwriting costs and expenses | **(815,238)** | (802,779) | (590,665) | (593,467) | (578,523) |
| Net underwriting income | **127,468** | 71,626 | 69,149 | 67,244 | 51,560 |



**Saudi Reinsurance Company**
Annual Report 2022
Financial Review

## Net income for the year before Zakat and tax attributable to the shareholders




## Investment income

The interest rate hike experienced during the year resulted in underperformance of the available for-sale fixed income and listed equity investments, which impacted the Company's net profit.

| | 2022 (SR '000) | 2021 (SR '000) | 2020 (SR '000) | 2019 (SR '000) | 2018 (SR '000) |
|---|---|---|---|---|---|
| Shareholders' investment net income | **26,645** | 42,969 | 33,765 | 36,341 | 9,702 |
| Reinsurance investment net income | **1,666** | 3,975 | 3,674 | 9,139 | 4,936 |
| Total net investment income | **28,311** | 46,944 | 37,439 | 45,479 | 14,638 |

## Total comprehensive income (2018-2022)

| | 2022 (SR '000) | 2021 (SR '000) | 2020 (SR '000) | 2019 (SR '000) | 2018 (SR '000) |
|---|---|---|---|---|---|
| Net income for the year | **41,479** | 38,310 | 45,918 | 45,444 | 13,721 |
| Other comprehensive income/(loss) | **(8,721)** | (2,124) | 2,190 | (3,021) | 3,036 |
| Total comprehensive income for the year | **32,758** | 36,185 | 48,109 | 42,423 | 16,758 |

| | 2022 (SR '000) | 2021 (SR '000) | Change % |
|---|---|---|---|
| Total income for the year before Zakat and tax | **62,104** | 55,886 | 11 |
| Total income attributed to the reinsurance operations | **(5,359)** | (2,571) | 108 |
| Net income for the year before Zakat and tax attributable to the shareholders | **56,744** | 53,315 | 6 |
| Zakat and tax charge for the year | **(15,265)** | (15,006) | 2 |
| Net income for the year after Zakat and tax attributable to the shareholders | **41,479** | 38,309 | 8 |
| Basic and diluted earnings per share for the year (SR) | **0.47** | 0.43 | 9 |

## 9.4 ASSETS

The Company's GWP growth was also reflected in Assets, which increased by SR 1.1 billion, led by Accrued reinsurance premiums and retroceded share of unearned premiums at 582% and 560% growth, respectively. Meanwhile, net technical reserves reached SR 1.7 billion as of 31 December 2022.

## Assets for the period (2018-2022)

| | 2022 (SR '000) | 2021 (SR '000) | 2020 (SR '000) | 2019 (SR '000) | 2018 (SR '000) |
|---|---|---|---|---|---|
| Cash and cash equivalents | **31,556** | 27,807 | 13,157 | 13,169 | 31,886 |
| Time deposits | **746,956** | 243,382 | 193,459 | 378,031 | 270,132 |
| Accrued special commission income from time deposits | **7,674** | 2,310 | 3,211 | 7,974 | 2,080 |
| Reinsurance premiums receivable, net | **320,974** | 242,230 | 293,755 | 233,392 | 200,024 |
| Investments held at fair value through income statement | **287,154** | 803,584 | 512,081 | 417,848 | 552,574 |
| Held-to-maturity investments | **387,652** | 298,022 | 184,023 | 37,500 | 0 |
| Accrued dividends and special commission income from bonds, sukuk and held-to-maturity investments | **5,176** | 6,810 | 6,181 | 2,793 | 2,664 |
| Accrued reinsurance premiums | **1,077,467** | 680,470 | 594,263 | 467,071 | 409,778 |
| Retrocession balances receivable | **23,731** | 13,064 | 29,509 | 11,744 | 11,432 |
| Retroceded share of unearned premiums | **449,092** | 67,953 | 71,862 | 50,837 | 33,081 |
| Deferred excess of loss premiums | **15,410** | 12,050 | 12,784 | – | – |
| Retroceded share of outstanding claims | **167,701** | 149,333 | 154,674 | 282,719 | 198,433 |
| Retroceded share of claims incurred but not reported | **31,631** | 38,033 | 45,796 | 34,812 | 59,937 |
| Deferred policies costs | **231,430** | 168,598 | 149,403 | 106,279 | 99,896 |
| Prepaid expenses, deposits and other assets | **148,418** | 246,581 | 289,099 | 244,640 | 208,959 |
| Due from shareholders' operations | **0** | 0 | 0 | 0 | 0 |
| Property and equipment, net | **36,379** | 37,156 | 33,625 | 33,576 | 32,589 |
| Investment in an equity-accounted investee | **156,803** | 142,000 | 120,141 | 101,446 | 97,294 |
| Statutory deposit | **89,100** | 89,100 | 81,000 | 121,500 | 121,500 |
| Accrued income on statutory deposit | **22,084** | 20,962 | 20,186 | 17,992 | 15,549 |
| Total assets | **4,236,390** | 3,117,469 | 2,808,210 | 2,563,323 | 2,347,806 |



Saudi Reinsurance Company
Annual Report 2022
Financial Review

## 9.5 LIABILITIES

### Liabilities for the period (2018-2022)

| | 2022 (SR '000) | 2021 (SR '000) | 2020 (SR '000) | 2019 (SR '000) | 2018 (SR '000) |
|---|---|---|---|---|---|
| Accounts payable | **70,483** | 44,042 | 31,975 | 39,929 | 19,928 |
| Margin loan payable | **56,797** | 56,797 | 23,117 | – | – |
| Retrocession balances payable | **136,374** | 48,772 | 77,220 | 46,173 | 22,899 |
| Accrued retroceded premiums | **333,254** | 35,492 | 39,812 | 21,741 | 15,840 |
| Unearned premiums | **1,000,718** | 648,869 | 548,541 | 401,998 | 380,171 |
| Outstanding claims | **822,405** | 782,991 | 716,947 | 737,229 | 662,467 |
| Claims incurred but not reported | **533,121** | 427,397 | 350,742 | 355,255 | 330,481 |
| Unearned retrocession commission | **104,561** | 17,150 | 15,805 | 8,396 | 6,410 |
| Accrued expenses and other liabilities | **105,133** | 29,897 | 23,861 | 19,421 | 12,547 |
| Employees' end of service benefits | **13,868** | 12,288 | 10,673 | 8,829 | 6,594 |
| Provision for Zakat and tax | **17,533** | 15,266 | 15,174 | 23,742 | 38,244 |
| Accrued commission income payable to SAMA | **23,219** | 20,962 | 20,186 | 17,992 | 15,549 |
| Total liabilities excluding reinsurance operations' surplus | **3,217,464** | 2,139,923 | 1,874,052 | 1,680,705 | 1,511,130 |

## 9.6 EQUITY

Shareholder equity increased by 3.7% from SR 963 million to SR 1 billion by end of 2022. In April 2022, Saudi Re's Board of Directors made a recommendation to increase the company's capital through a rights issue of 50%, with a targeted amount of SR 445.5 million. This was approved by the Saudi Central Bank (SAMA) in May 2022, indicating that all necessary regulatory requirements have been met. Al Rajhi Capital has been appointed as the financial adviser to manage subscriptions to the rights issues.

Raising the capital from SR 891 million to SR 1.336 billion will strengthen the capital base and support future expansions – domestic and international – under the umbrella of Strategy Toward 2026. At the same time, this agenda will boost Saudi Re's ongoing efforts to generate better returns and create greater shareholder value.

## 9.7 DIVIDENDS

No cash dividends were distributed for 2022.

## 9.8 DIVIDEND POLICY

To achieve suitable returns to the Company's shareholders in one or more of the following:

(1) Distribution of cash dividends to the shareholders taking into consideration the financial position of the Company, solvency margin requirements, available credit lines, and the general economic situation.

(2) Stock dividends taking into consideration the requirements and conditions related to retained earnings and other stockholders' equity in the balance sheet.

(3) Shareholders who are registered at the end of trading before the General Assembly at which dividend preeminent is approved will be entitled for the dividends.

(4) The Company pays the profits to be distributed to the shareholders at the dates specified by the Board of Directors. According to the Articles of Association of the Company, profits are distributed according to the decision of the General Assembly, and this is done as follows:

- Set aside Zakat and assessed income tax.
- Set aside 10% of the profit to form a statutory reserve and the Ordinary General Assembly may stop this appropriation when the total reserve reaches 30% of the paid-up capital.
- Once determining the stock shares in net profits, the Ordinary General Assembly has the right to form other reserves, to the extent that it achieves the interest of the Company or ensured distribution of fixed profits to shareholders.
- After that, the first payment shall be distributed to the shareholders, with the condition that it is not less than 1% of the paid-up capital.

## 9.9 ZAKAT, TAXES, FEES, AND OTHER CHARGES

| Description | Reasons | Paid Amount (SR '000) | Outstanding amount at end of financial period (SR '000) |
|---|---|---|---|
| Zakat and income tax | The Company's share according to Zakat and tax regulations in the Kingdom | 12,998 | 17,533 |
| WHT | The Company's share according to Zakat and tax regulations in the Kingdom | 2,050 | 467 |
| VAT | The Company's share according to Zakat and tax regulations in the Kingdom | 45,830 | 19,644 |
| SAMA fees | Supervision fees for the Central Bank of Saudi Arabia | 6,017 | 1,032 |
| GOSI | Social insurance contributions for Company employees to the General Organization for Social Insurance | 2,588 | 243 |

## 9.10 SOLVENCY AND RATING

### Capital adequacy

Solvency margin

**291%** (SAMA)

**133%** (S&P)

Total equity reached

**SR 1 billion**

## 9.11 CREDIT RATINGS

| S&P Global | 2022 |
|---|---|
| long-term issuer credit and insurer financial strength | **A-** |
| GCC regional scale rating | **gcAA+** |

| Moody's | 2022 |
|---|---|
| Insurance Financial Strength Rating (IFSR) international scale | **A3** |
| Insurance Financial Strength Rating (IFSR) National scale | **A1.sa** |

S&P highlighted that Saudi Re has continued to strengthen its competitive position via profitable business growth and diversification in recent years, thanks to local and international expansion. In its report published on 16 December 2022 S&P mentioned that Saudi Re's exposure to catastrophe and other large risks is relatively modest and the company maintains capital adequacy above the "AAA" level in S&P's model.

According to S&P, the planned capital increase through a rights issue in early 2023 will further support Saudi Re's growth plans. The stable outlook reflects that Saudi Re will maintain excellent capital adequacy and continue to profitably expand and diversify its business over the next two years.

Furthermore, S&P views the governance practices at Saudi Re as effective and appropriate. It also regards the consistency in strategy and management's expertise and experience as a benefit to the Company.

The financial rating of Saudi Re reflects its:

(i) Strong brand and market position in Saudi Arabia as the sole Saudi professional reinsurer as well as a growing presence in its target markets of Asia, Africa and Lloyd's.

(ii) Preferential position in Saudi market due to a right of first refusal on a portion of premiums ceded by primary carriers in the Saudi market.

(iii) Strong asset quality exemplified by its conservative investment portfolio.

(iv) Good capital adequacy, both in terms of capital levels, and relatively modest exposure to natural catastrophe risk.

(v) Strong financial flexibility with non-existent leverage and good access to capital markets in Saudi Arabia given its listing on the Saudi stock exchange, and broad investor base.

## 9.12 PROSPECTS AND OUTLOOK

The global reinsurance market has shown considerable hardening on account of inflation, rising interest rates, reducing retro/reinsurance capacities, and the ongoing Russia-Ukraine conflict.

In Saudi Arabia, systemic volatility caused by increasing interest rates and foreign currency fluctuations affected the first half of 2022. Given the current investment norms and projections of no-decrease in interest rates, the cost of capital for reinsurance firms is likely to increase. As a result, some hardening is expected locally, although the degree of its impact remains unpredictable.

SAMA introduced a new mechanism in October 2022 to improve enforcement of local retention of reinsurance premiums within the country. According to this mechanism, insurance companies are required to cede a share of all their reinsurance treaties, proportional and non-proportional, to the local resonance market with effect from 1 January 2023. The cession share which starts at 20% will gradually increase to 25% in 2024, and 30% in 2025.

This increased retention of reinsurance premiums is expected to have a positive impact on the domestic insurance market, strengthen the financial stability of the sector, and enable the national reinsurance market to play a more active role.

Saudi Re continues to maintain a well-balanced underwriting portfolio with 44% international business, while keeping focus on risk selection which in turn reflects positively on the underwriting performance. The Company has recorded decent growth on the back of business written in other markets, especially in Asia, and this opens up other opportunities in the region. Additionally, Saudi Re's "A-" rating from S&P Global Ratings enables access to quality markets and unique treaties, and the confidence to tap into different market segments.

Probitas Holdings (Bermuda), in which Saudi Re acquired a 49.9% share in 2017, is registering strong performance and this opens more doors to write business from international markets via their Lloyd's syndicate. The company is also open to other acquisitions that can help us grow in a studied and sensible manner, and help is achieve the goal of become one of the world's top 50 global reinsurers by 2026.

Saudi Re remains committed to its profitable growth strategy, and seeks to seize the opportunities resulting from favorable developments in the local market and hardening trend in the global reinsurance market.

## 9.13 PROBITAS HOLDINGS (BERMUDA) LIMITED

On 6 October 2017, Saudi Re have acquired 49.9% of the ordinary shares of Probitas Holdings (Bermuda) Limited ("PHBL") for a total of $ 25 million (SR 94 million). Subsequently in June 2020 a further $ 985,840 (SR 3.7 million) was invested in PHBL. Saudi Re has accounted for this investment as an associate (equity accounted investee). The carrying value of the investment as at 31 December 2022 is SR 156.8 million. PHBL operates in insurance and reinsurance businesses including Lloyd's market in London, United Kingdom.

Probitas Group via its wholly owned subsidiary Probitas Corporate Capital Limited (PCCL) provides capital to Syndicate No. 1492 which is a syndicate at Lloyd's of London specializing in property, construction and casualty (re)insurance solutions. Probitas Managing Agency Ltd. which also is a wholly owned subsidiary of Probitas Group manages the Syndicate 1492.

In addition to its investment in PHBL, Saudi Re also writes reinsurance contracts from PCCL, During the financial year these contracts had an estimated gross written premiums (GWP) value of SR 158.7 million. The contributions of these contracts to the underwriting profitability of Saudi Re book is shown within the Segmental Information under the headings; Specialty in Business Segments and Other Territories in Geographical Segments.

Representing Saudi Re Mr Hesham Al-Shaikh, Chairman, Mr Fahad Al-Hesni, Managing Director and Mr Jean-Luc Gourgeon, Non-Executive Director are holding Non-Executive Director positions of PHBL and its Subsidiaries (Probitas Group) Boards. By virtue of these Board memberships an indirect interest is present in the reinsurance contracts written by Saudi Re from PCCL. (As disclosed in the Related Party Transaction section Page).

Whilst this venture provides access to one of the oldest and largest specialist insurance and reinsurance markets in the world, it further helps Saudi Re diversify its underwriting portfolio and develop its technical expertise.

## 9.14 RETURN ON INVESTMENT IN PHBL

The following table summarizes the financial information of PHBL as included in its own financial statements. The table also reconciles the summarized financial information to the carrying amount of the Company's interest in PHBL.

| | 2022 SR | 2021 SR |
|---|---|---|
| Percentage ownership interest | **49.90%** | 49.90% |
| Total assets | **1,504,915,644** | 1,360,963,729 |
| Total liabilities | **1,220,017,201** | 1,105,729,202 |
| Net assets (100%) | **284,898,443** | 255,234,527 |
| Company's share of net assets (49.90%) | **142,164,323** | 127,362,029 |
| Goodwill | **14,638,344** | 14,638,344 |
| Carrying amount of interest in associate (Balance Sheet Note 17) | **156,802,667** | 142,000,373 |

| | 2022 SR | 2021 SR |
|---|---|---|
| Revenue | **326,139,109** | 266,178,903 |
| Profit from continuing operations | **39,677,269** | 37,390,624 |
| Other comprehensive income - Impact of foreign currency exchange | **(16,549,948)** | (2,865,670) |
| Total comprehensive income (100%) | **23,127,321** | 34,524,954 |
| Company's share of profit | **19,798,957** | 18,657,921 |
| Company's share of other comprehensive income – Impact of foreign currency exchange | **(8,258,424)** | (1,429,969) |
| Company's share (49.90%)of total comprehensive income recognized during the period | **11,540,533** | 17,227,952 |

## 9.15 IFRS 17 – INSURANCE CONTRACTS

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted. The Company expects to first apply IFRS 17 on that date. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with direct participation features ("DPF").

**Structure and status of the Implementation project**

The Company considers implementing IFRS 17 as a significant project and therefore has set up a multidisciplinary implementation team with members from its Actuarial, Finance, IT, Operations and other respective businesses to achieve a successful and robust implementation. The project is managed internally through a dedicated IFRS 17 team and governed by a steering committee. The preparation for IFRS 17 has required significant changes to the Company's reporting systems. The Company is well prepared for the reporting requirements from 1 January 2023 onwards.

As part of the four-phase approach for the transition from IFRS 4 to IFRS 17 mandated by Saudi Central Bank ("SAMA"), the Company has submitted the operational gap assessment, financial impact assessment, implementation plan and multiple dry runs using the FY20, FY21 and June 2022 data to SAMA.



Saudi Reinsurance Company
Annual Report 2022
Financial Review

- **Significant Judgements and Accounting Policy Choices**

The Company is expected to apply the following significant accounting policies in the preparation of financial statements on the effective date of this Standard i.e., 1 January 2023:

**(a) Contracts within/outside the scope of IFRS 17**

A contract is reinsurance contract that falls under the scope of IFRS 17 if it transfers significant insurance risk or it is an investment contract with Discretionary Participation Features ("DPF"). IFRS 17 identifies reinsurance contracts as those contracts under which the Company accepts significant insurance risk from another party (the insurer), by agreeing to compensate the insurer if a specified uncertain future event (the insured event), adversely affects the insurer.

A retrocession contract held is defined as an insurance contract issued by one entity (the retrocessionaires), to compensate another entity for claims arising from one or more reinsurance contracts issued by that other entity (reinsurance contracts). Even if a retrocession contract does not expose the issuer to the possibility of a significant loss, that contract is deemed to transfer significant insurance risk if it transfers to the retrocessionaires substantially all the insurance risk relating to the reinsured portions of the underlying reinsurance contracts.

An assessment of the reinsurance contracts issued, and retrocession contracts held by the Company reveal that they all qualify for measurement and presentation under IFRS 17.

**(b) Combination/ Unbundling of Contracts**

At inception, the Company separates the following components from reinsurance or retrocession contract and accounts for them as if they were stand-alone financial instruments:

- derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of reinsurance or retrocession contract as a stand-alone instrument; and
- distinct investment components: i.e. investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.
- any promises to transfer distinct goods or non-insurance services: The Company separates any promises to transfer distinct goods or non-insurance services and accounts for them as separate contracts with customers (i.e., not as insurance contracts). A good or service is distinct if the insurer can benefit from it either on its own or with other resources that are readily available to the insurer. A good or service is not distinct and is accounted for together with the reinsurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the reinsurance component, and the Company provides a significant service of integrating the good or service with the reinsurance component.

The Company does not underwrite any reinsurance or retrocession contracts that contain embedded derivatives or distinct investment components. Furthermore, the Company's reinsurance portfolio does not contain any non-insurance components that will need to be unbundled from reinsurance contracts.

**(c) Level of Aggregation**

The Company identifies portfolios of reinsurance contracts. Each portfolio comprises contracts that are subject to similar risks and managed together, and is divided into three groups:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the portfolio.

Contracts within a portfolio that would fall into different groups only because law or regulation specifically constrains the Company's practical ability to set a different price or level of benefits for insurers with different characteristics are included in the same group.

As for reinsurance contracts issued, the Company identifies portfolios of retrocession contracts which are subject to similar risks and are managed together. Contracts within a portfolio are then grouped into cohorts by issue date not further than a year apart. Cohorts are divided into "groups" at inception that at least separate retrocession contracts between those that are a net gain at initial recognition, a net cost at initial recognition but have no significant likelihood of becoming a net gain and the remaining contracts. The Company will categorize each retrocession contract as a unique portfolio. As with the reinsurance contracts, all retrocession contracts held are to be grouped into annual cohorts and split into profitability groups based on the best estimate expected profitability of the groups at inception.

**(d) Measurement – Overview**

IFRS 17 introduces 3 new measurement models, reflecting the nature of reinsurance contracts.

*General Measurement Model*

IFRS 17 introduces a generalized measurement model called the General Measurement Model (GMM) which shall be applicable to all kinds of reinsurance and retrocession contracts, to the extent that they do not contain any direct participation features in any underlying invested assets.

The General Measurement Model has he 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 reinsurance contracts and will be recognized as the Company 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 reinsurance contracts is remeasured to be the sum of:

- the liability for remaining coverage (LRC), which comprises the FCF related to future services and the CSM of the group at that date;
- and the liability for incurred claims (LIC), 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, so changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss. 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.

The GMM is also applicable for the measurement of the liability for incurred claims. However, the Companies are 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.

*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 adjustment under GMM, the CSM is also adjusted for:

- the Company's share of the changes in the fair value of underlying items.
- the effect of changes in the time value of money and financial risks not relating to the underlying items.

*Premium Allocation Approach (PAA)*

It is permitted for the measurement of the liability for the remaining coverage if it provides a measurement that is not materially different from the General Measurement Model for the group of contracts or if the coverage period for each contract in the group is one year or less. The PAA behaves in a very similar manner as the current unearned premium and acquisition expenses approach under IFRS 4 with some notable differences as the introduction of a financing component for contracts having premiums and services more than 1 year apart as well as the method to recognize loss components.

The Company will apply the GMM to both reinsurance contracts issued, and retrocession contracts held for all the segments. When measuring liabilities for remaining coverage, the Company will now discount the future cash flows and includes an explicit risk adjustment for non-financial risk.



Saudi Reinsurance Company
Annual Report 2022
Financial Review

## (e) Significant Judgements and Estimates

*i. PAA eligibility assessment approach*

The Company has opted to apply the GMM to all reinsurance and retrocession contracts and hence will not be required to carry out a PAA Eligibility Assessment.

*ii. Discount rates*

Discount rates refer to the interest rates used in discounting cash flows to determine the present value of future cash flows. Discount rates are primarily used to adjust the estimates of future cash flows to reflect the time value of money and to accrete interest on the best estimate liability, risk adjustment and contractual service margin. The discount rates applied to the estimates of the future cash flows in discounting shall:

- Reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the reinsurance contracts;
- Be consistent with observable current market prices (if any) for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts, in terms of, for example, timing, currency and liquidity; and
- Exclude the effect of factors that influence observable market prices but do not affect the future cash flows of the insurance contracts.

The bottom-up approach will be used to derive the discount rate. Under this approach, the discount rate is determined as the risk-free yield adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an illiquidity premium). The yield curve will be derived from each currency's risk-free yield curve, plus illiquidity premium as follows:

- The currencies will have its own curve if the currencies current reserves is more than 1% of the total. The remaining will be grouped into the USD currency.
- The risk-free curves for each currency are local government or semi-government issued bonds denominated in local currency
- One "illiquidity premium" will be calculated and applied to all the yield curves and it is assumed 0.5% based on Solvency II.

*iii. Risk adjustment for non-financial risk*

The purpose of the risk adjustment for non-financial risk is to measure the effect of uncertainty in the cash flow that arise from reinsurance contracts, other than uncertainty arising from financial risk.

Risk adjustment considers the risk appetite of the Company and applies the Cost of Capital Approach based on the Company's Internal Capital Model as base Capital Requirement to arrive at the required Risk Adjustment. The total provision including the Best Estimate Liability and Risk Adjustment are expected to fall between the 62nd to 67th percentile of the Loss Distribution.

The Company will adjust the estimate of the present value of the future cashflows to reflect the compensation that the entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

*iv. CSM release pattern*

The amount of the CSM recognized in the statement of income for services provided in the period is determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of reinsurance contracts based on coverage units.

The total number of coverage units in a group is the quantity of coverage provided by the contracts in the group over the expected coverage period. The coverage units are determined at each reporting period-end prospectively by considering:

- the quantity of benefits provided by contracts in the Group.
- the expected coverage duration of contracts in the Group; and
- the likelihood of insured events occurring, only to the extent that they affect the expected duration of contracts in the Group.

The Company uses the amount that it expects the insurers to be able to validly claim in each period if an insured event occurs as the basis for the quantity of benefits.

*v. Onerousity determination*

To facilitate aggregation and composition of groups of contracts, the Company will carry out a profitability grouping exercise of contracts at their inception. For each contract, the Company will estimate the combined ratio at initial recognition of the contract. The combined ratio considers the expected loss, attributable expenses, risk adjustment and discount factor. Based on the estimated combined ratio, the Company will use rule-based assessment to determine the onerousity grouping as follows:

- Contract is onerous if combined ratio is above 100%.
- Contract is profitable with no significant possibility of becoming onerous if combined ratio is below 95%.
- Otherwise, contract is profitable with significant possibility of becoming onerous.

*vi. Provision for Doubtful Debts*

The impact of expected receipts adjustment relating to reinsurance contracts written under IFRS 17 has not been finalized as at the date of these financial statements. The Company is progressing to quantify the impact of expected receipts adjustment relating to reinsurance contracts written under IFRS 17 and expects the amount to be available for first IFRS 17 and 9 financial statements for the period ended 31 March 2023.

*vii. Retrocessionaire default provision*

The impact of expected receipts from retrocession contracts written under IFRS 17 has not been finalized as at the date of these financial statements. The Company is progressing to quantify the impact of expected receipts adjustment relating to reinsurance contracts written under IFRS 17 and expects the amount to be available for first IFRS 17 and 9 financial statements for the period ended 31 March 2023.

*viii. VAT treatment*

VAT is generally made part of the fulfilment cash flows only to the extent of non-recoverable VAT paid also being recorded as part of the G&A expenses of the Company and subsequently under IFRS 17 is considered part of attributable expenses. This non-recoverable VAT is minimal compared to overall G&A Expenses.

## (f) Accounting Policy Choices

*i. Length of Cohorts*

Under the guidance of the IFRS 17, the Company shall not include contracts issued more than one year apart in the same group in reference to grouping annual/semi-annual/quarterly/ monthly cohorts of new business, since it determines a corresponding time limit.

This enables the option to further divide the groups into smaller groups based on smaller cohorts. However, having smaller cohorts would result in multiple groups and would result in increased measurement requirements.

The Company has decided the length of cohort to be on an annual basis.

*ii. Use of OCI for Insurance Finance Income or Expense*

In reference to the presentation in statement of income – Insurance finance income or expense, the Company has decided that the entire insurance finance income or expense for the period will be presented in the statement of income.

*iii. Unwinding of Discount on Risk Adjustment*

In reference to the presentation in statement of income – Disaggregation of risk adjustment, the Company has decided that the entire change in risk adjustment will be presented in the insurance service results.

*iv. Expense Attribution*

The expense attribution under IFRS 17 requires Companies to categorize expenses as acquisition, attributable and non-attributable expenses. In this regard, the Company allocates expenses based on activity-based costing also taking in regards the recommendations made by the SAMA IFRS 17 Working Group.

*v. Deferral of Acquisition Cost*

In reference to the recognition of acquisition costs, the Company has decided to amortize the acquisition cost over the contract period instead of immediately recognizing it as an expense.

*vi. Policyholder Surplus accounting*

The policyholder surplus being an accumulation of the 10% profit sharing with policyholders is accounted for as a deposit and kept outside the scope of IFRS 17. Currently, for the Company being a reinsurer, there is not much clarity on the treatment or use of the policyholder surplus.



Saudi Reinsurance Company
Annual Report 2022
Financial Review

### (g) Presentation and disclosures

In the statement of financial position, deferred acquisition costs and reinsurance-related receivables will no longer be presented separately but as part of the reinsurance liabilities. This change in presentation will lead to a reduction in total assets, offset by a reduction in total liabilities.

The amounts presented in the statement of income need to be disaggregated into an insurance service result, consisting of the insurance revenue and the insurance service expenses, and insurance finance income and expenses. Income or expenses from retrocession contracts held need to be presented separately from the expenses or income from reinsurance contracts issued.

IFRS 17 contains an accounting policy option to recognize changes in financial parameters either in statement of income or in other comprehensive income. The Company has opted to include all reinsurance finance income or expense for the year in the statement of income.

### (h) Transition

*i. Choice of Method*

For the purposes of transition, the Company will use modified retrospective approach for all lines of business which allows the companies to adjust initial recognition calculations for already written business to equal actual transactions up to the transition date and projected cash-flows thereafter without going back to adjusting the CSM roll-forward up to the transition dates based on the past estimates at interim reporting periods.

**Transition impact**

The Company estimates that, on adoption of IFRS 17, the impact of these changes (before tax) is a reduction in the Company's total equity of by SR 29.88 million to SR 59.36 million at 1 January 2022. The impact on equity at 1 January 2023 is currently being estimated and shall be disclosed in the financial reporting for the period 1 January 2023 to 31 March 2023.

The estimated range of change in shareholders' equity includes the impact of risk adjustment, loss component, discounting, and conversion of numbers as per IFRS 4 to estimated cashflows as per IFRS 17. The assessment made by the Company is preliminary as not all transition work requirements have been finalized and therefore may be subject to adjustment. The actual effect of the implementation of IFRS 17 on the Company could vary from this estimated range if a different set of assumptions and policy choices are made. The Company continues to refine assumptions, methodologies and controls in advance of IFRS 17 adoption on 1 January 2023. Although dry runs were carried out in 2022, the new systems and associated controls in place have not been operational for an extended time. As a result, the Company has not finalized the testing and assessment of controls over its new IT systems and changes to its governance framework.

| Drivers of changes in equity | Impact on equity on transition to IFRS 17 on 1 January 2022 |
|---|---|
| Changes in measurement of reinsurance contracts issued | Decrease by SR 42.85 million to SR 57.08 million |
| Changes in measurement of retrocession contracts held | Decrease by SR 16.51 million to increase by SR 27.20 million |
| Total impact | Decrease by 29.88 million to SR 59.36 million |

*Impact on Liabilities and Assets*

| Particulars | Impact on transition to IFRS 17 on 1 January 2022 |
|---|---|
| Risk adjustment | Increase by SR 22.49 million to SR 24.61 million |
| Discounting | Decrease by 39.68 million to SR 75.45 million |
| CSM | Increase by SR 121.70 million to SR 157.18 million |
| Other drivers | Decrease by SR 49.35 million to SR 61.67 million |
| Total Impact on Reinsurance Liabilities | Increase by SR 42.85 million to SR 57.08 million |
| Risk adjustment | Increase by SR 4.32 million to SR 5.01 million |
| Discounting | Decrease by SR 12.06 million to SR 17.35 million |
| Other drivers | Decrease by SR 8.77 million to increase by SR 39.55 million |
| Total Impact on Retrocession Assets | Decrease by SR 16.52 million to increase by SR 27.20 million |

## 9.16 IFRS 9 – FINANCIAL INSTRUMENTS

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after 1 January 2018. However, the Company has met the relevant criteria and has applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. Consequently, the Company will apply IFRS 9 for the first time on 1 January 2023.

### (a) Financial assets – classification

The Company conducted a preliminary IFRS 9 Classification and Measurement assessment ("C&M") for the financial assets held as at 31 December 2021 in response to SAMA's circular No. 239.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost ("AC"), fair value through other comprehensive income ("FVOCI") and fair value through statement of income ("FVSI"). This classification is generally based, except equity instruments and derivatives, on the business model in which a financial asset is managed and its contractual cash flows. Except for financial assets that are designated at initial recognition as at FVSI, a financial asset is classified on the basis of both:

a. the entity's business model for managing the financial asset; and

b. the contractual cash flow characteristics of the financial asset.

The Company exercises judgment in determining whether the contractual terms of financial assets it originates or acquires give rise on specific dates to cash flows that are solely payments of principal and profit income on the principal outstanding and so may qualify for amortized cost measurement. In making the assessment the Company considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets, terms that change the amount and timing of cash flows and whether the contractual terms contain leverage.

The Company classifies its financial assets in the following measurement categories:

- Fair value through statement of income (FVSI);
- Fair value through other comprehensive income (FVOCI); or
- Held at amortized cost.

The classification requirements for debt and equity instruments are described below:

**Debt instruments**

Classification and subsequent measurement of debt instruments depend on:

- the Company's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial assets.

*Business model*

The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVSI.

*Solely payments of principal and profit*

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and profit. In making this assessment, the Company considers whether the contractual cash flows are consistent with the financing agreement i.e. profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVSI.



Saudi Reinsurance Company
Annual Report 2022
Financial Review

Based on these factors, the Company will classify its debt instruments into one of the following three measurement categories:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit, and that are not designated at FVSI, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized. Profit income from these financial assets is included in "Special commission income" using the effective profit method.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and profit, and that are not designated at FVSI, are designated as fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, special commission income and foreign exchange gains and losses on the instrument's amortized cost which are recognized in the statement of income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to statement of income. Profit income from these financial assets is included in 'Special commission income' using the effective profit rate method. As at 31 December 2022, the Company does not have any equity instruments classified under this category.
- Fair value through statement of income (FVSI): Assets that are held for trading purpose or assets that do not meet the criteria for amortized cost or FVOCI are measured at FVSI. A gain or loss on a debt investment that is subsequently measured at FVSI presented in the statement of income in the period in which it arises.

### Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Company will classify all equity investments at FVSI, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, transaction costs are made part of the cost at initial recognition and subsequent fair value gains and losses (unrealized) are recognized in OCI and are not subsequently reclassified to the statement of income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in the statement of income as "Dividend income" when the Company's right to receive payments is established.

As at 31 December 2022, the Company does not have any equity instruments classified under this category.

### Reclassification of financial assets

The Company will reclassify the financial assets between FVTPL and amortized cost if and only if under rare circumstances and if its business model objective for its financial assets changes so its previous business model assessment would no longer apply. Financial assets are not reclassified after their initial recognition, except in the period after the entity changes its business model for managing financial assets.

**(b) Financial assets – impairment**

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the entity expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

The key inputs into the measurement of ECL are the term structure of the following variables;

- Probability of default ("PD"),
- Loss given default ("LGD"), and
- Exposure at default ("EAD").

IFRS 9 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Company.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3".
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on consideration of a variety of external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome.

A global database of sovereign and corporate credit ratings and GDP movements was built dating from 1969 to present day, with specific emphasis placed on data post 1990. The objective of these studies was to understand the movement of credit ratings in times of economic stress and any subsequent/lagging effects. Relative movements in credit ratings and PDs were modelled rather than actual default rates given the superior model fits that could be obtained and better back-testing of model results and diagnostics.

For sovereign counterparties, S&P's 2020 Sovereign Default Rate Study was used in the mapping of rating movements to PDs. These rating changes could then be mapped to relative changes in risk over time implied by the PDs. These PD changes were then regressed on the historical GDP growth. The period over which to fit the regression model was informed through a combination of maximizing correlation between GDP and historical growth as well as expert judgement. The final regression model forecasts future rating change movements and hence scalars to apply to sovereign PDs relevant to current risk levels.

A KSA specific model was created in addition to a peer group model and regional model. Peer group was established as all A rated entities classified as high-income segments by World Bank. The regional Group comprised primarily of Middle Eastern and North African sovereigns. In order to use the Saudi Arabian GDP forecasts in the peer and regional group forecasts, the GDP forecasts are mapped onto a normal distribution, parameterized on historical GDP growth rates, and the equivalent percentile is then used in the alternative models.

Each of the above three models produce forward-looking adjustment scalars. The model allows the user to assign weights to each of the model outputs. The final forward-looking adjustment scalar is then calculated as a weighted average of the three model outputs. Management applied judgement when assigning weights to the scalars.

**(c) Financial liabilities**

IFRS 9 largely retains the requirements in IAS 39 for the classification and measurement of financial liabilities. However, under IAS 39 all fair value changes of financial liabilities designated as at FVSI are recognized in the statement of income, whereas under IFRS 9 these fair value changes will generally be presented as follows:

- The amount of the change in the fair value that is attributable to changes in the credit risk of the liability will be presented in Other Comprehensive Income (OCI);
- The remaining amount of the change in the fair value is presented in the statement of income.

**(d) Transition**

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Comparative periods have not been restated. A difference in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in retained earnings.



Saudi Reinsurance Company
Annual Report 2022
Financial Review

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

i. The determination of the business model within which a financial asset is held.

ii. The designation and revocation of previous designated financial assets and liabilities as measured at FVSI. This category includes financial assets that were previously designated as held for trading or those that were classified as available for sale.

iii. The designation of certain investments in equity instruments not held for trading as FVOCI. In general, cash and cash equivalents, short term deposits and debt securities held until maturity have been designated as such.

*Estimated Change in the Company's Total Equity due to initial application of IFRS 9*

Company has assessed the estimated impact that the initial application of IFRS 9 will have on its financial statements. Based on assessments undertaken to date, the total adjustment (before tax) to the balance of the Company's total equity is estimated to be a reduction of SR 1.51 million at 1 January 2022, as summarized below. The impact on equity at 1 January 2023 is currently being estimated and shall be disclosed in the financial reporting for the period 1 January 2023 to 31 March 2023

| Adjustments due to adoption of IFRS 9 | 1 January 2022 |
|---|---|
| Classification of financial assets | Increase by SR 0.09 million |
| Impairment of financial assets | Decrease by SR 1.60 million |
| Total impact | Decrease by SR 1.51 million |

*Overall Impact on Equity due to Transition to IFRS 17 and IFRS 9*

Company estimates that, on adoption of IFRS 17 and IFRS 9, the impact of these changes before tax is a reduction in the total equity of SR 31.39 million to SR 60.87 million at 1 January 2022.

| Transition to | Change in Equity @ 1 January 2022 |
|---|---|
| IFRS 17 | Decrease by SR 29.88 million to SR 59.36 million |
| IFRS 9 | Decrease by SR 1.51 million |
| Total impact | Decrease by SR 31.39 million to SR 60.87 million |

The Company has investment in ordinary shares of Probitas Holdings (Bermuda) Limited ("PHBL") which is disclosed in note 17. The Company has accounted for this investment as an equity accounted investee. PHBL operates in insurance and reinsurance businesses including Lloyd's market in London, United Kingdom. PHBL is at its initial phase of carrying out the IFRS 17 and 9 implementation exercise and implementing the IFRS 17 and 9 calculation engines and IT systems. Therefore, the impact of IFRS 17 and 9 implementation of PHBL cannot be quantified at the present stage. Accordingly, the IFRS 17 and 9 transition impact on the Company's equity disclosed above does not include the effect of any changes in PHBL's numbers due to the adoption of IFRS 17 and 9.



Our ESG report outlines how we engage and create value for our diverse stakeholders, and progress against Saudi Re's sustainability framework, measured against standardized indicators and metrics.

# ESG REPORT

# 10. OUR SUSTAINABILITY STRATEGY

**Our aim is to strengthen Saudi Re's position as a regional leader in the reinsurance industry; a financially robust company, with a sustainable business model, which creates value for its shareholders and clients**

## 10.1 OUR SUSTAINABILITY APPROACH

Saudi Re aspires to lead the region in sustainability by protecting the environment, supporting communities, nurturing competencies of our human capital, and participating in global efforts to mitigate climate change; while improving and expanding economic value to the Company and our clients. Saudi Re's Code of Professional Conduct and Ethics ensures we treat clients fairly and ethically.

We rely on our strong Sustainability and Social Responsibility Policy, which was approved at the Annual General Assembly Meeting (AGM) in 2022, acknowledging that sustainability and social responsibility is best fulfilled by incorporating core sustainability principles into our policies, procedures, and practices that guide us through our sustainability journey. Saudi Re also boasts a high Saudization rate, which reflects our dedication to supporting the local workforce. Moreover, we intend to increase the Saudization ratio annually.

Our commitment to sustainability also extends beyond the Company, clients, and employees. We are dedicated to preservation of the environment; a concept that is in harmony with our Islamic values.

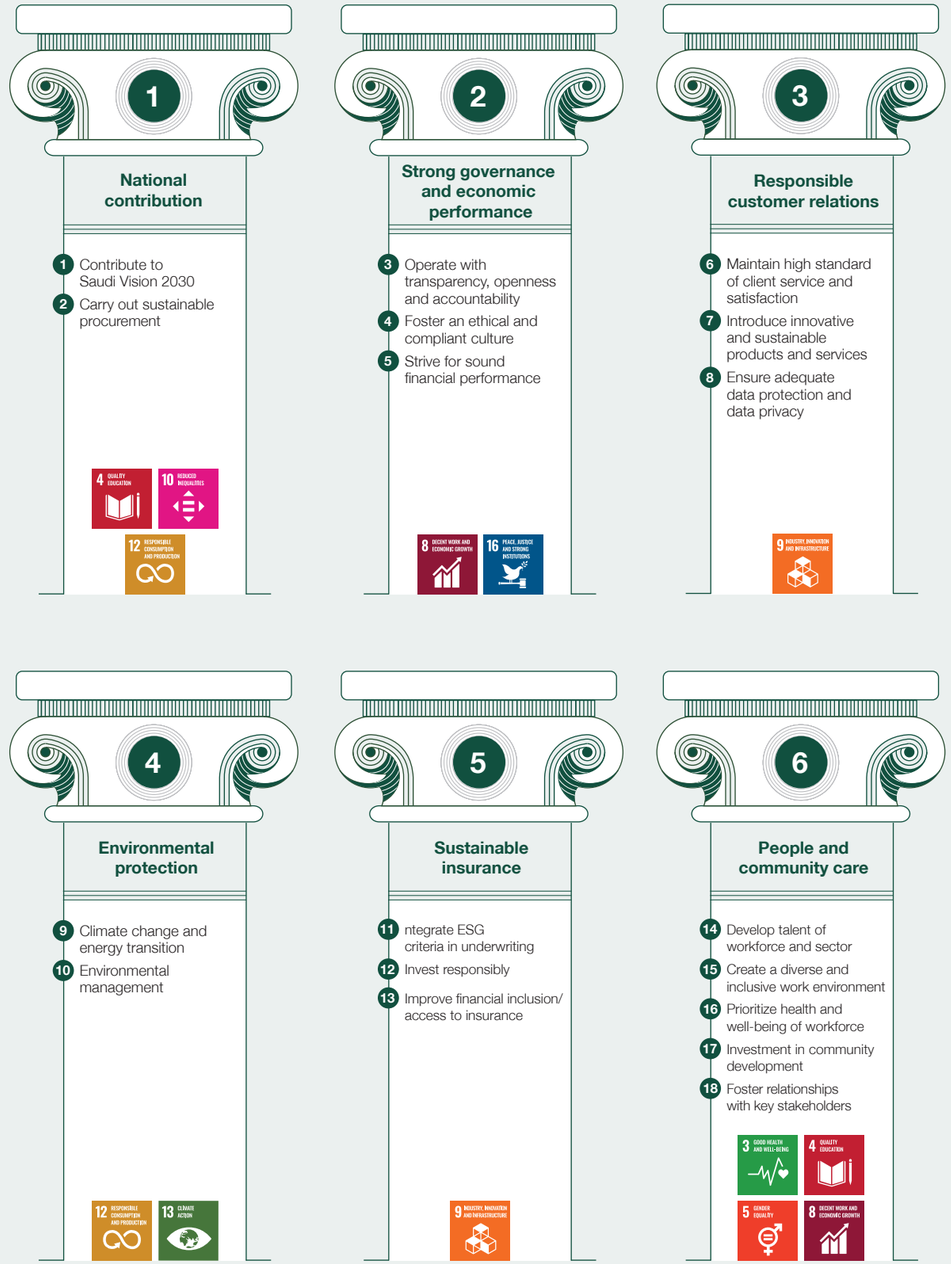
Saudi Re's sustainability strategy also allows us to contribute positively to the Kingdom's development and actualization of Saudi Vision 2030. The Company strives to maximize the local content contribution through the retention of reinsurance premiums within the Kingdom and increasing its value to the local economy. Saudi Re contributes to the non-oil GDP by exporting its reinsurance services to the international market, thereby representing the Kingdom in the international economic arena. We also strive to enhance the lives of Saudi citizens by way of financial and social inclusion.

Sustainability is embedded in our Vision and Mission, as it is at the core of our decision-making process. As a Sharia-compliant reinsurance firm, we uphold our ethical duty to safeguard people and businesses against the greatest risks to which they are exposed.

Through our experience in sustainability, we have built a framework of commitment and a drive towards transparency, accountability, and environmental and social consciousness. Guided by sustainable practices, our aim is to strengthen Saudi Re's position as a regional leader in the reinsurance industry; a financially robust company, with a sustainable business model, which creates value for its shareholders and clients.

Saudi Re also practices sustainable investment, which emphasizes the importance of incorporating ESG considerations into investment practices. The Company actively avoids investments that could potentially harm the environment or society.

## 10.2 OUR SUSTAINABILITY PILLARS






OVERVIEW
BUSINESS CONTEXT, STRATEGY, AND PERFORMANCE
ESG REPORT
CORPORATE GOVERNANCE
OPERATING PERFORMANCE





OVERVIEW
BUSINESS CONTEXT, STRATEGY, AND PERFORMANCE
ESG REPORT
CORPORATE GOVERNANCE
OPERATING PERFORMANCE

## 10.3 STAKEHOLDER ENGAGEMENT

Saudi Re's stakeholders are an integral part of the Company's sustainability, success, and ability to create value. The foundation of our sustainability strategy begins with the value we place on all our stakeholders: clients, brokers, shareholders, analysts, investors, employees, regulatory bodies, suppliers and business partners. This is reflected in the Company's new Sustainability and Social Responsibility Policy, and the way material matters are identified and prioritized.

| Stakeholder | Mode of engagement | Frequency of engagement |
|---|---|---|
| **Regulatory bodies** | – Internal audit<br>– Audit Committee<br>– External audit<br>– Compliance Department<br>– Technical Committee<br>– Business Risk Committee<br>– Annual reports | As per regulatory requirement, or on an annual basis |
| **Clients and brokers** | – Social media channels including LinkedIn<br>– Customer service help desks<br>– Market webinars<br>– Regional/International industry events<br>– Cybersecurity framework | Regular and routine engagement |
| **Shareholder, analysts and investors** | – Annual reports<br>– Annual General Assembly Meetings<br>– Annual and Quarterly Financial Results<br>– Press releases<br>– Investor conferences and one-on-one meetings<br>– IR Mobile App<br>– Risk appetite framework | Continuous engagement through open and transparent formal channels maintained with shareholders |
| **Suppliers and business partners** | – Procurement Departments<br>– Annual reports<br>– Credit agency reports | Regular and routine engagement |
| **Society** | – Community donation drives<br>– Event sponsorship<br>– Training sessions/workshops | Event/Project-based engagement and responsive engagement |
| **Employees** | – Human resources team<br>– Training sessions and workshops<br>– Career development programs<br>– Employee engagement program<br>– Whistleblowing policy<br>– Health and life scheme coverage<br>– Reward Policy | Continuous engagement through transparent and open communication channels. |

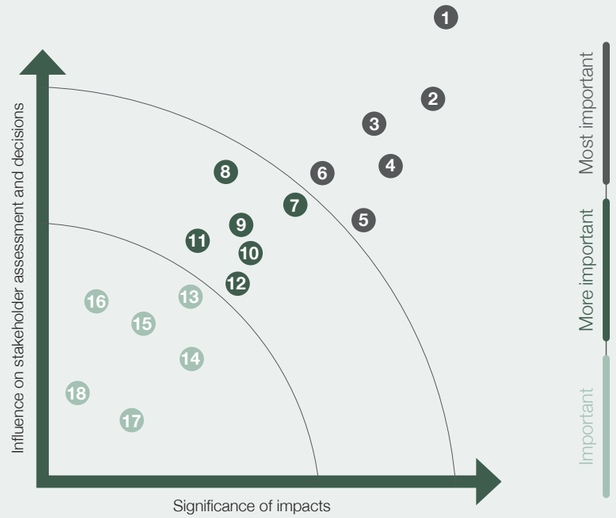
## 10.4 OUR SUSTAINABILITY POLICY

Saudi Re's new Sustainability and Social Responsibility Policy guides the management of material topics. With the Company and its stakeholders in mind, we place a strong emphasis on Environmental, Social and Governance (ESG) considerations. Corporate governance takes the top priority in our list of material factors, followed by cybersecurity, talent development, alignment with the national strategy, ethics and financial performance, and customer satisfaction. Other important considerations include inclusivity, integration into the insurance sector, innovation, responsible investing, and access to insurance. Additionally, we place emphasis on sustainable products, community investment, well-being, environmental management, and sustainable procurement.

## 10.5 OUR MATERIAL MATTERS

Saudi Re identifies and discloses material topics as issues that have the greatest potential impact on our business and stakeholders, and issues that are prioritized by the Company and stakeholders.

The following table and materiality map graphically represent Saudi Re's key material topics, ranked in order of importance.




| Material Topic | Rank |
|---|---|
| Corporate governance | 1 |
| Data protection and cybersecurity | 2 |
| Talent development | 3 |
| Serving the national strategy | 4 |
| Climate change and energy transition | 5 |
| Ethics and compliance | 6 |
| Financial performance | 7 |
| Customer satisfaction | 8 |
| Diversity and inclusion | 9 |

| Material Topic | Rank |
|---|---|
| Integrating ESG in insurance | 10 |
| Innovation and digitalization | 11 |
| Investing responsibly | 12 |
| Access to insurance | 13 |
| Sustainable products and services | 14 |
| Community investment | 15 |
| Health and well-being | 16 |
| Environmental management | 17 |
| Sustainable procurement | 18 |

# 11. OUR SUSTAINABILITY PERFORMANCE

**Our contribution to Saudi Vision 2030 is a commitment that we take to heart. Saudi Re contributes to the country's economic growth by operating as a national company with an international presence in more than 40 countries worldwide.**

We reached a significant milestone in May 2022 as Saudi Re's General Assembly approved the Company's "Sustainability and Social Responsibility Policy", providing impetus to our initiatives.

## 11.1 OUR NATIONAL CONTRIBUTION

Through our efforts, we create employment opportunities and contribute to the training and development of Saudi nationals and other experts in the insurance sector in the Kingdom by facilitating their development, we also empower and encourage our female workforce to take up senior positions within the Company.

As part of our efforts to support Saudization, we prioritize the recruitment of Saudi citizens, create opportunities for their career development, and invest in continual training of professionals who can thrive in the insurance and reinsurance industry. In addition, our specialized training programs and workshops help grow the technical know-how of the industry; supporting the development of employees and others in the insurance & financial services sector.

Our contribution to the Kingdom is enshrined in the Company's ESG and sustainability initiatives conducted during the year. In addition, we reached a significant milestone in May 2022 as Saudi Re's General Assembly approved the Company's "Sustainability and Social Responsibility Policy", providing impetus to our initiatives.

**Saudization rate (%)**

| 2021: **75** | 2020: **71** | 2019: **71** | 2018: **64** | 2022 |
|---|---|---|---|---|
| | | | **78** | |

**Saudization rate of Senior Management (%)**

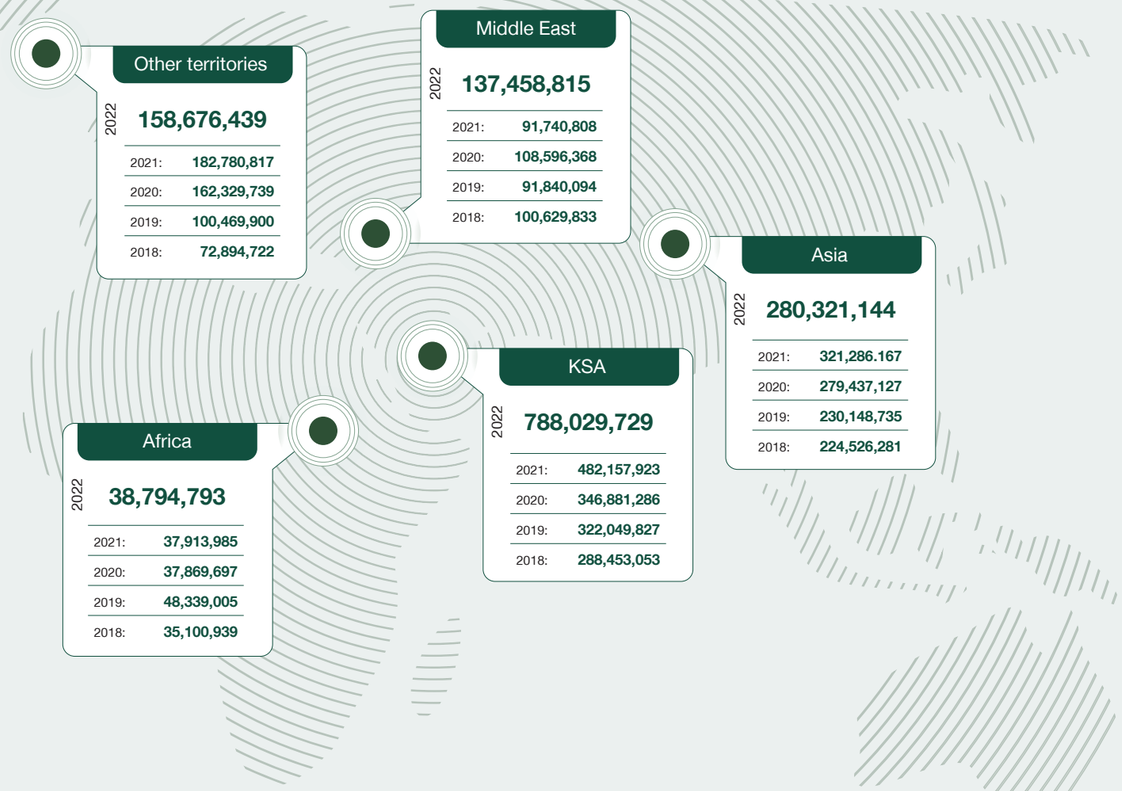
| 2021: **83** | 2020: **77** | 2019: **57** | 2018: **43** | 2022 |
|---|---|---|---|---|
| | | | **80** | |

**Total National Employees (FTE)**

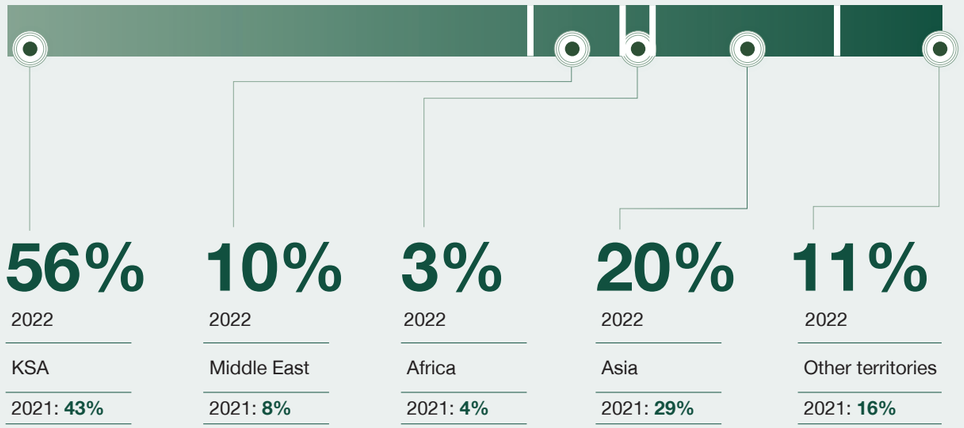
| 2021: **54** | 2020: **46** | 2019: **45** | 2018: **39** | 2022 |
|---|---|---|---|---|
| | | | **60** | |

| Area of focus | Our contribution for 2022 | Highlights |
|---|---|---|
| Local content | Saudi Re is committed to aligning its goals with the objective of increasing the insurance sector's contribution to the local content in covering risks. | Referencing the circular dated 26 October 2022 from the Saudi Central Bank (SAMA) with respect to implementation of the new mechanism for Reinsurance Cession to the Local Reinsurance Market; the directive sets out a course for gradual cession of at least 20% in 2023, 25% in 2024 and 30% in 2025, for all Reinsurance Treaties (proportional and non-proportional) with effect from 1 January 2023. |
| Service export | Saudi Re took significant strides in its contribution to the Kingdom's non-oil GDP, by contributing to the retention of reinsurance premiums within the Kingdom in support of local content development and also by exporting reinsurance services. This aligns with the national goal to grow non-oil Gross Domestic Product, which corresponds with Saudi Vision 2030. | it is expected that the implementation of this mechanism would result in increasing the company's written premiums from the Saudi market by more than 5% of the total Gross Written Premiums.<br><br>Please refer page 56 |

## GWP (in SR Mn.) KSA vs International




## Geographic portfolio mix




| Area of focus | Our contribution for 2022 | Highlights |
|---|---|---|
| Training and education | Training and development of staff is a priority for Saudi Re, for new and existing employees. | An average of 5.5 man-days of training were provided per employee.<br><br>Furthermore, sponsorship was granted for the Saudi Insurance Symposium and support was extended to employees who chose to pursue professional qualifications. |

**Value invested in training and education (SR)**

| 2022 | 2021 |
|---|---|
| 629,928 | 311,430 |

| Area of focus | Our contribution for 2022 | Highlights |
|---|---|---|
| Youth development and Saudization | In our efforts to contribute to youth development and Saudization, Saudi Re maintained a workforce with 60% Saudi nationals, of whom 38% were under the age of 30 years.<br><br>The Saudi Re Development Program was introduced to contribute to the development of young talent. | |

**Percentage of employees below 30 years of age (%)**

| 2022 | 2021 |
|---|---|
| 23 | 22 |

**Saudization rate (%)**

| 2022 |
|---|
| 78% |

| | |
|---|---|
| 2021: | 75 |
| 2020: | 71 |
| 2019: | 71 |
| 2018: | 64 |

| Area of focus | Our contribution for 2022 | Highlights |
|---|---|---|
| Product development and innovation | Saudi Re ensured that the required infrastructure (process and technology) was ready to accommodate the new accounting standard, IFRS 17, and meet the required deadlines.<br><br>Saudi Re supports the local market by playing a key role in developing new products that require high capacity. IDI is one such example, in which Saudi Re played a key role in product development as well as providing reinsurance. | IFRS 17 was adopted and is in the final stage of implementation. Training was provided to all relevant departments – Management BoD, Underwriting, Actuary, Finance, IT.<br><br>Electronic signatures and advanced printing technology were introduced as green initiatives to reduce Saudi Re's carbon footprint.<br><br>User mobility for staff was improved, enabling users with the required technology and tools to address client requests and enquiries remotely, without compromising security.<br><br>A new Disaster Recovery (DR) setup was implemented, with simplified DR management, shorter Recovery Time Objective (RTO) and Recovery Point Objective (RPO), to ensure business resilience. An assurance that Saudi Re will be able to serve its clients during disasters, i.e. Activate disaster recovery within 5 minutes. |



Saudi Reinsurance Company
Annual Report 2022
Sustainability Performance

## 11.2 SUSTAINABLE SUPPLY CHAIN

At Saudi Re, our commitment lies in maintaining an ethical supply chain that upholds sustainability and responsibility in our procurement processes. We maintain transparency in our selection procedures, ensuring thorough evaluation and documentation of all our business partners prior to undertaking any transactions.

The following measures that were adopted in 2021, continued to serve Saudi Re and strengthen the supply chain in 2022:

- The Company introduced the Digital Signature Project to ensure authentication, integrity, and non-reproduction of documents, resulting in reduced paper usage.
- Credit rating assessments were applied for reinsurance business partners to evaluate their financial standing.
- The procurement process was enhanced by increasing automation and integrating it with related functions.
- The Company improved its supplier screening and assessment criteria to ensure high-quality partnerships.
- Suppliers were offered cybersecurity awareness to enhance their security posture.

Taking a future-focused approach that would strengthen the sustainability of the supply chain and provide added value to our business partners and suppliers, Saudi Re undertakes continuous assessment of the sustainability impact of purchased products; we prioritize local content development and measurement of local spending; and by sourcing from local partners, we are not only able to ensure reliability but also support the Saudi Vision 2030 in contributing to the growth of the economy.

2022
**11,195,370**
Total procurement spending (SR)

| | |
|---|---|
| 2021: | **22,274,905** |
| 2020: | **17,821,956** |
| 2019: | **17,287,799** |
| 2018: | **18,439,701** |

2022
**9,385,932**
Amount spent on local suppliers (SR)

| | |
|---|---|
| 2021: | **17,085,163** |
| 2020: | **14,517,512** |
| 2019: | **13,229,777** |
| 2018: | **13,115,840** |

2022
**81**
Number of local suppliers (Nos.)

| | |
|---|---|
| 2021: | **146** |
| 2020: | **82** |
| 2019: | **92** |
| 2018: | **83** |

2022
**84**
Percentage of total procurement spending on local suppliers (%)

| | |
|---|---|
| 2021: | **77** |
| 2020: | **81** |
| 2019: | **77** |
| 2018: | **71** |

## 11.3 CORPORATE GOVERNANCE

Saudi Re is committed to upholding the highest standards of Corporate Governance, in line with the Company's position as a premier reinsurer with a global footprint and its heritage as the first reinsurance company established in Saudi Arabia.

Saudi Re strives for compliance in letter and in spirit, meeting national and international regulations and building a culture and environment within the Company that promotes trust, transparency, and accountability. Saudi Re's system of governance is built around the competency and accountability of the Board and the Executive Management, and ensures protection of the rights of all stakeholders.

### STRINGENT AND DYNAMIC POLICY FRAMEWORK

Saudi Re's activities and compliance culture are governed by the policies such as:

- Corporate Governance policy
- Conflict of interest policy
- Whistleblowing policy
- Sustainability and social responsibility
- Remuneration and compensation policy
- Dividend policy
- Nomination and Remuneration Committee meeting selection criteria
- Audit Committee selection criteria
- The Nomination and Remuneration Committee conducted its annual review on the independence of the Board and assessment of related-party contracts and transactions.
- The Company incorporates a comprehensive induction for new Board Members, ensuring they are fully aware of roles, responsibilities, and legal and regulatory requirements.
- A system in place to manage board affairs
- Saudi Re's Corporate Governance Policy was updated during the year, in line with changes to market conditions and regulatory requirements. The Company is committed to thorough review of all guiding policy-level material such as CG policies, charters, and related documents.

### PROFESSIONAL AND EXPERIENCED BOARD

At the helm of the Company is an experienced Board, responsible for implementing and continuous review of rigorous controls for all operations. Saudi Re's Board of Directors oversees and ensures the integrity of financial reporting and internal control systems, appropriateness of disclosure process and approving key policies.

The Board Consists Of 4 Non-Executive, 4 Independent, and 1 Executive Board Members; who together add experience and expertise in a variety of fields and disciplines. They bring a wealth of experience that guides the course of the Company within regulatory requirements.

### COMMITTED TO CONTINUOUS IMPROVEMENT

- In 2022, the Company also contracted a consultant to assess the level and standard of governance amongst Board members. Recommendations of the assessment were taken into consideration, and the Board took all necessary steps to address the outcomes of the consultant's assessment. The Board made decisions to adopt several changes in its policies and procedures, in addition to introducing new programs and systems that will strengthen its governance.

### TRANSPARENT ENGAGEMENT WITH STAKEHOLDERS

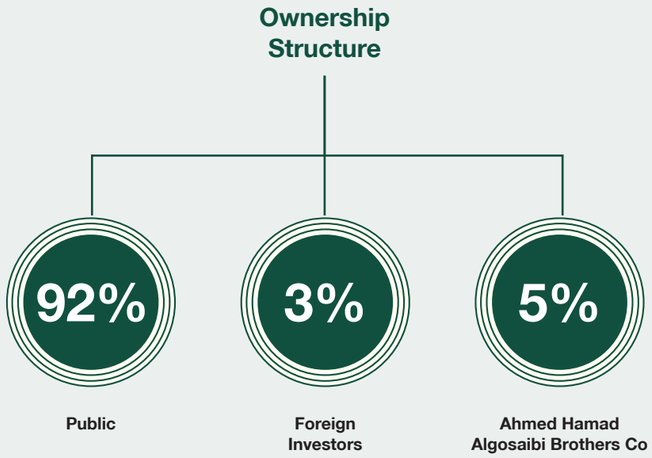
Saudi Re's highly professional Investor Relations function serves as the conduit for flow of information between Saudi Re and its investors and key stakeholders. Saudi Re's investors play a vital role in the success and growth of the Company, and as such, it is of utmost importance for the Company to maintain strong, transparent relationships with investors and stakeholders.



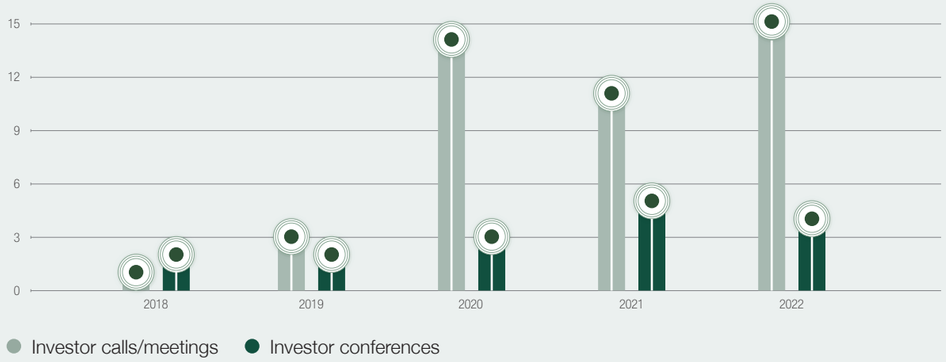
Saudi Reinsurance Company
Annual Report 2022
Sustainability Performance

The Company employed a variety of means and utilized a variety of platforms to engage with stakeholders during the year. These included:

- Earnings calls
- Investor roadshows and conferences.
- AGM/EGM
- Publication of declarations, announcements and articles through mainstream financial media, and appropriate corporate disclosure through the Saudi Exchange – Tadawul.
- Saudi Re's IR App and official website (saudire.net).
- Participation in market events, conferences and workshops




## Direct investor engagements




## 11.4 BUSINESS ETHICS AND COMPLIANCE

The Company's workforce follows a strict and proactive Code of Professional Conduct and Ethics. The code reflects Saudi Re's commitment to an already stringent anti-corruption and anti-bribery culture, and outlines employee's actions toward conducting themselves in an ethical manner.

The Compliance Department supported by the Legal Department play leading roles in ensuring employee awareness, buy-in, and compliance. The Compliance department communicates continuously with employees, raising awareness and providing necessary training to support adherence.

In 2022, Saudi Re took the following steps in line with the Company's policies:

| Process and process improvements | Employee awareness and compliance | Certification and Licenses | Policy and Management support |
|---|---|---|---|
| Initiated use of Saudi Re Portal for communication of Laws and Regulations with employees. | Conducted 4 physical and online training programs, reaching all staff; Anti-Money Laundering (AML), Combating Terrorism Financing (CTF)/CTF and the new Companies Law. | Renewed Sharia certificate. | Updated Saudi Re's Corporate Governance policy. |
| Utilized Saudi Re Portal for sharing and raising awareness on the Company's Code of Ethics. | Conducted screening against criminal record for all new employees. | Renewed SAMA license for 3 years. | Updated Underwriting, Claims, and Technical Accounting policies and controls. |
| Shared current market information, circulars, and regulatory updates with relevant departments. | Introduced induction process whereby new employees take a rotation with Compliance and AML before beginning work. | Renewed Commercial Registration for 3 years. | Updated the Company's AOA policy. |
| Implemented a new Know Your Customer (KYC) approval process through the system. | Communicated importance of ethics via regular emails and/or employee meetings. And conducted 2 training sessions on Ethics, reaching all staff. | | Approve Board Succession Policy. |

Saudi Re has the following policies in place to ensure a compliant and ethical culture within the Company:

- Anti-Money Laundering and Combating Terrorism Financing Policy and Procedures
- Anti-Fraud Committee Charter
- Anti-Fraud Policy
- Clients Acceptance Policy
- Compliance Charter
- Compliance Policy
- Insider Trading Prevention Policy
- The Code of Professional Conduct and Ethics
- Reporting Non-Compliant Practices "Whistleblowing" Policy
- Conflict of Interests Policy.
- Disclosure and Transparency Policy.

In ensuring compliance with national and international regulations and best-practices, Company policies and practices are informed by, and in compliance with the following:

- Insurance Consumer Protection Principles issued by Saudi Central Bank.
- Corporate Governance Regulations issued by Capital Market Authority (CMA) of the Kingdom of Saudi Arabia (KSA)
- Insurance Corporate Governance Regulation issued by the Saudi Central Bank.
- Audit Committee Regulations Issued by Saudi Central Bank.

## Our record on ethical behavior

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| Employees dismissed and/or disciplines for corruption (Nos.) | 0 | 0 | 0 | 0 | **0** |
| Percentage of operations assessed for risks related to corruption (%) | 0 | 0 | 0 | 0 | **0** |
| Percentage of employees trained on risks related to corruption (%) | 70 | 85 | 90 | 97 | **98** |
| Percentage of employees trained on risks related to money laundering and financial crime (%) | 88 | 91 | 93 | 95 | **98** |

Saudi Re's Internal Audit Department reviews internal control annually, based on the findings of a company-wide risk-based audit. The Compliance and Risk Management function of the Company works to educate employees, set standards, and ensure compliance within the applicable regulations. Saudi Re strives to inculcate an ethical and compliant culture within the Company, while working to incorporate best practices and manage risks that are inherent to business lines.

## Non-compliance with laws and regulations

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| Total incidents of non-compliance with laws and regulations (Nos.) | 0 | 0 | 0 | 1 | **1** |
| Total number of non-monetary sanctions (Nos.) | 0 | 0 | 0 | 0 | **0** |
| Total amount of legal and statutory fines and settlements (SR) | 0 | 0 | 0 | 0 | **0** |

### SASB Metric

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| Value of monetary losses as a result of compliance violations received from SAMA (SR) SASB FN-IN-270a.1 | 0 | 0 | 0 | 0 | **20,000** |

## Commitment to strengthening compliance

Saudi Re has dedicated departments and functions in place for the buy-in, engagement, and commitment of Senior Management to ensure continual improvement of the Company's culture of ethical conduct and compliance.

Compliance with regulations and best practices aligns with the Company's commitment to promoting sustained, inclusive, and sustainable economic growth in the Kingdom; efforts to provide full and productive employment and decent work, and overall vision for strengthening means of implementation and revitalizing the global partnership for sustainable development.

## Systemic Risk Management

| | |
|---|---|
| Description of approach to managing capital and liquidity-related risks associated with systemic non-insurance activities<br><br>SASB-FN-IN-550a.3 | **Approach to managing Capital:**<br>Saudi Re has its own Risk Appetite, which is as follows:<br>"Saudi Re should ensure the available capital is above the highest of the followings:<br>1. At least 125% of required economic capital, according to Saudi Re Internal Capital Model<br>2. At least 125% of SAMA Required Solvency<br>3. At least 125% of S&P required capital at A level"<br><br>**Approach to managing Liquidity:**<br>The Company's Investment Policy Statement (IPS) dictates how the Company should invest, including the liquidity of each asset invested and the overall liquidity of the investment. The Company constantly follows up with the counterparties to make sure any debts are paid fully on time.<br><br>The Company also constantly monitors its liquidity by using indicators such as quick ratio (current assets divided by current liabilities) to ensure the liquidity is within the Company's criteria.<br><br>Refer the Risk Management section on page 107 for more information on the Company's approach to managing risk. |

## 11.5 FINANCIAL PERFORMANCE

Our goal is to establish ourselves as a leading provider of innovative and technically advanced reinsurance solutions in the region. Our robust financial results reflect our progress towards achieving this vision.

In 2022, our Gross Written Premium (GWP) increased by 26% to SR 1,403 million, marking the highest YoY growth in the history of Saudi Re. Our total Underwriting revenues also increased by 7.81% from SR 874.4 to SR 942.7. Additionally, our assets grew by 35.9% to SR 4.23 billion by 31 December 2022, with significant increases in time deposits, investments held at fair value, held-to-maturity investments, and accrued reinsurance premiums.

Our diverse range of products and extensive geographic reach have been instrumental in driving this growth. While the Saudi market accounts for 56% of our business, the remaining 44% is spread across Asia (20%), Africa (3%), the Middle East (10%), and other territories (11%). For a more detailed analysis of our financial performance.

## 11.6 RESPONSIBLE CLIENT RELATIONS

At Saudi Re, we prioritize delivering exceptional service to our clients. This requires transparency and fair treatment in all of our client relationships. Our focus on streamlining the claims process has resulted in increased client satisfaction.

In 2022, we recorded a growth in our books, exceeding 5%, along with an increased share of strategic markets and partners. Furthermore, Saudi Re led a greater number of treaties in 2022, compared with previous years, with zero complaints being logged.

The Company implemented a number of initiatives in 2022 to grow and improve customer relations. We worked closely with clients to review portfolio performance and better the terms offered. There was close monitoring of performance and continuous improvements made to service quality. Saudi Re further invested in automating the process of service delivery and introduced two performance dashboards: for claims and partner registration. We also conducted regular market visits and one-to-one meetings with clients.

Working within reinsurance terms, normal claims are approved and processed within seven working days; while special settlements and cash calls take three working days. Additionally, we have increased the limit of fast-track claims and claim approval limits for team members, as measures to expedite client claim settlements.

Saudi Re strived for excellence in delivering client value in 2022 by recruiting and positioning qualified and capable staff across the Company. We also extended the underwriting support unit in Kuala Lumpur to cover both facultative and treaty reinsurance contracts. Maintaining consistency, we were able to continuously meet the SLAs and develop internal capabilities of people and technology. Saudi Re also received an “A-” By S&P and an affirmed “A3” rating by Moody’s and multiple awards that further served to foster trust in the Company’s financial position.

### ENSURING PRIVACY AND SECURITY OF DATA

At Saudi Re, we place a high emphasis on cybersecurity. Our position is continuously measured using multiple dashboards and KPIs, both internally and externally. In 2022, we consistently maintained an “A” security rating for external Cyber security exposure. To further enhance our security measures, we conducted a cybersecurity awareness campaign and maintained an active threat management team that attended to over 1,700 alerts from various threat intelligence sources within the SLA. Additionally, we formed a Cybersecurity Incident Response Team. No cybersecurity incidents were reported in 2022.

The Company also improved data protection and identity management infrastructure by introducing an advanced data classification system, and a Privileged Access Management (PAM) solution. Furthermore, improved IT disaster recovery infrastructure reduced recovery time to 5 minutes or less.

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| Number of clients | 274 | 266 | 308 | 293 | **314** |
| Number of claims requested to be settled during the year | 3,224 | 2,271 | 2,032 | 2,083 | **2,855** |
| Number of claims settled during the year | 3,224 | 2,271 | 2,032 | 2,083 | **2,855** |
| Percentage of settled claims during the year (%) | 100 | 100 | 100 | 100 | **100** |
| Number of client new claims during the year | 4,361 | 3,831 | 2,811 | 3,020 | **2,935** |
| Percentage of claims settled within 7 working days (%) | 97 | 98 | 98 | 97 | **97** |
| Value of claims paid (SR) | 368,408,063 | 436,701,320 | 481,191,479 | 471,215,536 | **537,845,426** |

### FURTHERING INNOVATION AND DIGITAL TRANSFORMATION

The introduction of digital signatures provided a significant reduction in response times. During the year, Saudi Re also established a new “Claims Closure” policy to review, follow-up and finalize aged claims. The Company is working towards the automation of this process through the “INSIAB” platform. The INSIAB platform was launched as a business process management tool to streamline business operations and provide improved services to our clients.

At Saudi Re, we continue to invest in our data analytics capabilities. Our sophisticated data business intelligence infrastructure supports our daily operations and transition to the new accounting standards IFRS 17. To enhance our services and efficiency, we have automated the client engagement process (KYC), while maintaining full compliance and reducing response time when onboarding new clients. In addition, we have provided remote access to our employees' via mobile devices, enabling faster response to clients' requests and enquiries.

To enhance client experience in the future, the Company is taking steps to introduce automated notifications that will alert customers to dormant claims, OS updates, statement confirmations, etc. Robotic Process Automation (RPA) bots will be introduced to supply instant responses to client queries.

## 11.7 SUSTAINABLE INSURANCE

Saudi Re prioritizes Environmental, Social, and Governance (ESG) considerations in its business operations, with a strong focus on Corporate Social Responsibility (CSR). The Company is committed to building a more sustainable future, guided by principles of fairness and ethics in all its business activities and lines of service.

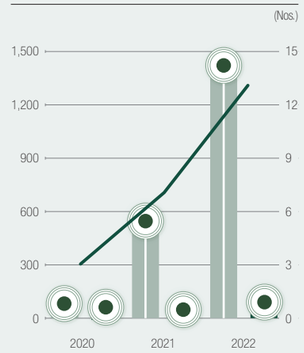
We understand the value of sustainable insurance practices. By integrating ESG considerations into our reinsurance services and solutions, we provide risk transfer that benefits the community and the environment. As a Sharia-compliant organization, sustainability is also a key factor in our investment decisions, avoiding investments in businesses that may harm society, while promoting equality and inclusion in transactions.

To promote access to insurance, Saudi Re offers insurance literacy programs, sponsors events to raise awareness about reinsurance, and provides technical training programs that benefit the sector. We also partner with Departments of Actuarial Sciences in universities to offer student traineeships at Saudi Re.

In 2022, Saudi Re carried out several training programs and workshops to make insurance more accessible. Training programs were focused on specialized areas of insurance and reinsurance, such as International Financial Reporting for Insurers (IFRI), Reinsurance Simulation Training Program (RTP), KSA Pricing Game, Associate in Risk Management (ARM), the UIB Treaty Insurance Seminar, and Policy Lifecycle Insurance Administration training.

In-house workshops were led by senior staff and professional speakers. The topics covered included Preventing Financial Crime in Insurance, Anti Money Laundering (AML), and Introduction to Electronic Equipment Insurance and Foundations of Reinsurance. Additionally, the Company facilitated Membership Renewal for underwriters (ACII), Auditors (CIA), Accountants (CMA), and Actuaries (ASA).

### Promoting financial literacy/Insurance literacy




- Number of participants in financial/insurance literacy initiatives
- Number of employees trained on financial/insurance literacy
- Number of training hours on financial/insurance literacy

## MAINSTREAMING ESG WITH CORE BUSINESS

### Managing environmental risk

Saudi Re is exposed to a moderate level of environmental risk; in particular, exposure to physical climate risk in our Global Property Catastrophe Reinsurance lines. The frequency and severity of weather-related catastrophic events is on the rise, but mitigants for Saudi Re include our annual policy repricing, catastrophe model updates, retrocessional protection, improved business diversification and good capitalization.

Saudi Re has a comparatively lower exposure level to physical climate risk, in relation to our global reinsurance peers, given our lines of business focus on regions with fewer natural catastrophes.

Saudi Re has woven sustainability into many aspects of its operations. These include financial and social inclusion, protecting the environment, sustainable investment and sustainable procurement. In our procurement practices, business partners are carefully evaluated through a transparent process. Motivation of employees, training and education, empowerment of women, and Saudization are prioritized in our employment practices. Our structure and systems of governance have been crafted to protect the interests of stakeholders and promote trust, transparency, accountability and ethical behavior.

### Responsible investment

Total invested assets (differentiated by industry and asset class)

- **Reinsurance Operations Investments**

| | |
|---|---|
| 2022: | **643,257** |
| 2021: | **560,244** |
| 2020: | **355,498** |
| 2019: | **335,763** |

- **Shareholders Investments**

| | |
|---|---|
| 2022: | **935,308** |
| 2021: | **926,746** |
| 2020: | **974,455** |
| 2019: | **966,997** |

## 11.8 SUPPORTING OUR COMMUNITIES

Saudi Re carries out a number of targeted social and philanthropic activities that supports furthering the socioeconomic development of communities in which we operate.

The Company's Code of Professional Conduct and Ethics and related policies set out the overall direction for our Corporate Social Responsibility efforts. Our areas of focus involve providing basic needs, improving quality of life, and addressing other identified needs in local communities.

Saudi Re is conscious about respecting the traditions and ethical aspects of the communities in which we operate. Over the years, our contributions have had a positive impact by promoting economic growth, creating job opportunities, enhancing education, providing healthcare services, enabling youth development, and making philanthropic activities available.

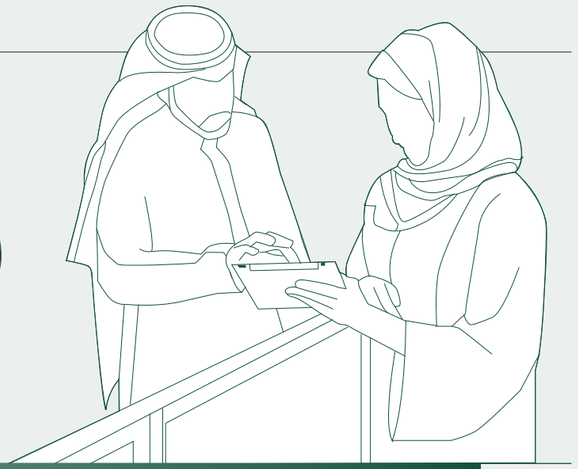
We uplift our communities in the following ways:

- Participation in charitable programs that donated second-hand computers, laptops, and other equipment to charities in need.
- Financial contributions to the Charitable Association for Rheumatic Diseases in support of children in need of medical assistance.
- Efforts to ensure equality include provisions to employ people with special needs who meet the Company's requirements.
- Skill development and employment creation for new graduates. The Company designs and implements specialized development programs for future professionals and leaders, including internships and summer jobs for students.
- Ensuring regular health checkups for employees, which further promotes and contributes to healthier communities.
- Training and personal development. As part of the Company's Development Program, Saudi Re conducted several workshops such as "7 Habits of Highly Effective People".
- Investing in the ongoing prosperity of communities through Zakat.




Tamkeen employment forum

# 11.9 OUR PEOPLE OUR PRIDE



**Total number of employees (full time)** 2022 **99**

**Employees by employment level**

| 2022 | Senior Management | Middle Management | Staff |
|---|---|---|---|
| | **5** | **20** | **74** |
| 2021: | **6** | **16** | **74** |
| 2020: | **6** | **15** | **65** |
| 2019: | **6** | **15** | **60** |
| 2018: | **7** | **14** | **50** |

**Age analysis of employees**

| 2022 | 18-30 years | 31-50 years | 51+ years |
|---|---|---|---|
| | **23** | **70** | **6** |
| 2021: | **21** | **68** | **7** |
| 2020: | **21** | **58** | **7** |
| 2019: | **18** | **56** | **7** |
| 2018: | **13** | **53** | **5** |

The employees of Saudi Re are an integral component of the Company and its success. The value they bring, in the form of expertise and experience, contributes to the strength, growth and adaptability of our business.

**SR 425,000+**
invested in staff training and development

**hrs 3,407**
of training provided

## TRAINING AND DEVELOPMENT

Ensuring a continuous program of training and development for staff is part of the Company's long-term commitment to its employees. Training and Development at the Company is guided by the Saudi Re Development Program (SRDP) which assesses skill gaps that need to be addressed in line with medium to long-term goals. Talent and knowledge development initiatives are structured to grow the required skills and competencies, and improve individual performance in line with the Company's strategic objectives.

Saudi Re invested in a number of training programs during the year covering a variety of aspects, including but not limited to: insurance/reinsurance, finance and technical accounting, cyber security, anti-money laundering, and leadership.

Additionally, an ongoing orientation program is in effect to familiarize new employees with Company processes and procedures. Saudi Re's Competency Framework Project is another tool that equips staff with the skills required to improve performance and progress in their careers. Periodic performance evaluations and career development reviews are also conducted at all levels.

At senior levels, suitable employees are integrated into a succession plan, which includes key financial management positions. The process includes specialized training and development for high-performing employees, in preparation for navigating and meeting the demands of a challenging and constantly evolving environment.

Risk seminar training



**32%**
female employees

**100%**
rate of return-to-work for female employees

## DIVERSITY AND INCLUSION

Saudi Re prides itself on providing a fair and inclusive work environment for all its employees. The Company is governed by its Code of Conduct and a Whistleblowing Policy along with a systematic Grievance Handling mechanism to manage misconduct, harassment or discrimination in the workplace. Model Work Organization Regulation, Physical Security Procedure and Incident Procedure are the bases on which all policies and procedures are formed; thereby ensuring we maintain a favorable and desirable work environment for all. No discrimination or harassment cases were reported in 2022.

Diversity and inclusion are given priority in our workplace culture. In 2022, the workforce of Saudi Re comprised of employees from the GCC (including KSA), India, Pakistan, UK, Algeria, Tunisia and Germany. 32% of our employees are female on the back of several company-wide initiatives to increase the intake of women. 39% of training hours were given to female staff. 5 employees availed themselves of their parental leave entitlement; with return-to-work rate and retention rate of 100% for the year.

**Some female-friendly measures that constitute our diverse work environment:**

- Female employees were allocated a separate space for increased privacy.
- Significant international days such as Women's Day were celebrated, and events organized. E.g. Awareness and education programs promoting early detection of breast cancer.
- Using an inter-departmental rotation system to grow female representation across the Company.
- Facilitating the Saudi Re Ladies' Outing

## EMPLOYEE ENGAGEMENT

During 2022, several actions were carried out with the intention of driving employee engagement. Events such as the Annual Gathering, National Day and the Saudi Re outings helped build camaraderie amongst staff after a period of disruptions to regular work due to the COVID-19 pandemic, and resulting remote working arrangements.

In addition, participation in CSR activities organized in collaboration with welfare organizations and charities helped engage, inspire, and motivate staff to come together for a good cause.

Personal development initiatives like coaching and job rotation opportunities were offered to staff, and all statutory holiday and religious days of significance such as Ramadan, were recognized and celebrated, with all provisions assured to staff.

During 2022, we have conducted a study to assess the effectiveness of our compensations and benefits structure and launched a new reward strategy that is geared to establish a stronger link between reward and performance and help retain and attract talents and incentivize them to achieve Saudi Re's strategic goals.

Measures were also taken to recognize achievements across the Company, and laudable initiatives and actions were announced and celebrated via email. Discounts and special offers on a range of products and services were also made available to employees and their family members via the WalaPlus Engagement Program, together with more competitive loan facilities and credit card offers.

Additionally, regular employee satisfaction surveys are conducted to monitor engagement and satisfaction.

## HEALTH AND WELLBEING

Saudi Re is committed to uplifting the health and wellbeing of its workforce by providing desirable working conditions and a healthy work-life balance for all employees. Medical insurance coverage is provided to all staff and their family members. The Company Procedures also include a Physical Safety Procedure that protects individuals in the workplace.

It is the responsibility of the HR Department, Risk Management Department, and Business Continuity Teams to ensure health, safety, and security measures are maintained at a high standard, and potential risks are eliminated or managed. The Company provides ongoing education and awareness campaigns that promote good health and safety practices: for example, first aid training and annual flu vaccination campaigns preceding the flu season.

Informative and educational emails containing health updates, tips and guidelines are regularly circulated amongst employees.

The working hours of our employees are maintained in line with safe labor practices and legislation. The work-life balance of staff is prioritized with additional support provided to facilitate remote working facilities, permissions, flexible leave policies and paid vacation days. Saudi Re extends benefits and support to dependents of employees in several forms: including financial assistance with schooling and educational expenses, and benefits through the WalaPlus Engagement Program that provides discounts on gym memberships, healthy food options and more.

| 2021: **96** | 2020: **86** | 2019: **81** | 2018: **71** | |
|---|---|---|---|---|
| **Total number of employees (full time)** | | | **99** | 2022 |

| 2021: **65** | 2020: **60** | 2019: **58** | 2018: **53** | |
|---|---|---|---|---|
| **Total male employees** | | | **67** | 2022 |

| 2021: **31** | 2020: **26** | 2019: **23** | 2018: **18** | |
|---|---|---|---|---|
| **Total female employees** | | | **32** | 2022 |

Annual Medical Check Up






Saudi Reinsurance Company
Annual Report 2022
Sustainability Performance

2022

**32**

% of female employees

| | |
|---|---|
| 2021: | 32 |
| 2020: | 30 |
| 2019: | 28 |
| 2018: | 25 |

2022

**24**

Number of new recruitments

| | |
|---|---|
| 2021: | 18 |
| 2020: | 6 |
| 2019: | 12 |
| 2018: | 15 |

2022

**16**

Employee turnover (Nos.)

| | |
|---|---|
| 2021: | 5 |
| 2020: | 1 |
| 2019: | 7 |
| 2018: | 0 |

## Service analysis of employees

2022

**62**

0-5 years

| | |
|---|---|
| 2021: | 58 |

2022

**26**

6-10 years

| | |
|---|---|
| 2021: | 30 |

2022

**11**

11-15 years

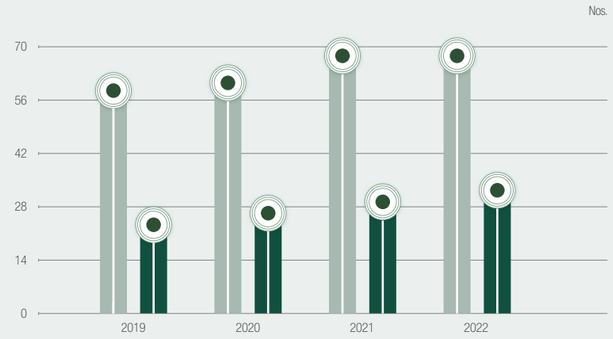
| | |
|---|---|
| 2021: | 8 |



Saudi Re's participation in the 2022, 6th Saudi Insurance Symposium

## Recruitment analysis based on gender – 2022

| | |
|---|---|
| Male | 67 |
| Female | 32 |




## Recruitment analysis based on age – 2022

2022

**23**

Less than 30

| | |
|---|---|
| 2021: | 21 |

2022

**70**

31-50 years

| | |
|---|---|
| 2021: | 68 |

2022

**6**

51 + years

| | |
|---|---|
| 2021: | 7 |

## Employee development

2022

**5.55**

Average training man-days per employee (days)

| | |
|---|---|
| 2021: | 6 |
| 2020: | 6 |
| 2019: | 6 |
| 2018: | 9 |

2022

**3,407**

Total hours of training for employees (hours)

| | |
|---|---|
| 2021: | 4,217 |
| 2020: | 2,416 |
| 2019: | 3,760 |
| 2018: | 5,160 |

2022

**429,928**

Investment on employee training and development (SR)

| | |
|---|---|
| 2021: | 311,430 |
| 2020: | 111,307 |
| 2019: | 530,330 |
| 2018: | 880,000 |

Saudi Reinsurance Company
Annual Report 2022
Sustainability Performance




Annual flu vaccination campaign




National Day Celebrations

Recycling campaign




## 11.10 PROTECTING OUR PLANET

**Saudi Re is fully committed to maintaining alignment of its sustainability goals, with Vision 2030 and the Global Goals**

The direct environmental impact of Saudi Re's activities is relatively small, due to the nature of our business model. However, the Company remains committed to minimizing the environmental footprint of operations, with the intention of preserving the planet for future generations.

In addition to these efforts, Saudi Re is taking steps to mainstream ESG with the Company's core business; reflecting on how managing environmental risk, incentivizing sustainable practices, and responsible investment in clean and green technologies can have a greater magnifying effect on protecting our planet. A discussion on mainstreaming ESG with the core business is described on page 65 in the Sustainable Insurance section.

In 2022, we took a number of measures to further reduce water and energy consumption whilst improving waste management systems across the Company. Using a future-focused approach, we analyzed methods to upgrade our processes and infrastructure:

- Integration of devices with higher energy efficiency, such as motion-activated lighting.
- Electronic devices with high energy consumption were responsibly replaced with more efficient hardware.
- Collaboration with non-profit organizations that specialize in collecting, refurbishing and distributing computers and electronic devices to charitable institutions such as educational and social welfare organizations.
- Reduction of paper-usage through adoption of new processes, continued use of electronic signatures to minimize paper in approval and decision-making chains.
- In 2022, Saudi Re initiated a recycling campaign as a contribution to decreasing GHG emissions.
- Installation of devices such as faucet aerators to improve efficiency and conserve water.

Despite our negligible environmental footprint, as a conscious corporate citizen, Saudi Re's takes efforts to record and report against key environmental footprint metrics.

2022
**99**
Total number of employees

2021: **96**
2020: **86**
2019: **81**
2018: **71**

2022
**3.92%**
Total GHG emissions (tCO2) per employee

2021: **4.03%**
2020: **3.30%***
2019: **3.90%**
2018: **5.04%**

2022
**22.69**
Direct energy consumption (operations and vehicles, GJ) per employee

2021: **22.86**
2020: **19.87***
2019: **27.65**
2018: **16.38**

2022
**5,508**
Total electricity consumption (kWh) per employee

2021: **5,239**
2020: **4,130***
2019: **4,964**
2018: **6,555**

2022
**19.58**
Total water consumption (m3) per employee

2021: **20.0**
2020: **11.10***
2019: **17.37**
2018: **18.59**

2022
**10**
Total paper recycled (kg)

2021: **10**
2020: **4***
2019: **12**
2018: **15**

2022
**1,455**
Total waste generated (kg)

2021: **1,170**
2020: **900***
2019: **2,000**
2018: **2,640**

2022
**391**
Total paper consumption (kg)

2021: **381**
2020: **270***
2019: **405**
2018: **405**

2022
**640**
Total waste recycled (kg)

2021: **632**
2020: **315***
2019: **600**
2018: **712**

* Working from home measures has been applied to ensure the safety of Saudi Re's staff and their families due the COVID-19 Pandemic.

The climate crisis and concerning global trends in the recent past, have created a greater need for organizations to lead by example and reevaluate how business is conducted. In this context, there is a growing environmental and social consciousness in the ME Region and a push for sustainable business practices.

We are mindful of how our decisions could potentially affect the market and wider environment in which we operate. As such, Saudi Re is fully committed to maintaining alignment of its sustainability goals, with Vision 2030 and the Global Goals.

5 GENDER EQUALITY
10 REDUCED INEQUALITIES

Saudi Re has a strong Diversity and Inclusion (D&I) framework in place, enabling the Company to avoid any form of discrimination regardless of age, gender, or disability.

3 GOOD HEALTH AND WELL-BEING

The Company ensures access to safe and affordable medical care for all employees. In response to the COVID-19 pandemic, this extended to provision of necessary vaccines.

8 DECENT WORK AND ECONOMIC GROWTH

As a premier reinsurer in the Kingdom, with a significant impact on the value-chain of multiple industries, Saudi Re contributes to sustainable and inclusive economic growth, full and productive employment, and decent work through direct and indirect means.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

The Company ensures sustainable practices are in place across its operations, thereby contributing to responsible consumption. Wherever possible, the Company also engages in recycling of waste.



**Saudi Reinsurance Company**
Annual Report 2022
Sustainability Performance

The Corporate Governance report includes a description of our stringent governance processes and structure, and our commitment to compliance and ethical conduct.

# CORPORATE GOVERNANCE

# 12. GOVERNANCE

Saudi Re's governance structure provides a framework which includes the policies, rules, and standards which guide the Company's activities, and ensure protection of the rights and interests of its stakeholders and other shareholders. The Company's governance structure also regulates the relationships and communication between the Board, the Executive Management and the shareholders. Saudi Re's policies are aligned with regulations issued by SAMA and CMA and in compliance with national laws and regulations as outlined below. This section also outlines the responsibilities and competencies of the Board, its Committees, and the Executive Management.

The Company has committed to implementing all the articles of the corporate governance regulations issued by the Capital Market Authority during the year 2022, except for paragraph (b) of Article 93, where the Company has committed to disclose the details of the remuneration of senior executives in total and has not disclosed them in detail in accordance with the schedule specified in Annex (1) of the Corporate Governance Regulations, in order to avoid the harm that may be caused by presenting the details to the interest of the Company and its shareholders, based on paragraph (b) of Article 60 of the rules on the offering of securities and continuing obligations.

## 12.1 COMPLIANCE WITH LAWS AND REGULATIONS

During the year under review, in general, the Company complied with laws and regulations applicable in the Kingdom of Saudi Arabia, including the following:

- Laws and regulations issued by Capital Markets Authority (CMA).
- Laws and regulations issued by Saudi Central Bank SAMA, including the Corporate Governance Regulations.
- Zakat and Income Tax Regulations issued by the Zakat, Tax and Customs Authority.
- Labor Law issued by the Ministry of Human Resources and Social Development.
- The Companies Law issued by the Ministry of Commerce.

## 12.2 BOARD OF DIRECTORS

The Company is managed by a Board of Directors consisting of 9 members who are appointed by the shareholders in the Ordinary General Assembly for a period of 3 years from 11 May 2020 to 10 May 2023.





### Mr Hesham Al-Shaikh
Non-Executive Director



| Current positions | Previous positions | Qualifications | Experience |
|---|---|---|---|
| • Chairman of the Board, Member of the Executive Committee, and Investment Committee<br>• Chairman of Mekyal Financial Tech<br>• Board Member of Probitas Holding Company<br>• Founder and Chairman of the Board of Watan First Institute | • Board Member of Ashmore Saudi Arabia Investments<br>• Board Member of Saudi Civil Aviation Holding Company<br>• Board Member of Al Jazira Bank<br>• Deputy Managing Director of Arab National Bank | • Bachelor's degree in Business Management, Applied Mathematics and Economics from California University, USA | • More than 35 years of experience in the banking and investment sectors during which he assumed various leading position |

### Mr Mishari Al-Hussain
Non-Executive Director



| Current positions | Previous positions | Qualifications | Experience |
|---|---|---|---|
| • Vice-Chairman of the Board, Member of the Investment Committee and Nomination and Remuneration Committee<br>• Board Member of Hana Food Industries Company<br>• Member of the Boards of several companies in the areas of real-estate development and training and education | • Board Member of Saudi Investment Bank and Saudi Development Fund<br>• Managing Director of Al Jazira Bank, Saudi Arabia | • Bachelor's degree in Business Administration from Oregon State University | • More than 35 years of experience in the banking and financial sectors during which he assumed various leading positions |



## Mr Ahmed Sabbagh
Non-Executive Director

**Current positions**
- Member of the Technic Committee, the Nomination and Remuneration Committee

**Previous positions**
- Member of the Board of Trustees of the Arab Insurance Institute
- Former General Manager and Board Member of the Islamic Insurance Company in Jordan
- President of International Federation of Takaful
- Board Member in the General Council for Islamic Banks and Financial Institutions

**Qualifications**
- Bachelor's degree in Business Administration from Beverly Hills University, California

**Experience**
- More than 45 years of experience in the insurance and reinsurance industry in the Middle East during which he assumed various leading roles
- Published six books about Takaful and Cooperative Insurance in both English and Arabic languages



## Mr Jean-Luc Gourgeon
Non-Executive Director

**Current positions**
- Chairman of the Technical Committee and Member of the Executive Committee
- Board Member of Probitas Holding Company, Bermuda
- Board Member of Probitas Corporate Capital, UK
- CEO of own consulting company JLG Consulting Ltd.

**Previous positions**
- European General Manager of Everest Re Europe in UK
- CEO, and CUO of Paris Re in France

**Qualifications**
- Master's degree with Honors in Mechanic's Science from Ecole Centrale de Lyon, Claude Bernard University in France, INSA Lyon
- Political Science degree of Instituts d'Etudes Politiques de Paris

**Experience**
- More than 30 years of experience in the insurance and reinsurance industry



Saudi Reinsurance Company
Annual Report 2022
Governance



## Mr Mohammad Omair Al-Otaibi
Independent Director

**Current positions**
- Chairman of the Risk Committee and Member of the Nomination and Remuneration Committee
- Vice-Chairman of Abdullah Saad Abo Moati Stationary
- Chairman of Zimeen Digital Marketing
- Member of the Audit Committee of Al Mojel Trading and Contracting Co. (Saudi joint stock non-listed company)

**Previous positions**
- Chairman of the National Gas and Industrialization Company
- Board Member of several joint stock companies
- Board Member of Al Yamamah Steel Industries
- Board Member of Riyad Bank and a Member of the Risk Management Committee and Audit Committee of Riyad Bank

**Qualifications**
- Master's degree in Business Administration specializing in Finance from Western Michigan University
- Attended the Advanced Management Program in Harvard University in USA

**Experience**
- More than 34 years of experience in Banking and Marine Shipping Industry during which he assumed different leading positions



## Eng. Hussam Al-Suwailem CAIA, FDP, CFE
Independent Director

**Current positions**
- Saudi Re Member of the Board of Directors since May 2020
- Saudi Re Member of the Investment Committee since November 2019

**Previous positions**
- International investments analyst covering M&A, venture investments and infrastructure project. SALIC (PIF Subsidiary). (2014 – 2016)
- Credit Portfolio Manager. SAMBA Financial Group, Saudi National Bank, Riyad Bank. (2006 – 2014)

**Qualifications**
- Certified Fraud Examiner (CFE) – Association of Certified Fraud Examiners, 2022, USA
- Chartered Alternative Investment Analyst (CAIA) – CAIA Association, 2020, USA
- Chartered Financial Data Professional (FDP) – FDP Institute, 2019, USA
- Master of Applied Finance, Macquarie University, 2012 – Sydney, Australia
- Bachelor of Electrical Engineering, King Saud University, 2006 – Riyadh, Saudi Arabia.

**Experience**
- Eng. Hussam's experience covers various inter-related disciplines such as corporate governance, asset management, modelling, and structuring investment transactions. Those fields bring about the knowledge Hussam technically employs to achieve optimal strategic resources allocation without compromising risk management frameworks and guidelines



## Dr Peter Hugger
Independent Director

**Current positions**
- Member of Risk Committee
- Member of the Audit Committee
- Board Member of MSG Global Solutions Zurich
- Adviser to the Board at Innoveo AG Zurich

**Previous positions**
- Chief Executive Officer of Echo Reinsurance Ltd., Zurich
- Senior Executive Vice President of Asia Capital Reinsurance Group Pte Ltd. Singapore

**Qualifications**
- Doctorate degree in Economics from the University of Konstanz, Germany

**Experience**
- More than 35 years of experience in the international insurance and reinsurance market



## Mr Marc Maupoux
Independent Director

**Current positions**
- Chairman of the Nomination and Remuneration Committee
- Member of the Technical Committee

**Previous positions**
- Led the setup of a start-up reinsurance company based in Zurich, Switzerland
- Head of Property, Non Cat & Engineering World Wide-Axis Re, and Consultant

**Qualifications**
- Actuarial Fellowship from Institut de Science Financiere et d'Assurances (ISFA), France
- Member of the IA (Institut des Actuaires) and of the SAV (Schweizer Aktuar Verein)

**Experience**
- More than 30 years of experience in international insurance and reinsurance

## Mr Fahad Al-Hesni
Executive Director

**Current positions**
- Managing Director and Chief Executive Officer
- Member of Executive Committee
- Board Member of Probitas Holding Company, Bermuda

**Previous positions**
- Vice President of Property and Casualty in Tawuniya

**Qualifications**
- Master's degree in Insurance and Risk Management from City University of London
- Association degree from the Chartered Insurance Institute (CII) in UK

**Experience**
- More than 25 years of experience in the Insurance and Reinsurance industry





**Saudi Reinsurance Company**
Annual Report 2022
Governance

## 12.3 COMMITTEE MEMBERS FROM OUTSIDE THE BOARD OF DIRECTORS



### Mr Hisham Al-Akil

External member of Audit Committee

**Current positions**

- Chairman of Audit Committee
- Chief Financial Officer of Al-Bilad Bank

**Previous positions**

- Positions of banking and insurance supervision in SAMA

**Qualifications**

- Master's degree in Accounting from the University of Illinois
- Associate of the American Institute of Certified Public Accountants (CPA)
- Completed the Strategic Financial Leadership program from Stanford University

**Experience**

- More than 20 years of experience in the Banking and Finance sector



### Mr Abdullah Al Farraj

External member of Audit Committee

**Current positions**

- Chief Financial Officer of Human Resources Development Fund

**Previous positions**

- Vice President for Financial Affairs of the Saudi Public Transport Company
- Chief Financial Officer Saudi Ground services Chief Auditor – National Commercial Bank

**Qualifications**

- Master's degree in Accounting from the American University in Washington
- Associate of the American Institute of Certified Public Accountants (CPA)
- Associate of Saudi Organization for Certified Public Accountants (SOCPA)

**Experience**

- More than 20 years of experience in the field of Audit Reinsurance/ Insurance and Finance

### Mr Tariq Zaino

External member of Audit Committee

**Current positions**

- Certified Public Accountant in his firm "Zaino CPA"

**Previous positions**

- GAZT – General Authority of Zakat and Tax
- LTP Audit Assistant Director, CMA – Capital Market Authority
- Senior Financial Officer at Appeal Committee Studies in General Secretariat of Committees for the Resolution of Securities
- Manager in Tax and Zakat Compliance, Ernst & Young

**Qualifications**

- Bachelor's degree in Accounting Sciences from King Saud University
- Fellowship certificate from the Saudi Organization for Certified Public Accountants (SOCPA), CME1 and CME2

**Experience**

- More than 17 years of experience in Accounting, Audit, Capital Market Violations, Zakat and Tax



### Dr Volker Lauff

External member of Risk Committee

**Current positions**

- Executive Chairman of PRS Capital Solutions

**Previous positions**

- Sales Leader Analytics at Aon Global Risk Consulting

**Qualifications**

- PhD in Mathematics from Auto Von Guericke University, Germany

**Experience**

- Over 20 years of experience in the field of Insurance and Reinsurance





Saudi Reinsurance Company
Annual Report 2022
Governance



## Mr Abdulatif Al Fozan*

External member of
Investment Committee

**Current positions**

- Member of Investment Committee
- Board Member – Al Fozan Holding Company
- Founder & Managing Director – Ascend Healthcare Solutions
- Chief Operating Officer – Al Fozan Holding Company

**Previous positions**

- Corporate Investment Director – Al Fozan Holding Company
- Business Development Manager – Al Fozan Holding Company
- Consultant – Mergers & Acquisitions – Ernst & Young

**Qualifications**

- Bachelor's degree in Economics from University of Toronto



## Mr Turki Al Sudairy*

External member of
Technical Committee

**Current positions**

- Member of Technical Committee
- CEO – Abdul Latif Jameel Insurance Brokers
- CEO – StarCare Insurance Brokers
- Board Member – Alpha Capital Realestate Development Fund 2
- Board Member – Alpha Capital Saudi F&B Growth Fund
- Vice Chairman of the General Committee of Insurance & Reinsurance Brokerage at SAMA

**Previous positions**

- Project Coordination Manager – Bombardier/Hitachi Rail Consortiums

**Qualifications**

- Bachelor's degree in Finance from Concordia University

*Approved by SAMA as external member in November 2022



## 12.4 EXECUTIVE MANAGEMENT



### Mr Fahad Al-Hesni

Managing Director –
Chief Executive Officer

Mr Fahad Al-Hesni joined Saudi Re as an Executive Board Member in 2011, and he serves as the Managing Director and the Chief Executive Officer, in addition to his membership of the Executive Committee of the Company. Currently he is a Board Member of Probitas Holding Company (Bermuda). He is also a member of the International Insurance Society (IIS).

He has more than 25 years of experience in the Insurance and Reinsurance industry during which he assumed various leading positions, last of which was the position of Vice President of Property & Casualty in Tawuniya. Mr Al-Hesni has a Master's degree in Insurance and Risk Management from City University of London and an Association degree from the Chartered Insurance Institute (CII) in UK.



### Mr Nilmin Pieries

Chief Financial Officer

Mr Pieries joined the Company in 2010 bringing more than 25 years of experience in the fields of accounting, finance, investment, and risk management. He also has worked in various companies in Asia, the Gulf region and the UK, through which he has gained considerable experience in the insurance and reinsurance sector. Moreover, Mr Pieries was awarded a Master's degree in Business Administration by Nottingham University in the United Kingdom and is an Associate of the Chartered Institute of Management Accountants, (CIMA), UK.



### Mr Ahmed Al-Jabr

Chief Operating Officer

Mr Al-Jabr joined the Company in 2011 and has experience in the insurance sector of more than 20 years. Mr Al-Jabr assumed different roles within the insurance industry covering areas of human resources, strategy, business development and claims. Mr Al-Jabr holds a Master's degree in Business Administration from Bradford University in the UK.



## Mr Fadi Al Qutub

Chief Investment Officer

Mr Fadi joined Saudi Re in 2019 and previously held several positions in the field of investment and portfolio management for more than 20 years; his recent position was as the General Manager for Investment in Alistithmar Capital. Mr Fadi is a certified financial advisor from the Financial Services Authority in the UK, a certified portfolio manager and a certified wealth manager from the American Academy of Financial Managers. Mr Fadi holds a Bachelor's degree from the University of Bahrain in Business Management.



## Mr Ahmed Al-Qarishi

Chief Underwriting Officer

Appointed in 2022, Mr Ahmed joined the Company in 2014 and has experience that exceeds 14 years, during which he occupied positions in Banking and Insurance supervision within the Saudi Central Bank. Mr Al-Qarishi has a Master's degree in actuarial science from Ball State. University in USA; in addition, he is a Fellow of the Society of Actuaries in USA (FSA).

## 12.5 COMPANIES WITHIN AND OUTSIDE THE KINGDOM IN WHICH A BOARD MEMBER IS A MANAGER OR A MEMBER OF THEIR CURRENT OR PREVIOUS BOARD

| Category | Term | Name | Other joint stock companies of which the Directors are Board Members | Type |
|---|---|---|---|---|
| Non-Executive Director | Period from 11 May 2020 to 10 May 2023 | Mr Hesham Al-Shaikh Chairman of the Board of Directors | Watan First Institute | Limited Company |
| | | | Mekyal Financial Tech | Limited Company |
| | | | Probitas Holdings (Bermuda) Ltd. | Closed Joint Stock Company |
| | | | Ashmore Investment KSA (Previous) | Closed Joint Stock Company |
| | | | Bank Al-Jazira (Previous) | Joint Stock Company |
| | | | Arab National Bank (Previous) | Joint Stock Company |
| Non-Executive Director | Period from 11 May 2020 to 10 May 2023 | Mr Mishari Al-Hussain Vice-Chairman | Doroob for Education and Training Company | Governmental Company |
| | | | Hana Water Company | Private Company |
| | | | Saudi Investment Bank (Previous) | Joint Stock Company |
| | | | Saudi Fund for Development (Previous) | Governmental |
| | | | Aloula Real Estate Development Company (Previous) | Closed Joint Stock Company |
| | | | Bank Al-Jazira (Previous) | Joint Stock Company |
| Non-Executive Director | Period from 11 May 2020 to 10 May 2023 | Mr Ahmed Sabbagh | Islamic Insurance Company (Jordan) (Previous) | Limited Joint Stock Company |
| | | | Tunisia Takaful Insurance Company – Tunisia (Previous) | Joint Stock Company |
| | | | Al Aman Takaful Insurance – Beirut (Previous) | Closed Joint Stock Company |
| | | | The International Federation of Takaful and Islamic Insurance Companies – Sudan (Previous) | Federation |
| Non-Executive Director | Period from 11 May 2020 to 10 May 2023 | Mr Jean-Luc Gourgeon | JLG Consulting Ltd. | Limited Company |
| | | | ARAPL Ile de France | Closed Joint Stock Company |
| | | | Probitas Holdings (Bermuda) Ltd. | Closed Joint Stock Company |
| | | | Probitas Corporate Capital Limited | Closed Joint Stock Company |
| | | | Probitas Holdings UK Ltd. | Closed Joint Stock Company |
| | | | Probitas 1492 Services Ltd. | Closed Joint Stock Company |
| | | | Probitas Managing Agency Services Ltd. | Closed Joint Stock Company |
| | | | Paris Re Holdings Ltd. – France (Previous) | Closed Joint Stock Company |
| | | | GTT Company – France (Previous) | Closed Joint Stock Company |
| | | | Cunningham Lindsey Group – USA (Previous) | Closed Joint Stock Company |
| | | | Paris Diderot University – France (Previous) | Limited Company |
| | | | French reinsurance association – France (Previous) | Joint Stock Company |
| | | | French reinsurance association – France (Previous) | Governmental |
| Independent | Period from 11 May 2020 to 10 May 2023 | Mr Marc Maupoux | EXIN Re AG, Zurich, Switzerland (Previous) | |
| | | | Axis Re Zurich, Switzerland (Previous) | |



**Saudi Reinsurance Company**
Annual Report 2022
Governance

| Category | Term | Name | Other joint stock companies of which the Directors are Board Members | Type |
|---|---|---|---|---|
| Independent | Period from 11 May 2020 to 10 May 2023 | Mr Mohammad Omair Al-Otaibi | Zimeen Digital Marketing | Limited Liability Company |
| | | | Al Mojel Trading and Contraction Co. (Audit Comm Member) | Closed Joint Stock Company |
| | | | Abdullah Saad Abo Moati Company | Joint Stock Company |
| | | | Al Yamamah Steel Company (Previous) | Joint Stock Company |
| | | | National Gas and Industrialization Company (GASCO) (Previous) | Joint Stock Company |
| | | | United Arab Company for Float Glass (Previous) | Closed Joint Stock Company |
| | | | Riyad Bank (Previous) | Joint Stock Company |
| | | | Middle East Shipment Company – Emirate (Previous) | Limited Company |
| | | | NSCSA AMERICA – USA (Previous) | Limited Company |
| | | | Bahri Company (Previous) | Joint Stock Company |
| | | | National Chemical Carriers Ltd. Co (Previous) | Limited Company |
| | | | West of England Insurance Company – Luxembourg (Previous) | Limited Company |
| | | | International Shipowners Re (Previous) | Limited Company |
| | | | Petradec Company for Gas Trade and Transportation – (Previous) | Limited Company |
| | | | ISRE Insurance Company – Luxembourg (Previous) | Limited Company |
| Independent | Period from 11 May 2020 to 10 May 2023 | Eng. Hussam Al-Suwailem | | |
| Independent | Period from 11 May 2020 to 10 May 2023 | Dr Peter Hugger | Msg global solutions AG – Switzerland | Private Company |
| | | | Echo Reinsurance Ltd. – Switzerland (Previous) | Closed Joint Stock Company |
| | | | Asia Capital Reinsurance Group Pte Ltd. – Singapore (Previous) | Private Company |
| | | | Msg Systems AG – Singapore (Previous) | Private Company |
| | | | Gerling Global Re – Singapore (Previous) | Closed Joint Stock Company |
| Executive Director | Period from 11 May 2020 to 10 May 2023 | Mr Fahad Al-Hesni | Probitas Holdings (Bermuda) Ltd. | Closed Joint Stock Company |
| | | | Probitas Holdings UK Ltd. | Closed Joint Stock Company |
| | | | Probitas 1492 Services Ltd. | Closed Joint Stock Company |

## 12.6 PROCEDURES TO INFORM BOARD MEMBERS OF SHAREHOLDERS' SUGGESTIONS AND REMARKS

Saudi Re's expert and professional Investor Relations function collates and analyzes suggestions and comments received from shareholders through communication channels or General Assembly Meetings and submits findings to the Board of Directors. For more information on the Company's Investor Relations function and transparent engagement with stakeholders, please refer to the Corporate Governance section of the ESG report, on page 59.

## 12.7 POWERS AND RESPONSIBILITIES OF BOARD COMMITTEES

### Executive Committee

The General Assembly shall approve, based on proposals by the Board of Directors the rules for the selection of Executive Committee members, the term of their membership and the method of the Committee work. The duties and responsibilities of the Executive Committee are as follows:

- Exercising the full powers and prerogatives of the Board between Board meetings and while the Board is not in session in cases where a quick action or resolution is required or warranted, except that the Committee shall not have the power to act in lieu of the full Board in any matter in respect of which the delegation of powers is prohibited under applicable law, or that requires the approval of the Company's shareholders, or is specifically assigned to another committee of the Board.
- Reviewing the details of the Company's business strategy and making recommendations to the Board for approval.
- Reviewing the details of the Company's work plans and budget and regularly monitoring the progress of the work plan and budget.
- Overseeing the activities of the Chief Executive Officer of the Company.
- Supporting the Chief Executive Officer on an ad hoc basis to address specific needs or requirements. Reviewing alliances, mergers, acquisitions and other strategic agreements and making recommendations to the Board for approval.
- Taking any other action or assuming any other powers and responsibilities that may from time to time be assigned or delegated to it by the Board.
- Reviewing alliance, mergers, acquisition and other strategic agreements and making recommendations to the Board for approval.

### Audit Committee

The Board of Directors implement the rules for the selection of Audit Committee members which is approved by the General Assembly, also the scope of their membership and the method of the Committee work.

The duties and responsibilities of the Audit Committee should include the following:

- To supervise the Company's Internal Audit Department to ensure its effectiveness in executing its activities and duties specified by the Board of Directors.
- To review the internal audit procedures and prepare a written report on such review including its recommendations.
- Reviewing audit plan of internal auditors and external auditors and make any comments thereon.
- Assessing the efficiency, effectiveness and objectivity of work performed by external auditors, Internal Audit Department or Internal Auditor and Compliance Control Department or Compliance Officer.
- Coordinating between internal and external auditors.
- Reviewing the internal and external auditors' assessment of internal control procedures.

| | Board Member Name | Nature of Membership | 1st Meeting 17.02.2022 | 2nd Meeting 20.03.2022 | 3rd Meeting 15.05.2022 | 4th Meeting 18.08.2022 | 5th Meeting 30.10.2022 | 6th Meeting 05.12.2022 | Total meetings attended in 2022 |
|---|---|---|---|---|---|---|---|---|---|
| 1. | Mr Hesham Al Shaikh | Chairman | ✓ | ✓ | ✓ | × | ✓ | × | 4 |
| 2. | Mr Fahad Al Hesni | Member | ✓ | ✓ | × | ✓ | ✓ | ✓ | 5 |
| 3. | Mr Jean-Luc Gourgeon | Member | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 6 |



Saudi Reinsurance Company
Annual Report 2022
Governance

- Reviewing related parties' transactions.
- Reviewing, approving and monitoring the implementation of compliance plan.
- To supervise the activities of the external auditors and approve any activity beyond the scope of the audit work assigned to them during the performance of their duties.
- To review the external auditor's comments on the financial statements and follow up on the actions taken.
- Ensuring independence of external auditors from Company, Board Members and Senior Management.
- Discussing the annual and interim quarterly financial statements with external auditors and Company's Senior Management before issuance thereof.
- To review the interim and annual financial statements prior to presentation to the Board of Directors; and to give opinion and recommendations with respect thereto.
- To review the accounting policies in force and advise the Board of Directors of any recommendation thereto.
- Reviewing internal financial and non-financial controls and risk management system.
- Appointment and dismissal of Head of Internal Audit Department or Internal Auditor and Head of Compliance Control Department or Compliance Officer after obtaining SAMA No Objection, their performance evaluation and remunerations for all respective staff.
- Ensuring independence of Internal Audit Department or Internal Auditor and Compliance Control Department or Compliance Officer in performing tasks, and ensuring there is no restriction on their scope of work or any impediments that might negatively affect their work.
- Reviewing reports of Compliance Control Department or Compliance Officer and Internal Audit Reports and pursue the implementation of the recommended corrective measures and make necessary recommendations to Board.
- Reviewing the comments of SAMA and other relevant supervisory and control entities related to any regulatory violation or corrective actions requested and making recommendations thereon for the Board.
- Following up the reports issued by SAMA, and other relevant supervisory and control entities and making recommendations thereon to the Board.
- Monitoring the activities of Compliance Department and ensuring that Company's compliance with SAMA, CMA and other laws and regulations.
- Reviewing the actuary reports and making recommendations thereon for the Board.
- Ensuring the Company's compliance with the actuary's proposals and recommendations where these are mandatory and required by regulations or SAMA instructions.
- Determining the monthly salary, bonus and other remuneration of the Internal Audit or Compliance Control Department or the Internal Auditor or Compliance Officer in accordance with the Company's internal by-laws approved by the Board.
- Ensuring the Company has written code of conducts approved by its BOD to ensure that the Company's activities are conducted in a fair and ethical manner.
- Following up on important lawsuits filed by or against Company and submitting period reports thereon to the Boards.
- Ensuring optimal use and control of information technology necessary to generate reliable information and data is in place.
- Authority to investigate any activity within its terms of reference and have access to any information it may need.
- The report of the audit shall include details of its performance of its competencies and duties stated in the Companies Law and its Implementing Regulations, provided that the report contains its recommendations and opinion on the adequacy of the internal and financial control systems and risk management systems in the Company. The Board shall make available sufficient copies of the Audit Committee's report at the Company's head office, and publish them on the Company's and the Exchange's websites when publishing the invitation to convene the General Assembly, to enable shareholders to get a copy thereof. Summary of the report shall be read at the General Assembly.
- The Audit Committee shall develop arrangements that enable the Company's employees to confidentially provide their remarks in respect of any inaccuracies in the financial or other reports. The Audit Committee shall ensure that such arrangements have been put into action through an adequate independent investigation in respect of the error or inaccuracy, and shall adopt appropriate follow-up procedures.

| | Board Member Name | Nature of Membership | 1st Meeting 25.01.2022 | 2nd Meeting 17.03.2022 | 3rd Meeting 14.05.2022 | 4th Meeting 19.07.2022 | 5th Meeting 17.08.2022 | 6th Meeting 27.09.2022 | 7th Meeting 27.10.2022 | 8th Meeting 04.12.2022 | Total meetings attended in 2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. | Mr Hisham Al-Akil | Ext. Chairman | ✓ | ✓ | ✓ | ✓ | × | ✓ | ✓ | ✓ | 7 |
| 2. | Dr Peter Hugger | Member | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 8 |
| 3. | Mr Abdullah Al Farraj | Ext. Member | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 8 |
| 4. | Mr Tarik Zaino | Ext. Member | ✓ | ✓ | × | ✓ | ✓ | ✓ | ✓ | ✓ | 7 |

## Investment Committee

The General Assembly shall approve, based on proposal by the Board of Directors, the rules for the selection of Investment Committee members, the term of their membership, and the method of the Committee's work.

The duties and responsibilities of the Investment Committee are as follows:

- Ensuring that the Investment Policy Statement (IPS) is prepared in line with the overall business strategy of the Company as well as the regulatory guidelines.
- Obtaining Board approval for the IPS.
- Reviewing and revising the investment strategy on a quarterly basis taking changes in business requirements and market conditions into consideration.
- Appointment and evaluating the performance of Investment and Fund Managers.
- Recommending to the Board, the appointment and removal of Investment Advisor.
- Delegating when required execution of their decisions to a selected subcommittee and/or to the Management Team.
- Deciding the execution strategy for each segment of the investment portfolios, that is, whether the exposure in each segment will be executed via a passive or active management style, will be managed in-house or by external managers via segregated mandates or investment funds.
- Reviewing the decisions made by the Management Team and Investment Advisor(s).
- Taking any other action or assuming any other powers and responsibilities that may from time to time be assigned or delegated to it by the Board.
- Reporting to the Board, the performance of the Company's investments in terms of risk, returns, and allocations and on any major pertinent developments.



Saudi Reinsurance Company
Annual Report 2022
Governance

| | Board Member Name | Nature of Membership | 1st Meeting 07.03.2022 | 2nd Meeting 09.05.2022 | 3rd Meeting 01.08.2022 | 4th Meeting 26.10.2022 | 5th Meeting 30.11.2022 | Total meetings attended in 2022 |
|---|---|---|---|---|---|---|---|---|
| 1. | Mr Hesham Al-Shaikh | Chairman | × | × | × | × | × | 0 |
| 2. | Mr Mishari Al-Hussain | Member | ✓ | ✓ | ✓ | ✓ | ✓ | 5 |
| 3. | Eng. Hussam Al-Suwailem | Member | ✓ | ✓ | ✓ | ✓ | ✓ | 5 |
| 4. | Mr Abdulatif Al Fozan* | Member | | | | | ✓ | 1 |

* Mr. Abdulatif Al Fozan became an external member of the Investment committee on November 2022 by approval from the Saudi Central Bank "SAMA".

## Risk Committee

The General Assembly shall approve, based on proposal by the Board of Directors, the rules for the selection of Risk Management Committee members, the term of their membership and the method of the Committee's work.

The duties and responsibilities of the Risk Committee are as follows:

- Re-evaluating the Company's risk appetite, tolerance, and exposure to risk on a regular basis.
- Re-evaluating the Company's risk management policy consistent with the Company's commitments to shareholders and regulatory requirements.
- Supervising the implementation of necessary measures to mitigate identified risks.
- Understanding and reviewing the risks associated with the Company's activities and maintaining an acceptable risk profile for the Company.
- Overseeing the risk management system and assessing its effectiveness, and ensuring infrastructure and resources are in place.
- Evaluation of the adequacy of the risk management function.
- Evaluating risks under certain stress scenarios (e.g. rating downgrade, capital issues, regulatory breaches/fines etc).
- Reviewing, and evaluating Business Continuity Plan Framework and Policy.
- Reviewing and obtaining Board approval for the following cybersecurity governance documentation:
  - I. Cybersecurity Committee Charter.
  - II. Cybersecurity Governance Framework
  - III. Cybersecurity strategy
  - IV. Cybersecurity policy
- Ensuring the cybersecurity risks of the Company is well managed.
- Reviewing catastrophic exposure limit.
- Review threshold limits of business portfolios.
- Reviewing capital adequacy and solvency of the Company.
- Reviewing ALM processes and activities on a regular basis.
- Review on regular basis regulatory, compliance and AML risks.
- Reviewing periodic reports from Risk Management Department, such as Quarterly Risk Management reports.
- Taking any other action or assuming any other powers and responsibilities that may from time to time be assigned or delegated to it by the Board.

The Committee shall have the authority to obtain advice and assistance from internal or external legal, actuarial, accounting or other advisors and to approve the fees and other retention terms related to any such external counsel, consultants and advisors.

| | Board Member Name | Nature of Membership | 1st Meeting 09.03.2022 | 2nd Meeting 15.05.2022 | 3rd Meeting 02.08.2022 | 4th Meeting 29.10.2022 | 5th Meeting 30.11.2022 | Total meetings attended in 2022 |
|---|---|---|---|---|---|---|---|---|
| 1. | Mohamad Al-Otaibi | Chairman | ✓ | ✓ | ✓ | ✓ | ✓ | 5 |
| 2. | Dr Peter F Hugger | Member | ✓ | ✓ | ✓ | ✓ | ✓ | 5 |
| 3. | Dr Volker Lauff | Ext. Member | ✓ | ✓ | ✓ | ✓ | ✓ | 5 |



Saudi Reinsurance Company
Annual Report 2022
Governance

## Technical Committee

The General Assembly shall approve, based on proposal by the Board of Directors, the rules for the selection of Technical Committee members, the term of their membership and the method of the Committee work.

The duties and responsibilities of the Technical Committee should include the following:

- Reviewing underwriting policies and guidelines.
- Reviewing pricing methodologies and tools used to price/rate risks.
- Reviewing the underwriting performance quarterly.
- Reviewing the claims activities quarterly.
- Reviewing the business plan assumptions annually and recommending the underwriting business plans to the Board.
- Recommending for Board approval new lines of business.
- Reviewing and recommending for Board approval the territories in which company should or should not write business from.
- Defining the Company's retrocession structure and recommending for Board approval including the retro cost.
- Ensuring that the securities of the retro panel are within the regulatory requirements and any changes are evaluated and necessary actions taken.
- Re-evaluating the Company's retrocession structure on a regular basis.
- Taking any other action or assuming any other powers and responsibilities that may from time to time be assigned or delegated to it by the Board.

The Committee shall have the authority to obtain advice and assistance from internal or external legal, accounting or other advisors and to approve the fees and other retention terms related to any such external counsel, consultants and advisors.

## Nomination and Remuneration Committee

The General Assembly shall approve, based on proposal by the Board of Directors, the rules for the selection of Nomination and Remuneration Committee members, the term of their membership and the method of the Committee's work.

The duties and responsibilities of the Nomination and Remuneration Committee should include the following:

Recommending to the Board appointments to membership of the Board and its committees in accordance with the approved policies and standards. The Committee shall ensure that no person who has been previously convicted of any offense affecting honor or honesty is nominated for such membership.

- Preparing a description of the required capabilities and qualifications for the membership of the Board and its committees, including the time that a Board Member should set aside for carrying out the duties of the Board and its committees.

| | Board Member Name | Nature of Membership | 1st Meeting 03.01.2022 | 2nd Meeting 11.01.2022 | 3rd Meeting 08.03.2022 | 4th Meeting 17.04.2022 | 5th Meeting 09.06.2022 | 6th Meeting 29.06.2022 | 7th Meeting 03.08.2022 | 8th Meeting 26.09.2022 | 9th Meeting 26/25.10.2022 | 10th Meeting 29.11.2022 | Total meetings attended in 2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. | Jean-Luc Gourgeon | Chairman | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 10 |
| 2. | Marc Maupoux | Member | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | × | ✓ | ✓ | 9 |
| 3. | Ahmad Sabbagh | Member | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 10 |
| 4. | Turki Al-Sudairy* | Member | | | | | | | | | | ✓ | 1 |

* Mr. Turki Al Sudairy became an external member of the Technical committee on November 2022 by approval from the Saudi Central Bank "SAMA".

- Setting procedures to be followed if the position of a member of the Board or a Senior Executive becomes vacant.
- Reviewing at least annually the requirement and availability of suitable skills within the membership of the Board and recommending remedies that are in the Company's best interest.
- Recommending succession planning policies to the Board and committees.
- Reviewing the structure of the Board and its committees and determining their points of weakness and recommending changes where needed. Also providing job descriptions for the Executive, Non-Executive and Independent Directors and the Senior Executive Management.
- Assessing and monitoring the independence of the independent Board and Board committee members at least on an annual basis and ensuring that no conflict of interest exists in the cases where a Board Member also acts as a member of the Board of another company.
- Drawing clear policies regarding the compensation, remunerations and indemnities of the Board (as approved by the General Assembly) its committees, CEO, and Senior Management employees based on their performance in achieving the Company's strategic objectives and risk adjusted profits.
- Ensuring that an annual review of remuneration and compensation plans for members of Senior Management is conducted independently of Executive Management.
- Making the final recommendations to the Board with regards to selecting members of the Senior Management and/or promoting current employees to Senior Management positions as per SAMA's Fit and Proper rules.
- Making the final recommendations to the Board with regards to dismissing members of the Senior Management.
- Establishing a succession policy and procedure for the CEO and other key members of Senior Management and monitoring the implementation of the succession plans and process.
- Evaluate the performance of the Board (overall and individual performance) and its committees in a regular basis (at least on an annual basis.
- Overseeing the induction programs and training programs for Board Members.
- Taking any other action or assuming any other powers and responsibilities that may from time to time be assigned or delegated to it by the Board.

| | Board Member Name | Nature of Membership | 1st Meeting 20.01.2022 | 2nd Meeting 28.02.2022 | 3rd Meeting 16.03.2022 | 4th Meeting 12.05.2022 | 5th Meeting 04.08.2022 | 6th Meeting 03.11.2022 | Total meetings attended on 2022 |
|---|---|---|---|---|---|---|---|---|---|
| 1. | Marc Maupoux | Committee | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 6 |
| 2. | Mishari Al-Hussain | Member | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 6 |
| 3. | Mohamad Al-Otaibi | Member | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 6 |
| 4. | Ahmed Sabbagh | Member | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 6 |

## 12.8 RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The important functions of the Board are as follows:

- Providing strategic guidance to the Company, including setting objectives and formulating strategic plans.
- Supervising the implementation of strategic plans and major transactions and determining the most appropriate capital structure for the Company, its strategies and financial objectives, and approving all kinds of estimated budgets;
- Approving key policies and procedures and regularly reviewing and updating them.
- Establishing and monitoring the Company's internal control system and ensuring its adequacy and effectiveness.
- Establishing and monitoring a risk management system, where risks are assessed, managed, and monitored on a continuous basis.
- Selecting and changing (if needed) executives in key positions, and ensuring that the Company has an appropriate replacement policy for their replacement by an appropriate alternative with the necessary skills and eligibility for the office.
- Supervising Senior Management and monitoring the Company's performance against the performance objectives set by the Board.
- Ensuring the integrity of the Company's accounting and financial reporting system and the appropriateness of its disclosure process.
- Ensuring that the interests of the policyholders are being protected at all times.
- Promoting higher standards of corporate governance and ensuring compliance with applicable laws and regulations at all times.
- Promoting a culture of good corporate governance and high ethical standards.
- Granting Audit Committee the appropriate level of authority to investigate any matter within its mandate and shall ensure that the internal audit function is autonomous and is granted full access to all the information it needs to conduct its activities. In addition, the Board should take all necessary measures to ensure the responsiveness of Senior Management to internal auditors' queries and recommendations.
- The Board shall, based upon a proposal from the Audit Committee, develop the necessary policies and procedures to be followed by stakeholders when submitting complaints or reporting any violations, facilitating the method by which stakeholders (including company employees) report to the Board conducts and practices of the Executive Management's that violate applicable laws, regulations and rules or raising doubts as to the financial statements or the internal audit controls or others, whether such conducts or practices are against them or not, and conducting the necessary investigation in that regard; also maintaining the confidentiality of reporting procedures through facilitating direct contact with an independent member of the Audit Committee or other specialized committees; appointing an employee to receive and address complaints or reports sent by stakeholders; dedicating a telephone number or an email address for receiving complaints; and providing the necessary protection to the stakeholders.



Saudi Reinsurance Company
Annual Report 2022
Governance

## 12.9 ATTENDANCE RECORD OF BOARD MEETINGS DURING 2022

| Board Member Name | Designation | 1st Meeting held on 17.02.2022 | 2nd Meeting held on 20.03.2022 | 3rd Meeting held on 05.04.2022 | 4th Meeting held on 28.04.2022 | 5th Meeting held on 15.05.2022 | 6th Meeting held on 09.06.2022 | 7th Meeting held on 16.06.2022 | 8th Meeting held on 28/29.06.2022 | 9th Meeting held on 18.08.2022 | 10th Meeting held on 30.10.2022 | 11th Meeting held on 05.12.2022 | Total meetings attended in 2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Mr Hesham Al-Shaikh | Chairman | ✓ | × | ✓ | ✓ | × | ✓ | ✓ | ✓ | × | ✓ | × | 7 |
| Mr Mishari Al-Hussain | Vice Chairman | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 11 |
| Mr Fahad Al-Hesni | MD/CEO | ✓ | ✓ | ✓ | ✓ | × | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 10 |
| Mr Ahmad Sabbagh | Member | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 11 |
| Mr Mohamad Al-Otaibi | Member | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 11 |
| Mr Jean-Luc Gourgeon | Member | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 11 |
| Mr Marc Maupoux | Member | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | × | ✓ | ✓ | ✓ | ✓ | 10 |
| Dr Peter Hugger | Member | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 11 |
| Eng. Hussam Al-Suwailem | Member | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 11 |

## 12.10 ATTENDANCE RECORD OF GENERAL ASSEMBLY MEETINGS DURING 2022

| Name | Attendance Record | | |
|---|---|---|---|
| | Ordinary General Assembly Meeting 23/07/1443 – 24 Feb. 2022 | Ordinary General Assembly Meeting 10/10/1443 – 11 May 2022 | Extraordinary General Assembly Meeting 16/02/1444 – 12 Sep. 2022 |
| 1. Hesham Al-Shaikh (Chairman) | ✓ | ✓ | ✓ |
| 2. Mishari Al-Hussain (Vice Chairman) | ✓ | ✓ | ✓ |
| 3. Fahad Al-Hesni | ✓ | ✓ | ✓ |
| 4. Mohammad Al-Otaibi | ✓ | ✓ | ✓ |
| 5. Ahmed Sabbagh | ✓ | ✓ | ✓ |
| 6. Jean-Luc Gourgeon | ✓ | ✓ | ✓ |
| 7. Eng. Hussam Al-suwailem | ✓ | ✓ | ✓ |
| 8. Dr Peter Hugger | ✓ | ✓ | ✓ |
| 9. Marc Maupoux | ✓ | ✓ | ✓ |

## 12.11 PERFORMANCE OF THE BOARD AND ITS COMMITTEES

### Board effectiveness evaluation

The Board and Committees undergo regular performance assessment using tools and forms approved by the Nomination and Remuneration Committee.

In addition, the Company contracted a consultant to assess the level and standard of governance amongst Board members. Recommendations of the assessment were taken into consideration, and the Board took all necessary steps to address the outcomes of the consultant's assessment. The Board made several decisions to adopt changes in its policies and procedures, in addition to introducing new programs and systems that will strengthen its governance.

## 12.12 RESULTS OF THE ANNUAL REVIEW OF EFFECTIVENESS OF THE INTERNAL CONTROL PROCEDURES OF THE COMPANY AND THE OPINION OF THE AUDIT COMMITTEE WITH RESPECT TO ADEQUACY OF COMPANY'S INTERNAL CONTROL SYSTEM

The Company's internal control system intends to ensure that control and monitoring tools are in place to ensure, at a reasonable level, the soundness of financial report and mitigation of risk. The results of annual audit conducted by the internal auditor have not revealed any material deficiency or weakness on the Company's internal control system.

The Audit committee confirms that there was no conflict between the audit committee resolutions.

## 12.13 REMUNERATION OF BOARD MEMBERS AND EXECUTIVE MANAGEMENT

The General Assembly has approved on 21 July 2021 an amended remuneration policy for the Board and members of committees and Executive Management. According to the policy, each member is entitled to SR 5,000 for each attended meeting of the Board and any Board committee meeting. The Company's Board Directors are entitled to a minimum amount of SR 200,000 as an annual remuneration against Board directorship and contribution to Board business. The Chairman of the Board is entitled to a minimum amount of SR 300,000 per year. Each Non-Board Member is entitled to an amount of SR 5,000 as an attendance fee per meeting per committee and is entitled to a lump sum of SR 100,000 per year as a remuneration for contribution to the Committee functions. The Chairman of the Audit Committee is also entitled to an amount of SR 120,000. The remunerations of the members of the Board of Directors and its committees are presented to the Company's General Assembly for approval.

| (SR '000) | BOD Members (Executives) | BOD Members (Non-Executive and Independent) | Five Top Executives including CEO and CFO |
|---|---|---|---|
| Salaries and benefits | – | – | 9,600.00 |
| Annual compensation | 200.00 | 1,700.00 | 2,230.00 |
| Meeting fees and expenses | 75.00 | 870.00 | – |
| Consultancy fees | – | 189.00 | – |
| Benefits in kind granted monthly or yearly | – | – | – |
| Total | 275.00 | 2,759.00 | 11,830.00 |



Saudi Reinsurance Company
Annual Report 2022
Governance

| Board Member name | | BOD meetings SR | EXCOM meetings SR | INVST COM meetings SR | TC COM meetings SR | Audit COM meetings SR | RMC meetings SR | N&R COM meetings SR | Total meetings fees SR | BOD Remuneration SR | Total amount to be paid SR |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Mr Hesham Al-Shaikh | Chairman | 35,000 | 20,000 | – | – | – | – | | 55,000 | 300,000 | 355,000 |
| Mr Fahad Al-Hesni | CEO/MD | 50,000 | 25,000 | | – | – | – | – | 75,000 | 200,000 | 275,000 |
| Mr Mishari Al-Hussain | Director | 55,000 | | 25,000 | – | – | – | 30,000 | 110,000 | 200,000 | 310,000 |
| Mr Ahmed Sabbagh | Director | 55,000 | – | – | 50,000 | – | – | 30,000 | 135,000 | 200,000 | 335,000 |
| Mr Jean-Luc Gourgeon | Director | 55,000 | 30,000 | – | 50,000 | – | – | | 135,000 | 200,000 | 335,000 |
| Mr Mohammad Al-Otaibi | Director | 55,000 | – | – | – | – | 25,000 | 30,000 | 110,000 | 200,000 | 310,000 |
| Mr Marc Maupoux | Director | 50,000 | – | – | 45,000 | – | – | 30,000 | 125,000 | 200,000 | 325,000 |
| Dr Peter Hugger | Director | 55,000 | – | – | – | 40,000 | 25,000 | – | 120,000 | 200,000 | 320,000 |
| Eng. Hussam Al-Suwailem | Director | 55,000 | – | 25,000 | – | – | – | – | 80,000 | 200,000 | 280,000 |
| | Total | 465,000 | 75,000 | 50,000 | 145,000 | 40,000 | 50,000 | 120,000 | 945,000 | 1,900,000 | 2,845,000 |

| External Committee member | | BOD meetings SR | EXCOM meetings SR | INVST COM meetings SR | TC COM meetings SR | Audit COM meetings SR | RMC meetings SR | N&R COM meetings SR | Total meetings fees SR | BOD Remuneration SR | Total amount to be paid SR |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Mr Hisham Al-Akil | External Chairman Audit Committee | | | – | | 35,000 | – | | 35,000 | 120,000 | 155,000 |
| Dr Volker Lauff | External Member Risk Committee | | | – | | | 25,000 | | 25,000 | 100,000 | 125,000 |
| Mr Abdullah Al-Farraj | External Member Audit Committee | | | – | | 40,000 | – | | 40,000 | 100,000 | 140,000 |
| Mr Tarik Zaino | External Member Audit Committee | | | – | | 35,000 | – | | 35,000 | 100,000 | 135,000 |
| Mr Turki Al-Sudairy | External member of Technical Committee | | | | 5,000 | | | | 5,000 | 10,411 | 15,411 |
| Mr Abdulatif Al Fozan | External member of Investment Committee | | | 5,000 | | – | – | | 5,000 | 10,411 | 15,411 |
| | Total | | | 5,000 | 5,000 | 110,000 | 25,000 | | 145,000 | 440,822 | 555,000 |
| | Grand Total | 465,000 | 75,000 | 55,000 | 150,000 | 150,000 | 75,000 | 120,000 | 1,090,000 | 2,340,822 | 3,400,000 |

## 12.14 SANCTIONS, PENALTIES, PRECAUTIONARY RESTRICTIONS IMPOSED BY REGULATORY AUTHORITIES

| Sanction/penalty/ Precautionary procedure/ Preventive measure | Reasons for violation | Imposing authority | Measures undertaken to remedy and avoid such non-compliance in the future |
|---|---|---|---|
| Incorrect Disclosure | Based on Saudi Re's announcement for the unaudited financial report for Q1 of the year 2022 CMA saw that The special justification for the high (decrease) of net profit during the current profit compared to the same quarter of the previous year was found to be inconsistent with the figures mentioned in the items. | Capital market authority | Policy has been modified to reflect two users. First user is a submitter and the second user is a reviewer. |
| Violation of Saudi Central Bank's supervisory and control instructions | Delay in delivering the results of the second trial run related to the fourth stage of the transition plan to IFRS No. 17 | Saudi Central Bank | Submit all trail runs on time |

| Subject of the penalty | 2022 Number of resolutions | 2022 Sum total for the penalty in SR | 2021 Number of resolutions | 2021 Sum total for the penalty in SR |
|---|---|---|---|---|
| Violation of Saudi Central Bank's supervisory and control instructions* | 1 | 20,000 | 1 | 0 |
| Violation of Saudi Central Bank's customer protection instructions | 0 | 0 | 0 | 0 |
| Violation of Saudi Central Bank's instructions on AML and CTF | 0 | 0 | 0 | 0 |

*Reason: Delay in delivering the results of the second trial run related to the fourth stage of the transition plan to IFRS No. 17

## 12.15 THE COMPANY'S SIGNIFICANT PLANS, DECISIONS, AND FUTURE EXPECTATIONS

- Approval of Appointment of Labuan Branch External Auditor.
- Approval of the annual financial statement ending 31 December 2021, and quarterly financial statements ending 31 March 2022, 30 June 2022 and 30 September 2022 including Technical Reserves.
- Approval of Recommendation to Extraordinary General Assembly the Capital Increase by Way of Rights Issue and the appointment of Financial Advisor for the Rights Issue.
- Approval of appointment of external members to Board Investment and Technical Committees.
- Approval of and recommendation to the Extraordinary General Assembly the amendment of the Article of Association to increase the Board Seats.
- Approval of updated Rewards Strategy for Employees.
- Approval of Retrocession Appropriateness Report submitted by the Appointed Actuary.
- Approval of renewal of Appointed Actuary assignment.
- Approval to renew the provision of Reinsurance cover to Probitas Corporate Capital Ltd. for its participation in Lloyds Syndicate 1492 for the year of Account 2023.
- Approval of and recommendation to the Extraordinary General Assembly the amendment of the Article of Association Shares Buy-back.
- Approval of the non-life retrocession program for 2022/23 and life retrocession program for 2023.
- Approval of the 2023 Business Plan and Budgets.
- Approval of charters and policies including Corporate Governance Policy, Board Succession Policy, Human Resources Policy and Investment Policy Statement.

## 12.16 DETAILS OF AFFILIATE COMPANY

| Affiliate name | Capital | Company's ownership percentage | Main scope of business | Country of operation | Country of incorporation |
|---|---|---|---|---|---|
| Probitas Holding Ltd. | 4.508.982 USD | 49.9 | Insurance | United Kingdom | Bermuda |

**Interest in a class of voting shares held by persons (other than the Company's Directors, Senior Executives and their relatives) who have notified the Company of their holdings pursuant to Article (45) of the Listing Rules, along with any change to such rights during the last fiscal year**

| Name of the person of interest | Number of shares at the beginning of the year % | Number of shares at the end of the year % | Net change | Change ratio % |
|---|---|---|---|---|
| 1. Ahmad Hamad Algosabi & Bros. Company | 5 | 5 | 0 | 0 |



Saudi Reinsurance Company
Annual Report 2022
Governance

**Details of any interest, contractual securities or rights issue of the Board members and their relatives on the shares or debt instruments of the Company or its affiliates, and any change on such interest or rights during the last fiscal year**

| | Names of the persons of interest | Beginning of the year | | | End of the year | | | Net change | Change ratio |
|---|---|---|---|---|---|---|---|---|---|
| | | Number of shares | Percentage of ownership | Debt instruments | Number of shares | Percentage of ownership | Debt instruments | | % |
| 1. | Hesham Al-Sheikh (Chairman) | 8,910 | 0.010 | 0 | 8,910 | 0.010 | 0 | 0 | 0 |
| 2. | Mishari Al-Hussain (Vice Chairman) | 4,455 | 0.005 | 0 | 4,455 | 0.005 | 0 | 0 | 0 |
| 3. | Fahad Al-Hesni | 55,000 | 0.062 | 0 | 55,000 | 0.062 | 0 | 0 | 0 |
| 4. | Mohammad Al-Otaibi | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5. | Ahmed Sabbagh | 356,400 | 0.400 | 0 | 356,400 | 0.400 | 0 | 0 | 0 |
| 6. | Jean-Luc Gourgeon | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7. | Eng. Hussam Al-Suwailem | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 8. | Dr Peter Hugger | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9. | Marc Maupoux | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

**Details of any interest, contractual securities or rights issue of the Senior Executives and their relatives on the shares or debt instruments of the Company or its affiliates, and any change on such interest or rights during the last fiscal year**

| | Names of the persons of interest | Beginning of the year | | | End of the year | | | Net change | Change ratio |
|---|---|---|---|---|---|---|---|---|---|
| | | Number of shares | Percentage of ownership | Debt instruments | Number of shares | Percentage of ownership | Debt instruments | | % |
| 1. | Fahad Al-Hesni | 55,000 | 0.062 | 0 | 55,000 | 0.062 | 0 | 0 | 0 |
| 2. | Ahmed Al-Jabr | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3. | Nilmin Pieries | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. | Fadi Al-Qutub | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5. | Ahmed Al- Qarishi | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

## 12.17 INFORMATION ON ANY LOANS, AND AMOUNTS PAID BY THE COMPANY IN REPAYMENT OF LOANS DURING THE YEAR

| | Creditor's name | Amount of principal debt | Loan term | Amounts paid by the Company in repayments of loans during the year | Remaining amount | Total indebtedness of Company and its affiliates |
|---|---|---|---|---|---|---|
| 1. | Arqaam capital | 56,797,019 | Open ended with annual renewal | 1,207,363 | 56,797,019 | 56,797,019 |

## 12.18 THE COMPANY'S REQUESTS OF SHAREHOLDERS REGISTRY, DATES, AND REASONS THEREOF

| Number of the Company's requests of shareholders registry | Request date | Request reasons |
|---|---|---|
| 1. | 03 January 2022 | To comply with Article number 38 of the Implementing Regulations of the Cooperative Insurance Companies Control Law and to calculate the differences in the shareholder right |
| 2. | 02 February 2022 | To comply with Article number 38 of the Implementing Regulations of the Cooperative Insurance Companies Control Law and to calculate the differences in the shareholder right |
| 3. | 24 February 2022 | To comply with Article number 38 of the Implementing Regulations of the Cooperative Insurance Companies Control Law and to calculate the differences in the shareholder right and to prepare for the General Assembly Meeting convened on 24/02/2022 |
| 4. | 02 March 2022 | To comply with Article number 38 of the Implementing Regulations of the Cooperative Insurance Companies Control Law and to calculate the differences in the shareholder right |
| 5. | 04 April 2022 | To comply with Article number 38 of the Implementing Regulations of the Cooperative Insurance Companies Control Law and to calculate the differences in the shareholder right |
| 6. | 09 May 2022 | To comply with Article number 38 of the Implementing Regulations of the Cooperative Insurance Companies Control Law and to calculate the differences in the shareholder right |
| 7. | 11 May 2022 | To comply with Article number 38 of the Implementing Regulations of the Cooperative Insurance Companies Control Law and to calculate the differences in the shareholder right and to prepare for the General Assembly Meeting convened on 11/05/2022 |
| 8. | 02 June 2022 | To comply with Article number 38 of the Implementing Regulations of the Cooperative Insurance Companies Control Law and to calculate the differences in the shareholder right |
| 9. | 28 June 2022 | To comply with Article number 38 of the Implementing Regulations of the Cooperative Insurance Companies Control Law and to calculate the differences in the shareholder right |
| 10. | 03 July 2022 | To comply with Article number 38 of the Implementing Regulations of the Cooperative Insurance Companies Control Law and to calculate the differences in the shareholder right |
| 11. | 02 August 2022 | To comply with Article number 38 of the Implementing Regulations of the Cooperative Insurance Companies Control Law and to calculate the differences in the shareholder right |
| 12. | 04 September 2022 | To comply with Article number 38 of the Implementing Regulations of the Cooperative Insurance Companies Control Law and to calculate the differences in the shareholder right |



Saudi Reinsurance Company
Annual Report 2022
Governance

| Number of the Company's requests of shareholders registry | Request date | Request reasons |
|---|---|---|
| 13. | 12 September 2022 | To comply with Article number 38 of the Implementing Regulations of the Cooperative Insurance Companies Control Law and to calculate the differences in the shareholder right and to prepare for the General Assembly Meeting convened on 12/09/2022 |
| 14. | 03 October 2022 | To comply with Article number 38 of the Implementing Regulations of the Cooperative Insurance Companies Control Law and to calculate the differences in the shareholder right |
| 15. | 02 November 2022 | To comply with Article number 38 of the Implementing Regulations of the Cooperative Insurance Companies Control Law and to calculate the differences in the shareholder right |
| 16. | 08 November 2022 | To comply with Article number 38 of the Implementing Regulations of the Cooperative Insurance Companies Control Law and to calculate the differences in the shareholder right |
| 17. | 04 December 2022 | To comply with Article number 38 of the Implementing Regulations of the Cooperative Insurance Companies Control Law and to calculate the differences in the shareholder right |

## 12.19 TRANSACTIONS BETWEEN THE COMPANY AND RELATED PARTIES

1. Reinsurance contracts for one year with Probitas Corporate Capital Ltd, which is owned by Probitas Holding (Bermuda) Limited, and has an indirect interest for the Chairman of the Board of Directors Mr Hisham Abdulmalik Al-Shaikh, MD/CEO

   Mr Fahad Al-Hesni and Board Member Mr Jean-Luc Gourgeon for their membership in the Board of Directors of the parent company Probitas Holding (Bermuda) Ltd. Also, there is an indirect interest for Board Member Mr Jean-Luc Gourgeon and the CFO Mr Nilmin Pieries for their membership in the Board of Directors of Probitas Corporate Capital Ltd. noting that the value of transactions during 2022 is estimated at SR 158,704,085 with no preferential conditions.

2. A consultancy services contract for one year with the Board Member Mr Jean-Luc Gourgeon, who has a direct interest, with a contract value of SR 188,983 and no preferential conditions during 2022.

**During 2022 there have not been:**

– Any arrangement or agreement under which a Director or a Senior Executive of the Company has waived any remuneration.

– Any arrangement or agreement under which a shareholder of the Company has waived any rights to dividends.

**Investments or reserves for the benefit of employees**

The Company has not made any investments or reserves for the benefit of its employees.

The external auditor's report does not contain any reservations on the financial statements, nor has the Board made any recommendation to replace the auditor before the end of the term.

## 12.20 DECLARATION

- It has no convertible debt instruments, contractual securities, preemptive right or similar rights issued or granted by the Company during the financial year ended 31 December 2022.
- There have not been any conversion or subscription rights under any convertible debt instruments, contractually based securities, warrants or similar rights issued or granted by the Company during 2022.
- There have not been any, redemption, purchase or cancellation by the Company of any redeemable debt instruments and the value of such securities outstanding.
- During 2022, there have not been any arrangement or agreement under which a Director or a Senior Executive of the Company has waived any remuneration.
- During 2022, there is no business or contract to which the Company is a party and in which a Director of the Company, a Senior Executive or any person related to any of them is or was interested. Other than the contracts mentioned in the item (Transactions) between the Company and related parties) here above.
- There no competing business with the Company or any of its activities that any member of the Board is engaging in or was engaging in such competing businesses.

The Company further declares that:

- Proper books of account have been maintained
- The system of internal control is sound in design and has been effectively implemented
- There are no significant doubts concerning the Company's ability to continue its activity.



Saudi Reinsurance Company
Annual Report 2022
Governance

# 13. RISK MANAGEMENT

## 13.1 CURRENT AND FUTURE RISKS

Saudi Re's Board sets levels for the Company's risk appetite and risk tolerance, and carries out strategic planning and business planning functions. The business is managed through the Board of Directors, Board Committees, and the Executive Management team.

The Board establishes and monitors the Company's internal control system to ensure the adequacy and effectiveness of the Company's risk management.

As per Note (31) to the financial statements, the Company is exposed to risks including to reinsurance risk, regulatory framework risk, claims management risk, reserving and ultimate reserves risk, credit risk, liquidity risk, currency risk, special commission rate risk, and capital management.

**The Company's internal annual review of the risk in 2022 identified the following current and future risks:**




Reinsurance risks include accumulation, concentration, catastrophe exposure, high exposure to single large losses, and increased frequency and severity of claims. It can be mitigated through the diversification of accepted risk, implementation of underwriting guidelines, and the use of retrocession protection.




It refers to the failure of retrocessionaires to fulfill their obligations including defaulting the claims payments. Retrocession risk is controlled by a robust selection process that considers diversification of reinsurance sources as well as the financial position and credit rating of the reinsurers.




Claims management risk may arise in mainly in the event of inaccurate or incomplete case reserves and claims settlements. A dedicated Claims Management Department works within set policies and procedures to ensure that claims are managed in a fair, efficient and timely manner, in accordance with the policy's terms and conditions, the regulatory requirements, and the business' broader interests.




Risk occurs where established reinsurance liabilities are insufficient due to inaccurate projection. To manage reserving risk, the actuarial team uses a range of recognized techniques to project ultimate claims, monitor claims development patterns and stress-test ultimate reinsurance liability balances.




This risk arises from the default of counterparties such as retrocessionaires, cedents, brokers and debt issuer. This risk is addressed through policies that ensure the level of credit quality, financial and legal status, as well as the development of the relationship and periodic monitoring of receivables.




It refers to the unavailability of funds required to meet the Company financial obligations, and loss due to the liquidation of investments. To limit the impact of this risk, the Company periodically monitors the liquidity requirements and adopts an investment policy that sets out controls to manage the liquidity risk.




The Company is exposed to the currency exchange risk due to fluctuation in exchange rates of foreign currencies in relation to investments or underwriting commitments in foreign currencies. To limit the impact of this risk, the Company periodically monitors the currency risk to manage the currency risk and if necessary, take the appropriate actions.




Market risk refers to the likelihood of losses which could result from the operation of market forces and result in shrinkage in capital. Market risk exposure for Saudi Re arises mainly from the investment portfolio, interest rate risk, equity risk, economic instability, such as change of oil prices. Risks arising from the above are managed by the Investment Policy Statement that is approved by the Board.




The Company is required to be in compliance with legal and regulatory requirements for regulatory bodies such as, Saudi Central Bank, Saudi Capital Market Authority, the Ministry of Commerce, and the Ministry of Human Resources and Social Development. The Company applies a strict compliance policy and has in place a dedicated Compliance Department reporting to the Audit Committee.




To Saudi Re, Information is important asset. As information systems and data become increasingly used in the Company's activities, they are subject to penetration, theft, disabling, leakage, modification or destruction by unauthorized persons or entities whose purpose is to harm the Company, its assets, employees, and others. Saudi Re uses a range of regulatory, technical and preventional tools, and practices aimed at protecting computers, servers, networks and the intrusive data from penetration, damage, change or disruption of access to information or services.



**Saudi Reinsurance Company**

Annual Report 2022

Risk Management




The Company's reputation is considered as important asset to gain the trust of the Company's existing and future clients, therefore, any information, news, associated with the Company directly or non-directly, can harm the reputation of the Company and might lead the clients to lose their trust in the Company as a reinsurance company. To mitigate this risk, the Company retains the trust of its partners in a good manner through a suitable communication channels, and demonstrating the strength of the Company and its brand in all times. The Company also has financial strength rating AA+ by SIMAH's Credit Rating Agency, Tassnief, and A3 rating from Moody's. The Company also has a financial strength rating of "A-" long-term issuer credit and insurer financial strength rating and a "gcAAA" regional scale rating with a Stable Outlook by Standard & Poor's Global (S&P) and "A3" Insurance Financial Strength Rating (IFSR) international scale and a A1.sa national scale IFSR rating with stable outlook by Moody's.




Reinsurance companies are subject to rating downgrades by rating agencies if the Company is unable to meet the agency requirements, which may affect the Company's reputation and growth. The rating agencies primarily assess the Company's ability to comply with its financial requirements; therefore, financial losses, significant growth or sovereign rating of Saudi Arabia is a major factor affecting the Company's ability to comply with rating agencies financial requirements. To mitigate this risk, the Company manages the capital required by the rating agencies on a quarterly basis and periodically discusses with them to update them in respect of the business and market and if any concerns raised are addressed and appropriate action is taken if there is any significant change in the Company's risk profile.




Emerging risk is considered to be a high risk as it is hard to identify it at an early stage, which can be reduced if it is identified early. The Company monitors all events that might be a peril to the Company, keeps its Board of Director, related committees and Executive Management informed and provides the necessary plan to avoid, transfer or reduce the risk.

One of the emerging risks is non-adoption of ESG standards. An example of these standards is addressing climate change and its impact as reinsurance provides various levels of security over a long time period. Increased temperature variability and the resulting heatwaves can not only affect agriculture, productivity, water resources, health and mortality, but can also increase the unsuitability in certain regions. The Company is adopting different initiatives to ensure meeting ESG standards and has published Sustainability Reports since 2020 highlighting the Company initiatives towards ESG standards compliance.

In addition, global conflicts are considered emerging risks for the insurance sector as that may lead to increase the cost of insurance and reduce the availability of insurance protection. The current Russia & Ukraine conflict is one of the examples. However, the Company has limited exposure to the conflicted region, and it is continuously monitoring the exposure and will take any necessary actions to address any future impact of the current conflict.

# OPERATING PERFORMANCE



## INDEPENDENT AUDITORS' REPORT

KPMG Professional Services
Riyadh Front, Airport Road
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Riyadh 11663
Kingdom of Saudi Arabia

C.R. No. 1010425494

Crowe
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P. O. Box 10504
Riyadh 11443
Kingdom of Saudi Arabia

CR:1010466353

### INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF SAUDI REINSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

#### Opinion

We have audited the financial statements of **Saudi Reinsurance Company** (the "Company"), which comprise the statement of financial position as at 31 December 2022, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising 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 31 December 2022, and its financial performance 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 Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS that are endorsed in the Kingdom of Saudi Arabia").

#### Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing ("ISAs") 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 International Code of Ethics for Professional Accountants (including International Independence Standards), that is 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 the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current year. 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. For key audit matter, a description of how our audit addressed the matter is set out below:

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Al Azem, Al Sudairy, Al Shaikh & Partners for Professional Consulting is a joint liability company with a paid-in capital of SAR 2,000,000.

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# INDEPENDENT AUDITORS' REPORT (continued)

TO THE SHAREHOLDERS OF SAUDI REINSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY) (Continued)

## Key Audit Matter (continued)

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| **Valuation of ultimate claims liabilities arising from reinsurance contracts**<br><br>As at 31 December 2022, the outstanding claims including claims incurred but not reported amounted to SR 1,355.5 million (2021: SR 1,210.4 million) as reported in Note 8 of the financial statements.<br><br>The valuation of ultimate claims liabilities arising from reinsurance contracts is the key judgmental area for management given the level of subjectivity inherent in estimating the impact of claim events that have occurred for which the ultimate outcome remains uncertain.<br><br>The Company uses an external actuary ("the management's expert / appointed actuary") to provide them with the estimate of ultimate claims liabilities.<br><br>The Company and the management's expert used a range of actuarial methodologies to estimate these claims liabilities. This requires significant judgments relating to factors and assumptions such as inflation, claims development pattern and regulatory requirements.<br><br>Due to significance of amount involved and the exercise of significant judgment by management in the process for determination of ultimate claims liabilities, we have determined it to be a key audit matter.<br><br>Refer to note 4 which discloses the estimates for the ultimate liability arising from claims under reinsurance contracts and note 3 which discloses accounting policies for claims. | • We assessed the design and implementation and tested the operating effectiveness of key controls over management's processes for claims processing and payment, including controls over the assessment of completeness and accuracy of the claims' estimates recorded.<br><br>• We tested on a samples basis the amounts recorded for claims notified and paid; including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves.<br><br>• We engaged our actuarial specialist to assess the methodologies and assumptions used by the management in determining the reserves for incurred but not reported claims. We have also assessed the reasonableness of actuarial reserve report issued by the Company's appointed actuary.<br><br>• We evaluated the completeness and accuracy of data used by the management in their calculation of ultimate reinsurance contract liabilities and evaluated the results of liability adequacy test.<br><br>• We assessed the adequacy and appropriateness of the related disclosures in the financial statements. |



Saudi Reinsurance Company
Annual Report 2022
Independent Auditors' Report

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# INDEPENDENT AUDITORS' REPORT (continued)

TO THE SHAREHOLDERS OF SAUDI REINSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY) (Continued)

## Other Information

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

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

## Responsibilities of the management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia, the applicable requirements of the Regulations for Companies, and the Company's By-laws, and for such internal control as the management determines 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 management is 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 the management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance, the Board of Directors of the Company, 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 ISAs 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 ISAs 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.

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# INDEPENDENT AUDITORS' REPORT (continued)

TO THE SHAREHOLDERS OF SAUDI REINSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY) (Continued)

## Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

- 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 management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then 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.
- 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 of Saudi Reinsurance Company (the "Company").

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for 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.

**KPMG Professional Services**

**Dr. Abdullah Hamad Al Fozan**
Certified Public Accountant
License No. 348

**AlAzem, AlSudairy, AlShaikh & Partners for Professional Consulting**

**Abdullah M. AlAzem**
Certified Public Accountant
License No. 335

5 Ramadan 1444H
27 March 2023





# STATEMENT OF FINANCIAL POSITION

| As at 31 December 2022 | Notes | 2022 SR | 2021 SR |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 5 | **31,556,704** | 27,807,294 |
| Time deposits | 14 | **746,955,702** | 243,382,085 |
| Accrued special commission income from time deposits | | **7,674,687** | 2,310,102 |
| Reinsurance premium receivables, net | 6 | **320,974,537** | 242,229,593 |
| Investments held at fair value through income statement | 7 | **287,154,293** | 803,584,596 |
| Accrued dividends and special commission income from bonds, sukuk and held-to-maturity investments | | **5,175,895** | 6,810,473 |
| Accrued reinsurance premiums | 15 | **1,077,466,601** | 680,469,900 |
| Retrocession balances receivable | | **23,730,685** | 13,063,654 |
| Retroceded share of unearned premiums | 11 | **449,092,548** | 67,952,509 |
| Deferred excess of loss premiums | | **15,410,168** | 12,049,562 |
| Retroceded share of outstanding claims | 8 | **167,700,801** | 149,332,878 |
| Retroceded share of claims incurred but not reported | 8 | **31,630,743** | 38,033,087 |
| Deferred policy acquisition costs | 12 | **231,430,099** | 168,598,147 |
| Held-to-maturity investments | 18 | **387,652,522** | 298,022,312 |
| Prepaid expenses, deposits and other assets | 9 | **148,417,762** | 74,604,344 |
| Property and equipment, net | 13 | **36,379,209** | 37,155,827 |
| Investment in an equity accounted investee | 17 | **156,802,667** | 142,000,373 |
| Statutory deposit | 29 | **89,100,000** | 89,100,000 |
| Accrued income on statutory deposit | 29 | **22,084,429** | 20,962,172 |
| Total assets | | **4,236,390,052** | 3,117,468,908 |
| **LIABILITIES** | | | |
| Accounts payable | | **70,482,781** | 44,041,910 |
| Margin loan payable | 10 | **56,797,019** | 56,797,019 |
| Retrocession balances payable | | **136,373,790** | 48,771,678 |
| Accrued retroceded premiums | | **333,253,698** | 35,491,960 |
| Unearned premiums | 11 | **1,000,717,671** | 648,869,489 |
| Outstanding claims | 8 | **822,404,823** | 782,990,731 |
| Claims incurred but not reported | 8 | **533,120,986** | 427,396,736 |
| Unearned retrocession commission | 16 | **104,561,078** | 17,149,629 |
| Accrued expenses and other liabilities | 20 | **105,133,027** | 29,897,226 |
| Employees' end of service benefits | 19 | **13,867,730** | 12,288,391 |
| Provision for Zakat and tax | 22 | **17,533,163** | 15,266,235 |
| Accrued commission income payable to SAMA | 29 | **23,219,213** | 20,962,172 |
| Total liabilities excluding reinsurance operations' surplus | | **3,217,464,979** | 2,139,923,176 |
| **Reinsurance operations' surplus** | | | |
| Accumulated surplus | | **18,908,904** | 13,549,575 |
| Total reinsurance operations' surplus | | **18,908,904** | 13,549,575 |
| Total liabilities including reinsurance operations' surplus | | **3,236,373,883** | 2,153,472,751 |
| **Equity** | | | |
| Share capital | 23 | **891,000,000** | 891,000,000 |
| Statutory reserve | 24 | **43,045,308** | 34,749,555 |
| Retained earnings | | **68,678,196** | 35,495,182 |
| Other reserves | | **(2,707,335)** | 2,751,420 |
| Total equity | | **1,000,016,169** | 963,996,157 |
| Total liabilities including reinsurance operations' surplus and equity | | **4,236,390,052** | 3,117,468,908 |

The accompanying notes 1 to 36 form an integral part of these financial statements.

Managing Director/Chief Executive Officer

Chairman of the Board

Chief Financial Officer

# STATEMENT OF INCOME

The accompanying notes 1 to 36 form an integral part of these financial statements.

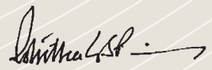
| For the year ended 31 December 2022 | Notes | 2022 SR | 2021 SR |
|---|---|---|---|
| **Revenues** | | | |
| Gross written premiums | | **1,403,280,920** | 1,115,879,700 |
| Retroceded premiums | | **(462,919,962)** | (123,897,906) |
| Excess of loss expenses | | **(41,761,879)** | (33,014,126) |
| Net written premiums | 11 | **898,599,079** | 958,967,668 |
| Change in net unearned premiums | 11 | **29,291,857** | (104,237,572) |
| Net earned premiums | 11 | **927,890,936** | 854,730,096 |
| Retrocession commissions | 16 | **14,815,510** | 19,675,509 |
| Total revenues | | **942,706,446** | 874,405,605 |
| **Underwriting costs and expenses** | | | |
| Gross claims paid | | **(537,845,426)** | (471,215,536) |
| Retroceded share of claims paid | | **75,973,954** | 61,706,979 |
| Net claims paid | | **(461,871,472)** | (409,508,557) |
| Change in outstanding claims, net | | **(21,046,169)** | (71,385,295) |
| Changes in incurred but not reported claims, net | | **(112,126,594)** | (84,418,161) |
| Net claims incurred | | **(595,044,235)** | (565,312,013) |
| Policy acquisition costs and profit commissions | 12 | **(218,198,524)** | (232,404,118) |
| Other underwriting expenses | | **(1,995,257)** | (5,063,046) |
| Total underwriting costs and expenses | | **(815,238,016)** | (802,779,177) |
| Net underwriting income | | **127,468,430** | 71,626,428 |
| **Other operating income/(expenses)** | | | |
| Special commission income from time deposits | | **16,722,235** | 5,312,286 |
| Realized gains on investments held at fair value through income statement | 7(iii) | **6,529,722** | 7,209,116 |
| Unrealized (losses)/gains on investments held at fair value through income statement | 7(iii) | **(33,979,564)** | 4,912,672 |
| Special commission income from bonds and sukuk | | **22,005,303** | 13,547,725 |
| Special commission expense on margin loan | | **(1,207,363)** | (432,140) |
| Dividend income | | **2,160,538** | 1,092,430 |
| Share of profit of equity-accounted investee | 17 | **19,798,957** | 18,657,921 |
| Investment management expenses | | **(3,718,859)** | (3,355,754) |
| Net investment income | | **28,310,969** | 46,944,256 |
| Other income | | **613,580** | 1,109,066 |
| Charge for doubtful debts | 6 | **(680,201)** | (153,851) |
| General and administrative expenses | 25 | **(74,343,820)** | (55,458,811) |
| Board of directors' remunerations, meeting fees and expenses | 26 | **(3,660,415)** | (4,798,017) |
| Foreign exchange translation loss | | **(15,604,941)** | (3,382,910) |
| Total income for the year before Zakat and tax | | **62,103,602** | 55,886,161 |
| Total income attributed to the reinsurance operations | 33 | **(5,359,329)** | (2,571,223) |
| Net income for the year before Zakat and tax attributable to the shareholders | 33 | **56,744,273** | 53,314,938 |
| Zakat and tax charge for the year | 22 | **(15,265,506)** | (15,005,543) |
| Net income for the year after Zakat and tax attributable to the shareholders | | **41,478,767** | 38,309,395 |
| Basic and diluted earnings per share for the year | 28 | **0.47** | 0.43 |



Managing Director/Chief Executive Officer



Chairman of the Board



Chief Financial Officer





# STATEMENT OF COMPREHENSIVE INCOME

The accompanying notes 1 to 36 form an integral part of these financial statements.

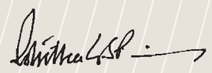
| For the year ended 31 December 2022 | Notes | 2022 SR | 2021 SR |
|---|---|---|---|
| Net income for the year after Zakat and tax attributable to shareholder | | **41,478,767** | 38,309,395 |
| Other comprehensive income | | | |
| Items that will not be reclassified to income statement subsequently | | | |
| Re-measurement loss on employee' end of service benefit obligations | 19 | **(462,092)** | (694,084) |
| Items that may be classified to income statement subsequently | | | |
| Share of foreign currency translation reserve of an equity accounted investee | 17 | **(8,258,424)** | (1,429,969) |
| | | **(8,720,516)** | (2,124,053) |
| Total comprehensive income for the year | | **32,758,251** | 36,185,342 |



Managing Director/Chief Executive Officer



Chairman of the Board



Chief Financial Officer

# STATEMENT OF CHANGES IN EQUITY

Saudi Reinsurance Company
Annual Report 2022

| For the year ended 31 December | GCC shareholders and general public | | | | Non-GCC shareholders | | | | Total | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital SR | Statutory reserve SR | Retained earnings SR | Other reserves SR | Share capital SR | Statutory reserve SR | Retained earnings SR | Other reserves SR | Share capital SR | Statutory reserve SR | Retained earnings SR | Other reserves SR | Total SR |
| **Balance as at 1 January 2022** | **851,538,402** | **33,210,528** | **33,923,132** | **2,629,562** | **39,461,598** | **1,539,027** | **1,572,050** | **121,858** | **891,000,000** | **34,749,555** | **35,495,182** | **2,751,420** | **963,996,157** |
| **Transfer during the year** | **3,526,208** | **137,524** | **140,475** | **10,889** | **(3,526,208)** | **(137,524)** | **(140,475)** | **(10,889)** | **–** | **–** | **–** | **–** | **–** |
| Net profit for the year | – | – | **39,805,865** | – | – | – | **1,672,902** | – | – | – | **41,478,767** | – | **41,478,767** |
| Other comprehensive loss | – | – | – | **(8,368,804)** | – | – | – | **(351,712)** | – | – | – | **(8,720,516)** | **(8,720,516)** |
| Total comprehensive income for the year | – | – | **39,805,865** | **(8,368,804)** | – | – | **1,672,902** | **(351,712)** | – | – | **41,478,767** | **(8,720,516)** | **32,758,251** |
| Transfer to statutory reserve | – | **7,961,173** | **(7,961,173)** | – | – | **334,580** | **(334,580)** | – | – | **8,295,753** | **(8,295,753)** | – | – |
| Share of capital contribution of investment in equity accounted investee | – | – | – | **3,130,209** | – | – | – | **131,552** | – | – | – | **3,261,761** | **3,261,761** |
| **Balance as at 31 December 2022** | **855,064,610** | **41,309,225** | **65,908,299** | **(2,598,144)** | **35,935,390** | **1,736,083** | **2,769,897** | **(109,191)** | **891,000,000** | **43,045,308** | **68,678,196** | **(2,707,335)** | **1,000,016,169** |
| Balance as at 1 January 2021 | 769,472,640 | 25,732,412 | 81,552,521 | 231,922 | 40,527,360 | 1,355,264 | 4,295,145 | 12,207 | 810,000,000 | 27,087,676 | 85,847,666 | 244,129 | 923,179,471 |
| Addition during the year | 77,412,582 | – | (77,412,582) | – | 3,587,418 | – | (3,587,418) | – | 81,000,000 | – | (81,000,000) | – | – |
| Transfer during the year | 4,653,180 | 155,575 | 493,028 | 1,395 | (4,653,180) | (155,575) | (493,028) | (1,395) | – | – | – | – | – |
| Net profit for the year | – | – | 36,612,706 | – | – | – | 1,696,689 | – | – | – | 38,309,395 | – | 38,309,395 |
| Other comprehensive income | – | – | – | (2,029,981) | – | – | – | (94,072) | – | – | – | (2,124,053) | (2,124,053) |
| Total comprehensive income for the year | – | – | 36,612,706 | (2,029,981) | – | – | 1,696,689 | (94,072) | – | – | 38,309,395 | (2,124,053) | 36,185,342 |
| Transfer to statutory reserve | – | 7,322,541 | (7,322,541) | – | – | 339,338 | (339,338) | – | – | 7,661,879 | (7,661,879) | – | – |
| Share of capital contribution of investment in equity accounted investee | – | – | – | 4,426,226 | – | – | – | 205,118 | – | – | – | 4,631,344 | 4,631,344 |
| Balance as at 31 December 2021 | 851,538,402 | 33,210,528 | 33,923,132 | 2,629,562 | 39,461,598 | 1,539,027 | 1,572,050 | 121,858 | 891,000,000 | 34,749,555 | 35,495,182 | 2,751,420 | 963,996,157 |

Managing Director/Chief Executive Officer

Chairman of the Board

Chief Financial Officer

# STATEMENT OF CASH FLOWS

| For the year ended 31 December | Notes | 2022 SR | 2021 SR |
|---|---|---|---|
| **Operating activities** | | | |
| Total income for the year before Zakat and tax | | **62,103,602** | 55,886,161 |
| Adjustments to reconcile total income for the year before Zakat and tax to net cash used in operating activities: | | | |
| Employees' end of service benefits expenses | 19 | **1,561,131** | 1,341,020 |
| Special commission income from bond and sukuk | | **(19,332,886)** | (10,134,671) |
| Special commission expense from margin loan payable | | **1,207,363** | 432,140 |
| Special commission income from time deposits | | **(16,722,235)** | (5,312,286) |
| Amortization of discount and premium on held to maturity investments, net | 18 | **(2,672,417)** | (3,413,054) |
| Depreciation of property and equipment | 25 | **2,822,173** | 2,612,955 |
| Gain on disposal of property and equipment | | **–** | (41,454) |
| Realized gains on investments held at fair value through income statement | 7(iii) | **(6,529,722)** | (7,209,116) |
| Unrealized losses/(gains) on investments held at fair value through income statement | 7(iii) | **33,979,564** | (4,912,672) |
| Share of profit of equity accounted investee | 17 | **(19,798,957)** | (18,657,921) |
| Charge for doubtful debts | 6 | **680,201** | 153,851 |
| Operating income before changes in operating assets and liabilities | | **37,297,817** | 10,744,953 |
| **Changes in operating assets and liabilities:** | | | |
| Reinsurance premiums receivable, net | | **(79,424,793)** | 51,371,704 |
| Accrued reinsurance premiums | | **(396,996,701)** | (86,206,823) |
| Retroceded share of unearned premiums | | **(381,140,039)** | 3,909,265 |
| Unearned premiums | | **351,848,182** | 100,328,307 |
| Retroceded share of outstanding claims | | **(18,367,923)** | 5,341,430 |
| Retroceded share of claims incurred but not reported | | **6,402,344** | 7,763,206 |
| Deferred acquisition costs | | **(62,831,952)** | (19,194,868) |
| Deferred excess of loss premiums | | **(3,360,606)** | 734,131 |
| Prepaid expenses, deposits and other assets | | **(73,813,418)** | 214,494,540 |
| Accounts payable | | **26,440,871** | 12,067,123 |
| Retrocession balances receivable | | **(10,667,031)** | 16,445,367 |
| Retrocession balances payable | | **87,602,112** | (28,448,079) |
| Accrued retroceded premiums | | **297,761,738** | (4,320,405) |
| Outstanding claims | | **39,414,092** | 66,043,865 |
| Claims incurred but not reported | | **105,724,250** | 76,654,955 |
| Unearned commission income | | **87,411,449** | 1,344,444 |
| Statutory deposit | | **–** | (8,100,000) |
| Accrued expenses and other liabilities | | **75,235,801** | 6,036,462 |
| Cash generated from operating activities | | **88,536,193** | 427,009,577 |
| Zakat and tax paid | 22 | **(12,998,578)** | (14,913,138) |
| Employees' end of service benefits paid | 19 | **(443,884)** | (419,904) |
| Net cash generated from operating activities | | **75,093,731** | 411,676,535 |

| For the year ended 31 December | Notes | 2022 SR | 2021 SR |
|---|---|---|---|
| **Investing activities** | | | |
| Addition in time deposits | | **(534,383,617)** | (308,318,750) |
| Proceeds from maturity of time deposits | | **30,810,000** | 258,396,167 |
| Special commission income received on time deposits | | **11,357,650** | 6,213,677 |
| Special commission income received from bonds and sukuk | | **20,967,464** | 9,504,843 |
| Special commission income received on statutory deposit | 29 | **1,134,784** | – |
| Purchase of property and equipment, net | | **(2,045,907)** | (6,143,496) |
| Proceeds from sale of property and equipment | | **–** | 41,500 |
| Additions in investments held at fair value through income statement | 7(iii) | **(215,791,396)** | (843,620,691) |
| Proceeds from disposal of investments held at fair value through income statement | 7(iii) | **704,771,857** | 564,239,261 |
| Additions in held to maturity investments | 18 | **(110,957,793)** | (110,586,537) |
| Proceeds from maturity of held-to-maturity investments | 18 | **24,000,000** | – |
| Net cash used in investing activities | | **(70,136,958)** | (430,274,026) |
| **Financing activities** | | | |
| Proceeds from margin loans | 10 | **–** | 33,680,203 |
| Special commission expense paid against margin loan | | **(1,207,363)** | (432,140) |
| Net cash (used in)/generated from financing activities | | **(1,207,363)** | 33,248,063 |
| Increase in cash and cash equivalents | | **3,749,410** | 14,650,572 |
| Cash and cash equivalents at the beginning of the year | | **27,807,294** | 13,156,722 |
| Cash and cash equivalents at the end of the year | 5 | **31,556,704** | 27,807,294 |
| **Non-cash information** | | | |
| Remeasurement loss on end-of-service benefit obligations | 19 | **(462,092)** | (694,084) |
| Foreign currency impact on equity accounted investment | 17 | **(8,258,424)** | (1,429,969) |
| Depreciation on right of use assets | | **220,134** | 50,082 |
| Interest expense on lease liability | | **14,473** | 4,618 |

Managing Director/Chief Executive Officer

Chairman of the Board

Chief Financial Officer

# NOTES TO THE FINANCIAL STATEMENTS

## 1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Saudi Reinsurance Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010250125 (Entity number: 7001556021) dated 12 Jumad Al-Awal 1429H (corresponding to 17 May 2008) with a branch in the Federal Territory of Labuan, Malaysia with license number IS2014146. The address of the Company's registered office is at 4130 Northern Ring Road Al Wadi, Unit number 1, Riyadh 13313-6684, Kingdom of Saudi Arabia.

The objective of the Company is to transact cooperative reinsurance and related activities inside and outside the Kingdom of Saudi Arabia.

## 2. BASIS OF PREPARATION

### (a) Basis of presentation

The financial statements for the year ended 31 December 2022 have been prepared in accordance with International Financial Reporting Standard "IFRS" as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

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, time deposits, accrued special commission income from time deposits, reinsurance premium receivables (net), investments held at fair value through income statement, accrued special commission income from bonds and sukuk, retrocession balance receivables, deferred excess of loss premiums, retroceded share of outstanding claims, retroceded share of claims incurred but not reported, prepaid expenses, deposits and other assets, accounts payable, margin loan payable, retrocession balances payable, outstanding claims, claims incurred but not reported, accrued expenses and other liabilities, provision for Zakat and tax and accumulated surplus. The following balances would generally be classified as non-current: held to maturity investments, accrued reinsurance premiums, retroceded share of unearned premiums, deferred policy acquisition costs, property and equipment, net, investment in an equity accounted investee, statutory deposit, accrued income on statutory deposit, accrued retroceded premiums, unearned premiums, unearned retrocession commission, employees end of service benefits and accrued commission income payable to SAMA.

The Company presents its statement of financial position in order of liquidity. As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Reinsurance Operations and Shareholders' Operations and presents the financial statements accordingly (refer to Note 33). Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

The statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders' operations which are presented in Note 33 of the financial statements have been provided as supplementary financial information to comply with the requirements of the guidelines issued by the Saudi Central Bank ("SAMA") implementing regulations and is not required under IFRSs. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the reinsurance operations and the shareholders operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the reinsurance operations and shareholders' operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

For preparing the financial statements in compliance with IFRS, the balances and transactions of the reinsurance 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 reinsurance operations and shareholders' operations are uniform for like transactions and events in similar circumstances.

The inclusion of separate information of the reinsurance operations with the financial information of the Company in the statement of financial position, statement of income, statement of comprehensive income, cash flows as well as certain relevant notes to the financial information represents additional supplementary information required as required by the implementing regulations.

Surplus is distributed between reinsurance operations and shareholders operations in accordance with the implementing regulations issued by the SAMA, whereby the shareholders of the Company are to receive 90% of the annual surplus from reinsurance operations and the policyholders are to receive the remaining 10%. Any deficit arising on reinsurance operations is transferred to the shareholders' operation in full.

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the measurement at fair value of investments held at fair value through income statement and Investment in an equity accounted investee which is accounted for under the equity method and End of Service Benefits (EOSB) at present value of future obligations using projected unit credit method.

### (c) Functional and presentation currency

These financial statements have been presented in Saudi Arabian Riyals (SR), which is also the functional currency of the Company.

### (d) Fiscal year

The Company's fiscal year is aligned with the calendar year i.e. it begins at 1 January and ends at 31 December.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2021. Based on the adoption of amendments to existing standard and in consideration of current economic environment, the following accounting policies are applicable effective 1 January 2022 replacing, amending or adding to the corresponding accounting policies set out in 2021 annual financial statements.

### A. Amendments to existing standards

Below amendments to accounting standards and interpretations became applicable for annual reporting periods commencing on or after 1 January 2022. The management has assessed that the amendments have no significant impact on the Company's financial statements.

| Standard/Amendments | Description | Effective date |
|---|---|---|
| Amendment to IFRS 16, "Leases" – COVID-19 related rent concessions Extension of the practical expedient | As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. | Annual periods beginning on or after 1 April 2021 |
| A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16. | Amendments to IFRS 3, "Business combinations" update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.<br><br>Amendments to IAS 16, "Property, plant and equipment" prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in statement of income.<br><br>Amendments to IAS 37, "Provisions, contingent liabilities and contingent assets" specify which costs a company includes when assessing whether a contract will be loss-making.<br><br>Annual improvements make minor amendments to IFRS 1, "First-time Adoption of IFRS", IFRS 9, "Financial instruments", IAS 41, "Agriculture" and the Illustrative Examples accompanying IFRS 16, "Leases". | Annual periods beginning on or after 1 January 2022 |

## B. Standards issued but not yet effective

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





| Standard, interpretation, amendments | Description | Effective date |
|---|---|---|
| Amendments to IAS 1, Presentation of financial statements', on classification of liabilities | These narrow-scope amendments to IAS 1, "Presentation of financial statements", clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. | Deferred until accounting periods starting not earlier than 1 January 2024 |
| Narrow scope amendments to IAS 1, IFRS Practice Statement 2 and IAS 8 | The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. | Annual periods beginning on or after 1 January 2023 |
| Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction | These amendments require companies to recognize deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. | Annual periods beginning on or after 1 January 2023 |
| IFRS 9 | Financial instruments | See note below |
| IFRS 17 | Insurance contracts | See note below |

The Company will apply IFRS 17 and IFRS 9 for the first time on 1 January 2023. These standards will bring significant changes to the accounting for reinsurance and retrocession contracts and financial instruments and are expected to have a material impact on the Company's financial statements in the period of initial application.

There are no other relevant IFRS or IFRS interpretations that are not yet effective that would be expected to have a material impact on the Company's financial statements except for IFRS 9 and IFRS 17 as explained below.

### IFRS 17 – Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted. The Company expects to first apply IFRS 17 on that date. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with direct participation features ("DPF").

**Structure and status of the implementation project**

The Company considers implementing IFRS 17 as a significant project and therefore has set up a multidisciplinary implementation team with members from its Actuarial, Finance, IT, Operations and other respective businesses to achieve a successful and robust implementation. The project is managed internally through a dedicated IFRS 17 team and governed by a steering committee. The preparation for IFRS 17 has required significant changes to the Company's reporting systems. The Company is well prepared for the reporting requirements from 1 January 2023 onwards.

As part of the four-phase approach for the transition from IFRS 4 to IFRS 17 mandated by Saudi Central Bank ("SAMA"), the Company has submitted the operational gap assessment, financial impact assessment, implementation plan and multiple dry runs using the FY20, FY21 and June 2022 data to SAMA.

**Significant judgments and accounting policy choices**

The Company is expected to apply the following significant accounting policies in the preparation of financial statements on the effective date of this Standard i.e., 1 January 2023:

**a) Contracts within/outside the scope of IFRS 17**

A contract is reinsurance contract that falls under the scope of IFRS 17 if it transfers significant insurance risk or it is an investment contract with Discretionary Participation Features ("DPF"). IFRS 17 identifies reinsurance contracts as those contracts under which the Company accepts significant insurance risk from another party (the insurer), by agreeing to compensate the insurer if a specified uncertain future event (the insured event), adversely affects the insurer.

A retrocession contract held is defined as an insurance contract issued by one entity (the retrocessionaires), to compensate another entity for claims arising from one or more reinsurance contracts issued by that other entity (reinsurance contracts). Even if a retrocession contract does not expose the issuer to the possibility of a significant loss, that contract is deemed to transfer significant insurance risk if it transfers to the retrocessionaires substantially all the insurance risk relating to the reinsured portions of the underlying reinsurance contracts.

An assessment of the reinsurance contracts issued, and retrocession contracts held by the Company reveal that they all qualify for measurement and presentation under IFRS 17.

**b) Combination/unbundling of contracts**

At inception, the Company separates the following components from reinsurance or retrocession contract and accounts for them as if they were stand-alone financial instruments:

- derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of reinsurance or retrocession contract as a stand-alone instrument; and
- distinct investment components: i.e. investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.
- any promises to transfer distinct goods or non-insurance services: The Company separates any promises to transfer distinct goods or non-insurance services and accounts for them as separate contracts with customers (i.e., not as insurance contracts). A good or service is distinct if the insurer can benefit from it either on its own or with other resources that are readily available to the insurer. A good or service is not distinct and is accounted for together with the reinsurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the reinsurance component, and the Company provides a significant service of integrating the good or service with the reinsurance component.

The Company does not underwrite any reinsurance or retrocession contracts that contain embedded derivatives or distinct investment components. Furthermore, the Company's reinsurance portfolio does not contain any non-insurance components that will need to be unbundled from reinsurance contracts.

**c) Level of aggregation**

The Company identifies portfolios of reinsurance contracts. Each portfolio comprises contracts that are subject to similar risks and managed together, and is divided into three groups:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the portfolio.

Contracts within a portfolio that would fall into different groups only because law or regulation specifically constrains the Company's practical ability to set a different price or level of benefits for insurers with different characteristics are included in the same group.

As for reinsurance contracts issued, the Company identifies portfolios of retrocession contracts which are subject to similar risks and are managed together. Contracts within a portfolio are then grouped into cohorts by issue date not further than a year apart. Cohorts are divided into "groups" at inception that at least separate retrocession contracts between those that are a net gain at initial recognition, a net cost at initial recognition but have no significant likelihood of becoming a net gain and the remaining contracts.

The Company will categorize each retrocession contract as a unique portfolio. As with the reinsurance contracts, all retrocession contracts held are to be grouped into annual cohorts and split into profitability groups based on the best estimate expected profitability of the groups at inception.

**d) Measurement – Overview**

IFRS 17 introduces 3 new measurement models, reflecting the nature of reinsurance contracts.

General Measurement Model

IFRS 17 introduces a generalized measurement model called the General Measurement Model (GMM) which shall be applicable to all kinds of reinsurance and retrocession contracts, to the extent that they do not contain any direct participation features in any underlying invested assets.

The General Measurement Model has he 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 reinsurance contracts and will be recognized as the Company 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 reinsurance contracts is remeasured to be the sum of:

- the liability for remaining coverage (LRC), which comprises the FCF related to future services and the CSM of the group at that date;
- and the liability for incurred claims (LIC), 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, so changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss. 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.

The GMM is also applicable for the measurement of the liability for incurred claims. However, the Companies are 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.

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 adjustment under GMM, the CSM is also adjusted for:

- the Company's share of the changes in the fair value of underlying items.
- the effect of changes in the time value of money and financial risks not relating to the underlying items.

Premium Allocation Approach (PAA)

It is permitted for the measurement of the liability for the remaining coverage if it provides a measurement that is not materially different from the General Measurement Model for the group of contracts or if the coverage period for each contract in the group is one year or less. The PAA behaves in a very similar manner as the current unearned premium and acquisition expenses approach under IFRS 4 with some notable differences as the introduction of a financing component for contracts having premiums and services more than 1 year apart as well as the method to recognize loss components.

The Company will apply the GMM to both reinsurance contracts issued, and retrocession contracts held for all the segments. When measuring liabilities for remaining coverage, the Company will now discount the future cash flows and includes an explicit risk adjustment for non-financial risk.

The GMM is also applicable for the measurement of the liability for incurred claims. However, the Companies are 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.



Saudi Reinsurance Company
Annual Report 2022
Notes to the Financial Statements

**e) Significant judgments and estimates**

The Company has opted to apply the GMM to all reinsurance and retrocession contracts and hence will not be required to carry out a PAA Eligibility Assessment.

ii. Discount rates

Discount rates refer to the interest rates used in discounting cash flows to determine the present value of future cash flows. Discount rates are primarily used to adjust the estimates of future cash flows to reflect the time value of money and to accrete interest on the best estimate liability, risk adjustment and contractual service margin. The discount rates applied to the estimates of the future cash flows in discounting shall:

- Reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the reinsurance contracts;
- Be consistent with observable current market prices (if any) for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts, in terms of, for example, timing, currency and liquidity; and
- Exclude the effect of factors that influence observable market prices but do not affect the future cash flows of the insurance contracts.

The bottom-up approach will be used to derive the discount rate. Under this approach, the discount rate is determined as the risk-free yield adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an illiquidity premium). The yield curve will be derived from each currency's risk-free yield curve, plus illiquidity premium as follows:

- The currencies will have its own curve if the currencies current reserves is more than 1% of the total. The remaining will be grouped into the USD currency.
- The risk-free curves for each currency are local government or semi-government issued bonds denominated in local currency.
- One "illiquidity premium" will be calculated and applied to all the yield curves and it is assumed 0.5% based on Solvency II.

iii. Risk adjustment for non-financial risk

The purpose of the risk adjustment for non-financial risk is to measure the effect of uncertainty in the cashflows that arise from reinsurance contracts, other than uncertainty arising from financial risk.

Risk adjustment considers the risk appetite of the Company and applies the Cost of Capital Approach based on the Company's Internal Capital Model as base Capital Requirement to arrive at the required Risk Adjustment. The total provision including the Best Estimate Liability and Risk Adjustment are expected to fall between the 62nd to 67th percentile of the Loss Distribution.

The Company will adjust the estimate of the present value of the future cashflows to reflect the compensation that the entity requires for bearing the uncertainty about the amount and timing of the cashflows that arises from non-financial risk.

iv. CSM release pattern

The amount of the CSM recognized in the statement of income for services provided in the period is determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of reinsurance contracts based on coverage units.

The total number of coverage units in a group is the quantity of coverage provided by the contracts in the Group over the expected coverage period. The coverage units are determined at each reporting period-end prospectively by considering:

- the quantity of benefits provided by contracts in the Group.
- the expected coverage duration of contracts in the Group; and
- the likelihood of insured events occurring, only to the extent that they affect the expected duration of contracts in the Group.

The Company uses the amount that it expects the insurers to be able to validly claim in each period if an insured event occurs as the basis for the quantity of benefits.

v. Onerousity determination

To facilitate aggregation and composition of groups of contracts, the Company will carry out a profitability grouping exercise of contracts at their inception. For each contract, the Company will estimate the combined ratio at initial recognition of the contract. The combined ratio considers the expected loss, attributable expenses, risk adjustment and discount factor. Based on the estimated combined ratio, the Company will use rule-based assessment to determine the onerousity grouping as follows:

- Contract is onerous if combined ratio is above 100%.
- Contract is profitable with no significant possibility of becoming onerous if combined ratio is below 95%.
- Otherwise, contract is profitable with significant possibility of becoming onerous.

vi. Provision for Doubtful Debts

The impact of expected receipts adjustment relating to reinsurance contracts written under IFRS 17 has not been finalized as at the date of these financial statements. The Company is progressing to quantify the impact of expected receipts adjustment relating to reinsurance contracts written under IFRS 17 and expects the amount to be available for first IFRS 17 and 9 financial statements for the period ended 31 March 2023.

vii. Retrocessionaire default provision

The impact of expected receipts from retrocession contracts written under IFRS 17 has not been finalized as at the date of these financial statements. The Company is progressing to quantify the impact of expected receipts adjustment relating to reinsurance contracts written under IFRS 17 and expects the amount to be available for first IFRS 17 and 9 financial statements for the period ended 31 March 2023.

viii. VAT treatment

VAT is generally made part of the fulfilment cash flows only to the extent of non-recoverable VAT paid also being recorded as part of the G&A expenses of the Company and subsequently under IFRS 17 is considered part of attributable expenses. This non-recoverable VAT is minimal compared to overall G&A Expenses.

**f) Accounting policy choices**

i. Length of cohorts

Under the guidance of the IFRS 17, the Company shall not include contracts issued more than one year apart in the same group in reference to grouping annual/semi-annual/quarterly/monthly cohorts of new business, since it determines a corresponding time limit.

This enables the option to further divide the groups into smaller groups based on smaller cohorts. However, having smaller cohorts would result in multiple groups and would result in increased measurement requirements.

The Company has decided the length of cohort to be on an annual basis.

ii. Use of OCI for Insurance Finance Income or Expense

In reference to the presentation in statement of income – Insurance finance income or expense, the Company has decided that the entire insurance finance income or expense for the period will be presented in the statement of income.

iii.Unwinding of discount on risk adjustment

In reference to the presentation in statement of income – Disaggregation of risk adjustment, the Company has decided that the entire change in risk adjustment will be presented in the insurance service results.

iv. Expense attribution

The expense attribution under IFRS 17 requires Companies to categorize expenses as acquisition, attributable and non-attributable expenses. In this regard, the Company allocates expenses based on activity based costing also taking in regards the recommendations made by the SAMA IFRS 17 Working Group.

v. Deferral of acquisition cost

In reference to the recognition of acquisition costs, the Company has decided to amortize the acquisition cost over the contract period instead of immediately recognizing it as an expense.

vi. Policyholder surplus accounting

The policyholder surplus being an accumulation of the 10% profit sharing with policyholders is accounted for as a deposit and kept outside the scope of IFRS 17. Currently, for the Company being a reinsurer, there is not much clarity on the treatment or use of the policyholder surplus.

**g) Presentation and disclosures**

In the statement of financial position, deferred acquisition costs and reinsurance-related receivables will no longer be presented separately but as part of the reinsurance liabilities. This change in presentation will lead to a reduction in total assets, offset by a reduction in total liabilities.

The amounts presented in the statement of income need to be disaggregated into an insurance service result, consisting of the insurance revenue and the insurance service expenses, and insurance finance income and expenses. Income or expenses from retrocession contracts held need to be presented separately from the expenses or income from reinsurance contracts issued.

IFRS 17 contains an accounting policy option to recognize changes in financial parameters either in statement of income or in other comprehensive income. The Company has opted to include all reinsurance finance income or expense for the year in the statement of income.

**h) Transition**

i. Choice of Method

For the purposes of transition, the Company will use modified retrospective approach for all lines of business which allows the companies to adjust initial recognition calculations for already written business to equal actual transactions up to the transition date and projected cash-flows thereafter without going back to adjusting the CSM roll-forward up to the transition dates based on the past estimates at interim reporting periods.

**Transition Impact**

The Company estimates that, on adoption of IFRS 17, the impact of these changes (before tax) is a reduction in the Company's total equity of by SR 29.88 million to SR 59.36 million at 1 January 2022. The impact on equity at 1 January 2023 is currently being estimated and shall be disclosed in the financial reporting for the period 1 January 2023 to 31 March 2023.

| Drivers of changes in equity | Impact on equity on transition to IFRS 17 on 1 January 2022 |
|---|---|
| Changes in measurement of reinsurance contracts issued | Decrease by SR 42.85 million to SR 57.08 million |
| Changes in measurement of retrocession contracts held | Decrease by SR 16.51 million to increase by SR 27.20 million |
| Total impact | Decrease by SR 29.88 million to SR 59.36 million |

Impact on Liabilities and Assets

| Particulars | Impact on transition to IFRS 17 on 1 January 2022 |
|---|---|
| Risk adjustment | Increase by SR 22.49 million to SR 24.61 million |
| Discounting | Decrease by SR 39.68 million to SR 75.45 million |
| CSM | Increase by SR 121.70 million to SR 157.18 million |
| Other drivers | Decrease by SR 49.35 million to SR 61.67 million |
| Total impact reinsurance on liabilities | Increase by SR 42.85 million to SR 57.08 million |
| Risk adjustment | Increase by SR 4.32 million to SR 5.01 million |
| Discounting | Decrease by SR 12.06 million to SR 17.35 million |
| Other drivers | Decrease by SR 8.77 million to increase by SR 39.55 million |
| Total impact on retrocession assets | Decrease by SR 16.52 million to increase by SR 27.20 million |

The estimated range of change in shareholders' equity includes the impact of risk adjustment, loss component, discounting, and conversion of numbers as per IFRS 4 to estimated cashflows as per IFRS 17. The assessment made by the Company is preliminary as not all transition work requirements have been finalized and therefore may be subject to adjustment. The actual effect of the implementation of IFRS 17 on the Company could vary from this estimated range if a different set of assumptions and policy choices are made. The Company continues to refine assumptions, methodologies and controls in advance of IFRS 17 adoption on 1 January 2023. Although dry runs were carried out in 2022, the new systems and associated controls in place have not been operational for an extended time. As a result, the Company has not finalized the testing and assessment of controls over its new IT systems and changes to its governance framework. All estimates are based on the Company's current interpretation of the requirements of IFRS 17, reflecting industry guidance and discussions to date.

## IFRS 9 – Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after 1 January 2018. However, the Company has met the relevant criteria and has applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. Consequently, the Company will apply IFRS 9 for the first time on 1 January 2023.

**a) Financial assets – Classification**

The Company conducted a preliminary IFRS 9 Classification and Measurement assessment ("C&M") for the financial assets held as at 31 December 2021 in response to SAMA's circular No. 239.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost ("AC"), fair value through other comprehensive income ("FVOCI") and fair value through statement of income ("FVSI"). This classification is generally based, except equity instruments and derivatives, on the business model in which a financial asset is managed and its contractual cash flows. Except for financial assets that are designated at initial recognition as at FVSI, a financial asset is classified on the basis of both:

a. the entity's business model for managing the financial asset; and

b. the contractual cash flow characteristics of the financial asset.

The Company exercises judgment in determining whether the contractual terms of financial assets it originates or acquires give rise on specific dates to cash flows that are solely payments of principal and profit income on the principal outstanding and so may qualify for amortized cost measurement. In making the assessment the Company considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets, terms that change the amount and timing of cash flows and whether the contractual terms contain leverage.

The Company classifies its financial assets in the following measurement categories:

- Fair value through statement of income (FVSI);
- Fair value through other comprehensive income (FVOCI); or
- Held at amortized cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Classification and subsequent measurement of debt instruments depend on:

- the Company's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial assets.

Business model

The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVSI.

Solely payments of principal and profit

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and profit. In making this assessment, the Company considers whether the contractual cash flows are consistent with the financing agreement i.e. profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVSI.



Saudi Reinsurance Company
Annual Report 2022
Notes to the Financial Statements

Based on these factors, the Company will classify its debt instruments into one of the following three measurement categories:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit, and that are not designated at FVSI, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized. Profit income from these financial assets is included in 'Special commission income' using the effective profit method.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and profit, and that are not designated at FVSI, are designated as fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, special commission income and foreign exchange gains and losses on the instrument's amortized cost which are recognized in the statement of income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to statement of income. Profit income from these financial assets is included in 'Special commission income' using the effective profit rate method. As at 31 December 2022, the Company does not have any equity instruments classified under this category.
- Fair value through statement of income (FVSI): Assets that are held for trading purpose or assets that do not meet the criteria for amortized cost or FVOCI are measured at FVSI. A gain or loss on a debt investment that is subsequently measured at FVSI presented in the statement of income in the period in which it arises.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Company will classify all equity investments at FVSI, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, transaction costs are made part of the cost at initial recognition and subsequent fair value gains and losses (unrealized) are recognized in OCI and are not subsequently reclassified to the statement of income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in the statement of income as 'Dividend income' when the Company's right to receive payments is established. As at 31 December 2022, the Company does not have any equity instruments classified under this category.

Reclassification of financial assets

The Company will reclassify the financial assets between FVTPL and amortized cost if and only if under rare circumstances and if its business model objective for its financial assets changes so its previous business model assessment would no longer apply. Financial assets are not reclassified after their initial recognition, except in the period after the entity changes its business model for managing financial assets.

**b) Financial Assets – Impairment**

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the entity expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

The key inputs into the measurement of ECL are the term structure of the following variables;

- Probability of default ("PD"),
- Loss given default ("LGD"), and
- Exposure at default ("EAD").

IFRS 9 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on consideration of a variety of external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome.

A global database of sovereign and corporate credit ratings and GDP movements was built dating from 1969 to present day, with specific emphasis placed on data post 1990. The objective of these studies was to understand the movement of credit ratings in times of economic stress and any subsequent/lagging effects. Relative movements in credit ratings and PDs were modelled rather than actual default rates given the superior model fits that could be obtained and better back-testing of model results and diagnostics.

For sovereign counterparties, S&P's 2020 Sovereign Default Rate Study was used in the mapping of rating movements to PDs. These rating changes could then be mapped to relative changes in risk over time implied by the PDs. These PD changes were then regressed on the historical GDP growth. The period over which to fit the regression model was informed through a combination of maximizing correlation between GDP and historical growth as well as expert judgement. The final regression model forecasts future rating change movements and hence scalars to apply to sovereign PDs relevant to current risk levels.

A KSA specific model was created in addition to a peer group model and regional model. Peer group was established as all A rated entities classified as high-income segments by World Bank. The regional Group comprised primarily of Middle Eastern and North African sovereigns. In order to use the Saudi Arabian GDP forecasts in the peer and regional group forecasts, the GDP forecasts are mapped onto a normal distribution, parameterized on historical GDP growth rates, and the equivalent percentile is then used in the alternative models.

Each of the above three models produce forward-looking adjustment scalars. The model allows the user to assign weights to each of the model outputs. The final forward-looking adjustment scalar is then calculated as a weighted average of the three model outputs. Management applied judgement when assigning weights to the scalars.

**c) Financial Liabilities**

IFRS 9 largely retains the requirements in IAS 39 for the classification and measurement of financial liabilities. However, under IAS 39 all fair value changes of financial liabilities designated as at FVSI are recognized in the statement of income, whereas under IFRS 9 these fair value changes will generally be presented as follows:

- The amount of the change in the fair value that is attributable to changes in the credit risk of the liability will be presented in Other Comprehensive Income (OCI);
- The remaining amount of the change in the fair value is presented in the statement of income.

**d) Transition**

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Comparative periods have not been restated. A difference in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in retained earnings.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

i. The determination of the business model within which a financial asset is held.
ii. The designation and revocation of previous designated financial assets and liabilities as measured at FVSI. This category includes financial assets that were previously designated as held for trading or those that were classified as available for sale.

iii. The designation of certain investments in equity instruments not held for trading as FVOCI. In general, cash and cash equivalents, short term deposits and debt securities held until maturity have been designated as such.

### Estimated Change in the Company's Total Equity due to initial application of IFRS 9

Company has assessed the estimated impact that the initial application of IFRS 9 will have on its financial statements. Based on assessments undertaken to date, the total adjustment (before tax) to the balance of the Company's total equity is estimated to be a reduction of SR 1.51 million at 1 January 2022, as summarized below. The impact on equity at 1 January 2023 is currently being estimated and shall be disclosed in the financial reporting for the period 1 January 2023 to 31 March 2023.

| Adjustments due to adoption of IFRS 9 | 1 January 2022 |
|---|---|
| Classification of financial assets | Increase by SR 0.09 million |
| Impairment of financial assets | Decrease by SR 1.60 million |
| Total impact | Decrease by SR 1.51 million |

### Overall Impact on Equity due to Transition to IFRS 17 and IFRS 9

Company estimates that, on adoption of IFRS 17 and IFRS 9, the impact of these changes before tax is a reduction in the total equity of SR 31.39 million to SR 60.87 million at 1 January 2022.

| Transition to | Change in equity at 1 January 2022 |
|---|---|
| IFRS 17 | Decrease by SR 29.88 million to SR 59.36 million |
| IFRS 9 | Decrease by SR 1.51 million |
| Total impact | Decrease by SR 31.39 million to SR 60.87 million |

The Company has investment in ordinary shares of Probitas Holdings (Bermuda) Limited ("PHBL") which is disclosed in Note 17. The Company has accounted for this investment as an equity accounted investee. PHBL operates in insurance and reinsurance businesses including Lloyd's market in London, United Kingdom.

PHBL is at its initial phase of carrying out the IFRS 17 and 9 implementation exercise and implementing the IFRS 17 and 9 calculation engines and IT systems. Therefore, the impact of IFRS 17 and 9 implementation of PHBL cannot be quantified at the present stage. Accordingly, the IFRS 17 and 9 transition impact on the Company's equity disclosed above does not include the effect of any changes in PHBL's numbers due to the adoption of IFRS 17 and 9.

## C. Significant accounting policies adopted in the preparation of these financial statements

The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2022.

### Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, cash at banks and time deposits with an original maturity of less than three months from the date of acquisition.

### Gross written premiums

Gross written premiums comprise of total premiums in relation to contracts incepting during the financial year irrespective of whether they relate in whole or in part to a later accounting period. It includes an estimate of pipeline premiums, being those premiums written but not reported to the Company at the statement of financial position date. Pipeline premiums are reported as accrued reinsurance premiums in the statement of financial position.

Where contract terms require the reinstatement of coverage after a ceding Company's loss, the mandatory reinstatement premiums are calculated in accordance with the contract terms.

### Reinsurance premium receivable

Reinsurance premium receivable are recognized when notified by cedants and are measured on initial recognition at the fair value of the considerations received or receivable. Subsequently, it is measured at amortized cost. The carrying value of reinsurance premium 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. Reinsurance premium receivable are derecognized when the derecognition criteria for financial assets have been met.

### Retrocession

The Company uses retrocession agreements to reduce its exposure to risks assumed to increase its aggregate underwriting capacity. The ceding of risk to retrocessionaires does not relieve the Company from its direct obligations to its ceding companies. Amounts receivable from retrocession is estimated in a manner consistent with the claim liability associated with the reinsured parties. An impairment review of amounts recoverable under retrocession agreements is performed at each reporting 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 retrocessionaire can be measured reliably. The impairment loss is recorded in the statement of income.

Premiums and claims are presented on a gross basis for both assumed reinsurance and retroceded business.

Retrocession liabilities represent balances due to retrocessionaires. Amounts payable are estimated in a manner consistent with the associated retrocession contract. Retroceded assets and liabilities are derecognized when the contractual rights are extinguished or expired or when the contract is transferred to another party.

### Deferred policy acquisition costs (DAC)

Direct costs incurred during the financial period arising from the writing or renewing of reinsurance contracts are deferred to the extent that these costs are recoverable out of unearned premium. Subsequent to initial recognition, deferred costs are amortized using the same basis as for unearned premiums. Amortization is recorded 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. When the recoverable amounts are less than the carrying value, an impairment loss is recognized in the statement of income. DAC is also considered in the liability adequacy test for each reporting period.

Deferred policy acquisition costs are derecognized when the related contracts are either settled or disposed of.

### Investment in an equity accounted investee

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are initially recognized at cost. Subsequent to initial recognition, the financial statements include the share of the profit or loss and other comprehensive income of associates, until the date on which significant influence ceases.

### Investments held at fair value through income statement

Investments held at fair value through income statement are investments designated at fair value through income statement at inception. For investments designated as fair value through income statement, the following criteria must be met:

- This designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets and liabilities or recognizing gains or losses on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both, such assets and liabilities are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are measured at fair value.

Fair value adjustments and realized gains and losses are recognized in the statement of income.

### Held to maturity investments

Investments having fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity are classified as held to maturity. Held to maturity investments are initially recognized at fair value including direct and incremental transaction costs and 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 using an effective yield basis. Any gain or loss on such investments is recognized in the statement of income when the investment is derecognized or impaired.

### Offsetting financial assets and financial liabilities

Financial assets and financial 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 recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the statement of income unless required or permitted by any accounting standard or interpretation.

### 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 are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

### Impairment of financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset or a group of financial assets may be impaired. 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 can be measured reliably. If such evidence exists, any impairment loss is recognized in the statement of income. Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the statement of income;
- For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
- For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective special commission rate.

### Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to statement of income as they are consumed or expire with the passage of time.

### Property and equipment

Property and equipment is stated at cost net of accumulated depreciation and any impairment in value. When significant parts of property and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in statement of income as incurred. Land and capital work-in-progress are not depreciated.

The cost of all other property and equipment is depreciated on the straight-line method over the estimated useful lives of the assets as follows:

| | Years |
|---|---|
| Building | 33 |
| Computers and equipment | 3-5 |
| Furniture and fixtures | 5 |
| Motor vehicles | 4 |
| Leasehold improvements | 10 |

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

An item of property and equipment is derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income or taken into income in the year the asset is derecognized.

### Lease

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.

- Lease payments included in the measurement of the lease liability comprise:
- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest 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 right-of-use 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 special commission rate, in which case a revise discount rate is used).

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 Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

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

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

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

### Impairment of non-financial assets

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

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

### Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.



Saudi Reinsurance Company
Annual Report 2022
Notes to the Financial Statements

## Claims

Claims, comprise of amounts of claims estimates notified by ceding companies under reinsurance contracts and related loss adjustment expenses, net of recoveries and are charged to statement of income.

These include the cost of claims and claims handling expenses paid during the period, together with the movements in provisions for outstanding claims, claims incurred but not reported (IBNR) and claims handling provisions. 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 and provisions in the following year is included in the statement of income for that year. The Company does not discount its liabilities for unpaid claims as substantially most claims are expected to be paid within one year of the financial reporting date.

The Company estimates its claims provisions based on previous experience. Independent loss adjusters normally estimate property claims. In addition, a provision based on management's judgment and the Company's prior experience, is maintained for Incurred But Not Reported ('IBNR') claims as well as for the cost of settling pending claims at the statement of financial position date. The IBNR amount is based on estimates calculated using widely accepted actuarial techniques such as Chain Ladder, Bornhuetter Ferguson Method and loss ratios which are reviewed at regular intervals by the Company's appointed actuary. The techniques generally use projections, based on past experience of the development of claims over time, to form a view on the likely ultimate claims to be experienced. Regard is given to the variations in the business portfolio accepted and the underlying terms and conditions. Thus, the critical assumptions used when estimating provisions are that past experience is a reasonable predictor of likely future claims development and that the rating and business portfolio assumptions are a fair reflection of the likely level of ultimate claims to be incurred for the more recent years.

The outstanding claims are shown on gross basis and the related share of retroceded is shown separately.

## Liability adequacy test

At each statement of financial position date, a liability adequacy test is performed to ensure the adequacy of the reinsurance contracts liabilities net of related deferred acquisition costs. In performing these tests, management uses current best estimates of future contractual cash flows, claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of income initially by writing off related deferred acquisition costs and subsequently, by establishing a provision for losses arising from liability adequacy tests.

## End of service benefits

The Company operates an end of service benefit plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made at the present value of expected future payments in respect of services provided by the employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. The benefit payments obligation is discharged as and when it falls due. Remeasurements (actuarial gains/losses) as a result of experience adjustments and changes in actuarial assumptions are recognized in statement of comprehensive income.

## Short term employee benefits

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

## Zakat

The Company is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat expense is charged to the statement of income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to Zakat.

Adjustments arising from the final zakat assessments are recorded in the period in which such assessments are made.

## Income tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income, based on the applicable income tax rate for each jurisdiction.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company, its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Adjustments arising from the final income tax assessments are recorded in the period in which such assessments are made.

## Withholding tax

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law. Withholding taxes paid on behalf of non-resident parties, which are not recoverable from such parties, are expensed.

## Value Added Tax (VAT)

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

(a) collection of receivables from customers or

(b) delivery of services to customers.

Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales/services and purchases is recognized in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and a liability.

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

## Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) as a result of past events, and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

## Premiums earned and commission income

Premiums and commission income are earned over the periods to which they relate to cover the reinsurance risk. Unearned premiums and commission income represent the portion of premiums written and commission income relating to the unexpired period of coverage and are deferred based on the following methods:

Actual number of days for facultative reinsurance, non-proportional reinsurance treaties and portfolio transferred from insurance companies.

- For proportional reinsurance treaties under consideration of the underlying exposure in relation to the line of business as follows:

| Line of business | Years |
|---|---|
| Engineering | 4 |
| Others | 2 |
| Special contracts | Based on underlying terms and nature |

The change in the provision for unearned premiums and commission income is taken to the statement of income in order to recognize revenue over the period to cover the reinsurance risks.

## Deferred excess of loss premiums

The Company uses non-proportional excess of loss retrocession agreements on loss occurring basis to reduce its exposure arising from per risk, catastrophic losses on risks assumed and to manage underwriting capacity. The costs related to these agreements are amortized over the period of underwriting contracts and charged to statement of income.

## Special commission income

Special commission income is recognized on an effective yield basis taking account of the principal outstanding and the applicable special commission rate.

## Dividend income

Dividend income is recognized when the right to receive payment is established, which is generally when shareholders approve the dividend.



Saudi Reinsurance Company
Annual Report 2022
Notes to the Financial Statements

### General and administrative expenses

All expenses incurred during the fiscal year not directly relating to underwriting are classified as general and administrative expenses.

### Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the exchange rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the statement of financial position date. All differences are taken to the respective statements of income.

### Segmental reporting

An operating segment is a component of the Company that is engaged in business activities from which it may earn revenues, incur expenses and which is subject to risk and rewards that are different from those of other segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions.

The Company is organized into business units based on their products, services and has seven reportable operating segments as follows:

- Engineering is a comprehensive insurance cover that is available to the insured in respect of contingencies which may happen on a construction or erection site. It provides an all risks cover for the works as well as a liability cover towards third parties for material damage or injury sustained as a result of the work being undertaken. The cover is also available for machinery.
- Fire insurance pays for specific losses when a property is damaged due to fire, flood, earthquake and other external perils. It may also provide indemnity for loss of profit in case of an industrial or commercial activity.
- Marine insurance covers the loss or damage to cargo, terminals and or damage of ships or other means of transport of cargo by which property is transferred between the points of origin and final destination.
- Motor insurance pays for loss or damage to own motor vehicles involved in accidents. It also pays for losses caused by its use to third party properties and bodily injuries
- Protection includes term and credit life insurance. Term life insurance is used to provide financial aid for dependents in case of death and in certain cases of illness or disability. It can be an individual or a group policy with set duration limit on the coverage with the option to renew the policy or not. Credit life insurance is used to pay off a borrower's debt if that borrower dies, with set duration limit on coverage with the option to renew the policy or not.
- General accident covers a variety of events/ properties such as money, liabilities and personal accident whether for individual or group.
- Speciality includes Company's participation in Lloyd's market which specializes in writing worldwide property, marine, energy, speciality and non-U.S. liability insurance.
- Others include following business segments:
  - Whole accounts covers ceding Company's retention (mainly in property, engineering, marine hull, marine cargo and sometimes include general accident and/or motor) on excess of loss basis
  - Aviation (covers aviation hull, aviation liabilities and spare parts)
  - Energy (covers property damage, liabilities and business interruption)
  - Agriculture (covers standing crops)
  - Political Risk (covers political violence, sabotage and terrorism)

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

No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between business 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 business segments which will then be eliminated at the level of financial statements of the Company.

### Contingencies and commitments

Contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

(b) a present obligation that arises from past events but is not recognized because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets are not recognized in the consolidated financial statements and are disclosed, unless the probability of an outflow of resources embodying economic benefits is remote.

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

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, the disclosure of contingent assets and liabilities, at the reporting date. However, uncertainty about these estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below:

### Accrued reinsurance premium

Estimates have to be made for expected future premium for policies already written but not reported at the reporting date. Due to the nature of reinsurance business, it takes a significant period of time before all premiums are reported for a given underwriting period. The accrued reinsurance premium at the reporting date is determined by using actuarial techniques therefore, considerable judgement, experience and knowledge of the business is required by management in the estimation of accrued premiums due from contract holders. Actual results may differ resulting in positive or negative change in estimated accrued premium income.

The accrued premium estimates are reviewed regularly by the management by using various methods, but primarily by using historical reporting trends as a base for assessing future premium amounts. Historical premiums developments are mainly analyzed by underwriting year, by type and line of business.

### Determination of whether control exist over associate

The Company has investment in an associate which is not 'controlled' by the Company and therefore, the associate is not consolidated in these financial statements. Determining whether the Company controls the associate usually focuses on the assessment whether the Company is exposed to, or has the right to, variable returns from its involvement with the associate and has the ability to affect those returns through its power over the investee. The Company reassesses whether it has control if there are changes to one or more of the elements of control.

### The ultimate liability arising from claims made under reinsurance contracts

The estimation of the ultimate liability arising from claims made under reinsurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that are needed to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the statement of financial position date, for which the insured event has occurred prior to the end of financial reporting date.

The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. Claims requiring court or arbitration decisions 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 Risk and Underwriting Committee, in conjunction with the Company's external actuaries, compares the changes in the technical reserves, to determine whether the change is reasonable.

## Deferred policy acquisition costs

Commission and other costs directly and indirectly related to the acquisition and renewal of reinsurance contracts are recorded as deferred acquisition costs ("DAC") and are amortized in the statement of income over the related period of policy coverage. 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.

## Fair values of financial instruments

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

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Investment Committee, in conjunction with the Company's external fund managers, evaluates the performance of each investment to determine whether the same is reasonable in comparison to the market.

The Company's management evaluates the changes in the fair value of each of the other assets and liabilities, to determine whether the applied methodology is reasonable.

## Going concern

The financial statements have been prepared on a going concern basis. The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.



## 5. CASH AND CASH EQUIVALENTS

| | Reinsurance operations | |
|---|---|---|
| | 2022 SR | 2021 SR |
| Cash in hand (A) | **59,710** | 52,781 |
| Bank balances (A) | **20,447,316** | 21,815,318 |
| | **20,507,026** | 21,868,099 |

| For the year ended 31 December | Shareholders' operations | |
|---|---|---|
| | 2022 SR | 2021 SR |
| Bank balances (B) | **11,049,678** | 5,939,195 |
| Total bank balances and cash (A+B) | **31,556,704** | 27,807,294 |

Cash at banks are placed with counterparties which have investment grade credit ratings of BBB and above.

## 6. REINSURANCE PREMIUM RECEIVABLES, NET

| | Note | 2022 SR | 2021 SR |
|---|---|---|---|
| **Reinsurance operations** | | | |
| Policyholders | | **324,354,438** | 244,929,293 |
| Less: provision for doubtful debts | | **(3,379,901)** | (2,699,700) |
| | | **320,974,537** | 242,229,593 |

The movement in provision for doubtful debt is as follows:

| | 2022 SR | 2021 SR |
|---|---|---|
| Opening balance | **2,699,700** | 2,545,849 |
| Charge for the year | **680,201** | 153,851 |
| Closing balance | **3,379,901** | 2,699,700 |

As at 31 December, the ageing of gross reinsurance premium receivables is as follows:

| | | Past due but not impaired | | | | |
|---|---|---|---|---|---|---|
| | Neither past due nor impaired SR | Less than 90 days SR | 91 to 180 days SR | More than 180 days SR | Past due and impaired SR | Total SR |
| **2022** | | | | | | |
| Policyholders, net of payables | **183,737,324** | **102,282,282** | **30,571,974** | **4,382,957** | **3,379,901** | **324,354,438** |
| Total | **183,737,324** | **102,282,282** | **30,571,974** | **4,382,957** | **3,379,901** | **324,354,438** |

Saudi Reinsurance Company
Annual Report 2022
Notes to the Financial Statements

| | Neither past due nor impaired SR | Past due but not impaired: Less than 90 days SR | 91 to 180 days SR | More than 180 days SR | Past due and impaired SR | Total SR |
|---|---|---|---|---|---|---|
| **2021** | | | | | | |
| Policyholders, net of payables | 146,551,924 | 37,784,672 | 24,087,882 | 33,805,115 | 2,699,700 | 244,929,293 |
| Total | 146,551,924 | 37,784,672 | 24,087,882 | 33,805,115 | 2,699,700 | 244,929,293 |

The Company only enters into insurance and reinsurance contracts with recognized, creditworthy 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 are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts. The five largest customers account for 45% (2021: 37%) of the reinsurance premium receivable as at 31 December 2022.

Reinsurance premium receivables include premium deposits of SR 49,908,299 (2021: SR 48,662,934) and claims deposits of SR 24,880,073 (2021: SR 16,635,171). These deposits are retained by the cedants as per the terms of reinsurance treaties and are of rolling nature. These deposits are released within 12 months after the expiry of the reinsurance treaty.

As at 31 December 2022, the Company does not have receivable from related parties (2021: Nil)

## 7. INVESTMENTS HELD AT FAIR VALUE THROUGH INCOME STATEMENT

(i) Investments held at fair value through income statement consist of the following:

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Reinsurance operations SR | Shareholders' operations SR | Total SR | Reinsurance operations SR | Shareholders' operations SR | Total SR |
| Money market funds | **71,560,649** | **–** | **71,560,649** | 343,047,268 | 61,287,382 | 404,334,650 |
| Investment funds | **–** | **9,391,200** | **9,391,200** | – | 145,093,747 | 145,093,747 |
| Equities | **–** | **41,143,329** | **41,143,329** | – | 41,318,244 | 41,318,244 |
| Fixed-rate bonds/sukuk | **84,915,707** | **80,143,408** | **165,059,115** | 97,377,992 | 115,459,963 | 212,837,955 |
| | **156,476,356** | **130,677,937** | **287,154,293** | 440,425,260 | 363,159,336 | 803,584,596 |

(ii) The analysis of the composition of investments for shareholders' operations is as follows:

| | 2022 | | |
|---|---|---|---|
| | Quoted SR | Unquoted SR | Total SR |
| **Reinsurance operations** | | | |
| Money market funds | **71,560,649** | **–** | **71,560,649** |
| Fixed-rate bonds/sukuk | **84,915,707** | **–** | **84,915,707** |
| | **156,476,356** | **–** | **156,476,356** |

| | 2022 | | |
|---|---|---|---|
| | Quoted SR | Unquoted SR | Total SR |
| **Shareholders' operations** | | | |
| Money market funds | **–** | **–** | **–** |
| Investment funds | **9,391,200** | **–** | **9,391,200** |
| Equities | **41,143,329** | **–** | **41,143,329** |
| Fixed-rate bonds/sukuk | **65,642,659** | **14,500,749** | **80,143,408** |
| | **116,177,188** | **14,500,749** | **130,677,937** |

| | 2021 | | |
|---|---|---|---|
| | Quoted SR | Unquoted SR | Total SR |
| **Reinsurance operations** | | | |
| Money market funds | 343,047,268 | – | 343,047,268 |
| Fixed-rate bonds/sukuk | 97,377,992 | – | 97,377,992 |
| | 440,425,260 | – | 440,425,260 |

| | 2021 | | |
|---|---|---|---|
| | Quoted SR | Unquoted SR | Total SR |
| **Shareholders' operations** | | | |
| Money market funds | 61,287,382 | – | 61,287,382 |
| Investment funds | 145,093,747 | – | 145,093,747 |
| Equities | 41,318,244 | – | 41,318,244 |
| Fixed-rate bonds/sukuk | 74,598,466 | 40,861,497 | 115,459,963 |
| | 322,297,839 | 40,861,497 | 363,159,336 |

The following table shows an analysis of financial instruments under shareholders' operations measured at fair value by level of the fair value hierarchy:

| | 2022 | | | |
|---|---|---|---|---|
| | Level 1 SR | Level 2 SR | Level 3 SR | Total SR |
| **Reinsurance operations** | | | | |
| Money market funds | **–** | **71,560,649** | **–** | **71,560,649** |
| Fixed-rate bonds/sukuk | **84,915,707** | **–** | **–** | **84,915,707** |
| | **84,915,707** | **71,560,649** | **–** | **156,476,356** |

| | 2022 | | | |
|---|---|---|---|---|
| | Level 1 SR | Level 2 SR | Level 3 SR | Total SR |
| **Shareholders' operations** | | | | |
| Money market funds | – | – | – | – |
| Investment funds | – | 9,391,200 | – | 9,391,200 |
| Equities | 41,143,329 | – | – | 41,143,329 |
| Fixed-rate bonds/sukuk | 65,642,659 | – | 14,500,749 | 80,143,408 |
| | 106,785,988 | 9,391,200 | 14,500,749 | 130,677,937 |

| | 2021 | | | |
|---|---|---|---|---|
| | Level 1 SR | Level 2 SR | Level 3 SR | Total SR |
| **Reinsurance operations** | | | | |
| Money market funds | – | 343,047,268 | – | 343,047,268 |
| Fixed-rate bonds/sukuk | 97,377,992 | – | – | 97,377,992 |
| | 97,377,992 | 343,047,268 | – | 440,425,260 |

| | 2021 | | | |
|---|---|---|---|---|
| | Level 1 SR | Level 2 SR | Level 3 SR | Total SR |
| **Shareholders' operations** | | | | |
| Money market funds | – | 61,287,382 | – | 61,287,382 |
| Investment funds | – | 145,093,747 | – | 145,093,747 |
| Equities | 41,318,244 | – | – | 41,318,244 |
| Fixed-rate bonds/sukuk | 74,598,466 | – | 40,861,497 | 115,459,963 |
| | 115,916,710 | 206,381,129 | 40,861,497 | 363,159,336 |

Fair values of money market and investment funds are based on the net assets value ("NAV") as disclosed in the fund's latest available financial statements. The discounted cash flow ("DCF") model has been used to value the level 3 debt securities. This model considers the present value of net cash flows to be generated from the debt security, discounted at the market yield of similar quoted instruments. The estimate is adjusted for the effect of non-marketability of the debt securities. The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurement in level 3 of the fair value hierarchy.

| | Opening | Purchase | Sale | Realized loss | Unrealized gain | Closing |
|---|---|---|---|---|---|---|
| **2022** | **40,861,497** | **–** | **(25,000,000)** | **–** | **(1,360,748)** | **14,500,749** |
| 2021 | 88,788,465 | – | (47,820,148) | 971,790 | (1,078,610) | 40,861,497 |

## Sensitivity analysis

For the fair value of level 3 investments, reasonable possible changes at the reporting date to one of the unobservable inputs, holding other inputs constant, would have the following effects.

| | 2022 | 2021 |
|---|---|---|
| Fixed rate investments held at fair value through income statement | | |
| Impact on unrealized gain for the year ended: | **14,500,749** | 40,861,497 |
| If increased by 5% in market rate | **(41,218)** | (18,703) |
| If decreased by 5% in market rate | **41,413** | 18,729 |

There were no transfers between level 1 and level 2 fair value measurements, and no transfers into or out of level 3 fair value measurements during the year ended 31 December 2022 and year ended 31 December 2021.

(iii) The movement of investments held at fair value through income statement is as follows:

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Reinsurance operations SR | Shareholders' operations SR | Total SR | Reinsurance operations SR | Shareholders' operations SR | Total SR |
| Opening balance | **440,425,260** | **363,159,336** | **803,584,596** | 201,003,059 | 311,078,319 | 512,081,378 |
| Additions | **52,590,590** | **163,200,806** | **215,791,396** | 477,229,172 | 366,391,519 | 843,620,691 |
| Disposals | **(326,166,316)** | **(378,605,541)** | **(704,771,857)** | (241,420,157) | (322,819,104) | (564,239,261) |
| Unrealized (losses)/ gains | **(12,111,434)** | **(21,868,130)** | **(33,979,564)** | 1,811,515 | 3,101,157 | 4,912,672 |
| Realized gains | **1,738,256** | **4,791,466** | **6,529,722** | 1,801,671 | 5,407,445 | 7,209,116 |
| Closing balance | **156,476,356** | **130,677,937** | **287,154,293** | 440,425,260 | 363,159,336 | 803,584,596 |

(iv) The geographical split of investments held at fair value through income statement is as follows:

| | Domestic | | International | | Total | |
|---|---|---|---|---|---|---|
| | 2022 SR | 2021 SR | 2022 SR | 2021 SR | 2022 SR | 2021 SR |
| **Reinsurance operations** | | | | | | |
| Money market funds | **71,560,649** | 343,047,268 | **–** | – | **71,560,649** | 343,047,268 |
| Fixed-rate bonds/ sukuk | **–** | – | **84,915,707** | 97,377,992 | **84,915,707** | 97,377,992 |
| | **71,560,649** | 343,047,268 | **84,915,707** | 97,377,992 | **156,476,356** | 440,425,260 |

| | Domestic | | International | | Total | |
|---|---|---|---|---|---|---|
| | 2022 SR | 2021 SR | 2022 SR | 2021 SR | 2022 SR | 2021 SR |
| **Shareholders' operations** | | | | | | |
| Money market funds | **–** | 61,287,382 | **–** | – | **–** | 61,287,382 |
| Investment funds | **9,391,200** | 145,093,747 | **–** | – | **9,391,200** | 145,093,747 |
| Equities | **41,143,329** | 41,318,244 | **–** | – | **41,143,329** | 41,318,244 |
| Fixed-rate bonds/ sukuk | **14,500,749** | 40,861,497 | **65,642,659** | 74,598,466 | **80,143,408** | 115,459,963 |
| | **65,035,278** | 288,560,870 | **65,642,659** | 74,598,466 | **130,677,937** | 363,159,336 |
| Total | **136,595,927** | 631,608,138 | **150,558,366** | 171,976,458 | **287,154,293** | 803,584,596 |

(v) The analysis of investments by counterparty is as follows:

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Reinsurance operations SR | Shareholders' operations SR | Total SR | Reinsurance operations SR | Shareholders' operations SR | Total SR |
| **Fixed income** | | | | | | |
| Saudi Government | – | 14,500,749 | 14,500,749 | – | 40,861,497 | 40,861,497 |
| Corporate and financial institutions | 84,915,707 | 65,642,659 | 150,558,366 | 97,377,992 | 74,598,466 | 171,976,458 |
| | 84,915,707 | 80,143,408 | 165,059,115 | 97,377,992 | 115,459,963 | 212,837,955 |
| **Others** | | | | | | |
| Money market funds | 71,560,649 | – | 71,560,649 | 343,047,268 | 61,287,382 | 404,334,650 |
| Investment funds | – | 9,391,200 | 9,391,200 | – | 145,093,747 | 145,093,747 |
| Equities | – | 41,143,329 | 41,143,329 | – | 41,318,244 | 41,318,244 |
| | 71,560,649 | 50,534,529 | 122,095,178 | 343,047,268 | 247,699,373 | 590,746,641 |
| Total | 156,476,356 | 130,677,937 | 287,154,293 | 440,425,260 | 363,159,336 | 803,584,596 |

## 8. CLAIMS

| | 2022 SR | 2021 SR |
|---|---|---|
| Outstanding claims | 822,404,823 | 782,990,731 |
| Claims incurred but not reported | 533,120,986 | 427,396,736 |
| | 1,355,525,809 | 1,210,387,467 |
| **Less:** | | |
| – Retroceded share of outstanding claims | 167,700,801 | 149,332,878 |
| – Retroceded share of claims incurred but not reported | 31,630,743 | 38,033,087 |
| | 199,331,544 | 187,365,965 |
| Net outstanding claims reserves | 1,156,194,265 | 1,023,021,502 |

## 9. PREPAID EXPENSES, DEPOSITS AND OTHER ASSETS

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Reinsurance operations SR | Shareholders' operations SR | Total SR | Reinsurance operations SR | Shareholders' operations SR | Total SR |
| Recoverable deposits (refer note 22c) | 103,274 | 37,754,216 | 37,857,490 | 103,274 | 37,754,216 | 37,857,490 |
| Advances to employees | 1,344,516 | – | 1,344,516 | 574,371 | – | 574,371 |
| Prepaid expenses | 841,822 | 606,385 | 1,448,207 | 822,499 | 652,509 | 1,475,008 |
| Retroceded share of deposits received against Inherent Defects Insurance | 62,115,699 | – | 62,115,699 | – | – | – |
| Value added tax | 44,767,148 | – | 44,767,148 | 34,215,590 | – | 34,215,590 |
| Others | 574,767 | 309,935 | 884,702 | 481,885 | – | 481,885 |
| | 109,747,226 | 38,670,536 | 148,417,762 | 36,197,619 | 38,406,725 | 74,604,344 |





## 10. MARGIN LOAN PAYABLE

In 2020, the Company obtained a margin loan amounting to SR 23,116,816. During 2021, additional drawdown was made amounting to SR 33,680,203. Both of margin loans were fully collateralized against underlying bonds and sukuks. As at 31 December 2022, the fair value of collateral against margin loan payable amount to SR 148,772,872 (2021: SR 164,013,225).

As at 31 December 2022, the outstanding balance of margin loan payable is SR 56,797,019 (2021: SR 56,797,019). The loan has no fixed maturity and carries a floating special commission payable on quarterly basis.

## 11. UNEARNED PREMIUMS – NET

| | 2022 | | |
|---|---|---|---|
| | Gross SR | Retroceded share SR | Net SR |
| Opening balance | 648,869,489 | (67,952,509) | 580,916,980 |
| Premiums written during the year | 1,403,280,920 | (504,681,841) | 898,599,079 |
| Net premium earned | (1,051,432,738) | 123,541,802 | (927,890,936) |
| Change in net unearned premiums | 351,848,182 | (381,140,039) | (29,291,857) |
| Closing balance | 1,000,717,671 | (449,092,548) | 551,625,123 |

| | 2021 | | |
|---|---|---|---|
| | Gross SR | Retroceded share SR | Net SR |
| Opening balance | 548,541,182 | (71,861,774) | 476,679,408 |
| Premiums written during the year | 1,115,879,700 | (156,912,032) | 958,967,668 |
| Net premium earned | (1,015,551,393) | 160,821,297 | (854,730,096) |
| Change in net unearned premiums | 100,328,307 | 3,909,265 | 104,237,572 |
| Closing balance | 648,869,489 | (67,952,509) | 580,916,980 |

The table below shows the breakdown of reinsurance premium written and earned during the year per domicile:

| | 2022 | | |
|---|---|---|---|
| | KSA SR | Non-KSA SR | Total SR |
| Booked premium | 396,631,795 | 553,334,989 | 949,966,784 |
| Pipeline premium* | 391,397,934 | 61,916,202 | 453,314,136 |
| Total premium | 788,029,729 | 615,251,191 | 1,403,280,920 |
| Change in unearned premium on booked premium | 38,723,754 | 8,699,617 | 47,423,371 |
| Change in unearned premium on pipeline premium | (384,456,769) | (14,814,784) | (399,271,553) |
| Total change in unearned premium | (345,733,015) | (6,115,167) | (351,848,182) |
| Earned portion on booked premium | 435,355,549 | 562,034,606 | 997,390,155 |
| Earned portion on pipeline premium | 6,941,165 | 47,101,418 | 54,042,583 |
| Total earned premium | 442,296,714 | 609,136,024 | 1,051,432,738 |

| | 2021 | | |
|---|---|---|---|
| | KSA SR | Non-KSA SR | Total SR |
| Booked premium | 438,067,393 | 533,111,558 | 971,178,951 |
| Pipeline premium* | 44,090,530 | 100,610,219 | 144,700,749 |
| Total premium | 482,157,923 | 633,721,777 | 1,115,879,700 |
| Change in unearned premium on booked premium | (45,424,727) | (3,471,217) | (48,895,944) |
| Change in unearned premium on pipeline premium | (20,964,396) | (30,467,967) | (51,432,363) |
| Total change in unearned premium | (66,389,123) | (33,939,184) | (100,328,307) |
| Earned portion on booked premium | 392,642,666 | 529,640,341 | 922,283,007 |
| Earned portion on pipeline premium | 23,126,134 | 70,142,252 | 93,268,386 |
| Total earned premium | 415,768,800 | 599,782,593 | 1,015,551,393 |

* Pipeline premiums are those premiums written but not reported (expected to be reported in future) to the Company at the statement of financial position date. Pipeline premiums are reported as accrued reinsurance premiums in the statement of financial position.

## 12. DEFERRED POLICY ACQUISITION COSTS

| | 2022 SR | 2021 SR |
|---|---|---|
| Opening balance | **168,598,147** | 149,403,279 |
| Incurred during the year | **281,030,476** | 251,598,986 |
| Charged for the year | **(218,198,524)** | (232,404,118) |
| Closing balance | **231,430,099** | 168,598,147 |

## 13. PROPERTY AND EQUIPMENT, NET

| | Computers and Equipment SR | Furniture and Fixtures SR | Motor Vehicles SR | Leasehold Improvements SR | Work-in Progress* SR | Right of Use Assets SR | Total SR |
|---|---|---|---|---|---|---|---|
| **Reinsurance operations:** | | | | | | | |
| As at 1 January 2022 | **17,298,036** | **376,529** | **1,144,713** | **982,014** | **5,273,162** | **660,129** | **25,734,583** |
| Additions during the year | **555,401** | **–** | **–** | **–** | **576,278** | **708,929** | **1,840,608** |
| Disposals during the year | **(2,116,604)** | **(11,452)** | **–** | **–** | **–** | **(660,129)** | **(2,788,185)** |
| As at 31 December 2022 | **15,736,833** | **365,077** | **1,144,713** | **982,014** | **5,849,440** | **708,929** | **24,787,006** |
| **Accumulated depreciation:** | | | | | | | |
| As at 1 January 2022 | **15,260,732** | **362,286** | **665,464** | **366,596** | **–** | **610,047** | **17,265,125** |
| Charged for the year | **1,411,103** | **7,779** | **143,766** | **108,430** | **–** | **220,134** | **1,891,212** |
| Disposals during the year | **(2,116,258)** | **(11,446)** | **–** | **–** | **–** | **(660,129)** | **(2,787,833)** |
| As at 31 December 2022 | **14,555,577** | **358,619** | **809,230** | **475,026** | **–** | **170,052** | **16,368,504** |
| **Net book value** | | | | | | | |
| As at 31 December 2022 | **1,181,256** | **6,458** | **335,483** | **506,988** | **5,849,440** | **538,877** | **8,418,502** |

*Work-in-progress represents certain advances for the IT infrastructure.

| | Land SR | Building SR | Furniture and Fixtures SR | Total SR |
|---|---|---|---|---|
| **Shareholders' operations:** | | | | |
| Cost: | | | | |
| As at 1 January 2022 | **18,329,960** | **12,061,207** | **4,706,907** | **35,098,074** |
| Additions during the year | **–** | **–** | **205,299** | **205,299** |
| As at 31 December 2022 | **18,329,960** | **12,061,207** | **4,912,206** | **35,303,373** |
| **Accumulated depreciation:** | | | | |
| As at 1 January 2022 | | **2,720,754** | **3,690,951** | **6,411,705** |
| Charged for the year | | **374,151** | **556,810** | **930,961** |
| As at 31 December 2022 | | **3,094,905** | **4,247,761** | **7,342,666** |
| **Net book value:** | | | | |
| As at 31 December 2022 | **18,329,960** | **8,966,302** | **664,445** | **27,960,707** |
| Total net book value as at 31 December 2022 | | | | **36,379,209** |



Saudi Reinsurance Company
Annual Report 2022
Notes to the Financial Statements

Saudi Reinsurance Company
Annual Report 2022
Notes to the Financial Statements

| | Computers and Equipment SR | | Furniture and Fixtures SR | Motor Vehicles SR | Leasehold Improvements SR | Work-in Progress* SR | Right of Use Assets SR | Total SR |
|---|---|---|---|---|---|---|---|---|
| **Reinsurance operations:** | | | | | | | | |
| Cost: | | | | | | | | |
| As at 1 January 2021 | 16,326,945 | | 366,669 | 723,661 | 982,014 | 1,457,554 | 660,129 | 20,516,972 |
| Additions during the year | 1,135,760 | | 9,860 | 575,101 | – | 3,815,608 | – | 5,536,329 |
| Disposals during the year | (164,669) | | – | (154,049) | – | – | – | (318,718) |
| As at 31 December 2021 | 17,298,036 | | 376,529 | 1,144,713 | 982,014 | 5,273,162 | 660,129 | 25,734,583 |
| **Accumulated depreciation:** | | | | | | | | |
| As at 1 January 2021 | 14,024,968 | | 359,967 | 723,661 | 270,454 | – | 371,213 | 15,750,263 |
| Charged for the year | 1,400,389 | | 2,319 | 95,850 | 96,142 | – | 238,834 | 1,833,534 |
| Disposals during the year | (164,625) | | – | (154,047) | – | – | – | (318,672) |
| As at 31 December 2021 | 15,260,732 | | 362,286 | 665,464 | 366,596 | – | 610,047 | 17,265,125 |
| **Net book value** | | | | | | | | |
| As at 31 December 2021 | 2,037,304 | | 14,243 | 479,249 | 615,418 | 5,273,162 | 50,082 | 8,469,458 |

*Work-in-progress represents certain advances for the IT infrastructure.

| | Land SR | Building SR | Furniture and Fixtures SR | Total SR |
|---|---|---|---|---|
| **Shareholders' operations:** | | | | |
| | 18,329,960 | 11,454,040 | 4,706,907 | 34,490,907 |
| As at 1 January 2021 | – | 607,167 | – | 607,167 |
| As at 31 December 2021 | 18,329,960 | 12,061,207 | 4,706,907 | 35,098,074 |
| **Accumulated depreciation:** | | | | |
| As at 1 January 2021 | – | 2,373,662 | 3,258,622 | 5,632,284 |
| Charged for the year | – | 347,092 | 432,329 | 779,421 |
| As at 31 December 2021 | – | 2,720,754 | 3,690,951 | 6,411,705 |
| **Net book value:** | | | | |
| As at 31 December 2021 | 18,329,960 | 9,340,453 | 1,015,956 | 28,686,369 |
| Total net book value as at 31 December 2021 | | | | 37,155,827 |

## 14. TIME DEPOSITS

Time deposits are placed with banks which have credit ratings of BBB and above. Such deposits earn special commission at an average effective commission rate of 3.72% (2021: 2.51%) per annum and have average term of 4 years (2021: 4 years).

## 15. ACCRUED REINSURANCE PREMIUMS

The gross written premiums (GWP) of proportional treaty and facultative reinsurance contracts include estimates of premiums due to the Company but not yet reported by the cedant. This portion of GWP is considered as pipeline premium and accounted in the statement of financial position as "Accrued reinsurance premiums" net of related acquisition costs. These pipeline/accrued premiums are estimated at the inception of the reinsurance contract based on cedents/brokers forecasts and management's evaluation of these forecasts. Management reviews and evaluates all premium estimates, comparing actual premiums to expected ultimate premiums on a quarterly basis and any adjustments to these estimates are recorded in the financial statements as and when updated information comes to light.

## 16. UNEARNED RETROCESSION COMMISSION

| | 2022 SR | 2021 SR |
|---|---|---|
| Opening balance | **17,149,629** | 15,805,185 |
| Commission received on retroceded business during the year | **102,226,959** | 21,019,953 |
| Commission earned on retroceded business during the year | **(14,815,510)** | (19,675,509) |
| Closing balance | **104,561,078** | 17,149,629 |

## 17. INVESTMENT IN AN EQUITY ACCOUNTED INVESTEE

| | 2022 SR | 2021 SR |
|---|---|---|
| Opening balance | **120,141,077** | 142,000,373 |
| Share of profit of equity accounted investee | **19,798,957** | 18,657,921 |
| Company's share of other comprehensive income – Impact of foreign currency exchange | **(8,258,424)** | (1,429,969) |
| Share of capital contribution of investment in equity accounted investee | **3,261,761** | 4,631,344 |
| 31 December | **156,802,667** | 142,000,373 |

The Company, on 6 October 2017, acquired 49.9% of the ordinary shares of Probitas Holdings (Bermuda) Limited ("PHBL"). The Company has accounted for this investment as an associate (equity accounted investee). PHBL operates in insurance and reinsurance businesses including Lloyds market in London, United Kingdom.

The Company has recognized its share of the management shareholders' share of capital contribution of investment in equity accounted investee amounting to SR 3.3 million during the year, relating to the share options that were granted to certain employees of PHBL by the management shareholders, that are funded into an Employee Benefit Trust by them.

The following table summarizes the financial information of PHBL as included in its own financial statements. The table also reconciles the summarized financial information to the carrying amount of the Company's interest in PHBL.

| | 2022 SR | 2021 SR |
|---|---|---|
| Percentage ownership interest (%) | 49.90 | 49.90 |
| Total assets | 1,504,915,644 | 1,360,963,729 |
| Total liabilities | 1,220,017,201 | 1,105,729,202 |
| Net assets (100%) | 284,898,443 | 255,234,527 |
| Company's share of net assets (49.90%) | 142,164,323 | 127,362,029 |
| Goodwill | 14,638,344 | 14,638,344 |
| Carrying amount of interest in associate | 156,802,667 | 142,000,373 |
| Revenue | 326,139,109 | 266,178,903 |
| Profit from continuing operations | 39,677,269 | 37,390,624 |
| Other comprehensive income – Impact of foreign currency exchange | (16,549,948) | (2,865,670) |
| Total comprehensive income (100%) | 23,127,321 | 34,524,954 |
| Company's share of profit | 19,798,957 | 18,657,921 |
| Company's share of other comprehensive income – Impact of foreign currency exchange | (8,258,424) | (1,429,969) |
| Company's share of total comprehensive income (49.90%) | 11,540,533 | 17,227,952 |

## 18. HELD TO MATURITY INVESTMENTS

| | Reinsurance operations | |
|---|---|---|
| | 2022 SR | 2021 SR |
| At the beginning of the year | 25,000,000 | – |
| Purchases | – | 25,000,000 |
| Balance at the end of the year (A) | 25,000,000 | 25,000,000 |

| | Shareholders' operations | |
|---|---|---|
| | 2022 SR | 2021 SR |
| At the beginning of the year | 273,022,312 | 184,022,721 |
| Purchases | 110,957,793 | 85,586,537 |
| Maturities | (24,000,000) | – |
| Amortization of discount/premium net | 2,672,417 | 3,413,054 |
| Balance at the end of the year (B) | 362,652,522 | 273,022,312 |
| Total held to maturity investments (A+B) | 387,652,522 | 298,022,312 |

Following is the breakdown of held to maturity investments per domicile:

| | Domestic | | International | | Total | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Reinsurance fixed rate bond and sukuks | 25,000,000 | 25,000,000 | – | – | 25,000,000 | 25,000,000 |
| Shareholders' fixed rate bond and sukuks | 231,104,694 | 133,439,990 | 131,547,828 | 139,582,322 | 362,652,522 | 273,022,312 |
| Held to maturity | 256,104,694 | 158,439,990 | 131,547,828 | 139,582,322 | 387,652,522 | 298,022,312 |

The special commission rate on these sukuks and bonds ranges from 2.15% to 8.38% and will mature in 2030, latest. The total accrued interest on these sukuks and bonds amounted to SR 3.7 million (2021: SR 3.4 million) classified under accrued dividends and special commission income from bonds, sukuk and held-to-maturity investments.

Movements in held to maturity investments are as follows:

| | 2022 | | |
|---|---|---|---|
| | Quoted SR | Unquoted SR | Total SR |
| **Reinsurance operations** | | | |
| At the beginning of the year | – | 25,000,000 | 25,000,000 |
| Purchases | – | – | – |
| Balance at the end of the year (A) | – | 25,000,000 | 25,000,000 |
| **Shareholders' operations** | | | |
| At the beginning of the year | 258,022,312 | 15,000,000 | 273,022,312 |
| Purchases | 110,957,793 | – | 110,957,793 |
| Maturities | (24,000,000) | – | (24,000,000) |
| Amortization of discount/(premium) | 2,672,417 | – | 2,672,417 |
| Balance at the end of the year (B) | 347,652,522 | 15,000,000 | 362,652,522 |
| Total held to maturity investments (A+B) | 347,652,522 | 40,000,000 | 387,652,522 |

| | 2021 | | |
|---|---|---|---|
| | Quoted SR | Unquoted SR | Total SR |
| **Reinsurance operations** | | | |
| At the beginning of the year | – | – | – |
| Purchases | – | 25,000,000 | 25,000,000 |
| Balance at the end of the year (A) | – | 25,000,000 | 25,000,000 |
| **Shareholders' operations** | | | |
| At the beginning of the year | 169,022,721 | 15,000,000 | 184,022,721 |
| Purchases | 85,586,537 | – | 85,586,537 |
| Amortization of discount/(premium) | 3,413,054 | – | 3,413,054 |
| Balance at the end of the year (B) | 258,022,312 | 15,000,000 | 273,022,312 |
| Total held to maturity investments (A+B) | 258,022,312 | 40,000,000 | 298,022,312 |

## 19. EMPLOYEES' END OF SERVICE BENEFITS

The movement in provision for employee end-of-service benefits for the years ended 31 December are as follows:

| | 2022 SR | 2021 SR |
|---|---|---|
| Balance at beginning of the year | 12,288,391 | 10,673,191 |
| Current service cost | 1,106,079 | 1,024,807 |
| Interest cost | 455,052 | 316,213 |
| Amount recognized in income statement | 1,561,131 | 1,341,020 |
| Re-measurement loss recognized in other comprehensive income | 462,092 | 694,084 |
| Benefits paid during the year | (443,884) | (419,904) |
| Balance at the end of the year | 13,867,730 | 12,288,391 |

Net defined benefit as at year-end is as follows:

| | 2022 SR | 2021 SR |
|---|---|---|
| Present value of defined benefit obligation | **13,867,730** | 12,288,391 |

## Principal actuarial assumptions

The principal actuarial assumptions used are as follows:

| | 2022 % | 2021 % |
|---|---|---|
| Salary growth rate | **2.90** | 2.90 |
| Mortality rates | **10** | 10 |
| Discount rate | **4.72** | 3.89 |

Assumption on withdrawal rates are as follows:

| | 2022 % | 2021 % |
|---|---|---|
| **Employee age** | | |
| 20-35 | **30** | 30 |
| 35-40 | **20** | 20 |
| 40-45 | **20** | 20 |
| 45-100 | **–** | – |

## Sensitivity analysis

Reasonably possible changes as to one of the relevant actuarial assumptions, holding other assumptions constant, the amount of defined benefit obligations would have been:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Salary growth (0.5% movement) | **571,871** | **(541,514)** | 534,410 | (505,163) |
| Mortality rates (10% movement) | **350** | **(356)** | (3,322) | 6,660 |
| Discount rate (0.5% movement) | **(507,337)** | **539,421** | (476,077) | 507,223 |
| Withdrawal rate (50% movement) | **(327,207)** | **217,092** | (470,899) | 381,234 |

## Risks associated with defined benefit plans

Salary increase risk:
The retirement benefit of the Company is one where the benefit is linked with final salary. The risk arises when the actual salary increases are higher than expectation and impacts the liability accordingly.

Longevity risks:

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.



## 20. ACCRUED EXPENSES AND OTHER LIABILITIES

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Reinsurance operations SR | Shareholders' operations SR | Total SR | Reinsurance operations SR | Shareholders' operations SR | Total SR |
| Consultancy fees | **941,210** | **–** | **941,210** | 1,338,250 | – | 1,338,250 |
| Employees' bonus | **6,306,663** | **–** | **6,306,663** | 5,235,299 | – | 5,235,299 |
| Withholding tax payable | **418,574** | **49,292** | **467,866** | 151,994 | 47,751 | 199,745 |
| Professional fees payable | **1,021,227** | **1,125,198** | **2,146,425** | 1,023,353 | 938,079 | 1,961,432 |
| Directors' remunerations | **–** | **1,900,000** | **1,900,000** | – | 1,900,000 | 1,900,000 |
| Meetings fees and expenses | **–** | **955,000** | **955,000** | – | – | – |
| Deposits received against Inherent Defects Insurance | **63,926,709** | **–** | **63,926,709** | – | – | – |
| Value added tax payable | **19,644,096** | **–** | **19,644,096** | 9,638,298 | – | 9,638,298 |
| Unallocated loss adjustment expenses | **4,429,600** | **–** | **4,429,600** | – | – | – |
| SAMA supervision fees | **1,032,678** | **–** | **1,032,678** | 3,303,759 | – | 3,303,759 |
| Others | **2,863,616** | **672,664** | **3,536,280** | 4,804,095 | 1,516,348 | 6,320,443 |
| | **100,430,873** | **4,702,154** | **105,133,027** | 25,495,048 | 4,402,178 | 29,897,226 |

## 21. CLAIMS DEVELOPMENT TABLE

The following table shows the estimates of cumulative incurred claims, including both claims notified and incurred but not reported for each successive underwriting year at each reporting date, together with cumulative payments to date. The development of reinsurance liabilities provides a measure of the Company's ability to estimate the ultimate value of the claims. The Company aims to maintain adequate reserves in respect of its reinsurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences will be eliminated which results in the release of reserves from earlier underwriting years. In order to maintain adequate reserves, the Company will transfer much of this release to the future underwriting years' reserves when the development of claims is less mature and there is much greater uncertainty attached to the ultimate cost of claims.

Saudi Reinsurance Company
Annual Report 2022
Notes to the Financial Statements

Gross reinsurance contract outstanding claims and IBNR provision for 2022:

| Underwriting year | 2012 and prior SR | 2013 SR | 2014 SR | 2015 SR | 2016 SR | | 2017 SR | 2018 SR | 2019 SR | 2020 SR | 2021 SR | 2022 SR | Total SR |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| At end of underwriting year | 177,565,565 | 149,402,912 | 184,231,909 | 242,728,277 | 166,267,303 | | 323,560,488 | 282,831,889 | 248,740,712 | 280,902,478 | 328,909,284 | **262,486,487** | |
| One year later | 463,758,484 | 344,228,030 | 360,219,868 | 1,074,743,558 | 324,048,753 | | 576,963,497 | 539,563,402 | 422,832,375 | 516,532,228 | 703,048,055 | | |
| Two years later | 544,739,197 | 290,112,923 | 350,425,942 | 1,095,518,847 | 352,196,791 | | 607,942,353 | 532,756,041 | 435,145,795 | 578,110,183 | | | |
| Three years later | 544,256,687 | 289,836,213 | 370,528,846 | 1,068,163,227 | 360,149,086 | | 635,391,519 | 530,496,344 | 441,480,622 | | | | |
| Four years later | 556,342,513 | 295,560,915 | 363,998,517 | 1,064,368,673 | 351,483,662 | | 652,240,936 | 527,369,936 | | | | | |
| Five years later | 537,752,192 | 295,920,333 | 365,260,904 | 1,057,430,481 | 365,444,867 | | 655,870,563 | | | | | | |
| Six years later | 542,404,816 | 297,286,661 | 364,410,626 | 1,060,179,866 | 357,061,503 | | | | | | | | |
| Seven years later | 536,517,495 | 295,341,654 | 364,475,688 | 1,057,901,476 | | | | | | | | | |
| Eight years later | 532,349,547 | 297,549,821 | 363,362,558 | | | | | | | | | | |
| Nine years later | 533,265,501 | 293,173,312 | | | | | | | | | | | |
| Ten years later | 530,329,834 | | | | | | | | | | | | |
| Current estimate of cumulative claims incurred | 530,329,834 | 293,173,312 | 363,362,558 | 1,057,901,476 | 357,061,503 | | 655,870,563 | 527,369,936 | 441,480,622 | 578,110,183 | 703,048,055 | **262,486,487** | 5,770,194,529 |
| Cumulative payments to date | (520,161,268) | (281,014,440) | (346,196,944) | (1,035,004,123) | (318,647,875) | | (593,142,855) | (441,818,559) | (340,561,386) | (292,637,377) | (256,236,651) | **10,752,758** | (4,414,668,720) |
| Total gross outstanding claims and claims incurred but not reported provision per the statement of financial position | 10,168,566 | 12,158,872 | 17,165,614 | 22,897,353 | 38,413,628 | | 62,727,708 | 85,551,377 | 100,919,236 | 285,472,806 | 446,811,404 | **273,239,245** | 1,355,525,809 |

Net reinsurance contract outstanding claims and IBNR provision for 2022:

| Underwriting year | 2012 and prior SR | 2013 SR | 2014 SR | 2015 SR | 2016 SR | | 2017 SR | 2018 SR | 2019 SR | 2020 SR | 2021 SR | 2022 SR | Total SR |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| At end of underwriting year | 126,804,072 | 149,622,902 | 156,137,999 | 231,126,743 | 165,314,261 | | 219,104,644 | 218,615,217 | 151,400,260 | 231,961,998 | 307,192,228 | **215,174,066** | |
| One year later | 269,835,478 | 332,081,892 | 316,800,613 | 994,226,860 | 325,244,631 | | 410,535,835 | 427,567,472 | 316,464,005 | 438,505,220 | 636,767,141 | | |
| Two years later | 354,500,649 | 282,327,873 | 311,680,480 | 1,008,411,285 | 341,080,047 | | 455,321,351 | 451,638,168 | 331,955,503 | 507,552,513 | | | |
| Three years later | 365,216,893 | 282,125,164 | 342,110,021 | 985,848,692 | 355,423,583 | | 444,474,595 | 450,490,700 | 350,965,654 | | | | |
| Four years later | 370,893,618 | 283,425,994 | 339,134,581 | 987,086,976 | 346,698,613 | | 458,098,595 | 437,779,889 | | | | | |
| Five years later | 360,921,004 | 283,610,964 | 341,005,938 | 984,113,721 | 360,667,432 | | 454,219,162 | | | | | | |
| Six years later | 365,956,293 | 284,953,720 | 328,684,468 | 986,861,970 | 352,206,856 | | | | | | | | |
| Seven years later | 360,689,576 | 287,834,744 | 329,226,785 | 984,563,442 | | | | | | | | | |
| Eight years later | 359,622,321 | 290,052,751 | 328,118,429 | | | | | | | | | | |
| Nine years later | 361,884,719 | 285,760,273 | | | | | | | | | | | |
| Ten years later | 360,321,964 | | | | | | | | | | | | |
| Current estimate of cumulative claims incurred | 360,321,964 | 285,760,273 | 328,118,429 | 984,563,442 | 352,206,856 | | 454,219,162 | 437,779,889 | 350,965,654 | 507,552,513 | 636,767,141 | **215,174,066** | 4,913,429,389 |
| Cumulative payments to date | (351,539,047) | (273,742,906) | (312,684,954) | (964,627,943) | (315,099,818) | | (398,710,122) | (385,393,551) | (260,777,312) | (273,186,524) | (231,879,355) | **10,406,408** | (3,757,235,124) |
| Net outstanding claims and claims incurred but not reported provision per the statement of financial position | 8,782,917 | 12,017,367 | 15,433,475 | 19,935,499 | 37,107,038 | | 55,509,040 | 52,386,338 | 90,188,342 | 234,365,989 | 404,887,786 | **225,580,474** | 1,156,194,265 |



Saudi Reinsurance Company
Annual Report 2022
Notes to the Financial Statements

## 22. ZAKAT AND INCOME TAX

### (a) Zakat

Zakat charge for the year of SR 15,232,686 (2021: SR 14,965,272) is based on the following:

| | 2022 SR | 2021 SR |
|---|---|---|
| Share capital | **891,000,000** | 810,000,000 |
| Statutory reserve – beginning of the year | **34,749,555** | 27,087,676 |
| Retained earnings – beginning of the year | **35,495,182** | 85,847,666 |
| Adjusted net income for the year | **52,852,924** | 57,830,799 |
| Accumulated surplus | **13,549,575** | 10,978,352 |
| Other reserves | **2,751,420** | 244,129 |
| Provisions | **15,223,428** | 13,478,357 |
| | **1,045,622,084** | 1,005,466,979 |
| **Deductions:** | | |
| Statutory deposit | **(89,100,000)** | (89,100,000) |
| Others non-current assets | **(412,299,524)** | (361,233,879) |
| Zakat base | **544,222,560** | 555,133,100 |
| Zakat base for Saudi shareholders 99.60% (2020: 99.60%) | **542,045,670** | 552,912,568 |
| Zakat provision for the year | **15,232,686** | 14,965,272 |

### (b) Income tax

Income tax for the year of SR 32,820 (2021: SR 40,271) is based on the following:

| | 2022 SR | 2021 SR |
|---|---|---|
| Net income for the year | **62,103,602** | 55,886,161 |
| Adjusted profit | **54,699,387** | 57,433,091 |
| Portion of net taxable income for non-Saudi shareholders 0.40% (2021: 0.40%) | **218,798** | 229,732 |
| Non-GCC share in losses carried forward up to 25% of their share from the portion of taxable income | **(54,699)** | (57,433) |
| KSA operations' income tax base | **164,098** | 172,299 |
| Income tax provision for the year | **32,820** | 40,271 |

### (c) The movement of the provision for Zakat and income tax is as follows:

| | 2022 SR | 2021 SR |
|---|---|---|
| Opening balance | **15,266,235** | 15,173,830 |
| Income tax provision for the year | **32,820** | 40,271 |
| Zakat provision for the year | **15,232,686** | 14,965,272 |
| Paid during the year | **(12,998,578)** | (14,913,138) |
| Closing balance | **17,533,163** | 15,266,235 |

The Company has recorded Zakat and tax provision based on the circular No. 12746/16/1438H (18 January 2017) issued by the Zakat, Tax and Customs Authority (ZATCA), in which Saudi public listed companies are to provide for tax and Zakat based on the shareholding percentages of GCC and non-GCC founding shareholders. The shareholding percentages of GCC and non-GCC founding shareholders were 99.6% and 0.4% respectively as at 31 December 2022 (2021: 99.60% and 0.4%).

### d) Status of assessment

The Company has filed its tax/Zakat returns for the year ended 31 December 2021 and obtained the final Zakat certificate up to 2021. However, it is Zakat, Tax, and Customs Authority (ZATCA)'s discretion to issue further assessments for 2021.

In October 2021, the ZATCA has issued assessments for the years 2019 and 2020 with additional Zakat and income tax liability amounting to SR 3.1 million and SR 4.2 million, respectively. The Company filed an appeal with Tax Committee for Resolution of Tax Violations and Disputes (Level 1) against this additional amount. On 8 September 2022, the Tax Violations and Disputes Committee (Level 1) concluded its hearing with the Company and ZATCA by issuing its verbal ruling for which it has overturned the appeal and ruled in favor of the Company. Following the issuance of the written ruling, the ZATCA will have 30 days to appeal to the Appellate Committee at the Appeal Committee for Tax Violations and Disputes (Level 2). The Company also has the right to file a response to ZATCA's appeal.

### e) Status of VAT assessment

Other assets include payment made by the Company in relation to VAT assessment raised by Zakat, Tax and Customs Authority (ZATCA) for 2018 and 2019 financial years amounting to SR 35 million (2021: SR 35 million). The ZATCA accepted the Company's objection regarding local and standard rated purchases and refunded the full amount of SR 3.5 million in early 2021 and rejected the objection for remaining amount. The Company has filed an appeal with The General Secretariat of Zakat, Tax and Customs Committees ("GSZTCC") {formerly known as The General Secretariat of Tax Committees ("GSTC")} against the ZATCA's rejection decision. ZATCA filed a counter-reply to the Company's appeal with GSTC in April 2021. The Company has filed a counter reply to ZATCA's counter claim. Simultaneously, an appeal to the Alternative Dispute Resolution Committee "(ADRC") has also been filed to present the Company's perspective to ADRC. Following ADRC's rejection, the Company continued with the appeal with GZSTCC.

In June 2022, the Tax Violations and Disputes committee at the GZSTCC (i.e., GSZTCC Level 1) concluded its hearing with the Company and ZATCA by issuing its verbal ruling for which it has overturned the ZATCA's decision and ruled in favour of the Company. In September 2022, the Company received the written ruling from the GSZTCC. Following the issuance of the written ruling, the ZATCA submitted an appeal to the Appellate Committee for Tax Violations and Disputes at the GSZTCC (i.e., GSZTCC level 2) on 6 October 2022. The GSZTCC level 2 notified the Company about the appeal on 9 October 2022 and had set a deadline of 45 business days for the Company to submit a response.

The Company submitted its response on 8 December 2022 to GSZTCC Level 2 and is currently awaiting the GSZTCC Level 2 hearing or decision (as the case may be). The response basis and the grounds of appeal are based on the understanding of the relevant VAT Legislation in KSA and its applicability on reinsurance activities in line with the previous submissions to the ZATCA and GSZTCC. Based on the facts of the case, the Company is of the view that there are appropriate grounds to defend the position against the ZATCA's appeal.

## 23. SHARE CAPITAL

The authorized, issued and paid up share capital of the Company is SR 891 million (2020: SR 810 million) The authorized, issued and paid up share capital of the Company is SR 891 million (2021: SR 891 million) divided into 89.1 million (2021: 89.1 million) shares of SR 10 each. Shareholding structure of the Company is as below. The shareholders of the Company are subject to zakat and income tax.

| | 2022 | | |
|---|---|---|---|
| | Authorized and issued | | Paid up |
| | Number of shares | Value per share | SR |
| Ahmed Hamad Algosaibi Brothers Co. | 4,455,000 | 10 | 44,550,000 |
| Others | 84,645,000 | 10 | 846,450,000 |
| | 89,100,000 | 10 | 891,000,000 |

| | 2021 | | |
|---|---|---|---|
| | Authorized and issued | | Paid up |
| | Number of shares | Value per share | SR |
| Ahmed Hamad Algosaibi Brothers Co. | 4,455,000 | 10 | 44,550,000 |
| Others | 84,645,000 | 10 | 846,450,000 |
| | 89,100,000 | 10 | 891,000,000 |

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

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 year.

During the year, the Company's Board of Directors recommended, at their meeting on 6 April 2022, that the Company's ordinary share capital be increased from SR 891 million to SR 1,336.5 million, a 50% increase, by offering right issue. The reason for right issue is to strengthen the Company's capital base and support its future expansion activities. On 25 May 2022, the Company got approval of Saudi Central Bank to increase the Company's ordinary share capital provided that all relevant requirements are fulfilled. The Company is currently in the process of fulfilling the regulatory requirements to complete the increase in its share capital.

## 24. STATUTORY RESERVE

In accordance with the Company's by–laws and Article 70 (2g) of the Insurance Implementing Regulations issued by SAMA, a minimum of 20% of the annual net income is required to be transferred to a statutory reserve until this reserve equals the paid-up capital of the Company. This reserve is not available for distribution.

## 25. GENERAL AND ADMINISTRATIVE EXPENSES

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Reinsurance operations SR | Shareholders' operations SR | Total SR | Reinsurance operations SR | Shareholders' operations SR | Total SR |
| Salaries and related benefits | 38,991,461 | 4,030,212 | 43,021,673 | 32,818,037 | 3,575,802 | 36,393,839 |
| Professional fees | 2,360,138 | 3,213,720 | 5,573,858 | 2,809,057 | 2,500,338 | 5,309,395 |
| Consulting fees | 2,833,883 | 4,996,945 | 7,830,828 | 2,764,532 | – | 2,764,532 |
| Depreciation* | 2,822,173 | – | 2,822,173 | 2,612,955 | – | 2,612,955 |
| Computer expenses | 2,254,537 | – | 2,254,537 | 1,614,868 | – | 1,614,868 |
| Rent and premises expenses | 1,190,256 | – | 1,190,256 | 1,001,017 | – | 1,001,017 |
| Licensing fees | 103,873 | 584,506 | 688,379 | 91,135 | 691,534 | 782,669 |
| Advertising | 903,673 | – | 903,673 | 284,305 | 195,000 | 479,305 |
| Training | 699,514 | 76,492 | 776,006 | 325,118 | – | 325,118 |
| Withholding tax | 222,305 | 38,406 | 260,711 | 219,517 | 57,159 | 276,676 |
| Travelling expenses | 631,767 | 77,315 | 709,082 | 143,056 | 50,748 | 193,804 |
| Unallocated loss adjustment expenses | 4,429,600 | – | 4,429,600 | – | – | – |
| Others | 2,406,560 | 1,476,484 | 3,883,044 | 2,182,835 | 1,521,798 | 3,704,633 |
| | 59,849,740 | 14,494,080 | 74,343,820 | 46,866,432 | 8,592,379 | 55,458,811 |

* Depreciation charge for the year for shareholders' operations assets is charged to reinsurance operations as a rent for using the assets.

## 26. BOARD OF DIRECTORS' REMUNERATION, MEETING FEES AND EXPENSES

| | 2022 SR | 2021 SR |
|---|---|---|
| Board of directors' remuneration | 1,855,210 | 2,689,137 |
| Meetings fees and expenses | 1,805,205 | 2,108,880 |
| | 3,660,415 | 4,798,017 |

## 27. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders and key management personnel of the Company. Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly and comprise top management executives including the Chief Executive Officer and the Chief Financial Officer of the Company. The Company transacts with its related parties in the ordinary course of business. The transactions with related parties are undertaken at mutually agreed terms, which are approved by the management.

Details of transactions and balances with related parties during the year other than those which have been disclosed elsewhere in these financial statements are disclosed below:

| Related party | Nature of transactions | Amount of transactions for the year ended | | Balance as at | |
|---|---|---|---|---|---|
| | | 31 December 2022 SR | 31 December 2021 SR | 31 December 2022 SR | 31 December 2021 SR |
| Board of Directors | – Consulting fees | **188,983** | 186,957 | **–** | – |
| | – Remunerations, meetings fees and expenses | **3,660,415** | 4,798,017 | **2,845,000** | 2,779,999 |
| Key Management Personnel | – Short term benefits | **11,829,980** | 11,192,359 | **2,230,311** | 2,218,808 |
| | – End of service benefits | **1,181,869** | 834,744 | **6,100,729** | 4,953,418 |
| Associate* | – Gross written premiums | **158,704,085** | 193,797,392 | **312,464,967** | 237,471,914 |
| | – Net premium earned | **149,256,095** | 158,306,830 | **–** | – |
| | – Net claims incurred | **77,927,355** | 60,153,766 | **157,255,121** | 94,355,113 |
| | – Policy acquisition cost | **41,057,133** | 78,713,728 | **–** | – |

Balances with related parties are included in reinsurance premium receivables, accrued reinsurance premiums, claims incurred but not reported, accrued expenses and other liabilities shown in the statement of financial position.

## 28. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the years ended 31 December 2022 and 31 December 2021 have been calculated by dividing net income after Zakat and tax attributable to the shareholders for the year by the weighted average number of ordinary shares issued and outstanding at the end of the year.

## 29. STATUTORY DEPOSIT

The Company has deposited an amount of SR 89.1 million (31 December 2021: SR 89.1 million) with a local bank, which has been rated "A" by Standard & Poor's Rating agency representing the statutory deposit of 10% of its paid-up capital as required by the Implementing Regulations of the "Law On Supervision of Cooperative Insurance Companies" issued by SAMA. This statutory deposit cannot be withdrawn without the consent of SAMA. The statutory deposit generates special commission income which is accrued on regular basis and is shown as a separate line item as part of the shareholders' liabilities in the statement of financial position as "Accrued commission income payable to SAMA". The accrued commission on the deposit as at December 2022 is SR 22,084,429 (31 December 2021: SAR 20,962,172) and has also been disclosed in assets as "Accrued income on statutory deposit". During the year, the Company has received SR 1,134,784 on account of accrued income on statutory deposit.

## 30. SEGMENTAL INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief decision maker in order to allocate resources to the segments and to assess its performance. Consistent with the Company's internal reporting process, business and geographical segments have been approved by the Management Committee in respect of the Company's activities, assets and liabilities as stated below.

Segment results do not include special commission income from time deposits, bonds and sukuks, realized and unrealized gains on investments held at fair value through income statement, other income, investment management expenses and all general and administrative.

Segment assets do not include cash and cash equivalents of reinsurance operations, time deposits, accrued special commission income from time deposits, investments held at fair value through income statement, accrued special commission income from bonds and sukuk, retrocession balances receivable, held-to-maturity investments, prepaid expenses, deposits and other assets, and property and equipment (net).

Segment liabilities do not include retrocession balances payable, accrued expenses and other liabilities and employees' end of service benefits.

### 30.1 Business segments

The Company revises periodically its estimated gross written premiums and related retroceded premium upon receipt of actual information from cedants. In some business segments, this results in negative gross written premiums, positive retroceded premiums and negative net written premiums for the year when the revision took place.



Saudi Reinsurance Company
Annual Report 2022
Notes to the Financial Statements

| For the year ended 31 December 2022 | Engineering SR | Fire SR | Marine SR | Motor SR | General Accident SR | Protection SR | Health SR | Speciality SR | Inherent Defects Insurance SR | Others SR | Total SR |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | | | | | |
| Gross written premiums | 87,095,933 | 295,088,993 | 63,409,363 | 99,701,766 | 47,415,968 | 22,460,001 | 35,781,200 | 158,704,085 | 394,537,350 | 199,086,261 | 1,403,280,920 |
| Retroceded premiums | (12,277,200) | (18,213,616) | (2,415) | – | (6,517,259) | – | – | – | (381,675,432) | (44,234,040) | (462,919,962) |
| Excess of loss expenses | (9,471,313) | (18,121,657) | (2,718,573) | (1,591) | (273,300) | (470,482) | – | – | – | (10,704,963) | (41,761,879) |
| Net written premiums | 65,347,420 | 258,753,720 | 60,688,375 | 99,700,175 | 40,625,409 | 21,989,519 | 35,781,200 | 158,704,085 | 12,861,918 | 144,147,258 | 898,599,079 |
| Changes in unearned premiums, net | 6,819,580 | (9,873,328) | 1,864,174 | 7,444,173 | (385,786) | (1,015,180) | 56,314,660 | (9,447,990) | (12,778,864) | (9,649,582) | 29,291,857 |
| Net earned premiums | 72,167,000 | 248,880,392 | 62,552,549 | 107,144,348 | 40,239,623 | 20,974,339 | 92,095,860 | 149,256,095 | 83,054 | 134,497,676 | 927,890,936 |
| Retrocession commissions | 3,045,973 | 4,257,976 | 234,173 | – | 1,048,583 | 61,380 | – | – | 752,665 | 5,414,760 | 14,815,510 |
| Total revenues | 75,212,973 | 253,138,368 | 62,786,722 | 107,144,348 | 41,288,206 | 21,035,719 | 92,095,860 | 149,256,095 | 835,719 | 139,912,436 | 942,706,446 |
| **Underwriting costs and expenses** | | | | | | | | | | | |
| Gross claims paid | (32,558,340) | (95,788,348) | (72,275,192) | (74,193,279) | (29,214,372) | (41,030,673) | (83,993,059) | (31,418,660) | – | (77,373,503) | (537,845,426) |
| Retroceded share of claims paid | 1,144,130 | 1,511,954 | 37,785,815 | – | 12,089,945 | 20,521 | – | – | – | 23,421,589 | 75,973,954 |
| Net claims paid | (31,414,210) | (94,276,394) | (34,489,377) | (74,193,279) | (17,124,427) | (41,010,152) | (83,993,059) | (31,418,660) | – | (53,951,914) | (461,871,472) |
| Changes in outstanding claims, net | 6,122,004 | (46,529,439) | 119,548 | 4,175,713 | (779,618) | 13,738,945 | 1,791,001 | – | – | 315,677 | (21,046,169) |
| Changes in incurred but not reported claims, net | (4,788,739) | (25,804,294) | (3,485,005) | (13,902,560) | 508,687 | 7,928,709 | (4,114,200) | (46,508,695) | (22,899) | (21,937,598) | (112,126,594) |
| Net claims incurred | (30,080,945) | (166,610,127) | (37,854,834) | (83,920,126) | (17,395,358) | (19,342,498) | (86,316,258) | (77,927,355) | (22,899) | (75,573,835) | (595,044,235) |
| Policy acquisition costs and profit commissions | (27,135,296) | (79,028,627) | (16,825,893) | (7,703,205) | (12,330,231) | (2,631,347) | (2,989,513) | (41,057,133) | (149,877) | (28,347,402) | (218,198,524) |
| Other underwriting expenses | 219,457 | (829,291) | (12,454) | (246,038) | (111,069) | 21,756 | (355,026) | (141,046) | (110,040) | (431,506) | (1,995,257) |
| Total underwriting costs and expenses | (56,996,784) | (246,468,045) | (54,693,181) | (91,869,369) | (29,836,658) | (21,952,089) | (89,660,797) | (119,125,534) | (282,816) | (104,352,743) | (815,238,016) |
| Net underwriting income/(loss) | 18,216,189 | 6,670,323 | 8,093,541 | 15,274,979 | 11,451,548 | (916,370) | 2,435,063 | 30,130,561 | 552,903 | 35,559,693 | 127,468,430 |

| For the year ended 31 December 2021 | Engineering SR | Fire SR | Marine SR | Motor SR | General Accident SR | Protection SR | Health SR | Speciality SR | Inherent Defects Insurance SR | Others SR | Total SR |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | | | | | |
| Gross written premiums | 88,511,796 | 247,947,505 | 111,734,074 | 96,757,921 | 40,239,336 | 49,586,490 | 132,659,622 | 181,107,318 | – | 167,335,638 | 1,115,879,700 |
| Retroceded premiums | (15,678,010) | (19,504,518) | (48,385,166) | – | (13,932,545) | – | – | – | – | (26,397,667) | (123,897,906) |
| Excess of loss expenses | (5,754,774) | (13,985,437) | (1,527,674) | 161,097 | (347,837) | (1,040,944) | – | – | – | (10,518,557) | (33,014,126) |
| Net written premiums | 67,079,012 | 214,457,550 | 61,821,234 | 96,919,018 | 25,958,954 | 48,545,546 | 132,659,622 | 181,107,318 | – | 130,419,414 | 958,967,668 |
| Changes in unearned premiums, net | 1,444,503 | (16,446,286) | 252,378 | (19,486,509) | 918,476 | 18,560,095 | (55,069,457) | (35,490,562) | – | 1,079,790 | (104,237,572) |
| Net earned premiums | 68,523,515 | 198,011,264 | 62,073,612 | 77,432,509 | 26,877,430 | 67,105,641 | 77,590,165 | 145,616,756 | – | 131,499,204 | 854,730,096 |
| Retrocession commissions | 3,261,537 | 7,156,757 | 1,908,607 | – | 1,604,457 | (30,494) | – | – | – | 5,774,645 | 19,675,509 |
| Total revenues | 71,785,052 | 205,168,021 | 63,982,219 | 77,432,509 | 28,481,887 | 67,075,147 | 77,590,165 | 145,616,756 | – | 137,273,849 | 874,405,605 |
| **Underwriting costs and expenses** | | | | | | | | | | | |
| Gross claims paid | (32,660,267) | (81,884,871) | (54,121,621) | (44,073,758) | (30,696,729) | (78,639,261) | (55,823,896) | (49,351,316) | – | (43,963,817) | (471,215,536) |
| Retroceded share of claims paid | 523,188 | 10,173,814 | 23,227,866 | 743,187 | 16,542,623 | 75,000 | – | – | – | 10,421,301 | 61,706,979 |
| Net claims paid | (32,137,079) | (71,711,057) | (30,893,755) | (43,330,571) | (14,154,106) | (78,564,261) | (55,823,896) | (49,351,316) | – | (33,542,516) | (409,508,557) |
| Changes in outstanding claims, net | 2,293,979 | (26,674,202) | (9,501,806) | (7,638,731) | (11,957,321) | 6,598,085 | (594,943) | – | – | (23,910,356) | (71,385,295) |
| Changes in incurred but not reported claims, net | (1,409,304) | (24,288,937) | (2,455,259) | (9,185,946) | (2,104,970) | (10,765,826) | (20,172,624) | (4,513,553) | – | (9,521,742) | (84,418,161) |
| Net claims incurred | (31,252,404) | (122,674,196) | (42,850,820) | (60,155,248) | (28,216,397) | (82,732,002) | (76,591,463) | (53,864,869) | – | (66,974,614) | (565,312,013) |
| Policy acquisition costs and profit commissions | (27,582,578) | (61,693,374) | (19,137,184) | (9,728,738) | (7,910,679) | (2,494,276) | (1,438,173) | (72,237,336) | – | (30,181,780) | (232,404,118) |
| Other underwriting expenses | (398,899) | (1,163,376) | (558,857) | (386,356) | (213,327) | (341,070) | (387,956) | (761,045) | – | (852,160) | (5,063,046) |
| Total underwriting costs and expenses | (59,233,881) | (185,530,946) | (62,546,861) | (70,270,342) | (36,340,403) | (85,567,348) | (78,417,592) | (126,863,250) | – | (98,008,554) | (802,779,177) |
| Net underwriting income/(loss) | 12,551,171 | 19,637,075 | 1,435,358 | 7,162,167 | (7,858,516) | (18,492,201) | (827,427) | 18,753,506 | – | 39,265,295 | 71,626,428 |



Saudi Reinsurance Company
Annual Report 2022
Notes to the Financial Statements

| As at 31 December 2022 | Engineering | Fire | Marine | Motor | General Accident | Protection | Health | Speciality | Inherent Defects Insurance | Others | Unallocated | Shareholders | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | SR | SR | SR | SR | SR | SR | SR | SR | SR | SR | SR | SR | SR |
| **Assets** | | | | | | | | | | | | | |
| Cash and cash equivalents | – | – | – | – | – | – | – | – | – | – | 20,507,026 | 11,049,678 | 31,556,704 |
| Time deposits | – | – | – | – | – | – | – | – | – | – | 461,780,732 | 285,174,970 | 746,955,702 |
| Accrued special commission income from time deposits | – | – | – | – | – | – | – | – | – | – | 1,911,342 | 5,763,345 | 7,674,687 |
| Reinsurance premium receivables, net | 48,394,915 | 103,521,978 | 14,597,563 | 10,131,540 | 14,230,717 | 8,158,115 | 3,501,667 | 58,160 | 31,022,586 | 126,710,278 | (39,352,982) | – | 320,974,537 |
| Investments held at fair value through income statement | – | – | – | – | – | – | – | – | – | – | 156,476,356 | 130,677,937 | 287,154,293 |
| Accrued dividends and special commission income from bonds, sukuk and held to maturity investments | – | – | – | – | – | – | – | – | – | – | 344,544 | 4,831,351 | 5,175,895 |
| Accrued reinsurance premiums | 93,411,644 | 122,926,034 | 32,970,280 | 73,758,660 | 16,014,022 | 11,979,565 | 26,605,880 | 312,464,967 | 323,988,500 | 63,347,049 | – | – | 1,077,466,601 |
| Retrocession balances receivable | – | – | – | – | – | – | – | – | – | – | 23,730,685 | – | 23,730,685 |
| Retroceded share of unearned premiums | 31,261,104 | 6,612,144 | – | – | – | – | – | – | 380,506,413 | 30,712,887 | – | – | 449,092,548 |
| Deferred excess of loss premiums | 3,344,477 | 6,127,534 | 829,242 | – | – | – | – | – | – | 5,108,915 | – | – | 15,410,168 |
| Retroceded share of outstanding claims | 3,645,337 | 94,132,446 | 12,936,899 | 11,407 | 1,844,657 | – | – | – | – | 55,130,055 | – | – | 167,700,801 |
| Retroceded share of claims incurred but not reported | 5,181,386 | 4,809,175 | 2,141,815 | 86,166 | 6,109,138 | – | – | – | 677,407 | 12,625,656 | – | – | 31,630,743 |
| Deferred policy acquisition costs | 31,584,909 | 40,638,748 | 7,602,939 | 4,266,050 | 4,725,325 | 927,563 | 346,459 | 64,555,417 | 66,448,668 | 10,334,021 | – | – | 231,430,099 |
| Held-to-maturity investments | – | – | – | – | – | – | – | – | – | – | 25,000,000 | 362,652,522 | 387,652,522 |
| Prepaid expenses, deposits, and other assets | – | – | – | – | – | – | – | – | – | – | 109,747,226 | 38,670,536 | 148,417,762 |
| Property and equipment, net | – | – | – | – | – | – | – | – | – | – | 8,418,502 | 27,960,707 | 36,379,209 |
| Investment in an equity accounted investee | – | – | – | – | – | – | – | – | – | – | – | 156,802,667 | 156,802,667 |
| Statutory deposit | – | – | – | – | – | – | – | – | – | – | – | 89,100,000 | 89,100,000 |
| Accrued income on statutory deposit | – | – | – | – | – | – | – | – | – | – | – | 22,084,429 | 22,084,429 |
| Total assets | 216,823,772 | 378,768,059 | 71,078,738 | 88,253,823 | 42,923,859 | 21,065,243 | 30,454,006 | 377,078,544 | 802,643,574 | 303,968,861 | 768,563,431 | 1,134,768,142 | 4,236,390,052 |

| As at 31 December 2021 | Engineering | Fire | Marine | Motor | General Accident | Protection | Health | Speciality | Inherent Defects Insurance | Others | Unallocated | Shareholders | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | SR | SR | SR | SR | SR | SR | SR | SR | SR | SR | SR | SR | SR |
| **Assets** | | | | | | | | | | | | | |
| Cash and cash equivalents | – | – | – | – | – | – | – | – | – | – | 21,868,099 | 5,939,195 | 27,807,294 |
| Time deposits | – | – | – | – | – | – | – | – | – | – | 94,818,411 | 148,563,674 | 243,382,085 |
| Accrued special commission income from time deposits | – | – | – | – | – | – | – | – | – | – | 310,793 | 1,999,309 | 2,310,102 |
| Reinsurance premium receivables, net | 41,366,870 | 96,918,844 | 46,284,895 | 18,017,737 | 15,800,199 | 1,723,276 | 3,876,580 | (25,781) | – | 89,788,485 | (71,521,512) | – | 242,229,593 |
| Investments held at fair value through income statement | – | – | – | – | – | – | – | – | – | – | 440,425,260 | 363,159,336 | 803,584,596 |
| Accrued dividends and special commission income from bonds, sukuk and held to maturity investments | – | – | – | – | – | – | – | – | – | – | 38,656 | 6,771,817 | 6,810,473 |
| Accrued reinsurance premiums | 105,677,340 | 108,374,894 | 33,826,883 | 53,022,556 | 22,883,717 | 13,702,792 | 45,054,129 | 237,471,914 | – | 60,455,675 | – | – | 680,469,900 |
| Retrocession balances receivable | – | – | – | – | – | – | – | – | – | – | 13,063,654 | – | 13,063,654 |
| Retroceded share of unearned premiums | 30,500,290 | 6,669,821 | 7,777,816 | – | 8,008,958 | – | – | – | – | 14,995,624 | – | – | 67,952,509 |
| Deferred excess of loss premiums | 2,604,242 | 3,780,205 | 521,052 | – | 229,443 | – | – | – | – | 4,914,620 | – | – | 12,049,562 |
| Retroceded share of outstanding claims | 5,284,241 | 47,243,124 | 60,865,121 | 11,407 | 1,942,217 | 115,401 | – | – | – | 33,871,367 | – | – | 149,332,878 |
| Retroceded share of claims incurred but not reported | 4,136,972 | 5,009,015 | 9,645,614 | 73,447 | 10,648,504 | 589 | – | – | – | 8,518,946 | – | – | 38,033,087 |
| Deferred policy acquisition costs | 34,647,661 | 37,979,355 | 8,721,042 | 6,314,641 | 7,011,343 | 1,569,470 | 848,551 | 63,795,566 | – | 7,710,518 | – | – | 168,598,147 |
| Held-to-maturity investments | – | – | – | – | – | – | – | – | – | – | 25,000,000 | 273,022,312 | 298,022,312 |
| Prepaid expenses, deposits, and other assets | – | – | – | – | – | – | – | – | – | – | 36,197,619 | 38,406,725 | 74,604,344 |
| Property and equipment, net | – | – | – | – | – | – | – | – | – | – | 8,469,458 | 28,686,369 | 37,155,827 |
| Investment in an equity accounted investee | – | – | – | – | – | – | – | – | – | – | – | 142,000,373 | 142,000,373 |
| Statutory deposit | – | – | – | – | – | – | – | – | – | – | – | 89,100,000 | 89,100,000 |
| Accrued income on statutory deposit | – | – | – | – | – | – | – | – | – | – | – | 20,962,172 | 20,962,172 |
| Total assets | 224,217,616 | 305,975,258 | 167,642,423 | 77,439,788 | 66,524,381 | 17,111,528 | 49,779,260 | 301,241,699 | – | 220,255,235 | 568,670,438 | 1,118,611,282 | 3,117,468,908 |



Saudi Reinsurance Company
Annual Report 2022
Notes to the Financial Statements

| As at 31 December 2022 | Engineering | Fire | Marine | Motor | General Accident | Protection | | Health | Speciality | Inherent Defects Insurance | Others | Unallocated | Shareholders | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | SR | SR | SR | SR | SR | SR | | SR | SR | SR | SR | SR | SR | SR |
| **Liabilities** | | | | | | | | | | | | | | |
| Accounts payable | 2,809,315 | (1,944,458) | 1,060,436 | 256,012 | 163,951 | 3,110,366 | | 41,912,299 | – | – | (5,802,705) | 28,917,565 | – | 70,482,781 |
| Margin payable | – | – | – | – | – | – | | – | – | – | – | – | 56,797,019 | 56,797,019 |
| Retrocession balances payable | – | – | – | – | – | – | | – | – | – | – | 136,373,790 | – | 136,373,790 |
| Accrued retroceded premiums | 17,685,004 | 13,267,234 | 925,279 | 9,768 | 2,748,625 | – | | – | – | 292,591,563 | 6,026,225 | – | – | 333,253,698 |
| Unearned premiums | 129,778,845 | 142,605,642 | 26,444,078 | 37,118,891 | 19,075,236 | 8,212,135 | | 5,311,926 | 169,910,364 | 393,328,936 | 68,931,618 | – | – | 1,000,717,671 |
| Outstanding claims | 74,250,756 | 384,127,010 | 60,386,528 | 60,792,143 | 41,463,979 | 20,461,435 | | 10,354,769 | – | – | 170,568,203 | – | – | 822,404,823 |
| Claims incurred but not reported | 36,758,576 | 84,878,515 | 23,515,636 | 75,692,019 | 20,896,592 | 23,385,475 | | 42,473,604 | 157,255,121 | 700,235 | 67,565,213 | – | – | 533,120,986 |
| Unearned retrocession commission | 9,351,643 | 2,292,692 | 56,747 | – | (49,571) | 32,687 | | – | – | 87,060,465 | 5,816,415 | – | – | 104,561,078 |
| Accrued expenses and other liabilities | – | – | – | – | – | – | | – | – | – | – | 100,430,873 | 4,702,154 | 105,133,027 |
| Employees' end of service benefits | – | – | – | – | – | – | | – | – | – | – | 13,867,730 | – | 13,867,730 |
| Provision for Zakat and tax | – | – | – | – | – | – | | – | – | – | – | – | 12,647,776 | 12,647,776 |
| Accrued commission income payable to SAMA | – | – | – | – | – | – | | – | – | – | – | – | 23,219,213 | 23,219,213 |
| Total liabilities | 270,634,139 | 625,226,635 | 112,388,704 | 173,868,833 | 84,298,812 | 55,202,098 | | 100,052,598 | 327,165,485 | 773,681,199 | 313,104,969 | 279,589,958 | 102,251,549 | 3,217,464,979 |

Saudi Reinsurance Company
Annual Report 2022
Notes to the Financial Statements

| As at 31 December 2021 | Engineering | Fire | Marine | Motor | General Accident | Protection | | Health | Speciality | Inherent Defects Insurance | Others | Unallocated | Shareholders | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | SR | SR | SR | SR | SR | SR | | SR | SR | SR | SR | SR | SR | SR |
| **Liabilities** | | | | | | | | | | | | | | |
| Accounts payable | (2,402,998) | (5,480,151) | (189,941) | 607,997 | (295,287) | (1,109,145) | | 3,837,700 | – | – | 2,187,151 | 46,886,584 | – | 44,041,910 |
| Margin payable | – | – | – | – | – | – | | – | – | – | – | – | 56,797,019 | 56,797,019 |
| Retrocession balances payable | – | – | – | – | – | – | | – | – | – | – | 48,771,678 | – | 48,771,678 |
| Accrued retroceded premiums | 17,245,105 | 6,332,442 | 477,941 | 8,178 | 6,411,808 | – | | – | – | – | 5,016,486 | – | – | 35,491,960 |
| Unearned premiums | 135,842,331 | 134,785,593 | 36,068,692 | 44,563,063 | 27,054,147 | 7,196,955 | | 61,626,586 | 158,798,311 | – | 42,933,811 | – | – | 648,869,489 |
| Outstanding claims | 82,011,664 | 290,708,249 | 108,434,299 | 64,967,856 | 40,781,920 | 34,315,782 | | 12,145,770 | – | – | 149,625,191 | – | – | 782,990,731 |
| Claims incurred but not reported | 30,925,423 | 59,273,989 | 27,534,429 | 61,776,738 | 25,944,645 | 31,314,773 | | 38,359,404 | 110,746,426 | – | 41,520,909 | – | – | 427,396,736 |
| Unearned retrocession commission | 6,136,038 | 7,288,550 | 295,709 | – | 1,004,740 | – | | – | – | – | 2,424,592 | – | – | 17,149,629 |
| Accrued expenses and other liabilities | – | – | – | – | – | – | | – | – | – | – | 25,495,048 | 4,402,178 | 29,897,226 |
| Employees' end of service benefits | – | – | – | – | – | – | | – | – | – | – | 12,288,391 | – | 12,288,391 |
| Provision for Zakat and tax | – | – | – | – | – | – | | – | – | – | – | – | 15,266,235 | 15,266,235 |
| Accrued commission income payable to SAMA | – | – | – | – | – | – | | – | – | – | – | – | 20,962,172 | 20,962,172 |
| Total liabilities | 269,757,563 | 492,908,672 | 172,621,129 | 171,923,832 | 100,901,973 | 71,718,365 | | 115,969,460 | 269,544,737 | – | 243,708,140 | 133,441,701 | 97,427,604 | 2,139,923,176 |

## 30.2 Geographical segments

| For the year ended 31 December 2022 | Kingdom of Saudi Arabia SR | Other middle eastern countries SR | Africa SR | Asia SR | Other territories SR | Total SR |
|---|---|---|---|---|---|---|
| Reinsurance operations' results | | | | | | |
| **Revenues** | | | | | | |
| Gross written premiums | **788,029,729** | **137,458,815** | **38,794,793** | **280,321,144** | **158,676,439** | **1,403,280,920** |
| Retroceded premiums | **(464,121,256)** | **24,993** | **1,788** | **1,397,890** | **(223,377)** | **(462,919,962)** |
| Excess of loss expenses | **(22,604,597)** | **(6,946,233)** | **(2,602,952)** | **(9,633,642)** | **25,545** | **(41,761,879)** |
| Net written premiums | **301,303,876** | **130,537,575** | **36,193,629** | **272,085,392** | **158,478,607** | **898,599,079** |
| Changes in net unearned premiums, | **26,837,982** | **(8,168,524)** | **3,730,382** | **14,787,679** | **(7,895,662)** | **29,291,857** |
| Net earned premiums | **328,141,858** | **122,369,051** | **39,924,011** | **286,873,071** | **150,582,945** | **927,890,936** |
| Retrocession commissions | **14,112,918** | **(27,243)** | **(14)** | **736,682** | **(6,833)** | **14,815,510** |
| Total revenues | **342,254,776** | **122,341,808** | **39,923,997** | **287,609,753** | **150,576,112** | **942,706,446** |
| **Underwriting costs and expenses** | | | | | | |
| Gross claims paid | **(263,804,233)** | **(56,393,199)** | **(21,773,911)** | **(161,206,260)** | **(34,667,823)** | **(537,845,426)** |
| Retroceded share of claims paid | **63,418,986** | **617,771** | **180** | **10,120,479** | **1,816,538** | **75,973,954** |
| Net claims paid | **(200,385,247)** | **(55,775,428)** | **(21,773,731)** | **(151,085,781)** | **(32,851,285)** | **(461,871,472)** |
| Changes in outstanding claims, net | **3,499,100** | **4,276,729** | **5,513,427** | **(36,400,810)** | **2,065,385** | **(21,046,169)** |
| Changes in incurred but not reported claims, net | **(22,299,558)** | **(17,253,807)** | **(7,595,647)** | **(18,175,602)** | **(46,801,980)** | **(112,126,594)** |
| Net claims incurred | **(219,185,705)** | **(68,752,506)** | **(23,855,951)** | **(205,662,193)** | **(77,587,880)** | **(595,044,235)** |
| Policy acquisition costs and profit commissions | **(61,108,128)** | **(31,895,230)** | **(11,559,291)** | **(72,062,195)** | **(41,573,680)** | **(218,198,524)** |
| Other underwriting expenses | **(1,104,575)** | **(293,465)** | **(61,830)** | **(399,776)** | **(135,611)** | **(1,995,257)** |
| Total underwriting costs and expenses | **(281,398,408)** | **(100,941,201)** | **(35,477,072)** | **(278,124,164)** | **(119,297,171)** | **(815,238,016)** |
| Net underwriting income | **60,856,368** | **21,400,607** | **4,446,925** | **9,485,589** | **31,278,941** | **127,468,430** |

| For the year ended 31 December 2021 | Kingdom of Saudi Arabia SR | Other middle eastern countries SR | Africa SR | Asia SR | Other territories SR | Total SR |
|---|---|---|---|---|---|---|
| Reinsurance operations' results | | | | | | |
| **Revenues** | | | | | | |
| Gross written premiums | 482,157,923 | 91,740,808 | 37,913,985 | 321,286,167 | 182,780,817 | 1,115,879,700 |
| Retroceded premiums | (110,580,292) | 66,541 | 4,996 | (13,389,151) | – | (123,897,906) |
| Excess of loss expenses | (11,826,987) | (7,459,929) | (1,837,610) | (11,830,947) | (58,653) | (33,014,126) |
| Net written premiums | 359,750,644 | 84,347,420 | 36,081,371 | 296,066,069 | 182,722,164 | 958,967,668 |
| Changes in unearned premiums, net | (68,352,909) | 6,467,153 | 417,210 | (7,338,387) | (35,430,639) | (104,237,572) |
| Net earned premiums | 291,397,735 | 90,814,573 | 36,498,581 | 288,727,682 | 147,291,525 | 854,730,096 |
| Retrocession commissions | 17,699,373 | 118,927 | 15,876 | 1,841,333 | – | 19,675,509 |
| Total revenues | 309,097,108 | 90,933,500 | 36,514,457 | 290,569,015 | 147,291,525 | 874,405,605 |
| **Underwriting costs and expenses** | | | | | | |
| Gross claims paid | (196,988,746) | (53,394,918) | (20,480,812) | (150,559,752) | (49,791,308) | (471,215,536) |
| Retroceded share of claims paid | 43,328,152 | 1,093,757 | – | 17,285,070 | – | 61,706,979 |
| Net claims paid | (153,660,594) | (52,301,161) | (20,480,812) | (133,274,682) | (49,791,308) | (409,508,557) |
| Changes in outstanding claims, net | 1,718,434 | (3,207,105) | (3,337,926) | (66,585,955) | 27,257 | (71,385,295) |
| Changes in Incurred but not reported claims, net | (37,029,524) | (7,733,560) | (1,402,587) | (33,667,969) | (4,584,521) | (84,418,161) |
| Net claims incurred | (188,971,684) | (63,241,826) | (25,221,325) | (233,528,606) | (54,348,572) | (565,312,013) |
| Policy acquisition costs and profit commissions | (49,845,000) | (25,480,682) | (9,673,023) | (74,988,852) | (72,416,561) | (232,404,118) |
| Other underwriting expenses | (2,048,787) | (477,964) | (190,655) | (1,575,927) | (769,713) | (5,063,046) |
| Total underwriting costs and expenses | (240,865,471) | (89,200,472) | (35,085,003) | (310,093,385) | (127,534,846) | (802,779,177) |
| Net underwriting income/(loss) | 68,231,637 | 1,733,028 | 1,429,454 | (19,524,370) | 19,756,679 | 71,626,428 |



Saudi Reinsurance Company
Annual Report 2022
Notes to the Financial Statements

| As at 31 December 2022 | Kingdom of Saudi Arabia SR | Other middle eastern countries SR | | Africa SR | Asia SR | Other territories SR | Unallocated SR | Shareholders SR | Total SR |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | |
| Cash and cash equivalents | 16,011,203 | – | | – | 4,495,823 | – | – | 11,049,678 | 31,556,704 |
| Time deposits | 461,780,732 | – | | – | – | – | – | 285,174,970 | 746,955,702 |
| Accrued special commission income from time deposits | 1,911,342 | – | | – | – | – | – | 5,763,345 | 7,674,687 |
| Reinsurance premium receivables, net | 99,773,394 | 58,497,046 | | 39,871,178 | 37,048,354 | (3,329,037) | 89,113,602 | – | 320,974,537 |
| Investments held at fair value through income statement | 71,560,649 | – | | – | – | 84,915,707 | – | 130,677,937 | 287,154,293 |
| Accrued dividends and special commission income from bonds, sukuk and held to maturity investments | 344,544 | – | | – | – | – | – | 4,831,351 | 5,175,895 |
| Accrued reinsurance premiums | 543,665,106 | 61,847,432 | | 20,101,814 | 138,666,274 | 313,185,975 | – | – | 1,077,466,601 |
| Retrocession balances receivable | – | – | | – | – | – | 23,730,685 | – | 23,730,685 |
| Retroceded share of unearned premiums | 449,089,188 | 2,011 | | 1,349 | – | – | – | – | 449,092,548 |
| Deferred excess of loss premiums | 2,848,375 | 2,857,881 | | 1,071,622 | 8,632,290 | – | – | – | 15,410,168 |
| Retroceded share of outstanding claims | 100,807,700 | 53,084,800 | | 7,068,867 | 6,739,434 | – | – | – | 167,700,801 |
| Retroceded share of claims incurred but not reported | 23,761,671 | 417,695 | | 145,155 | 7,305,043 | 1,179 | – | – | 31,630,743 |
| Deferred policy acquisition costs | 114,453,542 | 18,586,704 | | 4,760,764 | 29,054,199 | 64,574,890 | – | – | 231,430,099 |
| Held-to-maturity investment | 25,000,000 | – | | – | – | – | – | 362,652,522 | 387,652,522 |
| Prepaid expenses, deposits, and other assets | 47,631,527 | – | | – | – | 62,115,699 | – | 38,670,536 | 148,417,762 |
| Property and equipment, net | 7,598,961 | – | | – | 819,541 | – | – | 27,960,707 | 36,379,209 |
| Investment in an equity accounted investee | – | – | | – | – | – | – | 156,802,667 | 156,802,667 |
| Statutory deposit | – | – | | – | – | – | – | 89,100,000 | 89,100,000 |
| Accrued income on statutory deposit | – | – | | – | – | – | – | 22,084,429 | 22,084,429 |
| Total assets | 1,966,237,934 | 195,293,569 | | 73,020,749 | 232,760,958 | 521,464,413 | 112,844,287 | 1,134,768,142 | 4,236,390,052 |
| **Liabilities** | | | | | | | | | |
| Accounts payable | 48,653,910 | 12,703,141 | | 2,074,976 | 2,458,113 | 26,622 | 4,566,019 | – | 70,482,781 |
| Margin payable | – | – | | – | – | – | – | 56,797,019 | 56,797,019 |
| Retrocession balances payable | – | – | | – | – | – | 136,373,790 | – | 136,373,790 |
| Accrued retroceded premiums | 312,456,659 | 1,951,275 | | 483,936 | 763,403 | 15,215 | 17,583,210 | – | 333,253,698 |
| Unearned premiums | 630,849,422 | 66,635,396 | | 14,848,531 | 118,380,509 | 170,003,813 | – | – | 1,000,717,671 |
| Outstanding claims | 274,435,905 | 183,604,294 | | 26,931,626 | 334,514,385 | 2,918,613 | – | – | 822,404,823 |
| Claims incurred but not reported | 167,370,491 | 51,179,073 | | 18,404,234 | 138,301,635 | 157,865,553 | – | – | 533,120,986 |
| Unearned retrocession commission | 101,625,815 | 76 | | 260 | – | – | 2,934,927 | – | 104,561,078 |
| Accrued expenses and other liabilities | – | – | | – | – | – | 100,430,873 | 4,702,154 | 105,133,027 |
| Employees' end of service benefits | 13,867,730 | – | | – | – | – | – | – | 13,867,730 |
| Provision for Zakat and tax | – | – | | – | – | – | – | 17,533,163 | 17,533,163 |
| Accrued commission income payable to SAMA | – | – | | – | – | – | – | 23,219,213 | 23,219,213 |
| Total liabilities | 1,549,259,932 | 316,073,255 | | 62,743,563 | 594,418,045 | 330,829,816 | 261,888,819 | 102,251,549 | 3,217,464,979 |



Saudi Reinsurance Company
Annual Report 2022
Notes to the Financial Statements

| As at 31 December 2021 | Kingdom of Saudi Arabia SR | Other middle eastern countries SR | | Africa SR | Asia SR | Other territories SR | Unallocated SR | Shareholders SR | Total SR |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | |
| Cash and cash equivalents | 18,318,259 | – | | – | 3,549,840 | – | – | 5,939,195 | 27,807,294 |
| Time deposits | 94,818,411 | – | | – | – | – | – | 148,563,674 | 243,382,085 |
| Accrued special commission income from time deposits | 310,793 | – | | – | – | – | – | 1,999,309 | 2,310,102 |
| Reinsurance premium receivables, net | 79,686,125 | 51,950,442 | | 36,879,665 | 53,267,409 | (1,806,914) | 22,252,866 | – | 242,229,593 |
| Investments held at fair value through income statement | 343,047,268 | – | | – | – | 97,377,992 | – | 363,159,336 | 803,584,596 |
| Accrued dividends and special commission income from bonds, sukuk and held to maturity investments | 38,656 | – | | – | – | – | – | 6,771,817 | 6,810,473 |
| Accrued reinsurance premiums | 209,729,011 | 60,420,006 | | 23,154,554 | 148,699,046 | 238,467,283 | – | – | 680,469,900 |
| Retrocession balances receivable | – | – | | – | – | – | 13,063,654 | – | 13,063,654 |
| Retroceded share of unearned premiums | 59,915,581 | 24,341 | | 3,629 | 8,008,958 | – | – | – | 67,952,509 |
| Deferred excess of loss premiums | 3,344,976 | 1,790,893 | | 1,091,147 | 5,822,546 | – | – | – | 12,049,562 |
| Retroceded share of outstanding claims | 91,779,887 | 41,490,422 | | 4,894,581 | 11,167,988 | – | – | – | 149,332,878 |
| Retroceded share of claims incurred but not reported | 25,944,982 | 402,615 | | 119,681 | 11,554,182 | 11,627 | – | – | 38,033,087 |
| Deferred policy acquisition costs | 44,872,892 | 16,332,718 | | 5,954,437 | 37,610,154 | 63,827,946 | – | – | 168,598,147 |
| Held-to-maturity investment | 25,000,000 | – | | – | – | – | – | 273,022,312 | 298,022,312 |
| Prepaid expenses, deposits, and other assets | 36,197,619 | – | | – | – | – | – | 38,406,725 | 74,604,344 |
| Property and equipment, net | 7,649,917 | – | | – | 819,541 | – | – | 28,686,369 | 37,155,827 |
| Investment in an equity accounted investee | – | – | | – | – | – | – | 142,000,373 | 142,000,373 |
| Statutory deposit | – | – | | – | – | – | – | 89,100,000 | 89,100,000 |
| Accrued income on statutory deposit | – | – | | – | – | – | – | 20,962,172 | 20,962,172 |
| Total assets | 1,040,654,377 | 172,411,437 | | 72,097,694 | 280,499,664 | 397,877,934 | 35,316,520 | 1,118,611,282 | 3,117,468,908 |
| **Liabilities** | | | | | | | | | |
| Accounts payable | 5,948,712 | 15,404,710 | | 4,162,352 | 2,513,190 | 26,622 | 15,986,324 | – | 44,041,910 |
| Margin payable | – | – | | – | – | – | – | 56,797,019 | 56,797,019 |
| Retrocession balances payable | – | – | | – | – | – | 48,771,678 | – | 48,771,678 |
| Accrued retroceded premiums | 14,001,769 | 720,584 | | 261,125 | 9,594,559 | 47,473 | 10,866,450 | – | 35,491,960 |
| Unearned premiums | 269,850,183 | 59,802,011 | | 18,539,789 | 141,722,064 | 158,955,442 | – | – | 648,869,489 |
| Outstanding claims | 267,297,182 | 177,990,257 | | 32,618,721 | 300,431,605 | 4,652,966 | – | – | 782,990,731 |
| Claims incurred but not reported | 147,302,139 | 35,279,347 | | 10,736,075 | 122,764,783 | 111,314,392 | – | – | 427,396,736 |
| Unearned retrocession commission | 14,459,663 | 1,359 | | 384 | 1,083,444 | – | 1,604,779 | – | 17,149,629 |
| Accrued expenses and other liabilities | – | – | | – | – | – | 25,495,048 | 4,402,178 | 29,897,226 |
| Employees' end of service benefits | 12,288,391 | – | | – | – | – | – | – | 12,288,391 |
| Provision for Zakat and tax | – | – | | – | – | – | – | 15,266,235 | 15,266,235 |
| Accrued commission income payable to SAMA | – | – | | – | – | – | – | 20,962,172 | 20,962,172 |
| Total liabilities | 731,148,039 | 289,198,268 | | 66,318,446 | 578,109,645 | 274,996,895 | 102,724,279 | 97,427,604 | 2,139,923,176 |



## 31. RISK MANAGEMENT

### Risk governance

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organizational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and a strategic plan approved by the Board of Directors. The Company is exposed to insurance, retrocession, special commission rate, credit, liquidity and currency risks.

### Risk management structure

A cohesive organizational 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 centralized oversight of the 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.

The risks faced by the Company and the way these risks are mitigated by Management are as follows:

Saudi Reinsurance Company
Annual Report 2022
Notes to the Financial Statements

## 31.1 Reinsurance risk

The risk resulting from reinsurance business written is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such reinsurance contracts is that the actual claims and benefit payments exceed the carrying amount of reinsurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid being greater than originally estimated and subsequent development of long-term claims.

The variability of risks is improved by the diversification of the risks written and the build-up of a large portfolio of reinsurance contracts, (inward business) as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio. The variability of risks is also improved by a careful selection of inward business, by the underwriting guidelines as well as the use of retrocession protection. The Company's underwriting strategy includes, but is not limited to, the following:

- Diversification in the type of accepted risks, and within each of these categories to achieve sufficiently large population of risks to reduce the variability of the expected outcome.
- Diversification of the underwriting risks in terms of type and amount of risk, industry and geographical location.

In order to minimize its financial exposure arising from large claims, the Company in the normal course of business, enters into retrocession agreements with other parties. Such retrocession agreements provide for higher underwriting capacity, and allow management to contain exposure with the risk appetite of the Company. The retrocession is effected under proportional treaties such as quota share and surplus and non-proportional treaties such as excess of loss for risk and catastrophe to ensure its net retention is aligned with its risk tolerance.

Although the Company has retrocession agreements, it is not relieved of its direct obligations to its ceding companies and thus a credit exposure exists with respect to its retrocessionaires, to the extent that any retrocessionaire is unable to meet its obligations assumed under such retrocession agreements.

### Geographical concentration of risk

The Company accepts reinsurance business from insurance companies in the Kingdom of Saudi Arabia, the Middle East, Africa and Asia. The written premiums are distributed geographically as follows:

| For the year ended 31 December 2022 | Amount SR | Percentage % |
|---|---|---|
| Kingdom of Saudi Arabia | **788,029,729** | **56** |
| Asia | **280,321,144** | **20** |
| Other Middle Eastern Countries | **137,458,815** | **10** |
| Africa | **38,794,793** | **3** |
| Others | **158,676,439** | **11** |
| | **1,403,280,920** | **100** |

| For the year ended 31 December 2021 | Amount SR | Percentage % |
|---|---|---|
| Kingdom of Saudi Arabia | 482,157,923 | 43 |
| Asia | 321,286,167 | 29 |
| Other Middle Eastern Countries | 91,740,808 | 8 |
| Africa | 37,913,985 | 4 |
| Others | 182,780,817 | 16 |
| | 1,115,879,700 | 100 |

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

### Key assumptions

The key assumptions underlying the liability estimates are the Company's estimated ultimate loss ratio. The ultimate loss ratio was determined using actuarial methods.

### Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions such as the ultimate loss ratio with all other assumptions held constant showing the impact on net liabilities and net income as follows:

| 31 December 2022 | Change in assumptions | Impact on net liabilities SR | Impact on net income SR |
|---|---|---|---|
| Ultimate loss ratio | **+10%** | **59,504,424** | **(59,504,424)** |
| | **-10%** | **(59,504,424)** | **59,504,424** |

| 31 December 2021 | Change in assumptions | Impact on net liabilities SR | Impact on net income SR |
|---|---|---|---|
| Ultimate loss ratio | +10% | 56,531,201 | (56,531,201) |
| | -10% | (56,531,201) | 56,531,201 |

## 31.2 Retrocession risk

In order to minimize its financial exposure arising from large claims, the Company in the normal course of business, enters into retrocession agreements with other parties. Amounts recoverable from retrocessionare are estimated and recognized in a manner consistent with the amounts associated with the underlying accepted policy benefits and in accordance with the terms of the respective retrocession treaties and are presented in the statement of financial position as reinsurance assets.

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

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

a. Minimum acceptable credit rating by recognized rating agencies (e.g. Standard & Poors) that is not lower than BBB (S&P) or equivalent.
b. Reputation of particular retrocessionaire companies.
c. Existing or past business experience with the retrocessionaire.

Furthermore, the financial strength, managerial and technical expertise as well as historical performance, wherever applicable, are thoroughly reviewed by the Company and matched against a list of requirements pre-set by the Company's Board of Directors and Risk and Underwriting Committee before approving them as retrocessionaires.

Retrocession contracts do not relieve the Company from its obligations to ceding companies and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the retrocessionaire fails to meet the obligations under the retrocession agreements. The net credit exposure in this connection is SR 248.3 million (due from retrocessionaires) (2021: SR 116.1 million).

### 31.3 Regulatory framework risk

The operations of the Company are subject to local regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions such as capital adequacy to minimize the risk of default and insolvency on the part of the reinsurance companies and to enable them to meet unforeseen liabilities as these arise. The Company has stipulated risk management framework policy wherein the policies and procedures are defined to control and mitigate risk.

### 31.4 Claims management risk

Claims management risk may arise within the Company in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs. These risks may damage the Company and undermine its ability to win and retain business, or incur punitive damages. These risks can occur at any stage of the claims life cycle.

The Company's claims teams are focused on delivering quality, reliable and speed of service. Their aim is to adjust and process claims in a fair, efficient and timely manner, in accordance with the policy's terms and conditions, the regulatory environment, and the business' broader interests. Prompt and accurate case reserves are set for all known claims liabilities, including provisions for expenses, as soon as a reliable estimate can be made of the claims liability.

### 31.5 Reserving and ultimate reserves risk

Reserving and ultimate reserves risk occurs within the Company where established insurance liabilities are insufficient through inaccurate forecasting, or where there is inadequate allowance for expenses and reinsurance bad debts in provisions. To manage reserving and ultimate reserves risk, the Company actuarial team uses a range of recognized techniques to project ultimate claims, monitor claims development patterns and stress-test ultimate insurance liability balances.

The objective of the Company's reserving policy is to produce accurate and reliable estimates that are consistent over time and across classes of business (See Note 4).

### 31.6 Credit risk

Credit risk is the risk that one party will fail to credit risk is the risk that one party will fail to discharge an obligation related to a financial instrument 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. 45% of the Company's receivables is due from two ceding and three broker companies as at 31 December 2022 (31 December 2021: 37%). The Company does not provide for reinsurance premium receivable from local ceding companies. However, the following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- To minimize its exposure to significant losses from retrocessionaires insolvencies, the Company evaluates the financial condition of its retrocessionaires counterparties. Accordingly, as a pre-requisite, the parties with whom retrocession is effected are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company, with respect to credit risk arising from other financial assets, only deals with commercial banks with strong financial position and credit ratings.
- The Company enters into inward insurance contracts with recognized, creditworthy third parties. In addition, receivables from ceding companies 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 ceding companies through monitoring outstanding receivables.

The credit ratings of the retrocessionaires ranges from B+ to AA.

The table below shows the maximum exposure to credit risk for the financial assets of the statements of financial position.

| | 31 December 2022 | | 31 December 2021 | |
|---|---|---|---|---|
| | Reinsurance operations SR | Shareholders' operations SR | Reinsurance operations SR | Shareholders' operations SR |
| Bank balances | **20,447,316** | **11,049,678** | 21,815,318 | 5,939,195 |
| Time deposits | **461,780,732** | **285,174,970** | 94,818,411 | 148,563,674 |
| Reinsurance premium receivables, gross | **324,354,438** | **–** | 244,929,293 | – |
| Retroceded share of outstanding claims | **167,700,801** | **–** | 149,332,878 | – |
| Retroceded share of claims incurred but not reported | **31,630,743** | **–** | 38,033,087 | – |
| Retrocession balances receivable | **23,730,685** | **–** | 13,063,654 | – |
| Accrued special commission income from time deposits | **1,911,342** | **5,763,345** | 310,793 | 1,999,309 |
| Accrued income on statutory deposit | **–** | **22,084,429** | – | 20,962,172 |
| Accrued reinsurance premium | **1,077,466,601** | **–** | 680,469,900 | – |
| Held to maturity investments | **25,000,000** | **362,652,522** | 25,000,000 | 273,022,312 |
| Accrued dividends and special commission income from bonds and sukuk and held to maturity investments | **344,544** | **4,831,351** | 38,656 | 6,771,817 |
| Investments held at fair value through income statement | **156,476,356** | **89,534,608** | 440,425,260 | 321,841,092 |
| Other assets | **64,138,256** | **38,064,151** | 1,159,530 | 37,754,216 |
| | **2,354,981,814** | **819,155,054** | 1,709,396,780 | 816,853,787 |



Saudi Reinsurance Company
Annual Report 2022
Notes to the Financial Statements

The used rating grades for investments are being adopted by Standard & Poors.

The credit quality for investments held at fair value through income statement is as follows:

| | | | Reinsurance operations | | Shareholders' operations | |
|---|---|---|---|---|---|---|
| Credit quality | Credit rating agency | Financial instruments | 2022 SR | 2021 SR | 2022 SR | 2021 SR |
| A | S&P/ Moody's/ Fitch | Bonds/Sukuks | **18,076,731** | 7,916,163 | **29,082,479** | 46,926,547 |
| A- | | Bonds/Sukuks | **11,174,357** | 13,278,319 | **9,013,878** | 10,173,322 |
| A+ | | Bonds/Sukuks | **11,449,096** | 5,090,338 | **9,235,499** | 3,900,015 |
| AA | | Bonds/Sukuks | **1,499,497** | 1,723,969 | **1,209,581** | 1,320,837 |
| AA- | | Bonds/Sukuks | **2,960,914** | – | **2,388,443** | – |
| BBB | | Bonds/Sukuks | **13,884,426** | 18,079,110 | **11,199,976** | 13,851,498 |
| BBB- | | Bonds/Sukuks | **6,940,286** | 9,461,479 | **5,598,433** | 7,249,010 |
| BBB+ | | Bonds/Sukuks | **14,013,829** | 17,756,522 | **11,304,359** | 13,604,344 |
| Unrated | | Bonds/Sukuks | **4,916,571** | 24,072,092 | **1,110,760** | 18,434,390 |
| Unrated | | Money Market Funds/Investment Funds | **71,560,649** | 343,047,268 | **9,391,200** | 206,381,129 |
| | | | **156,476,356** | 440,425,260 | **89,534,608** | 321,841,092 |

The credit quality for held to maturity investments are as follows:

| | | | Reinsurance operations | | Shareholders' operations | |
|---|---|---|---|---|---|---|
| Credit quality | Credit rating agency | Financial instruments | 2022 SR | 2021 SR | 2022 SR | 2021 SR |
| A- | S&P/ Moody's/ Fitch | Bonds/sukuks | **–** | – | **29,312,357** | – |
| A1 | | Bonds/sukuks | **–** | – | **37,500,000** | 37,500,000 |
| A-1 | | Bonds/sukuks | **–** | – | **4,112,115** | 4,110,447 |
| BBB+ | | Bonds/sukuks | **25,000,000** | 25,000,000 | **170,321,199** | 127,674,304 |
| BB- | | Bonds/sukuks | **–** | – | **72,080,536** | 92,958,228 |
| B+ | | Bonds/sukuks | **–** | – | **48,019,065** | 10,779,333 |
| Unrated | | Bonds/sukuks | **–** | – | **1,307,250** | – |
| | | | **25,000,000** | 25,000,000 | **362,652,522** | 273,022,312 |

## 31.7 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with its financial liabilities.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

All time deposits held by the Company at the statement of financial position date had original maturity periods less than five years.

## Maturity profiles

The table below summarizes the maturity profile of the financial liabilities of the Company based on remaining expected undiscounted contractual obligations. Maturity profiles are determined based on estimated timing of net cash outflows from the recognized insurance liabilities.

| | 31 December 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Reinsurance' operations | | | Shareholders' operations | | |
| | Up to one year SR | More than one year SR | Total SR | Up to one year SR | More than one year SR | Total SR |
| **Liabilities** | | | | | | |
| Accounts payable | **70,482,781** | **–** | **70,482,781** | **–** | **–** | **–** |
| Retrocession balances payable | **136,373,790** | **–** | **136,373,790** | **–** | **–** | **–** |
| Accrued retroceded premiums | **–** | **333,253,698** | **333,253,698** | **–** | **–** | **–** |
| Outstanding claims | **822,404,823** | **–** | **822,404,823** | **–** | **–** | **–** |
| Claims incurred but not reported | **533,120,986** | **–** | **533,120,986** | **–** | **–** | **–** |
| Accrued expenses and other liabilities | **80,368,203** | **–** | **80,368,203** | **4,652,862** | **–** | **4,652,862** |
| Margin loan payable | **–** | **–** | **–** | **–** | **56,797,019** | **56,797,019** |
| | **1,642,750,583** | **333,253,698** | **1,976,004,281** | **4,652,862** | **56,797,019** | **61,449,881** |

| | 31 December 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Reinsurance' operations | | | Shareholders' operations | | |
| | Up to one year SR | More than one year SR | Total SR | Up to one year SR | More than one year SR | Total SR |
| **Liabilities** | | | | | | |
| Accounts payable | 44,041,910 | – | 44,041,910 | – | – | – |
| Retrocession balances payable | 48,771,678 | – | 48,771,678 | – | – | – |
| Accrued retroceded premiums | – | 35,491,960 | 35,491,960 | – | – | – |
| Outstanding claims | 782,990,731 | – | 782,990,731 | – | – | – |
| Claims incurred but not reported | 427,396,736 | – | 427,396,736 | – | – | – |
| Accrued expenses and other liabilities | 15,704,756 | – | 15,704,756 | 4,354,427 | – | 4,354,427 |
| Margin loan payable | – | – | – | – | 56,797,019 | 56,797,019 |
| | 1,318,905,811 | 35,491,960 | 1,354,397,771 | 4,354,427 | 56,797,019 | 61,151,446 |

## Liquidity profile

### Maturity analysis on expected maturity bases

| | 31 December 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Reinsurance' operations | | | Shareholders' operations | | |
| | Current SR | Non-current SR | Total SR | Current SR | Non-current SR | Total SR |
| **Assets** | | | | | | |
| Cash and cash equivalents | 20,507,026 | – | 20,507,026 | 11,049,678 | – | 11,049,678 |
| Time deposits | – | 461,780,732 | 461,780,732 | 25,397,213 | 259,777,757 | 285,174,970 |
| Accrued special commission income from time deposits | 1,911,342 | – | 1,911,342 | 5,763,345 | – | 5,763,345 |
| Reinsurance premium receivables, net | 320,974,537 | – | 320,974,537 | – | – | – |
| Investments held at fair value through income statement | 156,476,356 | – | 156,476,356 | 130,677,937 | – | 130,677,937 |
| Accrued dividends and special commission income from bonds, sukuk and held to maturity investments | 344,544 | – | 344,544 | 4,831,351 | – | 4,831,351 |
| Accrued reinsurance premiums | – | 1,077,466,601 | 1,077,466,601 | – | – | – |
| Retroceded share of outstanding claims | 167,700,801 | – | 167,700,801 | – | – | – |
| Retroceded share of claims incurred but not reported | 31,630,743 | – | 31,630,743 | – | – | – |
| Held to maturity investments | – | 25,000,000 | 25,000,000 | 32,918,372 | 329,734,150 | 362,652,522 |
| Other assets | 64,138,256 | – | 64,138,256 | 38,064,151 | – | 38,064,151 |
| | 763,683,605 | 1,564,247,333 | 2,327,930,938 | 248,702,047 | 589,511,907 | 838,213,954 |

| | 31 December 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Reinsurance' operations | | | Shareholders' operations | | |
| | Current SR | Non-current SR | Total SR | Current SR | Non-current SR | Total SR |
| **Liabilities** | | | | | | |
| Accounts payable | 70,482,781 | – | 70,482,781 | – | – | – |
| Retrocession balances payable | 136,373,790 | – | 136,373,790 | – | – | – |
| Accrued retroceded premiums | – | 333,253,698 | 333,253,698 | – | – | – |
| Outstanding claims | 822,404,823 | – | 822,404,823 | – | – | – |
| Claims incurred but not reported | 533,120,986 | – | 533,120,986 | – | – | – |
| Accrued expenses and other liabilities | 80,368,203 | – | 80,368,203 | 4,652,862 | – | 4,652,862 |
| Margin loan payable | – | – | – | – | 56,797,019 | 56,797,019 |
| | 1,642,750,583 | 333,253,698 | 1,976,004,281 | 4,652,862 | 56,797,019 | 61,449,881 |
| Gap | (879,066,978) | 1,230,993,635 | 351,926,657 | 244,049,185 | 532,714,888 | 776,764,073 |

| | 31 December 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Reinsurance' operations | | | Shareholders' operations | | |
| | Current SR | Non-current SR | Total SR | Current SR | Non-current SR | Total SR |
| **Assets** | | | | | | |
| Cash and cash equivalents | 21,868,099 | – | 21,868,099 | 5,939,195 | – | 5,939,195 |
| Time deposits | 94,818,411 | – | 94,818,411 | 148,563,674 | – | 148,563,674 |
| Accrued special commission income from time deposits | 310,793 | – | 310,793 | 1,999,309 | – | 1,999,309 |
| Reinsurance premium receivables, net | 242,229,593 | – | 242,229,593 | – | – | – |
| Investments held at fair value through income statement | 440,425,260 | – | 440,425,260 | 363,159,336 | – | 363,159,336 |
| Accrued dividends and special commission income from bonds, sukuk and held to maturity investments | 38,656 | – | 38,656 | 6,771,817 | – | 6,771,817 |
| Accrued reinsurance premiums | – | 680,469,900 | 680,469,900 | – | – | – |
| Retroceded share of outstanding claims | 149,332,878 | – | 149,332,878 | – | – | – |
| Retroceded share of claims incurred but not reported | 38,033,087 | – | 38,033,087 | – | – | – |
| Held to maturity investments | – | 25,000,000 | 25,000,000 | – | 273,022,312 | 273,022,312 |
| Other assets | 1,159,530 | – | 1,159,530 | 37,754,216 | – | 37,754,216 |
| | 988,216,307 | 705,469,900 | 1,693,686,207 | 564,187,547 | 273,022,312 | 837,209,859 |

| | 31 December 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Reinsurance' operations | | | Shareholders' operations | | |
| | Current SR | Non-current SR | Total SR | Current SR | Non-current SR | Total SR |
| **Liabilities** | | | | | | |
| Accounts payable | 44,041,910 | – | 44,041,910 | – | – | – |
| Retrocession balances payable | 48,771,678 | – | 48,771,678 | – | – | – |
| Accrued retroceded premiums | | 35,491,960 | 35,491,960 | – | – | – |
| Outstanding claims | 782,990,731 | – | 782,990,731 | – | – | – |
| Claims incurred but not reported | 427,396,736 | – | 427,396,736 | – | – | – |
| Accrued expenses and other liabilities | 15,704,756 | – | 15,704,756 | 4,354,427 | – | 4,354,427 |
| Margin loan payable | – | – | – | – | 56,797,019 | 56,797,019 |
| | 1,318,905,811 | 35,491,960 | 1,354,397,771 | 4,354,427 | 56,797,019 | 61,151,446 |
| Gap | (330,689,504) | 669,977,940 | 339,288,436 | 559,833,120 | 216,225,293 | 776,058,413 |



Saudi Reinsurance Company
Annual Report 2022
Notes to the Financial Statements

## 31.8 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are carried out in local and foreign currencies. Management believes that there is no significant foreign currency exposure since most of the Company's transactions that are not denominated in Saudi Riyals were undertaken in foreign currencies which are pegged to USD. Furthermore, Saudi Riyals are pegged to USD.

The table below represents the Company's assets and liabilities denominated in major currencies as follows:

| 31 December 2022 | USD SR | QAR SR | | AED SR | EUR SR | KWD SR | INR SR | Others SR | Total SR |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | |
| Cash and cash equivalents | **11,562,369** | **–** | | **601,632** | **988,821** | **–** | **–** | **2,214,355** | **15,367,177** |
| Reinsurance premium receivables, net | **19,801,158** | **651,837** | | **39,776,730** | **1,637,254** | **9,922,070** | **27,741,886** | **97,351,739** | **196,882,674** |
| Investments held at fair value through income statement | **150,558,366** | **–** | | **–** | **–** | **–** | **–** | **–** | **150,558,366** |
| Held-to-maturity investment | **327,652,522** | **–** | | **–** | **–** | **–** | **–** | **–** | **327,652,522** |
| Accrued reinsurance premiums | **–** | **(55,136)** | | **352,487** | **402,706** | **16,115** | **20,151,715** | **13,588,300** | **34,456,187** |
| Retroceded share of unearned premiums | **(90,048)** | **–** | | **(3,038)** | **–** | **–** | **–** | **536,352** | **443,266** |
| Retroceded share of outstanding claims | **–** | **–** | | **–** | **–** | **–** | **–** | **–** | **–** |
| Deferred policy acquisition costs | **7,055,608** | **53,948** | | **2,030,639** | **18,178** | **1,134,232** | **573,803** | **9,697,277** | **20,563,685** |
| Accrued dividends and special commission income from bonds sukuk and held to maturity investments | **2,452,667** | **–** | | **–** | **–** | **–** | **–** | **–** | **2,452,667** |
| Investment in an equity accounted investee | **156,802,667** | **–** | | **–** | **–** | **–** | **–** | **–** | **156,802,667** |
| | **675,795,309** | **650,649** | | **42,758,450** | **3,046,959** | **11,072,417** | **48,467,404** | **123,388,023** | **905,179,211** |

| 31 December 2021 | USD SR | QAR SR | | AED SR | EUR SR | KWD SR | INR SR | Others SR | Total SR |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | |
| Cash and cash equivalents | 13,343,794 | – | | 55,893 | 209,844 | – | – | 484,324 | 14,093,855 |
| Reinsurance premium receivables, net | – | 436,630 | | 26,356,855 | 8,759,658 | 9,542,796 | 18,978,020 | 93,461,929 | 157,535,888 |
| Investments held at fair value through income statement | 171,976,458 | – | | – | – | – | – | – | 171,976,458 |
| Held-to-maturity investment | 238,022,312 | – | | – | – | – | – | – | 238,022,312 |
| Accrued reinsurance premiums | 3,218,478 | 28,892 | | 304,114 | 578,200 | 170,344 | 9,146,848 | 13,371,205 | 26,818,081 |
| Retroceded share of unearned premiums | 21,748,524 | – | | – | – | – | – | 8,120,657 | 29,869,181 |
| Retroceded share of outstanding claims | 358,579 | – | | – | – | – | – | – | 358,579 |
| Deferred policy acquisition costs | 6,155,113 | 42,485 | | 1,792,639 | 16,954 | 1,035,227 | 1,537,025 | 12,309,414 | 22,888,857 |
| Accrued dividends and special commission income from bonds sukuk and held to maturity investments | 3,158,204 | – | | – | – | – | – | – | 3,158,204 |
| Investment in an equity accounted investee | 142,000,373 | – | | – | – | – | – | – | 142,000,373 |
| | 599,981,835 | 508,007 | | 28,509,501 | 9,564,656 | 10,748,367 | 29,661,893 | 127,747,529 | 806,721,788 |



Saudi Reinsurance Company
Annual Report 2022
Notes to the Financial Statements

| 31 December 2022 | USD SR | QAR SR | | AED SR | EUR SR | KWD SR | INR SR | Others SR | Total SR |
|---|---|---|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | | | | |
| Accounts payable | **19,949,038** | **1,503,158** | | **379,028** | **(4,550,165)** | **1,300,025** | **1,492,503** | **3,485,746** | **23,559,333** |
| Unearned premiums | **46,101,362** | **306,482** | | **9,595,541** | **1,246,436** | **4,127,116** | **4,998,878** | **40,648,618** | **107,024,433** |
| Outstanding claims | **192,539,080** | **11,224,818** | | **48,126,724** | **(2,776,770)** | **11,113,071** | **82,556,130** | **248,524,808** | **591,307,861** |
| Margin loan payable | **56,797,019** | **–** | | **–** | **–** | **–** | **–** | **–** | **56,797,019** |
| | **315,386,499** | **13,034,458** | | **58,101,293** | **(6,080,499)** | **16,540,212** | **89,047,511** | **292,659,172** | **778,688,646** |

| 31 December 2021 | USD SR | QAR SR | | AED SR | EUR SR | KWD SR | INR SR | Others SR | Total SR |
|---|---|---|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | | | | |
| Accounts payable | 18,488,873 | 1,832,563 | | (1,108,111) | 1,026,386 | 269,405 | (240,670) | 8,809,117 | 29,077,563 |
| Unearned premiums | 40,343,794 | 254,170 | | 7,274,479 | 84,940 | 4,267,068 | 10,952,454 | 48,372,332 | 111,549,237 |
| Outstanding claims | 215,974,638 | 12,327,847 | | 39,998,319 | 3,156,212 | 15,006,014 | 85,782,023 | 211,380,454 | 583,625,507 |
| Margin loan payable | 56,797,019 | – | | – | – | – | – | – | 56,797,019 |
| | 331,604,324 | 14,414,580 | | 46,164,687 | 4,267,538 | 19,542,487 | 96,493,807 | 268,561,903 | 781,049,326 |

## 31.9 Special commission rate risk

The Company is exposed to special commission rate risk on its bonds and sukuk investments. Special Commission rate risk arises on bonds and sukuk which are exposed to the fluctuations in special commission rates.

The Company manages special commission rate risk by investing in various long and short duration financial assets, along with cash and cash equivalents. The investment committee monitors the duration of these assets on a regular basis. Duration of reinsurance operations and Shareholders operations' investments in bonds and sukuk portfolios as at 31 December 2022 is around 3.7 years (31 December 2021: 5.1 years). A hypothetical increase/decrease of 10 basis points in yield curve will entail decrease/increase in bond/sukuk portfolio values of reinsurance operations and Shareholders operations' investments by SR 2.02 million as at 31 December 2022 (31 December 2021: SR 2.35 million).

### a. Market price risk

Market price risk is the risk that the fair value of a financial instrument will fluctuate caused by the factors (other than those arising from commission rate risk or currency risk), that affect all financial instruments traded in the market.

Efficient management of market price risk is key to the investment of Company assets. Appropriate levels of investment risk is determined by risk/return profile of the assets. The Company has a diversified portfolio of investments, including investment in the listed equities securities. The Company manages the equity market price risk through diversification and by placing limits on individual and total equity instruments. A 5% change in the fair value of these investments, with all other variables held constant, would impact the statement of income by increase/decrease of SR 2.52 million (2021: 5.67 million).

## 31.10 Capital management risk

Capital requirements are set and regulated by the Saudi Arabian Monetary Agency. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value.

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.

The table below summarizes the minimum regulatory capital of the Company and the total capital held:

| | 2022 SR | 2021 SR |
|---|---|---|
| Total capital held | **1,000,016,169** | 963,996,157 |
| Minimum regulatory capital | **200,000,000** | 200,000,000 |

In the opinion of the management, the Company has fully complied with the externally imposed capital requirements during the reported financial year.

### b. Fair value of financial instruments

Financial instruments consist of financial assets and financial liabilities. Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. The Company's financial assets consist of cash and cash equivalents, receivables, investments and accrued income and its financial liabilities consist of payables, accrued expenses and gross outstanding claims. The fair values of financial assets and liabilities are not materially different from their carrying values at the statement of financial position.

## 32. CONTINGENCIES AND COMMITMENTS

### (a) Legal proceedings and regulations

The Company operates in the reinsurance industry and is subject to legal proceedings in the normal course of business. 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 a material effect on its results and financial position.

### (b) Recoverable and Guarantee deposits

The Company has investments in fixed income securities amounting to SR 150,558,366 (31 December 2021: 171,976,458) which have been classified under Investments held at fair value through income statement. These investments are held with Lloyd's London as Funds at Lloyd's (FAL) which is used as a collateral for its continued participation in a Lloyds Syndicates and for 2020, 2021 and 2022 underwriting year.



Saudi Reinsurance Company
Annual Report 2022
Notes to the Financial Statements

## 33. SUPPLEMENTARY INFORMATION

### Statement of financial position

| | 31 December 2022 | | | 31 December 2021 | | |
|---|---|---|---|---|---|---|
| | Reinsurance operations SR | Shareholders' operations SR | Total SR | Reinsurance operations SR | Shareholders' operations SR | Total SR |
| **Assets** | | | | | | |
| Cash and cash equivalents | **20,507,026** | **11,049,678** | **31,556,704** | 21,868,099 | 5,939,195 | 27,807,294 |
| Time deposits | **461,780,732** | **285,174,970** | **746,955,702** | 94,818,411 | 148,563,674 | 243,382,085 |
| Accrued special commission income from time deposits | **1,911,342** | **5,763,345** | **7,674,687** | 310,793 | 1,999,309 | 2,310,102 |
| Reinsurance premium receivables, net | **320,974,537** | **–** | **320,974,537** | 242,229,593 | – | 242,229,593 |
| Investments held at fair value through income statement | **156,476,356** | **130,677,937** | **287,154,293** | 440,425,260 | 363,159,336 | 803,584,596 |
| Accrued dividends and special commission income from bonds, sukuk and held-to-maturity investments | **344,544** | **4,831,351** | **5,175,895** | 38,656 | 6,771,817 | 6,810,473 |
| Accrued reinsurance premiums | **1,077,466,601** | **–** | **1,077,466,601** | 680,469,900 | – | 680,469,900 |
| Retrocession balances receivable | **23,730,685** | **–** | **23,730,685** | 13,063,654 | – | 13,063,654 |
| Retroceded share of unearned premiums | **449,092,548** | **–** | **449,092,548** | 67,952,509 | – | 67,952,509 |
| Deferred excess of loss premiums | **15,410,168** | **–** | **15,410,168** | 12,049,562 | – | 12,049,562 |
| Retroceded share of outstanding claims | **167,700,801** | **–** | **167,700,801** | 149,332,878 | – | 149,332,878 |
| Retroceded share of claims incurred but not reported | **31,630,743** | **–** | **31,630,743** | 38,033,087 | – | 38,033,087 |
| Deferred policy acquisition costs | **231,430,099** | **–** | **231,430,099** | 168,598,147 | – | 168,598,147 |
| Held-to-maturity investments | **25,000,000** | **362,652,522** | **387,652,522** | 25,000,000 | 273,022,312 | 298,022,312 |
| Prepaid expenses, deposits and other assets | **109,747,226** | **38,670,536** | **148,417,762** | 36,197,619 | 38,406,725 | 74,604,344 |
| Property and equipment, net | **8,418,502** | **27,960,707** | **36,379,209** | 8,469,458 | 28,686,369 | 37,155,827 |
| Investment in an equity accounted investee | **–** | **156,802,667** | **156,802,667** | – | 142,000,373 | 142,000,373 |
| Statutory deposit | **–** | **89,100,000** | **89,100,000** | – | 89,100,000 | 89,100,000 |
| Accrued income on statutory deposit | **–** | **22,084,429** | **22,084,429** | – | 20,962,172 | 20,962,172 |
| Due from shareholders' operations* | **28,549,749** | **–** | **28,549,749** | 53,698,938 | – | 53,698,938 |
| Total assets | **3,130,171,659** | **1,134,768,142** | **4,264,939,801** | 2,052,556,564 | 1,118,611,282 | 3,171,167,846 |

| | 31 December 2022 | | | 31 December 2021 | | |
|---|---|---|---|---|---|---|
| | Reinsurance operations SR | Shareholders' operations SR | Total SR | Reinsurance operations SR | Shareholders' operations SR | Total SR |
| **Liabilities** | | | | | | |
| Accounts payable | **70,482,781** | **–** | **70,482,781** | 44,041,910 | – | 44,041,910 |
| Margin payable | **–** | **56,797,019** | **56,797,019** | – | 56,797,019 | 56,797,019 |
| Retrocession balances payable | **136,373,790** | **–** | **136,373,790** | 48,771,678 | – | 48,771,678 |
| Accrued retroceded premiums | **333,253,698** | **–** | **333,253,698** | 35,491,960 | – | 35,491,960 |
| Unearned premiums | **1,000,717,671** | **–** | **1,000,717,671** | 648,869,489 | – | 648,869,489 |
| Outstanding claims | **822,404,823** | **–** | **822,404,823** | 782,990,731 | – | 782,990,731 |
| Claims incurred but not reported | **533,120,986** | **–** | **533,120,986** | 427,396,736 | – | 427,396,736 |
| Unearned retrocession commission | **104,561,078** | **–** | **104,561,078** | 17,149,629 | – | 17,149,629 |
| Accrued expenses and other liabilities | **100,430,873** | **4,702,154** | **105,133,027** | 25,495,048 | 4,402,178 | 29,897,226 |
| Employees' end of service benefits | **13,867,730** | **–** | **13,867,730** | 12,288,391 | – | 12,288,391 |
| Provision for Zakat and tax | **–** | **17,533,163** | **17,533,163** | – | 15,266,235 | 15,266,235 |
| Accrued commission income payable to SAMA | **–** | **23,219,213** | **23,219,213** | – | 20,962,172 | 20,962,172 |
| Accumulated surplus | **18,908,904** | **–** | **18,908,904** | 13,549,575 | – | 13,549,575 |
| Due to reinsurance operations* | **–** | **28,549,749** | **28,549,749** | – | 53,698,938 | 53,698,938 |
| Total liabilities | **3,134,122,334** | **130,801,298** | **3,264,923,632** | 2,056,045,147 | 151,126,542 | 2,207,171,689 |
| **Equity** | | | | | | |
| Share capital | **–** | **891,000,000** | **891,000,000** | – | 891,000,000 | 891,000,000 |
| Statutory reserve | **–** | **43,045,308** | **43,045,308** | – | 34,749,555 | 34,749,555 |
| Retained earnings | **–** | **68,678,196** | **68,678,196** | – | 35,495,182 | 35,495,182 |
| Other reserves | **(3,950,675)** | **1,243,340** | **(2,707,335)** | (3,488,583) | 6,240,003 | 2,751,420 |
| Total equity | **(3,950,675)** | **1,003,966,844** | **1,000,016,169** | (3,488,583) | 967,484,740 | 963,996,157 |
| Total liabilities and equity | **3,130,171,659** | **1,134,768,142** | **4,264,939,801** | 2,052,556,564 | 1,118,611,282 | 3,171,167,846 |

## Statement of income

| | For the year ended 31 December 2022 | | | For the year ended 31 December 2021 | | |
|---|---|---|---|---|---|---|
| | Reinsurance operations SR | Shareholders' operations SR | Total SR | Reinsurance operations SR | Shareholders' operations SR | Total SR |
| **Revenues** | | | | | | |
| Gross written premiums | **1,403,280,920** | **–** | **1,403,280,920** | 1,115,879,700 | – | 1,115,879,700 |
| Retroceded premiums | | | | | | |
| Local | **–** | **–** | **–** | – | – | – |
| Foreign | **(462,919,962)** | **–** | **(462,919,962)** | (123,897,906) | – | (123,897,906) |
| Excess of loss expenses | | | | | | |
| Local | **–** | **–** | **–** | – | – | – |
| Foreign | **(41,761,879)** | **–** | **(41,761,879)** | (33,014,126) | – | (33,014,126) |
| Net written premiums | **898,599,079** | **–** | **898,599,079** | 958,967,668 | – | 958,967,668 |
| Changes in net unearned premiums | **29,291,857** | **–** | **29,291,857** | (104,237,572) | – | (104,237,572) |
| Net earned premiums | **927,890,936** | **–** | **927,890,936** | 854,730,096 | – | 854,730,096 |
| Retrocession commissions | **14,815,510** | **–** | **14,815,510** | 19,675,509 | – | 19,675,509 |
| Total revenues | **942,706,446** | **–** | **942,706,446** | 874,405,605 | – | 874,405,605 |
| **Underwriting costs and expenses** | | | | | | |
| Gross claims paid | **(537,845,426)** | **–** | **(537,845,426)** | (471,215,536) | – | (471,215,536) |
| Retroceded share of claims paid | **75,973,954** | **–** | **75,973,954** | 61,706,979 | – | 61,706,979 |
| Net claims paid | **(461,871,472)** | **–** | **(461,871,472)** | (409,508,557) | – | (409,508,557) |
| Changes in outstanding claims, net | **(21,046,169)** | **–** | **(21,046,169)** | (71,385,295) | – | (71,385,295) |
| Changes in Incurred but not reported claims, net | **(112,126,594)** | **–** | **(112,126,594)** | (84,418,161) | – | (84,418,161) |
| Net claims incurred | **(595,044,235)** | **–** | **(595,044,235)** | (565,312,013) | – | (565,312,013) |
| Policy acquisition costs and profit commissions | **(218,198,524)** | **–** | **(218,198,524)** | (232,404,118) | – | (232,404,118) |
| Other underwriting expenses | **(1,995,257)** | **–** | **(1,995,257)** | (5,063,046) | – | (5,063,046) |
| Total underwriting costs and expenses | **(815,238,016)** | **–** | **(815,238,016)** | (802,779,177) | – | (802,779,177) |
| Net underwriting income | **127,468,430** | **–** | **127,468,430** | 71,626,428 | – | 71,626,428 |



Saudi Reinsurance Company
Annual Report 2022
Notes to the Financial Statements

| | For the year ended 31 December 2022 | | | For the year ended 31 December 2021 | | |
|---|---|---|---|---|---|---|
| | Reinsurance operations SR | Shareholders' operations SR | Total SR | Reinsurance operations SR | Shareholders' operations SR | Total SR |
| **Other operating (expenses)/income** | | | | | | |
| Special commission income from time deposits | **8,510,973** | **8,211,262** | **16,722,235** | 787,791 | 4,524,495 | 5,312,286 |
| Realized gains/(losses) on investments held at fair value through income statement | **1,738,256** | **4,791,466** | **6,529,722** | 1,801,671 | 5,407,445 | 7,209,116 |
| Unrealized (losses)/gains on investments held at fair value through income statement | **(12,111,434)** | **(21,868,130)** | **(33,979,564)** | 1,811,515 | 3,101,157 | 4,912,672 |
| Special commission income from bonds and sukuk | **3,673,928** | **18,331,375** | **22,005,303** | 38,656 | 13,509,069 | 13,547,725 |
| Special commission expense from margin loan payable | **–** | **(1,207,363)** | **(1,207,363)** | – | (432,140) | (432,140) |
| Dividend income | **–** | **2,160,538** | **2,160,538** | – | 1,092,430 | 1,092,430 |
| Share of profit of equity accounted investee | **–** | **19,798,957** | **19,798,957** | – | 18,657,921 | 18,657,921 |
| Investment management expenses | **(145,915)** | **(3,572,944)** | **(3,718,859)** | (464,139) | (2,891,615) | (3,355,754) |
| Net investment income | **1,665,808** | **26,645,161** | **28,310,969** | 3,975,494 | 42,968,762 | 46,944,256 |
| Other income | **593,936** | **19,644** | **613,580** | 730,312 | 378,754 | 1,109,066 |
| Charge for doubtful debts | **(680,201)** | **–** | **(680,201)** | (153,851) | – | (153,851) |
| General and administrative expenses | **(59,849,740)** | **(14,494,080)** | **(74,343,820)** | (46,866,432) | (8,592,379) | (55,458,811) |
| Board of directors' remunerations, meetings fees and expenses | **–** | **(3,660,415)** | **(3,660,415)** | – | (4,798,017) | (4,798,017) |
| Foreign exchange translation losses | **(15,604,941)** | **–** | **(15,604,941)** | (3,599,722) | 216,812 | (3,382,910) |
| Total income for the year before Zakat and tax | **53,593,292** | **8,510,310** | **62,103,602** | 25,712,229 | 30,173,932 | 55,886,161 |
| Transfer of surplus to shareholders' operations | **(48,233,963)** | **48,233,963** | **–** | (23,141,006) | 23,141,006 | – |
| Net income for the year before Zakat and tax | **5,359,329** | **56,744,273** | **62,103,602** | 2,571,223 | 53,314,938 | 55,886,161 |
| Zakat and tax charge for the year | **–** | **(15,265,506)** | **(15,265,506)** | – | (15,005,543) | (15,005,543) |
| Net income for the year after Zakat and tax attributable to the shareholders | **5,359,329** | **41,478,767** | **46,838,096** | 2,571,223 | 38,309,395 | 40,880,618 |

## Statement of comprehensive income

| | For the year ended 31 December 2022 | | | For the year ended 31 December 2021 | | |
|---|---|---|---|---|---|---|
| | Reinsurance operations SR | Shareholders' operations SR | Total SR | Reinsurance operations SR | Shareholders' operations SR | Total SR |
| Net income for the year after Zakat and tax | **5,359,329** | **41,478,767** | **46,838,096** | 2,571,223 | 38,309,395 | 40,880,618 |
| Other comprehensive income | | | | | | |
| **Items that will not be reclassified to income statement subsequently** | | | | | | |
| Re-measurement of employee' end of service benefit obligations actuarial loss | **(462,092)** | **–** | **(462,092)** | (694,084) | – | (694,084) |
| **Items that may be classified to income statement subsequently** | | | | | | |
| Share of foreign currency translation reserve an equity accounted investee | **–** | **(8,258,424)** | **(8,258,424)** | – | (1,429,969) | (1,429,969) |
| Total comprehensive income for the year | **4,897,237** | **33,220,343** | **38,117,580** | 1,877,139 | 36,879,426 | 38,756,565 |
| Reconciliation: | | | | | | |
| Less: Net income attributable to reinsurance operations transferred to surplus payable | | | **(5,359,329)** | | | (2,571,223) |
| Total comprehensive income for the year | | | **32,758,251** | | | 36,185,342 |

# Statement of cash flows

| | For the year ended 31 December 2022 | | | For the year ended 31 December 2021 | | |
|---|---|---|---|---|---|---|
| | Reinsurance operations SR | Shareholders' operations SR | Total SR | Reinsurance operations SR | Shareholders' operations SR | Total SR |
| **Operating activities** | | | | | | |
| Total income for the year before Zakat and tax | **5,359,329** | **56,744,273** | **62,103,602** | 2,571,223 | 53,314,938 | 55,886,161 |
| Adjustments to reconcile net income for the year to net cash from operating activities: | | | | | | |
| Employees' end of service benefits | **1,561,131** | **–** | **1,561,131** | 1,341,020 | – | 1,341,020 |
| Special commission income from bond and sukuk | **(3,673,928)** | **(15,658,958)** | **(19,332,886)** | (38,656) | (10,096,015) | (10,134,671) |
| Special commission on margin loan | **–** | **1,207,363** | **1,207,363** | – | 432,140 | 432,140 |
| Special commission income from time deposits | **(8,510,973)** | **(8,211,262)** | **(16,722,235)** | (787,791) | (4,524,495) | (5,312,286) |
| Amortization of discount and premium on held to maturity investments | **–** | **(2,672,417)** | **(2,672,417)** | – | (3,413,054) | (3,413,054) |
| Depreciation of property and equipment | **1,891,212** | **930,961** | **2,822,173** | 1,833,534 | 779,421 | 2,612,955 |
| Gain on disposal of property and equipment | **–** | **–** | **–** | (41,454) | – | (41,454) |
| Realized gains on investments held at fair value through income statement | **(1,738,256)** | **(4,791,466)** | **(6,529,722)** | (1,801,671) | (5,407,445) | (7,209,116) |
| Unrealized gains on investments held at fair value through income statement | **12,111,434** | **21,868,130** | **33,979,564** | (1,811,515) | (3,101,157) | (4,912,672) |
| Share of profit of equity accounted investee | **–** | **(19,798,957)** | **(19,798,957)** | – | (18,657,921) | (18,657,921) |
| Charge/(reversal) of doubtful debts | **680,201** | **–** | **680,201** | 153,851 | – | 153,851 |
| Operating income before changes in operating assets and liabilities | **7,680,150** | **29,617,667** | **37,297,817** | 1,418,541 | 9,326,412 | 10,744,953 |
| Changes in operating assets and liabilities: | | | | | | |
| Premium receivable | **(79,424,793)** | **–** | **(79,424,793)** | 51,371,704 | – | 51,371,704 |
| Accrued reinsurance premiums | **(396,996,701)** | **–** | **(396,996,701)** | (86,206,823) | – | (86,206,823) |
| Retroceded share of unearned premiums | **(381,140,039)** | **–** | **(381,140,039)** | 3,909,265 | – | 3,909,265 |
| Unearned premiums | **351,848,182** | **–** | **351,848,182** | 100,328,307 | – | 100,328,307 |
| Retroceded share of outstanding claims | **(18,367,923)** | **–** | **(18,367,923)** | 5,341,430 | – | 5,341,430 |
| Retroceded share of claims incurred but not reported | **6,402,344** | **–** | **6,402,344** | 7,763,206 | – | 7,763,206 |
| Deferred acquisition costs | **(62,831,952)** | **–** | **(62,831,952)** | (19,194,868) | – | (19,194,868) |
| Deferred excess of loss premiums | **(3,360,606)** | **–** | **(3,360,606)** | 734,131 | – | 734,131 |
| Prepaid expenses, deposits and other assets | **(73,549,607)** | **(263,811)** | **(73,813,418)** | 40,974,796 | 1,543,286 | 42,518,082 |
| Accounts payable | **26,440,871** | **–** | **26,440,871** | 12,067,123 | – | 12,067,123 |
| Retrocession balances receivable | **(10,667,031)** | **–** | **(10,667,031)** | 16,445,367 | – | 16,445,367 |
| Retrocession balances payable | **87,602,112** | **–** | **87,602,112** | (28,448,079) | – | (28,448,079) |
| Accrued retroceded premiums | **297,761,738** | **–** | **297,761,738** | (4,320,405) | – | (4,320,405) |
| Outstanding claims | **39,414,092** | **–** | **39,414,092** | 66,043,865 | – | 66,043,865 |
| Claims incurred but not reported | **105,724,250** | **–** | **105,724,250** | 76,654,955 | – | 76,654,955 |
| Unearned commission income | **87,411,449** | **–** | **87,411,449** | 1,344,444 | – | 1,344,444 |
| Statutory deposit | **–** | **–** | **–** | – | (8,100,000) | (8,100,000) |
| Accrued expenses and other liabilities | **74,935,825** | **299,976** | **75,235,801** | 4,823,819 | 1,212,643 | 6,036,462 |
| | **58,882,361** | **29,653,832** | **88,536,193** | 251,050,778 | 3,982,341 | 255,033,119 |
| Zakat and income tax paid | **–** | **(12,998,578)** | **(12,998,578)** | – | (14,913,138) | (14,913,138) |
| Employees' end of service benefits paid | **(443,884)** | **–** | **(443,884)** | (419,904) | – | (419,904) |
| Net cash generated from/(used in) operating activities | **58,438,477** | **16,655,254** | **75,093,731** | 250,630,874 | (10,930,797) | 239,700,077 |

| | For the year ended 31 December 2022 | | | For the year ended 31 December 2021 | | |
|---|---|---|---|---|---|---|
| | Reinsurance operations SR | Shareholders' operations SR | Total SR | Reinsurance operations SR | Shareholders' operations SR | Total SR |
| **Investing activities** | | | | | | |
| Additions in time deposits | **(366,962,321)** | **(167,421,296)** | **(534,383,617)** | (94,821,108) | (213,497,642) | (308,318,750) |
| Proceeds from maturity of time deposits | **–** | **30,810,000** | **30,810,000** | 10,127,699 | 248,268,468 | 258,396,167 |
| Accrued special commission income on time deposits | **6,910,424** | **4,447,226** | **11,357,650** | 1,262,484 | 4,951,193 | 6,213,677 |
| Accrued special commission income from bonds and sukuk | **3,368,040** | **17,599,424** | **20,967,464** | – | 9,504,843 | 9,504,843 |
| Accrued income on statutory deposit | **–** | **1,134,784** | **1,134,784** | | | |
| Purchase of property and equipment | **(1,840,608)** | **(205,299)** | **(2,045,907)** | (5,536,329) | (607,167) | (6,143,496) |
| Proceeds from sale of property and equipment | **–** | **–** | **–** | 41,500 | – | 41,500 |
| Additions in investments held at fair value through income statement | **(52,590,590)** | **(163,200,806)** | **(215,791,396)** | (379,851,180) | (291,793,053) | (671,644,233) |
| Additions in held to maturity investments | **–** | **(110,957,793)** | **(110,957,793)** | (25,000,000) | (85,586,537) | (110,586,537) |
| Proceeds from disposal of investments held at fair value through income statement | **326,166,316** | **378,605,541** | **704,771,857** | 241,420,157 | 322,819,104 | 564,239,261 |
| Proceeds from maturity of held-to-maturity investments | **–** | **24,000,000** | **24,000,000** | – | – | – |
| Net cash used in from investing activities | **(84,948,739)** | **14,811,781** | **(70,136,958)** | (252,356,777) | (5,940,791) | (258,297) |
| **Financing activities** | | | | | | |
| Due to/from reinsurance/ shareholders' operations* | **25,149,189** | **(25,149,189)** | **–** | 15,559,655 | (15,559,655) | – |
| Proceeds from margin loans | **–** | **–** | **–** | – | 33,680,203 | 33,680,203 |
| Special commission expense paid against margin loans | **–** | **(1,207,363)** | **(1,207,363)** | – | (432,140) | (432,140) |
| Net cash generated from financing activities | **25,149,189** | **(26,356,552)** | **(1,207,363)** | 15,559,655 | 17,688,408 | 33,248,063 |
| Increase/(decrease) in cash and cash equivalents | **(1,361,073)** | **5,110,483** | **3,749,410** | 13,833,752 | 816,820 | 14,650,572 |
| Cash and cash equivalents at the beginning of the year | **21,868,099** | **5,939,195** | **27,807,294** | 8,034,347 | 5,122,375 | 13,156,722 |
| Cash and cash equivalents at the end of the year | **20,507,026** | **11,049,678** | **31,556,704** | 21,868,099 | 5,939,195 | 27,807,294 |

*These items are not included in the statement of financial position and the statement of cash flows.



Saudi Reinsurance Company
Annual Report 2022
Notes to the Financial Statements

## 34. RECLASSIFICATION

During the period, the Company has reclassified deposits with Lloyd's London from Prepaid expenses, deposits and other assets to Investments held at fair value through income statement. The reclassification was done to conform to the current period presentation and the impact to the overall financial statement's presentation is not material.

The following table shows the impact on each financial statement caption affected by the reclassification:

| | 31 December 2021 (before reclassification) | Reclassification | 31 December 2021 (after reclassification) |
|---|---|---|---|
| **Financial statement caption** | | | |
| Prepaid expenses, deposits and other assets | 246,580,802 | (171,976,458) | 74,604,344 |
| Investments held at fair value through income statement | 631,608,138 | 171,976,458 | 803,584,596 |

## 35. SUBSEQUENT EVENT

Subsequent to the reporting date, the new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26/6/1444 H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The management is in process of assessing the impact of the New Companies Law and will amend its Articles of Association/By-Laws for any changes to align the Articles to the provisions of the Law. Consequently, the Company shall present the amended Articles of Association/By-Laws to the shareholders/partners in their Extraordinary/Annual General Assembly meeting for their ratification.

## 36. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 27 Shaban 1444H corresponding to 19 March 2023.



# CORPORATE INFORMATION

Saudi Reinsurance Company (Saudi Re) was established as a Saudi public shareholding company pursuant to Royal Decree No. 83 dated 25/10/1428 H corresponding to 6/11/2007 and obtained Commercial Registration No. 1010250125 dated 12/5/1429 H.

It is a company licensed under the number TMN/17/20087 and under the control and supervision of the Saudi Central Bank, and thus it has been established and publicized, as it is the first Saudi Reinsurance Company, with a capital of eight hundred and ninety-one million Saudi riyals (891,000,000) divided into 89.1 million shares.

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