

2019

Annual Report

Index

01

14 First: Important Plans & Decisions, Operational Activities, Future Expectations & Risks

02

24 Second: Operating Results & Significant Differences

03

50 Third: Obligations, Disclosures And Declarations According To The Regulations

04

86 Financial Statements and Independent Auditors' Report For The Year Ended 31 December 2019

Message From The Chairman Of The Board

Dear Valued Shareholders

On behalf of the Board of Directors, I am pleased to present to our valued shareholders the annual report for the financial year ended 31 December 2019.

I am delighted to note the positive financial results achieved in 2019, where Saudi Re succeeded in increasing net profit before zakat by 332% year-on-year (YoY) to SR 59.3 million. In addition, total shareholders' equity grew by 5% YoY to SR 875 million by the end of 2019. This reflects a prudent underwriting policy which resulted in improving underwriting profit by 30% to SR 67.2 million.

Furthermore, our investment performance witnessed a significant improvement, registering a profit of SR 45.5 million with a 211% YoY growth. I am also pleased to report that our investment in Probitas Holdings Bermuda has contributed positively to our investment returns.

Similarly, the gross written premium also increased in 2019 to SR 792 million with 10% YoY growth, while total revenue improved by 5% YoY to reach SR 660 million. In 2019, growth was not limited to our home market, as Saudi Re continued its expansion in the international markets, especially in Asia, the Middle East, Africa as well as in Lloyds Market. These successful endeavors rendered the international business to represent nearly 60% of Saudi Re's portfolio in 2019. All of this reflects the effectiveness of Saudi Re's diversification strategy and signifies its ability to deploy its technical and business development capabilities to build a strong foothold in the international markets to reinforce profitable growth.

The financial position was further strengthened in 2019, with total assets reaching SR 2.65 billion, while technical reserves increased to SR 1.12 billion. Also, 2019 showed a very healthy solvency margin exceeding 300%, supported by an A3 financial strength rating by Moody's and AA+ financial strength rating by Tassnief

It is worth noting that this progress in the company's performance is a strong indication of the effective business model of Saudi Re that aims at maximizing shareholders' value by focusing on key strategic pillars which includes achieving an economically-scaled book of business, maintaining a well-balanced reinsurance portfolio, building solid and mutually beneficial relations with clients, brokers and partners, acquiring strong technical, analytical, operational, technological, financial and human capabilities, and sustaining financial soundness that is translated into solid capitalization, optimized solvency, technical reserves, diversified investment portfolio, and strong credit rating.

Saudi Re is now considered among the key players in the Middle East reinsurance market and dynamically strives to overcome the challenges to secure a strong position in a competitive and evolving marketplace.



As part of Saudi Re's close monitoring of emerging risks and in the shadow of the Coronavirus (COVID-19) pandemic, Saudi Re has taken measures to mitigate the possible impact on its operations and investments. These measures include the activation of its business continuity plan, accelerating the execution of the digital transformation strategy as well as effecting a number of tactical actions intended for de-risking the investment portfolio. As the situation develops, Saudi Re will be monitoring the impact continually.

Saudi Re has always maintained a focus on adopting best practices in corporate governance. To that effect, several initiatives were implemented in 2019 including updating the Corporate Governance Policy, the Conflict of Interest Policy, the Code of Professional Conduct & Ethics, the Reporting Non-Compliant Practices, Whistleblowing Policy, and the Anti-Fraud Policy & Corruption Strategy. In addition, the Board Underwriting and Risk Committee was split into the Technical Committee and the Business Risk Committee to reinforce the role of enterprise risk management. Furthermore, Saudi Re initiated a review of its suitability management framework to evolve around environmental, social and governance objectives.

On the operational front, Saudi Re progressed in executing its digital transformation strategy which focuses on upgrading the technological infrastructure and developing the operational, technical and analytical capabilities. The company achieved new milestones in implementing the cybersecurity framework.

Furthermore, many activities were organized as part of Saudi Re's Development Program that focuses on training and development of employees to improve their competencies and help them acquire professional qualifications to enable them to be better perform their roles at a professional level.

Finally, I would like to express my gratitude to all of those who have contributed to the continued success of Saudi Re, including our shareholders, clients and business partners for their confidence in the company, as well as to all regulatory bodies, the board of directors, management and our employees.

I would also like to thank my fellow director Mr. Mansour Al-Busaily for his valuable contribution during his tenure as a board member during the period from 2012 until his registration in 2019.

Sincerely,
Hesham Al-Shaikh

Board of Directors





Mr. Hesham Abdulmalik Al-Shaikh

Chairman of the Board

Mr. Hesham Al-Shaikh joined Saudi Re as a Non-Executive Board Member in 2011, and he serves as the Chairman of the board, in addition to his role as the Chairman of the Executive Committee and the Chairman of the Investment Committee of the Company. Currently he sits on the Board of Probitas Holding Company (Bermuda), Watan First Financial Institute, and Ashmore Saudi Arabia Investments. He has more than 25 years of experience in the Banking and Investments sectors during which he assumed various leading positions most of it was at the Arab National Bank in Saudi Arabia. Mr. Al-Shaikh has Bachelor's degree in Business Management specialized in Applied Mathematics and Economics from California University in USA.



Mr. Mishari Al-Mishari Al-Hussain

Vice Chairman of The Board

Mr. Mishari Al-Mishari Al-Hussain joined Saudi Re as an Non-Executive Board Member in 2009, he serves as the Vice Chairman of the Board, and as a member of the Nomination and Remuneration Committee and a member of the Investment Committee of the Company. Currently he sits on the Board of the Hana Water Company, as well as in a number of other companies in the fields of Real-estates development and Training and Education. He has more than 35 years of experience in the Banking and Financial sectors during which he assumed various leading positions concluding with the role of the Managing Director of Al-Jazira Bank in Saudi Arabia. Mr. Al-Hussain has Bachelor's degree in Business Administration from Oregon State University in USA.



Mr. Ahmad Sabbagh

Board Member

Mr. Ahmad Sabbagh joined Saudi Re as a Non-Executive Board Member in 2008, he served as the Chairman of the Audit Committee from 2009 to 2015, and currently he serves as a member of the Nomination and Remuneration Committee, and the Technical Committee of the Company. Moreover, previously he was the General Manager of the Islamic Insurance Company in Jordan and also he considered as one of its founders and a former member of its Board of Directors, also he is a member of the Board of Trustees of the Arab Insurance Institute. He has more than 45 years of experience in the Insurance and Reinsurance industry during which he assumed various leading positions, such as being the President of the International Federation of Takaful and Islamic Insurance Companies for 6 years. Mr. Sabbagh has Bachelor's degree in Business Administration from Beverly Hills University California in USA.



Mr. Mansour Al-Bosaily

Board Member

Mr. Mansour Al-Bosaily joined Saudi Re as an Independent Board Member in 2012, he serves as Chairman of the Nomination and Remuneration Committee and a member of the Executive Committee of the Company (resigned on 31st December 2019). Currently he is the Chairman of the HSBC Saudi Arabia Company, and a Board Member of Saudi Ground Services Company, Amlak International Company, Jabal Omar Development Company and United Electronics Company (Extra). He has more than 30 years of experience in Banking and Legal Affairs sectors, as he was the Executive Director of the Legal Affairs Department and the Secretary-General of the Saudi British Bank (SABB). Mr. Al-Bosaily has Bachelor's degree in Law & Systems from King Saud University in Saudi Arabia



Mr. Mohamad Al-Otaibi

Board Member

Mr. Mohamad Al-Otaibi joined Saudi Re as an Independent Board Member in May 2017, and he serves as the Chairman of the Risk Management Committee of the Company. Currently he sits on the Board of Riyadh Bank and Al Yamamah Steel Industries Company. He has more than 30 years of experience in Banking and Marine Shipping Industry during which he assumed different leading positions, last of which was the Acting CEO of the National Shipping Company of Saudi Arabia (Bahri). Mr. Al-Otaibi has MBA specialized in Finance from Western Michigan University, also he holds AMP from Harvard University in USA.



Mr. Jean-Luc Gourgeon

Board Member

Mr. Jean-Luc Gourgeon joined Saudi Re as a Non-Executive Board Member in 2011, he serves as the Chairman of the Technical Committee, and a member of the Executive Committee. Currently he's a Board Member of Probitas Holding Company (Bermuda), and was the Deputy CEO of Mamda Re in Morocco, also he is the Founder and CEO of his own Company, Jean-Luc Gourgeon Ltd. He has more than 30 years of experience in Insurance and Reinsurance Industry, as he was the General Manager of Everest Re Europe in UK and the CEO of Paris Re in France. Mr. Gourgeon has Master's degree with honor in Mechanics Science from Ecole Centrale de Lyon, Claude Bernard University in France, INSA Lyon. He also holds a political science degree of Institut d'Etudes Politiques de Paris.



Mr. Ismail Mahbob

Board Member

Mr. Ismail Mahbob joined Saudi Re as an Independent Board Member in 2012, he serves as a member in the Audit Committee and the Risk Management Committee of the Company. He was President/CEO of MNRB Retakaful Berhad, the first Malaysian retakaful operator. He had wide experience in international reinsurance market in his previous capacity as Senior Vice President of Labuan Reinsurance Ltd. Mr ismail holds Diploma in Marketing from CIM (UK) and Fellow of Chartered Institute of Islamic Finance Professional (CIFP), Malaysia."



Mr. Hammam Badr

Board Member

Mr. Hammam Badr joined Saudi Re as an Independent Board Member in 2013, he serves as a member of the Nomination and Remuneration Committee and the Technical Committee. Currently he's the Chairman and the Managing Director of Iskan Insurance Company in Egypt. He has more than 40 years of experience in the Insurance and Reinsurance industry in the international market during which he assumed various leading positions in Companies in Cairo, Bahrain, New-York and London, he was the Chairman and the Managing Director of the Egyptian Reinsurance Company, and also he was the Chairman and the Managing Director of Al-Sharq Insurance Company in Egypt. Mr. Badr has Master's degree in Insurance from Cairo University in Egypt.



Mr. Fahad Al-Hesni

Managing Director - CEO

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 and the Investment Committee of the Company. Currently he's a Board Member of Probitas Holding Company (Bermuda). Moreover, a member of the International Insurance Society (IIS), the Vice Chairman of the Reinsurance Committee and a member of the Executive Committee of the Gulf Insurance Federation (GIF). He has more than 20 years of experience in the Insurance and Reinsurance industry during which he assumed various leading positions in the fields of Business Development, Underwriting and Claims Management. Mr. Al-Hesni has Master's degree in Insurance & Risk Management from City University of London and an Association degree from the Chartered Insurance Institute (CII) in UK.

Profiles of The External Members of The Board Committees



Mr. Ali Al-Qahtani

Mr. Ali Al-Qahtani joined the Audit Committee in 2011 as an external independent member and became the Chairman of the committee in 2016. Mr. Al-Qahtani has 20 years of experience in the fields of Accounting, Finance within Mr. Al-Qahtani held the position of Vice President of Financial Affairs Unit in Tawuniya Insurance Company from 2007 to 2011. Mr. Al-Qahtani now currently assume the position of Group Executive Vice President in Saudi Arabian Airline Company. Mr. Al-Qahtani received his Bachelor degree in Accounting from King Saud University and obtained an association ship from the Saudi Organization for Certified Public Accountants.



Mr. Hisham Al-Akil

Mr. Hisham Al-Akil joined the Audit Committee in 2016 as an external independent member. Mr. Al-Akil enjoys more than 13 years of experience in the Banking and Finance sector, during which Mr. Al-Akil occupied positions in Banking and Insurance supervision within the Saudi Arabian Monetary Agency. Mr. Al-Akil now currently assume the position of the Chief Financial Officer in Albilad Bank. Mr. Al-Qahtani received his Master degree in Accounting from the University of Illinois and obtained an association ship from the the American Institute of Certified Public Accountant in addition he is completed the Strategic Financial Leadership program from Stanford University.



Mr. Husam Al-Suwailem

Eng. Hussam joined the investment committee In 2019 as an independent member. Hussam has worked for many of the leading Saudi banks, including SAMBA, NCB and Riyadh Bank. He has had various roles in corporate banking and asset management. He also has worked as an M&A investment analyst for a subsidiary of the Public Investment Fund. Eng. Hussam has a Bachelor degree in Engineering and a Master degree in finance, he's also a Chartered Financial Data Professional.



Dr. Volker Helmet Lauff

Dr. Volcker joined the company's risk committee in 2019 as an independent external member with over 20 years of experience in the field of insurance and reinsurance. Such as taking the position of Sales Leader Analytics at Aon Global Risk Consulting, Currently serves as the Executive Chairman of PRS Capital Solutions. Dr.Volcker holds a PhD in Mathematics from Otto Von Guericke University, Germany.

01

First: Important Plans & Decisions, Operational Activities, Future Expectations & Risks

Board of Directors Report



1. Important Plans And Decisions



2. Operational Activities



3. Future Expectations



4. Current And Future Risks

1



SIGNIFICANT BOARD RESOLUTIONS

- Approval to amend the Article of Association and the Corporate Governance Policy and propose them to the General Assembly for voting.
- Approval of a number of new and amended policies including the Conflict of Interest Policy, the Code of Professional Conduct & Ethics, the Reporting Non-Compliant Practices 'Whistleblowing' Policy, and the Anti-Fraud Policy & Strategy.
- Approval of the 2020-2022 Corporate Business Plan and the Digital Transformation Strategy.
- Approval of the Audit Committees recommendations to implement the plan to adopt IFRS 9 & 17 effective starting from 2022.
- Approval to underwrite and renew the participation in a reinsurance program in Lloyd's market for the year 2019-2020.

- Approval of the Financial Condition Report of 2018 financial year and the appointment of the appointed Actuary for the year 2019.
- Approval of the structure of the retrocession program for 2019/2020.
- Approval to split the Risk & Underwriting Committee to form two committees, namely; Risk Management Committee and Technical Committee, and approve the Charters of the committees.
- Approval to appoint Mr. Mansour Al Bosaily as the Chairman of NRC, replacing Mr. Mishari Al-Mishari Al-Hussain who will continue to be a member in the committee.
- Approval to appoint Mr. Hussam Alsuwailem as an External Member of the Investment Committee.
- Approval to accept the resignation of the Mr. Mansour Al Bosaily from the board effective December 31 2019.

2 OPERATING ACTIVITIES



2.1 Business Development & Marketing Activities

During 2019, Saudi Re continued its focus on strengthening relationship with current and potential clients through direct and broker channels. Armed with its solid financial position, robust credit rating, strong brand, and proximity to high growth markets, Saudi Re was able to increase its gross written premium by 10% in 2019, compared to the previous year, recording 793 million riyals, despite the competitive nature of the reinsurance marketplace. Aiming at expanding its foothold in profitable and growing markets, Saudi Re registered noticeable growth in key markets in Lloyds, Asia, Africa in addition to its home market in Saudi Arabia. In 2019, the international business represented nearly 60% of the overall portfolio sourced from more than forty markets, giving a good example of the level of diversification and balance in Saudi Re portfolio.

Considering the importance of active engagement with clients and partners, Saudi Re participated in the main regional and international industry events and performed a number of clients activities which including organizing market seminars, the sponsorship of the Fifth Saudi Insurance Symposium and the Second Sham Insurance and Reinsurance Rendezvous.

2.2 Underwriting & Claims

In 2019, the technical performance witnessed significant improvement, registering an increase by 30% in the net underwriting results generating 67.2 million riyals compared with 51.6 million riyals in the previous year. This resulted in an improved combined ratio of 97%, which is attributed to the company's continuous re-underwriting methodology, efficient underwriting and claims management practices and pricing adequacy.

Furthermore, maintaining an economically scaled book of business and optimizing the level of risk by diversification by risk type and location, within Saudi Re 's Risk Appetite, is key to the improvement in technical performance. In addition, informed estimation, using actuarial modeling techniques, has contributed to the prediction of large and catastrophic events and setting reasonable technical reserves.

In 2019, the portfolio was well balanced among nine main lines of business consisting of Fire, Specialty, Marine, Engineering, Motor, Accident, Life, Health and others.

2.3 Human Capital & Training

As part of Saudi Re role in nationalizing the reinsurance industry and developing local talents, Saudization ratio recorded 68% in 2019, while achieving a platinum rank in the Nationalization Program “Nitaqat”. Saudi Re continued to carry on the “Saudi Re Development Program” (SRDP) by arranging a number of training programs locally and internationally in addition to promoting professional qualifications in various fields. Areas of focus included technical and analytical skills as well as awareness on corporate governance, anti-money laundering & financial crime, and cyber security.

Furthermore, Saudi Re participated in a number of development programs which included “The Insurance Manager” and the “The Insurance Leaders Preparation Program” with the support of the Saudi Arabian Monetary Authority (SAMA).

2.4 Information Systems

During 2019, to ensure best services to our clients and meeting growth strategies, Saudi Re’s Digital Transformation is prepared and put in action starting by upgrading Saudi Re data centers, local networks and connection bandwidth.

Furthermore, many projects have been initiated to upgrade or change Saudi Re’s systems as per the Digital Transformation plan for 2019 which included upgrading the core Reinsurance system which is used by Underwriting, Claims, and Technical Accounting and Retro departments. In addition, service desk platform has been implemented to secure high quality IT services to Saudi Re staff.

In line with Saudi Re plans to ensure safe and secure operation environments, several tools have been implemented in 2019.

The International Business represented nearly

60%

of Saudi Re portfolio with a composition of 29% in the Asian markets, 13% in the Middle Eastern markets, 6% in the African markets, and 13% in other territories, while the Saudi market presented 41%.

2.5 General Developments

The company retained its rating of A3 with a stable outlook from Moody’s and also it’s AA+ rating by Tassnief with stable outlook. Saudi Re has also renewed its license to transact reinsurance business by Saudi Arabian Monetary Authority for three years till 2022.

3 BUSINESS PROSPECTS



In light of the progress achieved so far and with the aim of maintaining a dynamic and effective business model that is able proactively evolve within a changing marketplace and cope with the digital developments, Saudi Re has developed a business plan toward 2022. The business plan is based on the following five key strategic pillars all aiming at maximizing the shareholders' value and achieve their aspirations:

- Achieve an economically-scaled book of business that is resilient against large/cat losses and absorbs operational expenditure
- Maintain a well-balanced reinsurance portfolio with spread geographical presence and diversified lines of business resulting in sustainable technical earnings and controlled concentration and accumulation risks
- Foster solid and long term relations with clients, brokers and partners based on mutual benefits and aligned interest
- Build and acquire competent technical, analytical, operational, technological, financial and human capabilities to serve the stakeholders
- Achieve financial soundness that is translated to a solid capitalization, optimized solvency and technical reserves, diversified streams of revenue, and strong credit rating

Throughout the planning exercise, a number of factors were considered to predict the various market trends which includes the technical, economic, geopolitical, social, technological aspects, and accordingly assess the possible implications on Saudi Re technical, operational and financial performance.

A new emerging risk that is affecting the global economy is Coronavirus (Covid-19) pandemic, causing future Gross Written Premiums growth to decelerate in 2020 at least. Insurance and reinsurance market is not expected to be immune from this economic shock which is likely to weaken demand and affect investment performance. The governmental efforts, especially in the Kingdom of Saudi Arabia, are anticipated to contribute in containing the spread of the pandemic and revive the economy.

To that end, Saudi Re has taken measures to mitigate the possible impact on its operations and investments, which included the activation of its business continuity plan, accelerating the execution of the digital transformation strategy as well as effecting a number of tactical actions intended for de-risking the investment portfolio. As the situation is developing, Saudi Re will be monitoring the impact continually.

4 CURRENT AND FUTURE RISKS



The Board sets the Company's risk appetite, risk tolerance, strategic planning and business plans, and the business is managed through the Board of Directors, Board sub-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 the external auditors note (30) of the financial statements, the company is exposed to risks relating to reinsurance, retrocession, claims management, reserving, credit, liquidity, currency, market, special commission rate, capital management, fair value of the financial instruments and Regulatory requirements.

The internal annual review of the risk in 2019 identified the following current and future risks:

4.1

Reinsurance Risk

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.

4.2

Retrocession Risk

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

4.3

Claims Management Risk

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.

4.4

Claim Reserving Risk

Risk occurs where established reinsurance liabilities are understated 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

4.5

○ Credit Risk

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.

4.6

○ Liquidity Risk

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.

4.7

○ Currency 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.

4.8

○ Market Risk

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 adopting strategies such as; diversification , duration adjustments, setting credit quality benchmarks, asset liability matching as set out in the Investment Policy Statement approved by the Board.

4.9

Legal and Regulatory Compliance Risks

The company is required to be in compliance with legal and regulatory requirements for regulatory bodies such as, Saudi Arabian Monetary Authority, Saudi Capital Market Authority, the Ministry of Commerce and the Ministry of Human Resources and Social Development. Company's Branch is required to be in Compliance with Labuan Financial Services Authority.

4.10

Cyber Risk

To Saudi Re, Information is an 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 person/s 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.

4.11

Reputation Risk

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 indirectly, Can harm the reputation of the company and might led 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 at all times. The company also has financial strength rating of AA + by SIMAH's Credit Rating Agency, Tassnief, and A3 rating from Moody's.

4.12

Rating Risk

Reinsurance companies are subject to rating downgrades by rating agencies if the company is unable to meet the rating 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 .

02

Second: Operating Results & Significant Differences

Board of Directors Report



1. Statement Of Financial Position For The Past Five Years



2. Results Of Operations For The Past Five Years



3. Notes On The Reinsurance Operation's Variances With Prior Year To The Index



4. Main Lines Of Business And Results



5. Written Premiums And Geographic Analysis



6. Total Underwriting Revenues



7. Net Incurred Claims



8. Total Costs And Expenses



9. Total Investments



10. Net Investments Income



11. Surplus / (Deficit) From Reinsurance Operations



12. Net Income From Shareholders' Operations



13. Total Comprehensive Income/(Deficit)



14. Technical Reserves



15. Assets



Statement of Financial Position For The Past Five Years

In Thousand Saudi Riyals	Dec 31 2019	Dec 31 2018	Dec 31 2017	Dec 31 2016	Dec 31 2015
Reinsurance Operations Assets					
Bank Balances & Cash	6,061	22,344	53,494	42,892	61,026
Time Deposits	138,195	73,896	58,003	67,552	35,218
Accrued Special Commission Income From Time Deposits	1,728	408	869	1,070	72
Premiums Receivable, Net	233,393	200,024	358,871	181,957	195,142
Investments Held At Fair Value Through Income Statement	40,877	56,100	106,316	93,447	73,707
Accrued Insurance Premiums	467,071	409,778	372,088	262,340	440,824
Retroceded Share Of Unearned Premiums	50,837	33,081	117,679	3,758	7,363
Deferred Excess Of Loss Premiums	11,744	11,432	14,300	17,517	17,390
Retroceded Share Of Outstanding Claims	282,719	198,433	59,889	94,772	47,116
Retroceded Share Of Claims Incurred But Not Reported	34,812	59,937	105,950	15,878	13,381
Deferred Acquisition Costs	106,279	99,895	100,345	81,705	94,148
Prepaid Expenses, Deposits And Other Assets	171,904	177,872	103,964	49,276	91,222
Due From Shareholder's Operations	90,987	110,965	144,462	152,144	130,783
Property And Equipment, Net	3,941	2,213	2,286	3,403	5,456
Total Reinsurance Operations Assets	1,640,548	1,456,378	1,598,516	1,067,711	1,212,848

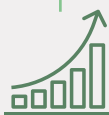
In Thousand Saudi Riyals	Dec 31 2019	Dec 31 2018	Dec 31 2017	Dec 31 2016	Dec 31 2015
Shareholder's Assets					
Bank Balances & Cash	7,108	9,542	31,738	27,950	31,917
Time Deposits	239,836	196,235	-	112,457	118,849
Accrued Special Commission Income From Time Deposits	6,246	1,671	3	2,191	540
Accrued Special Commission Income From Bonds And Sukuk	2,793	2,664	3,831	4,144	2,221
Investments Held At Fair Value Through Income Statement	376,971	496,474	758,752	724,579	687,580
Held-To-Maturity Investments	37,500	-	-	-	-
Investments In Associate	101,446	97,294	91,954	-	-
Held To Maturity Investments	-	-	-	-	-
Prepaid Expenses, Deposits And Other Assets	72,736	31,088	228	45	406
Statutory Deposit	121,500	121,500	100,000	100,000	100,000
Accrued Income On Statutory Deposit	17,992	15,549	13,128	10,242	7,592
Property And Equipment, Net	29,634	30,376	31,250	32,110	32,999
Total Shareholder's Assets	1,013,762	1,002,393	1,030,884	1,013,718	982,104
Total Assets	2,654,310	2,458,771	2,629,400	2,081,429	2,194,952

In Thousand Saudi Riyals	Dec 31 2019	Dec 31 2018	Dec 31 2017	Dec 31 2016	Dec 31 2015
Reinsurance Operations Liabilities And Surplus					
Accounts Payable	39,929	19,928	16,648	18,217	10,102
Retrocession Balances Payable	46,173	22,899	229,764	51,920	14,927
Accrued Retroceded Premiums	21,742	15,840	7,891	76	354
Unearned Premiums	401,997	380,171	461,489	306,479	502,998
Outstanding Claims	737,229	662,467	445,954	433,740	398,692
Claims Incurred But Not Reported	355,255	330,481	415,099	246,274	275,428
Unearned Retrocession Commission	8,396	6,410	7,542	848	1,807
Accrued Expenses And Other Liabilities	15,510	7,560	5,743	3,906	4,185
End of Services Indemnities	8,829	6,594	5,729	3,958	3,165
Total Reinsurance Operations Liabilities	1,635,060	1,452,350	1,595,859	1,065,418	1,211,658
Reinsurance Operations Surplus					
Accumulated Surplus	7,546	4,028	2,657	2,293	1,190
Total Reinsurance Operations Liabilities And Surplus	1,642,606	1,456,378	1,598,516	1,067,711	1,212,848

In Thousand Saudi Riyals	Dec 31 2019	Dec 31 2018	Dec 31 2017	Dec 31 2016	Dec 31 2015
Shareholders' Liabilities And Equity					
Shareholders' Liabilities					
Provision For Zakat And Income Tax	23,742	38,244	37,431	39,728	39,419
Due To Reinsurance Operations	90,987	110,965	144,462	152,144	130,783
Accrued Expenses And Other Liabilities	3,911	4,987	7,070	6,303	2,174
Accrued Commission Income Payable To SAMA	17,992	15,549	13,128	10,242	7,592
Total Shareholders' Liabilities	136,632	169,745	202,091	208,417	179,968
Shareholders' Equity					
Share Capital	810,000	810,000	1,000,000	1,000,000	1,000,000
Statutory Reserve	17,904	8,815	6,071	6,071	6,071
Other Reserves	(1,946)	1,075	(1,962)	-	-
Retained Earnings / (Accumulated Deficit)	49,114	12,758	(175,316)	(200,770)	(203,935)
Total Shareholders' Equity	875,072	832,648	828,793	805,301	802,136
Total Shareholders' Liabilities And Equity	1,011,704	1,002,393	1,030,884	1,013,718	982,104
Total Reinsurance Operations Liabilities, Shareholders' Liabilities and Equity	2,654,310	2,458,771	2,629,400	2,081,429	2,194,952

2

Results Of Operations For The Past Five Year



In Thousand Saudi Riyals	Dec 31 2019	Dec 31 2018	Dec 31 2017	Dec 31 2016	Dec 31 2015
Revenues					
Gross Writtem Premiums	792,848	721,605	942,007	985,510	804,826
Retroceded Premiums	(127,844)	(72,997)	(274,514)	(5,582)	(12,177)
Excess Of Loss Expenses	(18,399)	(31,712)	(30,571)	(41,744)	(37,857)
Net Written Premiums	646,605	616,896	636,922	938,184	754,792
Change In Net Unearned Premiums, Net	(4,070)	(3,281)	(41,088)	192,914	(259,257)
Net Earned Premiums	642,535	613,615	595,834	1,131,098	495,535
Retrocession Commissions	18,176	16,468	11,258	2,982	2,774
Total Revenues	660,711	630,083	607,092	1,134,080	498,309
Underwriting Costs And Expenses					
Net Claims Incurred	(417,070)	(404,054)	(419,114)	(908,631)	(339,483)
Policy Acquisition Costs And Profit Commissions	(172,781)	(172,472)	(146,126)	(164,692)	(114,533)
Other Underwriting Expenses	(3,616)	(1,997)	(4,710)	(4,928)	(4,024)
Total Underwriting Costs & Expenses	(593,467)	(578,523)	(569,950)	(1,078,251)	(458,040)
Net Underwriting Income	67,244	51,560	37,142	55,829	40,269

In Thousand Saudi Riyals	Dec 31 2019	Dec 31 2018	Dec 31 2017	Dec 31 2016	Dec 31 2015
Special Commission Income From Deposits	8,890	4,140	2,858	3,028	202
Realized Gains/ (Losses) On Investments Held At Fair Value Through Income Statement	193	1,568	188	99	(73)
Unrealized Gains/ (Losses) On Investments Held At Fair Value Through Income Statement	216	(368)	3,931	2,352	1,325
Investment Management Expenses	(160)	(404)	(505)	(344)	(315)
Net Investments Income	9,139	4,936	6,472	5,135	1,139
Other Income	-	-	-	-	216
Reversal / (Allowance) Of Doubtful Debts	518	1,575	(333)	(2,331)	935
General And Administrative Expenses	(43,560)	(40,577)	(38,540)	(35,728)	(37,480)
Foreign Exchange Losses	1,839	(3,784)	(1,097)	(11,875)	(2,501)
Total Income For The Period	35,180	13,710	3,644	11,030	2,578
Total Income Attributed To The Reinsurance Operations	(3,518)	(1,371)	(365)	(1,103)	(258)
Total Income For The Period Attributable To The Shareholders	31,662	12,339	3,279	9,927	2,320

Shareholders Operations

Investments Revenues	37,855	13,218	55,450	22,667	7,795
Investment Management Expenses	(1,515)	(3,516)	(8,947)	(2,803)	(3,001)
Net Investments Income	36,340	9,702	46,503	19,864	4,794
Other Income	999	905	-	-	3
General And Administrative Expenses	(7,470)	(6,995)	(7,854)	(9,851)	(5,272)
Board Of Directors Remunerations, Meetings Fees And Expenses	(2,256)	(2,181)	(3,002)	(1,576)	(1,648)
Foreign Exchange Translation (Losses)/ Gains	43	(48)	(38)	100	(91)
Net Income For The Year	59,318	13,722	38,888	18,464	106

3

Notes On The Reinsurance Operation's Variances With Prior Year



In Thousand Saudi Riyals	Dec 31 2019	Dec 31 2018	Variance + or (-)	Change %
Revenues				
Gross Written Premiums	792,848	721,605	71,243	10%
Retroceded Premiums	(127,844)	(72,997)	(54,847)	75%
Excess of Loss Expenses	(18,399)	(31,712)	13,313	-42%
Net Written Premiums	646,605	616,896	29,709	5%
Change In Net Unearned Premium, Net	(4,070)	(3,281)	(789)	24%
Net Earned Premiums	642,535	613,615	28,920	5%
Retrocession Commissions	18,176	16,468	1,708	10%
Total Revenues	660,711	630,083	30,628	5%

In Thousand Saudi Riyals	Dec 31 2019	Dec 31 2018	Variance + or (-)	Change %
Underwriting Costs And Expenses				
Net Claims Incurred	(417,070)	(404,054)	(13,016)	3%
Policy Acquisition Costs And Profit Commissions	(172,781)	(172,472)	(309)	0.2%
Supervision And Inspection Fees	(3,616)	(1,997)	(1,619)	81%
Total Underwriting Costs And Expenses	(593,467)	(578,523)	(14,944)	3%
Net Underwriting Income	67,244	51,560	15,684	30%
Special Commission Income Form Time Deposits	8,890	4,140	4,750	115%
Realized Gains On Investments Held At Fair Value Through Income Statement	193	1,568	(1,375)	-88%
Unrealized (Losses) / Gains On Investments Held At Fair Value Through Income Statement	216	(368)	584	-159%
Investment Management Expenses	(160)	(404)	244	-60%
Net Investment Income	9,139	4,936	4,203	85%
Reversal For Doubtful Debts	518	1,575	(1,057)	-67%
General And Administrative Expenses	(43,560)	(40,577)	(2,983)	7%
Foreign Exchanges Losses	1,839	(3,784)	5,623	-149%
Total Income For The Period	35,180	13,710	21,470	157%
Total Income Attributed To The Reinsurance Operations	(3,518)	(1,371)	(2,147)	157%
Total Income For The Period Attributable To The Shareholders	31,662	12,339	19,323	157%

4

Main Lines Of Business And Results

Saudi Re transacts reinsurance business on facultative and treaty reinsurance basis in Saudi Arabia, MENA countries Asia and Africa with its head office in Riyadh, Saudi Arabia and its branch in Labuan, Malaysia.

The company comprises business units based on its services and products as detailed in the following table:



In Thousand Saudi Riyals	Engineering	Fire	Marine	Motor	General Accident	Protection	Health	Speciality	Others	Total
Revenues										
Gross Written Premiums	79,119	204,274	89,857	59,854	56,173	49,872	22,765	96,761	134,173	792,848
Retroceded Premiums	(7,549)	(17,709)	(32,700)	-	(18,962)	-	-	-	(50,923)	(127,844)
Excess Of Loss Expenses	(3,639)	(6,062)	(1,177)	247	(118)	(815)	-	-	(6,835)	(18,399)
Net Written Premiums	67,930	180,503	55,980	60,101	37,093	49,057	22,765	96,761	76,416	646,605
Change In Unearned Premium, Net	336	2,170	(3,171)	9,568	9,088	(246)	2,546	(13,344)	(11,018)	(4,070)
Net Earned Premiums	68,266	182,673	52,809	69,669	46,181	48,812	25,310	83,417	65,398	642,535
Comissions On Retroceded Business	1,924	4,080	1,115	-	3,868	(7)	-	-	7,196	18,176
Total Revenues	70,190	186,754	53,923	69,669	50,049	48,805	25,310	83,417	72,594	660,711
Underwriting Costs And Expenses										
Net Claims Incurred	(51,253)	(103,431)	(26,141)	(51,373)	(29,344)	(39,552)	(33,686)	(50,426)	(31,865)	(417,070)
Policy Acquisition Costs & Profit Comissions	(23,300)	(55,915)	(17,474)	(8,835)	(15,829)	(3,794)	(1,345)	(32,111)	(14,178)	(172,781)
Other Underwriting Expenses	(333)	(1,022)	(405)	(347)	(305)	(242)	(127)	(319)	(517)	(3,616)
Total Underwriting Costs & Expenses	(74,885)	(160,367)	(44,020)	(60,555)	(45,478)	(43,588)	(35,158)	(82,856)	(46,560)	(593,467)
Net Underwriting Income/ (Loss)	(4,696)	26,386	9,904	9,115	4,571	5,216	(9,847)	561	26,034	67,244

5

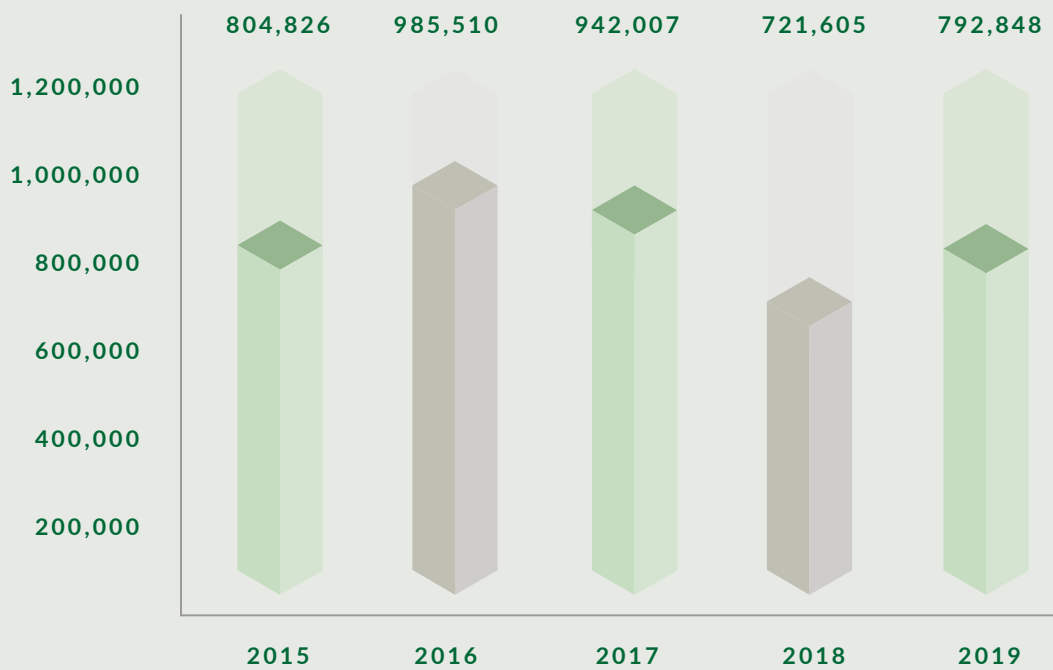
Written Premiums And Geographic Analysis



Gross premiums written increased by 10% in 2019 to SR 792,848 thousand from SR 721,605 thousand in 2018.

The following graph indicates the gross premiums written during the period 2015-2019 (in thousand Saudi Riyals).

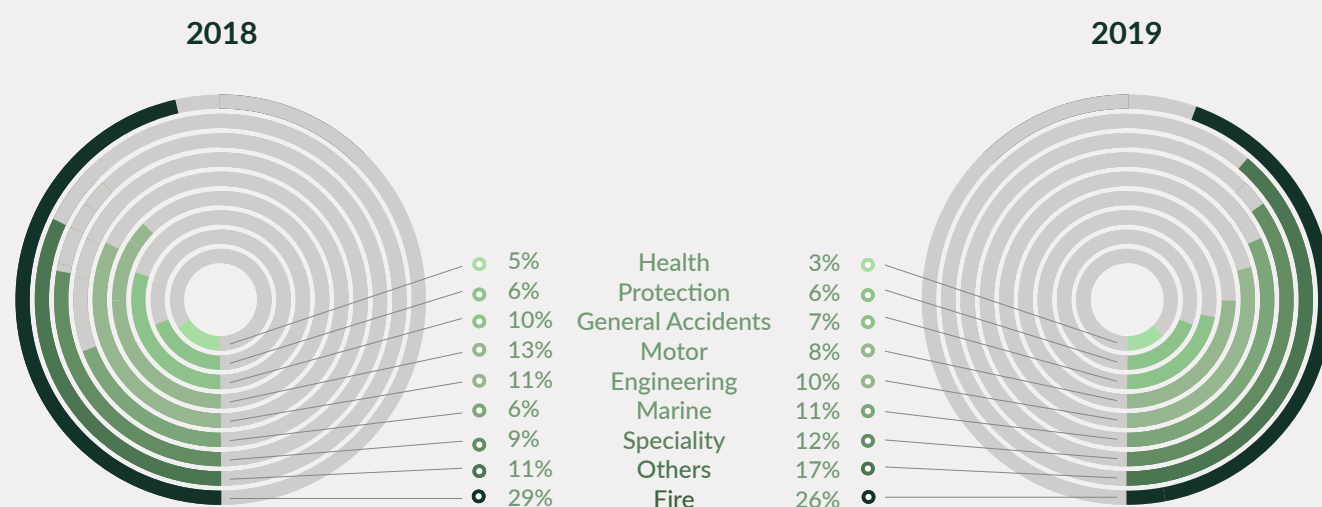
Gross Premium



The following table displays the distribution of written premiums over major business segments:

Segment	2019	2018	Variance + or (-)	Change %
Engineering	79,119	75,852	3,267	4%
Fire	204,274	207,425	(3,151)	-2%
Marine	89,857	46,665	43,192	93%
Motor	59,854	94,277	(34,423)	-37%
General Accidents	56,173	69,532	(13,359)	-19%
Protection	49,872	45,563	4,309	9%
Health	22,765	33,341	(10,576)	-32%
Speciality	96,761	67,249	29,512	44%
Others	134,173	81,701	52,472	64%
Total	792,848	721,605	71,243	10%

Gross Written Premiums

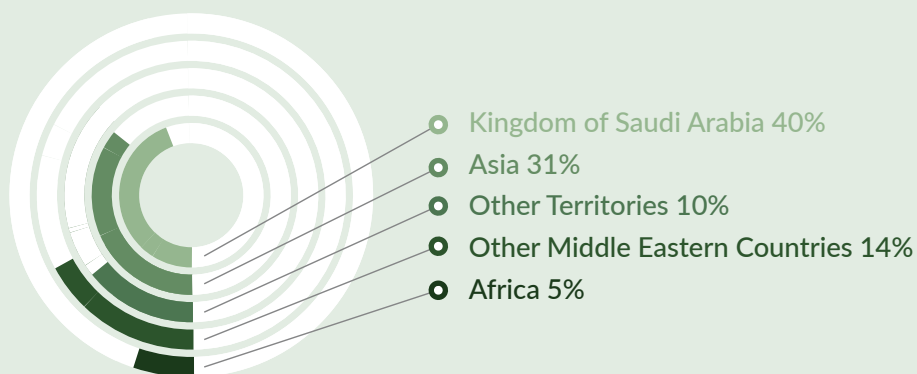


Geographical Analysis of Gross Premiums Written, Thousands

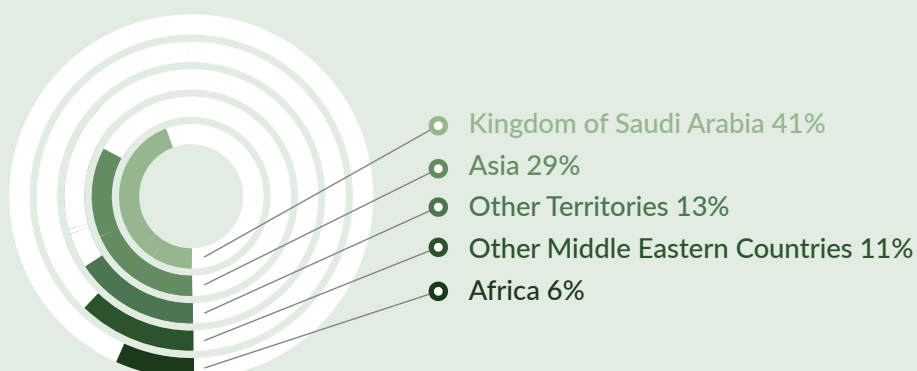
Geographical Segment	2019		2018	
	%	GWP	%	GWP
Kingdom of Saudi Arabia	41%	322,050	40%	288,453
Other Middle Eastern Countries	11%	91,840	14%	100,630
Africa	6%	48,339	5%	35,101
Asia	29%	230,149	31%	224,526
Other Territories	13%	100,470	10%	72,895
Total	100%	792,848	100%	721,605

Geographical Analysis of Gross Written Premiums

2018



2019

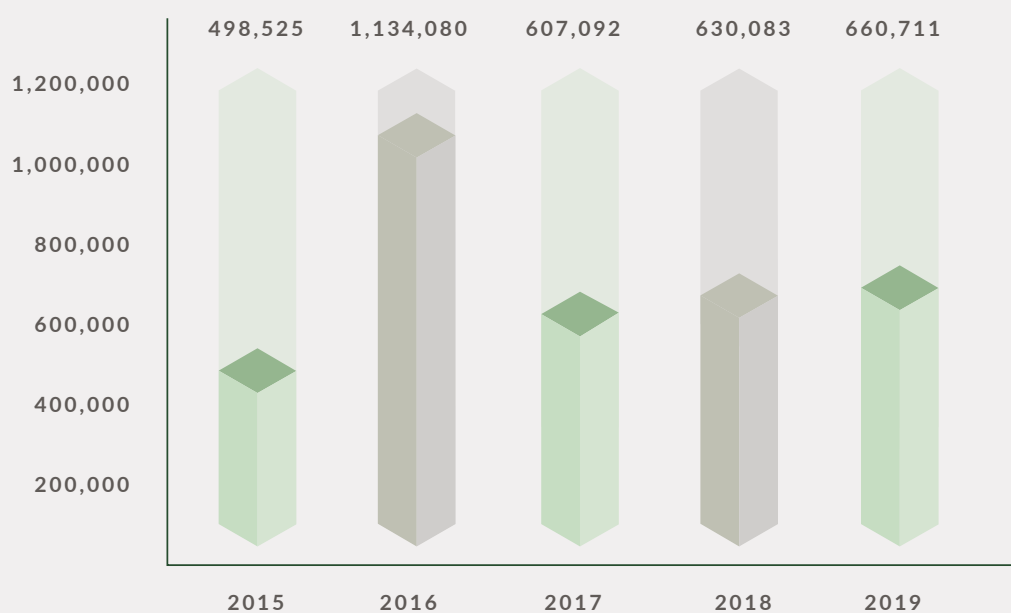


6 Total Underwriting Revenues



Total underwriting revenue increased by 5% to SR 660,711 thousand in 2019 from SR 630,083 thousand in 2018 main contribution to this was the increase in net earned premiums by 5%.

The following diagram shows the total revenues from 2015-2019 (in thousand Saudi Riyals).



Following The Details of Underwriting Revenues

Revenues	2019	2018	Variance + or (-)	Change %
Not Earned Premiums	642,535	613,615	28,920	5%
Retrocession Commissions	18,176	16,468	1,708	10%
Total	660,711	630,083	30,628	5%

Geographical Analysis of Underwriting Revenues

Revenues	2019	2018	Variance + or (-)	Change %
Within Kingdom of Saudi Arabia	217,880	232,784	(14,904)	-6%
Outside Kingdom of Saudi Arabia	442,831	397,299	45,532	11%
Total	660,711	630,083	30,628	5%

7

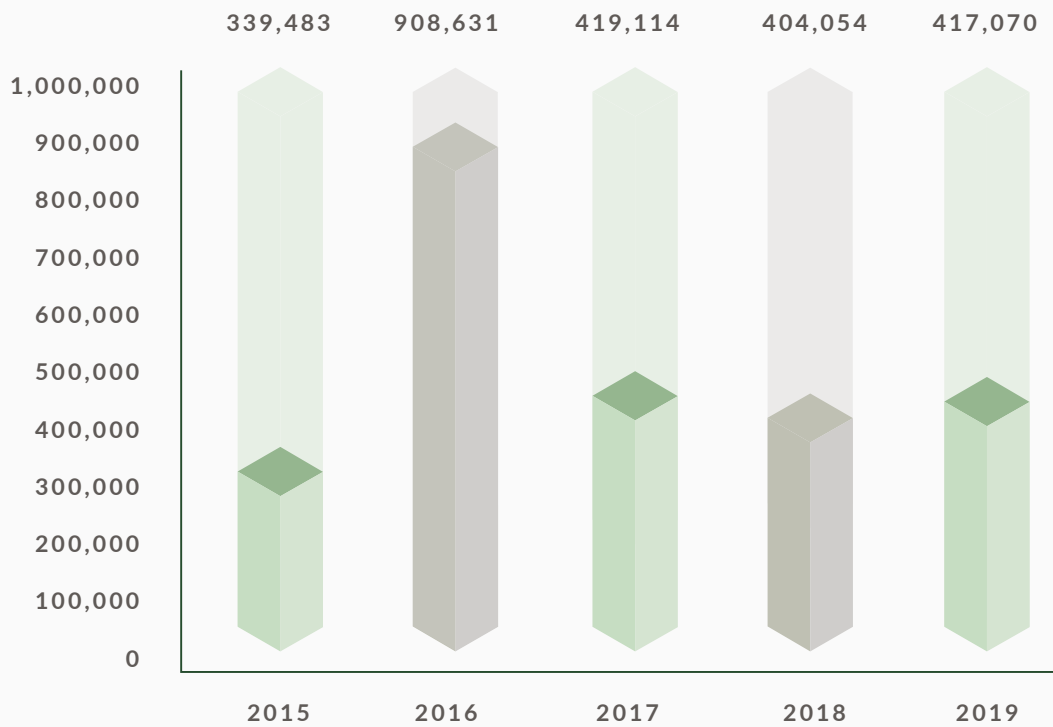
Net Incurred Claims

The net claims incurred after deduction of reinsurers share increased by 3% to SR 417,070 thousand in 2019 from SR 404,054 thousand in 2018.



The following diagram shows the net claims incurred from 2015-2019 (in thousand Saudi Riyals).

Net Claims Incurred



8

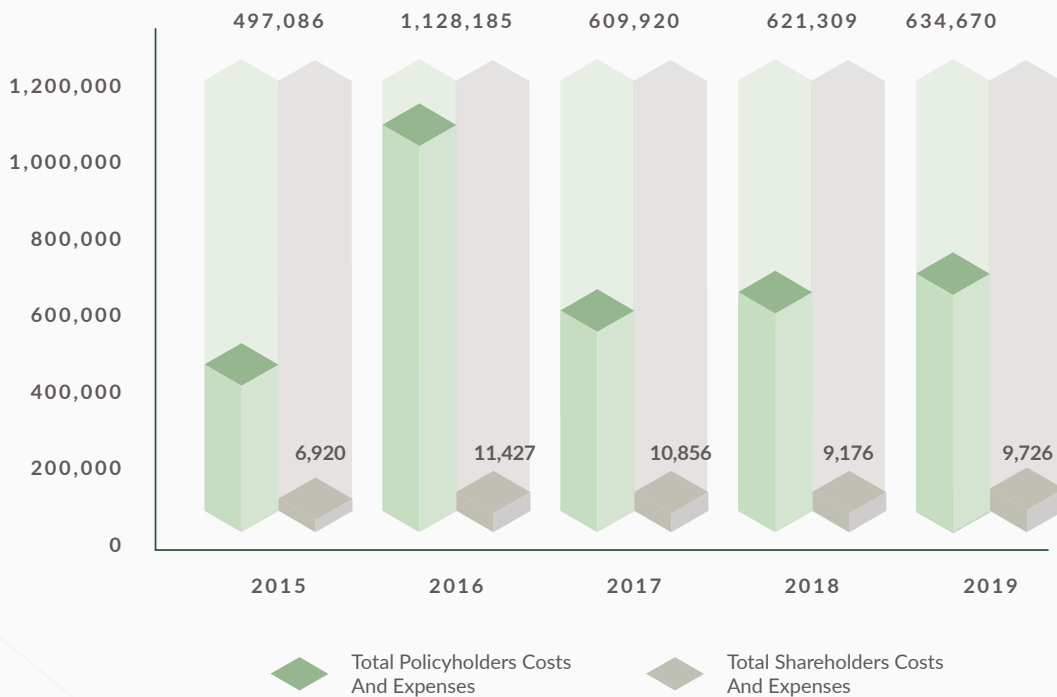
Total Costs And Expenses



Total costs and expenses for policyholders' operations increased by 2% to SR 634,670 thousand in 2019 from SR 621,309 thousand in 2018 due mainly to the increase in Net claims incurred. While the total costs and expenses for shareholders' operations increased by 6% to SR 9,726 thousand in 2019 from SR 9,176 thousand in 2018.

Following the details of costs and expenses for policyholders' operations.

Total Costs And Expenses



Following The Details of Costs And Expenses For Policyholders' Operations:

Segment	2019	2018	Variance + or (-)	Change %
Net Claims Incurred	417,070	404,054	13,016	3%
Policy Acquisition Costs And Profit Commissions	172,781	172,472	309	0%
Other Underwriting Expenses	3,616	1,997	1,619	81%
Reversal For Doubtful Debts	(518)	(1,575)	1,057	-67%
General And Administrative Expenses	43,560	40,577	2,983	7%
Foreign Exchange Losses/(Gains)	(1,839)	3,784	(5,623)	-149%
Total	634,670	621,309	13,361	2%

Following The Details of Costs And Expenses For Shareholders' Operations:

Segment	2019	2018	Variance + or (-)	Change %
General And Administrative Expenses	7,470	6,995	475	7%
Board of Directors Remunerations, Meetings Fees And Expenses	2,256	2,181	75	3%
Total	9,726	9,176	550	6%

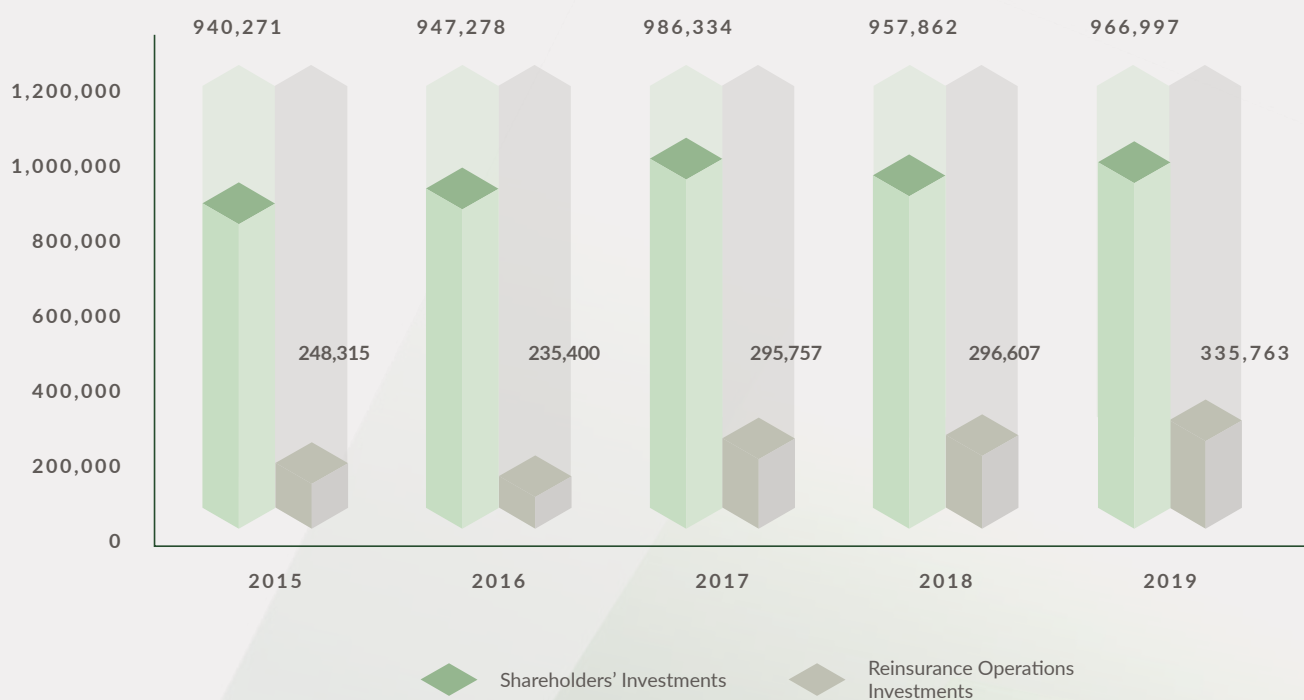
9 Total Investments



Total shareholders' investments were SR 966,997 thousand in 2019 as compared with SR 957,862 thousand in 2018, higher by 1%. The total reinsurance operations investments were SR 335,763 thousands in 2019 compared with SR 296,607 thousands in 2018, higher by 13%.

The following figure shows total investments during the period 2015-2019 (in thousand Saudi Riyals).

Total Investments



10 Net Investments Income

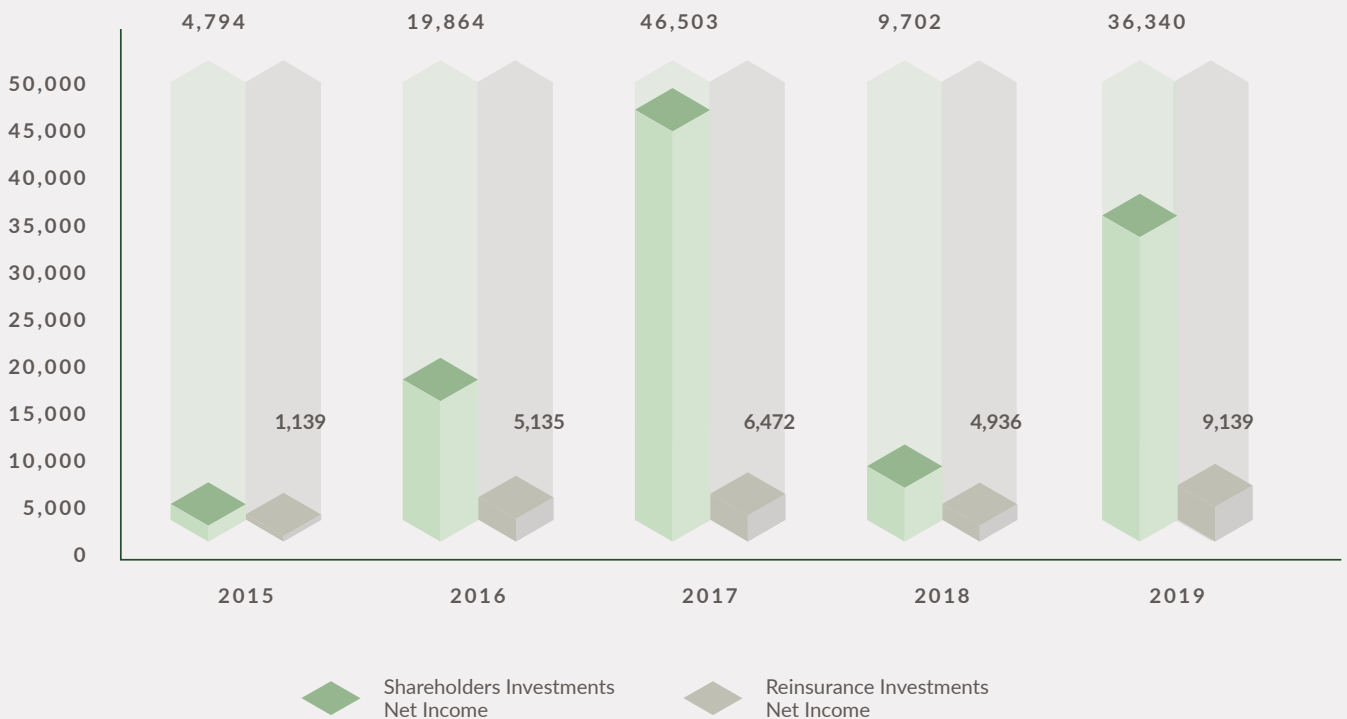


The net Income generated from investments of reinsurance funds, net of investment management expenses were SR 9,139 thousand in 2019 as compared with SR 4,936 thousand in 2018, higher by 85%.

As such as the net income generated from shareholders' fund investments, net of investment management expenses was SR 36,340 thousand in 2018 as compared with SR 9,702 thousand in 2019, higher by 274%. Due to an increase in the returns of the global equities and Time deposits income.

The following figure shows the investments net income during 2015-2019 (in thousand Saudi Riyals).

Net Investments Income



Geographical Analysis of Net Investments.

Geographical Segment	2019		2018	
	Reinsurance Investments Net Income	Shareholders Investments Net Income	Reinsurance Investments Net Income	Shareholders Investments Net Income
Within The Kingdom of Saudi Arabia	6,780	21,756	2,319	15,012
Outside The Kingdom of Saudi Arabia	2,359	14,584	2,617	(5,310)
Total	9,139	36,340	4,936	9,702

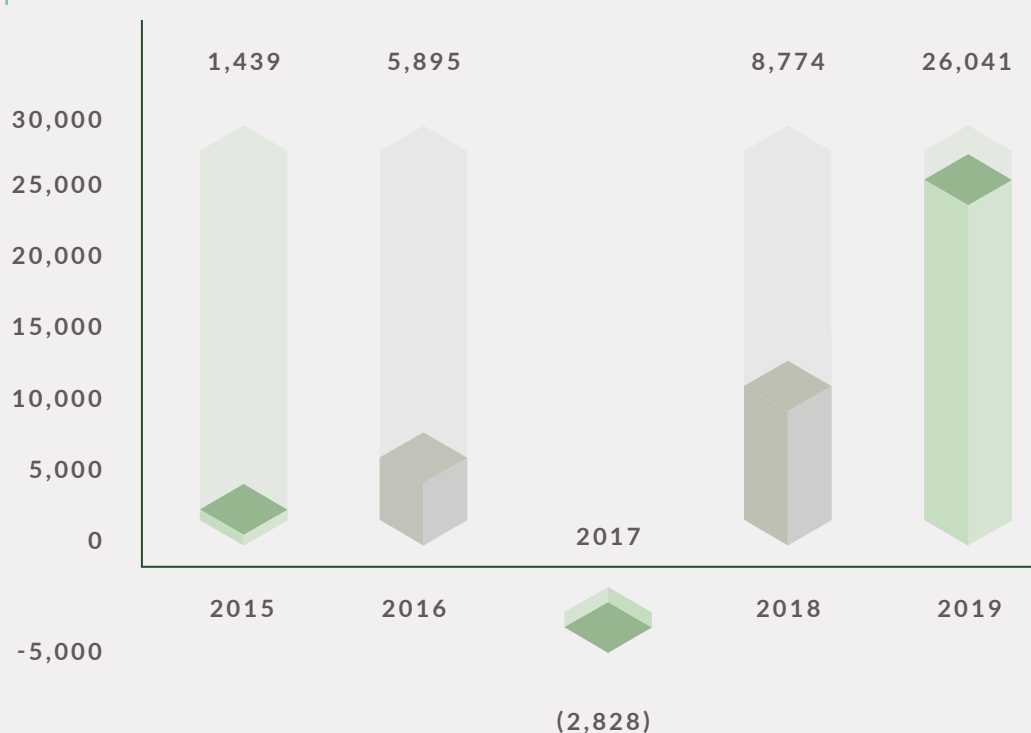
11

Surplus / (Deficit) From Reinsurance Operations



Reinsurance operations before investments returns posted a surplus of SR 26,041 thousand during 2019 as compared with a surplus of SR 8,774 thousand in 2018, higher by 197%. This due to decrease in net earned premiums by 5%.

The following figure shows the surplus / (deficit) (in reinsurance operations during 2015-2019) (in thousand Saudi Riyals).



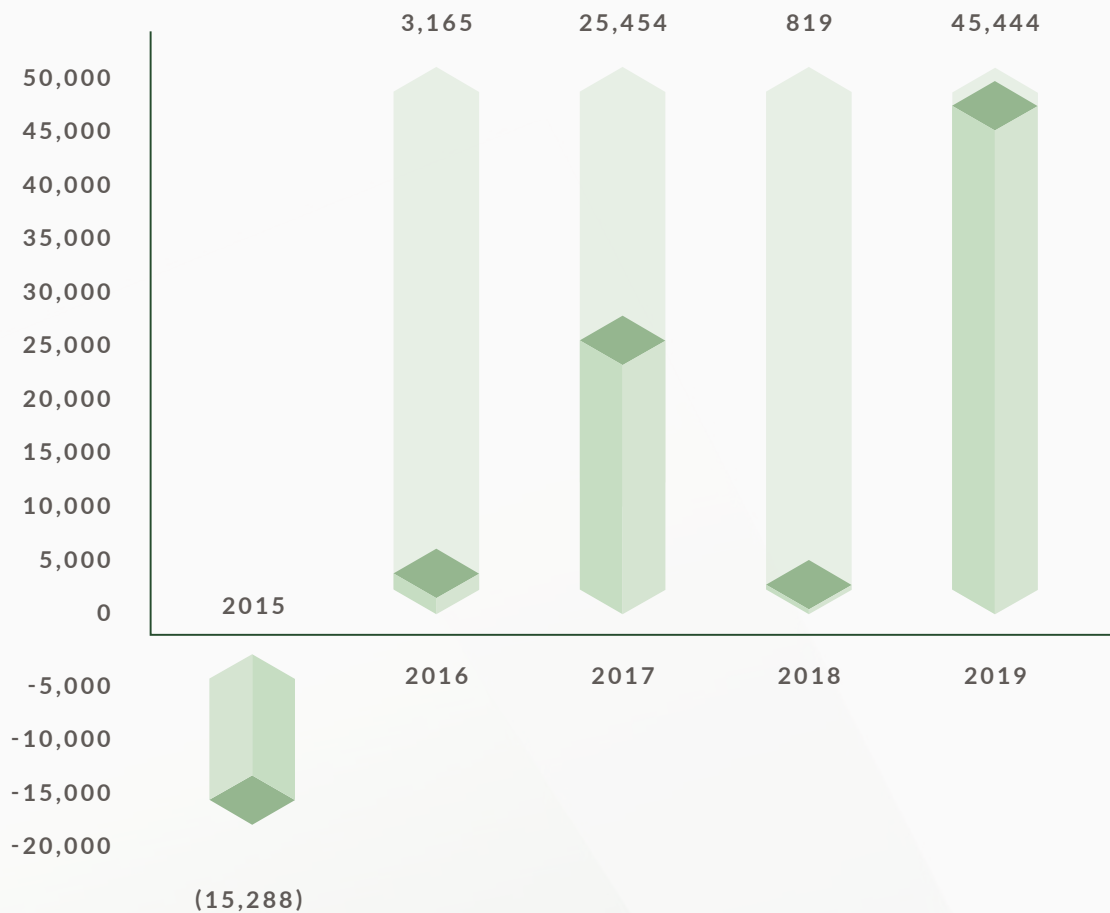
12 Net Income From Shareholders' Operations



Shareholders' operations recorded a net income after Zakat of SR 45,444 thousand in 2019 as compared with a net income of SR 819 thousand in 2018, increased by 5,448%. This is attributed to the increase in income is mainly due to increase in shareholders investments net income by 274%.

The following diagram indicates total net income from shareholders operations during the period 2015-2019 (in thousand Saudi Riyals).

Net Income from Shareholders' Operations



Statement of Shareholders Operations during the Period 2015-2019

In Thousand Saudi Riyals	2019	2018	2017	2016	2015
Investment Revenues	37,855	13,218	55,450	22,667	7,795
Investment Management Expenses	(1,515)	(3,516)	(8,947)	(2,803)	(3,001)
Net Investments Income	36,340	9,702	46,503	19,864	4,794
Other Income	999	905	-	-	3
General And Administrative Expenses	(7,470)	(6,995)	(7,854)	(9,851)	(5,272)
Board of Directors Remunerations, Meetings, Fees and Expenses	(2,256)	(2,181)	(3,002)	(1,576)	(1,648)
Foreign Exchange Translation (Losses)/ Gains	43	(48)	(38)	100	(91)
Shareholders Appropriation From Reinsurance Operations Surplus	31,662	12,339	3,279	9,927	2,320
Zakat and Tax For The year	(13,873)	(12,903)	(13,434)	(15,299)	(15,394)
Net Income/ (Loss) For The Year	45,445	819	25,454	3,165	(15,288)

13 Total Comprehensive Income/(Deficit)

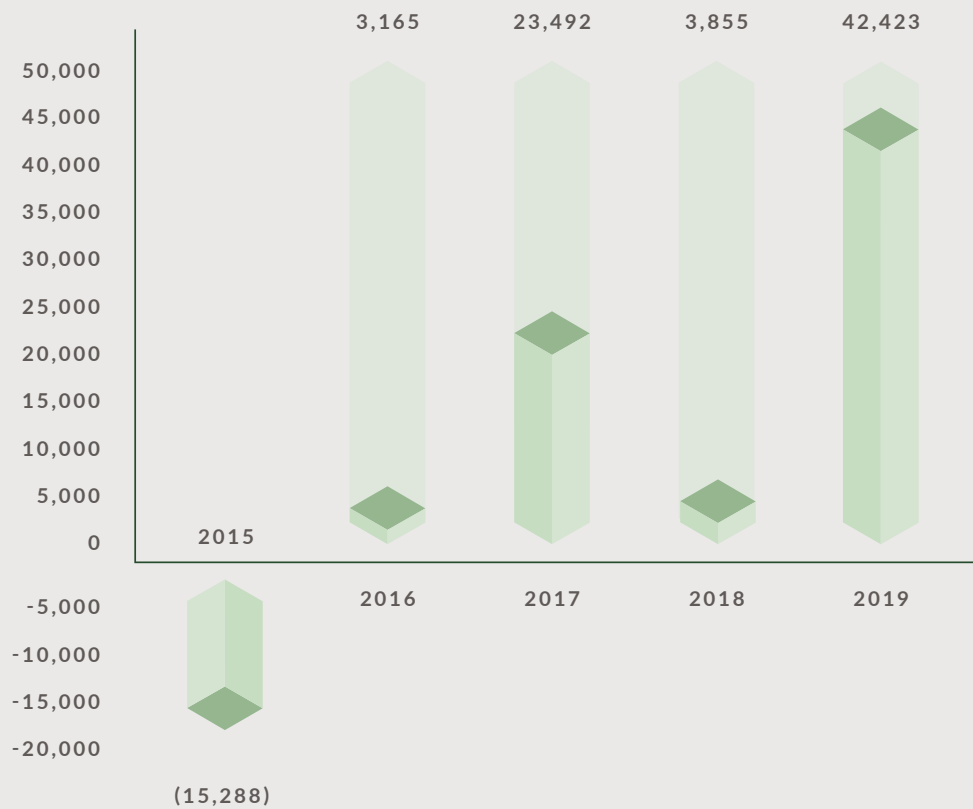


Total comprehensive income was SR 42,423 thousand in 2019 as compared with an income SR 3,855 thousand in 2018. Higher by 1,000%.

Statement of Shareholders Comprehensive Operations during the Period 2015-2019

In Thousand Saudi Riyals	2019	2018	2017	2016	2015
Net Income For The Year	45,444	819	25,454	3,165	(15,288)
Other Comprehensive Income / (loss)	(3,021)	3,036	(1,962)	-	-
Total Comprehensive Income / (Loss) For The Year	42,423	3,855	23,492	3,165	(15,288)

Total Comprehensive (Loss)/Income

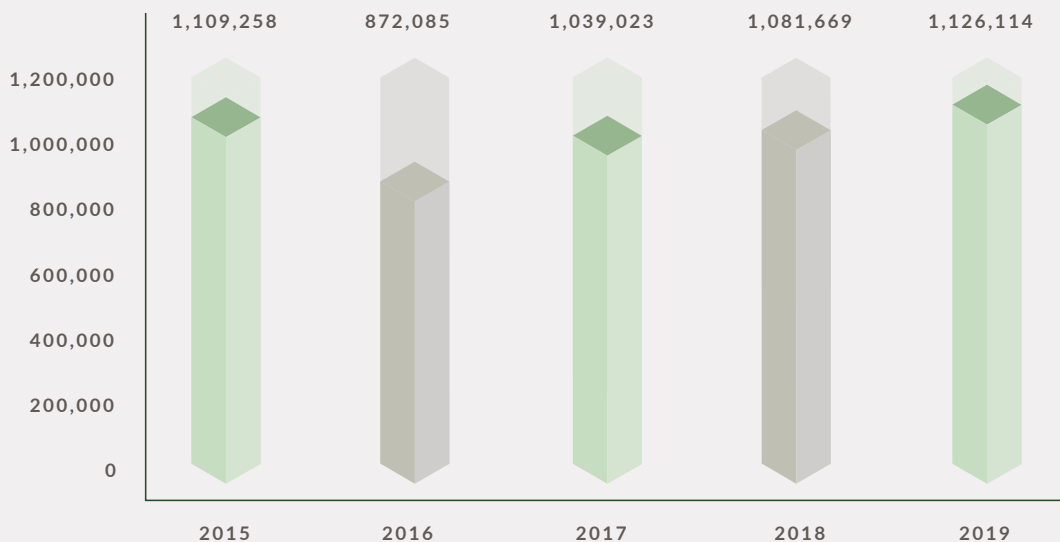


14 Technical Reserves



Technical reserves increased by 4% to SR 1,126,114 thousand in 2019 from SR 1,081,669 thousand in 2018.

The following diagram depicts the technical reserves during the period 2015-2019 (in thousand Saudi Riyals).



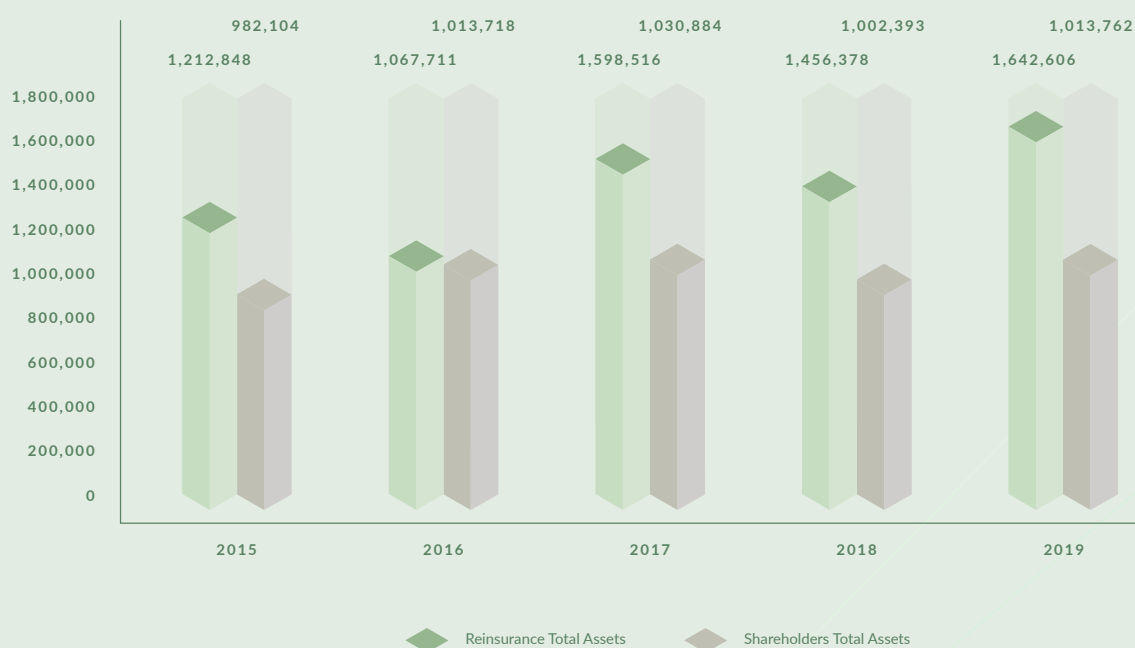
15 Assets



Assets increased by 8% to SR 2,656,368 thousand in 2019 from SR 2,458,771 thousand in 2018. Reinsurance operation assets totaled to SR 1,642,606 thousand in 2019 as against SR 1,456,378 thousand in 2018, and total shareholders assets were SR 1,013,762 thousand in 2019 as compared with SR 1,002,393 thousand in 2018.

The following diagram depicts assets during the period 2015-2019 (in thousand Saudi Riyals).

Total Assets



03

Third: Obligations, Disclosures And Declarations According To The Regulations

Board of Directors Report



1. Compliance With Rules And Regulations



2. Compliance With Corporate Governance Regulations



3. General Assembly Meetings



4. The Procedures That The Board Took To Inform Their Members Of The Investors Suggestions



5. Composition Of The Board Of Directors, Director Categories And Memberships In Boards Of Other Joint Stock Companies



6. Responsibilities Of The Board Of Directors



7. Attendance Record of Board Meetings During 2019



8. Board Committees



9. Profiles Of Members of Senior Management



10. Interests Of Board Members, Their Wives, Dependents And Their Subsidiaries In Shares And Debt Instruments of The Company.



11. Persons With Interests In Any Voting Shares Who Has Informed The Company of Such Rights.



12. Description Of Any Investments Or Reserves Established By The Company For The Benefit of Its Employees.



13. Shareholding Percentage of Board Members And Senior Executives



14. Remunerations of The Board Members And Senior Executives



15. Name Of All Subsidiaries Companies



16. Company Shares Ownership



17. Material Contracts In Which Board Members And Executive Management Have Interests



18. Penalty Precautionary Procedure Or Preventative Measure Imposed On The Company By The Authority



19. Internal Control Systems In The Company



20. Number Of Times The Company Requested The Share Register



21. Statement Of Accrued Regulatory Payments (In Thousand Saudi Riyals)



22. External Auditors



23. Accounting Standards Adopted In Financial Statements



24. Dividend Policy



25. Declaration

1 Compliance With Rules And Regulations



In general, the Company complied in 2019 with the laws and regulations applicable in Saudi Arabia. These include:

- Laws and regulations issued by CMA.
- Laws and regulations issued by SAMA, including The Corporate Governance Regulation.
- Laws and Regulations issued by Labuan Financial Services Authority.
- Labour Law and Regulations of Malaysia.
- Zakat and Income Tax Regulations issued by the Zakat and Income Tax Department.
- Labor Law issued by the Ministry of Human Resource and Social Development.
- The Company Law issued by the Ministry of Commerce.

2 Compliance With Corporate Governance Regulations



During 2019, the Company was in compliance with stipulations indicated in the Corporate Governance Regulations except for the following:

Article	Article Description	Reasons
20 C 7	Under : Issues Affecting Independence.... 7)if he/she has a direct or indirect interest in the businesses and contracts executed for the Company's account	Corporate governance regulations issued by SAMA excluded the insurance contract.

3 General Assembly Meetings



During the year 2019, the Company held two General Assembly meetings as detailed below:

- The General Assembly meeting dated on 29/04/2019 was headed by Mr. Hesham Al-Shaikh (Chairman of the Board) and was attended by Mr. Mishari Al-Mishari Al-Hussain (Vice Chairman), Mr. Mohamad Al-Otaibi, Mr. Mansour Al-Bosaily, Mr. Ahmad Sabbagh, Mr. Jean-Luc Gourgeon, Mr. Hammam Badr, Mr. Ismail Mahbob and Mr. Fahad Al-Hesni (MD-CEO)

4 The Procedures That The Board Took To Inform Their Members Of The Investors Suggestions



The Investor Relations function in Saudi Re has collated and analyzed the suggestions and comments received from the shareholders thru the interaction via communication channels or the general assembly meetings and submitted the findings to the Board of Directors

5

Composition Of The Board Of Directors, Director Categories And Memberships In Boards Of Other Joint Stock Companies



Category	Term	Name	Other Joint Stock Companies Of Which The Directors Are Board Members	Type
Non-Executive Director	Renewed from 11/05/2017 To 10/05/2020	Mr. Hesham AL-Shaikh Chairman of the Board of Directors	Ashmore Investment KSA	Closed Joint – Stock Company
			Saudi Civil Aviation Holding Company (Previous)	Governmental Company
			Probitas Holdings (Bermuda) Ltd	Joint Stock Company
			Watan First Institute	Limited Company
			Bank AlJazira (Previous)	Joint Stock Company
			Arab National Bank (Previous)	Joint Stock Company

Category	Term	Name	Other Joint Stock Companies Of Which The Directors Are Board Members	Type
Non-Executive Director	Renewed from 11/05/2017 To 10/05/2020	Mr. Mishari Al-Mishari Al-Hussain Vice Chairman	Saudi Investment Bank (Previous)	Joint Stock Company
			Doroob for Education and Training Company	Governmental Company
			Hana Water Company	Private Company
			Saudi Fund for Development (Previous)	Governmental Company
			Aloula Real Estate Development Company (Previous)	Closed Joint – Stock Company
			Bank AlJazira (Previous)	Joint Stock Company
Non-Executive Director	Renewed from 11/05/2017 To 10/05/2020	Mr. Ahmad Sabbagh	Islamic Insurance Company (Jordan) (Previous)	Limited Joint Stock Company
			Contempro For Housing Projects P.L.C (Previous)	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)	Non Profitable
			The Islamic Insurance Company – Jordan (Previous)	Joint Stock Company

Category	Term	Name	Other Joint Stock Companies Of Which The Directors Are Board Members	Type
Independent	Renewed from 11/05/2017 To 10/05/2020	Mr. Hammam Badr	Iskan Insurance Company (Egypt)	Closed Joint – Stock Company
			Housing & Real Estate Investment Company	Closed Joint – Stock Company
			Data & Transaction Services Company - (Egypt)	Closed Joint – Stock Company
			Egyptian Reinsurance Company – Egypt (Previous)	Closed Joint – Stock Company
			Al-Shrq Insurance Company – Egypt (Previous)	Closed Joint – Stock Company
Non-Executive Director	Renewed from 11/05/2017 To 10/05/2020	Mr. Jean-Luc Gourgeon	Jean-Luc Gourgeon Company	Limited Company
			Probitas Holdings (Bermuda) Ltd	Closed Joint – Stock Company
			Probitas Corporate Capital Limited	Closed Joint – Stock Company
			Probitas Holdings UK Ltd.	Limited Company
			Probitas 1492 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
			Cunningham Lindsey Group - USA (Previous)	Limited Company
			Paris Diderot University - France (Previous)	Governmental
			French Reinsurance Association - France (Previous)	Governmental
Probitas Managing Agency Services Ltd.	Closed Joint - Stock Company			

Category	Term	Name	Other Joint Stock Companies Of Which The Directors Are Board Members	Type
Independent	Renewed From 11/05/2017 To 10/05/2020 Resigned With Effect From 31/12/2019	Mr.Mansour Al-Bosaily	United Electronics Company	Joint Stock Company
			Jabal Omar Development Company	Joint Stock Company
			HSBC KSA	Closed Joint – Stock Company
			Saudi Ground Services Company	Joint Stock Company
			Amlak International	Closed Joint – Stock Company
			Aseer Trading Tourism	Joint Stock Company
Independent	Renewed from 11/05/2017 To 10/05/2020	Mr. Ismail Mahbob	Export-Import Bank of Malaysia (Previous)	Governmental Company
			MUFG Bank (Malaysia) Berhad (Previous)	Closed Joint – Stock Company
			MNRB Retakaful Berhad (Previous)	Closed Joint – Stock Company

Category	Term	Name	Other Joint Stock Companies Of Which The Directors Are Board Members	Type
Independent	Elected From 11/05/2017 To 10/05/2020	Mr. Mohamad Al-Otaibi	Al Yamamah Steel Company	Joint Stock Company
			Abo Moati Company (Previous)	Joint Stock Company
			Riyadh Bank	Joint Stock Company
			National Gas and Industrialization Company (GASCO) (Previous)	Joint Stock Company
			United Arab Company for Flat Glass (Previous)	Closed Joint – Stock Company
			Middle East Shipment Company – Emirate (Previous)	Limited Company
			NSCSA AMERICA – USA (Previous)	Limited Company
			Bahri Company (Previous)	Limited Company
			National Chemical Carriers Ltd. Co (Previous)	Limited Company
			West of England Company (Previous)	Limited Company
			International Shipowners Re (Previous)	Limited Company
Zameen Social Media Marketing Company	Limited Company			
Executive Director	Renewed from 11/05/2017 To 10/05/2020	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

6 Responsibilities of The Board of Directors



- Providing strategic guidance to the Company, including setting objectives and formulating strategic plans.
- Supervising the implementation of strategic plans and major transactions.
- 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.

7

Attendance Record of Board Meetings During 2019



Member	1st Meeting 25/02 2019	2nd Meeting 19/03 2019	3rd Meeting 29/04 2019	4th Meeting 05/08 2019	5th Meeting 28/10 2019	6th Meeting 09/12 2019	Total
Mr. Hesham Al-Shaikh	Attend	Not Attend	Attend	Attend	Attend	Attend	5
Mr. Mishari Al-Mishari Al-Hussain	Attend	Attend	Attend	Attend	Attend	Attend	6
Mr. Ahmad Sabbagh	Attend	Attend	Attend	Attend	Attend	Attend	6
Mr. Jean-Luc Gourgeon	Attend	Attend	Attend	Attend	Attend	Attend	6
Mr. Hammam Badr	Attend	Attend	Attend	Attend	Attend	Attend	6
Mr. Mansour Al-Bosaily	Attend	Attend	Attend	Attend	Attend	Attend	6
Mr. Ismail Mahbob	Attend	Attend	Attend	Attend	Attend	Attend	6
Mr. Mohamad Al-Otaibi	Not Attend	Attend	Attend	Attend	Attend	Attend	5
Mr. Fahad Al-Hesni	Attend	Attend	Attend	Attend	Attend	Attend	6

8

Board Committees

Executive Committee



The General Assembly shall approve, based on proposals by the Board of Director 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 should include the following:

- 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 monitor the progress of the work plan and budget.
- Oversee 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 alliance, mergers, acquisition 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.

Executive Committee Meetings 2019

Member	1st Meeting 25/02 2019	2nd Meeting 19/03 2019	3rd Meeting 29/04 2019	4th Meeting 28/10 2019	5th Meeting 26/11 2019	6th Meeting 09/12 2019	Total
Mr. Hesham Al-Shaikh	Attend	Not Attend	Attend	Attend	Attend	Attend	5
Mr. Jean-Luc Gourgeon	Attend	Attend	Attend	Attend	Attend	Attend	6
Mr. Mansour Al-Bosaily	Attend	Attend	Attend	Attend	Attend	Attend	6
Mr. Fahad Al-Hesni	Attend	Attend	Attend	Attend	Attend	Attend	6

Audit Committee

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

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

- Supervising 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 reports 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 auditor's assessment of internal control procedures.
- 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 recommendations thereto.
- Reviewing internal financial and non-financial controls and risk management system.
- 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 in their scope of work or any impediments that might negatively affect their work.
- Reviewing related parties transactions
- Reviewing, approving and monitoring the implementation of compliance plan.
- To recommend to the Board of Directors the appointment, dismissal and the Remuneration of external auditors; taking into consideration the independence of the auditors and necessary experience in Insurance/Reinsurance sector.

- 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 actionstaken.
- Ensuring independence of External Auditors from Company, Board Members and Senior Management.
- Following-Up the reports issued by SAMA, and other relevant supervisory and control entities and making recommendations thereon to the Board.
- Reviewing the Actuary Reports and making recommendation 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 periodical reports thereon to the Boards.
- Ensuring optimal use and control of information technology necessary to generate reliable information and data is in place.
- Reviewing Reports of Compliance Control Department or Compliance Officer and Internal Audit Reportsand pursue the implementation of the recommended corrective measures and make necessary recommendation 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.
- Monitoring the activities of compliance department and ensuring that company's compliance with SAMA, CMA and other laws & regulations.
- Authority to investigate any activity within its terms of reference and have access to any information it may need.

Audit Committee Meetings 2019

Member	1st Meeting 18/03 2019	2nd Meeting 20/04 2019	3rd Meeting 28/04 2019	4th Meeting 29/04 2019	5th Meeting 29/07 2019	6th Meeting 27/10 2019	7th Meeting 08/12 2019	Total
Mr. Ali Al-Qahtani (Chairman)	Attend	Attend	Attend	Attend	Attend	Attend	Attend	7
Mr. Ismail Mahbob (Member)	Attend	Attend	Attend	Attend	Attend	Attend	Attend	7
Mr. Hisham Al-Akil (Member)	Attend	Attend	Attend	Not Attend	Attend	Attend	Attend	6

The appointment of the members of the audit committee for the current period and their renewal was approved by the General Assembly held on 05/25/2017.

Nomination And Remuneration Committee

The General Assembly shall approve, based on proposal by the Board of Directors, the rules for the selection of Nominations and Remuneration Committee members, the term of their membership and the method of the Committee 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.
- 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 & Committees.
- Reviewing the structure of the Board and its committees and determining their points of weakness and recommending changes where needed.

- 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 Management¹ and/ or promoting current employees to Senior Management¹ 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 Management¹ 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 programmers 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.

Nomination And Remuneration Committee Meetings 2019

Member	1st Meeting 19/03 2019	2nd Meeting 29/04 2019	3rd Meeting 09/10 2019	Total
Mr. Mansour Al-Bosaily (Chairman)	Attend	Attend	Attend	3
Mr. Mishari Al-Mishari Al-Hussain (Member)	Attend	Attend	Attend	3
Mr. Ahmad Sabbagh (Member)	Attend	Attend	Attend	3
Mr. Hammam Badr (Member)	Attend	Attend	Attend	3

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 work.

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

- 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 Advisors.
- 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).
- Reporting to the Board, the performance of the Company's investments in terms of risk, returns, and allocations and on any major pertinent developments.
- 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.

Investment Committee Meetings 2019

Member	1st Meeting 05/02 2019	2nd Meeting 25/02 2019	3rd Meeting 28/04 2019	4th Meeting 05/08 2019	5th Meeting 13/10 2019	6th Meeting 26/11 2019	Total
Mr. Hesham Al-Shaikh (Chairman)	Attend	Attend	Attend	Attend	Attend	Attend	6
Mr. Mishari Al-Mishari Al-Hussain (Member)	Attend	Attend	Attend	Attend	Attend	Attend	6
Mr. Mohamad Al-Otaibi (Member)	Attend	Not Attend	Attend	-	-	-	2
Hussam Al Suwailem (External Member)	-	-	-	-	-	Not Attend	0
Mr. Fahad Al-Hesni (MD/CEO)	Attend	Attend	Not Attend	Attend	Attend	Attend	5

*Mr. Mohammed AlOtaibi Resigned from the Committee on 26/11/2019 to be appointed as the Chairman of Risk Management Committee and appointing Mr. Hussam Al Suwailem as the new member on 26/11/2019.

Risk And Underwriting Committee

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

The duties and responsibilities of the Risk and Underwriting Committee should include the following:

- Identifying risks that may imperil the Company and maintaining an acceptable risk profile for the Company.
- Defining and obtaining board approval for the risk tolerance and the risk appetite of the company.
- Review the company's retrocession structure and strategy on a regular basis.
- Reviewing Underwriting policies and guidelines.
- Evaluate and review the Underwriting performance.
- Overseeing the risk management system and assessing its effectiveness.
- Defining a comprehensive risk management strategy for the Company, overseeing its implementation, and reviewing and updating it on a regular basis by taking into account developments that are internal and external to the Company
- Reviewing risk management policies.
- Re-evaluating the Company's tolerance for, and exposure to, risk on a regular basis (e.g., through stress testing exercises).
- Reporting to the Board details of risk exposures and recommending actions to manage them.

The Risk & underwriting committee on 28/04/2019 was split up into the following two committee:

01 Risk Management Committee

- 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 cyber security governance documentation:
 - Cyber Security Committee Charter.
 - Cyber Security Governance Framework
 - Cyber security strategy
 - Cyber security policy
- Ensuring the cyber security 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 & 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

Risk Management Committee Meeting 2019

Member	1st Meeting 14/05 2019	2nd Meeting 05/08 2019	3rd Meeting 28/10 2019	Total
Mr. Mohamad Al-Otaibi (Chairman)	Attend	Attend	Attend	3
Mr. Ismail Mahbob (Member)	Attend	Attend	Attend	3
Dr. Volker Lauff (External Member)	Attend	Attend	Attend	3

02 Technical Committee

The Committee shall fulfill its purpose by

- 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 & Recommending for Board approval the territories in which company should or should 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.

Technical Committee Meetings 2019

Member	1st Meeting 05/02 2019	2nd Meeting 24/02 2019	3rd Meeting 23/04 2019	4th Meeting 28/04 2019	5th Meeting 04/08 2019*	6th Meeting 01/10 2019	7th Meeting 27/10 2019	8th Meeting 08/12 2019	Total
Mr. Jean-Luc Gourgeon (Chairman)	Attend	Attend	Attend	Attend	Attend	Attend	Attend	Attend	8
Mr. Ismail Mahbob (Member)	Attend	Attend	Not Attend	Attend	-	-	-	-	3
Mr. Hammam Badr (Member)	Attend	Attend	Attend	Attend	Attend	Attend	Attend	Attend	8
Mr. Ahmad Sabbagh (Member)	Attend	Attend	Attend	Attend	Attend	Attend	Attend	Attend	8

* The first official meeting for the Technical committee.

9 Profiles of Members of Senior Management



1 Fahad Al-Hesni

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 and the Investment Committee of the Company. Also, he's a Board Member of Probitas Holding Company (Bermuda). Moreover, a member of the International Insurance Society (IIS), the Vice Chairman of the Reinsurance Committee and a member of the Executive Committee of the Gulf Insurance Federation (GIF). He has more than 20 years of experience in the Insurance and Reinsurance industry, within which he assumed different leading positions in the fields of Business Development, Underwriting and Claims Management. Mr. Al-Hesni has a Master degree in Insurance & Risk Management from City University of London and an Association Degree from the Chartered Insurance Institute (CII).

2 Nilmin Pieries

Chief Financial Officer / Board Secretary. Mr. Pieries joined the company in 2010 bringing more than 25 years worth of experience in the fields of Accounting, Finance, Investment, and Risk Management. Mr. Pieries also has worked in various companies in Asia, the Gulf region and the UK, through which Mr. Pieries has gained considerable experience in the insurance and reinsurance sector. Moreover, Mr. Pieries was awarded 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.

3 Abdelfattah Chami

Chief Underwriting Officer. Mr. Abdelfattah joined Saudi Re in 2018 with over 20 years of experience in the insurance and re-insurance sector which he held a number of leading positions in the underwriting and reinsurance field latest was head of treaty underwriting at Gulf Re Dubai, U.A.E. Mr. Abdulfattah holds a diploma in insurance from the German Institute for Economic.

4 **Ahmed Al-Jabr**

Chief Operating Officer. Mr Al-Jabr Joined the company in 2011 and has experience in insurance sector of more than 17 years. Mr. Al-Jabr assumed different roles within the insurance industry covering areas of human resources, strategy, business development and claims. Mr. Al-Jabr has masters' degree in Business Administration from Bradford University in the UK.

5 **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 the of 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 degree from the University of Bahrain in business management.

6 **Hashim Taha**

Chief Legal Affairs & Claims Officer. Mr. Taha joined the company in 2009 bringing more than 30 years worth of experience in the insurance and reinsurance industry especially in the fields of Underwriting, Claims, and Legal Affairs. Mr. Taha received his Bachelor degree in Law from Cairo University in Sudan.

7 **Ahmed Al-Qarishi**

Chief Risk Officer & Chief Actuary. Mr. Ahmed joined the company on 2014 and has experience that exceed 14 years, during which Mr. Al-Quraishi occupied positions in Banking and Insurance supervision within the Saudi Arabian Monterey Agency. Mr. Al-Quraishi has a master degree in actuarial science from Ball State University in USA, in addition he is a Fellowship of the Society of Actuaries in USA (FSA).

10

Interests of Board Members, Their Wives, Dependents And Their Subsidiaries In Shares And Debt Instruments of The Company.



The board members, their wives and dependents or any of their subsidiaries do not have any interests in shares or debt instruments of the company other than the shareholdings mentioned in section 13.

11

Persons With Interests In Any Voting Shares Who Has Informed The Company of Such Rights.



No person with interests in voting rights on any category of shares has notified the company of such interests.

12

Description of Any Investments or Reserves Established By The Company For The Benefit of Its Employees.




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

13



Shareholding Percentage of Board Members And Senior Executives

Member	Number Of Shares And Debt Instruments At The Beginning Of The Year	Percentage of Ownership At The Beginning of The Year	Net Change In The Number of Shares During The Year	Percentage of Change During The Year	Total Shares Held At Year End	Percentage of Holding At Year End
Mr. Hesham Al-shaikh & his family (Chairman)	8,100	0.01%	0	0%	8,100	0.01%
Mr. Mishari Al-Mishari Al-Hussain & his family (Vice-Chairman)	4,050	0.005%	0	0%	4,050	0.005%
Mr. Ahmad Sabbagh & his family (Board Member)	324,000	0.4%	0	0%	324,000	0.4%
Mr. Jean-Luc Gourgeon & his family (Board Member)	0	0%	0	0%	0	0%
Mr. Mansour Al-Bosaily & his family (Board Member)	57,604	0.07%	0	0%	57,604	0.07%
Mr. Ismail Mahbob & his family (Board Member)	0	0%	0	0%	0	0%
Mr. Fahad Al-Hesni & his family (Executive Board Member)	50,000	0.06%	0	0%	50,000	0.06%
Mr. Hammam Badr & his family (Board Member)	0	0%	0	0%	0	0%



Member	Number Of Shares And Debt Instruments At The Beginning Of The Year	Percentage of Ownership At The Beginning Of The Year	Net Change In The Number of Shares During The Year	Percentage of Change During The Year	Total Shares Held At Year End	Percentage of Holding At Year End
Mr. Mohamad Al Otaibi & his family (Board member)	810	0.001%	0	0%	810	0.001%
Mr. Nilmin Pieries & his family (CFO)	0	0%	0	0%	0	0%
Mr. Abdelfattah Chami & his family (Chief Underwriter Officer)	0	0%	0	0%	0	0%
Mr. Ahmed Al Jabr & his family (Chief Operating Officer)	0	0%	0	0%	0	0%
Mr. Fadi Al Qutub & his family (Chief Investment Officer)	0	0%	0	0%	0	0%
Mr. Hashim Taha & his family (Chief Legal Affairs & Claims Officer)	0	0%	0	0%	0	0%
Mr. Ahmed Al- Qarishi & his family (Chief Risk Officer & Chief Actuary)	0	0%	0	0%	0	0%

14

Remunerations of The Board Members And Senior Executives



In Thousand Saudi Riyals	BOD Members (Executives)	BOD Members (Non-Executive & Independent)	5 Top Executives Including CEO & CFO
Salaries & Benefits	-	-	8,504
Annual Compensation	120	1,020	1,568
Meeting Fees & Expenses	85	645	-
Consultancy Fees	-	150	-
Benefits In Kind Granted Monthly Or Yearly	-	-	-
Total	205	1,815	10,072

BOD Member Name	Board Meetings	Executive Committee Meetings	Investment Committee Meetings	Technical Committee Meetings
Mr. Hesham Al Shaikh	25,000	30,000	30,000	-
Mr. Mishari Al-Mishari Al-Hussain	30,000	-	30,000	-
Mr. Ahmad Sabbagh	30,000	-	-	40,000
Mr. Mansour Al Bosaily	30,000	30,000	-	-
Mr. Jean-Luc Gourgeon	30,000	30,000	-	40,000
Mr. Hammam Badr	30,000	-	-	40,000
Mr. Ismail Mahboub	30,000	-	-	15,000
Mr. Mohamad Al-Otaibi	25,000	-	10,000	-
Mr. Fahad Al Hesni	30,000	30,000	25,000	-
Mr. Ali Al Qahtani	-	-	-	-
Mr. Hisham Al-Akil	-	-	-	-
Dr. Volker Lauff	-	-	-	-
Mr. Hussam Al Suwailem	-	-	-	-

The General Assembly has approved on 30/04/2018 an amended remuneration policy for the board and non-board members where the sitting fees were increased to SAR 5,000 per member for each attended meeting of the board and any board committee meeting. The company's Board directors will be paid a lump-sum amount of SAR 120,000 as an annual compensation against Board directorship and contribution to Board business. The Chairman of the Board will be paid a lump-sum amount of SAR 180,000 per year. Each Non-Board member will be paid an amount of SAR 5,000 as an attendance fee per meeting per committee, whether such member is attending physically or through any remote channel and will be paid a lump sum of SAR 90,000 per year as a compensation for contribution to the Committee functions.

Audit Committee Meetings	Risk Management Committee Meetings	Nomination And Remuneration Meetings	Total Meetings Fees	Remuneration	Total
-	-	-	85,000	180,000	265,000
-	-	15,000	75,000	120,000	195,000
-	-	15,000	85,000	120,000	205,000
-	-	15,000	75,000	120,000	195,000
-	-	-	100,000	120,000	220,000
-	-	15,000	85,000	120,000	205,000
35,000	15,000	-	95,000	120,000	215,000
-	15,000	-	50,000	120,000	170,000
-	-	-	85,000	120,000	205,000
35,000	-	-	-	90,000	125,000
30,000	-	-	-	90,000	120,000
-	15,000	-	-	60,000	75,000
-	-	-	-	8,877	8,877

15 Name Of All Subsidiaries Companies



Name of Subsidiary Company	Paid up Capital	Holding Percentage	Main Activity	Place of Main Activity Operation	Place of Incorporation
Probitas Holding LTD	4,508,982 USD	49.9%	Insurance	United Kingdom	Bermuda

16 Company Shares Ownership



Shareholder Name	Holding Percentage at 01/01/2019	Holding Percentage at 31/12/2019	Change
Ahmed Hamad Alghosaibi & Bros. Company	5%	5%	0

17

Material Contracts In Which Board Members And Executive Management Have Interests



During 2019, the Company had the following contracts which had direct and indirect interest for the members of Board of Directors:

- A consultancy services contract for one year with the Board member Mr. Jean-Luc Gourageon, who has a direct interest, with a contract value of SR 150,322 and no preferential conditions.
- An investment subscription in a Murabaha public mutual fund managed by Ashmore Investment Saudi Arabia with administration fees of SR 147,000 in 2019, which has an indirect interest for the Chairman of the Board Mr. Hesham Al-Shaikh for being a board member in the company, with no preferential conditions.
- A reinsurance contract with the Islamic Insurance Company (Jordan) for one year with gross premium of SR 3,562,339, which has an indirect interest for the Board member Mr. Ahmed Sabbagh for being a board member in the company, with no preferential conditions.
- A reinsurance contract with Iskan Insurance Company in Egypt for one year with gross premium of SR 266,918, which has an indirect interest for the member of the Board Mr. Hammam Badr for being the Chairman of the board directors of the company, with no preferential conditions.
- A reinsurance contract with Mamada Reinsurance Company (Morocco) for one year with gross premium of SR 161,139, which has an indirect interest for the Board member Mr. Jean-Luc Gourageon for being Vice Chief Executive Officer of the company, with no preferential conditions.
- Reinsurance contracts for one year with Probitas Corporate Capital Ltd, which is owned by Probitas Holding (UK) Ltd., and has an indirect interest for the Chairman of the Board of Directors Mr. Hisham Abdulmalik Al-Shaikh, MD/CEO Mr. Fahad Abdulrahman Al-Hesni and Board Member Mr. Jean-Luc Gourageon for their membership in the Board of Directors of the parent company Probitas Holding (Bermuda) Ltd., noting that the value of transactions during 2019 is estimated at SR 76,491,201, with no preferential conditions.

18

Penalty Precautionary Procedure Or Preventative Measure Imposed On The Company By The Authority:



No penalty has been imposed on the company by any Authority.

19

Internal Control Systems In The Company



The internal control system intends to ensure that control and monitoring tools are in place to ensure, at a reasonable level, the soundness of financial reports and mitigation of risk. The results of the annual audit conducted by the internal auditor have not revealed any deficiency or weakness in the company's internal control system. The Audit Committee confirms that there was no conflict between the Audit Committee resolutions and the Board.

20

Number Of Times The Company Requested The Share Register



Number of Requested Share Register	Date Of Request	Reasons Of Request
1	31/01/2019	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	26/02/2019	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	31/03/2019	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
4	25/04/2019	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 ordinary general assembly meeting convened on 29/04/2019
5	29/04/2019	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	27/05/2019	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	30/06/2019	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
8	28/07/2019	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	27/08/2019	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	29/09/2019	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	23/10/2019	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	25/11/2019	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
13	31/12/2019	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

21

Statement Of Accrued Regulatory Payments (In Thousand Saudi Riyals)



Description	Payments Due	Paid Due
Zakat And Income Tax	23,742	28,376
With-Holding Tax	901	3,815
Value Added Taxation	1,533	8,818
General Organization For Social Insurance (GOSI)	159	1,867
Sama's Control And Inspection Costs	581	3,621
Total	26,916	46,497

22

External Auditors



The ordinary general assembly convened on 29/04/2019 and approved the board's recommendation to appoint M/s Al-Bassam & Al-Nemer Allied and KPMG Al-Fozan & Al-Sadhan Accountants to act jointly as external auditors of the company for the year ending 31/12/2019.

23

Accounting Standards Adopted In Financial Statements



The company applies the International Financial Reporting Standards ("IFRS") as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of Zakat and income tax. The Audit Committee confirms that there was no conflict between the Audit Committee resolutions and the Board.

24

Dividend Policy



The Company decided not to pay dividends. The Company dividends policy aims 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 stockholder's equity in the balance sheet.
3. Shareholders who are registered at the end of trading before of the General Assembly at which dividend preminent 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:
 - Avoid zakat and assessed income tax.
 - Avoid (10)% of the net profits 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 have the right to decide to form other reserves, to the extent that it achieves the interest of the company or ensures distribution of fixed profits as possible to shareholders.
 - After that, the first payment shall be distributed to the shareholders, with the conduction that is not less than 1% of the paid-up capital

25 Declaration



- It has no loans payable on call or otherwise, and the Company has not repaid any loans during the year ended 31/12/2019.
- It has no convertible debt instruments, contractual securities, preemptive right or similar rights issued or granted by the company, during the financial year ended 31/12/2019.
- 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 2019.
- 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 2019, there have not been any arrangement or agreement under which a director or a Senior Executive of the company has waived any remuneration.
- During 2019, there is no any 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 17 here above.
- There have not been any arrangement or agreement under which a shareholder of the company has waived any rights to dividends.

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

04

**Financial Statements
and Independent
Auditors' Report
For The Year Ended
31 December 2019**

Board of Directors Report



Independent Auditors' Report



Statement Of Financial Position



Statement Of Income



Statement Of Comprehensive Income



Statement Of Changes In Equity



Statement Of Cash Flows



Notes To The Financial Statements



Independent auditors' report

To the Shareholders of Saudi Re for Cooperative Reinsurance Company

Opinion

We have audited the financial statements of **Saudi Re for Cooperative Reinsurance Company** (the "Company"), which comprise the statement of financial position as at 31 December 2019 and the related statement of income, statement of comprehensive income, statement of changes in equity and statement of 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 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

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 professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit 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.

Independent auditors' report

To the Shareholders of Saudi Re for Cooperative Reinsurance Company (continued)

Key Audit Matter (continued)

Key audit matter	How the matter was addressed in our audit
<p><u>Valuation of ultimate claim liability arising from reinsurance contract</u></p> <p>As at 31 December 2019, the gross outstanding claims including claims Incurred but Not Reported (IBNR) amounted to SR 1,092.5 million as reported in Note 8 of the financial statements.</p> <p>The valuation of ultimate reinsurance contract liabilities 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.</p> <p>The Company uses a range of actuarial methodologies to estimate these claims. This requires significant judgments relating to factors and assumptions such as inflation, claims development pattern and regulatory requirements.</p> <p>Due to significance of amount involved and the exercise of significant judgment by management in the process for determination of ultimate reinsurance contract liabilities, we have determined it to be a key audit matter.</p> <p><i>Refer to note 4 which disclosed the estimated liability arising from claims under reinsurance contracts and note 3 which discloses accounting policies for claims.</i></p>	<ul style="list-style-type: none"> • 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 completeness and accuracy of the claim estimates recorded. • On a sample basis, we tested the measurement of claims reserves on a case-by-case basis by comparing the outstanding claims to source documentation. • 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 reviewed the actuarial reserve report issued by the independent actuary. • We evaluated the completeness and accuracy of data used by management in their calculation of ultimate reinsurance contract liabilities and evaluated the results of liability adequacy test.



Independent auditors' report

To the Shareholders of Saudi Re for Cooperative Reinsurance Company (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's 2019 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 the IFRSs that are endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of 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 i.e. the Board of Directors, 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.

Independent auditors' report

To the Shareholders of Saudi Re for Cooperative Reinsurance 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 managements' 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 Re for Cooperative 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 with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

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

For KPMG Al Fozan & Partners Certified Public Accountants

P. O. Box 92876
 Riyadh 11663
 Kingdom of Saudi Arabia

Hani Hamzah A. Bedairi
 Certified Public Accountant
 License No. 460



For Al-Bassam & Co.

P. O. Box 69658
 Riyadh 11657
 Kingdom of Saudi Arabia

Ibrahim A. Al Bassam
 Certified Public Accountant
 License No. 337

05 Sha'ban 1441H
 29 March 2020



Statement Of Financial Position As At 31 December 2019

Assets	Notes	2019 SR	2018 SR
Bank Balances And Cash	5	13,169,059	31,886,106
Time Deposits	13	378,031,179	270,131,677
Accrued Special Commission Income From Time Deposits		7,974,404	2,079,624
Premium Receivables, Net	6	233,392,376	200,023,513
Investments Held At Fair Value Through Income Statement	7	417,847,821	552,574,107
Held-To-Maturity Investments	17	37,500,000	--
Accrued Reinsurance Premiums	14	467,070,866	409,778,137
Retroceded Share Of Unearned Premiums	10	50,836,786	33,080,894
Deferred Excess Of Loss Premiums		11,743,563	11,431,609
Retroceded Share Of Outstanding Claims	8	282,718,771	198,432,518
Retroceded Share Of Claims Incurred But Not Reported	8	34,812,075	59,937,179
Deferred Policy Acquisition Costs	11	106,279,101	99,895,591
Prepaid Expenses, Deposits And Other Assets	9	244,639,898	208,959,232
Property And Equipment, Net	12	33,575,528	32,588,898
Accrued Special Commission Income From Bonds And Sukuk		2,793,154	2,663,892
Investment In An Equity Accounted Investee	16	101,445,631	97,293,816
Statutory Deposit	28	121,500,000	121,500,000
Accrued Income On Statutory Deposit	28	17,992,463	15,549,401
Total Assets		2,563,322,675	2,347,806,194

Liabilities	Notes	2019 SR	2018 SR
Accounts Payable		39,928,645	19,927,639
Retrocession Balances Payable		46,173,239	22,898,559
Accrued Retroceded Premiums		21,741,812	15,839,717
Unearned Premiums	10	401,997,592	380,171,285
Outstanding Claims	8	737,229,272	662,467,372
Claims Incurred But Not Reported	8	355,254,946	330,480,733
Unearned Retrocession Commission	15	8,396,072	6,410,240
Accrued Expenses And Other Liabilities	19	19,420,788	12,546,952
Employees' End Of Service Benefits	18	8,828,705	6,593,975
Provision For Zakat And Tax	21	23,742,062	38,244,253
Accrued Commission Income Payable To SAMA	28	17,992,463	15,549,401
Total Liabilities Excluding Reinsurance Operations' Surplus		1,680,705,596	1,511,130,126
Reinsurance Operations' Surplus			
Accumulated Surplus		7,546,140	4,028,195
Total Reinsurance Operations' Surplus		7,546,140	4,028,195
Total Liabilities Including Reinsurance Operations' Surplus		1,688,251,736	1,515,158,321
Equity			
Share Capital	22	810,000,000	810,000,000
Statutory Reserve	23	17,904,115	8,815,260
Retained Earnings		49,113,416	12,757,997
Other Reserves		(1,946,592)	1,074,616
Total Equity		875,070,939	832,647,873
Total Liabilities Excluding Reinsurance Operations' Surplus		2,563,322,675	2,347,806,194

Statement Of Income For The Year Ended 31 December 2019

Revenues	Notes	2019 SR	2018 (Restated) SR
Gross Written Premiums		792,847,561	721,604,828
Retroceded Premiums		(127,843,625)	(72,996,501)
Excess Of Loss Expenses		(18,398,659)	(31,712,226)
Net Written Premiums	10	646,605,277	616,896,101
Change In Net Unearned Premiums	10	(4,070,415)	(3,280,686)
Net Earned Premiums	10	642,534,862	613,615,415
Retrocession Commissions	15	18,175,998	16,468,058
Total Revenues		660,710,860	630,083,473

Underwriting Costs And Expenses	Notes	2019 SR	2018 (Restated) SR
Gross Claims Paid		(436,701,322)	(389,327,810)
Retroceded Share Of Claims Paid		60,006,499	24,638,382
Net Claims Paid		(376,694,823)	(364,689,428)
Change In Outstanding Claims, Net		9,524,357	(77,969,866)
Changes In Incurred But Not Reported Claims, Net		(49,899,318)	38,604,939
Net Claims Incurred		(417,069,784)	(404,054,355)
Policy Acquisition Costs And Profit Commissions	11	(172,780,534)	(172,471,757)
Other Underwriting Expenses		(3,616,464)	(1,997,613)
Total Underwriting Costs And Expenses		(593,466,782)	(578,523,725)
Net Underwriting Income		67,244,078	51,559,748

Other Operating Income / (Expenses)	Notes	2019 SR	2018 SR
Special Commission Income From Time Deposits		18,325,400	5,824,455
Realized Gains On Investments Held At Fair Value Through Income Statement	7(iii)	13,903,154	677,598
Unrealized Gains On Investments Held At Fair Value Through Income Statement	7(iii)	3,792,706	3,460,417
Special Commission Income From Bonds And Sukuk		4,156,498	2,873,709
Dividend Income		1,862,222	3,419,095
Share Of Profit Of Equity Accounted Investee	16	5,114,506	2,303,238
Investment Management Expenses		(1,675,117)	(3,920,439)
Net Investment Income		45,479,369	14,638,073
Other Income		999,616	904,851
Reversal Of Doubtful Debts	6	517,929	1,574,768
General And Administrative Expenses	24	(51,030,458)	(47,572,123)
Board Of Directors' Remunerations, Meetings Fees And Expenses	25	(2,256,420)	(2,180,757)
Foreign Exchange Translation Losses		1,881,530	(3,831,844)
Total Income For The Year Before Zakat And Tax		62,835,644	15,092,716
Total Income Attributed To The Reinsurance Operations	32	(3,517,945)	(1,371,035)
Net Income For The Year Before Zakat And Tax	32	59,317,699	13,721,681
Zakat And Tax Charge For The Year		(13,873,425)	(12,902,802)
Net Income For The Year After Zakat And Tax Attributable To The Shareholders		45,444,274	818,879
Basic And Diluted Earnings Per Share For The Year	27	0.56	0.01

Statement Of Comprehensive Income For The Year Ended 31 December 2019

	Notes	2019 SR	2018 (Restated) SR
Net Income For The Year After Zakat And Tax Attributable To Shareholder		45,444,274	818,879
Other Comprehensive			
Items That Will Not Be Reclassified To Income Statement Subsequently			
Re-Measurement Of Employee' End Of Service Benefit Obligations Actuarial Loss	18		
Related To Reinsurance Operations		(2,058,517)	-
Related To Shareholders' Operations		-	-
Items That May Be Classified To Income Statement Subsequently			
Share Of Foreign Currency Translation Reserve Of An Equity Accounted Investee	16	(962,691)	3,036,196
Total Comprehensive Income For The Year		42,423,066	3,855,075

Statement Of Changes In Equity

For The Year Ended 31 December 2019

	GCC Shareholders And General Public				Non - GCC Shareholders				Total				
	Share Capital	Statutory Reserve	Retained Earnings	Other Reserves	Share Capital	Statutory Reserve	Retained Earnings	Other Reserves	Share Capital	Statutory Reserve	Retained Earnings	Other Reserves	Total
Saudi Riyal (SR)													
Balance As At 1 January 2019	783,693,750	8,528,901	9,431,953	1,019,067	26,306,250	286,359	3,326,044	55,549	810,000,000	8,815,260	12,757,997	1,074,616	832,647,873
Transfer During The Year	(33,785,760)	(367,689)	(406,620)	(43,933)	33,785,760	367,689	406,620	43,933	-	-	-	-	-
Net Profit For The Year	--	--	42,072,763	--	--	--	3,371,511	--	--	--	45,444,274	--	45,444,274
Other Comprehensive Income	--	--	--	(2,797,065)	--	--	--	(224,143)	--	--	--	(3,021,208)	(3,021,208)
Total Comprehensive Income For The Year	--	--	42,072,763	(2,797,065)	--	--	3,371,511	(224,143)	--	--	45,444,274	(3,021,208)	42,423,066
Transfer To Statutory Reserve	--	8,414,553	(8,414,553)	--	--	674,302	(674,302)	--	--	9,088,855	(9,088,855)	--	--
Balance As At 31 December 2019	749,907,990	16,575,765	42,683,543	(1,821,931)	60,092,010	1,328,350	6,429,873	(124,661)	810,000,000	17,904,115	49,113,416	(1,946,592)	875,070,939
Balance As At 1 January 2018	978,047,040	5,937,649	(174,018,095)	(1,918,523)	21,952,960	133,275	(1,298,451)	(43,057)	1,000,000,000	6,070,924	(175,316,546)	(1,961,580)	828,792,798
Reduction Of Capital (Note 22)	(185,820,000)	--	185,820,000	--	(4,180,000)	--	4,180,000	--	(190,000,000)	--	190,000,000	--	--
Transfer During The Year	(8,533,290)	(63,957)	(127,120)	--	8,533,290	63,957	127,120	--	--	--	--	--	--
Net Profit For The Year (Restated)	--	--	412,377	--	--	--	406,502	--	--	--	818,879	--	818,879
Other Comprehensive Income	--	--	--	2,937,590	--	--	--	98,606	--	--	--	3,036,196	3,036,196
Total Comprehensive Income For The Year	--	--	412,377	2,937,590	--	--	406,502	98,606	--	--	818,879	3,036,196	3,855,075
Transfer To Statutory Reserve	--	2,655,209	(2,655,209)	--	--	89,127	(89,127)	--	--	2,744,336	(2,744,336)	--	--
Balance As At 31 December 2018	783,693,750	8,528,901	9,431,953	1,019,067	26,306,250	286,359	3,326,044	55,549	810,000,000	8,815,260	12,757,997	1,074,616	832,647,873

Statement Of Cash Flows For The Year Ended 31 December 2019

Operating Activities	Notes	2019 SR	2018 SR
Total Income For The Year Before Zakat And Tax		62,835,644	15,092,716
<i>Adjustments To Reconcile Total Income For The Year Before Zakat And Tax To Net Cash Used In Operating Activities:</i>			
Employees' End Of Service Benefits	18	1,184,418	1,567,038
Depreciation Of Property And Equipment	24	1,729,724	2,161,757
Realized Gains On Investments Held At Fair Value Through Income Statement	7(iii)	(13,903,154)	(677,598)
Unrealized Gains On Investments Held At Fair Value Through Income Statement	7(iii)	(3,792,706)	(3,460,417)
Share Of Profit Of Equity Accounted Investee	16	(5,114,506)	(2,303,238)
Reversal Of Doubtful Debts	6	(517,929)	(1,574,768)
Operating Income Before Changes In Operating Assets And Liabilities		42,421,491	10,805,490

Changes In Operating Assets & Liabilities	Notes	2019 SR	2018 SR
Premiums Receivable, Gross		(32,850,934)	160,422,319
Accrued Reinsurance Premiums		(57,292,729)	(37,690,443)
Retroceded Share Of Unearned Premiums		(17,755,892)	84,598,294
Unearned Premiums		21,826,307	(81,317,607)
Retroceded Share Of Outstanding Claims		(84,286,253)	(138,543,510)
Retroceded Share Of Claims Incurred But Not Reported		25,125,104	46,013,296
Deferred Acquisition Costs		(6,383,510)	449,553
Deferred Excess Of Loss Premiums		(311,954)	2,868,169
Prepaid Expenses, Deposits And Other Assets		(35,680,666)	(104,766,721)
Accounts Payable		20,001,006	3,279,446
Retrocession Balances Payable		23,274,680	(206,865,265)
Accrued Retroceded Premiums		5,902,095	7,948,442
Outstanding Claims		74,761,900	216,513,371
Claims Incurred But Not Reported		24,774,213	(84,618,233)
Unearned Commission Income		1,985,832	(1,132,059)
Accrued Expenses And Other Liabilities		6,873,836	(265,591)
		12,384,526	(122,301,049)
Zakat And Tax Paid	21	(28,375,616)	(12,089,919)
Employees' End Of Service Benefits Paid	18	(1,008,205)	(702,340)
Net Cash Used In Operating Activities		(16,999,295)	(135,093,308)

Investing Activities	Notes	2019 SR	2018 SR
Time Deposits		(122,984,057)	(162,379,122)
Accrued Special Commission Income On Time Deposits		(5,894,780)	(1,207,646)
Accrued Special Commission Income From Bonds And Sukuk		(129,262)	1,167,091
Purchase Of Property And Equipment. Net		(2,716,354)	(1,214,686)
Additions In Investments Held At Fair Value Through Income Statement	7(iii)	(354,245,449)	(57,078,728)
Proceeds From Disposal Of Investments Held At Fair Value Through Income Statement	7(iii)	506,667,595	373,710,165
Statutory Deposit		--	(21,500,000)
Held-To-Maturity Investments		(37,500,000)	--
Net Cash (Used In)/Generated From Investing Activities		(16,802,307)	131,497,074
Decrease In Cash And Cash Equivalents		(33,801,602)	(3,596,234)
Cash And Cash Equivalents At The Beginning Of The Year		81,635,536	85,231,770
Cash And Cash Equivalents At The End Of The Year	5	47,833,934	81,635,536

Notes To The Financial Statements For The Year Ended 31 December 2019

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 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 2019 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 of Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

The annual financial statement for the year ended 31 December 2018, were prepared in compliance with IFRS as modified by Saudi Arabian Monetary Agency (SAMA) SAMA for the 'accounting of zakat and income tax', which requires, adoption of all IFRS as issued by the International Accounting Standards Board (IASB) except for the application of International Accounting Standard (relating to the application of IAS 12 - "Income Taxes" and IFRIC 21 - "Levies" so far as these relate to zakat and income tax and the Regulations for Companies in the Kingdom of Saudi Arabia.

On 23 July 2019, SAMA instructed the insurance companies in the Kingdom of Saudi Arabia to account for the zakat and taxes in the statement of income. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board ("IASB") and as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization of Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS") as endorsed in Kingdom of Saudi Arabia.

Accordingly, the Company changed its accounting treatment for zakat and income tax by retrospectively adjusting the impact in line with International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (as disclosed in note 3) and the effects of this change are disclosed in note 21 to financial statements.

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: bank balances and cash, time deposits, accrued special commission income from time deposits, premium

receivables, net, investments held at fair value through income statement, deferred excess of loss premiums, retroceded share of outstanding claims, prepaid expenses, deposits and other assets, accrued special commission income from bonds and sukuk, accounts payable, retrocession balances payable, outstanding claims, accrued expenses and other liabilities, provision for zakat and income tax and accumulated surplus. The following balances would generally be classified as non-current: accrued reinsurance premiums, retroceded share of unearned premiums, retroceded share of claims incurred but not reported, 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, claims incurred but not reported, 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 32). 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 32 of the financial statements have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations and is not required under IFRSs. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the 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.

In preparing the Company-level 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 unrealised 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.

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Reinsurance and Shareholders' operations and presents the financial statements accordingly. Revenues and expenses clearly attributable to either activity is recorded in the respective accounts. The basis of allocation of other revenue and expenses from joint operations is determined by the management and Board of Directors.

In accordance with the Article 70 (2g) of the Insurance Implementing Regulations of 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.

(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.

(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 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 2018 except for the following:

(A) Change In Accounting For Zakat And Income Tax

The basis of preparation has been changed as a result of the issuance of latest instructions from SAMA dated 23 July 2019. Previously, zakat and income tax were recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated 11 April 2017. With the instructions issued by SAMA dated 23 July 2019, where by the zakat and income tax shall be recognized in the statement of income. The Company has accounted for this change in the accounting for zakat and income tax retrospectively (see note 2) and the effects of the above change are disclosed in note 20 to financial statements. The change has resulted in reduction of reported income of the Company for the year ended 31 December 2018 by SR 12,902,802. The change has had no impact on the statement of cash flows for the year ended 31 December 2018.

i) 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, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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 and 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.

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.

ii) IFRIC Interpretation 23 Uncertainty Over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Company applies significant judgement in identifying uncertainties over income tax treatments. Since the Company operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its financial statements.

Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's tax filings in different jurisdictions include

deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Company determined, based on its tax compliance and transfer pricing study that it is probable that its tax treatments will be accepted by the taxation authorities.

The Interpretation did not have an impact on the financial statements of the Company.

iii) Zakat

The Company is subject to Zakat in accordance with the regulations of the General Authority of Zakat and Income Tax ("GAZT"). Zakat expense is charged to the profit or loss. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

(B) Adoption of IFRS 16 – Leases

Effective 1 January 2019, the Company adopted IFRS 16, Leases and the impact of this adoption of this standard is explained below:

The standard replaces the existing guidance on leases including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal form of a lease".

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. On 1st January 2019 i.e. the effective date, IFRS 16 had no significant financial impact on the Company's financial statements. IFRS 16 stipulates that all lease and the associated contractual rights and obligations should generally be recognized in the Company's statement of financial position, unless the term is 12 months or less or the lease is for low value assets.

Thus, the classification required under IAS 17 "Leases" into operating or finance leases is eliminated for lessees. For each lease, the lessee recognizes a liability for the lease obligation incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs, which is amortized over the useful life.

The Company has opted for the modified retrospective approach application method that this is permitted by IFRS 16. As a result, of the initial application of IFRS 16 to operating leases, the right to use the leased assets was generally measured at the amount of lease liability, using the incremental borrowing rate that is the best estimate of the Company at the time of initial application (i.e. 1 April 2019), which was approximately 5%. The right of use asset is classified under property and equipment. On the other hand, the lease liability is classified under accrued expenses and other liabilities.

i) Right of use (RoU) Assets / Lease Liabilities

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

- Right of Use Assets

The Company applies the cost model, and measures the right of use assets at cost:

- a) Less any accumulated depreciation and any accumulated impairment losses; and
- b) Adjusted for any re-measurement of the lease liability for lease modifications.

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

- Lease Liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor. After the commencement date, the Company measures the lease liability by:

- a) Increasing the carrying amount to reflect incremental financing rate on the lease liability;
- b) Reducing the carrying amount to reflect the lease payments made; and
- c) Re-measuring the carrying amount to reflect any re-assessment or lease modification.

Right of use assets are classified under property and equipment, while lease liabilities are classified under accrued expenses and other liabilities in the statement of financial position.

(C) Standards Issued But Not Yet Effective

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

IFRS 9 – Financial Instruments

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

Classification And Measurement

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

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

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

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

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

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

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

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

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

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

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

Impairment

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

Hedge Accounting

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

Effective Date

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

- 1) apply a temporary exemption from implementing IFRS 9 until the earlier of
 - a) the effective date of a new insurance contract standard; or
 - b) annual reporting periods beginning on or after January 1, 2021. On 17 March 2020, the International Accounting Standards Board (“IASB”) has decided to further extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 to January 1, 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or
- 2) adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

The Company has performed a preliminary assessment which included below:

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

IFRS 17 Insurance Contracts

Overview

This standard has been published on May 18, 2017, it establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 – Insurance contracts.

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

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

Measurement

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

The General Measurement Model (GMM) is based on the following “building blocks”:

b) 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;

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

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

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

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

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

The Variable Fee Approach (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:

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

In addition, a simplified Premium Allocation Approach (PAA) is permitted for the measurement of the liability for 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. With the PAA, the liability for remaining coverage corresponds to premiums received at initial recognition less insurance acquisition cash flows. The General Measurement Model remains applicable for the measurement of the liability for incurred claims. However, the entity is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid/received in one year or less from the date the claims are incurred.

Effective Date

The IASB issued an Exposure Draft Amendments to IFRS 17 proposing certain amendments to IFRS 17 during June 2019 and received comments from various stakeholders. On 17 March 2020, the International Accounting Standards Board (“IASB”) has completed its discussions on the amendments to IFRS 17 Insurance Contracts that were proposed for public consultation in June 2019. It has decided that the effective date of the Standard will be deferred to annual reporting periods beginning on or after 1 January 2023. The IASB expects to issue the amendments to IFRS 17 in the second quarter of 2020. . Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied. The Company intends to apply the Standard on its effective date i.e. 1 January 2023.

Transition

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

Presentation and Disclosures

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

Impact Assessment:

The Company is currently assessing the impact of the application and implementation of IFRS 17. As of the date of the publication of these financial statements, the financial impact of adopting the standard has yet to be fully assessed by the Company. The Company has undertaken a Gap Analysis and the key gaps and their impact are as follows:

Impact Area	Summary of Impact
Financial Impact	The Company is currently assessing the impact of the application and implementation of IFRS 17. As of the date of the publication of these financial statements, the financial impact of adopting the standard has yet to be fully assessed by the Company
Data Impact	IFRS 17 has additional data requirements and Company has majority of data available and currently is in the process of building data warehouse to accommodate any extra data requirements and consolidate the data in one place coming from its various IT systems.
IT Systems Impact	The Company is currently in a process of enhancing the capability of its current systems. Also, the Company is currently in process of evaluating the IFRS 17 calculation engines available in the market that suit Company requirements under IFRS 17.
Process Impact	IFRS 17 will fundamentally change the presentation of the statement of financial position and statement of income and will result in material changes in policies and procedures, product assessment, actuarial valuation and disclosures requirements. Hence, the company is currently carrying out assessment to align all these requirements under IFRS 17 by employing IFRS 17 calculation engine, enhancement of its actuarial, accounting and investment systems, which will fulfil the disclosure requirements as well.
Impact on RI Arrangements	The exposure of these covers go beyond 12 months and are aligned with its inward reinsurance business the company writes. The Company is currently assessing its recognition eligibility of its reinsurance contracts held
Impact on Policies & Control Frameworks	The Company is currently assessing the impact of the application and implementation of IFRS 17. As of the date of the publication of these financial statements, the financial impact of adopting the standard has yet to be fully assessed by the Company, therefore the company is in the process of enhancing its policies and procedures and control framework to align them with IFRS 17 application and implementation

The Company has started its implementation process and has set up a project team, supervised by an IFRS executive management committee.

(D) The Significant Accounting Policies Adopted In The Preparation Of These Financial Statements Are Set Out Below

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. 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.

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 recognised 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.

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.

Dividend Income

Dividend income is recognised when the right to receive payment is established, which is generally when shareholders approve the dividend.

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 future premiums. 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 derecognised when the related contracts are either settled or disposed off.

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 recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised 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:

Building	33 Years
Computers And Equipment	3-5 Years
Furniture And Fixtures	5 Years
Motor Vehicles	4 Years
Leasehold Improvements	10 Years

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 derecognised 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 derecognised.

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.

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.

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 and 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.

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 judgement 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 independent 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 and 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.

Premiums Receivable

Premiums receivable are recognized when due 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 premiums receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income. Premiums receivable are derecognized when the derecognition criteria for financial assets have been met.

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.

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.

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 recognising 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 realised gains and losses are recognized in the statement of income.

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.

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.

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 realise 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.

Segmental Reporting

An operating segment is a component of the Company that is engaged in business activities from which it may earn revenues and 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 organised into business units based on their products and 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 specialises 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 and 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.

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 and 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.

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 and the disclosure of contingent 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.

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 realised, 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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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.

Accrued Insurance Premium

Estimates have to be made for expected future premium from 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. 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 analysed by underwriting year, by type and line of business.

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	31 December 2019 SR	31 December 2018 SR
Cash In Hand (A)	40,000	40,000
Bank Balances (A)	6,021,323	22,303,716
Deposits Maturing Within 3 Months From The Acquisition Date (B)	21,586,875	49,749,430
	27,648,198	72,093,146

Shareholders' Operations	31 December 2019 SR	31 December 2018 SR
Bank Balances (C)	7,107,736	9,542,390
Deposits Maturing Within 3 Months From The Acquisition Date (D)	13,078,000	--
	20,185,736	9,542,390
Total Bank Balances And Cash (A+C)	13,169,059	31,886,106
Total Deposits Maturing Within 3 Months From Acquisition Date (B+D)*	34,664,875	49,749,430
Total	47,833,934	81,635,536

* Included within time deposits

Time deposits are placed with banks which have investment grade credit ratings and have maturity period of less than three months from the date of original placement. Average effective interest rate for these deposits is 1.70% (2018: 2.74%)

Cash at banks are placed with counterparties which have investment grade credit ratings.

6. Premiums Receivables, Net

Reinsurance Operations	2019 SR	2018 SR
Policyholders	235,474,039	203,156,463
Related Parties (Note 25)	1,112,046	578,688
Less: Provision For Doubtful Debts	(3,193,709)	(3,711,638)
	233,392,376	200,023,513

The movement in provision for doubtful debt is as follows:

	2019 SR	2018 SR
Opening Balance	3,711,638	5,286,406
Reversal For The Year	(517,929)	(1,574,768)
Closing Balance	3,193,709	3,711,638

As at 31 December, the ageing of gross premiums receivables is as follows:

2019 (SR)	Past Due But Not Impaired				Past Due & Impaired	Total
	Neither Past Due Nor Impaired	Less Than Days 90	To 91 Days 180	More Than Days 180		
Policyholders, Net Of Payables	148,202,617	21,452,546	22,152,836	40,395,732	3,270,308	235,474,039
Related Parties, Net Of Payables	1,067,976	(146,391)	808,147	(541,087)	(76,599)	1,112,046
Total	149,270,593	21,306,155	22,960,983	39,854,645	3,193,709	236,586,085

2018 (SR)	Past Due But Not Impaired				Past Due & Impaired	Total
	Neither Past Due Nor Impaired	Less Than Days 90	To 91 Days 180	More Than Days 180		
Policyholders, Net Of Payables	109,521,071	21,192,660	35,177,797	33,547,933	3,717,002	203,156,463
Related Parties, Net Of Payables	635,274	--	12,194	(63,416)	(5,364)	578,688
Total	110,156,345	21,192,660	35,189,991	33,484,517	3,711,638	203,735,151

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 37% (31 December 2018: 34%) of the premium receivable as at 31 December 2019.

Premium receivables include premium deposits of SR 35,256,794 (2018: SR 25,911,773) and claims deposits of SR 17,441,105 (2018: SR 18,234,234). 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 inception of the reinsurance treaty.

7. Investments Held At Fair Value Through Income Statement

i. Investments held at fair value through income statement consist of the following:

	2019			2018		
	Reinsurance Operations	Shareholders' Operations	Total	Reinsurance Operations	Shareholders' Operations	Total
Saudi Riyal (SR)						
Money Market Funds	40,877,141	197,916,148	238,793,289	2,088,717	31,888,438	33,977,155
Investment Funds	--	71,081,131	71,081,131	--	26,323,351	26,323,351
Equities	--	17,460,885	17,460,885	--	138,269,676	138,269,676
Fixed-Rate Bonds/Sukuk	--	50,512,516	50,512,516	51,726,932	247,493,141	299,220,073
Floating-Rate Bonds/Sukuk	--	40,000,000	40,000,000	2,284,697	52,499,155	54,783,852
	40,877,141	376,970,680	417,847,821	56,100,346	496,473,761	552,574,107

ii. The analysis of the composition of investments for shareholders' operations is as follows:

	2019			2018		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Saudi Riyal (SR)						
Money Market Funds	197,916,148	--	197,916,148	31,888,438	--	31,888,438
Investment Funds	--	71,081,131	71,081,131	--	26,323,351	26,323,351
Equities	17,460,885	--	17,460,885	138,269,676	--	138,269,676
Fixed-Rate Bonds/Sukuk	--	50,512,516	50,512,516	197,428,627	50,064,514	247,493,141
Floating-Rate Bonds/Sukuk	--	40,000,000	40,000,000	12,499,155	40,000,000	52,499,155
	215,377,033	161,593,647	376,970,680	380,085,896	116,387,865	496,473,761

As at 31 December 2019 and 31 December 2018, all investments under reinsurance operations which are measured at fair value are quoted. The investments in bonds and sukuk SR Nil (31 December 2018: SR 54.01 million) are classified as Level 1 investments while the investment in money market funds amounting to SR 40.88 million (31 December 2018: SR 2.09 million) is classified as level 2 investments.

The following table shows an analysis of financial instruments under shareholders' operations measured at fair value by level of the fair value hierarchy:

2019				
	Level 1	Level 2	Level 3	Total
Saudi Riyal (SR)				
Money market funds	--	197,916,148	--	197,916,148
Investment funds	--	--	71,081,131	71,081,131
Equities	17,460,885	--	--	17,460,885
Fixed-rate bonds/sukuk	--	--	50,512,516	50,512,516
Floating-rate bonds/sukuk	--	--	40,000,000	40,000,000
	17,460,885	197,916,148	161,593,647	376,970,680

2018				
	Level 1	Level 2	Level 3	Total
Saudi Riyal (SR)				
Money Market Funds	--	31,888,438	--	31,888,438
Investment Funds	--	--	26,323,351	26,323,351
Equities	138,269,676	--	--	138,269,676
Fixed-Rate Bonds/Sukuk	197,428,627	--	50,064,514	247,493,141
Floating-Rate Bonds/Sukuk	12,499,155	--	40,000,000	52,499,155
	348,197,458	31,888,438	116,387,865	496,473,761

Fair values of investment funds is based on the net assets value ("NAV") calculated on the basis of the fair value of the underlying real estate as disclosed in the fund's latest available financial statements. The discounted cash flow ("DCF") model has been used to value the 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
Saudi Riyal (SR)						
2019	116,387,865	46,081,132	(1,047,575)	(340,290)	512,515	161,593,647
2018	140,064,514	--	(23,676,649)	--	--	116,387,865

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.

	2019 SR	2018 SR
Investments Held At Fair Value Through Income Statement	50,512,516	50,064,514
Impact On Unrealized Gain For The Year Ended:		
If Increased By 5% In Market Rate	(134,430)	(312,689)
If Decreased By 5% In Market Rate	134,430	312,689

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 2019 and year ended 31 December 2018.

As at 31 December 2019, the investments under reinsurance operations include SR Nil (31 December 2018: SR 54.01 million) which are held through discretionary managed portfolios.

As at 31 December 2019, the investments under shareholders' operations include SR Nil (31 December 2018: SR 318.5 million) which are held through discretionary managed portfolios.

Investments under reinsurance and shareholders' operations include cash component of SR Nil and SR Nil respectively as at 31 December 2019 (31 December 2018: SR 0.77 million and SR 10.04 million) available with external fund managers within the agreed investment guidelines.

iii. The movement of investments held at fair value through income statement is as follows:

	2019			2018		
	Reinsurance Operations	Shareholders' Operations	Total	Reinsurance Operations	Shareholders' Operations	Total
Saudi Riyal (SR)						
Opening Balance	56,100,346	496,473,761	552,574,107	106,316,032	758,751,497	865,067,529
Additions	38,572,307	315,673,142	354,245,449	21,000,000	36,078,728	57,078,728
Disposals	(54,204,897)	(452,462,698)	(506,667,595)	(72,416,163)	(301,294,002)	(373,710,165)
Unrealized Gains	216,118	3,576,588	3,792,706	(367,808)	3,828,225	3,460,417
Realized Gains	193,267	13,709,887	13,903,154	1,568,285	(890,687)	677,598
Closing Balance	40,877,141	376,970,680	417,847,821	56,100,346	496,473,761	552,574,107

iv. The geographical split of investments held at fair value through income statement is as follows:

Reinsurance Operations	Domestic		International		Total	
	2019	2018	2019	2018	2019	2018
Saudi Riyal (SR)						
Money Market Funds	40,877,141	2,088,717	--	--	40,877,141	2,088,717
Fixed-Rate Bonds/Sukuk	--	--	--	51,726,932	--	51,726,932
Floating-Rate Bonds/Sukuk	--	--	--	2,284,697	--	2,284,697
	40,877,141	2,088,717	--	54,011,629	40,877,141	56,100,346

Shareholders' Operations	Domestic		International		Total	
	2019	2018	2019	2018	2019	2018
Saudi Riyal (SR)						
Money Market Funds	197,916,148	31,888,438	--	--	197,916,148	31,888,438
Investment Funds	71,081,131	26,323,351	--	--	71,081,131	26,323,351
Equities	17,460,885	70,186,682	--	68,082,994	17,460,885	138,269,676
Fixed-Rate Bonds/Sukuk	40,480,100	40,000,000	10,032,416	207,493,141	50,512,516	247,493,141
Floating-Rate Bonds/Sukuk	40,000,000	40,000,000	--	12,499,155	40,000,000	52,499,155
	366,938,264	208,398,471	10,032,416	288,075,290	376,970,680	496,473,761
Total	407,815,405	210,487,188	10,032,416	342,086,919	417,847,821	552,574,107

v. The analysis of investments by counter-party is as follows:

	2019			2018		
	Reinsurance Operations	Shareholders' Operations	Total	Reinsurance Operations	Shareholders' Operations	Total
Saudi Riyal (SR)						
Fixed Income Counterparties						
Saudi Government	--	40,480,100	40,480,100	11,353,243	90,572,083	101,925,326
Non-Saudi Government	--	10,032,416	10,032,416	31,342,945	124,291,840	155,634,785
Corporate And Financial Institutions	--	40,000,000	40,000,000	11,315,441	85,128,335	96,443,776
	--	90,512,516	90,512,516	54,011,629	299,992,258	354,003,887
Others						
Money Market Funds	40,877,141	197,916,148	238,793,289	2,088,717	31,888,476	33,977,193
Investment Funds	--	71,081,131	71,081,131	--	26,323,351	26,323,351
Equities	--	17,460,885	17,460,885	--	138,269,676	138,269,676
	40,877,141	286,458,164	327,335,305	2,088,717	196,481,503	198,570,220
Total	40,877,141	376,970,680	417,847,821	56,100,346	496,473,761	552,574,107

8. Claims

	2019 SR	2018 SR
Outstanding Claims	737,229,272	662,467,372
Claims Incurred But Not Reported	355,254,946	330,480,733
	1,092,484,218	992,948,105
Less		
Retroceded Share Of Outstanding Claims	282,718,771	198,432,518
Retroceded Share Of Claims Incurred But Not Reported	34,812,075	59,937,179
	317,530,846	258,369,697
Net Outstanding Claims Reserves	774,953,372	734,578,408

9. Prepaid Expenses, Deposits And Other Assets

	2019			2018		
	Reinsurance Operations	Shareholders' Operations	Total	Reinsurance Operations	Shareholders' Operations	Total
Saudi Riyal (SR)						
Refundable Deposit	103,722	--	103,722	103,222	--	103,222
Recoverable Deposits (Refer Note 31b) & 21e)	119,359,875	71,752,470	191,112,345	119,359,875	30,810,000	150,169,875
Guarantee Deposit (Note 30b)	37,330,434	--	37,330,434	47,250,000	--	47,250,000
Advances To Employees	1,168,996	--	1,168,996	1,384,613	--	1,384,613
Advance Payments	293,024	--	293,024	292,200	--	292,200
Prepaid Insurance	391,737	--	391,737	344,141	228,471	572,612
Value Added Tax	12,915,098	--	12,915,098	8,835,167	--	8,835,167
Others	341,448	983,094	1,324,542	302,427	49,116	351,543
	171,904,334	72,735,564	244,639,898	177,871,645	31,087,587	208,959,232

10. Unearned Premiums

	2019		
	Gross	Retroceded Share	Net
Saudi Riyal (SR)			
Opening Balance	380,171,285	(33,080,894)	347,090,391
Premiums Written During The Year	792,847,561	(146,242,284)	646,605,277
Net Premium Earned	(771,021,254)	128,486,392	(642,534,862)
Change In Net Unearned Premiums	21,826,307	(17,755,892)	4,070,415
Closing Balance	401,997,592	(50,836,786)	351,160,806

	2018		
	Gross	Retroceded Share	Net
Saudi Riyal (SR)			
Opening Balance	461,488,892	(117,679,188)	343,809,704
Premiums Written During The Year	721,604,828	(104,708,727)	616,896,101
Net Premium Earned	(802,922,435)	189,307,020	(613,615,415)
Change In Net Unearned Premiums	(81,317,607)	84,598,293	3,280,686
Closing Balance	380,171,285	(33,080,894)	347,090,391

11. Deferred Policy Acquisition Costs

	2019 SR	2018 SR
Opening Balance	99,895,591	100,345,144
Incurred During The Year	179,164,044	172,022,204
Charged For The Year	(172,780,534)	(172,471,757)
Closing Balance	106,279,101	99,895,591

12. Property And Equipment, Net

	Reinsurance Operations	Computers & Equipment	Furniture & Fixtures	Motor Vehicles	Leasehold Improvements	Work-In Progress*	Right of Use	Total
Saudi Riyal (SR)								
Cost								
As At 1 January 2019	13,401,508	366,669	723,661	380,334	536,786	--	--	15,408,958
Additions During The Year	1,692,847	--	--	601,680	23,512	660,129	--	2,978,168
Transfers During The Year	--	--	--	--	(261,814)	--	--	(261,814)
As At 31 December 2019	15,094,355	366,669	723,661	982,014	298,484	660,129	--	18,125,312
Accumulated Depreciation								
As at 1 January 2019	12,027,862	329,002	693,519	145,727	--	--	--	13,196,110
Charged for the year	751,581	26,658	20,738	37,990	--	150,913	--	987,880
As at 31 December 2019	12,779,443	355,660	714,257	183,717	--	150,913	--	14,183,990
Net Book Value								
As At 31 December 2019	2,314,912	11,009	9,404	798,297	298,484	509,216	--	3,941,322

* Work-In-Progress represents certain advances for the IT infrastructure.

Reinsurance Operations	Computers & Equipment	Furniture & Fixtures	Motor Vehicles	Leasehold Improvements	Work-In Progress*	Total
Saudi Riyal (SR)						
Cost						
As At 1 January 2018	12,517,245	366,669	723,661	368,834	217,863	14,194,272
Additions During The Year	884,263	--	--	11,500	320,653	1,216,416
Transfers During The Year	--	--	--	--	(1,730)	(1,730)
As At 31 December 2018	13,401,508	366,669	723,661	380,334	536,786	15,408,958
Accumulated Depreciation						
As at 1 January 2018	10,956,764	280,089	561,389	109,641	--	11,907,883
Charged For The Year	1,071,098	48,913	132,130	36,086	--	1,288,227
As at 31 December 2018	12,027,862	329,002	693,519	145,727	--	13,196,110
Net Book Value						
As At 31 December 2018	1,373,646	37,667	30,142	234,607	536,786	2,212,848

Shareholders' Operations	Land	Building	Furniture & Fixtures	Total
Saudi Riyal (SR)				
Cost				
As At 1 January 2019	18,329,960	11,454,040	4,706,907	34,490,907
Additions During The Year	--	--	--	--
As At 31 December 2019	18,329,960	11,454,040	4,706,907	34,490,907
Accumulated Depreciation				
As at 1 January 2019	--	1,708,402	2,406,455	4,114,857
Charged For The Year	--	318,168	423,676	741,844
As at 31 December 2019	--	2,026,570	2,830,131	4,856,701
Net Book Value				
As at 31 December 2019	18,329,960	9,427,470	1,876,776	29,634,206
Total Net Book Value As At 31 December 2019				33,575,528

Shareholders' Operations	Land	Building	Furniture & Fixtures	Total
Saudi Riyal (SR)				
Cost				
As At 1 January 2018	18,329,960	11,454,040	4,706,907	34,490,907
Additions During The Year	--	--	--	--
As At 31 December 2018	18,329,960	11,454,040	4,706,907	34,490,907
Accumulated Depreciation				
As at 1 January 2018	--	1,361,310	1,880,017	3,241,327
Charged For The Year	--	347,092	526,438	873,530
As at 31 December 2018	--	1,708,402	2,406,455	4,114,857
Net Book Value				
As at 31 December 2018	18,329,960	9,745,638	2,300,452	30,376,050
Total Net Book Value As At 31 December 2018				32,588,898

13. Time Deposits

Time deposits are placed with banks which have credit ratings in line with Company's investment policy. Such deposits earn special commission at an average effective commission rate of 3.14% per annum (31 December 2018: 2.33 % per annum).

14. 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.

15. Unearned Retrocession Commission

	2019 SR	2018 SR
Opening Balance	6,410,240	7,542,299
Commission Received On Retroceded Business During The Year	20,161,830	15,335,999
Commission Earned On Retroceded Business During The Year	(18,175,998)	(16,468,058)
Closing balance	8,396,072	6,410,240

16. Investment In An Equity Accounted Investee

	2019 SR	2018 SR
Opening Balance	97,293,816	91,954,382
Share Of Profit Of Equity Accounted Investee	5,114,506	2,303,238
Share In Foreign Currency Translation Adjustments	(962,691)	3,036,196
31 December	101,445,631	97,293,816

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.

As at 31 December 2019, the total assets and total liabilities of PHBL amount to SR 916 million and SR 743 million respectively (2018: SR 766.7 million and SR 602.1 million respectively). The profit for the year ended 31 December 2019 amounts to SR 10.1 million (2018: SR 4.5 million).

17. Held-To-Maturity Investments

This represent investment in locally issued Sukuk amounting to SR 37.5 million (2018: Nil). The interest rate on the Sukuk is 3.89% and it will be maturing in year 2029. The credit rating of the counter party is A1 by Moody's and A- by Standard & Poors credit quality agencies.

18. Employees' End Of Service Benefits

The movement in provision for employee end-of-service benefits for the years ended 31 December are as follows:

	2019 SR	2018 SR
Balance At Beginning Of The Year	6,593,975	5,729,277
Charge For The Year	1,052,226	1,405,697
Interest Cost	132,192	161,341
Amount Recognized In Income Statement	1,184,418	1,567,038
Re-Measurement Loss Recognized In Other Comprehensive Income	2,058,517	--
Benefits Paid During The Year	(1,008,205)	(702,340)
Balance At The End Of The Year	8,828,705	6,593,975

Net defined benefit as at year-end is as follows:

	2019 SR	2018 SR
Present Value Of Defined Benefit Obligation	8,828,705	6,593,975

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:

	2019		2018	
	Increase	Decrease	Increase	Decrease
Future Salary Growth (5% Movement)	441,435	(441,435)	329,699	(329,699)

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.

Principal Actuarial Assumptions

The discount rate used is 2.25% (2018: 3%) while the expected rate of salary increase used is 2.47% (2018: 2.47%)

19. Accrued Expenses And Other Liabilities

	2019			2018		
	Reinsurance Operations	Shareholders' Operations	Total	Reinsurance Operations	Shareholders' Operations	Total
Saudi Riyal (SR)						
Consultancy Fees	1,442,500	--	1,442,500	--	95,039	95,039
Employees' Bonus	4,326,846	--	4,326,846	2,372,314	810,639	3,182,953
Withholding Tax Payable	2,548,093	15,694	2,563,787	517,812	--	517,812
Professional Fees Payable	1,158,003	1,327,323	2,485,326	1,081,055	2,096,133	3,177,188
Directors' Remunerations	--	1,140,000	1,140,000	--	1,100,000	1,100,000
Meetings Fees And Expenses	--	1,066,384	1,066,384	--	885,008	885,008
Value Added Tax Payable	3,217,525	--	3,217,525	2,168,976	--	2,168,976
Others	2,816,905	361,515	3,178,420	1,419,976	--	1,419,976
	15,509,872	3,910,916	19,420,788	7,560,133	4,986,819	12,546,952

20. 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.

Gross reinsurance contract outstanding claims provision for 2019:

Underwriting Year	2013 & Prior	2014	2015	2016	2017	2018	2019	Total
Saudi Riyal (Sr)								
At End Of Underwriting Year	--	184,231,909	242,728,277	166,267,303	323,560,488	282,831,889	248,740,712	
One Year Later	--	360,219,868	1,074,743,558	324,048,753	576,963,497	539,563,402	--	
Two Years Later	--	350,425,942	1,095,518,847	352,196,791	607,942,353	--	--	
Three Years Later	--	370,528,846	1,068,163,227	360,111,616	--	--	--	
Four Years Later	--	363,998,517	1,064,368,673	--	--	--	--	
Five Years Later	--	365,260,904	--	--	--	--	--	
Current Estimate Of Cumulative Claims Incurred	--	365,260,904	1,064,368,673	360,111,616	607,942,353	539,563,402	248,740,712	3,185,987,660
Cumulative Payments To Date	--	(331,369,534)	(1,014,461,172)	(274,433,911)	(319,407,624)	(208,918,221)	(5,724,068)	(2,154,314,530)
Liability Recognized For 2013 And Prior	60,811,088	--	--	--	--	--	--	60,811,088
Total Gross Outstanding Claims And Claims Incurred But Not Reported Provision Per The Statement Of Financial Position	60,811,088	33,891,370	49,907,501	85,677,705	288,534,729	330,645,181	243,016,644	1,092,484,218

Gross reinsurance contract outstanding claims provision for 2018:

Underwriting Year	2012 & Prior	2013	2014	2015	2016	2017	2018	Total
Saudi Riyal (Sr)								
At End Of Underwriting Year	--	149,402,912	184,231,909	242,728,277	166,267,303	323,560,488	282,793,419	
One Year Later	--	344,228,030	360,219,868	1,074,743,558	324,048,753	576,963,497	--	
Two Years Later	--	290,112,923	350,425,942	1,095,518,847	352,196,791	--	--	
Three Years Later	--	289,836,213	370,528,846	1,068,163,227	--	--	--	
Four Years Later	--	295,560,915	363,998,517	--	--	--	--	
Five Years Later	--	295,920,333	--	--	--	--	--	
Current Estimate Of Cumulative Claims Incurred	--	295,920,333	363,998,517	1,068,163,227	352,196,791	576,963,497	282,793,419	2,940,035,784
Cumulative Payments To Date	--	(254,075,137)	(314,287,979)	(998,642,132)	(201,790,297)	(184,870,874)	(30,687,020)	(1,984,353,439)
Liability Recognized For 2012 And Prior	37,265,760	--	--	--	--	--	--	37,265,760
Total Gross Outstanding Claims And Claims Incurred But Not Reported Provision Per The Statement Of Financial Position	37,265,760	41,845,196	49,710,538	69,521,095	150,406,494	392,092,623	252,106,399	992,948,105

Net reinsurance contract outstanding claims provision for 2019:

Underwriting Year	2013 & Prior	2014	2015	2016	2017	2018	2019	Total
Saudi Riyal (SR)								
At End Of Underwriting Year	--	156,137,999	231,126,743	165,314,261	219,104,644	218,615,217	151,400,260	
One Year Later	--	316,800,613	994,226,860	325,244,631	410,535,835	427,567,472	--	
Two Years Later	--	311,680,480	1,008,411,285	341,080,047	455,321,351	--	--	
Three Years Later	--	342,110,021	985,848,692	355,423,583	--	--	--	
Four Years Later	--	339,134,581	987,174,580	--	--	--	--	
Five Years Later	--	341,005,938	--	--	--	--	--	
Current Estimate Of Cumulative Claims Incurred	--	341,005,938	987,174,580	355,423,583	455,321,351	427,567,472	151,400,260	2,717,893,184
Cumulative Payments To Date	--	(308,391,824)	(945,204,111)	(270,475,428)	(280,468,456)	(180,649,633)	(3,257,882)	(1,988,447,334)
Liability Recognized For 2013 And Prior	45,507,522	--	--	--	--	--	--	45,507,522
Total Net Outstanding Claims And Claims Incurred But Not Reported Provision Per The Statement Of Financial Position	45,507,522	32,614,114	41,970,469	84,948,155	174,852,895	246,917,839	148,142,378	774,953,372

Net reinsurance contract outstanding claims provision for 2018:

Underwriting Year	2012 & Prior	2013	2014	2015	2016	2017	2018	Total
Saudi Riyal (SR)								
At End Of Underwriting Year	--	149,622,902	156,137,999	231,126,743	165,314,261	219,104,644	218,702,036	
One Year Later	--	332,081,892	316,800,613	994,226,860	325,244,631	410,535,835	--	
Two Years Later	--	282,327,873	311,680,480	1,008,411,285	341,080,047	--	--	
Three Years Later	--	282,125,164	342,110,021	985,848,692	--	--	--	
Four Years Later	--	283,425,994	339,134,581	--	--	--	--	
Five Years Later	--	283,610,964	--	--	--	--	--	
Current Estimate Of Cumulative Claims Incurred	--	283,610,964	339,134,581	985,848,692	341,080,047	410,535,835	218,702,036	2,578,912,155
Cumulative Payments To Date	--	(251,407,910)	(292,256,203)	(929,563,271)	(197,962,185)	(176,849,658)	(26,783,629)	(1,874,822,856)
Liability Recognized For 2012 And Prior	30,489,109	--	--	--	--	--	--	30,489,109
Total Net Outstanding Claims And Claims Incurred But Not Reported Provision Per The Statement Of Financial Position	30,489,109	32,203,054	46,878,378	56,285,421	143,117,862	233,686,177	191,918,407	734,578,408

21. Zakat And Income Tax

(A) Zakat

Zakat charge for the year of SR 13,719,362 (2018: SR 12,863,666) is based on the following:

	2019 SR	2018 SR
Share Capital	810,000,000	810,000,000
Statutory Reserve – Beginning Of The Year	8,815,260	6,070,924
Retained Earnings – Beginning Of The Year	12,757,997	14,693,063
Adjusted Net Income For The Year	58,975,983	13,984,454
Provisions	19,724,516	36,375,597
	910,273,756	881,124,038
Deductions		
Statutory Deposit	(121,500,000)	(121,500,000)
Others Non-Current Assets	(254,990,414)	(241,104,198)
Zakat Base	533,783,342	518,519,840
Zakat Base For Saudi Shareholders 99.10% (2018: 99.10%)	528,979,292	513,853,161
Zakat Provision For The Year	13,719,362	12,863,666

(B) Income Tax

Income tax for the year of SR 154,063 (2018: SR 39,136) is based on the following:

	2019 SR	2018 SR
Net Income For The Year	14,694,523	14,694,523
Adjusted Profit	58,975,983	13,984,454
Portion Of Net Taxable Income For Non-Saudi Shareholders 0.90% (2018: 0.90%)	530,784	125,860
Non-Gcc Share In Losses Carried Forward Up To 25% Of Their Share From The Portion Of Taxable Income	(132,696)	(31,465)
KSA Operations' Income Tax Base	398,088	94,395
Labuan Branch Income Tax Base	2,481,480	6,693,446
Income Tax Provision For The Year	154,063	39,136

(C) The movement of the provision for zakat and income tax is as follows

	2019	2018
	SR	SR
Opening Balance	38,244,253	37,431,370
Income Tax Provision For The Year	154,063	39,136
Zakat Provision For The Year	13,719,362	12,863,666
Paid During The Year	(28,375,616)	(12,089,919)
Closing Balance	23,742,062	38,244,253

The Company has recorded zakat and tax provision based on the circular No. 12746/16/1438H (18 January 2017) issued by the General Authority of Zakat and Income Tax (GAZT), 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 99.1% and 0.90% respectively as at 31 December 2019 and 31 December 2018.

(D) Status of Assessment

The Company has filed its Tax / Zakat returns for the years ended 31 December 2014 to 2018 with the General Authority of Zakat and Income Tax (GAZT). The company received the final assessments for the years ended 31 December 2008 to 2013 which shows additional zakat, tax and delay fines amounting to SR 32.55 million, principally on account of disallowance of long-term investments and statutory deposits from the zakat base. The assessments for the years ended 31 December 2014 to 2018 are still outstanding.

The Company filed appeals against the GAZT's assessment of additional zakat, tax and delay fines for the years 2008 to 2013. The Preliminary Appeal Committee (PAC) issued its Ruling on the appeals filed. The Ruling upheld the Company's appeal on certain items of the appeal and rejected the appeal on the other items. The Company filed an appeal against the PAC Ruling with the Higher Appeal Committee (HAC). Later on, the Company approached Committee for Settlement of Zakat and Tax disputes and reached on an agreement with the Committee for Settlement of Zakat and Tax Disputes for the assessment years 2008 to 2013.

On 7th October 2019, the Company received a letter from GAZT instructing them to pay final settlement of SR 16.05 million from the existing additional zakat, tax and applicable fines for the years 2008 to 2013. The Company has settled the amount and the Company requested GAZT to release the guarantee deposit, for the items appealed, against amounting to SR 29.39 million which is included in prepaid expenses, deposits and other assets. The GAZT has released the guarantee deposit subsequent to the year-end.

(E) Impact of change in accounting for zakat and income tax

This change in the accounting treatment for zakat and income tax as explained in note 3 has the following impact on the line items of the statement of income, statements of financial position and changes in shareholder's equity

Financial Statement Impacted	Account	Before The Restatement For The Year Ended 31 December 2018 SR	Effect Of Restatement SR	As Restated As At And For The Year Ended 31 December 2018 SR
Statement Of Changes In Equity	Provision For Zakat And Income Tax (Retained Earnings)	(12,902,802)	12,902,802	--
Statement Of Income	Zakat And Income Tax Expenses	--	(12,902,802)	(12,902,802)
Statement Of Income	Earnings Per Share*	0.17	(0.16)	0.01

22. Share Capital

The authorized, issued and paid up share capital of the Company is SR 810 million (2018: SR 810 million) divided into 81 million (2018: 810 million) shares of SR 10 each.

2019			
	Authorized And Issued		Paid Up
	No. Of Shares	Value Per Share	SR
Ahmed Hamad Alghosaibi Brothers Co.	4,050,000	10	40,500,000
Others	76,950,000	10	769,500,000
	81,000,000	10	810,000,000

2018			
	Authorized And Issued		Paid Up
	No. Of Shares	Value Per Share	SR
Ahmed Hamad Alghosaibi Brothers Co.	4,050,000	10	40,500,000
Others	76,950,000	10	769,500,000
	81,000,000	10	810,000,000

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.

23. Statutory Reserve

In accordance with the Article 70 (2g) of the Insurance Implementing Regulations of 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.

24. General And Administrative Expenses

	2019			2018		
	Reinsurance Operations	Shareholders' Operations	Total	Reinsurance Operations	Shareholders' Operations	Total
Saudi Riyal (SR)						
Salaries & Related Benefits	30,598,986	3,157,188	33,756,174	29,354,748	3,016,611	32,371,359
Training	406,863	--	406,863	869,259	5,688	874,947
Computer Expenses	1,505,535	--	1,505,535	780,248	--	780,248
Travelling Expenses	1,469,084	143,082	1,612,166	1,357,301	166,175	1,523,476
Depreciation *	1,729,724	--	1,729,724	2,161,757	--	2,161,757
Rent & Premises Expenses	1,049,520	--	1,049,520	954,155	--	954,155
Advertising	1,159,901	22,136	1,182,037	1,018,362	1,493	1,019,855
Professional Fees	1,972,751	2,608,160	4,580,911	2,496,626	2,371,671	4,868,297
Withholding Tax	78,573	28,262	106,835	109,347	45,170	154,517
Consulting Fees	2,129,018	595,423	2,724,441	304,164	--	304,164
Licensing Fees	37,978	541,768	579,746	93,658	525,943	619,601
Others	1,422,264	374,242	1,796,506	1,077,190	862,557	1,939,747
	43,560,197	7,470,261	51,030,458	40,576,815	6,995,308	47,572,123

* Depreciation charge for the year for shareholders' operations assets is charged to reinsurance operations as a rent for using the assets.

25. Board Of Directors' Remuneration, Meeting Fee And Expenses

	2019 SR	2018 SR
Board Of Directors' Remuneration	1,140,000	1,100,000
Meetings Fees And Expenses	1,116,420	1,080,757
	2,256,420	2,180,757

26. 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 2019	31 December 2018	31 December 2019	31 December 2018
Saudi Riyal (SR)					
Board Of Directors	Consulting Fees	150,322	268,355	--	--
	Remunerations, Meetings Fees And Expenses	2,256,420	2,180,757	1,875,000	1,740,000
Key Management Personnel	Short-Term Benefits	10,072,375	9,231,752	2,854,771	2,249,464
	Employees' End Of Service Benefits	464,525	523,830	3,164,802	2,978,976
Companies Represented By The Board Members	Gross Written Premiums	80,481,597	24,535,331	1,112,046	578,688
	Claims Incurred	1,692,143	1,794,500	2,829,748	3,131,773
	Commissions	30,071,691	10,979,561	--	--
	Investments	88,246,912	--	88,246,912	--

Balances with related parties are included in premium receivables, accrued expenses and other liabilities shown in the statement of financial position.

27. Basic And Diluted Earnings Per Share

Basic and diluted earnings per share for the years ended 31 December 2019 and 31 December 2018 have been calculated by dividing net income for the year by the weighted average number of ordinary shares issued and outstanding at the end of the year.

The weighted average number of shares have been retrospectively adjusted for all prior periods to reflect the element of reduction in share capital as follows:

No. of Shares	2019 SR	2018 SR
Issue Ordinary Shares Opening Balance As At 1 January	81,000,000	100,000,000
Effect Of Decrease In Capital	--	(19,000,000)
Weighted Average Outstanding Number Of Ordinary Shares - Restated	81,000,000	81,000,000

28. Statutory Deposit

The Company has deposited an amount of SR 121.5 million (31 December 2018: SR 121.5 million) with a local bank, which has been rated "A" by Standard & Poor's Rating agency representing the statutory deposit of 15% 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 2019 is SAR 17,992,463 (31 December 2018: 15,549,401) and has also been disclosed in assets as "Accrued income on statutory deposit".

29. 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 realized and unrealized gains on investments held at fair value through income statement, other income, investment management expenses and all general and administrative expenses.
- Segment assets do not include cash and cash equivalents of reinsurance operations, time deposits, investments held at fair value through income statement, prepaid expenses and other assets, due from shareholders' operations and property and equipment.
- Segment liabilities do not include surplus distribution payable, accrued expenses and other liabilities and employees' end of service benefits.

29 - 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.

For The Year Ended 31 December 2019	Engineering SR	Fire SR	Marine SR	Motor SR	General Accident SR	Protection SR	Health SR	Speciality SR	Others SR	Total SR
Revenues										
Gross Written Premiums	79,118,645	204,274,173	89,856,783	59,853,709	56,172,931	49,872,049	22,764,719	96,761,205	134,173,347	792,847,561
Retroceded Premiums	(7,549,472)	(17,708,898)	(32,700,422)	--	(18,962,016)	--	--	--	(50,922,817)	(127,843,625)
Excess Of Loss Expenses	(3,639,429)	(6,062,322)	(1,176,522)	247,210	(117,734)	(814,910)	--	--	(6,834,952)	(18,398,659)
Net Written Premiums	67,929,744	180,502,953	55,979,839	60,100,919	37,093,181	49,057,139	22,764,719	96,761,205	76,415,578	646,605,277
Changes In Unearned Premiums, Net	336,495	2,170,170	(3,171,260)	9,568,465	9,087,784	(245,569)	2,545,590	(13,344,396)	(11,017,694)	(4,070,415)
Net Earned Premiums	68,266,239	182,673,123	52,808,579	69,669,384	46,180,965	48,811,570	25,310,309	83,416,809	65,397,884	642,534,862
Retrocession Commissions	1,923,535	4,080,434	1,114,827	--	3,867,982	(6,841)	--	--	7,196,061	18,175,998
Total Revenues	70,189,774	186,753,557	53,923,406	69,669,384	50,048,947	48,804,729	25,310,309	83,416,809	72,593,945	660,710,860
Underwriting Costs And Expenses										
Gross Claims Paid	(44,492,985)	(131,502,720)	(35,416,397)	(40,031,691)	(31,933,497)	(39,791,403)	(23,803,130)	(42,741,441)	(46,988,058)	(436,701,322)
Retroceded Share Of Claims Paid	678,153	23,965,621	9,606,537	--	6,983,819	--	--	--	18,772,369	60,006,499
Net Claims Paid	(43,814,832)	(107,537,099)	(25,809,860)	(40,031,691)	(24,949,678)	(39,791,403)	(23,803,130)	(42,741,441)	(28,215,689)	(376,694,823)
Changes In Outstanding Claims, Net	2,466,508	12,666,387	3,096,442	(10,244,212)	(188,745)	(1,012,823)	(532,840)	--	3,273,640	9,524,357
Changes In Incurred But Not Reported Claims, Net	(9,904,560)	(8,559,903)	(3,427,085)	(1,097,234)	(4,205,687)	1,252,469	(9,349,726)	(7,684,248)	(6,923,344)	(49,899,318)
Net Claims Incurred	(51,252,884)	(103,430,615)	(26,140,503)	(51,373,137)	(29,344,110)	(39,551,757)	(33,685,696)	(50,425,689)	(31,865,393)	(417,069,784)
Policy Acquisition Costs And Profit Commissions	(23,300,016)	(55,914,841)	(17,474,292)	(8,834,551)	(15,828,792)	(3,794,127)	(1,345,368)	(32,110,638)	(14,177,909)	(172,780,534)
Other Underwriting Expenses	(332,500)	(1,021,761)	(404,982)	(347,019)	(305,126)	(242,371)	(126,551)	(319,212)	(516,942)	(3,616,464)
Total Underwriting Costs And Expenses	(74,885,400)	(160,367,217)	(44,019,777)	(60,554,707)	(45,478,028)	(43,588,255)	(35,157,615)	(82,855,539)	(46,560,244)	(593,466,782)
Net Underwriting Income/ (Loss)	(4,695,626)	26,386,340	9,903,629	9,114,677	4,570,919	5,216,474	(9,847,306)	561,270	26,033,701	67,244,078

Annual Report

For The Year Ended 31 December 2018	Engineering SR	Fire SR	Marine SR	Motor SR	General Accident SR	Protection SR	Health SR	Speciality SR	Others SR	Total SR
Revenues										
Gross Written Premiums	75,851,906	207,424,615	46,665,498	94,277,047	69,532,375	45,562,837	33,341,122	67,248,588	81,700,840	721,604,828
Retroceded Premiums	(9,380,169)	(22,020,000)	(10,810,555)	--	(12,654,209)	79,131	--	--	(18,210,699)	(72,996,501)
Excess Of Loss Expenses	(6,020,410)	(11,908,323)	(553,863)	--	(224,203)	(1,295,859)	--	--	(11,709,568)	(31,712,226)
Net Written Premiums	60,451,327	173,496,292	35,301,080	94,277,047	56,653,963	44,346,109	33,341,122	67,248,588	51,780,573	616,896,101
Changes In Unearned Premiums, Net	7,854,842	2,706,497	(470,565)	(9,358,263)	1,948,742	3,740,475	(4,424,603)	(8,115,918)	2,838,107	(3,280,686)
Net Earned Premiums	68,306,169	176,202,789	34,830,515	84,918,784	58,602,705	48,086,584	28,916,519	59,132,670	54,618,680	613,615,415
Retrocession Commissions	1,830,315	5,042,900	810,925	--	3,339,741	(58,276)	--	--	5,502,453	16,468,058
Total Revenues	70,136,484	181,245,689	35,641,440	84,918,784	61,942,446	48,028,308	28,916,519	59,132,670	60,121,133	630,083,473
Underwriting Costs And Expenses										
Gross Claims Paid	(42,043,294)	(90,024,043)	(22,167,560)	(62,781,731)	(36,958,670)	(58,895,022)	(16,938,058)	--	(59,519,432)	(389,327,810)
Retroceded Share Of Claims Paid	1,562,392	5,254,999	925,610	--	7,674,367	715,001	--	--	8,506,013	24,638,382
Net Claims Paid	(40,480,902)	(84,769,044)	(21,241,950)	(62,781,731)	(29,284,303)	(58,180,021)	(16,938,058)	--	(51,013,419)	(364,689,428)
Changes In Outstanding Claims, Net	(12,136,505)	(25,796,814)	(3,190,388)	(5,688,930)	(3,700,659)	1,123,237	(3,502,964)	--	(25,076,843)	(77,969,866)
Changes In Incurred But Not Reported Claims, Net	10,265,988	6,116,902	6,103,946	20,216,276	2,333,544	10,366,370	(6,731,220)	(40,847,080)	30,780,213	38,604,939
Net Claims Incurred	(42,351,419)	(104,448,956)	(18,328,392)	(48,254,385)	(30,651,418)	(46,690,414)	(27,172,242)	(40,847,080)	(45,310,049)	(404,054,355)
Policy Acquisition Costs And Profit Commissions	(23,428,531)	(57,540,816)	(12,243,309)	(25,372,945)	(18,552,569)	(2,576,682)	(719,037)	(21,482,014)	(10,555,854)	(172,471,757)
Other Underwriting Expenses	(137,228)	(549,929)	(132,980)	(332,198)	(184,775)	(129,081)	(113,521)	(93,637)	(324,264)	(1,997,613)
Total Underwriting Costs And Expenses	(65,917,178)	(162,539,701)	(30,704,681)	(73,959,528)	(49,388,762)	(49,396,177)	(28,004,800)	(62,422,731)	(56,190,167)	(578,523,725)
Net Underwriting Income/ (Loss)	4,219,306	18,705,988	4,936,759	10,959,256	12,553,684	(1,367,869)	911,719	(3,290,061)	3,930,966	51,559,748

For The Year Ended 31 December 2018	Engineering SR	Fire SR	Marine SR	Motor SR	General Accident SR	Protection SR	Health SR	Speciality SR	Others SR	Unallocated SR	Shareholders SR	Total SR
Assets												
Bank Balances And Cash	--	--	--	--	--	--	--	--	--	6,061,323	7,107,736	13,169,059
Time Deposits	--	--	--	--	--	--	--	--	--	138,195,362	239,835,817	378,031,179
Accrued Special Commission Income From Time Deposits	--	--	--	--	--	--	--	--	--	1,728,030	6,246,374	7,974,404
Premium Receivables, Net	41,176,448	93,225,725	16,348,014	25,012,608	19,080,882	9,079,607	6,077,569	(308,692)	74,556,629	(50,856,414)	--	233,392,376
Investments Held At Fair Value Through Income Statement	--	--	--	--	--	--	--	--	--	40,877,141	376,970,680	417,847,821
Held-To-Maturity Investments	--	--	--	--	--	--	--	--	--	--	37,500,000	37,500,000
Accrued Reinsurance Premiums	45,237,422	92,142,828	31,036,428	28,103,983	31,708,390	38,383,493	16,671,462	133,976,736	49,810,124	--	--	467,070,866
Retroceded Share Of Unearned Premiums	7,061,901	5,456,335	6,597,140	--	9,593,658	--	--	--	22,127,752	--	--	50,836,786
Deferred Excess Of Loss Premiums	3,015,897	3,794,146	403,280	--	99,749	--	--	--	4,430,491	--	--	11,743,563
Retroceded Share Of Outstanding Claims	6,785,245	46,220,224	116,859,302	(995,031)	3,542,132	1,626,261	--	--	108,680,638	--	--	282,718,771
Retroceded Share Of Claims Incurred But Not Reported	3,755,287	4,727,577	3,431,631	32,904	8,726,492	--	--	--	14,138,184	--	--	34,812,075
Deferred Policy Acquisition Costs	20,867,565	27,478,912	6,844,095	3,257,350	7,274,190	1,313,273	129,394	31,879,345	7,234,977	--	--	106,279,101
Prepaid Expenses, Deposits And Other Assets	--	--	--	--	--	--	--	--	--	171,904,335	72,735,563	244,639,898
Property And Equipment, Net	--	--	--	--	--	--	--	--	--	3,941,322	29,634,206	33,575,528
Accrued Special Commission Income From Bonds & Sukuk	--	--	--	--	--	--	--	--	--	--	2,793,154	2,793,154
Investment In An Equity Accounted Investee	--	--	--	--	--	--	--	--	--	101,445,631	101,445,631	(1,997,613)
Statutory Deposit	--	--	--	--	--	--	--	--	--	121,500,000	121,500,000	(172,471,757)
Accrued Income On Statutory Deposit	--	--	--	--	--	--	--	--	--	17,992,463	17,992,463	(1,997,613)
Total Assets	127,899,765	273,045,747	181,519,890	55,411,814	80,025,493	50,402,634	22,878,425	165,547,389	280,978,795	311,851,099	1,013,761,624	2,563,322,675

For The Year Ended 31 December 2019	Engineering SR	Fire SR	Marine SR	Motor SR	General Accident SR	Protection SR	Health SR	Speciality SR	Others SR	Unallocated SR	Shareholders SR	Total SR
Liabilities												
Accounts Payable	(4,835,815)	7,007,543	(16,377,915)	5,093,599	(1,891,045)	(1,585,379)	1,147,290	--	(20,746,114)	72,116,481	--	39,928,645
Retrocession Balances Payable	--	--	--	--	--	--	--	--	--	46,173,239	--	46,173,239
Accrued Retroceded Premiums	1,176,668	2,625,156	787,215	--	6,995,292	73,543	--	--	10,083,938	--	--	21,741,812
Unearned Premiums	71,388,608	97,227,443	28,929,678	18,293,464	27,725,120	21,263,471	8,091,261	81,440,011	47,638,536	--	--	401,997,592
Outstanding Claims	101,508,874	216,947,133	144,953,939	52,744,829	27,148,368	26,341,460	7,426,620	--	160,158,049	--	--	737,229,272
Claims Incurred But Not Reported	33,946,957	49,242,742	15,544,440	49,680,204	32,306,225	25,366,145	25,454,102	88,661,520	35,052,611	--	--	355,254,946
Unearned Retrocession Commission	1,283,599	1,972,899	91,998	--	1,966,475	--	--	--	3,081,101	--	--	8,396,072
Accrued Expenses And Other Liabilities	--	--	--	--	--	--	--	--	--	15,509,872	3,910,916	19,420,788
Employees' End Of Service Benefits	--	--	--	--	--	--	--	--	--	8,828,705	--	8,828,705
Provision For Zakat And Tax	--	--	--	--	--	--	--	--	--	--	23,742,062	23,742,062
Accrued Commission Income Payable To SAMA	--	--	--	--	--	--	--	--	--	--	17,992,463	17,992,463
Total Liabilities	204,468,891	375,022,916	173,929,355	125,812,096	94,250,435	71,459,240	42,119,273	170,101,531	235,268,121	142,628,297	45,645,441	1,680,705,596

For The Year Ended 31 December 2018	Engineering SR	Fire SR	Marine SR	Motor SR	General Accident SR	Protection SR	Health SR	Speciality SR	Others SR	Unallocated SR	Shareholders SR	Total SR
Assets												
Bank Balances And Cash	--	--	--	--	--	--	--	--	--	22,343,716	9,542,390	31,886,106
Time Deposits	--	--	--	--	--	--	--	--	--	73,896,431	196,235,246	270,131,677
Accrued Special Commission Income From Time Deposits	--	--	--	--	--	--	--	--	--	408,367	1,671,257	2,079,624
Premium Receivables, Net	33,063,188	78,621,615	26,912,590	18,256,587	16,991,024	8,314,274	5,657,842	--	39,134,882	(26,928,489)	--	200,023,513
Investments Held At Fair Value Through Income Statement	--	--	--	--	--	--	--	--	--	56,100,346	496,473,761	552,574,107
Accrued Reinsurance Premiums	45,037,704	95,556,383	24,345,102	24,596,627	28,688,727	36,594,299	19,382,544	109,680,062	25,896,689	--	--	409,778,137
Retroceded Share Of Unearned Premiums	8,010,935	7,175,832	2,619,072	--	6,220,529	--	--	--	9,054,526	--	--	33,080,894
Deferred Excess Of Loss Premiums	2,837,663	3,638,816	403,276	--	98,783	--	--	--	4,453,071	--	--	11,431,609
Retroceded Share Of Outstanding Claims	8,807,058	48,821,297	26,882,345	(993,866)	3,321,553	114,798	--	--	111,479,333	--	--	198,432,518
Retroceded Share Of Claims Incurred But Not Reported	8,097,132	5,620,750	1,605,731	445	5,721,604	651	--	--	38,890,866	--	--	59,937,179
Deferred Policy Acquisition Costs	21,099,778	26,959,964	6,258,256	4,527,001	8,610,364	1,220,723	300,936	27,153,981	3,764,588	--	--	99,895,591
Prepaid Expenses, Deposits And Other Assets	--	--	--	--	--	--	--	--	--	177,871,645	31,087,587	208,959,232
Property And Equipment, Net	--	--	--	--	--	--	--	--	--	2,212,848	30,376,050	32,588,898
Accrued Special Commission Income From Bonds & Sukuk	--	--	--	--	--	--	--	--	--	--	2,663,892	2,663,892
Investment In An Equity Accounted Investee	--	--	--	--	--	--	--	--	--	--	97,293,816	97,293,816
Statutory Deposit	--	--	--	--	--	--	--	--	--	--	121,500,000	121,500,000
Accrued Income On Statutory Deposit	--	--	--	--	--	--	--	--	--	--	15,549,401	15,549,401
Total Assets	126,953,458	266,394,657	89,026,372	46,386,794	69,652,584	46,244,745	25,341,322	136,834,043	232,673,955	305,904,864	1,002,393,400	2,347,806,194

For The Year Ended 31 December 2018	Engineering SR	Fire SR	Marine SR	Motor SR	General Accident SR	Protection SR	Health SR	Speciality SR	Others SR	Unallocated SR	Shareholders SR	Total SR
Liabilities												
Accounts Payable	243,793	8,841,262	391,426	490,530	1,008,131	1,624,317	--	--	4,138,668	3,189,512	--	19,927,639
Retrocession Balances Payable	--	--	--	--	--	--	--	--	--	22,898,559	--	22,898,559
Accrued Retroceded Premiums	2,021,819	4,615,122	28,978	--	2,945,797	--	--	--	6,228,001	--	--	15,839,717
Unearned Premiums	72,778,665	101,381,181	21,780,349	27,861,928	33,086,082	21,017,901	10,636,850	68,080,710	23,547,619	--	--	380,171,285
Outstanding Claims	105,894,071	232,426,687	58,047,786	42,461,041	26,739,043	23,774,585	6,893,779	--	166,230,380	--	--	662,467,372
Claims Incurred But Not Reported	28,403,847	41,575,068	10,291,455	48,550,512	25,095,650	26,620,210	16,104,376	80,977,273	52,862,342	--	--	330,480,733
Unearned Retrocession Commission	3,004,693	(304,033)	147,595	--	1,543,719	--	--	--	2,018,266	--	--	6,410,240
Accrued Expenses And Other Liabilities	--	--	--	--	--	--	--	--	--	7,560,114	4,986,838	12,546,952
Employees' End Of Service Benefits	--	--	--	--	--	--	--	--	--	6,593,975	--	6,593,975
Provision For Zakat And Tax	--	--	--	--	--	--	--	--	--	--	38,244,253	38,244,253
Accrued Commission Income Payable To SAMA	--	--	--	--	--	--	--	--	--	--	15,549,401	15,549,401
Total Liabilities	212,346,888	388,535,287	90,687,589	119,364,011	90,418,422	73,037,013	33,635,005	149,057,983	255,025,276	40,242,160	58,780,492	1,511,130,126

29 - 2 Geographical Segments

For The Year Ended 31 December 2019	Kingdom of Saudi Arabia	Other Middle Eastern Countries	Africa	Asia	Other Territories	Total
Saudi Riyals (SR)						
Reinsurance Operations' Results						
Revenues						
Gross Written Premiums	322,049,827	91,840,094	48,339,005	230,148,735	100,469,900	792,847,561
Retroceded Premiums	(108,450,359)	(448,149)	(6,205)	(18,938,912)	--	(127,843,625)
Excess Of Loss Expenses	(7,988,262)	(4,586,370)	(1,212,537)	(4,484,972)	(126,518)	(18,398,659)
Net Written Premiums	205,611,206	86,805,575	47,120,263	206,724,851	100,343,382	646,605,277
Changes In Unearned Premium, Net	(2,361,747)	6,123,956	(3,681,182)	8,927,677	(13,079,119)	(4,070,415)
Net Earned Premiums	203,249,459	92,929,531	43,439,081	215,652,528	87,264,263	642,534,862
Retrocession Commissions	14,630,123	88,581	3,998	3,453,296	--	18,175,998
Total Revenues	217,879,582	93,018,112	43,443,079	219,105,824	87,264,263	660,710,860
Underwriting Costs And Expenses						
Gross Claims Paid	(173,450,296)	(66,437,660)	(20,095,037)	(133,923,519)	(42,794,810)	(436,701,322)
Retroceded Share Of Claims Paid	52,435,137	88,486	29,529	7,453,347	--	60,006,499
Net Claims Paid	(121,015,159)	(66,349,174)	(20,065,508)	(126,470,172)	(42,794,810)	(376,694,823)
Changes In Outstanding Claims, Net	10,729,761	2,782,790	(832,965)	(1,187,145)	(1,968,084)	9,524,357
Changes In Incurred But Not Reported Claims, Net	(12,462,854)	(13,075,139)	(5,186,038)	(10,539,367)	(8,635,920)	(49,899,318)
Net Claims Incurred	(122,748,252)	(76,641,523)	(26,084,511)	(138,196,684)	(53,398,814)	(417,069,784)
Policy Acquisition Costs And Profit Commissions	(49,443,010)	(27,287,641)	(11,578,637)	(51,893,944)	(32,577,302)	(172,780,534)
Other Underwriting Expenses	(1,444,589)	(465,290)	(214,489)	(1,153,102)	(338,994)	(3,616,464)
Total Underwriting Costs And Expenses	(173,635,851)	(104,394,454)	(37,877,637)	(191,243,730)	(86,315,110)	(593,466,782)
Net Underwriting Income / (Loss)	44,243,731	(11,376,342)	5,565,442	27,862,094	949,153	67,244,078

For The Year Ended 31 December 2018	Kingdom of Saudi Arabia	Other Middle Eastern Countries	Africa	Asia	Other Territories	Total
Saudi Riyals (SR)						
Reinsurance Operations' Results						
Revenues						
Gross Written Premiums	288,453,053	100,629,833	35,100,939	224,526,281	72,894,722	721,604,828
Retroceded Premiums	(61,024,706)	(34,515)	(31,977)	(11,905,303)	--	(72,996,501)
Excess Of Loss Expenses	(11,091,879)	(7,544,926)	(1,323,152)	(11,018,237)	(734,032)	(31,712,226)
Net Written Premiums	216,336,468	93,050,392	33,745,810	201,602,741	72,160,690	616,896,101
Changes In Unearned Premium, Net	2,956,764	8,865,861	(2,265,190)	(4,736,880)	(8,101,241)	(3,280,686)
Net Earned Premiums	219,293,232	101,916,253	31,480,620	196,865,861	64,059,449	613,615,415
Retrocession Commissions	13,490,955	(1,448)	9,326	2,969,225	--	16,468,058
Total Revenues	232,784,187	101,914,805	31,489,946	199,835,086	64,059,449	630,083,473
Underwriting Costs And Expenses						
Gross Claims Paid	(156,879,113)	(66,100,268)	(22,513,125)	(116,118,526)	(27,716,778)	(389,327,810)
Retroceded Share Of Claims Paid	6,636,002	491,407	4,890	17,506,083	--	24,638,382
Net Claims Paid	(150,243,111)	(65,608,861)	(22,508,235)	(98,612,443)	(27,716,778)	(364,689,428)
Changes In Outstanding Claims, Net	(10,606,073)	(28,887,431)	(2,909,213)	(34,169,130)	(1,398,019)	(77,969,866)
Changes In Incurred But Not Reported Claims, Net	43,248,123	10,305,810	2,204,747	(2,499,462)	(14,654,279)	38,604,939
Net Claims Incurred	(117,601,061)	(84,190,482)	(23,212,701)	(135,281,035)	(43,769,076)	(404,054,355)
Policy Acquisition Costs And Profit Commissions	(63,020,310)	(28,697,157)	(8,622,910)	(49,980,611)	(22,150,769)	(172,471,757)
Other Underwriting Expenses	(853,719)	(278,003)	(111,382)	(633,977)	(120,532)	(1,997,613)
Total Underwriting Costs And Expenses	(181,475,090)	(113,165,642)	(31,946,993)	(185,895,623)	(66,040,377)	(578,523,725)
Net Underwriting Income / (Loss)	51,309,097	(11,250,837)	(457,047)	13,939,463	(1,980,928)	51,559,748

For The Year Ended 31 December 2019	Kingdom of Saudi Arabia	Other Middle Eastern Countries	Africa	Asia	Other Territories	Unallocated	Shareholders	Total
Assets								
Bank Balances And Cash	5,300,551	--	--	760,772	--	--	7,107,736	13,169,059
Time Deposits	78,881,124	--	--	59,314,238	--	--	239,835,817	378,031,179
Accrued Special Commission Income From Time Deposits	863,471	--	--	864,559	--	--	6,246,374	7,974,404
Premium Receivables, Net	112,557,458	45,533,263	23,783,305	53,855,741	(3,313,544)	976,153	--	233,392,376
Investments Held At Fair Value Through Income Statement	--	--	--	--	--	40,877,141	376,970,680	417,847,821
Held-To-Maturity Investments	--	--	--	--	--	--	37,500,000	37,500,000
Accrued Reinsurance Premiums	136,607,255	52,954,230	28,976,678	113,640,819	134,891,884	--	--	467,070,866
Retroceded Share Of Unearned Premiums	41,115,249	126,581	1,298	9,593,658	--	--	--	50,836,786
Deferred Excess Of Loss Premiums	10,684,229	1,059,334	--	--	--	--	--	11,743,563
Retroceded Share Of Outstanding Claims	244,360,997	20,333,649	1,582,715	16,441,410	--	--	--	282,718,771
Retroceded Share Of Claims Incurred But Not Reported	23,801,093	916,722	204,631	9,842,863	46,766	--	--	34,812,075
Deferred Policy Acquisition Costs	30,013,241	13,651,794	5,381,604	25,344,262	31,888,200	--	--	106,279,101
Prepaid Expenses, Deposits And Other Assets	15,058,631	--	--	155,394	--	156,690,309	72,735,564	244,639,898
Property And Equipment, Net	2,472,186	--	--	1,469,136	--	--	29,634,206	33,575,528
Accrued Special Commission Income From Bonds & Sukuk	--	--	--	--	--	--	2,793,154	2,793,154
Investment In An Equity Accounted Investee	--	--	--	--	--	--	101,445,631	101,445,631
Statutory Deposit	--	--	--	--	--	--	121,500,000	121,500,000
Accrued Income On Statutory Deposit	--	--	--	--	--	--	17,992,463	17,992,463
Total Assets	701,715,485	134,575,573	59,930,231	291,282,852	163,513,306	198,543,603	1,013,761,625	2,563,322,675
Liabilities								
Accounts Payable	12,420,446	11,542,237	2,519,498	8,790,765	2087962	2,567,737	--	39,928,645
Retrocession Balances Payable	--	--	--	--	--	46,173,239	--	46,173,239
Accrued Retroceded Premiums	533,382	(1,124,041)	(311,533)	7,243,582	--	15,400,422	--	21,741,812
Unearned Premiums	157,880,145	46,341,278	18,504,245	97,806,899	81,465,025	--	--	401,997,592
Outstanding Claims	402,401,571	136,453,774	22,019,223	173,189,167	3,165,537	--	--	737,229,272
Claims Incurred But Not Reported	121,578,164	44,964,529	18,261,640	80,004,135	90,446,478	--	--	355,254,946
Unearned Retrocession Commission	6,404,367	24,928	302	1,966,475	--	--	--	8,396,072
Accrued Expenses And Other Liabilities	--	--	--	--	--	15,509,872	3,910,916	19,420,788
Employees' End Of Service Benefits	8,828,705	--	--	--	--	--	--	8,828,705
Provision For Zakat And Tax	--	--	--	--	--	--	23,742,062	23,742,062
Accrued Commission Income Payable To SAMA	--	--	--	--	--	--	17,992,463	17,992,463
Total Liabilities	710,046,780	238,202,705	60,993,375	369,001,023	177,165,002	79,651,270	45,645,441	1,680,705,596

For The Year Ended 31 December 2018	Kingdom of Saudi Arabia	Other Middle Eastern Countries	Africa	Asia	Other Territories	Unallocated	Shareholders	Total
Assets								
Bank Balances And Cash	16,237,729	--	--	6,105,987	--	--	9,542,390	31,886,106
Time Deposits	19,397,000	--	--	54,499,431	--	--	196,235,246	270,131,677
Accrued Special Commission Income From Time Deposits	168,615	--	--	239,752	--	--	1,671,257	2,079,624
Premium Receivables, Net	47,592,759	35,285,959	12,729,390	39,081,228	--	65,334,177	--	200,023,513
Investments Held At Fair Value Through Income Statement	--	--	--	--	--	56,100,346	496,473,761	552,574,107
Accrued Reinsurance Premiums	129,433,278	50,023,519	16,330,009	103,366,647	110,624,684	--	--	409,778,137
Retroceded Share Of Unearned Premiums	27,317,750	8,739	8,026	5,746,379	--	--	--	33,080,894
Deferred Excess Of Loss Premiums	7,162,684	1,068,000	--	3,200,925	--	--	--	11,431,609
Retroceded Share Of Outstanding Claims	167,245,423	13,694,224	4,615,894	12,876,977	--	--	--	198,432,518
Retroceded Share Of Claims Incurred But Not Reported	47,208,681	3,523,570	513,471	8,635,652	55,805	--	--	59,937,179
Deferred Policy Acquisition Costs	26,401,087	15,853,687	4,177,417	26,206,480	27,256,920	--	--	99,895,591
Prepaid Expenses, Deposits And Other Assets	11,146,007	--	--	115,763	166,609,875	--	31,087,587	208,959,232
Property And Equipment, Net	1,908,364	--	--	--	304,484	--	30,376,050	32,588,898
Accrued Special Commission Income From Bonds & Sukuk	--	--	--	--	--	--	2,663,892	2,663,892
Investment In An Equity Accounted Investee	--	--	--	--	--	--	97,293,816	97,293,816
Statutory Deposit	--	--	--	--	--	--	121,500,000	121,500,000
Accrued Income On Statutory Deposit	--	--	--	--	--	--	15,549,401	15,549,401
Total Assets	501,219,377	119,457,698	38,374,207	260,075,221	304,851,768	121,434,523	1,002,393,400	2,347,806,194
Liabilities								
Accounts Payable	3,281,697	1,865,259	4,632,891	9,694,103	--	453,689	--	19,927,639
Retrocession Balances Payable	--	--	--	--	--	22,898,559	--	22,898,559
Accrued Retroceded Premiums	53,735	(1,098,698)	(311,533)	2,927,586	--	14,268,627	--	15,839,717
Unearned Premiums	142,114,411	54,204,990	13,867,561	101,613,323	68,371,000	--	--	380,171,285
Outstanding Claims	336,536,294	133,051,389	21,361,851	168,733,151	2,784,687	--	--	662,467,372
Claims Incurred But Not Reported	132,522,900	34,496,239	13,384,441	68,257,556	81,819,597	--	--	330,480,733
Unearned Retrocession Commission	3,184,955	1,748	2,051	1,178,198	--	2,043,288	--	6,410,240
Accrued Expenses And Other Liabilities	--	--	--	--	--	7,560,114	4,986,838	12,546,952
Employees' End Of Service Benefits	6,593,975	--	--	--	--	--	--	6,593,975
Provision For Zakat And Tax	--	--	--	--	--	--	38,244,253	38,244,253
Accrued Commission Income Payable To SAMA	--	--	--	--	--	--	15,549,401	15,549,401
Total Liabilities	624,287,967	222,520,927	52,937,262	352,403,917	152,975,284	47,224,277	58,780,492	1,511,130,126

30. 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.

30 - 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

For The Year Ended 31 December 2019

	Amount	Percentage
Saudi Riyal (SR)		
Kingdom of Saudi Arabia	322,049,827	41%
Asia	230,148,735	29%
Other Middle Eastern Countries	91,840,094	12%
Africa	48,339,005	6%
Others	100,469,900	13%
	792,847,561	100%

For The Year Ended 31 December 2018

	Amount	Percentage
Saudi Riyal (SR)		
Kingdom of Saudi Arabia	288,453,053	40%
Asia	224,526,281	31%
Other Middle Eastern Countries	100,629,833	14%
Africa	35,100,939	5%
Others	72,894,722	10%
	721,604,828	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 marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk. The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to 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:

For The Year Ended 31 December 2019			
	Change In Assumptions	Impact On Net Liabilities	Impact On Net Income
Saudi Riyal (SR)			
Ultimate Loss Ratio	+10%	41,706,979	41,706,979
	-10%	(41,706,979)	(41,706,979)

For The Year Ended 31 December 2018			
	Change In Assumptions	Impact On Net Liabilities	Impact On Net Income
Saudi Riyal (SR)			
Ultimate Loss Ratio	+10%	40,405,436	40,405,436
	-10%	(40,405,436)	(40,405,436)

30 - 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 retrocessionaire 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:

- Minimum acceptable credit rating by recognized rating agencies (e.g. Standard & Poors) that is not lower than BBB (S&P) or equivalent.
- Reputation of particular retrocessionaire companies.
- 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 233.9 million (due from retrocessionaires) (2018: SR 219.6 million).

30 - 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.

30 - 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.

30 - 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 recognised 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.

30 - 6 Credit Risk

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. 37% of the Company's receivables is due from two ceding and three broker companies as at 31 December 2019 (31 December 2018: 34%). The company does not provide for 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 table below shows the maximum exposure to credit risk for the financial assets of the statements of financial position.

	31 December 2019		31 December 2018	
	Reinsurance Operations	Shareholders' Operations	Reinsurance Operations	Shareholders' Operations
Saudi Riyal (SR)				
Bank Balances And Cash	6,021,323	7,107,736	22,303,716	9,542,390
Time Deposits	138,195,362	239,835,817	73,896,431	196,235,246
Premium Receivables, Gross	235,474,039	--	203,156,463	--
Retroceded Share Of Outstanding Claims	282,718,771	--	198,432,518	--
Retroceded Share Of Claims Incurred But Not Reported	34,812,075	--	59,937,179	--
Accrued Special Commission Income From Time Deposits	1,728,030	6,246,374	408,367	1,671,257
Accrued Reinsurance Premium	467,070,866	--	409,778,137	--
Accrued Special Commission Income From Bonds And Sukuk	--	2,793,154	--	2,663,892
Investments Held At Fair Value Through Income Statement	40,877,141	359,509,795	56,100,346	358,204,085
Other Assets	15,214,031	--	11,261,770	--
	1,222,111,638	615,492,876	1,035,274,927	568,316,870

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:

Credit Quality	Credit Rating Agency	Financial Instruments	Reinsurance Operations		Shareholders' Operations	
			2019	2018	2019	2018
Saudi Riyal (SR)						
AAA/Aaa	S&P/ Moody's/ Fitch	Bonds / Sukuks	--	772,366	--	6,457,124
AA/Aa	S&P/ Moody's/ Fitch	Bonds / Sukuks	--	17,251,313	--	49,252,979
A	S&P/ Moody's/ Fitch	Bonds / Sukuks	--	36,049,615	86,561,232	147,779,380
BBB/Baa	S&P/ Moody's/ Fitch	Bonds / Sukuks	--	--	20,000,000	54,314,576
BB/Ba & Below	S&P/ Moody's/ Fitch	Bonds / Sukuks	--	--	10,032,416	20,438,131
Unrated		Bonds / Sukuks	--	--	20,000,000	21,750,106
Unrated		Money Market Funds/ Investment Funds/Equities	40,877,141	2,027,052	240,377,033	196,481,465
			40,877,141	56,100,346	376,970,681	496,473,761

30 - 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 recognised insurance liabilities. Unearned premiums have been excluded from the analysis as they are not contractual obligations.

	31 December 2019					
	Reinsurance Operations			Shareholders' Operations		
	Up To One Year	More Than One Year	Total	Up To One Year	More Than One Year	Total
Saudi Riyal (SR)						
Liabilities						
Accounts Payable	39,928,645	--	39,928,645	--	--	--
Retrocession Balances Payable	46,173,239	--	46,173,239	--	--	--
Accrued Retroceded Premiums	21,741,812	--	21,741,812	--	--	--
Outstanding Claims	737,229,272	--	737,229,272	--	--	--
Claims Incurred But Not Reported	355,254,946	--	355,254,946	--	--	--
Accrued Expenses & Other Liabilities	9,744,334	--	9,744,334	3,895,222	--	3,895,222
	1,210,072,248	--	1,210,072,248	3,895,222	--	3,895,222

	31 December 2018					
	Reinsurance Operations			Shareholders' Operations		
	Up To One Year	More Than One Year	Total	Up To One Year	More Than One Year	Total
Saudi Riyal (SR)						
Liabilities						
Accounts Payable	19,927,639	--	19,927,639	--	--	--
Retrocession Balances Payable	22,898,559	--	22,898,559	--	--	--
Accrued Retroceded Premiums	15,839,717	--	15,839,717	--	--	--
Outstanding Claims	662,467,372	--	662,467,372	--	--	--
Claims Incurred But Not Reported	330,480,733	--	330,480,733	--	--	--
Accrued Expenses & Other Liabilities	4,873,326	--	4,873,326	4,986,838	--	4,986,838
	1,056,487,346	--	1,056,487,346	4,986,838	--	4,986,838

Liquidity Profile

Maturity analysis on expected maturity bases

	31 December 2019					
	Reinsurance Operations			Shareholders' Operations		
	Current	Non-Current	Total	Current	Non-Current	Total
Saudi Riyal (SR)						
Assets						
Bank Balances And Cash	6,061,323	--	6,061,323	7,107,736	--	7,107,736
Time Deposits	138,195,362	--	138,195,362	239,835,817	--	239,835,817
Premium Receivables, Net	233,392,376	--	233,392,376	--	--	--
Retroceded Share Of Outstanding Claims	282,718,771	--	282,718,771	--	--	--
Retroceded Share Of Claims Incurred But Not Reported	34,812,075	--	34,812,075	--	--	--
Accrued Special Commission Income From Time Deposits	1,728,030	--	1,728,030	6,246,374	--	6,246,374
Accrued Reinsurance Premium	--	467,070,866	467,070,866	--	--	--
Accrued Special Commission Income From Bonds And Sukuk	--	--	--	2,663,892	--	2,663,892
Investments Held At Fair Value Through Income Statement	40,877,141	--	40,877,141	376,970,680	--	376,970,680
Other Assets	14,207,283	--	14,207,283	--	--	--
	751,992,361	467,070,866	1,219,063,227	632,824,499	--	632,824,499
Liabilities						
Accounts Payable	39,928,645	--	39,928,645	--	--	--
Retrocession Balances Payable	46,173,239	--	46,173,239	--	--	--
Accrued Retroceded Premiums	--	21,741,812	21,741,812	--	--	--
Outstanding Claims	737,229,272	--	737,229,272	--	--	--
Claims Incurred But Not Reported	355,254,946	--	355,254,946	--	--	--
Accrued Expenses And Other Liabilities	9,744,334	--	9,744,334	3,910,916	--	3,910,916
	1,188,330,436	21,741,812	1,210,072,248	3,910,916	--	3,910,916
Gap	(436,338,075)	445,329,054	8,990,979	628,913,583	--	628,913,583

Liquidity Profile

Maturity analysis on expected maturity bases (continued)

	31 December 2019					
	Reinsurance Operations			Shareholders' Operations		
	Current	Non-Current	Total	Current	Non-Current	Total
Saudi Riyal (SR)						
Assets						
Bank Balances And Cash	22,303,716	--	22,303,716	9,542,390	--	9,542,390
Time Deposits	73,896,431	--	73,896,431	196,235,246	--	196,235,246
Premium Receivables, Gross	203,156,463	--	203,156,463	--	--	--
Retroceded Share Of Outstanding Claims	198,432,518	--	198,432,518	--	--	--
Retroceded Share Of Claims Incurred But Not Reported	59,937,179	--	59,937,179	--	--	--
Accrued Special Commission Income From Time Deposits	408,367	--	408,367	1,671,257	--	1,671,257
Accrued Reinsurance Premium	--	409,778,137	409,778,137	--	--	--
Accrued Special Commission Income From Bonds And Sukuk	--	--	--	2,663,892	--	2,663,892
Investments Held At Fair Value Through Income Statement	56,100,346	--	56,100,346	496,473,761	--	496,473,761
Other Assets	11,261,770	--	11,261,770	--	--	--
	625,496,790	409,778,137	1,035,274,927	706,586,546	--	706,586,546
Liabilities						
Accounts Payable	19,927,639	--	19,927,639	--	--	--
Retrocession Balances Payable	22,898,559	--	22,898,559	--	--	--
Accrued Retroceded Premiums	--	15,839,717	15,839,717	--	--	--
Outstanding Claims	662,467,372	--	662,467,372	--	--	--
Claims Incurred But Not Reported	330,480,733	--	330,480,733	--	--	--
Accrued Expenses And Other Liabilities	4,873,326	--	4,873,326	4,986,838	--	4,986,838
	1,040,647,629	15,839,717	1,056,487,346	4,986,838	--	4,986,838
Gap	(415,150,839)	393,938,420	(21,212,419)	701,599,708	--	701,599,708

30 - 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 not denominated in Saudi Riyals were undertaken in foreign currencies which are pegged to the Saudi Riyal.

31 December 2019	USD	QAR	AED	EUR	KWD	INR	Others	Total
Saudi Riyal (SR)								
Assets								
Bank Balances & Cash	2,053,455	--	97,285	382,227	--	--	2,358,859	4,891,826
Time Deposits	59,314,238	--	--	--	--	--	--	59,314,238
Accrued Special Commission Income From Time Deposits	862,939	--	--	--	--	--	--	862,939
Premium Receivables, Net	42,373,924	2,252,664	22,027,486	5,453,426	6,811,185	31,345,701	62,893,678	173,158,064
Investments Held At Fair Value Through Income Statement	10,230,505	--	--	--	--	--	10,032,415	20,262,920
Held-To-Maturity Investment	37,500,000	--	--	--	--	--	--	37,500,000
Accrued Reinsurance Premiums	30,562,022	1,961,858	18,183,425	5,918,441	2,541,804	26,368,864	243,225,477	328,761,891
Retroceded Share Of Unearned Premiums	--	--	--	--	--	--	--	--
Deferred Excess Of Loss Premiums	--	--	--	--	--	--	--	--
Retroceded Share Of Outstanding Claims	--	--	--	--	--	--	--	--
Retroceded Share Of Claims Incurred But Not Reported	--	--	--	--	--	--	--	--
Deferred Policy Acquisition Costs	11,480,514	166,255	6,818,988	598,885	1,070,616	1,688,028	56,386,980	78,210,266
Prepaid Expenses, Deposits And Other Assets	207,552,345	--	--	--	--	--	--	207,552,345
Property And Equipment, Net	--	--	--	--	--	--	--	--
Accrued Special Commission Income From Bonds & Sukuk	656,866	--	--	--	--	--	--	656,866
Investment In An Equity Accounted Investee	101,445,631	--	--	--	--	--	--	101,445,631
Statutory Deposit	--	--	--	--	--	--	--	--
Accrued Income On Statutory Deposit	--	--	--	--	--	--	--	--
	504,032,439	4,380,777	47,127,184	12,352,979	10,423,605	59,402,593	374,897,409	1,012,616,986

31 December 2018	USD	QAR	AED	EUR	KWD	INR	Others	Total
Saudi Riyal (SR)								
Assets								
Bank Balances & Cash	5,540,407	--	31,471	43,666	--	--	6,570,461	12,186,005
Time Deposits	56,499,431	--	--	--	--	--	--	56,499,431
Accrued Special Commission Income From Time Deposits	122,919	--	--	--	--	--	--	122,919
Premium Receivables, Net	48,304,826	5,432,830	13,175,842	2,270,600	7,500,406	23,470,133	42,087,887	142,242,524
Investments Held At Fair Value Through Income Statement	332,022,403	--	--	--	--	--	10,064,518	342,086,921
Accrued Reinsurance Premiums	31,489,520	3,500,421	14,449,245	6,331,556	2,840,923	38,113,918	204,577,279	301,302,862
Retroceded Share Of Unearned Premiums	--	--	--	--	--	--	--	--
Deferred Excess Of Loss Premiums	--	--	--	--	--	--	--	--
Retroceded Share Of Outstanding Claims	--	--	--	--	--	--	--	--
Retroceded Share Of Claims Incurred But Not Reported	--	--	--	--	--	--	--	--
Deferred Policy Acquisition Costs	12,849,702	962,404	5,007,965	1,033,372	1,234,588	3,087,505	50,126,809	74,302,345
Prepaid Expenses, Deposits And Other Assets	166,609,875	--	--	--	--	--	--	166,609,875
Property And Equipment, Net	--	--	--	--	--	--	--	--
Accrued Special Commission Income From Bonds & Sukuk	656,866	--	--	--	--	--	--	656,866
Investment In An Equity Accounted Investee	97,293,816	--	--	--	--	--	--	97,293,816
Statutory Deposit	--	--	--	--	--	--	--	--
Accrued Income On Statutory Deposit	--	--	--	--	--	--	--	--
	751,389,765	9,895,655	32,664,523	9,679,194	11,575,917	64,671,556	313,426,954	1,193,303,564

31 December 2019	USD	QAR	AED	EUR	KWD	INR	Others	Total
Saudi Riyal (SR)								
Liabilities								
Accounts Payable	37,089,526	1,466,982	(239,208)	289,651	95,698	(472,575)	8,095,170	46,325,244
Retrocession Balances Payable	--	--	--	--	--	--	--	--
Accrued Retroceded Premiums	--	--	--	--	--	--	--	--
Unearned Premiums	62,686,527	545,024	21,916,100	1,969,325	3,856,951	12,227,162	171,502,183	274,703,272
Outstanding Claims	294,076,626	19,703,863	25,637,237	2,831,139	22,728,783	74,722,846	105,298,463	544,998,957
Claims Incurred But Not Reported	29,931,565	2,192,164	16,781,756	9,319,140	4,386,706	17,883,480	168,889,286	249,384,097
Unearned Retrocession Commission	--	--	--	--	--	--	--	--
Accrued Expenses And Other Liabilities	1,044,279	--	--	--	--	--	986,643	2,012,922
Employees' End Of Service Benefits	--	--	--	--	--	--	--	--
Provision For Zakat & Tax	--	--	--	--	--	--	--	--
Accrued Commission Income Payable To SAMA	--	--	--	--	--	--	--	--
	424,828,523	23,908,033	64,095,885	14,409,255	31,068,138	104,360,913	454,753,745	1,117,424,492
31 December 2018	USD	QAR	AED	EUR	KWD	INR	Others	Total
Saudi Riyal (SR)								
Liabilities								
Accounts Payable	6,086,684	1,676,918	288,328	136,426	5,863	173,654	8,957,678	17,325,551
Retrocession Balances Payable	--	--	--	--	--	--	--	--
Accrued Retroceded Premiums	--	--	--	--	--	--	--	--
Unearned Premiums	50,275,716	3,842,957	16,230,912	3,405,943	4,571,205	23,375,539	150,487,966	252,190,238
Outstanding Claims	207,933,871	24,734,440	24,478,482	1,453,605	22,369,025	85,571,105	97,535,994	464,076,522
Claims Incurred But Not Reported	47,173,920	3,828,358	11,102,370	4,637,614	4,766,397	17,982,300	144,850,376	234,341,335
Unearned Retrocession Commission	--	--	--	--	--	--	--	--
Accrued Expenses And Other Liabilities	1,044,279	--	--	--	--	--	968,722	2,013,001
Employees' End Of Service Benefits	--	--	--	--	--	--	--	--
Provision For Zakat & Tax	--	--	--	--	--	--	--	--
Accrued Commission Income Payable To SAMA	--	--	--	--	--	--	--	--
	312,514,470	34,082,673	52,100,092	9,633,588	31,712,490	127,102,598	402,800,736	969,946,647

30 - 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 2019 is around 4.76 years (31 December 2018: 5.39 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 0.62 million as at 31 December 2019 (31 December 2018: SR 1.60 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 873,044 (2018: SR 6,913,481).

30 - 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 maximise 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:

	2019	2018
Saudi Riyal (SR)		
Total Capital Held	875,070,939	832,647,873
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.

31. 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) Guarantee Deposits

As at 31 December 2019, the Company has deposited and pledged SR 37,330,434 (31 December 2018: SR 47,250,000) with local bank to obtain the standby letter of credit towards Fund At Lloyds (FAL) for its participation in a Lloyds Syndicates and for 2017 and 2018 underwriting years. In addition, the Company has deposited SR 109,440,309 (31 December 2018: 119,359,875) with Lloyd's London as FAL for its continued participation in a Lloyds Syndicates and for 2018 and 2019 underwriting year. Upon issuance of stand by letter of credit, the deposit with Lloyds will be withdrawn.

32. Supplementary Information

Statement of Financial Position

	31 December 2019			31 December 2018		
	Reinsurance Operations	Shareholders' Operations	Total	Reinsurance Operations	Shareholders' Operations	Total
Saudi Riyal (SR)						
Assets						
Bank Balances And Cash	6,061,323	7,107,736	13,169,059	22,343,716	9,542,390	31,886,106
Time Deposits	138,195,362	239,835,817	378,031,179	73,896,431	196,235,246	270,131,677
Accrued Special Commission Income From Time Deposits	1,728,030	6,246,374	7,974,404	408,367	1,671,257	2,079,624
Premium Receivables, Net	233,392,376	--	233,392,376	200,023,513	--	200,023,513
Investments Held At Fair Value Through Income Statement	40,877,141	376,970,680	417,847,821	56,100,346	496,473,761	552,574,107
Held-To-Maturity Investments	--	37,500,000	37,500,000	--	--	--
Accrued Reinsurance Premiums	467,070,866	--	467,070,866	409,778,137	--	409,778,137
Retroceded Share Of Unearned Premiums	50,836,786	--	50,836,786	33,080,894	--	33,080,894
Deferred Excess Of Loss Premiums	11,743,563	--	11,743,563	11,431,609	--	11,431,609
Retroceded Share Of Outstanding Claims	282,718,771	--	282,718,771	198,432,518	--	198,432,518
Retroceded Share Of Claims Incurred But Not Reported	34,812,075	--	34,812,075	59,937,179	--	59,937,179
Deferred Policy Acquisition Costs	106,279,101	--	106,279,101	99,895,591	--	99,895,591
Prepaid Expenses, Deposits And Other Assets	171,904,334	72,735,564	244,639,898	177,871,645	31,087,587	208,959,232
Property And Equipment, Net	3,941,322	29,634,206	33,575,528	2,212,848	30,376,050	32,588,898
Accrued Special Commission Income From Bonds And Sukuk	--	2,793,154	2,793,154	--	2,663,892	2,663,892
Investment In An Equity Accounted Investee	--	101,445,631	101,445,631	--	97,293,816	97,293,816
Statutory Deposit	--	121,500,000	121,500,000	--	121,500,000	121,500,000
Accrued Income On Statutory Deposit	--	17,992,463	17,992,463	--	15,549,401	15,549,401
Due From Shareholders' Operations*	90,986,728	--	90,986,728	110,965,035	--	110,965,035
Total Assets	1,640,547,778	1,013,761,625	2,654,309,403	1,456,377,829	1,002,393,400	2,458,771,229

	31 December 2019			31 December 2018		
	Reinsurance Operations	Shareholders' Operations	Total	Reinsurance Operations	Shareholders' Operations	Total
Saudi Riyal (SR)						
Liabilities						
Accounts Payable	39,928,645	--	39,928,645	19,927,639	--	19,927,639
Retrocession Balances Payable	46,173,239	--	46,173,239	22,898,559	--	22,898,559
Accrued Retroceded Premiums	21,741,812	--	21,741,812	15,839,717	--	15,839,717
Unearned Premiums	401,997,592	--	401,997,592	380,171,285	--	380,171,285
Outstanding Claims	737,229,272	--	737,229,272	662,467,372	--	662,467,372
Claims Incurred But Not Reported	355,254,946	--	355,254,946	330,480,733	--	330,480,733
Unearned Retrocession Commission	8,396,072	--	8,396,072	6,410,240	--	6,410,240
Accrued Expenses And Other Liabilities	15,509,872	3,910,916	19,420,788	7,560,114	4,986,838	12,546,952
Employees' End Of Service Benefits	8,828,705	--	8,828,705	6,593,975	--	6,593,975
Accumulated Surplus	7,546,140	--	7,546,140	4,028,195	--	4,028,195
Provision For Zakat & Tax	--	23,742,062	23,742,062	--	38,244,253	38,244,253
Accrued Commission Income Payable To Sama	--	17,992,463	17,992,463	--	15,549,401	15,549,401
Due To Reinsurance Operations*	--	90,986,728	90,986,728	--	110,965,035	110,965,035
Total Liabilities	1,642,606,295	136,632,169	1,779,238,464	1,456,377,829	169,745,527	1,626,123,356
Equity						
Share Capital	--	810,000,000	810,000,000	--	810,000,000	810,000,000
Statutory Reserve	--	17,904,115	17,904,115	--	8,815,260	8,815,260
Other Reserves	(2,058,517)	111,925	(1,946,592)	--	1,074,616	1,074,616
Retained Earnings	--	49,113,416	49,113,416	--	12,757,997	12,757,997
Total Equity	(2,058,517)	877,129,456	875,070,939	--	832,647,873	832,647,873
Total Liabilities And Equity	1,640,547,778	1,013,761,625	2,654,309,403	1,456,377,829	1,002,393,400	2,458,771,229

Statement of Income

	For The Year Ended 31 December 2019			For The Year Ended 31 December 2018 (Restated)		
	Reinsurance Operations	Shareholders' Operations	Total	Reinsurance Operations	Shareholders' Operations	Total
Saudi Riyal (SR)						
Revenues						
Gross Written Premiums	792,847,561	--	792,847,561	721,604,828	--	721,604,828
Retroceded Premiums						
Local	--	--	--	--	--	--
Foreign	(127,843,625)	--	(127,843,625)	(72,996,501)	--	(72,996,501)
Excess Of Loss Expenses						
Local	--	--	--	--	--	--
Foreign	(18,398,659)	--	(18,398,659)	(31,712,226)	--	(31,712,226)
Net Written Premiums	646,605,277	--	646,605,277	616,896,101	--	616,896,101
Changes In Unearned Premiums, Net	(4,070,415)	--	(4,070,415)	(3,280,686)	--	(3,280,686)
Net Earned Premiums	642,534,862	--	642,534,862	613,615,415	--	613,615,415
Retrocession Commissions	18,175,998	--	18,175,998	16,468,058	--	16,468,058
Total Revenues	660,710,860	--	660,710,860	630,083,473	--	630,083,473
Underwriting Costs And Expenses						
Gross Claims Paid	(436,701,322)	--	(436,701,322)	(389,327,810)	--	(389,327,810)
Retroceded Share Of Claims Paid	60,006,499	--	60,006,499	24,638,382	--	24,638,382
Net Claims Paid	(376,694,823)	--	(376,694,823)	(364,689,428)	--	(364,689,428)
Changes In Outstanding Claims, Net	9,524,357	--	9,524,357	(77,969,866)	--	(77,969,866)
Changes In Incurred But Not Reported Claims, Net	(49,899,318)	--	(49,899,318)	38,604,939	--	38,604,939
Net Claims Incurred	(417,069,784)	--	(417,069,784)	(404,054,355)	--	(404,054,355)
Policy Acquisition Costs And Profit Commissions	(172,780,534)	--	(172,780,534)	(172,471,757)	--	(172,471,757)
Other Underwriting Expenses	(3,616,464)	--	(3,616,464)	(1,997,613)	--	(1,997,613)
Total Underwriting Costs & Expenses	(593,466,782)	--	(593,466,782)	(578,523,725)	--	(578,523,725)
Net Underwriting Income	67,244,078	--	67,244,078	51,559,748	--	51,559,748

	For The Year Ended 31 December 2019			For The Year Ended 31 December 2018 (Restated)		
	Reinsurance Operations	Shareholders' Operations	Total	Reinsurance Operations	Shareholders' Operations	Total
Saudi Riyal (SR)						
Other Operating (Expenses)/ Income						
Special Commission Income From Time Deposits	8,889,740	9,435,660	18,325,400	4,139,943	1,684,512	5,824,455
Realized Gains / (Losses) On Investments Held At Fair Value Through Income Statement	193,267	13,709,887	13,903,154	1,568,285	(890,687)	677,598
Unrealized (Losses) / Gains On Investments Held At Fair Value Through Income Statement	216,118	3,576,588	3,792,706	(367,808)	3,828,225	3,460,417
Special Commission Income From Bonds & Sukuk	--	4,156,498	4,156,498	--	2,873,709	2,873,709
Dividend Income	--	1,862,222	1,862,222	--	3,419,095	3,419,095
Share Of Profit Of Equity Accounted Investee	--	5,114,506	5,114,506	--	2,303,238	2,303,238
Investment Management Expenses	(160,361)	(1,514,756)	(1,675,117)	(403,940)	(3,516,499)	(3,920,439)
Net Investment Income	9,138,764	36,340,605	45,479,369	4,936,480	9,701,593	14,638,073
Other Income	--	999,616	999,616	--	904,851	904,851
Reversal Of Doubtful Debts	517,929	--	517,929	1,574,768	--	1,574,768
General And Administrative Expenses	(43,560,197)	(7,470,261)	(51,030,458)	(40,576,815)	(6,995,308)	(47,572,123)
Board Of Directors' Remunerations, Meetings Fees And Expenses	--	(2,256,420)	(2,256,420)	--	(2,180,757)	(2,180,757)
Foreign Exchange Translation Losses	1,838,879	42,651	1,881,530	(3,783,835)	(48,009)	(3,831,844)
Total Income For The Year Before Zakat & Tax	35,179,453	27,656,191	62,835,644	13,710,346	1,382,370	15,092,716
Transfer Of Surplus To Shareholders' Operation	(31,661,508)	31,661,508	--	(12,339,311)	12,339,311	--
Net Income For The Year Before Zakat & Tax	3,517,945	59,317,699	62,835,644	1,371,035	13,721,681	15,092,716
Zakat & Tax Charge For The Year	--	(13,873,425)	(13,873,425)	--	(12,902,802)	(12,902,802)
Net Income For The Year After Zakat & Tax & Shareholders' Appropriations	3,517,945	45,444,274	48,962,219	1,371,035	818,879	2,189,914

Statement of Comprehensive Income

	For The Year Ended 31 December 2019			For The Year Ended 31 December 2018 (Restated)		
	Reinsurance Operations	Shareholders' Operations	Total	Reinsurance Operations	Shareholders' Operations	Total
Saudi Riyal (SR)						
Net Income For The Year After Zakat And Tax	3,517,945	45,444,274	48,962,219	1,371,035	818,879	2,189,914
Other Comprehensive Income	--	--	--	--	--	--
Items That Will Not Be Reclassified To Income Statement Subsequently	--	--	--	--	--	--
Re-Measurement Of Employee' End Of Service Benefit Obligations Actuarial Loss	(2,058,517)	--	(2,058,517)	--	--	--
Items That May Be Classified To Income Statement Subsequently	--	--	--	--	--	--
Share Of Foreign Currency Translation Reserve An Equity Accounted Investee	--	(962,691)	(962,691)	--	3,036,196	3,036,196
Total Comprehensive Income For The Year	1,459,428	44,481,583	45,941,011	1,371,035	3,855,075	5,226,110
Reconciliation						
Less: Net Income Attributable To Reinsurance Operations Transferred To Surplus Payable	--	--	(3,517,945)	--	--	(1,371,035)
Total Comprehensive Income For The Year	--	--	42,423,066	--	--	3,855,075

Statement of Cash Flow

	For The Year Ended 31 December 2019			For The Year Ended 31 December 2018 (Restated)		
	Reinsurance Operations	Shareholders' Operations	Total	Reinsurance Operations	Shareholders' Operations	Total
Operating Activities						
Total Income For The Year Before Zakat And Tax	3,517,945	59,317,699	62,835,644	1,371,035	13,721,681	15,092,716
Adjustments To Reconcile Net Income For The Year To Net Cash From Operating Activities:						
Employees' End Of Service Benefits	1,184,418	--	1,184,418	1,567,038	--	1,567,038
Depreciation Of Property & Equipment	987,880	741,844	1,729,724	1,288,227	873,530	2,161,757
Realized (Gains) / Loss On Investments Held At Fair Value Through Income Statement	(193,267)	(13,709,887)	(13,903,154)	(1,568,285)	890,687	(677,598)
Unrealized (Gains) / Loss On Investments Held At Fair Value Through Income Statement	(216,118)	(3,576,588)	(3,792,706)	367,808	(3,828,225)	(3,460,417)
Share Of Profit Of An Equity Accounted Investee	--	(5,114,506)	(5,114,506)	--	(2,303,238)	(2,303,238)
Provision For Doubtful Receivable	(517,929)	--	(517,929)	(1,574,768)	--	(1,574,768)
Operating Income Before Changes In Operating Assets & Liabilities	4,762,929	37,658,562	42,421,491	1,451,055	9,354,435	10,805,490
Changes In Operating Assets And Liabilities						
Premiums Receivable, Gross	(32,850,934)	--	(32,850,934)	160,422,319	--	160,422,319
Accrued Reinsurance Premiums	(57,292,729)	--	(57,292,729)	(37,690,443)	--	(37,690,443)
Retroceded Share Of Unearned Premiums	(17,755,892)	--	(17,755,892)	84,598,294	--	84,598,294
Unearned Premiums	21,826,307	--	21,826,307	(81,317,607)	--	(81,317,607)
Retroceded Share Of Outstanding Claims	(84,286,253)	--	(84,286,253)	(138,543,510)	--	(138,543,510)
Retroceded Share Of Claims Incurred But Not Reported	25,125,104	--	25,125,104	46,013,296	--	46,013,296
Deferred Acquisition Costs	(6,383,510)	--	(6,383,510)	449,553	--	449,553
Deferred Excess Of Loss Premiums	(311,954)	--	(311,954)	2,868,169	--	2,868,169
Prepaid Expenses, Deposits And Other Assets	5,967,311	(41,647,977)	(35,680,666)	(73,907,605)	(30,859,116)	(104,766,721)
Accounts Payable	20,001,006	--	20,001,006	3,279,446	--	3,279,446
Retrocession Balances Payable	23,274,680	--	23,274,680	(206,865,265)	--	(206,865,265)
Accrued Retroceded Premiums	5,902,095	--	5,902,095	7,948,442	--	7,948,442
Outstanding Claims	74,761,900	--	74,761,900	216,513,371	--	216,513,371
Claims Incurred But Not Reported	24,774,213	--	24,774,213	(84,618,233)	--	(84,618,233)
Unearned Commission Income	1,985,832	--	1,985,832	(1,132,059)	--	(1,132,059)
Accrued Expenses And Other Liabilities	7,949,758	(1,075,922)	6,873,836	1,817,463	(2,083,054)	(265,591)
	17,449,863	(5,065,337)	12,384,526	(98,713,314)	(23,587,735)	(122,301,049)
Zakat And Income Tax Paid	--	(28,375,616)	(28,375,616)	--	(12,089,919)	(12,089,919)
Employees' End Of Service Benefits Paid	(1,008,205)	--	(1,008,205)	(702,340)	--	(702,340)
Net Cash Generated From / (Used In) Operating Activities	16,441,658	(33,440,953)	(16,999,295)	(99,415,654)	(35,677,654)	(135,093,308)

	For The Year Ended 31 December 2019			For The Year Ended 31 December 2018 (Restated)		
	Reinsurance Operations	Shareholders' Operations	Total	Reinsurance Operations	Shareholders' Operations	Total
Saudi Riyal (SR)						
Investing Activities						
Time Deposits	(92,461,486)	(30,522,571)	(122,984,057)	33,856,124	(196,235,246)	(162,379,122)
Accrued Special Commission Income On Time Deposits	(1,319,663)	(4,575,117)	(5,894,780)	460,361	(1,668,007)	(1,207,646)
Accrued Special Commission Income From Bonds And Sukuk	--	(129,262)	(129,262)	--	1,167,091	1,167,091
Additions In Investments Held To Maturity	--	(37,500,000)	(37,500,000)	--	--	--
Purchase Of Property And Equipment, Net	(2,716,354)	--	(2,716,354)	(1,214,686)	--	(1,214,686)
Additions In Investments Held At Fair Value Through Income Statement	(38,572,307)	(315,673,142)	(354,245,449)	(21,000,000)	(36,078,728)	(57,078,728)
Proceeds From Disposal Of Investments Held At Fair Value Through Income Statement	54,204,897	452,462,698	506,667,595	72,416,163	301,294,002	373,710,165
Statutory Deposit	--	--	--	--	(21,500,000)	(21,500,000)
Net Cash (Used In) / Generated From Investing Activities	(80,864,913)	64,062,606	(16,802,307)	84,517,962	46,979,112	131,497,074
Financing Activities						
Due To / From Reinsurance / Shareholders' Operations*	19,978,307	(19,978,307)	--	33,496,647	(33,496,647)	--
(Decrease) / Increase In Cash And Cash Equivalents	(44,444,948)	10,643,346	(33,801,602)	18,598,955	(22,195,189)	(3,596,234)
Cash And Cash Equivalents At The Beginning Of The Year	72,093,146	9,542,390	81,635,536	53,494,191	31,737,579	85,231,770
Cash And Cash Equivalents At The End Of The Year	27,648,198	20,185,736	47,833,934	72,093,146	9,542,390	81,635,536

* These items are not included in the statement of financial position and the statement of cash flows.

33. Subsequent Events

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread globally including the Kingdom of Saudi Arabia (KSA), affecting health of individuals and causing disruptions to businesses and economic activity, which, may eventually impact the insurance claims reported to and ultimately settled by the Company. Moreover, the Government of KSA through SAMA has announced several initiatives to provide necessary relief to the financial services sector including underlying consumers. The Company considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, we do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Company. The management and those charged with governance will continue to monitor the impact of this outbreak on the Company's financial statements including ultimate cost of claims and will update stakeholders as per regulatory requirements. Changes in circumstances may require enhanced disclosures or recognition of adjustments in the interim financial statements of the Company in subsequent periods during the financial year 2020.

34. Comparative Figures

Certain figures for the prior year have been reclassified to conform to the presentation made in the current year, however the impact of such reclassifications was not material to the overall presentation of the financial statements.

35. Approval Of The Financial Statements

The financial statements have been approved by the Board of Directors on 28 Rajab 1441H corresponding to 23 March 2020.

20
19

Annual Report