Dubai Insurance Company (P.S.C.) and its subsidiary

Consolidated financial statements

For the year ended 31 December 2020

Grant Thornton
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Independent Auditor's Report

To the Shareholders of Dubai Insurance Company (P.S.C.) and its subsidiary

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Dubai Insurance Company (P.S.C.) (the "Company") and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the requirements of IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter on the next page, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters on the next page, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent Auditor's Report
To the Shareholders of Dubai Insurance Company (P.S.C.) and its subsidiary (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

i) Valuation of technical provisions

The estimation of liabilities arising from insurance contracts such as unearned premium reserve, claims under settlement reserve, incurred but not reported reserve and unallocated loss adjustment expense reserve as disclosed in note 22 to these consolidated financial statements, involves a significant degree of judgement. These liabilities are based on the pattern of risk distributions over coverage period, the best-estimated ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs, mortality and persistency (including consideration of policyholder behaviour). Actuarial computations have been used to determine these provisions. Underlying these computations are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. Since the determination of such a provision requires the expertise of an external valuation expert who incorporates significant assumptions, judgements and estimations, the valuation of these liabilities was significant to our audit.

We assessed management's calculations of the technical reserves by performing the following procedures:

- Understood and tested the governance process in place to determine the insurance contract liabilities, including testing the associated financial reporting control framework;
- We tested the underlying Group data to source documentation;
- Using our actuarial specialist team members, we applied our industry knowledge and experience, and compared the methodology, models and assumptions used against recognised actuarial practices; and
- Using our actuarial specialist team members, we checked the mathematical accuracy of the methodology applied on selected classes of business, particularly focusing on the largest and most uncertain reserves.

ii) Classification of freehold land

Included in property and equipment (as disclosed in note 9 to the consolidated financial statements) is the amount of AED 44,173 thousand (2019: AED 44,173 thousand) paid for the purchase of land. The Board of Directors of the Group has passed resolutions to construct the Group's head-office on the land in the foreseeable future. The amount paid for the purchase of land is carried at cost, but is subject to consideration for impairment when indicators of impairment exist. As a consequence, for impairment consideration on this asset, the Group is the lowest level of cash generating unit and hence the asset is not assessed for impairment as a standalone asset.

The work that we performed to address this key audit matter included the following procedures:

- We discussed with management the status of the proposed construction and noted that construction will be commenced once infrastructure is ready in near future;
- We inspected the resolution for Board approval for the property to be used as the Group's head-office; and
- We reviewed the Group's business performance and forecasts for existence of indicators of impairment at the Group level.

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Independent Auditor's Report

To the Shareholders of Dubai Insurance Company (P.S.C.) and its subsidiary (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

iii) Impairment losses on insurance receivables including third party recoveries

The Group has insurance receivables that are overdue and not impaired (as disclosed in note 13 to these consolidated financial statements). The key associated risk is the recoverability of receivables. Management's related allowance for expected credit losses (ECL) is subjective and is influenced by assumptions concerning the probability of default and probable losses in the event of default.

The work that we performed to address this key audit matter included the following procedures:

- Obtained an understanding of the Group's process for estimating ECL and assessed the appropriateness of ECL methodology against the requirements of IFRS 9;
- Identified and tested key controls over the ECL model used;
- Assessed the reasonableness of managements' key assumptions and judgements made in determining the allowance for ECL, segmenting of receivables and macroeconomic factors; and
- We tested the key inputs of model such as those used to calculate the likelihood of default and the subsequent loss on default, by comparing to historical data. We also assessed reasonableness of forward-looking factors used by the Group by corroborating with publicly available information.

Other information

Management is responsible for the other information. Other information consists of the information included in the Group's 2020 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of Group's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Group's 2020 Annual Report after the date of our auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged With Governance For The Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and in compliance with the applicable provisions of the Group's Articles of Association and of the UAE Federal Law No. (2) of 2015 and the UAE Federal Law No. (6) of 2007 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Independent Auditor's Report

To the Shareholders of Dubai Insurance Company (P.S.C.) and its subsidiary (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for The Audit of The Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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Independent Auditor's Report

To the Shareholders of Dubai Insurance Company (P.S.C.) and its subsidiary (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for The Audit of The Consolidated Financial Statements (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

i) the Group has maintained proper books of account;

ii) we have obtained all the information we considered necessary for the purposes of our audit;

iii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Articles of Association of the Company and the UAE Federal Law No. (2) of 2015;

iv) the financial information included in the Board of Directors' Report, in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;

v) investments in shares and stocks during the year ended 31 December 2020, are disclosed in note 11 to these consolidated financial statements;

vi) notes 24 and 25 reflect material related party transactions and the terms under which they were conducted;

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2020 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or its Articles of Association which would have a material impact on its activities or its consolidated financial position; and

viii) note 7 to the consolidated financial statements reflects the social contributions made during the year.

Further, as required by the UAE Federal Law No. (6) of 2007, as amended, we report that we have obtained all the information and explanation we considered necessary for the purpose of our audit.

Grant Thornton

Grant Thornton P.O. Box: 1620 DUBAI-U.A.E. Public Accountants

GRANT THORNTON

Farouk Mohamed
Registered Auditor Number: 86
Dubai - 27 January 2021

Consolidated statement of income
For the year ended 31 December 2020

	Notes	2020 AED'000	2019 AED'000
UNDERWRITING INCOME			
Gross premium	3	**919,457**	970,502
Movement in provision for unearned premium	3	**(9,499)**	(322,120)
Insurance premium revenue	3	**909,958**	648,382
Reinsurance share of premium	3	**(791,116)**	(839,300)
Movement in provision for reinsurance share of unearned premium	3	**3,291**	318,909
Reinsurance premium revenue		**(787,825)**	(520,391)
Net insurance premium revenue	3	**122,133**	127,991
Reinsurance commission income		**73,343**	91,170
Other underwriting income		**-**	230
Total underwriting income		**195,476**	219,391
UNDERWRITING EXPENSES			
Claims incurred	4	**(543,292)**	(255,751)
Reinsurers' share of claims incurred	4	**506,517**	206,505
Net claims incurred	4	**(36,775)**	(49,246)
Commission expenses		**(47,581)**	(49,781)
Other direct expenses		**(25,284)**	(22,308)
General and administration expenses relating to underwriting activities	7	**(37,055)**	(29,857)
Total underwriting expenses		**(146,695)**	(151,192)
NET UNDERWRITING INCOME		**48,781**	68,199
INVESTMENT INCOME			
Realised gain on disposal of investments		**292**	235
Fair value loss on financial assets at fair value through profit or loss		**(147)**	(103)
Other investment income	6	**18,709**	18,299
Other investment costs		**(82)**	(287)
		18,772	18,144
OTHER INCOME AND EXPENSES			
General and administration expenses not allocated	7	**(12,608)**	(10,909)
Other income		**61**	206
		(12,547)	(10,703)
PROFIT FOR THE YEAR		**55,006**	75,640
Basic and diluted earnings per share (AED)	8	**0.51**	0.72

Consolidated statement of comprehensive income
For the year ended 31 December 2020

	Note	**2020**	2019
		AED'000	AED'000
Profit for the year		**55,006**	75,640
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods			
(Loss)/gain on sale of investments designated at fair value through other comprehensive income		**(513)**	865
Net unrealised (loss)/gain on financial assets at FVTOCI	11 (b)	**(34,187)**	26,341
Other comprehensive (loss)/income for the year		**(34,700)**	27,206
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**20,306**	102,846

The attached explanatory notes 1 to 28 form part of these consolidated financial statements.

Consolidated statement of financial position
As at 31 December 2020

	Notes	2020 AED'000	2019 AED'000
ASSETS			
Property and equipment	9	**48,590**	47,550
Investment property	10	**50,128**	36,507
Financial instruments	11	**475,012**	506,755
Reinsurance assets	22	**828,405**	694,417
Insurance receivables	13	**179,235**	202,740
Prepayments and other receivables	14	**25,355**	22,328
Statutory deposits	15	**10,000**	10,000
Cash and cash equivalents	16	**96,593**	88,917
TOTAL ASSETS		**1,713,318**	1,609,214
EQUITY AND LIABILITIES			
Equity			
Share capital	17	**100,000**	100,000
Statutory reserve	18	**50,000**	50,000
General reserve	18	**50,000**	20,000
Reinsurance reserve	18	**3,956**	-
Retained earnings		**162,790**	181,665
Cumulative changes in fair value of investments	18	**155,222**	189,409
Total equity		**521,968**	541,074
Liabilities			
Bank loan	20	**1,212**	2,970
Employees' end of service benefits	21	**5,209**	4,773
Insurance contract liabilities	22	**901,628**	752,670
Amounts held under reinsurance treaties		**35,862**	46,506
Reinsurance balances payable	23 (a)	**86,529**	142,520
Insurance and other payables	23 (b)	**160,910**	118,701
Total liabilities		**1,191,350**	1,068,140
TOTAL EQUITY AND LIABILITIES		**1,713,318**	1,609,214

The consolidated financial statements were authorised for issue in accordance with a resolution of the directors on 27 January 2021.

Buti Obaid Almulla
Chairman

Marwan Abdulla Al Rostamani
Vice Chairman

The attached explanatory notes 1 to 28 form part of these consolidated financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2020

	Share capital AED'000	Statutory reserve AED'000	General reserve AED'000	Reinsurance reserve AED'000	Retained earnings AED'000	Cumulative changes in fair value of investments AED'000	Total equity AED'000
Balance at 1 January 2020	**100,000**	**50,000**	**20,000**	-	**181,665**	**189,409**	**541,074**
Profit for the year	-	-	-	-	**55,006**	-	**55,006**
Other comprehensive loss	-	-	-	-	-	**(34,700)**	**(34,700)**
Total comprehensive income for the year	-	-	-	-	**55,006**	**(34,700)**	**20,306**
Transfer to retained earnings on sale of investments at FVTOCI	-	-	-	-	**(513)**	**513**	-
Directors' fees (note 25)	-	-	-	-	**(4,412)**	-	**(4,412)**
Cash dividend paid (note 19)	-	-	-	-	**(35,000)**	-	**(35,000)**
Transfer to reinsurance reserve (note 18)	-	-	-	**3,956**	**(3,956)**	-	-
Transfer to general reserve (note 18)	-	-	**30,000**	-	**(30,000)**	-	-
Balance at 31 December 2020	**100,000**	**50,000**	**50,000**	**3,956**	**162,790**	**155,222**	**521,968**
Balance at 1 January 2019	100,000	50,000	13,000	-	145,372	163,068	471,440
Profit for the year	-	-	-	-	75,640	-	75,640
Other comprehensive income	-	-	-	-	-	27,206	27,206
Total comprehensive income for the year	-	-	-	-	75,640	27,206	102,846
Transfer to retained earnings on sale of investments at FVTOCI	-	-	-	-	865	(865)	-
Directors' fees (note 25)	-	-	-	-	(3,212)	-	(3,212)
Cash dividend paid (note 19)	-	-	-	-	(30,000)	-	(30,000)
Transfer to general reserve (note 18)	-	-	7,000	-	(7,000)	-	-
Balance at 31 December 2019	100,000	50,000	20,000	-	181,665	189,409	541,074

The attached explanatory notes 1 to 28 form part of these consolidated financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2020

	Notes	2020 AED'000	2019 AED'000
OPERATING ACTIVITIES			
Profit for the year		**55,006**	75,640
Adjustments for:			
Depreciation on property and equipment	9	**1,507**	1,464
Provision for employees' end of service benefits	21	**612**	1,183
Investment income	6	**(18,709)**	(18,299)
Change in fair value of investments at FVTPL		**147**	103
Expected credit losses	13	**363**	1,081
Gain on sale of investments in debt instruments at amortised cost		**(292)**	(235)
		38,634	60,937
Changes in operating assets and liabilities:			
Reinsurance assets		**(133,988)**	(245,521)
Insurance receivables		**23,142**	(7,320)
Prepayments and other assets		**(3,027)**	8,785
Insurance contract liabilities		**148,958**	253,853
Amounts held under reinsurance treaties		**(10,644)**	6,490
Reinsurance balances payable		**(55,991)**	17,270
Insurance and other payables		**42,209**	33,827
Cash generated from operations		**49,293**	128,321
Employees' end of service benefits paid	21	**(176)**	(247)
Net cash generated from operating activities		**49,117**	128,074
INVESTING ACTIVITIES			
Interest on investments received		**4,719**	4,544
Dividend income received	6	**14,374**	14,035
Expenses on investment property – net	6	**(384)**	(280)
Investments held at amortised cost		**(11,806)**	16,467
Financial instruments at FVTOCI		**(6,430)**	(15,507)
Financial instruments at fair value through profit or loss		**15,424**	(90,568)
Purchase of investment property	10	**(13,621)**	(2,321)
Purchase of property and equipment	9	**(2,547)**	(1,825)
Net cash used in investing activities		**(271)**	(75,455)
FINANCING ACTIVITIES			
Dividends paid	19	**(35,000)**	(30,000)
Repayment of bank loan		**(1,758)**	(7,875)
Directors' fees		**(4,412)**	(3,212)
Net cash used in financing activities		**(41,170)**	(41,087)
INCREASE IN CASH AND CASH EQUIVALENTS		**7,676**	11,532
Cash and cash equivalents at 1 January		**88,917**	77,385
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	16	**96,593**	88,917

The attached explanatory notes 1 to 28 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

Dubai Insurance Company (P.S.C.) (the "Company") is a public shareholding Company registered under the UAE Federal Law No. (2) of 2015 and the UAE Federal Law No. (6) of 2007 relating to commercial companies in the UAE. The Company mainly issues short term insurance contracts in connection with motor, marine, fire, engineering and general accident (collectively known as general insurance) and group life and medical risks (collectively referred to as medical and life insurance). The Company also invests its funds in investment securities and properties. The registered address of the Company is P.O. Box 3027, Dubai, United Arab Emirates. The Company operates in the United Arab Emirates and most of the insurance policies are issued in the United Arab Emirates. The shares of the Company are listed on the Dubai Financial Market.

During 2011, the Company established a new subsidiary for investment purposes. These consolidated financial statements incorporate the financial statements of the Company and its subsidiary (collectively referred to as the "Group").

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) promulgated by International Accounting Standards Board (IASB) and interpretations thereof issued by the International Financial Reporting Interpretation Committee and in compliance with the applicable requirements of U.A.E Federal Law No. 2 of 2015 relating to commercial companies, and of UAE Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organisation of the Insurance Operations, concerning insurance companies and agents. These consolidated financial statements are prepared in UAE Dirhams ("AED").

2.2 BASIS OF CONSOLIDATION

The Group comprises of the Company and the under-mentioned subsidiary company.

Subsidiary	Principal activity	Country of incorporation	Ownership
Vattaun Limited	Investment	British Virgin Island	100%

The consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 31 December 2020.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

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

- the contractual arrangement with the other vote holders of the investee
- rights arising from other contractual arrangements
- the Group's voting rights and potential voting rights

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE FROM 1 JANUARY 2020

The following relevant standards, interpretations and amendments to existing standards were issued by the IASB:

Standard number	Title	Effective date
IAS 1	Definition of Material — Amendments to IAS 1 Presentation of Financial Statements	1 January 2020
IFRS 3	Definition of Material — Amendments to IFRS 3	1 January 2020
IAS 8	Definition of Material — Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)"	1 January 2020
IFRS 16	COVID-19 Rent Related Concessions (Amendments to IFRS 16)	1 January 2020
Various standards	Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020

These standards have been adopted by the Group and did not have a material impact on these consolidated financial statements.

2.4 BASIS OF PREPARATION

The consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of financial assets carried at fair value.

The Group presents its consolidated statement of financial position broadly in order of liquidity, with a distinction based on expectations regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current), presented in the notes.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The impact of the new standards, interpretations and amendments that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 17 Insurance Contracts (effective for accounting period beginning on or after 1 January 2023 with earlier application permitted as long as IFRS 9 and IFRS 15 are also applied)

IFRS 17 Insurance contracts combine features of both a financial instrument and a service contract. In addition, many insurance contracts generate cash flows with substantial variability over a long period. To provide useful information about these features, IFRS 17:

- combines current measurement of the future cash flows with the recognition of profit over the period that services are provided under the contract;
- presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and
- requires an entity to make an accounting policy choice of whether to recognise all insurance finance income or expenses in profit or loss or to recognise some of that income or expenses in other comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

The key principles in IFRS 17 are that an entity:

- identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder;
- separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts;
- divides the contracts into groups that it will recognise and measure;
- recognises and measures groups of insurance contracts at:
  1. a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset)
  2. an amount representing the unearned profit in the group of contracts (the contractual service margin);
- recognises the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognises the loss immediately;
- presents separately insurance revenue (that excludes the receipt of any investment component), insurance service expenses (that excludes the repayment of any investment components) and insurance finance income or expenses; and
- discloses information to enable users of financial statements to assess the effect that that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity.

IFRS 17 includes an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts. Group is currently evaluating the expected impact.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

Revenue recognition

Gross premiums

Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences. Gross premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written. Premiums on insurance policies are accounted for on the date of writing of policies except premium income on marine cargo policies which is accounted for on the expected date of voyage. Premiums are adjusted for unearned premium.

Reinsurance premiums

Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into during the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

Gross reinsurance premiums on life are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Commissions earned

Commissions earned are recognised at the time policies are written.

Other investment income

(i) Interest income is recognised on a time proportion basis.
(ii) Dividend income is accounted for when the right to receive payment is established.
(iii) Rental income is recognised as income over the period to which it relates.

Claims and expenses recognition

Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to income as incurred. Provision for incurred but not reported claims is included within additional reserve.

The Group generally estimates its claims based on previous experience. Independent loss adjusters normally estimate property claims. Any difference between the provisions at the reporting date and settlements and provisions for the following year is included in the underwriting account for that year.

Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Finance cost

Interest paid is recognised in the consolidated statement of income as it accrues and is calculated by using the effective interest rate method. Accrued interest is included within the carrying value of the interest bearing financial liability.

Policy acquisition costs

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are charged to the consolidated statement of income when incurred.

General and administration expenses

Direct expenses of general insurance business are charged to respective departmental revenue accounts. Indirect expenses of the general insurance business are allocated to departmental revenue accounts on the basis of gross retained premiums of each department. Other administration expenses are charged to the consolidated statement of income.

Leases

The Group has no finance leases. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Liability adequacy test

At each consolidated statement of financial position date the Group assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in light of estimated future cash flows, the entire deficiency is immediately recognised in income and an unexpired risk provision is created.

The Group does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the consolidated statement of financial position date.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

The presentation currency is UAE Dirhams (AED). This is also the functional currency of the Group. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the consolidated statement of income, except when it relates to items when gains or losses are recognised directly in equity, the gain or loss is then recognised net of the exchange component in the consolidated statement of comprehensive income.

Segment reporting

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

a) The medical and life insurance segment offers short term group health and life insurance. Revenue from this segment is derived primarily from insurance premium, fees and commission income.
b) The general insurance segment comprises insurance to individuals and businesses. General insurance products offered include motor, marine, fire, engineering, general accident and miscellaneous. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of policyholder's accident, e.g., employee liability claims and asbestos. Revenue in this segment is derived primarily from insurance premiums.
c) The investment segment includes investment in equity, fixed income securities such as bonds and fixed deposits and net rental income from investment properties. Income from this segment is primarily from investment income and fair value gains and losses on investments.

No operating segments have been aggregated to form the above reportable operating segments. Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the consolidated financial statements. Unallocated administrative expenses are managed on a group basis and are not allocated to individual operating segments.

No inter-segment transactions occurred in 2020 and 2019. If any transaction were to occur, transfer prices between operating segments would be set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expenses and results will include those transfers between business segments which will then be eliminated on consolidation.

Product classification

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can however be reclassified as insurance contracts after inception, if insurance risk becomes significant.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Product classification (continued)

The Group does not have any investment contracts or any insurance contracts with Discretionary Participation Features (DPF).

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of property and equipment as follows:

Furniture and equipment	4 – 10 years
Motor vehicles	4 years

No depreciation is charged on land.

The carrying values of property and equipment 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, being the higher of their value less costs to sell and their value in use.

An item of property and equipment is derecognised upon disposal or when no 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 consolidated statement of comprehensive income in the year the asset is derecognised.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the consolidated statement of comprehensive income as the expense is incurred.

Investment properties

The Group has elected to adopt the cost model for investment properties. Accordingly, investment properties are carried at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Building	25 years

No depreciation is charged on freehold land.

Fair value measurement

The Group measures financial instruments, such as, equity instruments, and non-financial assets such as investment properties (for disclosure purposes), at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in note 11.

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 Group.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

The Group 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 consolidated financial statements are categorised within the fair value hierarchy, described in note 12, based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognised in these consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial instruments

Recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

A financial asset and financial liability is offset and the net amount is reported in the financial statements only when there is legally enforceable right to set off the recognised amount and the Group intends either to settle on a net basis or realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

Financial assets

All financial assets are recognised and derecognised on trade date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. Financial assets are initially measured at fair value, plus transaction costs. All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

Classification and initial measurement of financial assets

For the purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer (under IAS 32 Financial Instruments: Presentation) except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are 'debt instruments'.

Financial assets at amortised cost and the effective interest method

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group may irrevocably elect at initial recognition to classify a debt instrument that meets the amortised cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents, which include cash on hand and current accounts with banks, are classified as financial assets at amortised cost.

Insurance and other receivables, deposits and statutory deposits

Insurance and other receivables (excluding prepayments), deposits and statutory deposits are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial assets at fair value through other comprehensive income (FVTOCI)

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading. The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell, and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

Dividends on these investments in equity instruments at FVTOCI are recognised in income statement when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

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

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at FVTPL. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

The fair value is determined in line with the requirements of IFRS 9 'Financial Instruments', which does not allow for measurement at cost. Fair value is determined in the manner described in note 12. Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets

IFRS 9's impairment requirements use forward looking information under Expected credit loss (ECL) model for the financial assets measured at amortised cost which consist of insurance and other receivables (excluding prepayments), cash and cash equivalents, investments at amortised cost and due from related parties.

Measurement of ECLs

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of "investment grade".

'12-month expected credit losses' are recognised for the first category (i.e. Stage 1) while 'lifetime expected credit losses' are recognised for the second category (i.e. Stage 2). Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Insurance and other receivables

The Group makes use of a simplified approach in accounting for insurance and other and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of insurance receivables on a collective basis as they possess shared credit risk characteristics, they have been grouped based on the days past due. Refer to note 26B for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

Financial liabilities

Group's financial liabilities include bank loan and insurance and reinsurance payables.

Classification and initial measurement of financial liabilities

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

Derecognition of financial instruments

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial instruments (continued)

- The Group has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using discount rates that reflect current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses are recognised in the statement of profit or loss.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

Reinsurance contracts held

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the consolidated statement of income. Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reinsurance contracts held (continued)

The Group also assumes reinsurance risk in the normal course of business for life insurance and general insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party. Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the consolidated statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured.

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated statement of income.

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less in the consolidated statement of financial position.

Insurance contract liabilities

(i) Unearned premium reserve

At the end of each year a proportion of net retained premiums of the general insurance, medical and group life business is provided to cover portions of risks which have not expired at the reporting date. The reserves are calculated in accordance with the requirements of the Insurance Law relating to insurance companies at 1/365 of annual premiums earned net of reinsurance for all classes of insurance, except marine which is calculated at 25%. Unearned premium reserves for medical and group life business are calculated on a time proportion basis.

(ii) Additional reserve

A provision is made for the estimated excess of potential claims over unearned premiums and for claims incurred but not reported at the financial position date.

The reserves represent the management's best estimates on the basis of:

a) claims reported during the year
b) delay in reporting these claims
c) claim handling provision

(iii) Unexpired risk reserve

A provision is made for the claims expected to be incurred after the reporting date in respect of current insurance contracts that will, together with any deferred expenses, exceed the premium to be earned on those contracts after the reporting date.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Insurance contract liabilities (continued)

(iv) Outstanding claims

Insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, after reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of claims cannot be known with certainty at the reporting date. The liability is not discounted for the time value of money. No provision for equalisation or catastrophic reserves is recognised. The liability is derecognised when the contract expires, is discharged or is cancelled.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Employees' end of service benefits

The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its UAE national employees, the Group makes contributions to a pension fund established by the General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) Has control or joint control over the Group;
- (ii) Has significant influence over the Group; or
- (iii) Is a member of the key management personnel of the Group or of a parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, 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 assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These factors could include:

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification of properties

Management decides whether a property under construction will be used upon completion as owner-occupied property or for renting out to third parties. If used as owner-occupied property, the value in use of the property is determined as part of the cash generating unit to which it belongs. Otherwise, the asset is classified as investment property and its fair value is determined on an individual asset basis.

Classification of investments

Management decides on acquisition of an investment whether it should be classified as of fair value through profit or loss, at fair value through OCI or at amortised cost.

Additional reserve

A provision is made for the estimated excess of potential claims over unearned premiums and for claims incurred but not reported at the financial position date.

The reserves represent the management's best estimates on the basis of:

a) claims reported during the year
b) delay in reporting these claims
c) claim handling provision

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same; and
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or other valuation models.

Provision for outstanding claims, whether reported or not

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimation uncertainty (continued)

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claim 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.

Impairment losses on insurance receivables

The Group reviews its insurance receivables on a regular basis to assess whether a provision for impairment should be recorded in the consolidated statement of income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about the probability of default and probable losses in the event of default, the value of the underlying security, and realisation costs.

In addition to specific provisions against individually significant insurance receivables, the Group also makes a collective impairment provision against insurance receivables which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted. The amount of the provision is based on the historical loss pattern for insurance receivables within each grade and is adjusted to reflect current economic changes.

Reinsurance

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

3 INSURANCE PREMIUM REVENUE

Year 2020	**General insurance**			**Life insurance**			**Total**		
	Gross	**Reinsurers' share**	**Net**	**Gross**	**Reinsurers' share**	**Net**	**Gross**	**Reinsurers' share**	**Net**
	AED'000	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Gross premium	**917,209**	**(789,186)**	**128,023**	**2,248**	**(1,930)**	**318**	**919,457**	**(791,116)**	**128,341**
Movement in provision for unearned premium	**(9,594)**	**3,384**	**(6,210)**	**95**	**(93)**	**2**	**(9,499)**	**3,291**	**(6,208)**
Insurance premium revenue	**907,615**	**(785,802)**	**121,813**	**2,343**	**(2,023)**	**320**	**909,958**	**(787,825)**	**122,133**
Unearned premium as of 31 December (note 22)	**590,224**	**(554,185)**	**36,039**	**696**	**(670)**	**26**	**590,920**	**(554,855)**	**36,065**

Year 2019	General insurance			Life insurance			Total		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Gross premium	967,911	(837,127)	130,784	2,591	(2,173)	418	970,502	(839,300)	131,202
Movement in provision for unearned premium	(322,295)	319,078	(3,217)	175	(169)	6	(322,120)	318,909	(3,211)
Insurance premium revenue	645,616	(518,049)	127,567	2,766	(2,342)	424	648,382	(520,391)	127,991
Unearned premium as of 31 December (note 22)	580,631	(550,801)	29,830	791	(763)	28	581,422	(551,564)	29,858

Insurance contracts premium includes AED 166,639 thousand (2019: AED 146,189 thousand) of reinsurance premium accepted.

4 CLAIMS INCURRED

	General Insurance			Life insurance			Total		
Year 2020	**Gross AED'000**	**Reinsurers' share AED'000**	**Net AED'000**	**Gross AED'000**	**Reinsurers' share AED'000**	**Net AED'000**	**Gross AED'000**	**Reinsurers' share AED'000**	**Net AED'000**
Claims paid	**400,714**	**(373,003)**	**27,711**	**3,118**	**(2,817)**	**301**	**403,832**	**(375,820)**	**28,012**
Changes in provision for outstanding claim (note 22(c))	**99,913**	**(92,256)**	**7,657**	**(492)**	**442**	**(50)**	**99,421**	**(91,814)**	**7,607**
Movement in additional reserves (note 22(a))	**38,903**	**(38,662)**	**241**	**243**	**(221)**	**22**	**39,146**	**(38,883)**	**263**
Movement in unexpired risk reserve	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Movement in loss adjustment expense reserve (note 22(b))	**861**	**-**	**861**	**32**	**-**	**32**	**893**	**-**	**893**
	540,391	**(503,921)**	**36,470**	**2,901**	**(2,596)**	**305**	**543,292**	**(506,517)**	**36,775**

	General Insurance			Life insurance			Total		
Year 2019	Gross AED'000	Reinsurers' share AED'000	Net AED'000	Gross AED'000	Reinsurers' share AED'000	Net AED'000	Gross AED'000	Reinsurers' share AED'000	Net AED'000
Claims paid	322,344	(278,377)	43,967	1,673	(1,516)	157	324,017	(279,893)	44,124
Changes in provision for outstanding claim (note 22(c))	(133,274)	132,783	(491)	(823)	752	(71)	(134,097)	133,535	(562)
Movement in additional reserves (note 22(a))	71,818	(60,719)	11,099	(634)	572	(62)	71,184	(60,147)	11,037
Movement in unexpired risk reserve	(6,200)	-	(6,200)	-	-	-	(6,200)	-	(6,200)
Movement in loss adjustment expense reserve (note 22(b))	866	-	866	(19)	-	(19)	847	-	847
	255,554	(206,313)	49,241	197	(192)	5	255,751	(206,505)	49,246

5 SEGMENTAL INFORMATION

Identification of reportable segments

Primary segment information

For management purposes, the Group is organised into business units based on its products and services and has three reportable operating segments as follows:

- The general insurance segment, comprises motor, marine, fire, engineering and general accident.
- The medical and life segment includes medical and group life.
- Investment comprises investment and cash management for the Group's own account.

Transactions between operating segments are conducted at estimated market rates on an arm's length basis.

Operating segment information is presented below:

	General insurance		Medical and life insurance		Total	
	2020	2019	**2020**	2019	**2020**	2019
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
UNDERWRITING INCOME						
Insurance premium revenue	**625,117**	408,871	**284,841**	239,511	**909,958**	648,382
Reinsurers' share of premium	**(580,151)**	(349,176)	**(207,674)**	(171,215)	**(787,825)**	(520,391)
Net insurance premium revenue	**44,966**	59,695	**77,167**	68,296	**122,133**	127,991
Reinsurance commission income	**73,290**	91,112	**53**	58	**73,343**	91,170
Other income	**-**	-	**-**	230	**-**	230
	118,256	150,807	**77,220**	68,584	**195,476**	219,391
UNDERWRITING EXPENSES						
Claims incurred	**(311,788)**	(54,306)	**(231,504)**	(201,445)	**(543,292)**	(255,751)
Reinsurers' share of claims incurred	**289,454**	18,289	**217,063**	188,216	**506,517**	206,505
Net claims incurred	**(22,334)**	(36,017)	**(14,441)**	(13,229)	**(36,775)**	(49,246)
Commission expenses	**(25,038)**	(29,216)	**(22,543)**	(20,565)	**(47,581)**	(49,781)
Other direct expenses	**(1,183)**	(1,196)	**(24,101)**	(21,112)	**(25,284)**	(22,308)
General and administration expenses relating to underwriting activities	**(24,942)**	(22,825)	**(12,113)**	(7,032)	**(37,055)**	(29,857)
	(73,497)	(89,254)	**(73,198)**	(61,938)	**(146,695)**	(151,192)
NET UNDERWRITING INCOME	**44,759**	61,553	**4,022**	6,646	**48,781**	68,199
Total investment income					**18,772**	18,144
Unallocated other expenses					**(12,547)**	(10,703)
PROFIT FOR THE YEAR					**55,006**	75,640

For operational and management reporting purposes, the Group is organised as one geographical segment.

5 SEGMENTAL INFORMATION (continued)

OTHER INFORMATION

	General insurance		Medical and life insurance		Investment		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
Segment assets	**950,413**	884,582	**237,764**	181,370	**525,141**	543,262	**1,713,318**	1,609,214
Segment liabilities	**955,562**	872,830	**234,576**	192,340	**1,212**	2,970	**1,191,350**	1,068,140
Capital expenditure	**2,547**	1,825	**-**	-	**-**	-	**2,547**	1,825
Depreciation	**1,507**	1,464	**-**	-	**-**	-	**1,507**	1,464

The Group's operations are primarily conducted in the United Arab Emirates. General insurance figures reported above include certain assets and liabilities that are common for all three reportable segments. These amounts are not significant and are not reported separately to the chief decision maker.

6 OTHER INVESTMENT INCOME

	2020	2019
	AED'000	AED'000
Rental income from investment properties	**508**	583
Investment property expenses	**(892)**	(863)
	(384)	(280)
Dividend income received on financial assets at FVTOCI	**14,374**	14,035
Interest income from bonds and fixed deposits	**873**	1,298
Interest income from cash and cash equivalents and statutory deposits	**3,846**	3,246
	18,709	18,299

7 GENERAL AND ADMINISTRATION EXPENSES

General and administration expenses allocable to the underwriting and non-underwriting activities include mainly the following:

	2020	2019
	AED'000	AED'000
Staff costs	**30,813**	26,454
Rental costs – short term operating leases*	**1,353**	1,413
Social contributions**	**1,000**	500

* The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) and for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

** During the year social contributions were paid for COVID-19 relief program and in the previous year social contributions were paid to CSR Initiative and charitable activities.

8 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the year, net of directors' fees, by the weighted average number of shares outstanding during the year as follows:

	2020	2019
Profit for the year (AED'000)	**55,006**	75,640
Directors' fees (AED'000)	**(4,412)**	(3,212)
Net (AED'000)	**50,594**	72,428
Weighted average number of shares outstanding during the year ('000)	**100,000**	100,000
Earnings per share (AED)	**0.51**	0.72

No figures for diluted earnings per share are presented as the Group has not issued any instruments which would have an impact on earnings per share when exercised.

9 PROPERTY AND EQUIPMENT

	Land AED'000	**Furniture and equipment AED'000**	**Motor vehicles AED'000**	**Total AED'000**
Cost:				
At 1 January 2020	**44,173**	**16,260**	**791**	**61,224**
Additions during the year	**-**	**2,523**	**24**	**2,547**
At 31 December 2020	**44,173**	**18,783**	**815**	**63,771**
Depreciation:				
At 1 January 2020	**-**	**(13,124)**	**(550)**	**(13,674)**
Charge for the year	**-**	**(1,369)**	**(138)**	**(1,507)**
At 31 December 2020	**-**	**(14,493)**	**(688)**	**(15,181)**
Net carrying amount:				
At 31 December 2020	**44,173**	**4,290**	**127**	**48,590**

	Land AED'000	Furniture and equipment AED'000	Motor vehicles AED'000	Total AED'000
Cost:				
At 1 January 2019	44,173	14,435	791	59,399
Additions during the year	-	1,825	-	1,825
At 31 December 2019	44,173	16,260	791	61,224
Depreciation:				
At 1 January 2019	-	(11,795)	(415)	(12,210)
Charge for the year	-	(1,329)	(135)	(1,464)
At 31 December 2019	-	(13,124)	(550)	(13,674)
Net carrying amount:				
At 31 December 2019	44,173	3,136	241	47,550

9 PROPERTY AND EQUIPMENT (continued)

The depreciation charge for the year of AED 1,507 thousand (2019: AED 1,464 thousand) has been allocated as follows:

	2020	2019
	AED'000	AED'000
Underwriting expenses	1,130	1,098
Non-underwriting expenses	377	366
	1,507	1,464

Included in property and equipment is land situated in the Emirate of Dubai, United Arab Emirates with a carrying value of AED 44,173 thousand (2019: AED 44,173 thousand). The Group's Board of Directors has resolved to construct the Group's head office on the land in the foreseeable future.

10 INVESTMENT PROPERTY

	Freehold land	Building	Total
	AED'000	AED'000	AED'000
Cost:			
At 1 January 2020	36,507	18,392	54,899
Addition during the year	13,621	-	13,621
At 31 December 2020	50,128	18,392	68,520
Depreciation:			
At 1 January 2020	-	(18,392)	(18,392)
At 31 December 2020	-	(18,392)	(18,392)
Net carrying amount:			
At 31 December 2020	50,128	-	50,128

	Freehold land	Building	Total
	AED'000	AED'000	AED'000
Cost:			
At 1 January 2019	20,032	18,392	38,424
Addition during the year	16,475	-	16,475
At 31 December 2019	36,507	18,392	54,899
Depreciation:			
At 1 January 2019	-	(18,392)	(18,392)
At 31 December 2019	-	(18,392)	(18,392)
Net carrying amount:			
At 31 December 2019	36,507	-	36,507

Investment properties comprise of four properties as mentioned below:

Lands at Nad Al Shiba First, Dubai

These properties are carried at cost and the fair value of the investment properties as of 31 December 2020, based on a valuation undertaken by an independent qualified valuer, amounted to AED 7,000 thousand each.

10 INVESTMENT PROPERTY (continued)

Land and Building at Deira, Dubai

The property is carried at cost and the fair value of the investment property as of 31 December 2020, based on an average of valuation undertaken by independent qualified valuers, amounted to AED 31,730 thousand (2019: AED 38,750 thousand).

Land and Building at Satwa, Dubai

Additions during the year pertain to this property which is carried at cost. The management of the Group is of the view that assessment of fair value of under development property is difficult as appraiser normally uses fair value of land on the basis of precedent market transactions concluded in the recent past. Accordingly, till the completion phase, fair value of this property cannot be disclosed. Since, the developments are started in the current year, hence, the fair value of land was assessed, based on a valuation undertaken as at 31 December 2019 by an independent valuer, amounted to AED 18,644 thousand.

The fair value of investment properties has been determined using level 2 fair value hierarchy.

11 FINANCIAL INSTRUMENTS

	Carrying value		Fair value	
	2020 AED'000	2019 AED'000	**2020 AED'000**	2019 AED'000
Financial instruments				
At fair value through profit or loss (note 11(a))	**114,328**	129,898	**114,328**	129,898
At fair value through other comprehensive income (note 11(b))	**324,316**	352,587	**324,316**	352,587
Investments held at amortised cost (note 11 (c))	**36,368**	24,270	**36,514**	24,068
	475,012	506,755	**475,158**	506,553

11(a) FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 AED'000	2019 AED'000
a) **Shares - quoted**	**3,733**	3,880
b) **Designated upon initial recognition**		
Bank deposits - unquoted	**110,595**	126,018
	114,328	129,898

The entire shares and bank deposits are within the United Arab Emirates. Bank deposits include deposits amounting to AED 30,254 thousand (2019: AED 26,018 thousand) with maturity over three months as at the reporting date.

11(b) FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 AED'000	2019 AED'000
Shares – quoted (within UAE)	**287,427**	320,769
Shares – unquoted (outside UAE)	**30,008**	23,790
Shares – unquoted (within UAE)	**6,881**	8,028
	324,316	352,587

The fair value loss amounting to AED 34,187 thousand (2019: gain of AED 26,341 thousand) has been recognised in the consolidated statement of comprehensive income.

11(c) DEBT INSTRUMENTS AT AMORTISED COST

	2020	2019
	AED'000	AED'000
Amortised cost		
Debt securities (within UAE)	24,706	7,789
Debt securities (outside UAE)	11,662	16,481
	36,368	24,270

Debt securities amounting to AED 21,778 thousand (2019: AED 24,270 thousand) are pledged against bank loans (note 20). The investments carry interest at an effective rate of 4.96% per annum (2019: 4.67% per annum). The maturity profile of these debt instruments is shown below:

	31 December 2020		
	Less than 5 years	More than 5 years	Total
	AED'000	AED'000	AED'000
Debt securities (within UAE)	6,433	18,273	24,706
Debt securities (outside UAE)	9,822	1,840	11,662
	16,255	20,113	36,368

	31 December 2019		
	Less than 5 years	More than 5 years	Total
	AED'000	AED'000	AED'000
Debt securities (within UAE)	7,789	-	7,789
Debt securities (outside UAE)	13,445	3,036	16,481
	21,234	3,036	24,270

12 FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value and fair values hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Determination of fair value and fair values hierarchy (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1 AED'000	**Level 2 AED'000**	**Level 3 AED'000**	**Total fair value AED'000**
At 31 December 2020				
Financial instruments				
At fair value through profit or loss:				
Bank deposits	**-**	**110,595**	**-**	**110,595**
Quoted equity securities	**3,733**	**-**	**-**	**3,733**
	3,733	**110,595**	**-**	**114,328**
At fair value through other comprehensive income:				
Quoted equity securities	**287,427**	**-**	**-**	**287,427**
Unquoted equity securities	**-**	**-**	**36,889**	**36,889**
	287,427	**-**	**36,889**	**324,316**
	291,160	**110,595**	**36,889**	**438,644**

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total fair value AED'000
At 31 December 2019				
Financial instruments				
At fair value through profit or loss:				
Bank deposits	-	126,018	-	126,018
Quoted equity securities	3,880	-	-	3,880
	3,880	126,018	-	129,898
At fair value through other comprehensive income:				
Quoted equity securities	320,769	-	-	320,769
Unquoted equity securities	-	-	31,818	31,818
	320,769	-	31,818	352,587
	324,649	126,018	31,818	482,485

12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Movements in level 3 financial instruments measured at fair value

31 December 2020

	At 1 January 2020 AED'000	**Purchases AED'000**	**Sales AED'000**	**Total loss recorded in OCI AED'000**	**Transfers AED'000**	**At 31 December 2020 AED'000**
Financial instruments						
At fair value through other comprehensive income						
Unquoted investments	**31,818**	**15,253**	**(6,161)**	**(4,021)**	**-**	**36,889**
Total level 3 financial assets	**31,818**	**15,253**	**(6,161)**	**(4,021)**	**-**	**36,889**

31 December 2019

	At 1 January 2019 AED'000	Purchases AED'000	Sales AED'000	Total loss recorded in OCI AED'000	Transfers AED'000	At 31 December 2019 AED'000
Financial instruments						
At fair value through other comprehensive income						
Unquoted investments	30,184	8,822	(5,143)	(2,045)	-	31,818
Total level 3 financial assets	30,184	8,822	(5,143)	(2,045)	-	31,818

12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions

For equity securities, the Group does not have a material exposure as at 31 December 2020 and, accordingly no sensitivity analysis has been done.

Asset for which fair value approximates carrying value

For financial assets and financial liabilities that have short term maturities (less than three months) it is assumed that the carrying amounts approximate their fair values. This assumption is also applied to insurance receivables, reinsurance payables, demand deposits and savings accounts without specific maturity. Fair value of quoted bonds is based on price quotations at the reporting date. Long term bank loan and bank deposits designated at FVTPL are evaluated by the Group based on Level 2 input parameters such as interest rates.

13 INSURANCE RECEIVABLES

	2020	2019
	AED'000	AED'000
Due from policyholders	**100,806**	109,853
Due from insurance companies	**53,582**	48,072
Due from insurance brokers	**7,934**	14,905
Other insurance receivables	**89**	158
Due from re-insurance companies in respect of settled claims	**28,266**	40,831
Less: Allowance for expected credit losses	**(11,442)**	(11,079)
	179,235	202,740

All of the above amounts are due within twelve months of the reporting date. The amounts due from reinsurers are normally settled on a quarterly basis. Movements in the allowance for expected credit losses were as follows:

	2020	2019
	AED'000	AED'000
Loss allowance as at 1 January	**11,079**	9,998
Loss allowance provided during the year	**363**	1,081
Loss allowance as at 31 December	**11,442**	11,079

The following table shows analysis of insurance receivables by class of business:

	General		**Life**	
	2020	2019	**2020**	2019
	AED'000	AED'000	**AED'000**	AED'000
Due from policyholders	**100,439**	109,270	**367**	583
Due from insurance companies	**53,582**	48,072	**-**	-
Due from insurance brokers	**7,846**	14,797	**88**	108
Other insurance receivables	**89**	158	**-**	-
Due from re-insurance companies	**27,452**	40,788	**814**	43
Less: Allowance for expected credit losses	**(11,442)**	(11,079)	**-**	-
	177,966	202,006	**1,269**	734

13 INSURANCE RECEIVABLES (continued)

Inside UAE:

	General		Life	
	2020	2019	**2020**	2019
	AED'000	AED'000	**AED'000**	AED'000
Due from policyholders	**98,905**	105,467	**357**	543
Due from insurance companies	**53,582**	48,032	**-**	-
Due from insurance brokers	**7,846**	14,797	**88**	108
Other insurance receivables	**89**	158	**-**	-
Due from re-insurance companies	**591**	354	**-**	-
Less: Allowance for expected credit losses	**(11,442)**	(11,079)	**-**	-
	149,571	157,729	**445**	651
Outside UAE:				
Due from policyholders	**1,534**	3,803	**10**	40
Due from insurance companies	**-**	40	**-**	-
Due from re-insurance companies	**26,861**	40,434	**814**	43
	28,395	44,277	**824**	83

The following table provides an ageing analysis of insurance receivables:

31 December 2020

	Less than 30 days AED'000	***30-90 days AED'000***	***91 to 180 days AED'000***	***181 to 270 days AED'000***	***271 to 365 days AED'000***	***> 365 days AED'000***	***Total AED'000***
Inside UAE:							
Due from:							
Policyholders	**76,671**	**1,320**	**1,575**	**1,151**	**1,745**	**5,478**	**87,940**
Insurance companies	**6,905**	**9,920**	**11,616**	**4,025**	**5,849**	**15,147**	**53,462**
Insurance brokers	**2,307**	**280**	**181**	**240**	**361**	**4,565**	**7,934**
Other receivables	**74**	**-**	**-**	**5**	**-**	**10**	**89**
Re-insurance companies	**52**	**83**	**13**	**107**	**41**	**295**	**591**
Total	**86,009**	**11,603**	**13,385**	**5,528**	**7,996**	**25,495**	**150,016**
Outside UAE:							
Due from:							
Policyholders	**1,059**	**102**	**69**	**-**	**3**	**311**	**1,544**
Re-insurance companies	**12,239**	**5,265**	**6,151**	**2,400**	**1,008**	**612**	**27,675**
Total	**13,298**	**5,367**	**6,220**	**2,400**	**1,011**	**923**	**29,219**

13 INSURANCE RECEIVABLES (continued)

31 December 2019

	Less than 30 days AED'000	*30-90 days AED'000*	*91 to 180 days AED'000*	*181 to 270 days AED'000*	*271 to 365 days AED'000*	*Above 365 days AED'000*	*Total AED'000*
Inside UAE:							
Due from:							
Policyholders	76,762	6,770	1,870	2,722	3,318	3,489	94,931
Insurance companies	1,802	5,529	10,364	5,116	8,735	16,486	48,032
Insurance brokers	6,536	1,484	1,498	814	297	4,276	14,905
Other receivables	130	-	-	-	-	28	158
Re-insurance companies	3	9	56	-	-	286	354
Total	85,233	13,792	13,788	8,652	12,350	24,565	158,380
Outside UAE:							
Due from:							
Policyholders	3,677	113	53	-	-	-	3,843
Insurance companies	-	-	-	-	-	40	40
Re-insurance companies	25,803	9,259	3,346	1,134	187	748	40,477
Total	29,480	9,372	3,399	1,134	187	788	44,360

14 PREPAYMENTS AND OTHER RECEIVABLES

	2020 AED'000	2019 AED'000
Accrued interest receivable	**1,470**	1,239
Prepayments	**2,682**	1,206
Staff debtors and advances	**165**	227
VAT receivable	**4,051**	5,248
Other receivables	**16,987**	14,408
	25,355	22,328

15 STATUTORY DEPOSITS

	2020 AED'000	2019 AED'000
Bank deposits:		
Amounts that cannot be withdrawn without the prior approval of the Ministry of Economy in accordance with Article 42 of Federal Law No. 6 of 2007	**10,000**	10,000

The bank deposit expires after one year and is renewable every year and earns an interest of 2.30% (2019: 3.35%) per annum.

16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following consolidated statement of financial position amounts:

	2020	2019
	AED'000	AED'000
Bank balances and cash	**96,593**	88,917

Cash and cash equivalents are within United Arab Emirates, Europe and GCC. The cash and cash equivalents include e-Dirham account amounting to AED 5,556 thousand (2019: AED 7,599 thousand).

17 SHARE CAPITAL

	2020	2019
	AED'000	AED'000
Issued and fully paid 100,000,000 shares of AED 1 each (2019: 100,000,000 shares of AED 1 each)	**100,000**	100,000

18 RESERVES

NATURE AND PURPOSE OF RESERVES

Statutory reserve

In accordance with UAE Commercial Companies Law and the Group's Articles of Association, the Group has resolved to discontinue the annual transfer of 10% of the profit for the year since the statutory reserve reached 50% of the paid-up share capital. The reserve is not available for distribution, except in the circumstances stipulated by the UAE Commercial Companies Law.

General reserve

Transfers to the general reserve are made on the recommendation of the Board of Directors. During the year, based on the recommendation of the Board of Directors and approval of the shareholders at the Annual General Meeting held on 5 March 2020, AED 30,000 thousand (31 December 2019: AED 7,000 thousand) was transferred to the general reserve from retained earnings. This reserve may be used for such purposes as deemed appropriate by the Board of Directors.

Reinsurance reserve

In accordance with Insurance Authority's Board of Directors' Decision No. 23, Article 34, an amount of AED 3,956 thousand was transferred from retained earnings to reinsurance reserve. The reserve is not available for distribution, and will not be disposed of without prior approval from Insurance Authority.

Cumulative changes in fair value of investments

This reserve records fair value changes on financial instruments held at fair value through other comprehensive income.

19 DIVIDENDS

For the year ended 31 December 2019, the Shareholders at the annual general meeting dated 5 March 2020 approved a cash dividend of 35% (AED 0.35 per share) totalling AED 35 million. For the year ended 31 December 2018, the Shareholders at the annual general meeting dated 13 March 2019 approved a cash dividend of 30% (AED 0.3 per share) totalling AED 30 million.

20 BANK LOAN

	2020 AED'000	2019 AED'000
Loan I	**1,212**	2,890
Loan II	**-**	80
	1,212	2,970

Loan I

In 2015, the Group entered into credit facility agreements with an international bank. The loan facilities are secured against investments in debt instruments held at amortised cost amounting to AED 11,630 thousand (2019: AED 13,022 thousand) for the Group's investment operations and carry interest at 1-month USD LIBOR plus 0.5% per annum. The tenure of the loans are directly linked to the maturity period of the debt instruments which are financed by the loan. The debt instruments have maturity periods of 1 to 2 years. The net decrease in carrying amount during the year is due to total repayment of loan AED 1,678 thousand (2019: AED 6,891 thousand) by cash and cash equivalent.

Loan II

In 2015, the Group entered into credit facility agreements with a local bank. The loan facilities were secured against investments in debt instruments held at amortised cost amounting to AED 10,148 thousand (2019: AED 11,249 thousand) used for the Group's investment operations and carried interest at 3 months USD LIBOR plus 0.85% per annum. The debt instruments have maturity periods of 1 to 10 years. The net decrease in carrying amount during the year is due to repayment of loan AED 80 thousand by cash and cash equivalents (2019: AED 5,805 thousand by cash and cash equivalent and AED 22 thousand by non-cash increase due to interest accrued on debt securities).

21 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the consolidated statement of financial position are as follows:

	2020 AED'000	2019 AED'000
Provision as at 1 January	**4,773**	3,837
Provided during the year	**612**	1,183
End of service benefits paid	**(176)**	(247)
Provision as at 31 December	**5,209**	4,773

22 INSURANCE CONTRACT ASSETS AND LIABILITIES

	Gross		Reinsurers' share		Net	
	2020 AED'000	2019 AED'000	2020 AED'000	2019 AED'000	2020 AED'000	2019 AED'000
Additional reserve (note 22(a))	**156,273**	117,127	**(132,611)**	(93,728)	**23,662**	23,399
Unallocated loss adjustment expense reserve (note 22(b))	**3,512**	2,619	**-**	-	**3,512**	2,619
Outstanding claims (note 22(c))	**150,923**	51,502	**(140,939)**	(49,125)	**9,984**	2,377
Unearned premium reserve (note 22(d))	**590,920**	581,422	**(554,855)**	(551,564)	**36,065**	29,858
	901,628	752,670	**(828,405)**	(694,417)	**73,223**	58,253

22 INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

22 (a) Additional reserve

	General insurance AED'000	Life insurance AED'000	Total AED'000
31 December 2020			
Gross	**155,914**	**359**	**156,273**
Reinsurers' share	**(132,286)**	**(325)**	**(132,611)**
	23,628	**34**	**23,662**
31 December 2019			
Gross	117,011	116	117,127
Reinsurers' share	(93,624)	(104)	(93,728)
	23,387	12	23,399

Additional reserve of AED 7,624 thousand (2019: AED 9,624 thousand) has been provided by the Group in General insurance segment compared to the Group's actuary's report.

22 (b) Unallocated loss adjustment expense reserve

	General insurance AED'000	Life insurance AED'000	Total AED'000
At 31 December 2019	**2,614**	**5**	**2,619**
Movement during the year	**861**	**32**	**893**
At 31 December 2020	**3,475**	**37**	**3,512**

22 (c) Outstanding claims

	General insurance AED'000	Life insurance AED'000	Total AED'000
At 31 December 2020			
Gross	**148,620**	**2,303**	**150,923**
Reinsurers' share	**(138,866)**	**(2,073)**	**(140,939)**
	9,754	**230**	**9,984**
At 31 December 2019			
Gross	48,707	2,795	51,502
Reinsurers' share	(46,610)	(2,515)	(49,125)
	2,097	280	2,377

22 (d) Unearned premium reserve

	General insurance AED'000	Life insurance AED'000	Total AED'000
At 31 December 2020			
Gross	**590,224**	**696**	**590,920**
Reinsurers' share	**(554,185)**	**(670)**	**(554,855)**
	36,039	**26**	**36,065**
At 31 December 2019			
Gross	580,631	791	581,422
Reinsurers' share	(550,801)	(763)	(551,564)
	29,830	28	29,858

23 (a) REINSURANCE BALANCES PAYABLE

	2020	2019
	AED'000	AED'000
Reinsurance balances payable	86,529	142,520

The following table shows analysis of reinsurance balances payable by class of business:

	General		Life	
	2020	2019	2020	2019
	AED'000	AED'000	AED'000	AED'000
Inside UAE	1,694	4,737	-	3
Outside UAE	84,778	137,014	57	766
	86,472	141,751	57	769

23 (b) INSURANCE AND OTHER PAYABLES

	2020	2019
	AED'000	AED'000
Insurance and other payables	160,910	118,701

The following table shows analysis of payables by class of business:

	General		Life	
	2020	2019	2020	209
	AED'000	AED'000	AED'000	AED'000
Payables-Inside UAE	145,033	115,799	245	272
Payables-Outside UAE	15,632	2,630	-	-
	160,665	118,429	245	272

Inside UAE:

	General		Life	
	2020	2019	2020	2019
	AED'000	AED'000	AED'000	AED'000
Payable to policy holders	52,341	31,773	89	83
Payable to insurance companies	29,612	34,691	-	-
Payable to brokers	11,539	9,875	149	181
Payable to TPAs	36,266	22,715	-	-
Other payables	15,275	16,745	7	8
	145,033	115,799	245	272

Outside UAE:

	General		Life	
	2020	2019	2020	2019
	AED'000	AED'000	AED'000	AED'000
Payable to brokers	-	-	-	-
Other payables	15,632	2,630	-	-
	15,632	2,630	-	-

24 RELATED PARTY TRANSACTIONS

Related parties represent, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. The pricing policies and terms of these transactions are approved by the Group's management.

The significant balances outstanding at 31 December in respect of related parties included in the consolidated financial statements are as follows:

	2020 AED'000	2019 AED'000
Affiliates of major shareholders:		
Due from policyholders	**21,458**	19,991
Outstanding claims	**21,385**	24,752

The income and expenses in respect of related parties included in the consolidated financial statements are as follows:

	2020 AED'000	2019 AED'000
Affiliates of major shareholders:		
Premiums	**27,294**	39,855
Claims paid	**27,182**	31,811
Commission expenses	**5,927**	7,513
Rent received	**59**	59
Rent paid	**931**	931

Compensation of the key management personnel is as follows:

	2020 AED'000	2019 AED'000
Short term employee benefits	**7,213**	7,010
End of service benefits	**199**	546
	7,412	7,556

Outstanding balances at the year-end arise in the normal course of business. For the years ended 31 December 2020 and 31 December 2019, the Group has reversed and recorded expected credit losses of AED 192 thousand and AED 154 thousand on balances owed by related parties respectively.

25 DIRECTORS' FEES

Directors' fees have been included as an appropriation of net profit for the year as agreed by the Group's management.

26 RISK MANAGEMENT

(a) Governance framework

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Group's risk management function is carried out by the board of directors, with its associated committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to the Chief Executive Officer and senior managers.

26 RISK MANAGEMENT (continued)

(a) Governance framework (continued)

The board of directors meets regularly to approve any commercial, regulatory and organisational decisions. The Chief Executive Officer under the authority delegated from the board of directors defines the Group's risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

The Group's enterprise risk management framework is established to identify and analyse the key risks faced by the Group to set appropriate controls and manage those risks. As part of the risks identification process, the Group uses risk based capital model to assess the capital requirement and uses stress analysis to apply changes to capital. The Group's risk appetite is derived from the changes to capital.

(b) Capital management framework

The primary objective of the Group's capital management is to comply with the regulatory requirements in the UAE and to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group fully complied with the externally imposed capital requirements and no changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 31 December 2019.

(c) Regulatory framework

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Group is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Group are also subject to regulatory requirements within the jurisdiction where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

(d) Asset liability management (ALM) framework

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group manages these positions to achieve long-term investment returns in excess of its obligations under insurance contracts. The principal technique of the Group's ALM is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders.

The Chief Executive Officer actively monitors the ALM to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance contracts.

The Chief Executive Officer regularly monitors the financial risks associated with the Group's other financial assets and liabilities not directly associated with insurance liabilities.

(e) Disclosure as per the circular no.33 of 2016 of UAE Insurance Authority

For the purpose of disclosure as per the circular no.33 of 2016 of UAE Insurance Authority, the Group's financial information is grouped into business units based on its products and services as follows:

- The general insurance segment, comprises motor, marine, fire, engineering, medical and general accident.
- The life class includes group life.

26 RISK MANAGEMENT (continued)

(e) Disclosure as per the circular no.33 of 2016 of UAE Insurance Authority (continued)

The table below summarises the operating activities of the general and life insurance class of business of the Group.

		General insurance		Life insurance	
		2020	2019	**2020**	2019
	Notes	**AED'000**	AED'000	**AED'000**	AED'000
UNDERWRITING INCOME					
Insurance premium revenue	3	**907,615**	645,616	**2,343**	2,766
Reinsurers' share of premium	3	**(785,802)**	(518,049)	**(2,023)**	(2,342)
Net insurance premium revenue	3	**121,813**	127,567	**320**	424
Reinsurance commission income		**73,290**	91,112	**53**	58
Other income		**-**	230	**-**	-
		195,103	218,909	**373**	482
UNDERWRITING EXPENSES					
Claims incurred	4	**(540,391)**	(255,554)	**(2,901)**	(197)
Reinsurers' share of claims incurred	4	**503,921**	206,313	**2,596**	192
Net claims incurred	4	**(36,470)**	(49,241)	**(305)**	(5)
Commission expenses		**(47,475)**	(49,608)	**(106)**	(173)
Other direct expenses		**(25,281)**	(22,308)	**(3)**	-
General and administration expenses relating to underwriting activities *		**(36,926)**	(29,739)	**(129)**	(118)
		(146,152)	(150,896)	**(543)**	(296)
NET UNDERWRITING INCOME/(LOSS)		**48,951**	68,013	**(170)**	186
Total investment income		**16,321**	15,693	**2,451**	2,451
Other operating expenses		**(12,522)**	(10,679)	**(25)**	(24)
PROFIT FOR THE YEAR		**52,750**	73,027	**2,256**	2,613
Net (loss)/gain on revaluation of investments through other comprehensive income		**(27,057)**	18,421	**(7,643)**	8,785
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**25,693**	91,448	**(5,387)**	11,398

*General and administration expenses are allocated between both classes of business in proportion with the gross written premiums in respective classes of business as agreed by the management.

26 RISK MANAGEMENT (continued)

(e) Disclosure as per the circular no.33 of 2016 of UAE Insurance Authority (continued)

The table below summarises the assets and liabilities of the general and life insurance class of business of the Group.

		General insurance		Life insurance	
		2020	2019	**2020**	2019
	Notes	**AED'000**	AED'000	**AED'000**	AED'000
ASSETS					
Property and equipment		**48,590**	47,550	**-**	-
Investment property		**50,128**	36,507	**-**	-
Financial instruments		**421,566**	445,665	**53,446**	61,090
Reinsurance assets		**825,338**	691,035	**3,067**	3,382
Insurance receivables	13	**177,966**	202,006	**1,269**	734
Prepayments and other receivables		**25,355**	22,328	**-**	-
Statutory deposits		**6,000**	6,000	**4,000**	4,000
Cash and cash equivalents		**95,698**	88,186	**895**	731
TOTAL ASSETS		**1,650,641**	1,539,277	**62,677**	69,937
EQUITY AND LIABILITIES					
Equity					
Share capital		**100,000**	100,000	**-**	-
Statutory reserve		**50,000**	50,000	**-**	-
General reserve		**50,000**	20,000	**-**	-
Reinsurance reserve		**3,946**	-	**10**	-
Retained earnings		**162,790**	181,665	**-**	-
Cumulative changes in fair value of investments		**123,263**	149,805	**31,959**	39,604
Reserve for life segment		**(26,983)**	(25,560)	**26,983**	25,560
Total equity		**463,016**	475,910	**58,952**	65,164
Liabilities					
Bank loan		**1,212**	2,970	**-**	-
Employees' end of service benefits		**5,181**	4,748	**28**	25
Insurance contract liabilities		**898,233**	748,963	**3,395**	3,707
Amounts held under reinsurance treaties		**35,862**	46,506	**-**	-
Reinsurance balances payable		**86,472**	141,751	**57**	769
Insurance and other payables	23	**160,665**	118,429	**245**	272
Total liabilities		**1,187,625**	1,063,367	**3,725**	4,773
TOTAL EQUITY AND LIABILITIES		**1,650,641**	1,539,277	**62,677**	69,937

The risks faced by the Group and the way these risks are mitigated by management are summarised below.

26A Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

26 RISK MANAGEMENT (continued)

26A Insurance risk (continued)

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the estimated amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Group manages risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Underwriting limits are in place to enforce appropriate risk selection criteria.

Frequency and severity of claims

The Group has the right not to renew individual policies, to re-price the risk, to impose deductibles and to reject the payment of a fraudulent claim. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs (for example, subrogation). Furthermore, the Group's strategy limits the total exposure to any one territory and the exposure to any one industry.

Property insurance contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claim payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. The insurance risk arising from insurance contracts is not concentrated in any of the territories in which the Group operates, and there is a balance between commercial and personal properties in the overall portfolio of insured buildings.

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims. For marine insurance the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes. The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered. For medical insurance, the main risks are illness and related healthcare costs. For group life and personal accident, the main risks are claims from death and permanent or partial disability. The Group generally does not offer medical insurance to walk-in customers. Medical, group life and personal accident insurance are generally offered to corporate customers with large population to be covered under the policy.

Reinsurance risk

In common with other insurance companies, in order to minimise financial exposure arising from large insurance claims, the Group, in the normal course of business, enters into arrangements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts.

To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers. The Group deals with reinsurers approved by the Board of Directors.

26 RISK MANAGEMENT (continued)

26A Insurance risk (continued)

Reinsurance risk (continued)

The five largest reinsurers account for 66% of amounts due from reinsurance companies at 31 December 2020 (2019: 81%). The maximum theoretical credit risk exposure in this connection is mainly in Europe.

Sources of uncertainty in the estimation of future claim payments

Claims on insurance contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and element of the claims provision includes incurred but not reported claims (IBNR). The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims. For some insurance contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities. In estimating the liability for the cost of reported claims not yet paid, the Group considers information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims' exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The amount of insurance claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. Insurance contracts are also subject to the emergence of new types of latent claims, but no allowance is included for this at the end of the reporting period.

Where possible, the Group adopts multiple techniques to estimate the required level of provisions. This provides a greater understanding of the trends inherent in the experience being projected. The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

In calculating the estimated cost of unpaid claims (both reported and not), the Group's estimation techniques are a combination of loss-ratio-based estimates and an estimate based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes. The initial loss-ratio estimate is an important assumption in the estimation technique and is based on previous years' experience, adjusted for factors such as premium rate changes, anticipated market experience and historical claims inflation.

The initial estimate of the loss ratios used for the current year before and after reinsurance are analysed below by type of risk where the insured operates for current and prior year premium earned.

	Year ended 31 December 2020		Year ended 31 December 2019	
Type of risk	**Gross loss ratio**	**Net loss ratio**	Gross loss ratio	Net loss ratio
Life insurance	**124%**	**96%**	7%	1%
General insurance	**60%**	**30%**	40%	39%

26 RISK MANAGEMENT (continued)

26A Insurance risk (continued)

Process used to decide on assumptions

The risks associated with insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. Internal data is derived mostly from the Group's quarterly claims reports and screening of the actual insurance contracts carried out at the end of the reporting period to derive data for the contracts held. The Group uses assumptions based on a mixture of internal and market data to measure its claims liabilities. The Group has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

The choice of selected results for each accident year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combinations of techniques have been selected for individual accident years or groups of accident years within the same class of business.

Claims development process

Claims development tables are disclosed in order to put the unpaid claims estimates included in the financial statements into a context, allowing comparison of the development claims provisions with those seen in previous years.

In effect, the table highlights the Group's ability to provide an estimate of the total value of claims. This table provides a review of current estimates of cumulative claims and demonstrates how the estimated claims have changed at subsequent reporting or accident year ends. The estimate is increased or decreased as losses are paid and more information becomes known about the frequency and severity of unpaid claims. Data in the table related to acquired businesses is included from the acquisition date onwards.

26 RISK MANAGEMENT (continued)

26A Insurance risk (continued)

Claims development process (continued)

The Group believes that the estimates of total claims outstanding as of the end of 2020 are adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate. Following table shows the development of gross general outstanding claims (excluding life and medical) reflecting cumulative incurred claims including both notified and incurred but not reported for each successive accident year:

31 December 2020										
Incurred claims	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
Accident year	**AED' 000**	**AED' 000**	**AED' 000**	**AED' 000**	**AED' 000**	**AED' 000**	**AED' 000**	**AED'000**	**AED'000**	**AED' 000**
At the end of accident year	81,630	91,453	108,488	169,288	224,778	181,936	224,281	232,339	333,209	
One year later	85,993	98,734	114,658	324,572	245,384	192,973	233,454	238,533	-	
Two years later	82,538	98,973	113,497	325,722	245,027	187,726	237,409	-	-	
Three years later	80,583	98,260	112,309	288,727	243,306	183,963	-	-	-	
Four years later	78,114	97,814	111,596	137,200	243,356	-	-	-	-	
Five years later	78,233	97,281	111,715	136,960	-	-	-	-	-	
Six years later	77,403	95,675	111,738	-	-	-	-	-	-	
Seven years later	77,399	94,644	-	-	-	-	-	-	-	
Eight year later	76,566	-	-	-	-	-	-	-	-	
Cumulative estimate of incurred claims	**76,566**	**94,644**	**111,738**	**136,960**	**243,356**	**183,963**	**237,409**	**238,533**	**333,209**	**1,656,378**
At the end of accident year	(50,270)	(62,991)	(84,771)	(94,966)	(177,216)	(145,493)	(188,026)	(168,400)	(210,925)	
One year later	(68,666)	(91,287)	(108,004)	(125,589)	(229,366)	(178,537)	(220,881)	(202,969)	-	
Two years later	(74,987)	(92,273)	(110,160)	(130,481)	(240,079)	(181,669)	(223,186)	-	-	
Three years later	(75,941)	(93,087)	(110,626)	(132,715)	(242,698)	(183,049)	-	-	-	
Four years later	(76,070)	(93,464)	(110,961)	(135,688)	(242,851)	-	-	-	-	
Five years later	(76,197)	(93,630)	(111,332)	(136,365)	-	-	-	-	-	
Six years later	(76,465)	(93,644)	(111,413)	-	-	-	-	-	-	
Seven years later	(76,564)	(94,384)	-	-	-	-	-	-	-	
Eight years later	(76,566)	-	-	-	-	-	-	-	-	
Cumulative claims paid	**(76,566)**	**(94,384)**	**(111,413)**	**(136,365)**	**(242,851)**	**(183,049)**	**(223,186)**	**(202,969)**	**(210,925)**	**(1,481,708)**
Total gross outstanding claims estimate	**-**	**260**	**325**	**595**	**505**	**914**	**14,223**	**35,564**	**122,284**	**174,670**

26 RISK MANAGEMENT (continued)

26A Insurance risk (continued)

Sensitivity of underwriting profit

The Group does not foresee any adverse change in the contribution of insurance profit due to the following reasons:

- The Group has an overall risk retention level of 14% for the year ended 31 December 2020 (2019: 13.5%). This is mainly due to low retention levels in general lines of business, the Group is adequately covered by reinsurance programs to guard against major financial impact.
- The Group has commission income of AED 73,343 thousand in 2020 (2019: AED 91,170 thousand) predominantly from the reinsurance placement which remains a comfortable source of income.
- Because of low risk retention, 14% during the year, (2019: 13.5%) of the volume of the business and limited exposure in high retention areas such as motor, the Group is comfortable to maintain an overall net loss ratio of 30% (2019: 37.5%) and does not foresee any serious financial impact in the net underwriting profit.

26B Financial risk

The Group's principal financial instruments include financial assets and financial liabilities which comprise financial investments (at fair value through profit or loss and other comprehensive income), receivables arising from insurance and reinsurance contracts, statutory deposits, cash and cash equivalents, trade and other payables, and re-insurance balance payables.

The Group does not enter into derivative transactions.

The main risks arising from the Group's financial instruments are credit risk, geographical risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk. The board reviews and agrees policies for managing each of these risks and they are summarised below:

Credit risk

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

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

- The Group only enters into insurance and reinsurance contracts with recognised, credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Group's exposure to bad debts.
- The Group seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Group's investments at fair value through profit or loss or OCI are managed by the Chief Executive Officer in accordance with the guidance of the Chairman and the supervision of the Board of Directors.
- The Group's bank balances are maintained with a range of international and local banks in accordance with limits set by the management.

26 RISK MANAGEMENT (continued)

26B Financial risk (continued)

***Credit risk* (continued)**

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

	Notes	2020 AED'000	2019 AED'000
Financial instruments – deposits and debt instruments	11	**146,963**	150,288
Reinsurance assets	22	**828,405**	694,417
Insurance receivables	13	**179,235**	202,740
Other receivables (excluding prepayments)	14	**22,673**	21,122
Statutory deposits	15	**10,000**	10,000
Cash and cash equivalents	16	**96,593**	88,917
Total credit risk exposure		**1,283,869**	1,167,484

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in value.

All the Group's investments in bonds measured at amortised cost are considered to have low credit risk and the loss allowance recognised is based on the 12 months expected loss. Management considers "low credit risk" for bonds to be those with high quality external credit ratings (investment grade). The credit risk in respect of deposits with banks (including statutory deposits) and cash and cash equivalent held with banks are managed via diversification of bank deposits, and are only with major reputable financial institutions. Reinsurance assets and the associated risks including Group's appropriate measure have been discussed in detail in the "Reinsurance risk" section. Other receivables (excluding prepayments) have been determined by management not to have a material credit risk hence no allowance for expected credit losses has been recognized as at 31 December 2020 (2019: Nil).

Insurance receivables comprise a large number of customers and insurance companies mainly within the United Arab Emirates. Reinsurance assets are from reinsurance companies based mainly in Europe and the Middle East.

The Group's financial position can be analysed by the following geographical regions:

	2020			2019		
	Assets	**Liabilities and equity**	**Contingent liabilities and commitments**	Assets	Liabilities and equity	Contingent liabilities and commitments
	AED'000	**AED'000**	**AED'000**	AED'000	AED'000	AED'000
United Arab Emirates	**1,082,996**	**1,578,735**	**10,650**	832,450	1,392,919	10,309
Europe	**247,611**	**106,858**	**-**	582,208	125,709	-
Rest of the world	**382,711**	**27,725**	**-**	194,556	90,586	-
Total	**1,713,318**	**1,713,318**	**10,650**	1,609,214	1,609,214	10,309

26 RISK MANAGEMENT (continued)

26B Financial risk (continued)

Credit risk **(continued)**

The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit rating of counterparties.

31 December 2020

	Neither past due nor impaired				
	High grade	**Standard grade**	**Sub-standard grade**	**Past due and impaired**	**Total**
	AED'000	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Financial instruments	-	**146,963**	-	-	**146,963**
Reinsurance assets	-	**828,405**	-	-	**828,405**
Insurance receivables	-	**179,235**	-	**11,442**	**190,677**
Other receivables (excluding prepayments)	**22,673**	-	-	-	**22,673**
Statutory deposits	**10,000**	-	-	-	**10,000**
Cash and cash equivalents	**96,593**	-	-	-	**96,593**
	129,266	**1,154,603**	-	**11,442**	**1,295,311**
Less: expected credit losses					**(11,442)**
					1,283,869

31 December 2019

	Neither past due nor impaired				
	High grade	Standard grade	Sub-standard grade	Past due and impaired	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Financial instruments	-	150,288	-	-	150,288
Reinsurance assets	-	694,417	-	-	694,417
Insurance receivables	-	202,740	-	11,079	213,819
Other receivables (excluding prepayments)	21,122	-	-	-	21,122
Statutory deposits	10,000	-	-	-	10,000
Cash and cash equivalents	88,917	-	-	-	88,917
	120,039	1,047,445	-	11,079	1,178,563
Less: expected credit losses					(11,079)
					1,167,484

26 RISK MANAGEMENT (continued)

26B Financial risk (continued)

***Credit risk* (continued)**

The following table provides an ageing analysis of insurance receivables arising from insurance and reinsurance contracts past due but not impaired:

		Past due but not impaired							
	Neither past due nor impaired AED'000	*90 days AED'000*	*91 to 180 days AED'000*	*181 to 270 days AED'000*	*271 to 365 days AED'000*	*> 365 days AED'000*	*Total AED'000*	*Past due and impaired AED'000*	*Total AED'000*
2020	**86,535**	**31,717**	**19,605**	**7,929**	**9,072**	**35,819**	**190,677**	**(11,442)**	**179,235**
2019	43,574	94,277	17,235	9,848	12,551	36,334	213,819	(11,079)	202,740

For assets to be classified as 'past due and impaired' the contractual payments in arrears are more than 180 days and an impairment adjustment is recorded in the consolidated statement of income for this. When the credit exposure is adequately secured or when management is confident of settlement, arrears more than 180 days might still be classified as 'past due but not impaired", with no impairment adjustment recorded.

	Insurance receivables days past due (AED'000)			
31 December 2020	**0-90 days**	**91-365 days**	**365 days and above**	**Total**
Expected credit loss rates	**1.67%**	**0.18%**	**26.25%**	
Gross carrying amount	**118,252**	**36,606**	**35,819**	**190,677**
Life-time expected credit losses	**1,975**	**66**	**9,401**	**11,442**

	Insurance receivables days past due (AED'000)			
31 December 2019	0-90 days	91-365 days	365 days and above	Total
Expected credit loss rates	1.30%	0.74%	24.76%	
Gross carrying amount	137,851	39,634	36,334	213,819
Life-time expected credit losses	1,791	293	8,995	11,079

Geographical risk

The Group has geographical risk exposure. Such exposure arises from investments, cash and cash equivalents and insurance contracts concentrated within certain geographical areas. The investments and cash and cash equivalents are primarily with local companies and financial institutions. The risk arising from insurance contracts is concentrated mainly in the United Arab Emirates. The geographical concentration of risks is similar to previous year.

In accordance with the requirement of the Securities and Commodities Authority (Circular dated 12-10-2011) following are the details of the geographical concentration of assets in the Group's consolidated financial statements as of 31 December 2020:

(a) Investment property

Investment property represents the Group's investment in a freehold land and building situated in the Emirate of Dubai, United Arab Emirates.

26 RISK MANAGEMENT (continued)

26B Financial risk (continued)

Geographic risk (continued)

(b) Financial instruments – investments

Investments in financial assets represent investments in quoted and unquoted shares of companies incorporated within and outside the United Arab Emirates and investments in bonds issued locally and outside United Arab Emirates.

(c) Cash and cash equivalents

Cash and cash equivalents of the Group are with banks registered and operating in the United Arab Emirates and in Europe.

Currency risk

The Group also has transactional currency exposures. Such exposure arises from investments in securities and reinsurance transactions in currencies other that the Group's functional currency.

At 31 December, the Group's exposure to foreign currency risk was as follows:

		2020	2019
		AED'000	AED'000
Debt instruments at amortised cost	*- US Dollars*	**36,368**	24,270
Insurance receivables	*- US Dollars*	**36,676**	22,061
	- Euro	**329**	1,376
	GBP	**1,010**	996
	- Others	**482**	4,229
Other receivables	*- US Dollars*	**1,585**	1,343
Cash and cash equivalents	*- US Dollars*	**15,016**	21,148
	- Euro	**2,863**	1,606
	- GBP	**623**	505
	- Others	**2**	2
Reinsurance balances payable	*- US Dollars*	**13,943**	10,530
	- Euro	**2,208**	2,596
	- GBP	**1,298**	1,059
	- Others	**-**	4,063
Other creditors and accruals	*- US Dollars*	**8,216**	7,936
	- Euro	**436**	1,975
	- GBP	**19**	741
	- Others	**933**	558

The following table demonstrates the sensitivity to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's profit. The effect of decreases in exchange rates is expected to be equal and opposite to the effect of the increases shown. There is no effect on equity.

26 RISK MANAGEMENT (continued)

26B Financial risk (continued)

Currency risk (continued)

	Increase in exchange rate	Effect on profit AED'000 2020	Effect on profit AED'000 2019
Assets			
US Dollars	+5%	**4,482**	3,441
Euro	+5%	**160**	149
GBP	+5%	**82**	75
Others	+5%	**24**	212
Liabilities			
US Dollars	+5%	**(1,108)**	(923)
Euro	+5%	**(132)**	(229)
GBP	+5%	**(66)**	(90)
Others	+5%	**(47)**	(231)

26 RISK MANAGEMENT (continued)

26B Financial risk (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its commitments associated with insurance contracts and financial liabilities when they fall due. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

The table below summarises the maturity of the assets and liabilities of the Group based on remaining contractual settlement dates.

	31 December 2020				31 December 2019			
	Less than one year AED'000	**More than one year AED'000**	**No maturity date AED'000**	**Total AED'000**	Less than one year AED'000	More than one year AED'000	No maturity date AED'000	Total AED'000
ASSETS								
Property and equipment	-	-	48,590	48,590	-	-	47,550	47,550
Investment property	-	-	50,128	50,128	-	-	36,507	36,507
Financial instruments	110,595	36,368	328,049	475,012	126,018	24,270	356,467	506,755
Reinsurance assets	828,405	-	-	828,405	694,417	-	-	694,417
Insurance receivables	179,235	-	-	179,235	202,740	-	-	202,740
Prepayments and other receivables	25,355	-	-	25,355	22,328	-	-	22,328
Statutory deposits	-	-	10,000	10,000	-	-	10,000	10,000
Cash and cash equivalents	96,593	-	-	96,593	88,917	-	-	88,917
TOTAL ASSETS	**1,240,183**	**36,368**	**436,767**	**1,713,318**	1,134,420	24,270	450,524	1,609,214
Liabilities								
Bank loan	-	1,212	-	1,212	-	2,970	-	2,970
Employees' end of service benefits	-	5,209	-	5,209	-	4,773	-	4,773
Insurance contract liabilities	901,628	-	-	901,628	752,670	-	-	752,670
Amounts held under reinsurance treaties	35,862	-	-	35,862	46,506	-	-	46,506
Reinsurance balances payable	86,529	-	-	86,529	142,520	-	-	142,520
Insurance and other payables	160,910	-	-	160,910	118,701	-	-	118,701
Total liabilities	**1,184,929**	**6,421**	**-**	**1,191,350**	1,060,397	7,743	-	1,068,140

26 RISK MANAGEMENT (continued)

26B Financial risk (continued)

Interest rate risk

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

The Group is exposed to interest rate risk on certain of its investment in financial instruments held at fair value though profit or loss, designated upon initial recognition, statutory deposits and bank loan. The Group limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and interest-bearing investments and borrowings are denominated.

Interest rate sensitivity

The effective interest rates for all major classes of interest-bearing financial instruments as at 31 December, are as follows:

	Total AED'000	Effective interest rate %
31 December 2020		
Time deposits	**110,595**	**1.25% to 3.20%**
Bank loan	**(1,212)**	**3 Month USD Libor plus (0.5% to 0.85%)**
	109,383	
31 December 2019		
Time deposits	126,018	2.03% to 3.20%
Bank loan	(2,970)	3 Month USD Libor plus (0.5% to 0.85%)
	123,048	

The sensitivity analyses below have been determined based on the exposure to interest rates for interest-bearing financial assets assuming the amount of assets at the end of the reporting period were outstanding for the whole year.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2020 would increase/decrease by AED 1,093 thousand (2019: AED 1,230 thousand).

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment portfolio.

The effect on equity (as a result of a change in the fair value of equity instruments held as financial assets at fair value through others comprehensive income at 31 December 2020) and on consolidated statement of income (as a result of changes in fair value of equity instruments held as financial assets through profit or loss) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	2020			2019		
	Change in equity price	**Effect on equity**	**Effect on income statement**	Change in equity price	Effect on equity	Effect on income statement
	%	**AED'000**	**AED'000**	%	AED'000	AED'000
All investments – (Dubai Financial Market and Abu Dhabi Stock Market)	**10**	**28,743**	**373**	10	32,077	388

26 RISK MANAGEMENT (continued)

26C Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

27 CONTINGENCIES

Contingent liabilities

At 31 December 2020 the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to AED 10,650 thousand (2019: AED 10,309 thousand).

Legal claims

The Group, in common with the significant majority of insurers, is subject to litigation in the normal course of its business. The Group, based on independent legal advice, does not believe that the outcome of these court cases will have a material impact on the Group's income or financial condition.

Capital and lease commitments

At 31 December, the Group's capital and short-term lease commitments are payable as follows:

	2020	2019
	AED'000	AED'000
Short-term lease commitments - less than one year	**518**	605

28 EVENTS AFTER THE REPORTING DATE

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by UAE government to contain the virus have affected economic activity. Accordingly, management has taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for the Group's people (such as social distancing and working from home) and securing the data workflow that is essential to underwriting process. Also, the Group is continuing to monitor the impact of COVID-19 on its financial performance. To date, no significant impact on the credit risk or instances of default has been noted by the management.

During 2019, the Group's management decided to wind up its subsidiary, Vattaun Limited, which was not in operation. On 11 January 2021, the certificate of dissolution of Vattaun Limited was obtained from the Regulator.