Emirates Insurance Company P.J.S.C.

Financial Statements

31 December 2020

Principal business address:
Emirates Insurance Company P.J.S.C.
P.O. Box: 3856
Abu Dhabi
UAE

Emirates Insurance Company P.J.S.C.

Financial Statements

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BOARD OF DIRECTORS' ANNUAL REPORT 2020

Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present the annual report of Emirates Insurance Company P.S.C. ("EIC") detailing the progress we have made across our business for the fiscal year ended 31 December 2020.

Macroeconomic picture

Our shareholders need no reminder from me of the enormous impact that the spread of the Corona virus has had on practically every family and every business around the World. Here at home, the fallout from Covid-19, its associated stock market volatility and OPEC+ oil production cuts contributed to a contraction of about 6.6% in the local economy.

Insurance Operations

Covid's impact on EIC's operations was twofold. Firstly, our management and staff worked either wholly or partly from home for much of the year and made an extraordinary effort to maintain the company's famously high standards of service to our customers and other stakeholders during the crisis. The Board joins me in thanking them for all their hard work in these difficult circumstances.

Secondly, Covid had a considerable impact on customer behavior and thus on our premium turn over in some segments. Lockdown produced fewer road accidents but new motor sales and used car values were heavily affected during the year with considerable impact on our cornerstone motor business already suffering from accelerated downward pressure on premium rates. Our domestic non motor and international energy and property facultative reinsurance businesses fared much better reflecting the robustness of demand for our products even in the most challenging of times.

EIC's gross premium income in 2020 amounted to AED 1,039 billion, a decline of approximately 9.4% compared to 2019.

As I have already reported to shareholders earlier, during Q2 2020, the management discovered that, as a result of an inadvertent clerical error in the interface between two of the company's underwriting and operating systems, a subset of claims and underwriting information from a particular department had not been properly recorded in the accounts of the company for some years. Together with an international forensic accounting firm and an independent actuary the issue was thoroughly investigated during that quarter and the management's discoveries were corroborated. This annual Report and Accounts reflects the same restatements of prior years that we made at that time. Further details of the corrections and restatement may be found in Note 37 below.

Despite these external and internal challenges our underwriting result was (after restatement) our second best in the company's history. EIC recorded a net underwriting profit before expenses of AED183m (AED163m,2019), a 12.3% increase.

Investment Performance

EIC's net investment income fell to AED 53.3m. Despite a decline in performance in relative terms, and against an exceptional investment year in 2019, EIC managed to meet its P&L return objective set for the fiscal year 2020 in most asset classes.

Our multi-faceted, fundamentally driven, investment strategy was critical in capitalizing on short-term market dislocations and addressing the portfolio's shortcomings in a timely manner for yielding yet another acceptable investment year. Fixed Income yields fell during the year resulting in a fall in our net interest income by 6.7% relative to FY 2019. However, our income from dividends/distributions after expenses increased by 24% year on year.

To navigate the year ahead, EIC will continue to retain its focus on achieving greater diversification in the portfolio and optimize the portfolio's exposures to target superior risk-adjusted returns.

Overall Performance

The increase in our underwriting earnings was not quite enough to counteract the effects of a lower investment performance and our net profit for 2020 stands at AED108m, a 4.3% fall compared to 2019.

Earnings per share decreased to 72 fils (2019: 75 fils) per share.

Dividend Distribution

I am pleased to confirm that the Board will be recommending a cash dividend of 60 fils per share. The company's ability to pay high dividends reflect our continuing financial strength even in this most difficult of years.

EIC's Credit Ratings

EIC enjoys A- credit ratings with stable outlooks from the international credit rating agencies, AM Best and Standard and Poor's. I am pleased to say both ratings were confirmed again in Q3 2020.

Solvency Margin

Solvency margins are a measure of the financial strength of an insurance company and its ability to meet its commitments to policyholders. The Insurance Authority's regulations stipulate a common methodology for all insurers in the UAE to calculate this important indicator so that each company may be compared with its peers. I am pleased to report that EIC's solvency margin surplus remains very strong at Aed474m.

Transactions with related Parties

The financial statements disclose related party transactions and balances in note 23. All transactions are carried out as part of our normal course of business and in compliance with applicable laws and regulations.

Our Thanks

It gives me pleasure to express the appreciation of the Board of Directors towards our shareholders for their support and confidence. I must also thank the Chief Executive and the Executive Committee for their steadfast dedication and belief in EIC and its future. The performance delivered by the Company for the year ended 31 December 2020 is due in large part to the commitment of the management of EIC and its employees. On behalf of our shareholders, I thank the management of EIC and its entire staff.

My thanks are also due to EIC's many external stakeholders: customers, brokers, reinsurers and professional advisors who support us every day in our operations.

The Board of Directors would also like to express sincere appreciation to His Highness Sheikh Khalifa Bin Zayed Al Nahyan, UAE President and Ruler of Abu Dhabi, His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice President, Prime Minister and Ruler of Dubai, and His Highness General Sheikh Mohammed Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi, for their invaluable support to the UAE business community and economic interests of the country. Moreover, we shall not forget to pay tribute to the memory of the late Sheikh Zayed Bin Sultan Al Nahyan and the late Sheikh Maktoum Bin Rashid Al Maktoum for their remarkable vision. The UAE owes them its miraculous developments and achievements.

Yours faithfully,

A. Mazrui

ABDULLAH MOHAMMED AL MAZRUI
CHAIRMAN
25 February 2021

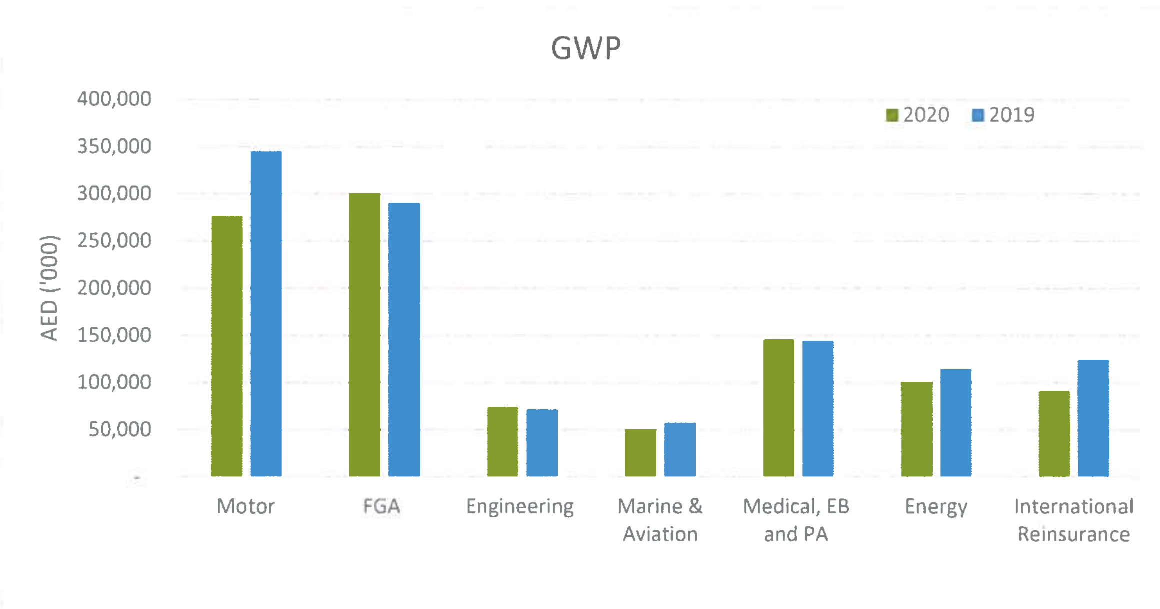
CHIEF EXECUTIVE OFFICER'S REPORT

Dear Shareholders, Business Associates and Fellow Employees,

2020

I concluded my 2019 CEO Report to shareholders with a promise that *whatever 2020 might bring* the management and staff would continue to deliver on our longstanding promise to produce quality results and excellent shareholder returns. How little I could have known that within a few short weeks of my statement, the company, its customers and indeed the whole planet, would be tested as never before.

However, despite the many challenges set out below, I am very pleased that we were able to improve our technical operations result in 2020. Covid did not prevent us producing our second best ever underwriting performance. Our investment portfolio could not replicate its exceptional performance in 2019 but it still performed creditably especially given the year's extraordinary volatility and uncertainty.



Insurance Operations Report

As the drama of Covid began to quickly unfold, my colleagues and I implemented EIC's Business Continuity Program that had originally been devised to deal with the aftermath of a major fire event affecting our Head Office. The BCP was quickly adapted to address the pandemic and to transfer the entire company (apart from a few key employees) to working from home status. The pre-preparation of this plan plus our considerable investment over the years in a robust, secure IT platform enabled the company to rapidly transfer to remote working. I am very proud that within 48 hours our staff were able to sell insurance, issue documentation, receive and pay claims as well as offer the host of support and finance services a modern insurer needs to stay in business. Most of this was done extremely smoothly from the private homes of our management and staff. Many customers, brokers and other stakeholders have congratulated me on this achievement.

EIC's Gross Premium Income declined by 9.4% during the year largely because of the impact of Covid on our motor business but other segments were able to maintain or even grow our business despite the exceptional challenges.

Motor is an important segment for any insurer in the UAE and is certainly so for EIC, where we are a major player. As 2020 opened, the motor pricing environment was already under some pressure from economic challenges as well as severe winter weather events. After the lockdown began in Q2, traffic reduced significantly with a corresponding reduction in road accidents. From a pure claim count perspective this was positive, but any advantage was reduced by a general downturn in demand as new and used car sales dropped and premium income duly fell. Motor premium was affected by the widespread closure of our face to face sales outlets in government facilities and testing centers for some time. EIC had already started to take remedial underwriting steps to strengthen our profitability even before the COVID crisis began. Covid undermined these plans to some extent but I am pleased that our motor loss ratio improved slightly during this unique year and our journey continues.

As a potential claims event, Covid primarily would impact a subset of our property insurance portfolio which can respond to infectious disease claims or their aftermath. Globally, Covid has been described as a loss like no other and it is simply too early to say how, or indeed if, it will eventually be settled. Even at this stage, however, it seems clear that the pandemic has triggered a wave of reinsurance price increases with arrangements from previous years increasingly hard to replicate in a post Covid market. Despite these important challenges our property segment performed well in 2020 in both premium volume and loss ratio terms.

The discovery of an inadvertent recording error going back some years in our international treaty business, referred to in the Chairman's Statement and in other parts of this report, meant that EIC had to review our participation in this area of business. We decided to cease underwriting treaties from July 2020 and have placed the portfolio in run off. Elsewhere I was pleased to see the long term re-underwriting of our international property facultative account has begun to bear fruit with the account producing an encouraging result in 2020. International energy continues to be a concern though it seems prices are at last beginning to rise.

Across the company, however, our underwriting result was stronger than 2019 and our overall loss ratio improved from 59.4% to 54.3%.

General and administrative expenses increased by 3.9% driven by capital expenditure in IT and digitization projects as well as an increase in our bad debt provision to cover credit risk related to COVID.

Investment Operations

EIC has produced a P&L investment return of 3.44% this year – somewhat lower than 2019's exceptional investment income (4.83%). Our total portfolio's return remained flat at 0.18% (2019: 5.99%)

On 31st March 2020, EIC's portfolio had experienced a 13% drop following deteriorating market sentiments subsequent to the initial onset of the Covid-19 pandemic. EIC attributed this initial market activity to panic-selling as market liquidity was a one-sided affair of asks and virtually no bids particularly in the regional bond markets. At that stage, while most market participants were raising cash, EIC conducted a thorough macro analysis and took additional exposure across fundamentally resilient names at a bargain. During the year, EIC also implemented yield and distribution enhancement opportunities. While the markets were slowly stabilizing and trending up, EIC continued offloading some equities to de-risk the portfolio at prices significantly above previously depressed market levels.

Such active plays coupled with a disciplined investment approach, proved to be quite beneficial in terms of cushioning the capital losses incurred in the portfolio. This in turn contributed towards the reversal of the portfolio's drawdown that resulted as a result of irrational short-term trading activity enabling us to generate a positive investment return for 2020.

Going forward, EIC maintains a markedly cautious outlook. In order to navigate the current macroeconomic picture, we will revisit our portfolio's style drift to shift some reliance away from income assets and actively reposition our investment portfolio to address changing market dynamics.

Emiratization and Corporate Social Responsibility

During 2020, EIC built further on the success of our e-team program that encourages the training and mentoring of UAE nationals working for the company. Our excellent record in this field has been regularly commended by various government entities and we stand at the head of the industry in our various Emiratization activities.

For the third year running, EIC is proud to sponsor the Sheikh Zayed Heritage Festival held in Abu Dhabi and which will continue until the end of February 2021.

My Thanks

I would like to pay tribute to the wise leadership of our Board of Directors and particularly our Chairman, Mr. Abdullah Mohamed Al Mazrui.

Once again, my colleagues at EIC have produced an excellent result for our shareholders in circumstances that all insurance companies, indeed the entire world, have found very challenging. I commend them for their success, professionalism and hard work.

As always, my colleagues and I look forward to a new year of challenges and opportunities in 2021. All of us hope that the health and wellbeing of our shareholders and our customers both here in the UAE and around the world continues to improve as vaccinations begin to do their work and rates of infection continue to drop.

During 2020, we demonstrated that this company can still deliver on its promise to shareholders and to customers even in the most adverse conditions. And of course, as these conditions begin, I hope, to improve during 2021 we can use the valuable lessons learnt during these exceptional days to do even better in the future.

Jason Light
Chief Executive Officer
25 February 2021

KPMG

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Independent Auditors' Report

To the Shareholders of Emirates Insurance Company P.J.S.C.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Emirates Insurance Company P.J.S.C. (the "Company"), which comprise the statement of financial position as at 31 December 2020, the statements of profit or loss, profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and 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 (ISAs). Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independent Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – comparative information

We draw attention to Note 37 to the financial statements which indicates that the comparative financial information presented as at and for the year ended 31 December 2019 has been restated. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Key Audit Matters *(continued)*

1. Valuation of insurance contract liabilities

Refer to notes 2(d), 3, 10 and 24 to the financial statements.

Valuation of these liabilities involves significant judgements and requires a number of assumptions to be made that have high estimation uncertainty. This is particularly the case for those liabilities that are recognised in respect of claims that have been incurred but not reported ("IBNR") to the Company. IBNR is calculated by an independent qualified external actuary for the Company.

Small changes in the assumptions used to value the liabilities, particularly those relating to the amount and timing of future claims, can lead to a material impact on the valuation of these liabilities and a corresponding effect on statement of profit or loss. The key assumptions that drive the liability calculations include loss ratios, estimates of the frequency and severity of claims and, where appropriate, the discount rates for longer tail classes of business.

The valuation of these liabilities depends on accurate data about the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims. If the data used in calculating liabilities, or for forming judgements over key assumptions, is not complete and accurate then material impacts on the valuation of these liabilities may arise.

Our response: Our audit procedures supported by our actuarial specialists included:

- evaluating and testing of key controls around the claims handling and case reserve setting processes of the Company. Examining evidence of the operation of controls over the valuation of individual reserve for outstanding claims and considering if the amounts recorded in the financial statements are valued adequately;

- obtaining an understanding of and assessing the methodology and key assumptions applied by management. Independently re-projecting the reserve balance for certain classes of business;

- assessing the experience and competence of the Company's actuary and degree of challenge applied through the reserving process;

- checking sample of reserves for outstanding claims through comparing the estimated amount of the reserves for outstanding claims to appropriate documentation, such as reports from loss adjusters; and

- assessing the Company's disclosure in relation to these liabilities including the claims development table is appropriate.

Key audit matters (continued)

2. Insurance balances receivable

Refer to note 2(d), 3 and 11 to the financial statements.

The Company has significant insurance balances receivable against written premium policies. There is a risk over the recoverability and impairment of these receivables.

The Company has applied the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from the date of initial recognition of the insurance balances receivable. Under the simplified approach the provision combines the historical loss rate with forward-looking assumptions, along with other factors, into account.

There are a number of significant judgments which are required in measuring the Expected Credit Losses ('ECL') under IFRS 9.

Our response: Our procedures on the recoverability and impairment of insurance balances receivables supported by our specialist included:

- testing key controls over the processes designed to record and monitor insurance receivables;
- testing the ageing of insurance balances receivable to assess if these have been accurately determined;
- obtaining balance confirmations from sample of counterparties such as policyholders, brokers, insurance and reinsurance companies;
- where no confirmations were received, traced the outstanding amount to underlying supporting documents;
- verifying payments received from such counterparties post year-end;
- obtaining an understanding of the Company's process for estimating the ECL;
- reviewing the computation of Probability of Default ('PD') using the flow rate approach for insurance balances receivable;
- performed a recalculation of the loss rate for sample of aging buckets; and
- considering the adequacy of provisions for impairment of insurance balances receivable for significant customers, taking into account specific credit risk assessments for each customer based on default, existence of any disputes over the balance outstanding, history of settlement of receivables liabilities with the same counterparties.

Other Matter Relating to Comparative Information

The Financial statements of the Company as at and for the year ended 31 December 2018 (from which the statement of financial position as at 1 January 2019 has been derived), excluding the adjustments described in Note 37 to the financial statements were audited by another auditor who expressed an unmodified opinion on those financial statements on 26 February 2019.

Other Matter Relating to Comparative Information (continued)

As part of our audit of the financial statements as at and for the year ended 31 December 2020, we audited the adjustments described in Note 37 that were applied to restate the comparative information presented as at and for the year ended 31 December 2019 and the statement of financial position as at 1 January 2019. We were not engaged to audit, review, or apply any procedures to the financial statements for the year ended 31 December 2018 (not presented herein) or to the statement of financial position as at 1 January 2019, other than with respect to the adjustments described in Note 37 to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 37 are appropriate and have been properly applied.

Other Information

Management is responsible for the other information. The other information comprises the Directors' report and Chief Executive Officer's statement ("the Reports").

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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 Financial Statements

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

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

Those Charged with Governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that for the year ended 31 December 2020:

i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

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

iii) the Company has maintained proper books of account;

iv) the financial information included in the Directors' report and Chief Executive Officer's statement, is consistent with the books of account of the Company;

v) as disclosed in note 9 to the financial statements, the Company has purchased shares during the year ended 31 December 2020;

vi) note 23 to the financial statements discloses 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 Company 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 materially affect its activities or its financial position as at 31 December 2020; and

viii) note 36 to the financial statements discloses 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 explanations we considered necessary for the purposes of our audit.

KPMG Lower Gulf Limited

Saif Fayez Shawer
Registration No: 1311
Abu Dhabi, United Arab Emirates
Date 25 FEB 2021

Emirates Insurance Company P.J.S.C.

Statement of financial position
as at

	Note	31 December 2020 AED'000	31 December 2019 (Restated)* AED'000	1 January 2019 (Restated)* AED'000
Assets				
Property and equipment	6	**14,568**	16,027	19,418
Statutory deposit	7	**10,000**	10,000	10,000
Investment properties	8	**5,333**	5,674	2,597
Financial assets at amortised cost	9	**190,757**	189,708	179,380
Financial assets at fair value through other comprehensive income ("FVOCI")	9	**695,152**	648,261	534,495
Financial assets at fair value through profit or loss	9	**361,421**	395,836	384,197
Insurance receivables	11	**261,852**	301,481	334,474
Reinsurers' share of technical reserves:				
Unearned premiums reserve	10	**221,561**	215,811	206,680
Outstanding claims reserve	10	**888,157**	436,181	474,044
Claims incurred but not reported reserve	10	**110,710**	79,934	44,092
Unexpired risk reserve	10	-	1,608	-
Other receivables and prepayments	12	**70,188**	83,928	76,862
Term deposits	13	**149,313**	205,792	200,308
Cash and cash equivalents	14	**139,933**	116,797	127,599
Total assets		**3,118,945**	2,707,038	2,594,146
Equity and liabilities				
Equity				
Share capital	15	**150,000**	150,000	150,000
Statutory reserve	16	**75,000**	75,000	75,000
General reserve	17.1	**600,000**	600,000	545,000
Reinsurance risk reserve	17.2	**175**	-	-
Cumulative change in FVOCI		**135,634**	191,806	174,978
Retained earnings		**115,910**	92,082	124,852
Total equity		**1,076,719**	1,108,888	1,069,830
Liabilities				
Employees' end of service benefit obligation	19	**18,885**	17,266	16,999
Accruals and other liabilities	20	**29,633**	31,605	33,374
Deferred income		**29,610**	25,733	23,749
		78,128	74,604	74,122
Insurance liabilities				
Insurance liabilities	21	**143,433**	146,534	127,160
Other payables	22	**12,531**	11,315	13,702
Reinsurance deposits retained		**28,839**	24,989	26,944
		184,803	182,838	167,806
Gross technical reserves				
Unearned premiums reserve	10	**423,824**	468,653	461,353
Outstanding claims reserve	10	**1,154,929**	699,606	696,946
Claims incurred but not reported reserve	10	**182,379**	156,044	111,740
Unallocated loss adjustment expenses reserve	10	**15,009**	13,899	12,149
Unexpired risk reserve	10	**3,154**	2,506	200
Total technical reserves		**1,779,295**	1,340,708	1,282,388
Total liabilities		**2,042,226**	1,598,150	1,524,316
Total equity and liabilities		**3,118,945**	2,707,038	2,594,146

To the best of our knowledge, the financial statements fairly presents, in all material respects, the financial position, results of operation and cash flows of the Company as of, and for, the year ended 31 December 2020.

A. Mazini

Chairman of the Board of Directors **Chief Executive Officer** **Chief Financial Officer**

The notes set out on pages 18 to 72 form an integral part of these financial statements.
The independent auditors' report is set out on pages 7 to 12.

* Refer to note 37 for details.

Emirates Insurance Company P.J.S.C.

Statement of profit or loss

for the year ended 31 December

	Note	2020 AED'000	2019 (Restated)* AED'000
Gross written premiums	*25*	**1,039,509**	1,147,341
Reinsurance share of direct business premiums	*25*	**(490,931)**	(510,099)
Reinsurance share of assumed business premiums	*25*	**(72,740)**	(52,595)
Net written premiums	*25*	**475,838**	584,647
Net change in unearned premiums reserve		**50,579**	1,831
Net premiums earned		**526,417**	586,478
Commission income		**63,817**	58,074
Commission expenses		**(120,890)**	(133,482)
Gross underwriting income		**469,344**	511,070
Gross claims paid	*26*	**(492,433)**	(478,429)
Reinsurance share of claims paid	*26*	**191,892**	134,338
Reinsurance share of assumed business claims paid	*26*	**16,975**	47,368
Net claims paid	*26*	**(283,566)**	(296,723)
Change in outstanding claims reserve		**(455,323)**	(2,660)
Change in reinsurance share of outstanding claims reserve		**451,976**	(37,863)
Change in incurred but not reported claims reserve – net		**4,441**	(8,462)
Change in unallocated loss adjustment expense reserve		**(1,110)**	(1,750)
Change in unexpired risk reserve - net		**(2,256)**	(698)
Net claims incurred		**(285,838)**	(348,156)
Net underwriting income		**183,506**	162,914
Net investment income	*27*	**51,908**	72,418
Income from investment properties	*28*	**1,417**	3,471
Total income		**236,831**	238,803
General and administrative expenses	*29*	**(110,763)**	(110,496)
Charge for expected credit losses of financial assets	*29*	**(5,602)**	(3,075)
Other expenses – net	*30*	**(11,607)**	(13,159)
Foreign currency exchange fluctuation		**(575)**	1,076
Profit for the year		**108,284**	113,149
Basic and diluted earnings per share	*31*	**0.72**	0.75

The notes set out on pages 18 to 72 form an integral part of these financial statements.

The independent auditors' report is set out on pages 7 to 12.

* Refer to note 37 for details.

Emirates Insurance Company P.J.S.C.

Statement of profit or loss and other comprehensive income
for the year ended 31 December

	Note	2020 AED'000	2019 (Restated)* AED'000
Profit for the year		**108,284**	113,149
Items that will not be reclassified subsequently to statement of profit or loss:			
Changes in fair value of equity instruments at fair value through other comprehensive income - net	*9*	**(48,389)**	9,707
Items that are or may be reclassified subsequently to statement of profit or loss:			
Changes in fair value of debt instruments at fair value through other comprehensive income – net	*9*	**(2,075)**	(1,317)
Impairment loss on debt instruments measured at fair value through other comprehensive income		**11**	19
Other comprehensive (loss) / income for the year		**(50,453)**	8,409
Total comprehensive income for the year		**57,831**	121,558

The notes set out on pages 18 to 72 form an integral part of these financial statements.

The independent auditors' report is set out on pages 7 to 12.

* Refer to note 37 for details.

Emirates Insurance Company P.J.S.C.

Statement of changes in shareholders' equity
for the year ended 31 December 2020

	Share capital AED'000	Statutory reserve AED'000	General reserve AED'000	Reinsurance risk reserve AED'000	Cumulative change in FVTOCI AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2019 *(as previously reported)*	150,000	75,000	545,000	-	174,978	177,552	1,122,530
Impact of correction of error *(note 37)*	-	-	-	-	-	(52,700)	(52,700)
Balance at 1 January 2019 (Restated)*	150,000	75,000	545,000	-	174,978	124,852	1,069,830
Total comprehensive income:							
Profit for the period (Restated)*	-	-	-	-	-	113,149	113,149
Other comprehensive income for the year	-	-	-	-	8,409	-	8,409
Total comprehensive income for the year (Restated)*	-	-	-	-	8,409	113,149	121,558
Transactions with owners of the Company:							
Dividends	-	-	-	-	-	(82,500)	(82,500)
Total transactions with owners of the Company	-	-	-	-	-	(82,500)	(82,500)
Transfer to retained earnings on disposal of equity investments designated at FVOCI	-	-	-	-	8,419	(8,419)	-
Transfer to general reserve from retained earnings	-	-	55,000	-	-	(55,000)	-
Balance at 31 December 2019 (Restated)*	150,000	75,000	600,000	-	191,806	92,082	1,108,888
Balance at 1 January 2020 (Restated)*	**150,000**	**75,000**	**600,000**	-	**191,806**	**92,082**	**1,108,888**
Total comprehensive income:							
Profit for the period	-	-	-	-	-	**108,284**	**108,284**
Other comprehensive loss for the year	-	-	-	-	**(50,453)**	-	**(50,453)**
Total comprehensive income for the year	-	-	-	-	**(50,453)**	**108,284**	**57,831**
Transactions with owners of the Company:							
Dividends *(note 18)*	-	-	-	-	-	**(90,000)**	**(90,000)**
Total transactions with owners of the Company	-	-	-	-	-	**(90,000)**	**(90,000)**
Transfer to retained earnings on disposal of equity investments designated at FVTOCI	-	-	-	-	**(5,719)**	**5,719**	-
Transfer from retained earnings to reinsurance risk reserve *(note 17.2)*	-	-	-	**175**	-	**(175)**	-
Balance at 31 December 2020	**150,000**	**75,000**	**600,000**	**175**	**135,634**	**115,910**	**1,076,719**

The notes set out on pages 18 to 72 form an integral part of these financial statements.
* Refer to note 37 for details.

Emirates Insurance Company P.J.S.C.

Statement of cash flows

for the year ended 31 December 2020

	Note	2020 AED'000	2019 (Restated)* AED'000
Cash flows from operating activities			
Profit for the year		**108,284**	113,149
Adjustments for:			
Depreciation of property and equipment	6	**5,319**	5,038
Depreciation of investment properties	8	**563**	586
Net loss / (gain) on disposal of investments in securities	27	**3,820**	(7,201)
Unrealised gain on investments measured at FVTPL	27	**(6,408)**	(19,810)
Premium amortisation	9	**1,070**	500
Dividends from investments in securities	27	**(28,307)**	(23,060)
Allowance for expected credit losses on financial assets		**5,611**	3,098
Charge for employees' end of service benefit obligation	19	**3,442**	3,660
Interest income		**(23,552)**	(25,094)
Cash flow from operating activities		**69,842**	50,866
Net movement in reinsurers' share of technical reserves		**(486,894)**	(8,718)
Net movement in gross technical reserves		**438,587**	58,320
Net movement in insurance receivables		**33,974**	29,943
Net movement in other receivables and prepayments		**13,705**	(6,729)
Net movement in insurance liabilities		**(3,101)**	19,374
Net movement in other payables		**604**	(2,387)
Net movement in reinsurance deposits retained		**3,850**	(1,955)
Net movement in deferred income		**3,877**	1,984
Net movement in accruals and other liabilities		**(1,972)**	(1,475)
Cash generated from operations		**72,472**	139,223
Payment for employees' end of service benefit obligation	19	**(1,823)**	(3,393)
Net cash from operating activities		**70,649**	135,830
Cash flows from investing activities			
Payments for additions of property, equipment and investment properties		**(3,438)**	(5,310)
Payments for purchase of financial assets	9	**(400,946)**	(427,834)
Proceeds from disposal of financial assets		**338,473**	326,975
Net movement in term deposits		**56,536**	(5,486)
Dividends received		**28,307**	23,060
Interest income received		**23,587**	24,757
Net cash generated from / (used in) investing activities		**42,519**	(63,838)
Cash flows from financing activities			
Dividends paid	18	**(90,000)**	(82,794)
Repayment of lease liability		**(32)**	-
Net cash used in financing activities		**(90,032)**	(82,794)
Net increase / (decrease) in cash and cash equivalents		**23,136**	(10,802)
Cash and cash equivalents at the beginning of the year		**116,797**	127,599
Cash and cash equivalents at the end of the year	14	**139,933**	116,797

The notes set out on pages 18 to 72 form an integral part of these financial statements.
The independent auditor's report is set out on pages 7 to 12.

* Refer to note 37 for details.

1 Legal status and activities

Emirates Insurance Company P.J.S.C. (the "Company") is a public joint stock company which was incorporated in Abu Dhabi, United Arab Emirates on 27 July 1982. The Company is registered in accordance with UAE Federal Law No. (6) of 2007 concerning Insurance Companies and Agents and is governed by the provisions of the Federal Law No. (2) of 2015 concerning the commercial companies which has come into effect from 1 July 2015, Insurance Authority Board decision No. (25) of 2014 pertinent to Financial Regulations for insurance companies and Insurance Authority's Board of Directors Decision No. (23) of 2019 concerning Instructions Organizing Reinsurance Operations, and is registered in the Insurance Companies Register under registration No. (2). The Company's principal activity is writing of general insurance and reinsurance business of all classes. The Company operates through its head office in Abu Dhabi and branch offices in Dubai, Al Ain and Jebel Ali Freezone. The Company is domiciled in the United Arab Emirates and its registered office address is P.O. Box 3856, Abu Dhabi, United Arab Emirates.

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and comply with applicable requirements of the Federal Law No. (6) of 2007 Concerning the Establishment of the Insurance Authority & Organisation of the Insurance Operations, the Federal Law No. (2) of 2015 Concerning the Commercial Companies and Insurance Authority Board of Directors' Decision No. (25) of 2014 Pertinent to Financial Regulations for Insurance Companies and Insurance Authority's Board of Directors Decision No. (23) of 2019 Concerning Instructions Organizing Reinsurance Operations.

(b) Basis of measurement

The financial statements have been prepared under the historical cost convention except for financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which are carried at fair values.

(c) Functional and reporting currency

These financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

(d) Use of judgments and estimates

While applying the accounting policies as stated in note 3, management of the Company has made certain judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The significant judgments and estimates made by management that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

2 Basis of preparation *(continued)*

(d) Use of judgments and estimates (continued)

The ultimate liability arising from claims made under insurance contracts

The estimation of ultimate liability arising from the claims made under insurance contracts is the Company's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Company will eventually pay for such claims. Estimates have to be made at the end of the reporting period both for the expected ultimate cost of claims reported and for the expected ultimate cost of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company and management estimates based on past claims settlement trends for the claims incurred but not reported. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

Impairment of amounts for insurance receivables

When measuring ECL, the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Other estimates

Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Company makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the profit or loss.

Impairment of investment properties and building under property and equipment

Investment properties and buildings under property and equipment are assessed for impairment, when there are impairment indicators, using acceptable valuation techniques which is conducted by an independent third party valuator. The fair values are compared to the carrying amount, to assess any possible impairment. Management is satisfied that there are no impairment indicators present on 31 December 2020.

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

2 Basis of preparation *(continued)*

(d) ***Use of estimates and judgment*** *(continued)*

Classification and fair value of investments

Management designates at the time of acquisition of securities whether these should be classified as at Fair Value through Other Comprehensive Income ("FVOCI"), Fair Value through Profit or Loss ("FVTPL) or amortised cost. While making the judgments of whether investments in securities are as at FVOCI, FVTPL or amortised cost, management has considered the detailed criteria for determination of such classification as set out in IFRS 9 "Financial Instruments". Management is satisfied that its investments in securities are appropriately classified.

Management decides on acquisition of an investment whether it should be classified as investments carried at fair value or amortised cost on the basis of both:

(a) its business model for managing the financial assets; and

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

For equity investments carried at fair value, management decides whether it should be classified as financial assets carried at FVOCI or FVTPL.

Investments in equity instruments are classified and measured at FVTPL except if the equity investment is not held for trading and is designated by the Company at FVOCI.

Further, even if the asset meets the amortised cost criteria the Company may choose at initial recognition to designate the financial asset as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3 Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

Insurance contracts

Definition

The Company issues contracts that transfer insurance risk. Insurance contracts are those contracts that transfer significant insurance risk. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 25% more than the benefits payable if the insured event did not occur.

Recognition and measurement

Insurance contracts are classified into two main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

These contracts are casualty and property insurance contracts.

3 Significant accounting policies *(continued)*

Insurance contracts *(continued)*

Recognition and measurement *(continued)*

Casualty insurance contracts protect the Company's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

For all these insurance contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the end of the reporting period is reported as the unearned premium liability.

Claims and loss adjustment expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders.

Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer are included with insurance contracts. The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance contract assets. The Company assesses its reinsurance contract assets for impairment on a regular basis. If there is objective evidence that the reinsurance contract asset is impaired, the Company reduces the carrying amount of the reinsurance contract assets to its recoverable amount and recognises that impairment loss in the profit or loss. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

Insurance contract liabilities

Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Company and still unpaid at the end of the reporting period, in addition for claims incurred but not reported.

The unearned premium considered in the insurance contract liabilities comprise the estimated proportion of the gross premiums written which relates to the periods of insurance subsequent to the end of the reporting period and is estimated using the time proportionate method. For 'Engineering' line of business, earned premium is calculated on a daily increasing basis over the term of policy period. The unearned premium is then calculated as the sum of earned premiums across all months after the valuation date. For the 'Marine Cargo', all policies are assumed to be "Open Cover" policies and earned fully in the quarter following the quarter in which it was written.

3 Significant accounting policies *(continued)*

Insurance contracts *(continued)*

Insurance contract liabilities *(continued)*

The unearned premium at the end of a particular quarter will be equal to the written premium in that quarter for Marine Cargo. The unearned premium calculated by the time proportionate method accounts for the estimated acquisition costs incurred by the Company to acquire policies and defers these over the life of the policy.

The re-insurers' portion towards the above outstanding claims, claims incurred but not reported and unearned premium is classified as reinsurance contract assets in the financial statements.

Deferred policy acquisition costs

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are amortised over the terms of the policies as premium is earned.

Salvage and subrogation reimbursements

Estimates of salvage and subrogation reimbursements are considered as an allowance in the measurement of the insurance liability for claims.

Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related deferred policy acquisition costs. Any deficiency is immediately charged to profit or loss initially by writing off the deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests.

Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due from policyholders, due to and from agents, brokers and insurance contract holders.

As per IFRS 9 ECL model, the Company reduces the carrying amount of insurance receivables under the new expected credit loss model.

Leases

At inception of a contract, the Company assesses whether a contract is or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset of time in exchange for consideration.

(a) As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

3 Significant accounting policies *(continued)*

Leases *(continued)*

(a) As a lessee *(continued)*

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and estimate of costs to dismantle and remove the underlying assets or to restore the underlying asset or the site on which it is located, less any lease incentives received. Subsequently, the right of use asset is measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

(b) As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

3 Significant accounting policies *(continued)*

Leases *(continued)*

(a) As a lessor *(continued)*

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease (*note 3*, impairment). The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'income from investment properties'.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to profit or loss in the period they are incurred.

Depreciation is calculated so as to write off the cost of property and equipment less their estimated residual values, on a straight-line basis over their expected useful economic lives. The useful lives used for this purpose are:

	Years
Buildings	15
Furniture, fixtures and office equipment	4
Motor vehicles	4
Computer equipment and accessories	4

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Capital work in progress

Capital work in progress is stated at cost. When commissioned, capital work in progress is transferred to the appropriate property and equipment and is depreciated in accordance with Company's policy.

3 Significant accounting policies *(continued)*

Investment properties

Investment properties which are properties held to earn rentals and/or for capital appreciation, are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated using the straight-line method to reduce the cost of investment properties to their estimated residual values over their expected useful life of 15 years. The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss arising on the disposal or retirement of an investment property is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. An investment property's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

3 Significant accounting policies *(continued)*

Employees' end of service benefits

Defined benefit plan

The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final basic 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.

Defined contribution plan

The Company pays its obligations for UAE citizens into a Social Security and UAE Pension Fund in accordance with the Federal Law No. (7) of 1999 for Pension and Social Security.

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 time-frame established by the market concerned. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

Classification of financial assets

The Company classifies its financial assets under the following categories: financial assets at amortised cost, financial assets at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI).

Financial assets at amortised cost and the effective interest method

Cash and cash equivalents

Cash and cash equivalents which include cash on hand and deposits held at call with banks with original maturities of three months or less, are classified as financial assets at amortised cost.

Insurance receivables

Insurance receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as financial assets 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.

3 Significant accounting policies *(continued)*

Financial assets *(continued)*

Financial assets at amortised cost and the effective interest method *(continued)*

Investments at amortised cost

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.

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs except if they are designated as at FVTPL. They are subsequently measured at amortised cost using the effective interest method less any impairment.

Subsequent to initial recognition, the Company is required to reclassify debt instruments from amortised cost to FVTPL if the objective of the business model changes so that the amortised cost criteria is no longer met.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

The Company 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.

Financial assets at FVTPL

Debt instrument financial assets that do not meet the amortised cost criteria or that meet the criteria but the entity has chosen to designate as at FVTPL at initial recognition, are measured at FVTPL.

Subsequent to initial recognition, the Company is required to reclassify debt instruments from FVTPL to amortised cost if the objective of the business model changes so that the amortised cost criteria starts to be met and the instrument's contractual cash flows meet the amortised cost criteria. Reclassification of debt instruments designated as at FVTPL at initial recognition is not permitted.

Investments in equity instruments are mandatorily classified as at FVTPL, unless the Company designates an investment that is not held for trading as at FVOCI at initial recognition as described in the note below.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on re-measurement recognised in profit or loss.

Dividend income on investments in equity instruments at FVTPL is recognised in profit or loss when the Company's right to receive the dividends is established and is included in the 'net investment income' line item in the profit and loss.

3 Significant accounting policies *(continued)*

Financial assets *(continued)*

Financial assets at FVOCI

At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking.

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends earned are recognised in profit or loss and are included in 'net investment income' in the statement of profit or loss.

Impairment of financial assets at amortised cost

The Company recognises a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortised cost, insurance receivables and bank balances including term deposits. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

ECL for bank balances, term deposits and debt instruments at amortised cost are determined using the low credit risk expedient, and therefore recognised a 12 month ECL, as they are held with reputable financial institutions. The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Company always recognises lifetime ECL for insurance receivables. The ECL on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument.

3 Significant accounting policies *(continued)*

Financial assets *(continued)*

Impairment of financial assets at amortised cost *(continued)*

Definition of default:

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of insurance receivables, when the amounts are long past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses:

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. There is no discounting effect on the insurance receivables as these are interest free and has a lifetime of less than one year.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset.

3 Significant accounting policies *(continued)*

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities comprised of insurance payables and other liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, except for short-term liabilities when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Company enters into derivative financial instruments to manage its exposure to interest rate and foreign currency rate risks, including interest rate swaps and foreign currency forward contracts.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit of loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Dividend distribution

Dividend distribution to the Company's Shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's Shareholders.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable in the normal course of business.

3 Significant accounting policies *(continued)*

Revenue recognition *(continued)*

Commission income and expense

Commission income is recognised as 'deferred income' when the reinsurance contract is entered into and subsequently amortised in profit or loss over the term of the reinsurance contract.

Commission expense is recognised as 'deferred acquisition cost' under prepayment when the policies are issued and subsequently amortised in profit or loss over the term of the policies as premium is earned.

Dividend income

Dividend income is recognised when the Company's right to receive the payment has been established.

Interest income

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable.

Foreign currencies

For the purpose of these financial statements, UAE Dirhams (AED) is the functional and the presentation currency of the Company.

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

4 Newly effective standards

A number of new standards are effective from 1 January 2020 but they do not have a material effect on the Company's financial statements. The standards are as listed below:

New standard or amendments

Amendments to IFRS 3 – definition of a business
Amendments to IAS 1 and IAS 8 – definition of Material
Amendment to IFRS-16 - COVID-19-Related Rent Concessions

5 Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach).
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Company plans to adopt the standard on the required effective date and is currently evaluating the expected impact.

Other standards

The following new and amended standards are not expected to have a significant impact on the Company's financial statements, when effective:

New standard or amendments	***Effective date***
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IFRS 3 - Reference to Conceptual Framework	1 January 2022
Onerous contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Amendments to IAS 1 - Classification of Liabilities as Current or Non-current	1 January 2023

6 Property and equipment

	Building AED'000	Furniture, fixtures and office equipment AED'000	Motor vehicles AED'000	Computer equipment and accessories AED'000	Capital Work-in-progress AED'000	Total AED'000
Cost						
At 1 January 2019	17,266	3,605	716	16,606	2,658	40,851
Additions	-	978	-	2,999	3,761	7,738
Transfers	-	-	-	-	(6,091)	(6,091)
At 1 January 2020	**17,266**	**4,583**	**716**	**19,605**	**328**	**42,498**
Additions	**-**	**51**	**-**	**1,672**	**1,038**	**2,761**
Disposals	**-**	**(81)**	**-**	**-**	**-**	**(81)**
Transfers	**8,772**	**-**	**-**	**-**	**(201)**	**8,571**
At 31 December 2020	**26,038**	**4,553**	**716**	**21,277**	**1,165**	**53,749**
Accumulated depreciation						
At 1 January 2019	8,504	3,120	477	9,332	-	21,433
Charge for the year	1,243	321	147	3,327	-	5,038
At 1 January 2020	**9,747**	**3,441**	**624**	**12,659**	**-**	**26,471**
Charge for the year	**1,278**	**456**	**72**	**3,513**	**-**	**5,319**
Disposals	**-**	**(81)**	**-**	**-**	**-**	**(81)**
Transfers	**7,472**	**-**	**-**	**-**	**-**	**7,472**
At 31 December 2020	**18,497**	**3,816**	**696**	**16,172**	**-**	**39,181**
Carrying amount						
At 31 December 2020	**7,541**	**737**	**20**	**5,105**	**1,165**	**14,568**
At 31 December 2019	7,519	1,142	92	6,946	328	16,027

At 31 December 2020, based on the recent valuation reports, the carrying amount of the building is less than its fair value and therefore no impairment is recognised.

All property and equipment are located in the United Arab Emirates.

7 Statutory deposit

In accordance with the requirements of UAE Federal Law No. (6) of 2007 concerning Insurance Companies and Agents, the Company maintains a bank deposit of AED 10,000,000 *(2019: AED 10,000,000)* which cannot be utilised without the consent of the UAE Insurance Authority.

8 Investment properties

	Abu Dhabi building AED'000	Al Ain building AED'000	Mussafah building AED'000	Right of Use leased assets AED'000	Total AED'000
Cost					
At 1 January 2019	27,258	6,955	5,176	-	39,389
Additions	3,663	-	-	-	3,663
At 1 January 2020	**30,921**	**6,955**	**5,176**	**-**	**43,052**
Additions	**-**	**677**	**-**	**644**	**1,321**
Transfers	**(6,184)**	**201**	**(2,588)**	**-**	**(8,571)**
At 31 December 2020	**24,737**	**7,833**	**2,588**	**644**	**35,802**
Accumulated depreciation					
At 1 January 2019	25,827	6,954	4,011	-	36,792
Charge for the year	245	-	341	-	586
At 1 January 2020	**26,072**	**6,954**	**4,352**	**-**	**37,378**
Charge for the year	**319**	**15**	**229**	**-**	**563**
Transfers	**(5,239)**	**-**	**(2,233)**	**-**	**(7,472)**
At 31 December 2020	**21,152**	**6,969**	**2,348**	**-**	**30,469**
Carrying amount					
At 31 December 2020	**3,585**	**864**	**240**	**644**	**5,333**
At 31 December 2019	4,849	1	824	-	5,674

The property rental income earned by the Company and the direct operating expenses including depreciation arising on the investment properties are as follows:

	2020 AED '000	2019 AED '000
Rental income	**3,275**	5,854
Direct operating expenses	**(1,858)**	(2,383)
	1,417	3,471

8 Investment properties *(continued)*

The Company's investment properties comprise the following:

Abu Dhabi Head Office building

The construction of this building was completed in 1987. The Company occupies five floors of the building for its Head Office with the remaining fourteen floors available for letting to third parties. The fair value of this property is estimated to be AED 43,500 thousand *(31 December 2019: AED 48,350 thousand).*

Al Ain building

The construction of this building was completed in 1992. The Company is utilising half of the second mezzanine floor for housing its Al Ain Branch office with the remaining space available for letting to third parties. The fair value of this property is estimated to be AED 9,620 thousand *(31 December 2019: AED 11,000 thousand).*

Mussafah building

The construction of this building was completed in 2008. The Company is utilising half of the warehouse area for storage purposes with the remaining warehouse area available for letting to third parties. The front side of the building is being used for Mussafah branch. The fair value of this property is estimated to be AED 6,835 thousand *(31 December 2019 AED 8,100 thousand).*

Land on which the Abu Dhabi Building and Al Ain Building were constructed has been allotted free of cost by the Executive Council of Abu Dhabi, and land on which Mussafah building is constructed is leased under a long term lease from the Abu Dhabi Municipality and Town Planning Department.

The disclosed fair value of the Company's investment properties as at 31 December 2020 and 31 December 2019 are based on the valuation carried out on the respective dates by the independent valuers having the appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

The fair value was determined using the Capitalization Approach, Discounted Cash Flow Method and Direct Comparable Methodology. The main assumptions in the valuation model is the CAP rate ranging from 7.5% to 12.0% and the rental rates. Rental rates have been obtained based on capitalisation approach, market comparable approach, term and revision approach and tenancy information. In estimating the fair value of the properties, the highest and best use of the properties is considered as their current use. There has been no change in the valuation techniques used during the year. The inputs used in the valuation are not based on observable market data and thus the valuation techniques are considered as Level 3 fair value measurements.

9 Investments in securities

The Company's investments at the end of the reporting period are detailed below:

	31 December 2020 AED'000	31 December 2019 AED'000
Financial assets at amortised cost		
Fixed income portfolio at amortised cost - UAE	**166,261**	165,295
Fixed income portfolio at amortised cost – Outside UAE	**24,755**	24,670
Less: allowance for expected credit losses	**(259)**	(257)
	190,757	189,708
Financial assets at fair value through other comprehensive income ("FVOCI")		
Quoted UAE equity securities	**435,707**	508,794
Unquoted UAE equity securities	**2,760**	3,141
Investment funds	**123,643**	74,191
Unquoted overseas equity securities	**3,290**	3,739
Investment in bond portfolio	**129,752**	58,396
	695,152	648,261
Financial assets at fair value through profit or loss		
Quoted UAE equity securities	**40,140**	60,242
Unquoted UAE equity securities	**1,048**	1,050
Investment funds	**78,620**	82,096
Unquoted overseas equity securities	**12,791**	10,545
Investment in bond portfolio	**228,822**	241,903
	361,421	395,836

The movement in investments during the year is as follows:

	2020	2019
Financial assets at amortised cost		
Amortised cost at the beginning of the year	**189,708**	179,380
Purchases	**12,588**	20,190
Disposals	**(3,489)**	(2,998)
Capital repayment	**(6,978)**	(6,337)
Premium amortisation	**(1,070)**	(500)
Allowance for expected credit losses	**(2)**	(27)
Amortised cost at the end of the year	**190,757**	189,708

9 Investments in securities *(continued)*

	31 December 2020 AED'000	31 December 2019 AED'000
Financial assets at fair value through other Comprehensive income		
Fair value at the beginning of the year	**648,261**	534,495
Purchases	**138,742**	134,092
Disposals	**(41,387)**	(28,716)
Change in fair values taken to other comprehensive income	**(50,464)**	8,390
Fair value at the end of the year	**695,152**	648,261
Financial assets at fair value through profit or loss		
Fair value at the beginning of the year	**395,836**	384,197
Purchases	**249,616**	273,552
Disposals	**(290,439)**	(281,723)
Change in fair values taken to profit or loss	**6,408**	19,810
Fair value at the end of the year	**361,421**	395,836

The geographical distribution of investments is as follows:

Within UAE	**697,262**	779,386
Outside UAE	**550,327**	454,676
	1,247,589	1,234,062

10 Insurance contract liabilities and reinsurance contract assets

	31 December 2020	31 December 2019 (Restated)*
	AED '000	AED '000
Gross technical reserves		
- Unearned premiums reserve	**423,824**	468,653
- Outstanding claims reserve	**1,154,929**	699,606
- Claims incurred but not reported reserve	**182,379**	156,044
- Unallocated loss adjustment expenses reserve	**15,009**	13,899
- Unallocated risk reserve	**3,154**	2,506
	1,779,295	1,340,708
Reinsurers' share of technical reserves		
- Unearned premiums reserve	**221,561**	215,811
- Outstanding claims reserve	**888,157**	436,181
- Claims incurred but not reported reserve	**110,710**	79,934
- Unexpired risk reserve	**-**	1,608
	1,220,428	733,534
Insurance liabilities - net		
- Unearned premiums reserve	**202,263**	252,842
- Outstanding claims reserve	**266,772**	263,425
- Claims incurred but not reported reserve	**71,669**	76,110
- Unallocated loss adjustment expenses reserve	**15,009**	13,899
- Unexpired risk reserve	**3,154**	898
	558,867	607,174

* Refer to note 37 for details.

10 Insurance contract liabilities and reinsurance contract assets *(continued)*

Insurance contract liabilities - net, comprises of following:

31 December 2020

	Unearned premium reserve AED '000	Outstanding claims AED '000	Claims incurred but not reported reserve AED '000	Unallocated loss adjustment expense reserve AED '000	Unexpired risk reserve AED '000	Total AED '000
Motor	109,649	52,162	19,828	2,015	-	183,654
Energy, oil and gas	16,581	45,381	10,194	1,552	186	73,894
Engineering	9,971	18,064	2,618	1,693	-	32,346
Marine & Aviation	1,138	7,504	772	721	-	10,135
Fire & General Insurance	37,486	135,294	36,988	7,850	187	217,805
Medical	24,229	6,518	913	936	2,781	35,377
Employee Benefits	3,209	1,849	356	242	-	5,656
	202,263	266,772	71,669	15,009	3,154	558,867

31 December 2019

	Unearned premium reserve AED '000	Outstanding claims AED '000	Claims incurred but not reported reserve (Restated)* AED '000	Unallocated loss adjustment expense reserve AED '000	Unexpired risk reserve AED '000	Total AED '000
Motor	142,200	63,701	19,549	2,030	-	227,480
Energy, oil and gas	22,126	40,474	11,061	1,546	1,161	76,368
Engineering	17,112	17,064	2,042	1,261	-	37,479
Marine & Aviation	1,711	18,819	2,001	817	-	23,348
Fire & General Insurance	42,781	115,236	39,534	7,836	-	205,387
Medical	21,703	5,379	557	69	(263)	27,445
Employee Benefits	5,209	2,752	1,366	340	-	9,667
	252,842	263,425	76,110	13,899	898	607,174

* Refer to note 37 for details.

10 Insurance contract liabilities and reinsurance contract assets *(continued)*

Movements in the insurance contract liabilities and reinsurance contract assets during the year are as follows:

	2020			2019 (Restated)*		
	Gross AED '000	**Reinsurance AED '000**	**Net AED '000**	Gross AED '000	Reinsurance AED '000	Net AED '000
Claims						
Notified claims	**699,606**	**436,181**	**263,425**	696,946	474,044	222,902
Incurred but not reported	**156,044**	**79,934**	**76,110**	111,740	44,092	67,648
Total at the beginning of the year	**855,650**	**516,115**	**339,535**	808,686	518,136	290,550
Claims settled	**(492,433)**	**(208,867)**	**(283,566)**	(478,429)	(181,706)	(296,723)
Increase in liabilities	**974,091**	**691,619**	**282,472**	525,393	179,685	345,708
Total at the end of the year	**1,337,308**	**998,867**	**338,441**	855,650	516,115	339,535
Notified claims	**1,154,929**	**888,157**	**266,772**	699,606	436,181	263,425
Incurred but not reported	**182,379**	**110,710**	**71,669**	156,044	79,934	76,110
Total at the end of the year	**1,337,308**	**998,867**	**338,441**	855,650	516,115	339,535
Unearned premium						
Total at the beginning of the year	**468,653**	**215,811**	**252,842**	461,353	206,680	254,673
Increase during the year	**423,824**	**221,561**	**202,263**	468,653	215,811	252,842
Release during the year	**(468,653)**	**(215,811)**	**(252,842)**	(461,353)	(206,680)	(254,673)
Net change during the year	**(44,829)**	**5,750**	**(50,579)**	7,300	9,131	(1,831)
Total at the end of the year	**423,824**	**221,561**	**202,263**	468,653	215,811	252,842

* Refer to note 37 for details.

11 Insurance receivables

	31 December 2020	31 December 2019 (Restated)*
	AED'000	AED'000
Due from policy holders	**32,309**	29,175
Due from policy holders – related parties *(note 23)*	**9,509**	9,728
	41,818	38,903
Due from insurance / reinsurance companies	**44,239**	34,367
Due from brokers / agents	**202,402**	249,163
Less: allowance for expected credit losses	**(26,607)**	(20,952)
	261,852	301,481

Movement in the allowance for expected credit losses:

	31 December 2020	31 December 2019
	AED'000	AED'000 (Restated)*
At 1 January	**20,952**	17,902
Allowance recognised during the year	**5,655**	3,050
Balance at the end of the year	**26,607**	20,952

The average credit period on insurance contracts with policyholders is 120 days, whereas for insurance companies, reinsurance companies, brokers/agents is 180 days. No interest is charged on insurance receivables.

The Company has adopted the simplified approach under IFRS 9 for ECL and therefore always measures the loss allowance for insurance receivables at an amount equal to lifetime ECL. The expected credit losses on insurance receivables are estimated using a provision matrix by reference to past default experience, adjusted for factors that for general economic conditions of the industry in which the counterparty operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Company has recognised a loss allowance of 26% against all receivables over 90 days past due because historical experience has indicated that the receivables has a recovery rate of 74% after default. There has been no change in the estimation techniques or significant changes in assumptions after the transition date.

The Company writes off a trade receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings.

At the end of the year, AED 55,642 thousand *(2019: AED 66,000 thousand)* is due from the Company's ten largest customers (policy holders, insurance/reinsurance companies, brokers/agents).

* Refer to note 37 for details.

11 Insurance receivables *(continued)*

The following table details the risk profile of insurance receivables based on the Company's provision matrix. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Company's different customer base.

31 December 2020	**Current**	**< 31 days**	**31 - 60 days**	**61 - 90 days**	**> 91 days**	**Total**
ECL rate	0.82%	17.14%	20.20%	24.67%	30.01%	
Amounts in AED '000						
Gross carrying amount	196,049	5,501	8,902	21,419	56,588	288,459
Loss allowance	1,602	943	1,798	5,284	16,980	26,607

31 December 2019 (Restated)* Amounts in AED '000	Current	< 31 days	31 - 60 days	61 - 90 days	> 91 days	Total
ECL rate	1.01%	15.36%	18.07%	22.53%	27.49%	
Gross carrying amount	245,118	15,735	6,487	5,287	49,806	322,433
Loss allowance	2,479	2,417	1,172	1,191	13,693	20,952

As at 31 December, the ageing analysis of insurance balance receivables is as follows:

	31 December 2020 AED'000	31 December 2019 (Restated)* AED'000
Not due	**196,049**	245,118
Less than 30 days	**5,501**	15,735
30 - 90 days	**30,321**	11,774
91 - 180 days	**22,217**	19,554
More than 181 days	**34,371**	30,252
Insurance balances receivable	**288,459**	322,433

* Refer to note 37 for details.

11 Insurance receivables *(continued)*

Inside United Arab Emirates

	31 December 2020 AED'000	31 December 2019 (Restated)* AED'000
Due from policy holders	**32,281**	29,175
Due from policy holders – related parties *(note 23)*	**9,509**	9,728
	41,790	38,903
Due from insurance / reinsurance companies	**28,148**	14,720
Due from brokers / agents	**121,817**	141,244
Less: allowance for expected credit losses	**(13,304)**	(10,481)
	178,451	184,386

Outside United Arab Emirates

	31 December 2020 AED'000	31 December 2019 (Restated)* AED'000
Due from policy holders	**28**	-
	28	-
Due from insurance / reinsurance companies	**16,090**	19,647
Due from brokers / agents	**80,586**	107,919
Less: allowance for expected credit losses	**(13,303)**	(10,471)
	83,401	117,095

* Refer to note 37 for details.

12 Other receivables and prepayments

	31 December 2020 AED '000	31 December 2019 AED '000
Deferred acquisition cost	**49,715**	54,491
Refundable deposits	**5,234**	6,278
Prepayments	**3,677**	5,598
Receivable from employees	**2,762**	3,287
Others	**8,800**	14,274
	70,188	83,928

13 Term deposits

Term deposits are fixed deposits with original maturity ranges between three months and one year (*2019: three months and one year*). Interest rate on term deposits ranges between 0.85% and 2.95% (*2019:* 2.2% and 4.0%) per annum. All term deposits are placed with banks and financial institutions within the UAE. Loss allowance of AED 42 thousand *(2019: 99 thousand)* is recognised for the deposits.

14 Cash and cash equivalents

	31 December 2020 AED'000	31 December 2019 AED'000
Cash at banks inside UAE	**138,179**	105,548
Cash at banks outside UAE	**252**	7,220
Cash in hand	**1,532**	4,068
Cash and bank balances	**139,963**	116,836
Term deposits	**149,355**	205,891
	289,318	322,727
Less: deposits with original maturities exceeding three months	**(149,355)**	(205,891)
	139,963	116,836
Less: allowance for expected credit losses	**(30)**	(39)
Cash and cash equivalents	**139,933**	116,797

15 Issued and paid up share capital

	31 December 2020 AED'000	31 December 2019 AED'000
Authorised:		
150,000,000 *(2019: 150,000,000)* shares of AED 1 each	**150,000**	150,000
Allotted, issued and fully paid:		
150,000,000 *(2019: 150,000,000)* shares of AED 1 each	**150,000**	150,000

At 31 December 2020, a total of 17,719,999 (2019: 17,719,999) shares were held by Abu Dhabi Investment Council Company PJSC, 131,866,937 *(31 December 2019: 131,904,050)* shares by UAE nationals, 258,165 *(31 December 2019: 258,165)* shares by an Omani company, 119,622 *(31 December 2019: 113,905)* shares by Kuwaiti nationals and 35,277 *(31 December 2019: 3,881)* shares by Saudi nationals.

16 Statutory reserve

In accordance with the UAE Federal Law No. (2) of 2015 concerning Commercial Companies and the Company's Articles of Association, 10% of profit is to be transferred to a non-distributable reserve until the balance of the reserve equals 50% of the Company's paid up share capital. This reserve is not available for dividend distribution.

17 Other reserves

17.1 General reserve

Transfers to and from the general reserve are made at the discretion of the Board of Directors. This reserve may be used for such purposes as the Directors deem fit. During the year, the Company has transferred AED Nil *(31 December 2019: AED 55,000 thousand)* from Retained Earnings to General Reserve.

17.2 Reinsurance risk reserve

In accordance with Article (34) to Insurance Authority's Board of Directors Decision No. (23) of 2019, insurance companies incorporated in the State and licensed by the Insurance Authority shall bind in the preparation of its annual financial statements and its final accounts to allocate an amount equal to 0.5% (five per thousand) of the total reinsurance premiums ceded by them in all classes in order to create a provision for the probability of failure of any of the reinsurers with whom the Company deals to pay what is due to the Company or default in its financial position. The provision shall be accounted year after year based on the reinsurance premiums ceded and may not be disposed of without the written approval of the Director General. The decision is effective from 1 December 2020. Accordingly, an amount of AED 175 thousands has been recorded in equity as a reinsurance default risk reserve.

18 Proposed cash dividends

In respect of the current year, the Board of Directors propose a cash dividend of AED 0.60 per share *(31 December 2019: AED 0.60 per share)* amounting to AED 90,000 thousand *(31 December 2019: AED 90,000 thousand)*. The dividends proposed in 2020 were paid during the year.

The cash dividend is subject to the approval of the Shareholders at the forthcoming Annual General Meeting.

19 End of service benefit obligation

	31 December 2020 AED '000	31 December 2019 AED '000
At 1 January	**17,266**	16,999
Charge for the year	**3,442**	3,660
Paid during the year	**(1,823)**	(3,393)
As at 31 December 2020	**18,885**	17,266

During the year, the Company paid pension contributions in respect of UAE national employees amounting to AED 1,023 thousand *(31 December 2019: AED 1,044 thousand)*.

20 Accruals and other liabilities

	31 December 2020 AED '000	31 December 2019 AED '000
Unclaimed dividend	**3,863**	3,804
Provision for directors' remuneration	**2,705**	3,646
Accrued expenses	**2,022**	2,240
Accruals and other liabilities	**21,043**	21,915
	29,633	31,605

21 Insurance liabilities

Inside United Arab Emirates	**75,619**	96,637
Outside United Arab Emirates	**67,814**	49,897
	143,433	146,534
Inside United Arab Emirates:		
Payable to policyholders	**15,333**	16,838
Payable to insurance / reinsurance companies	**26,689**	36,110
Payable to brokers / agents	**33,597**	43,689
	75,619	96,637
Outside United Arab Emirates:		
Payable to insurance / reinsurance companies	**64,967**	44,295
Payable to brokers / agents	**2,847**	5,602
	67,814	49,897

22 Other payables

	31 December 2020 AED'000	31 December 2019 AED'000
Other insurance payables	**8,310**	9,330
Due to related parties *(note 23)*	**4,221**	1,985
	12,531	11,315

23 Related parties

Related parties comprise the Directors of the Company and those entities in which they have the ability to control or exercise significant influence in financial and operational decisions.

Directors are expected to avoid any action, position or interest that conflict with an interest of the Company. Details of all transactions in which a Director and/or related parties might have actual or potential conflicts are provided to the Board of Directors for their review and approval. When a potential conflict of interest arises, the Directors concerned neither participate in the discussions nor exercise any influence over other members of the Board. If a major shareholder or a Director has any conflict of interests with any matter to be considered by the Board of Director and the Board of Directors determines that such a matter is significant, the decision thereon by the Board of Directors shall be made in the presence of all Directors and in the absence of the interested Director's vote.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, being the directors, chief executive officer and his direct reports.

The Company maintains significant balances with these related parties which arise from commercial transactions in the ordinary course of business at commercial rates as follows.

	31 December 2020 AED'000	31 December 2019 AED'000
Included in insurance receivables (note 11)		
Due from policy holders (Directors' affiliates)	**9,509**	9,728
Included in other payables (note 22)		
Due to policy holders (Directors' affiliates)	**4,221**	1,985

23 Related parties *(continued)*

Significant transactions with related parties during the year were as follows:

	31 December 2020 AED'000	31 December 2019 AED'000
Gross premiums written from Directors' affiliates	**33,620**	32,142
Gross claims paid to Directors' affiliates	**1,634**	4,029
Directors' remuneration for the year	**2,705**	2,750

The remuneration of the Board of Directors for current year is subject to approval by the Shareholders and as per limits set by the UAE Federal Law No. (2) of 2015 concerning Commercial Companies.

Remuneration of key management personnel:

Short term benefits	**15,051**	15,184
Post-employment benefits	**1,738**	1,071
	16,789	16,255

The remuneration of key management personnel is based on the remuneration agreed in their employment contracts as approved by the Board of Directors.

24 Summary of actuary's report on the technical provisions

The Company writes short-term health, life and other general insurance lines of business (LOBs). No discounting of technical provisions was employed.

Earned premiums are calculated by apportioning premiums using risk inception and termination dates on an exact daily basis. The unearned premium reserve (UPR) is calculated as the sum of earned premiums across all months after the valuation date. For the specific list of Marine Cargo Open Cover policies provided by the Company, it is assumed that each policy is earned fully in the quarter following the quarter in which it was written. Hence the total UPR at the end of a particular quarter will be equal to the written premium in that quarter. For the specific list of policies provided by the Company that are increasing risks such as construction and engineering risks, it is assumed that the pattern of risk is non-uniform and subsequently premiums are allocated and earned on a daily increasing basis over the term of policy period. The UPR is calculated as the sum of earned premiums across all months after the valuation date. These are in line with the regulatory requirements stipulated in the Regulations.

In the calculation of deferred acquisition cost and unearned commission income, commission expense and commission income are apportioned in the same way as is done for earned premiums and UPR for the relevant LOBs as described above.

Outstanding claims provisions are estimated based on known facts at the date of estimation. Case estimates are set by claims technicians and established case setting procedures. Ultimate claims are estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder, Expected Loss Ratio, Bornhuetter-Ferguson and Cape Cod methods. The main assumption underlying these techniques is that the past claims development experience can be used to project future claims development and hence ultimate claims. As such, these methods extrapolate the development of paid and incurred losses based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident period. Incurred but not reported (IBNR) claims are estimated by subtracting outstanding claims provisions from ultimate claims estimates.

Claim development is separately analysed for each LOB. The assumptions used in most non-life actuarial projection techniques, including future rates of claims inflation or loss ratio assumptions, are implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future, for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures in order to arrive at a point estimate for the ultimate cost of claims that represents the likely outcome, from a range of possible outcomes, taking account of all the uncertainties involved.

The unallocated loss adjustment expense (ULAE) reserve makes an allowance for the future cost of settling current outstanding and IBNR claims. This ULAE percentage is determined based on an internal analysis performed by the Company.

The additional unexpired risk reserve (AURR) is calculated on a LOB level. In estimating the AURR, the prospective loss ratios, adjusted expense ratio and capital cost are estimated as at the valuation date. If the unexpired risk reserve is found to be higher than the unexpired premiums, an additional AURR is recommended.

25 Net premiums

	31 December 2020 AED'000	31 December 2019 (Restated)* AED'000
Gross premium (direct and assumed):		
Motor	**276,612**	345,406
Fire and general insurance	**391,857**	414,912
Energy, oil and gas	**100,406**	114,739
Medical	**121,607**	113,503
Engineering	**73,918**	70,948
Marine and aviation	**50,451**	57,130
Employee benefits	**24,658**	30,703
	1,039,509	1,147,341
Reinsurance share of direct business premium:		
Motor	**(40,819)**	(43,555)
Fire and general insurance	**(240,511)**	(266,008)
Energy, oil and gas	**(40,916)**	(41,131)
Medical	**(63,568)**	(54,385)
Engineering	**(47,242)**	(38,253)
Marine and aviation	**(43,721)**	(50,588)
Employee benefits	**(14,154)**	(16,179)
	(490,931)	(510,099)
Reinsurance share of assumed business premium:		
Fire and general insurance	**(40,494)**	(20,692)
Energy, oil and gas	**(30,469)**	(31,543)
Engineering	**(983)**	(85)
Marine and aviation	**(794)**	(275)
	(72,740)	(52,595)
Net premium:		
Motor	**235,793**	301,851
Fire and general insurance	**110,852**	128,212
Energy, oil and gas	**29,021**	42,065
Medical	**58,039**	59,118
Engineering	**25,693**	32,610
Marine & aviation	**5,936**	6,267
Employee benefits	**10,504**	14,524
	475,838	584,647

* Refer to note 37 for details.

26 Net claims paid

	31 December 2020	31 December 2019 (Restated)*
	AED'000	AED'000
Gross claims paid		
Motor	**(154,892)**	(171,235)
Fire and general insurance	**(191,837)**	(110,734)
Energy, oil and gas	**(39,787)**	(84,829)
Medical	**(49,712)**	(60,454)
Engineering	**(21,357)**	(18,496)
Marine and aviation	**(18,345)**	(16,901)
Employee benefits	**(16,503)**	(15,780)
	(492,433)	(478,429)
Reinsurance share of claims paid:		
Motor	**13,933**	14,975
Fire and general insurance	**123,015**	35,724
Energy, oil and gas	**7,890**	25,551
Medical	**10,938**	28,103
Engineering	**12,299**	8,497
Marine and aviation	**11,315**	9,452
Employee benefits	**12,502**	12,036
	191,892	134,338
Reinsurance share of assumed business claims:		
Fire and general insurance	**380**	16,630
Energy, oil and gas	**15,820**	30,281
Engineering	**648**	51
Marine and aviation	**127**	406
	16,975	47,368
Net claims paid:		
Motor	**(140,959)**	(156,260)
Fire and general insurance	**(68,442)**	(58,380)
Energy, oil and gas	**(16,077)**	(28,997)
Medical	**(38,774)**	(32,351)
Engineering	**(8,410)**	(9,948)
Marine and aviation	**(6,903)**	(7,043)
Employee benefits	**(4,001)**	(3,744)
	(283,566)	(296,723)

* Refer to note 37 for details.

27 Net investment income

	31 December 2020 AED'000	31 December 2019 AED'000
Dividends from investments in securities	**28,307**	23,060
Unrealised gain on investments measured at fair value through profit or loss – net	**6,408**	19,810
Net gain on disposal of investments	**(3,820)**	7,201
Interest on bonds	**19,345**	17,907
Interest on bank deposits	**4,207**	7,187
Investment expenses	**(2,539)**	(2,747)
	51,908	72,418

28 Income from investment properties

Rental income	**3,275**	5,854
Direct operating expenses including depreciation	**(1,858)**	(2,383)
	1,417	3,471

29 General and administrative expenses

Staff costs	**69,349**	69,013
Rental expenses	**3,350**	4,854
Government levies	**4,460**	4,463
Depreciation on property and equipment (note 6)	**5,319**	5,038
Others	**28,285**	27,128
	110,763	110,496

The movement for expected credit losses during the year is as follows:

	Insurance receivables AED'000	Bank balances and term deposits AED'000	Financial assets at amortised cost AED'000	Financial assets at FVOCI AED'000	Total AED'000
Impairment losses as at 1 January 2020	20,952	138	257	19	21,366
Loss allowance / (reversal) for the year	**5,655**	**(66)**	**2**	**11**	**5,602**
Impairment losses as at 31 December 2020	**26,607**	**72**	**259**	**30**	**26,968**

30 Other expenses - net

	31 December 2020 AED'000	31 December 2019 AED'000
Staff costs	**9,032**	10,354
Others	**2,575**	2,805
	11,607	13,159

31 Basic and diluted earnings per share

	31 December 2020	31 December 2019 (Restated)*
Profit for the year (AED '000)	**108,284**	113,149
Weighted average number of ordinary shares (shares in '000)	**150,000**	150,000
Earnings per share for the year – basic and diluted (AED)	**0.72**	0.75

32 Commitments and contingent liabilities

Commitments

At 31 December 2020, the Company had outstanding commitments to invest in unquoted overseas equity securities amounting to AED 9,669 thousand *(31 December 2019: AED 12,530 thousand).*

Contingent liabilities

At 31 December 2020, the Company had contingent liabilities in respect of outstanding letters of guarantee issued in the normal course of business, amounting to AED 7,716 thousand *(31 December 2019: AED 8,666 thousand).*

Legal proceedings

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

33 Insurance risks

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.

33 Insurance risks *(continued)*

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company 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 Company 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 Company 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.

Claims development process

The following schedules reflect the actual claims (based on year end estimates including IBNR) compared to the previous estimates for the last five years on an accident year basis:

Motor – Gross:

Accident year	**2016 and earlier AED'000**	**2017 AED'000**	**2018 AED'000**	**2019 AED'000**	**2020 AED'000**	**Total AED'000**
At the end of the accident year		162,787	137,528	181,048	149,555	
One year later		148,157	131,008	181,674	-	
Two years later		145,983	135,570	-	-	
Three years later		143,660	-	-	-	
Four years later		-	-	-	-	
Current estimate of cumulative claims		143,660	135,570	181,674	149,555	
Cumulative payments to date		(141,199)	(124,799)	(159,104)	(109,513)	
Liability recognised in the statement of financial position	2,497	2,461	10,771	22,570	40,042	78,341

33 Insurance risks *(continued)*

Motor - net:

Accident year	**2016 and earlier AED'000**	**2017 AED'000**	**2018 AED'000**	**2019 AED'000**	**2020 AED'000**	**Total AED'000**
At the end of the accident year		129,592	120,636	164,365	134,208	
One year later		122,137	117,431	169,638	-	
Two years later		122,447	119,099	-	-	
Three years later		120,001	-	-	-	
Four years later		-	-	-	-	
Current estimate of cumulative claims		120,001	119,099	169,638	134,208	
Cumulative payments to date		(118,078)	(111,248)	(147,809)	(95,346)	
Liability recognised in the statement of financial position	1,526	1,923	7,851	21,829	38,862	71,991

Non-Motor – gross:

Accident year	**2016 and earlier AED'000**	**2017 AED'000**	**2018 AED'000**	**2019 AED'000**	**2020 AED'000**	**Total AED'000**
At the end of the accident year		615,669	439,213	399,446	580,493	
One year later		500,402	437,093	655,820	-	
Two years later		525,300	452,761	-	-	
Three years later		571,714	-	-	-	
Four years later		-	-	-	-	
Current estimate of cumulative claims		571,714	452,761	655,820	580,493	
Cumulative payments to date		(480,834)	(293,625)	(181,918)	(80,713)	
Liability recognised in the statement of financial position	35,269	90,880	159,136	473,902	499,780	1,258,967

33 Insurance risks *(continued)*

Non-Motor - net:

Accident year	2016 and Earlier AED'000	2017 AED'000	2018 AED'000	2019 AED'000	2020 AED'000	Total AED'000
At the end of the accident year		132,269	132,754	155,878	161,842	
One year later		142,317	132,452	166,195	-	
Two years later		143,575	154,293	-	-	
Three years later		162,102	-	-	-	
Four years later		-	-	-	-	
Current estimate of cumulative claims		162,102	154,293	166,195	161,842	
Cumulative payments to date		(132,753)	(119,018)	(94,524)	(47,061)	
Liability recognised in the statement of financial position	15,374	29,349	35,275	71,671	114,781	266,450

Frequency and severity of claims

The Company has the right not to renew individual policies, re-price the risk, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation).

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. Property insurance contracts are subdivided into four risk categories: fire, business interruption, weather damage and theft. The insurance risk arising from these contracts is not concentrated in any of the Emirates of the UAE in which the Company operates, and there is a balance between commercial and personal properties in the overall portfolio of insured buildings.

Sources of uncertainty in the estimation of future claim payments

Claims on insurance contracts are payable on a claims-occurrence basis. The Company 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 an element of the claims provision includes 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 Company, 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 Company 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.

33 Insurance risks *(continued)*

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company 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 Company 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 Company'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 premiums earned.

	31 December 2020		31 December 2019 *(Restated)**	
Type of risk	**Gross loss ratio**	**Net loss ratio**	Gross loss ratio	Net loss ratio
Motor	**49%**	**53%**	49%	44%
Non-Motor	**107%**	**56%**	41%	51%

Process used to decide on assumptions

The risks associated with the insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. Internal data is derived mostly from the Company'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 Company 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.

* Refer to note 37 for details.

33 Insurance risks *(continued)*

Concentration of insurance risk

The Company's underwriting business is based entirely within the UAE and other GCC countries, except for international energy business written in Afro-Asia. Treaty reinsurance arrangements are placed with companies based in UK and Europe.

In common with other insurance companies, in order to minimise financial exposure arising from large insurance claims, the Company, in the normal course of business, enters into arrangements with other parties for reinsurance purposes.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentration of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers. Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders. The Company remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the reinsurance agreements.

	31 December 2020		31 December 2019	
Type of risk	**Gross AED'000**	**Net AED'000**	Gross AED'000	Net AED'000
Motor				
UAE	**8,343,141**	**7,022,261**	7,224,689	6,382,397
Non-Motor				
UAE	**209,753,832**	**26,795,212**	219,845,717	32,061,538
GCC countries	**3,746,952**	**1,530,272**	3,646,219	1,354,731
Others	**11,197,669**	**6,906,871**	13,618,933	7,941,598
	224,698,453	**35,232,355**	237,110,869	41,357,867
Grand total	**233,041,594**	**42,254,616**	244,335,558	47,740,264

Sensitivity of underwriting profit and losses

The contribution by the insurance operations in the profit of the Company amounts to AED 183,503 thousand for the year ended 31 December 2020 *(31 December 2019 restated*: AED 162,914 thousand)*. The Company does not foresee any major impact from insurance operations due to the following reasons:

The Company has an overall risk retention level of 46% *(31 December 2019 restated*: 51%)* and the same is mainly contributed by one class of business i.e., Motor line wherein the retention level is 85% *(31 December 2019: 87%)*. However, in this class the liabilities are adequately covered by excess of loss reinsurance programs to guard against major financial impact.

The Company's 70% volume of business *(31 December 2019: 70%)* has low risk retention. The Company has limited exposure in high retention areas like Motor, and as a result the Company is comfortable to maintain a net loss ratio in the range of 55% - 60% *(31 December 2019: 40% - 55%)* and does not foresee any serious financial impact in the insurance net profit.

34 Financial instruments

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long-term its investment proceeds are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are equity price risk, credit risk, foreign currency risk and interest rate risk.

Capital risk management

The Company's objectives when managing capital are:

- to comply with the insurance capital requirements required by UAE Federal Law No. (6) of 2007 concerning the formation of Insurance Authority of UAE and the Regulations;
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

The solvency regulations identify the required Solvency Margin to be held in addition to insurance liabilities. The Solvency Margin (presented in the table below) must be maintained at all times throughout the year. The Company is subject to solvency regulations which it has complied with during the year. The Company has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with such regulations.

The table below summarizes the Minimum Capital Requirement, Minimum Guarantee Fund and Solvency Capital Requirement of the Company and the total capital held to meet these required Solvency Margins.

	31 December 2020 AED '000	31 December 2019 AED '000
Minimum Capital Requirement (MCR)	**100,000**	100,000
Solvency Capital Requirement (SCR)	**311,883**	317,198
Minimum Guarantee Fund (MGF)	**160,213**	176,379
Own Funds		
- Basic Own Funds	**785,937**	855,671
- Ancillary Own Funds	**-**	-
Own funds eligible to meet the MCR	**785,937**	855,671
MCR Solvency Margin - Surplus	**685,937**	755,671
SCR Solvency Margin - Surplus	**474,056**	538,473
MGF Solvency Margin - Surplus	**625,724**	679,292

34 Financial instruments *(continued)*

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

Categories of financial instruments

	31 December 2020	31 December 2019 (Restated)*
	AED '000	AED '000
Financial assets		
Statutory deposit	**10,000**	10,000
Financial assets at amortised cost	**190,757**	189,708
Financial assets measured at FVOCI	**695,152**	648,261
Financial assets measured at FVTPL	**361,421**	395,836
Insurance receivables	**261,852**	301,481
Other receivables	**66,511**	78,330
Term deposits	**149,313**	205,792
Cash and cash equivalents	**139,933**	116,797
	1,874,939	1,946,205
Financial liabilities		
Insurance liabilities	**143,433**	146,534
Other payables	**12,531**	11,315
Reinsurance deposits retained	**28,839**	24,989
Accruals and other liabilities	**16,055**	16,767
	200,858	199,605

Market price risk management

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Company is exposed to market risk with respect to its investments in quoted securities held by it directly or through investment managers. The Company limits market risk by actively monitoring the key factors that affect stock and the market movements, including analysis of the operational and financial performance of the investees.

* Refer to note 37 for details.

34 Financial instruments *(continued)*

Market price risk management *(continued)*

Sensitivity analysis

At 31 December 2020, if the equity prices are 5% higher/lower and all the other variables were held constant, the Company's:

- Profit for the year would increase/decrease by AED 16,139 thousand *(2019: AED 18,002 thousand)*, as a result of the changes in fair value of investments designated at FVTPL; and

- Other comprehensive income for the year would increase/decrease by AED 34,068 thousand *(2019: AED 31,659 thousand)*, as a result of the changes in fair value investments designated at FVOCI.

Credit risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Key areas where the Company is exposed to credit risk are:
- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries;
- amounts due from banks for its bank balances and term deposits; and
- Investment in bonds.

The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policy holder. The creditworthiness of re-insurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Company maintains records of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the Company includes details of provisions for impairment on insurance receivables and subsequent write-offs. Exposures to individual policy holders and groups of policy holders are collected within the ongoing monitoring of the controls. Where there exists significant exposure to individual policy holders, or homogenous groups of policy holders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Company. Details on concentration of amounts due from policy holders is disclosed in note 11.

34 Financial instruments *(continued)*

Credit risk management *(continued)*

For insurance receivables the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 3 includes further details on the loss allowance for these assets respectively.

Management believes that the concentration of credit risk is mitigated by high credit rating and financial stability of its policy holders.

The credit risk on liquid funds is limited because the counterparties are major banks operating in the UAE and are highly regulated by the Central Bank of UAE.

The Company's exposure to bond portfolio is monitored on a regular basis, and all investments are done in bonds which meet the minimum credit rating criteria set and approved by the Board of Directors, in addition to limiting the concentration in a single counterparty.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk for such receivables and liquid funds.

Foreign currency risk management

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	2020	2019	**2020**	2019
	AED '000	AED '000	**AED '000**	AED '000
US Dollars	**102,985**	106,166	**46,684**	52,531
Euro	**4,694**	3,351	**861**	1,885
British Pounds	**3,155**	6,946	**1,402**	1,391
Saudi Riyals	**3,144**	1,214	**748**	341
Indian Rupees	**4,021**	4,390	**4**	4
South Korean Won	**3,374**	2,062	**-**	-
Others	**11,421**	108,055	**1,105**	672
	132,794	232,184	**50,804**	56,824

34 Financial instruments *(continued)*

Foreign currency risk management *(continued)*

The Company is mainly exposed on the above foreign currency denominated balances, except for US Dollars denominated balances as AED is pegged to the US Dollar and other GCC currencies which are pegged to the US Dollar. At 31 December 2020, if the exchange rates of unpegged currencies increased/decreased by 5% against AED, with all variables held constant, the Company's profit and equity would have been higher / lower by AED 1,165 thousand *(2019: AED 6,043 thousand)* mainly as a result of foreign exchange gain / (loss) on translation of outstanding receivables, payables and bank balances denominated in these currencies.

Liquidity risk management

Liquidity risk is the risk that the Company will be unable to meet its funding requirements. Bank facilities, the policy holders and the re-insurers, are the major sources of funding for the Company and the liquidity risk for the Company is assessed to be low. The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below summarizes the maturity profile of the Company's financial liabilities with maturities determined on the basis of the remaining period from the end of the reporting period to the contractual maturity/repayment date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

	Effective interest rate	0 - 180 days AED'000	181 - 365 Days AED'000	More than 1 year AED'000	Total AED'000
At 31 December 2020					
Insurance liabilities		**143,433**	**-**	**-**	**143,433**
Reinsurance deposits retained	**1.50%**	**14,419**	**14,420**	**-**	**28,839**
Other payables		**12,531**	**-**	**-**	**12,531**
Accruals and other liabilities		**29,633**	**-**	**-**	**29,633**
Total		**200,016**	**14,420**	**-**	**214,436**
At 31 December 2019					
Insurance liabilities		146,541	-	-	146,541
Reinsurance deposits retained	1.50%	12,494	12,495	-	24,989
Other payables		11,308	-	-	11,308
Accruals and other liabilities		31,605	-	-	31,605
Total		201,948	12,495	-	214,443

34 Financial instruments *(continued)*

Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to cash flow interest rate risk as there are no financial assets or financial liabilities carried at variable interest rates. The Company is exposed to fair value interest rate risk due to investments in quoted bonds carried at fixed interest rates. These investments are measured at FVTPL and amortised cost category. Term deposits with banks are also carried at fixed interest rates, however, these are not subject to fair value interest rate risk, as these have a maximum maturity period of 12 months and are frequently repriced.

Sensitivity analysis

At 31 December 2020, if market interest rates had been 50 basis points higher / lower and all the other variables were held constant, the Company's profit for the year would decrease / increase by AED 1,144 thousand (2019: AED 1,210 thousand), as a result of the changes in fair value of quoted bonds measured at FVTPL.

At 31 December 2020, if market interest rates had been 50 basis points higher / lower and all the other variables were held constant, the fair value of quoted bonds measured at amortised cost would decrease/increase by AED 955 thousand (2019: AED 950 thousand).

Operational risk management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This includes legal and compliance risk and excludes strategic and reputational risk.

The Risk committee at EIC is tasked with reviewing the overall risk profile of the Company for appropriateness and to monitor the risk management techniques employed within the divisions and at the corporate level. This task includes a comprehensive annual review of all operational risks to which EIC are exposed to. All risks identified have been categorized according to impact, likelihood and the management controls in place to mitigate. A financial impact assessment was conducted to identify the twenty largest risks in terms of the monetary amount as per the maximum probable loss EIC could be exposed to.

The twenty largest risks were reviewed and where applicable additional controls were designed and implemented or existing controls were refined, to reduce the potential financial impact. The Risk committee reviews the internal controls mitigating the top twenty risks to ensure they are up to date and in line with the business processes and discuss potential control gaps which could represent a significant weakness. The Board of Directors annually review, discuss and approve the top twenty risks, the risk appetite of the company and the risk assessment as presented by the Risk committee.

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

34 Financial instruments *(continued)*

Fair value of financial instruments *(continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value into Levels 1 to 3 based on the degree to which the fair value is observable.

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At 31 December 2020				
Financial assets measured at fair value through other comprehensive income				
Quoted UAE equity securities	426,810	8,897	-	435,707
Unquoted UAE equity securities	-	-	2,760	2,760
Investment funds	115,903	-	7,740	123,643
Unquoted overseas equity securities	-	-	3,290	3,290
Investment in bond portfolio	129,752	-	-	129,752
Financial assets measured at fair value through profit or loss				
Quoted UAE equity securities	40,140	-	-	40,140
Unquoted UAE equity securities	-	-	1,048	1,048
Investment funds	53,815	-	24,805	78,620
Unquoted overseas equity securities	-	-	12,791	12,791
Investment in bond portfolio	228,822	-	-	228,822
Total	995,242	8,897	52,434	1,056,573

34 Financial instruments *(continued)*

Fair value of financial instruments *(continued)*

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At 31 December 2019				
Financial assets measured at fair value through other comprehensive income				
Quoted UAE equity securities	508,794	-	-	508,794
Unquoted UAE equity securities	-	-	3,141	3,141
Investment funds	65,989	-	8,202	74,191
Unquoted overseas equity securities	-	-	3,739	3,739
Investment in bond portfolio	58,396	-	-	58,396
Financial assets measured at fair value through profit or loss				
Quoted UAE equity securities	60,242	-	-	60,242
Unquoted UAE equity securities	-	-	1,050	1,050
Investment funds	57,904	-	24,192	82,096
Unquoted overseas equity securities	-	-	10,545	10,545
Investment in bond portfolio	241,903	-	-	241,903
Total	993,228	-	50,869	1,044,097

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements during the period.

The investments in quoted equities and bond portfolio are valued based on quoted prices in an active market and thus these have been classified as Level 1.

For investment in funds, the fair values are based on Net Asset Values (NAV) calculated by the respective fund managers. For investments in unquoted equity securities, the fair values are based on internal valuation techniques such as discounted cash flows and comparable companies' multiples. The valuation of funds and unquoted equity securities qualifies as Level 3 fair value measurement.

34 Financial instruments *(continued)*

Fair value of financial instruments *(continued)*

Reconciliation of Level 3 fair value measurements:

	Financial assets measured at fair value through profit or loss AED'000	Financial assets measured at fair value through other comprehensive income AED'000	Total AED'000
At 31 December 2020			
Opening balance	**35,787**	**15,082**	**50,869**
Purchases	**4,781**	**-**	**4,781**
Disposals	**(11,959)**	**(817)**	**(12,776)**
Total gains or (losses):			
- in profit or loss	**10,035**	**-**	**10,035**
- in other comprehensive income	**-**	**(475)**	**(475)**
Closing balance	**38,644**	**13,790**	**52,434**
At 31 December 2019			
Opening balance	49,368	14,027	63,395
Purchases	5,694	3,700	9,394
Disposals	(17,488)	(2,970)	(20,458)
Total gains or (losses):			
- in profit or loss	(1,787)	-	(1,787)
- in other comprehensive income	-	325	325
Closing balance	35,787	15,082	50,869

Fair value of financial instruments that are not measured at fair value (but fair value disclosures are required):

	31 December 2020		31 December 2019	
	Carrying amount AED'000	**Fair value AED'000**	Carrying amount AED'000	Fair value AED'000
Financial assets				
Investments at amortised cost	**190,757**	**201,044**	189,708	195,742

Investments at amortised cost comprise mainly of fixed income bonds and sukuks. The fair value of these bonds and sukuks are determined based on quoted prices in an active market and classified as Level 1 fair value measurement.

35 Segment information

The Company has adopted IFRS 8 *Operating Segments* with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (IAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. This has not resulted in any significant change to the reportable segments presented by the Company as the segments reported by the Company was consistent with the internal reports provided to the Chief Operating Decision Maker.

For operating purposes, the Company is organised into two main business segments:

- Underwriting of general insurance business – incorporating all classes of general insurance such as fire, marine, motor, general accident and miscellaneous.

- Investments – incorporating investments in marketable equity securities and investment funds, bonds, term deposits with banks and investment properties and other securities.

The following is an analysis of the Company's revenue and results by business segments:

	Underwriting		**Investments**		**Total**	
	31 December 2020	31 December 2019 (Restated)*	**31 December 2020**	31 December 2019	**31 December 2020**	31 December 2019 (Restated)*
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
Segment revenue	**1,103,326**	1,205,415	**55,183**	78,272	**1,158,509**	1,283,687
Segment result	**183,506**	162,914	**53,325**	75,889	**236,831**	238,803
Unallocated expenses					**(128,547)**	(125,654)
Profit for the year					**108,284**	113,149

* Refer to note 37 for details.

35 Segment information *(continued)*

The following is an analysis of the Company's assets and liabilities by business segments:

	Underwriting		Investments		Total	
	31 December 2020	31 December 2019 (Restated)*	**31 December 2020**	31 December 2019	**31 December 2020**	31 December 2019 (Restated)*
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
Segment assets	**1,561,519**	1,137,519	**1,407,520**	1,452,721	**2,969,039**	2,590,240
Unallocated assets					**149,906**	116,798
Total assets					**3,118,945**	2,707,038
Segment liabilities	**2,022,136**	1,545,435	**1,205**	386	**2,023,341**	1,545,821
Unallocated liabilities					**18,885**	52,329
Total liabilities					**2,042,226**	1,598,150

There were no transactions between the two business segments during the year.

Secondary segment information - Revenue by underwriting departments

Analysis of the Company's segment revenue classified by major underwriting departments is disclosed in note 25.

Secondary segment information - Geographical segment

The Company's underwriting business is based entirely within UAE, except for treaty reinsurance arrangements which are held with companies based primarily in Europe. All the investments of the Company are held in UAE except for the investments in managed portfolios and other securities which are held in the United States of America (USA) and Europe.

Total revenues and total assets of the underwriting and investment segments by geographical location are detailed below:

	Revenue		Total assets	
	2020	2019	**2020**	2019
	AED '000	AED '000 (Restated)*	**AED '000**	AED '000 (Restated)*
UAE	**937,236**	1,032,562	**2,550,300**	2,122,831
USA	**29,012**	13,362	**383,838**	223,428
Europe	**192,261**	237,763	**184,807**	360,779
	1,158,509	1,283,687	**3,118,945**	2,707,038

*Refer note 37 for details

36 Social contributions

The social contributions made during the year amount to AED 400 thousand *(31 December 2019: AED 700 thousand).*

37 Correction of error

During the year, the Company has identified that due to an error in the manual interface between the Company's International Department's operating system (RMS) and the Company's main operating and financial management system (Premia 11) a sub set of the International Treaty Department's underwriting data mainly relating to claims had, from the original implementation of RMS in 2016, never been properly recorded in Premia. Consequently, the Company's net profits were misstated for 2016 onwards.

This error has been rectified by restatement of corresponding prior period comparative financial statements. The impact on beginning of first impacted period i.e. 1 January 2019 amounted to AED 52.7 million which has been corrected by restating the opening balance of the statement of changes in equity. The following tables summarise the impacts on the Company's financial statements:

	Impact of correction of error		
	As previously reported AED '000	Adjustments AED '000	As restated AED '000
Statement of profit or loss for the year ended 31 December 2019			
Gross written premiums	1,136,530	10,811	1,147,341
Net premiums earned	**575,667**	**10,811**	**586,478**
Commission expenses	(131,580)	(1,902)	(133,482)
Gross underwriting income	**502,161**	**8,909**	**511,070**
Gross claims paid	(447,237)	(31,192)	(478,429)
Net claims paid	**(265,531)**	**(31,192)**	**(296,723)**
Change in incurred but not reported claims reserve - net	(3,786)	(4,676)	(8,462)
Net claims incurred	**(312,288)**	**(35,868)**	**(348,156)**
Net underwriting income	**189,873**	**(26,959)**	**162,914**
Profit for the period	**140,108**	**(26,959)**	**113,149**
Basic and diluted earnings per share	0.93	(0.18)	0.75

37 Correction of error *(continued)*

	Impact of correction of error		
	As previously reported AED '000	Adjustments AED '000	As restated AED '000
1 January 2019			
Statement of financial position:			
Insurance Receivables	379,307	(44,833)	334,474
Total assets	**2,638,979**	**(44,833)**	**2,594,146**
Gross claims incurred but not reported reserve	103,873	7,867	111,740
Total liabilities	**1,516,449**	**7,867**	**1,524,316**
Retained earnings	177,552	(52,700)	124,852
Total equity	**1,122,530**	**(52,700)**	**1,069,830**
31 December 2019			
Statement of financial position:			
Insurance Receivables	368,597	(67,116)	301,481
Reinsurers' share of claims incurred but not reported reserve	83,357	(3,423)	79,934
Total assets	**2,777,577**	**(70,539)**	**2,707,038**
Gross claims incurred but not reported reserve	146,924	9,120	156,044
Total liabilities	**1,589,030**	**9,120**	**1,598,150**
Retained earnings	171,741	(79,659)	92,082
Total equity	**1,188,547**	**(79,659)**	**1,108,888**

There is no impact on the total operating, investing or financing cash flows for the year ended 31 December 2019.

38 Impact of COVID-19

The economic repercussions from the global outbreak of COVID-19 have significantly and adversely affected businesses worldwide. As at 31 December 2020, the Company has primarily been impacted in its investments segment where the net unrealised losses on financial assets measured at fair value through other comprehensive income amounted to AED 50.5 million. The losses in investments are consistent with the worldwide trend. There is insufficient information available to assess the direction of this trend for the future.

Insurance risk

In its underwriting segment, the Company is primarily exposed to medical and business interruption policies. Although the Company's medical business has policy exclusions for pandemics, the Health Authorities in Dubai have instructed all insurers to accept medical claims related to COVID-19. The Company expects that the impact of medical claims would be immaterial due to low rate of hospitalisation and deferral of elective medical procedures required.

With regards to Business Interruption (BI) policies, the Company has in place pandemic and infectious disease policy exclusions as well. The Company has evaluated all business interruption policies in force for which the Company may have to incur claim payouts. As a result of initial examination of the policies, the Company has determined that these will not have a material impact in relation to the net claims paid due to lower retention levels of the Company. Furthermore, the Company has been able to retain major customers during the year ended 31 December 2020.

Liquidity risk

The Company continues to monitor and respond to all liquidity requirements that are presented. The Company continues to calibrate stress testing scenarios to current market conditions in order to assess the impact on the Company in the current extreme stress. As at the reporting date the liquidity position of the Company remains strong and is well placed to absorb and manage the impacts of this disruption.

Business continuity plan

The Company has remained fully operational throughout the period and has put in place effective business continuity and remote working plans enabled by the right technologies and systems to ensure uninterrupted services to customers and the operations. The outbreak has not caused any significant delays in policies issuance and claims settlements. The Company will continue to monitor the reverberations of COVID-19, if any, on its customers and operations and will take further action as needed.

The steps taken by the Company to estimate the impact of COVID-19 and the judgments applied by management in assessing the values of assets and liabilities as at 31 December 2020 includes both quantitative and qualitative criteria such as risk profiling and actuarial analysis. Such analysis has enabled the Company to timely and accurately identify its exposure although these are subject to significant judgment due to the rapidly changing dynamics of COVID-19.

39 Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue in their meeting on 25 February 2021.