INTEGRATED REPORT - 2021
AL DHAFRA INSURANCE COMPANY

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About the Report

- We are pleased to present our Integrated Report for the year 2021. The report is presented as per the guidelines set out by the Securities and Commodities Authority. Through this report we want to provide you with the overall performance of the company during the year 2021 in respect of the following:

a. Management Vision moving forward;
b. Corporate Governance;
c. Financial Performance;
d. Economic, Social and Governance Sustainability;

Reporting Period

- The scope of this report cover our performance from 1 January 2021 to 31 December 2021.

About Us

Al Dhafra Insurance Company P.S.C. is a Public Shareholding Company entirely owned by the U.A.E. nationals. It is incorporated in Abu Dhabi by Emiri Decree No. 8 of 1979 and registered under the provisions of The UAE Insurance Law (Federal Law No. (6) of 2007 enacted in February 2007).

The Company's Head Office is situated in Abu Dhabi and has branch offices in the U.A.E. at Dubai, Sharjah, Al Ain & Bida Zayed and 15 POSs & typing centers and 6 Traffic counters. Company's business operation is fully automated and branches and offices are connected on-line with Head Office for fast and efficient customer service. Company has on-line sales offices in most of the Immigration offices and Traffic offices across the country.

Our Vision:

- To become the preferred insurer choice of the customers in the local and regional insurance market;
- Be an example among service sector industries;

Our Mission:

- Add value to the insurance service provided in the market through continuous research in insurance and customer service area;
- Increase stake holders' value;

Our Values:

- Highest Priority to Customer needs;
- Loyalty and Integrity;
- Constant Improvement;
- High standards of Public Conduct;

Our Business

Al Dhafra is a direct Insurer in the U.A.E. market, underwriting both Life and Non-Life business and is recognized by the Government of the Abu Dhabi for Government insurance purposes. The major classes of business underwritten by the Company are:

- Fire & General Accident;
- Contract Works and Contractor's Plant & Equipment;
- Electronic Equipment & Machinery Breakdown;
- Workmen's Compensation & Employer's Liability;
- Public Liability, Medical Malpractice and other Professional Indemnity risks;
- Marine Cargo, Marine Hull & Pleasure Craft;
- Oil & Gas on and offshore operations;
- Personal Accident, Medical & Life; Visit visa and House maid policies;
- Motor

Al Dhafra has reinsurance association only with the world's top-class Reinsurers in Germany, U.K., Switzerland, Italy and other European countries and also has business relationship with the top-class International Insurance and Reinsurance Brokers all over the world.

Al Dhafra Strategic Focus

Al Dhafra is committed to providing sustainable growth for its shareholders, and therefore allocates capital and other resources by assessing each business opportunity in both risk adjusted and cost-adjusted terms.

As a client-driven company, Al Dhafra Insurance focuses both on deepening relationships with Existing customers as well as on attracting new ones.

Al Dhafra Insurance has separated also responsibility for client service, underwriting, reserving, and reporting, allowing market-leading transparency and best in class service, as well as attractive, sustainable returns for shareholders.

Al Dhafra Insurance’s Enterprise Risk Management shall facilitate the creation of sustainable competitive advantage, help management improve business performance and optimize the cost of managing risk as per the guided risk appetite.

Al Dhafra will continue to be mainly focused on corporate clients having long standing business in UAE market in various sectors in relation to general line of business.

The management also plans its investment in a very prudent manner and is focusing on diversifying the investment portfolio of the company with systematic diversification without affecting the investment income earned by the company.

Al Dhafra Insurance Company P.S.C.

BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2021

Al Dhafra Insurance Company P.S.C.
Audited Financial Statements

For the year ended 31 December 2021

Composition of Board of Directors

Chairman:	H.E Sheikh Mohamed Bin Sultan Bin Soroor Al Dhahiry
Deputy Chairman:	H.E. Yousef Bin Mohamad Ali Nasser Al Nowais
Directors:	H.E. Sh. Ahmed Moh'd Sultan Suroor Al Dhahiri
	Mr. Rashid Saeed Ahmad Saeed Ghobash
	H.E Sh. Sultan Saeed Sultan Surour Al Dhahiri
	H.E. Saif Mubarak Saif Al Riyami
	H.E. Saif Saeed Ahmed Saeed Ghobash
	Mr. Mohamed Saeed Ahmed Omran Al Mazrouei
	Mr. Mohamed Hussain Jasim Naser Al Nowais
General Manager	Mr. Kamal Sartawi
Address:	P.O. Box 319 Abu Dhabi United Arab Emirates
External auditors:	Grant Thornton - UAE

Al Dhafra Insurance Company P.S.C.
Audited Financial Statements

For the year ended 31 December 2021

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THE BOARD OF DIRECTORS' 42nd ANNUAL REPORT FOR THE YEAR ENDED 31ST DECEMBER 2021

Dear Shareholders,

The Board of Directors have the pleasure to welcome you to the Ordinary General Assembly of Al Dhafra Insurance Company P.S.C. (the "Company") and present to you the 42nd Annual Report regarding the business activities of the Company during 2021 as well as the financial statements for the year ended 31st December 2021 along with Auditor's Report.

At the outset, the Board of Directors would like to express their appreciation and utmost respect to His Highness Sheikh Khalifa Bin Zayed Al Nahyan, the President of the United Arab Emirates and His Brothers, the Rulers of other Emirates and His Highness Sheikh Mohamad Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi for their continuous limitless support and patronage for National institutions and Companies. All credits for the progress and stability achieved by the Country go to our wise leadership.

Although economies have adopted to move along with the pandemic restrictions, the effect of pandemic continued to impact the economic activity globally during the year under report. The impact felt in 2020 still influenced activity during 2021 and along with unhealthy competition in the local market the insurance premium has been pushed down to one of the lowest levels in recent times.

With all the above constraints, company continues to maintain stable position in the market in terms of technical results, net profit, EPS which is the result of long-term business model and prudent investment strategy adopted by the Company.

We give here below summary of various aspects of the balance sheet

Gross and Net premium

The gross premium written for the year ended 31 December 2021 amounted to AED 314,513,507 (2020: AED 289,773,699), depicting an increase of 8.54 %.

The net retained premium for the year ended 31 December 2021 amounted to AED 85,752,490 (2020: AED 73,424,255), depicting an increase of 16.79 %.

Gross and Net claims

The gross claims paid by the Company during the year amounted to AED 130,479,069 (2020: AED 140,990,838), depicting a decrease of (7.46 %).

Net claims paid during the year amounted to AED 33,586,590 (2020: AED 28,071,930), depicting an increase of 19.64 %.

Technical Provisions

The net technical provisions (excluding deferred acquisition costs and unearned commission income) at 31 December 2021 amounted to AED 101,363,205 (2020: AED 93,767,927).

The net technical provision for the current year is hence 118 % of the retained premium.

Figures relating to Different classes of Insurance

Gross written Premiums	2021 (AED)	2020 (AED)
Marine	62,325,945	58,796,863
Other classes of business	252,187,562	230,976,836
Total	314,513,507	289,773,699

Gross Paid Claims	2021 (AED)	2020 (AED)
Marine	4,511,780	22,017,311
Other classes of business	125,967,289	118,973,527
Total	130,479,069	140,990,838

Net Technical Provisions	2021 (AED)	2020 (AED)
Marine	4,552,057	3,780,348
Other classes of business	96,811,148	89,987,579
Total	101,363,205	93,767,927

Investments:

The total investments including investment properties of the Company stand at AED 414,848,312 as at 31 December 2021 (2020: AED 276,505,223), showing an increase of 50.03 %. Increase is attributable to the fluctuation in market value and investing in new funds.

It is worth mentioning that most of the investments of company are within the U.A.E. All available cash are deposited in the banks within the U.A.E.

General, administrative and other operating expenses:

The general, administrative and other expenses for the year amounted to AED 42,821,600 (2020: AED 41,917,957).

Profits for the year

The profit of the Company from insurance and investment activities for the year under review is AED 38,638,957 (2020: AED 54,795,358).

The Company's branches and offices

The Company has branches and point of sales in most residential areas and service centers in Abu Dhabi, Al Ain, Bida Zayed, Baniyas, Musaffah, and in the Traffic Department of Abu Dhabi in addition to branches in Dubai and Sharjah.

Distribution of profit

The net profit for the year of AED 38,638,957 achieved by the Company with the retained profit from the previous years amounted to a distributable income of AED 115,898,149. We recommend appropriation of the above profit as follows:

Details of Appropriation	AED
- To be distributed as cash dividend	35,000,000
- Board of Directors Remuneration	4,500,000
- To be carried forwarded to the subsequent year	76,398,149

Plan for the year 2022

Company will continue its efforts to maintain its performance irrespective of the ongoing pandemic induced economic scenario.

Recommendations of Board of Directors to Shareholders:

The Board of Directors is pleased to present the following recommendations to the Ordinary General Assembly of the Shareholders of the Company for their approval.

1. Listen to and approve the Board of Director's Report on the Company's activity and its financial position for the fiscal year ended 31/12/2021.
2. Listen to and approve the Auditor's Report for the fiscal year ended on 31/12/2021.
3. Discuss and approve the Company's balance sheet and profit and loss account for the fiscal year ended on 31/12/2021.
4. Consider the Board of Director's proposals concerning the distribution of profits by 35% of the nominal value of the share as a cash dividend of AED 35 million at 35 fils per share.
5. Approve a proposal concerning the remuneration of the members of the Board of Director's.
6. Discharge the members of the Board of Directors for the fiscal year ended on 31/12/2021, or remove them and file a liability action against them, as the case may be.
7. Discharge the auditors for the fiscal year ended 31/12/2021, or remove them and file a liability action against them, as the case may be.
8. Appoint the auditors for the year 2022 and determine their fees.
9. To elect the Board of Directors for the next three years.
10. To pass a special resolution to amend the company's Article of Association to comply with the requirement of Federal Law No. (32) of 2021 and Authority's Board to Directors Resolution No. (3/R.M) of 2020.

Conclusion:

The Board of Directors would like to praise Company's clients, reinsurance companies and brokers for their strong support and confidence in the Company and also the persistent efforts of the management and staff of the Company who did their best to serve the Company.

On behalf of the Board of Directors

Chairman

AL DHAFRA INSURANCE CO. P.S.C. ABU DHABI

Grant Thornton

Grant Thornton UAE - Abu Dhabi

Office 1101, 11th Floor
Al Kamala Tower
Zayed the 1st Street
Khalidiya
Abu Dhabi, UAE

T +971 2 666 9750

Independent Auditor's Report
To the Shareholders of Al Dhafra Insurance Company P.S.C.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Al Dhafra Insurance Company P.S.C. (the "Company"), which comprise the statement of financial position as at 31 December 2021 and the statement of profit and loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Company for the year ended 31 December 2021. 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.

i) Valuation of technical provisions

The estimation of liabilities arising from insurance contracts such as unearned premiums reserve, outstanding claims reserve, incurred but not reported claims reserve and unallocated loss adjustment expenses reserve as disclosed in Note 11 to the financial statements, involves a significant degree of judgement. These liabilities are based on the pattern of risk distributions over coverage period, the best-estimated ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs and persistency (including consideration of policyholder behavior).

Independent Auditor's Report

To the Shareholders of Al Dhafra Insurance Company P.S.C.

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

i) Valuation of technical provisions (continued)

Actuarial computations have been used to determine these provisions. Underlying these computations are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. Since the determination of such a provision requires the expertise of an external valuation expert who incorporates significant assumptions, judgements and estimations, the valuation of these liabilities was significant to our audit.

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

- Understood the governance process in place to determine the insurance contract liabilities;
- Tested the underlying Group data to source documentation on sample basis;
- Evaluated competence, capabilities and objectivity of management's actuarial specialist;
- Using our actuarial specialist team members, we applied our industry knowledge and experience, and compared the methodology, models and assumptions used against recognised actuarial practices; and
- Using our actuarial specialist team members, we checked the mathematical accuracy of the methodology applied on selected classes of business, particularly focusing on the largest and most uncertain reserves.

ii) Revenue recognition

Gross premiums comprise the total premium receivable for the whole period of cover by contracts entered into during the accounting period, and are recognised on the date on which the policy commences. At the end of each year, a proportion of net retained premiums is provided for as an unearned premium reserve to cover portions of risk that have not expired at the reporting date. The reserve is required to be calculated in accordance with the requirements of the UAE Insurance Law relating to insurance companies.

We assessed management's calculation of gross premiums amounting to AED 314,513,507 and net unearned premium reserve amounting to AED 44,163,746 (note 11) by performing audit procedures, which included among others:

- We assessed whether the Company's revenue recognition policies complied with IFRS and tested the implementation of those policies. Specifically, we considered whether the premium on policies are accounted for on the date of inception of policies, by testing a sample of revenue items to policy contracts.
- We evaluated and tested the operating effectiveness of the internal controls over the recording of revenue in the correct period.
- We compared the unearned premium reserve balance as per the financial statements to the reserve balance computed by the Company's actuary.
- We recalculated the unearned premium reserve based on the earning period of policy contracts existing as of 31 December 2021.
- We tested written policies on a sample basis where revenue was recorded close to year-end and subsequent to year-end and evaluated whether these were recorded in the appropriate accounting period

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Independent Auditor's Report
To the Shareholders of Al Dhafra Insurance Company P.S.C.

Report on the Audit of the Financial Statements (continued)

Other Information

Management is responsible for the other information contained in the financial statements which comprises the information included in the *Board of Directors' Report*, but which does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and accordingly 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. 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 the Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and their preparation in compliance with the applicable provisions of the UAE Federal Law No. 2 of 2015, as amended, 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.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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Independent Auditor's Report

To the Shareholders of Al Dhafra Insurance Company P.S.C.

Report on the Audit the Financial Statements (continued)

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

- Obtain an understanding of internal controls 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 auditor's 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 auditor's 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, related safeguards.

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

Report on Other Legal and Regulatory Requirements

Further, as required by the Federal Law No. 6 of 2007 on the Establishment of the Insurance Authority and Organisation of the Insurance Operations and UAE Federal Law No. 2 of 2015, as amended, we report that:

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

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Independent Auditor's Report
To the Shareholders of Al Dhafra Insurance Company P.S.C.

Report on Other Legal and Regulatory Requirements (continued)

ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organization of the Insurance Operations and UAE Federal Law No. 2 of 2015, as amended;

iii) the Company has maintained proper books of account;

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

v) as disclosed in notes 8 and 9 to the financial statements, the Company has purchased and sold shares during the year ended 31 December 2021;

vi) note 13 to the financial statements discloses material related party transactions, and the terms under which they were conducted; and

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 2021 any of the applicable provisions of the Federal Law No. 6 of 2007 on the Establishment of the Insurance Authority and Organization of the Insurance Operations and UAE Federal Law No. 2 of 2015, as amended, or of its Articles of Association, which would materially affect its activities or its financial position as at 31 December 2021.

Grant Thornton

GRANT THORNTON
Farouk Mohamed
Registration No: 86
Abu Dhabi, United Arab Emirates
Date: 22 February 2022

جرانت ثورنتون للمحاسبة والمراجعة المحدودة
P.O Box: 41255
Abu Dhabi - U.A.E.
GRANT THORNTON
Audit And Accounting Limited

Statement of financial position
For the year ended 31 December 2021

	Notes	2021 AED	2020 AED
ASSETS			
Property and equipment	3	**1,270,692**	1,534,096
Intangible assets	4	**3,287,444**	3,817,779
Right-of-use-assets	5	**4,305,866**	5,312,243
Investment properties	6	**65,812,225**	65,812,225
Statutory deposits	7	**9,980,000**	9,980,000
Investments carried at fair value through other comprehensive income	8	**245,695,433**	170,556,736
Investments carried at fair value through profit and loss	9	**103,340,654**	40,136,262
Insurance balances receivable	10	**99,869,670**	106,329,866
Deferred acquisitions costs		**23,221,362**	16,432,759
Reinsurer's share of unearned premium reserve	11	**89,822,167**	85,530,265
Reinsurer's share of outstanding claims reserves	11	**181,060,392**	134,554,763
Reinsurer's share of claims incurred but not reported reserve	11	**70,375,343**	44,274,346
Reinsurer's share of unexpired risk reserve (premium deficiency reserve)	11	**-**	-
Prepayments and other receivables	10	**6,861,229**	7,800,394
Deposits	12	**165,330,125**	183,208,101
Cash and cash equivalents	12	**49,090,158**	98,881,191
TOTAL ASSETS		**1,119,322,760**	974,161,026
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	**100,000,000**	100,000,000
Legal reserve	15	**50,000,000**	50,000,000
General reserve	15	**145,000,000**	145,000,000
Investment revaluation reserve	15	**54,442,073**	(20,696,624)
Reinsurance reserve	15	**2,260,256**	1,101,777
Retained earnings		**111,398,149**	113,917,671
TOTAL EQUITY		**463,100,478**	389,322,824
LIABILITIES			
Provision for employees' end of service benefits	16	**8,456,579**	8,341,652
Lease liabilities	5	**4,015,012**	4,872,807
Insurance payables	17	**156,978,257**	168,494,390
Other payables	17	**22,279,429**	23,154,394
Unearned commission income		**21,871,898**	21,847,658
Technical provisions			
Unearned premium reserve	11	**133,985,913**	122,189,223
Outstanding claims reserve	11	**208,070,108**	161,604,927
Claims incurred but not reported reserve	11	**89,971,813**	68,798,559
Unallocated loss adjustment expense reserve	11	**5,556,468**	4,488,031
Unexpired risk reserve (premium deficiency reserve)	11	**5,036,805**	1,046,561
TOTAL LIABILITIES		**656,222,282**	584,838,202
TOTAL EQUITY AND LIABILITIES		**1,119,322,760**	974,161,026

These financial statements were approved by the Board of Directors on 17 February 2022 and signed on their behalf by:

Assistant General Manager - Finance	General Manager	Board member

The accompanying notes from 1 to [illegible] form an integral part of these financial statements.

Al Dhafra Insurance Company P.S.C.
Financial Statements

Statement of profit or loss
For the year ended 31 December 2021

	Notes	2021 AED	2020 AED
Gross premiums written	20	**314,513,507**	289,773,699
Reinsurance premium ceded	20	**(228,761,017)**	(216,349,444)
Net premium	20	**85,752,490**	73,424,255
Net change in unearned premium		**(7,504,787)**	3,232,971
Net premium earned		**78,247,703**	76,657,226
Commission earned		**54,975,676**	56,613,948
Commission incurred		**(44,962,768)**	(34,674,362)
Gross underwriting income		**88,260,611**	98,596,812
Gross claims paid	21	**(130,479,069)**	(140,990,838)
Reinsurance share of claims paid	21	**96,892,479**	112,918,908
Net claims paid	21	**(33,586,590)**	(28,071,930)
Change in outstanding claims reserve		**(46,465,182)**	379,339
Change in reinsurer's share of outstanding claims reserve		**46,505,629**	3,905,884
Change in claims incurred but not reported reserve, net		**4,927,743**	(791,080)
Change in unexpired risk reserve, net		**(3,990,244)**	1,026,740
Change in unallocated loss adjustment expense reserve		**(1,068,437)**	(224,523)
Net claims incurred		**(33,677,081)**	(23,775,570)
Underwriting income		**54,583,530**	74,821,242
Other income relating to underwriting		**2,355,120**	5,102,387
General and administrative expenses relating to underwriting	23	**(3,207,005)**	(2,453,810)
Net underwriting income		**53,731,645**	77,469,819
Income from investments	22	**22,457,922**	14,853,466
Income from investment properties (rental income), net	6	**2,060,485**	1,923,157
Other income, net		**3,500**	13,063
		78,253,552	94,259,505
General and administrative expenses	23	**(39,420,128)**	(39,202,529)
Finance cost		**(194,467)**	(261,618)
PROFIT FOR THE YEAR	18	**38,638,957**	54,795,358
Basic and diluted earnings per share	19	**0.39**	0.55

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

Statement of comprehensive income
For the year ended 31 December 2021

	Note	2021 AED	2020 AED
Profit for the year		**38,638,957**	54,795,358
Other comprehensive income/ (loss)			
Items that will not be subsequently reclassified to profit or loss:			
Gain on sale of investments carried at fair value through other comprehensive income		**-**	209,120
Change in fair value relating to investments carried at fair value through other comprehensive income	8	**75,138,697**	(17,154,800)
Other comprehensive income / (loss) for the year		**75,138,697**	(16,945,680)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**113,777,654**	37,849,678

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

Statement of changes in equity
For the year ended 31 December 2021

	Share capital AED	Legal reserve AED	General reserve AED	Investment revaluation reserve AED	Reinsurance reserve AED	Retained earnings AED	Total equity AED
Balance as at 1 January 2020	100,000,000	50,000,000	145,000,000	(5,276,307)	-	101,749,453	391,473,146
Net profit for the year	-	-	-	-	-	54,795,358	54,795,358
Other comprehensive loss for the year	-	-	-	(16,945,680)	-	-	(16,945,680)
Total comprehensive income for the year	-	-	-	(16,945,680)	-	54,795,358	37,849,678
Dividends declared and paid (note 14)					-	(40,000,000)	(40,000,000)
Transfer to reinsurance reserve					1,101,777	(1,101,777)	-
Transfer of cumulative unrealized loss to retained earnings on disposal of equity investments carried at FVOCI	-	-	-	1,525,363	-	(1,525,363)	-
Balance as at 31 December 2020	100,000,000	50,000,000	145,000,000	(20,696,624)	1,101,777	113,917,671	389,322,824
Balance as at 1 January 2021	100,000,000	50,000,000	145,000,000	(20,696,624)	1,101,777	113,917,671	389,322,824
Net profit for the year	-	-	-	-	-	38,638,957	38,638,957
Other comprehensive income for the year	-	-	-	75,138,697	-	-	75,138,697
Total comprehensive income for the year	-	-	-	75,138,697	-	38,638,957	113,777,654
Dividends declared and paid (note 14)-	-	-	-	-	-	(40,000,000)	(40,000,000)
Transfer to reinsurance reserve	-	-	-	-	1,158,479	(1,158,479)	-
Transfer of cumulative unrealized loss to retained earnings on disposal of equity investments carried at FVOCI	-	-	-	-	-		-
Balance as at 31 December 2021	**100,000,000**	**50,000,000**	**145,000,000**	**54,442,073**	**2,260,256**	**111,398,149**	**463,100,478**

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

Al Dhafra Insurance Company (P.S.C.)
Financial Statements

Statement of cashflows
For the year ended 31 December 2021

	Notes	31 December 2021 AED	31 December 2020 AED
OPERATING ACTIVITIES			
Profit for the year		38,638,957	54,795,358
Adjustments for:			
Unearned premium and unexpired risk reserve, net		11,495,031	(4,259,711)
Change in outstanding claims and claims incurred but not reported reserves		68,706,873	7,518,950
Change in reinsurance share of outstanding claims and claims incurred but not reported reserves		(72,606,626)	(10,788,570)
Reversal of expected credit loss on insurance receivable	10	(211,083)	(82,419)
Change in fair value of investments carried at fair value through profit or loss	9, 22	(7,708,323)	2,149,122
Gain on disposal of investments carried at fair value through profit or loss	22	433,080	(137,625)
Provision for employees' end of service benefits	16	535,310	538,825
Depreciation of property and equipment and right-of-use asset	23	1,938,533	1,806,268
Amortisation of intangible assets	4, 23	848,920	766,671
Finance cost		194,467	261,618
Gain on termination of lease contract		(186,988)	(107,710)
Gain on disposal of property and equipment		(3,500)	(12,490)
Dividend income	22	(8,843,742)	(9,563,163)
Interest income	22	(6,408,518)	(7,303,512)
		26,822,391	35,581,612
Working capital changes:			
Insurance receivable, other receivables and prepayments		5,838,995	9,954,750
Insurance and other payables		(12,391,097)	(32,203,941)
Deferred acquisition costs		(6,788,603)	(922,517)
Unearned commission income		24,239	(2,892,336)
Cash generated from operations		13,505,924	9,517,568
Employees' end of service benefits paid	16	(420,383)	(112,998)
Net cash generated from operating activities		13,085,541	9,404,570
INVESTING ACTIVITIES			
Purchase of property and equipment	3	(527,650)	(331,522)
Proceeds from disposal of property and equipment		3,500	13,063
Purchase of intangible assets	4	(318,585)	(3,330,835)
Purchase of investments carried at fair value through profit or loss		(99,192,681)	-
Proceeds from disposal of investment carried at fair value through profit and loss		43,263,533	1,679,240
Purchase of investments carried at fair value through other comprehensive income		(177,999)	-
Proceeds from disposal of investment carried at fair value through other comprehensive income		177,999	2,551,580
Additional placement in term deposits		17,877,976	(78,840,547)
Interest received		8,179,968	6,286,994
Dividends received		8,843,742	9,563,163
Net cash used in from investing activities		(21,870,197)	(62,408,864)
FINANCING ACTIVITIES			
Dividends paid	14	(40,000,000)	(40,000,000)
Lease liability instalment paid		(1,006,377)	(1,185,962)
Net cash used in financing activities		(41,006,377)	(41,185,962)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(49,791,033)	(94,190,256)
Cash and cash equivalents at the beginning of the year		98,881,191	193,071,447
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	49,090,158	98,881,191

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

1 Legal status and principal activities

Al Dhafra Insurance Company P.S.C. (the "Company"), is a public shareholding company incorporated in Abu Dhabi by Emiri Decree No. 8 of 1979.

The Federal Decree-Law No. 26 of 2020 on the amendment of certain provisions of Federal Law No. 2 of 2015 (as amended) on Commercial Companies was issued on 27 September 2020 and shall take effect starting from 2 January 2021. The Company shall apply and adjust their status in accordance with the provisions thereof by no later than one year from the date on which this Decree-Law takes effect.

The Federal Decree-Law No. 24 of 2020 which amends certain provisions of the U.A.E Federal Law No. 6 of 2007 on Establishment of Central Bank of the United Arab Emirates and Organisation of its Operations was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. Effective 2 January 2021, the Insurance Sector became under the supervision and authority of the CBUAE.

Federal Law by Decree No. 32 of 2021 on Commercial Companies (the "New Companies Law") was issued on 20 September 2021 with an effective date of 2 January 2022, and will entirely replace Federal Law No. 2 of 2015 (as amended) on Commercial Companies, as amended. The Company has twelve months from the effective date to comply with the provisions of the New Companies Law.

The Company's ordinary shares are listed on the Abu Dhabi Securities Exchange.

The Company is engaged in insurance and reinsurance of all classes of business with the exception of endowments and annuities. The Company is domiciled in the United Arab Emirates and its registered office address is P.O. Box 319, Abu Dhabi, United Arab Emirates.

2 General information

2.1 Basis of preparation

The financial statements are prepared on an accrual basis under the historical cost convention except for investment properties and certain financial instruments that are measured at fair values as at the end of each reporting date.

The financial statements have been prepared in accordance with International Financial Reporting Standards and applicable requirements of the Federal Law No. (6) of 2007 Concerning the Establishment of the Insurance Authority & Organization of the Insurance Operations, the Federal Law No. (2) of 2015, as amended, Concerning the Commercial Companies which has come into effect from 1 July 2015 and Insurance Authority Board Decision No. (25) of 2014 Pertinent to Financial Regulations for Insurance Companies.

The financial statements are presented in United Arab Emirates Dirhams (AED) being the functional and presentational currency of the Company.

The Company presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement of assets and liabilities within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in note 25.

2 General information (continued)

2.2 Standards, interpretations and amendments to existing standards

Standards, interpretations and amendments to existing standards that are effective in 2021

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

Standard number	Title	Effective date
IFRS 16	COVID-19-related rent concessions beyond 30 June 2021 (Amendments to IFRS 16)	1 April 2021
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)"	1 January 2021

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

Standards and interpretations in issue but not yet effective and has not been adopted early by the Company

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

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

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

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

The key principles in IFRS 17 are that an entity:

- identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder;
- separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts;
- divides the contracts into groups that it will recognize and measure;

2 General information (continued)

2.2 Standards, interpretations and amendments to existing standards (continued)

Standards and interpretations in issue but not yet effective and has not been adopted early by the Company (continued)

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

- recognizes and measures groups of insurance contracts at:
    i. a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset)

    ii. an amount representing the unearned profit in the group of contracts (the contractual service margin);
- recognizes the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognizes the loss immediately;
- presents separately insurance revenue (that excludes the receipt of any investment component), insurance service expenses (that excludes the repayment of any investment components) and insurance finance income or expenses; and
- discloses information to enable users of financial statements to assess the effect that that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity.

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

2.3 Significant accounting policies

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

2.3 Significant accounting policies (continued)

Financial assets (continued)

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

a) Financial assets at amortised cost (debt instruments, cash and cash equivalents and insurance balances receivable)
b) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
d) Financial assets at fair value through profit or loss

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

Financial assets at amortised cost
The Company measures financial assets at amortised cost if both of the following conditions are met:

a) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through OCI
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

2.3 Significant accounting policies (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss (continued)
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of income when the right of payment has been established.

Impairment of financial assets
The Company recognises a loss allowance for expected credit losses on financial assets measured at amortised cost, lease receivables, insurance receivables, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at the end of each reporting period to reflect changes in credit risk since initial recognition of the respective financial instrument.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For insurance receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 240 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Derecognition
The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or 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.

Receivables and payables related to insurance contracts

Receivables and payables are recognised when due and measured on initial recognition at the fair value of the consideration receivable/payable. Subsequent to initial recognition, insurance receivables and payables are measured at amortised cost, using the Effective Interest Rate ("EIR") method. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the profit or loss.

2.3 Significant accounting policies (continued)

Financial assets (continued)

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

a) There is a currently enforceable legal right to offset the recognised amounts; and
b) There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value measurement

The Company measures financial instruments, such as investments carried at fair value through other comprehensive income and investments carried at fair value through profit or loss and non-financial assets such as investment properties, at fair value at each reporting date.

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

2.3 Significant accounting policies (continued)

Financial assets (continued)

Fair value measurement (continued)

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 26.

External valuers are involved for valuation of significant assets, such as investment properties. Selection criteria for valuers include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

The management, in conjunction with the Company's external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Impairment of non-financial assets

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

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

Impairment losses of continuing operations are recognised in the statement of income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the assets' or cash-generating units' recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of income.

2.3 Significant accounting policies (continued)

Financial assets (continued)

Impairment of non-financial assets (continued)

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment, annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill is allocated. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Insurance contracts

Classification

The Company issues contracts that transfer either insurance risk or both insurance and financial risks. The Company does not issue contracts that transfer only financial risks.

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. Insurance risk is significant if an insured event could cause the Company to pay significant additional benefits due to occurrence of the insured event as compared to the non - occurrence. Once a contract is classified as an insurance contract it remains classified as an insurance contract until all rights and obligations are extinguished or expired.

Premiums

Gross premiums written reflect amounts recognised during the year to policyholders or other insurers for insurance contracts, and exclude any fees and other amounts calculated based on premiums. These are recognised when the underwriting process is complete.

Premiums include any adjustments in respect of business written in prior accounting periods. The earned portion of premiums is recognised as income. Premiums are earned from the date of attachment of risk over the indemnity period and unearned premium is calculated using the basis described below:

Unearned premium reserve

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premium reserve is calculated as follows

- For marine cargo line of business, the total unearned premium reserve is provided as a minimum of 25% of the total premium written during the year (individual shipment only).
- For engineering line of business, it is assumed that the pattern of risk is non-uniform, and accordingly, premiums are allocated and earned on a daily increasing basis over the term of policy period. The unearned premium reserve is calculated as the sum of earned premiums across all months after the valuation date; and
- For the remaining lines of businesses, the premiums are assumed to be earned evenly over time and the unearned premium reserve is calculated on a daily pro rata basis.

The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

2.3 Significant accounting policies (continued)

Insurance contracts continued

Unexpired risk reserve
Unexpired risk reserve represent the portion of the premium subsequent to the reporting date and where the premium is expected to be insufficient to cover anticipated claims, expenses and a reasonable profit margin.

Provision for premium deficiency / liability adequacy test
Provision is made for premium deficiency arising from insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the statement of financial position date exceeds the unearned premiums provision and already recorded claim liabilities in relation to such policies. The provision for premium deficiency is calculated by reference to classes of business which are managed together, after taking into account the future investment return on investments held to back the unearned premiums and claims provisions. This reserve is recorded under the heading of unearned premium reserve in the financial statements.

Claims
Claims outstanding comprise provisions for the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses reduced by expected salvage and other recoveries. Claims outstanding are assessed by reviewing individual reported claims. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior periods are reflected in the financial statements of the period in which the adjustments are made. The methods used and the estimates made are reviewed regularly.

Reinsurance
The Company cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities and income and expense arising from ceded reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

Amounts due to and from reinsurers are accounted for in a manner consistent with the related insurance policies and in accordance with the relevant reinsurance contracts. Reinsurance premiums are deferred and expensed using the same basis as used to calculate unearned premium reserves for related insurance policies. The deferred portion of ceded reinsurance premiums is included in reinsurance assets.

Reinsurance assets are assessed for impairment at each financial position date. A reinsurance asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. Impairment losses on reinsurance assets are recognised in statement of income in the period in which they are incurred.

2.3 Significant accounting policies (continued)

Insurance contracts (continued)

Deferred acquisition cost and Unearned commission income
At the end of each reporting period, portion of commission income and portion of commission expenses related to underwriting activities are deferred to cover for unexpired risks. The reserves are calculated on a time-proportion basis over the effective period of the policy.

Insurance contract liabilities
Insurance contract liabilities include claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER), premium deficiency reserve (PDR), outstanding claims (OSLR), provision for unearned premium (UPR), provision for unexpired risk reserve (URR) and the provision for unallocated loss adjustment expenses (ULAE).

Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Company and still unpaid at the reporting date, 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 statement of financial position date. Unearned premiums are calculated on a time proportion basis over the effective period of the policy. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums. The Company provides unearned premium reserve based on actual terms of the policy.

The liability relating to IBNR, IBNER, ULAE and PDR reserve is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money.

The reinsurers' portion towards the above contract liabilities is classified as reinsurance contract assets in the financial statements.

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

Company as a lessee
The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

2.3 Significant accounting policies (continued)

Leases (continued)

Lease liabilities
At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short- term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Company as a lessor
Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Finance cost
Interest paid is recognised in the statement of income as it accrues and is calculated by using the effective interest rate method.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and fittings	4 years
Motor vehicles	3 years
Computer equipment and accessories	5 years
Building	25 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

2.3 Significant accounting policies (continued)

Property and equipment (continued)

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

Intangible assets

Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Cost includes purchase cost, together with any incidental expenses of acquisition. The amortisation charge is calculated so as to write off the cost of the intangible asset on a straight-line basis over the expected useful economic life of 6 years. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period with the effect of any changes in estimation accounted for on a prospective basis.

Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at fair value with any change therein recognised in operating income in the statement of income. When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. The Company holds investment properties which are disclosed in note 6.

Revenue - non insurance

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

Rental income

Rental income from investment properties is recognised on a straight-line basis over the term of the lease and is stated net of related expenses.

Interest income

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

Dividend income

Dividend income is recognised when the right to receive dividend is established. Usually this is the ex-dividend date for equity securities.

Investment income

Interest income is recognised in the statement of income as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

Investment income also includes dividends when the right to receive payment is established.

Realised and unrealised gain

Net gains/losses on financial assets classified at fair value through profit or loss and fair value through other comprehensive income are described under the accounting policy for financial assets and liabilities.

2.3 Significant accounting policies (continued)

Foreign currency

Transactions denominated in foreign currencies are translated to AED at the foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to AED at the foreign exchange rates ruling at the statement of financial position date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to AED at the foreign exchange rate ruling at the date of the transaction. Realised and unrealised exchange gains and losses have been dealt with in the statement of income.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows, at a pre-tax rate, that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Staff 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 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.

Dividend

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.

2.4 Significant accounting judgements and estimates

Judgements

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 in the amounts recognised in the financial statements.

Classification of investments

Management designates at the time of acquisition of securities whether these should be classified as at fair value through other comprehensive income, fair value through profit or loss or amortised cost. In judging whether investments in securities are as at fair value through other comprehensive income, fair value through profit or loss 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.

2.4 Significant accounting judgements and estimates (continued)

Judgements (continued)

Classification of properties
In the process of classifying properties, management has made various judgments. Judgment is needed to determine whether a property qualifies as an investment property, property, plant and equipment and/or property held for resale. The Company develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property, plant and equipment and property held for resale. In making its judgment, management considered the detailed criteria and related guidance for the classification of properties as set out in IAS 2 Inventories, IAS 16 Property, Plant and Equipment and IAS 40 Investment Property, and in particular, the intended usage of property as determined by management.

Fair value of financial instruments
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.

Determining the lease term of contracts with renewal options
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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

Liability adequacy test
The Company maintains a provision in respect of premium deficiency for the line of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the reporting date in respect of the unexpired policies in that line of business at the reporting date. 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. The movement in the premium deficiency reserve (unexpired risk reserve) is recorded as an expense / income in profit or loss for the year.

Leases - estimating the incremental borrowing rate
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

2.4 Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Provision for expected credit losses of insurance receivables
The Company uses a provision matrix to calculate ECLs for insurance receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating etc.).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

At the reporting date, gross insurance receivables were AED 123,502,168 (2020: AED 130,173,447) and the provision for expected credit losses was AED 23,632,498 (2020: AED 23,843,581). Any difference between the amounts actually collected in future periods and the amounts expected to be received will be recognised in the statement of income.

Provision for unearned premium reserve and unexpired risk reserve
Unearned premium reserves includes premium deficiency reserve (PDR) and unexpired risk reserve (URR) which are estimated using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The carrying value at the reporting date of UPR, PDR and URR reserve (net of related reinsurance asset) is AED 49,200,551 (2020: AED 37,705,519).

Provision for incurred but not reported claims (IBNR)
Estimates are made for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR), using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The carrying value at the reporting date of IBNR reserve (net of related reinsurance asset) is AED 19,596,470 (2020: AED 24,524,213).

Provision for outstanding claims
Provision for outstanding claims include provision for ULAE reserves. Considerable judgement by management is required in the estimation of amounts due to contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Company generally estimates its claims based on previous experience and / or loss adjustor reports. Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters along with the Company's internal legal counsel normally estimate such claims. ULAE reserves are estimated using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation The carrying value at the reporting date of provision for outstanding claims (net of related reinsurance assets including ULAE reserves) is AED 32,566,184 (2020: AED 31,538,195).

2.4 Significant accounting judgements and estimates (continued)

Judgments (continued)

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

Estimation of fair value of investment properties
The fair value of investment properties is determined by independent real estate valuation consultants based on Discounted Cash Flow (DCF) and Investment Method of Valuation. The Investment method analyses potential rental income from the property and deducts the expenses incurred in the operation of the asset. The net rental income is then capitalised at market standards to arrive at fair value.

Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual values realised. There was no change in fair value recognised in the statement of income for the year (2020: NIL).

Notes to the financial statements (continued)
For the year ended 31 December 2021

3 Property and equipment

	Furniture and fittings	Motor vehicles	Computer equipment and accessories	Total
	AED	AED	AED	AED
Cost				
At 1 January 2020	2,995,865	1,401,433	2,918,389	7,315,687
Additions during the year	84,871	-	246,651	331,522
Disposals during the year	(103,228)	-	(115,106)	(218,334)
At 31 December 2020	2,977,508	1,401,433	3,049,934	7,428,875
Additions during the year	95,141	-	432,509	527,650
Disposals during the year	(221,880)	-	(37,555)	(259,435)
At 31 December 2021	**2,850,769**	**1,401,433**	**3,444,888**	**7,697,090**
Accumulated depreciation				
At 1 January 2020	2,761,350	767,089	1,802,004	5,330,443
Charge for the year	164,686	240,955	376,456	782,097
Disposals during the year	(102,655)	-	(115,106)	(217,761)
At 31 December 2020	2,823,381	1,008,044	2,063,354	5,894,779
Charge for the year	161,681	224,620	404,753	791,054
Disposals during the year	(221,880)	-	(37,555)	(259,435)
At 31 December 2021	**2,763,182**	**1,232,664**	**2,430,552**	**6,426,398**
Carrying amount				
As at 31 December 2021	**87,587**	**168,769**	**1,014,336**	**1,270,692**
As at 31 December 2020	154,127	393,389	986,580	1,534,096

4 Intangible assets

	Computer software AED	Capital work in progress AED	Total AED
Cost			
Balance at 1 January 2021	**7,889,187**	**1,946,160**	**9,835,347**
Additions and transfer	**2,264,745**	**(1,946,160)**	**318,585**
Disposal	**-**	**-**	**-**
Balance at 31 December 2021	**10,153,932**	**-**	**10,153,932**
Accumulated amortization			
Balance at 1 January 2021	**6,017,568**	**-**	**6,017,568**
Amortization for the year	**848,920**	**-**	**848,920**
Disposal	**-**	**-**	**-**
Balance at 31 December 2021	**6,866,488**	**-**	**6,866,488**
Carrying amount	**3,287,444**	**-**	**3,287,444**
Cost			
Balance at 1 January 2020	6,550,357	-	6,550,357
Additions	1,384,675	1,946,160	3,330,835
Disposal	(45,845)	-	(45,845)
Balance at 31 December 2020	7,889,187	1,946,160	9,835,347
Accumulated amortization			
Balance at 1 January 2020	5,296,742	-	5,296,742
Amortization for the year	766,671	-	766,671
Disposal	(45,845)	-	(45,845)
Balance at 31 December 2020	6,017,568	-	6,017,568
Carrying amount	1,871,619	1,946,160	3,817,779

5 Leases

The carrying amounts of the Company's right-of-use assets is as follows:

	2021 AED	2020 AED
Cost		
Balance at 1 January	**7,363,753**	9,471,708
Additions	**141,102**	398,250
Termination	**-**	(2,506,205)
Balance at 31 December	**7,504,855**	7,363,753
Accumulated depreciation		
Balance at 1 January	**2,051,510**	1,370,585
Depreciation for the year	**1,147,479**	1,024,171
Termination	**-**	(343,246)
Balance at 31 December	**3,198,989**	2,051,510
Carrying amount	**4,305,866**	5,312,243

5 LEASES (continued)

Lease liabilities are as follows:

	2021 AED	2020 AED
Within one year	**1,195,243**	1,203,375
One to ten years	**2,819,769**	3,669,432
	4,015,012	4,872,807

6 INVESTMENT PROPERTIES

	Abu Dhabi land and building AED	Al Ain land and building AED	Total AED
Balance at 1 January 2020	55,089,680	10,722,545	65,812,225
Change in fair value	-	-	-
At 31 December 2020	55,089,680	10,722,545	65,812,225
Balance at 1 January 2021	**55,089,680**	**10,722,545**	**65,812,225**
Change in fair value	**-**	**-**	**-**
At 31 December 2021	**55,089,680**	**10,722,545**	**65,812,225**

The plots of land in Abu Dhabi and Al Ain on which investment properties are constructed were awarded to the Company free of cost by the Executive Council of the Government of Abu Dhabi on 21 June 1981 and 27 August 1983, respectively.

The fair value of the Company's investment properties as at 31 December 2021 and 2020 has been arrived by management by reference to valuation carried out on the respective dates by an independent valuer not related to the Company. The independent valuer has appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

The fair value of investment properties is determined using market-based approach and discounted cash flow (DCF) model.

Market based approach considers recent market transactions for similar assets or quotes / bid prices for same or similar assets.

DCF considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms. factors specific to the respective properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

6 Investment properties (continued)

The following table shows the analysis of assets recorded at fair value by level of the fair value hierarchy for the year ended 31 December:

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
31 December 2021				
Investment properties	-	**38,000,000**	**27,812,225**	**65,812,225**
31 December 2020				
Investment properties	-	38,000,000	27,812,225	65,812,225

There were no transfers between Level 1, Level 2 and Level 3 during current and previous year.

Following is the summary of valuation techniques and inputs used in the valuation of investment properties:

Property	Valuation technique	Significant unobservable inputs
Abu Dhabi and Al Ain buildings	Discounted cash flow (DCF)	Estimated rental value per annum, taking into account the differences in location, and individual factors, such as frontage and size, between the comparable and the property, as follows: • Abu Dhabi property AED 4,815,000; and • Al Ain property AED 1,014,000. Discount rate, taking into consideration the risk premium between prime and sub-prime properties and the capacity to earn rentals, range from 7%.

The Company earns rental income from its investment properties. The rental income and direct operating expenses arising on the investment properties are as follows:

	2021 AED	2020 AED
Rental income	**2,745,958**	2,848,885
Direct operating expenses	**(685,473)**	(925,728)
	2,060,485	1,923,157

There are no restrictions on the realisability of investment properties. The Company has no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance or enhancements.

7 Statutory deposits

In accordance with the requirements of Federal Law No. (6) of 2007, concerning the formation of Insurance Authority of UAE, the Company maintains the below deposit which cannot be utilized without the consent of the UAE Insurance Authority.

	2021 AED	2020 AED
Statutory deposit	**10,000,000**	10,000,000
Expected credit losses	**(20,000)**	(20,000)
	9,980,000	9,980,000

8 Investments carried at fair value through other comprehensive income

	2021 AED	2020 AED
Quoted UAE equity securities	**245,695,433**	170,556,736

The movement in the investments at fair value through other comprehensive income is as follows:

	2021 AED	2020 AED
Fair value at beginning of the year	**170,556,736**	190,053,996
Additions	**177,999**	-
Disposals	**(177,999)**	(2,342,460)
Change in fair value	**75,138,697**	(17,154,800)
Fair value at end of the year	**245,695,433**	170,556,736

9 Investments carried at fair value through profit or loss

	2021 AED	2020 AED
Managed funds (i)	**51,133,441**	-
Quoted UAE equity securities	**36,048,600**	16,723,343
Quoted debt securities (ii)	**10,476,326**	16,584,183
Unquoted equity security	**5,682,287**	6,828,736
	103,340,654	40,136,262

(i) It represents investment in equity and credit funds

(ii) Quoted debts securities carry interest at a rate ranging from 4.23% to 7.00% (2020: from 4.23% to 7.00%)

9 Investments carried at fair value through profit or loss (continued)

The movement in investments at fair value through profit or loss is as follows:

	2021 AED	2020 AED
Fair value at beginning of the year	**40,136,263**	43,826,999
Additions	**99,192,681**	-
Disposals	**(43,696,613)**	(1,541,615)
Change in fair value (note 22)	**7,708,323**	(2,149,122)
Fair value at end of the year	**103,340,654**	40,136,262

10 Insurance balances receivables, prepayments and other receivables

	2021 AED	2020 AED
Due from policy holders	**85,545,554**	92,409,118
Due from policy holders – related parties (note 13)	**170,363**	641,565
Due from reinsurance companies	**4,755,730**	5,324,394
Due from insurance companies, broker and agents	**33,030,521**	31,798,370
	123,502,168	130,173,447
Less: allowance for impairment	**(23,632,498)**	(23,843,581)
Insurance balances receivable	**99,869,670**	106,329,866
Prepayments	**3,063,138**	1,271,331
Interest receivables	**1,604,536**	3,375,986
Other receivables	**2,193,555**	3,153,077
Prepayments and other receivables	**6,861,229**	7,800,394
	106,730,899	114,130,260

Receivables at nominal value of AED 23,632,498 (2020: AED 23,843,581) were impaired.

10 Insurance balances receivables, prepayment and other receivables (continued)

The movement in the allowance for impaired receivables is as follows:

	2021 AED	2020 AED
At 1 January	**23,843,581**	23,926,000
Charge for the year	**-**	-
Amount written off	**(211,083)**	(82,319)
At 31 December	**23,632,498**	23,843,581

The average credit period on due from policy holders is 90 to 180 days. No interest is charged and no collateral is taken on trade and other receivables.

As at 31 December, the ageing of insurance balances receivable is as follows:

	Total AED	0-180 days AED	180-240 days AED	>240 days AED
31 December 2021				
Expected credit loss rate		**8.22%**	**3.45%**	**25.67%**
Estimated total gross carrying amount at default	**123,502,168**	**36,915,900**	**18,974,792**	**67,611,476**
Expected credit loss	**23,632,498**	**3,034,631**	**654,894**	**17,353,236**
31 December 2020				
Expected credit loss rate		8.35%	1.62%	27.35%
Estimated total gross carrying amount at default	130,173,447	39,304,182	16,668,396	74,200,869
Expected credit loss	23,843,581	3,282,075	270,111	20,291,395

Geographical concentration of insurance balances receivable and its ageing are as follows:

	31 December 2021			31 December 2020		
	Inside UAE AED	**Outside UAE AED**	**Total AED**	Inside UAE AED	Outside UAE AED	Total AED
Due from policy holders	**84,291,723**	**1,253,831**	**85,545,554**	91,810,792	598,326	92,409,118
Due from policy holders - related parties	**170,363**	**-**	**170,363**	641,565	-	641,565
Due from reinsurance companies	**1,734,443**	**3,021,286**	**4,755,729**	2,185,459	3,138,935	5,324,394
Due from insurance companies, broker and agents	**31,195,254**	**1,835,268**	**33,030,522**	30,253,338	1,545,032	31,798,370
	117,391,783	**6,110,385**	**123,502,168**	124,891,154	5,282,293	130,173,447
Less: allowance for impairment	**(23,632,498)**	**-**	**(23,632,498)**	(23,843,581)	-	(23,843,581)
Net insurance balances receivable	**93,759,285**	**6,110,385**	**99,869,670**	101,047,573	5,282,293	106,329,866

10 Insurance balances receivables, prepayment and other receivables (continued)

	31 December 2021			31 December 2020		
	Inside UAE AED	**Outside UAE AED**	**Total AED**	Inside UAE AED	Outside UAE AED	Total AED
0 to 180 days	**34,544,374**	**2,371,526**	**36,915,900**	36,312,481	2,991,700	39,304,181
181 to 365 days	**32,657,788**	**1,170,337**	**33,828,125**	31,022,085	60,273	32,082,358
More than 365 days	**49,430,384**	**3,327,759**	**52,758,143**	56,556,587	2,230,321	58,786,908
	116,632,546	**6,869,622**	**123,502,168**	124,891,153	5,282,294	130,173,447
Less: allowance for impairment	**(23,632,498)**	**-**	**(23,632,498)**	(23,843,581)	-	(23,843,581)
Net insurance balances receivable	**93,000,048**	**6,869,622**	**99,869,670**	101,047,572	5,282,294	106,329,866

11 Insurance contract liabilities and reinsurance contract assets

	2021 AED	2020 AED
Insurance contract liabilities		
Outstanding claims reserve	**208,070,108**	161,604,927
Claims incurred but not reported reserve	**89,971,813**	68,798,559
Unearned premiums reserve	**133,985,913**	122,189,223
Unallocated loss adjustment expense reserve	**5,556,468**	4,488,031
Unexpired risk reserve (premium deficiency reserve)	**5,036,805**	1,046,561
	442,621,107	358,127,301
Reinsurance contract assets		
Outstanding claims reserve	**181,060,392**	134,554,763
Claims incurred but not reported reserve	**70,375,343**	44,274,346
Unearned premiums reserve	**89,822,167**	85,530,265
Unexpired risk reserve (premium deficiency reserve)	**-**	-
	341,257,902	264,359,374
Insurance liabilities – net		
Outstanding claims reserve	**27,009,716**	27,050,164
Claims incurred but not reported reserve	**19,596,470**	24,524,213
Unearned premiums reserve	**44,163,746**	36,658,958
Unallocated loss adjustment expense reserve	**5,556,468**	4,488,031
Unexpired risk reserve (premium deficiency reserve)	**5,036,805**	1,046,561
	101,363,205	93,767,927

11 Insurance contract liabilities and reinsurance contract assets (continued)

The reserves are allocated to the lines of business as follows:

	Outstanding claims reserve AED	Claims incurred but not reported reserve AED	Unearned premiums reserve AED	Unallocated loss adjustment reserve AED	Unexpired risk reserve AED	Total AED
31 December 2021 (gross)						
Motor	**49,598,645**	**36,125,996**	**60,754,712**	**1,827,759**	**4,122,244**	**152,429,356**
Fire	**79,776,103**	**22,473,916**	**16,081,613**	**1,607,121**	**-**	**119,938,753**
Medical	**10,378,918**	**6,657,025**	**21,640,361**	**355,395**	**914,561**	**39,946,260**
Engineering	**21,544,372**	**5,562,316**	**12,374,100**	**490,035**	**-**	**39,970,823**
Marine	**43,179,508**	**16,297,937**	**20,078,692**	**1,136,631**	**-**	**80,692,768**
Workman compensation and third-party liability	**2,450,281**	**1,692,548**	**2,717,251**	**87,531**	**-**	**6,947,611**
Other lines of business	**1,142,281**	**1,162,075**	**339,184**	**51,996**	**-**	**2,695,536**
	208,070,108	**89,971,813**	**133,985,913**	**5,556,468**	**5,036,805**	**442,621,107**
31 December 2020 (gross)						
Motor	46,126,608	31,760,570	52,359,977	1,644,717	-	131,891,872
Fire	61,832,865	11,790,479	17,269,432	1,281,207	-	92,173,983
Medical	8,229,941	5,525,067	19,717,720	289,201	996,732	34,758,661
Engineering	18,968,912	4,028,934	12,500,620	405,402	-	35,903,868
Marine	20,343,243	11,630,003	16,844,087	654,049	-	49,471,382
Workman compensation and third-party liability	3,110,777	2,791,091	3,054,962	130,394	-	9,087,224
Other lines of business	2,992,581	1,272,415	442,425	83,061	49,829	4,840,311
	161,604,927	68,798,559	122,189,223	4,488,031	1,046,561	358,127,301

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

	31 December 2021			31 December 2020		
	Gross AED	**Reinsurance AED**	**Net AED**	Gross AED	Reinsurance AED	Net AED
Claims:						
Outstanding claims (including ULAE)	**166,092,958**	**134,554,763**	**31,538,195**	166,247,774	130,648,879	35,598,895
Incurred but not reported	**68,798,559**	**44,274,346**	**24,524,213**	61,124,793	37,391,660	23,733,133
Total at 1 January	**234,891,517**	**178,829,109**	**56,062,408**	227,372,567	168,040,539	59,332,028
Claims settled	**(130,479,069)**	**(96,892,479)**	**(33,586,590)**	(140,990,838)	(112,918,908)	(28,071,930)
Increase in liabilities	**199,185,941**	**169,499,105**	**29,686,837**	148,509,788	123,707,478	24,802,310
Total at 31 December	**303,598,389**	**251,435,735**	**52,162,654**	234,891,517	178,829,109	56,062,408
Outstanding claims (including ULAE)	**213,626,576**	**181,060,392**	**32,566,185**	166,092,958	134,554,763	31,538,195
Incurred but not reported	**89,971,813**	**70,375,343**	**19,596,470**	68,798,559	44,274,346	24,524,213
Total at 31 December	**303,598,389**	**251,435,735**	**52,162,654**	234,891,517	178,829,109	56,062,408

11 Insurance contract liabilities and reinsurance contract assets (continued)

	31 December 2021			31 December 2020		
	Gross AED	Reinsurance AED	Total AED	Gross AED	Reinsurance AED	Net AED
Unearned premium:						
Total at 1 January	122,189,223	85,530,265	36,658,958	138,792,481	98,900,552	39,891,929
Increase during the year	314,513,507	228,761,017	85,752,490	289,773,699	216,349,445	73,424,254
Release during the year	(302,716,817)	(224,469,115)	(78,247,702)	(306,376,957)	(229,719,732)	(76,657,225)
Net decrease during the year	11,796,690	4,291,902	7,504,788	(16,603,258)	(13,370,287)	(3,232,971)
Total at 31 December	133,985,913	89,822,167	44,163,746	122,189,223	85,530,265	36,658,958

Actuarial valuation for Incurred But Not Reported Reserve (IBNR), Unallocated Loss Adjustment Expenses Reserve (ULAE), Premium Deficiency Reserve (PDR), Unexpired Risk Reserve (URR) and related assumptions.

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 and Bornhuetter-Ferguson 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. 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.

Unexpired risk reserve (URR) are calculated by external actuaries using a selection of actuarial methods on those lines of business where the unearned premiums is not adequate to meet the expected future liabilities from claims, commissions and expenses. Actuaries analysed the expected losses on the in-force policies separately for each of these lines of business using a selection of actuarial method. Actual commission payouts and expected expenses on the in-force portfolio were used to calculate premium deficiency reserves. PDR also includes consideration of cost of capital or other profit loadings. Additional URR is held for lines of business where the risk is not linear across the policy term.

12 Cash and cash equivalents

	2021 AED	2020 AED
Cash on hand	**393,086**	200,410
Current accounts	**48,697,072**	98,680,781
Term deposits*	**165,330,125**	183,208,101
Bank balances and cash	**214,420,283**	282,089,292
Less: term deposits with an original maturity of more than three months	**(165,330,125)**	(183,208,101)
Cash and cash equivalents	**49,090,158**	98,881,191

*Term deposits are stated net of expected credit losses amounting to AED 392,227 as at 31 December 2021 (2020: AED 392,227).

Geographical concentration of cash and bank balances is as follows:

	2021 AED	2020 AED
Within UAE	**214,420,283**	282,089,292

The interest rate on term deposits and current accounts with banks ranges between 0.25% and 2.85% (2020: 0.50% and 3%) per annum. All bank balances are held in local banks in the United Arab Emirates.

13 Related party transactions and balances

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

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, Directors concerned neither participates 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, managing director and his direct reports.

13 Related party transactions and balances (continued)

The following balances were outstanding at the end of the reporting period:

	Nature of relationship	**2021 AED**	2020 AED
Due from policyholders – related parties (note 10)	*Affiliates*	**170,363**	641,565
Remuneration of the Directors (note 17)		**4,500,000**	4,500,000

Transactions with related parties during the period are as follows:

	Nature of relationship	**2021 AED**	2020 AED
Gross premiums written	*Affiliates*	**1,588,076**	1,665,774
Claims paid	*Affiliates*	**416,697**	939,299
Remuneration of the Directors (note 17)		**4,500,000**	4,500,000

The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions.

Remuneration of key management personnel

	2021 AED	2020 AED
Short term benefits	**2,349,720**	2,349,312
Post-employment benefits	**114,906**	114,907
	2,464,626	2,464,219

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

14 Share capital

	2021 AED	2020 AED
Authorised, issue and fully paid:		
100,000,000 (2020: 100,000,000) ordinary shares of AED 1 each	**100,000,000**	100,000,000

Dividends:

Subsequent to the year end on 10 February 2022, the Board of Directors declared a cash dividends of 0.35 fils per share amounting to AED 35,000,000 (2020: 0.40 fils per share amounting to AED 40,000,000).

15 Reserves

Legal reserve
In accordance with the UAE Federal Law Number (2) of 2015, as amended, concerning Commercial Companies and the Company's Articles of Association, 10% of profit is to be transferred to a non-distributable legal reserve until the balance of the legal reserve equals 50% of the Company's paid up share capital. This reserve is not available for dividend distribution.

General reserve
Transfers to and from the general reserve are made at the discretion of the Board of Directors as per the authority granted to them in the Company's Articles of Association. This reserve may be used for such purposes as they deem fit.

Investment revaluation reserve
Investments revaluation reserve represents the accumulated unreleased gains or losses that are recognised on investments carried at fair value through other comprehensive income at reporting date.

Reinsurance reserve
The transfer from retained earnings to reinsurance default reserve is made in accordance with the Insurance Authority (IA) of UAE's Board of Directors Decision No. (23) of 2019 concerning instructions organizing reinsurance operations. The directive requires to allocate an amount equals to 0.5% of the total reinsurance premiums ceded by the Company 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.

16 Provision for employees' end of service benefit

	2021 AED	2020 AED
At 1 January	**8,341,652**	7,915,825
Charge for the year	**535,310**	538,825
Paid during the year	**(420,383)**	(112,998)
At 31 December	**8,456,579**	8,341,652

During the year, the Company paid pension contributions in respect of UAE national employees amounting to AED 181,700 (2020: AED 202,574).

17 Insurance and other payables

	2021 AED	2020 AED
Due to policy holders	**42,118,472**	53,528,607
Due to insurance companies	**41,774,416**	47,427,301
Due to reinsurance companies	**15,271,037**	13,439,685
Premium reserve withheld	**57,814,333**	54,098,797
Insurance payables	**156,978,258**	168,494,390
Dividend payable	**5,283,005**	5,269,737
Fee payable to Central Bank of UAE	**1,238,063**	1,173,886
Deferred income	**1,338,213**	1,401,598
Remuneration of the Directors	**4,500,000**	4,500,000
Other payables	**9,920,148**	10,809,173
Other payables	**22,279,429**	23,154,394
	179,257,687	191,648,784

The average credit period is 60 to 90 days. The Company has financial risk management policies in place to ensure that all payables are paid within credit time frame.

Geographical concentration of insurance payables is as follows:

	31 December 2021			31 December 2020		
	Inside UAE AED	Outside UAE AED	Total AED	Inside UAE AED	Outside UAE AED	Total AED
Due to policy holders	40,061,782	2,056,690	42,118,472	53,300,998	227,609	53,528,607
Due to insurance companies	38,969,613	2,804,803	41,774,416	45,143,130	2,284,171	47,427,301
Due to reinsurance companies	642,843	14,628,194	15,271,037	1,182,508	12,257,177	13,439,685
	79,674,238	19,489,687	99,163,925	99,626,636	14,768,957	114,395,593

18 Profit for the year

Profit for the year is stated after charging:

	2021 AED	2020 AED
Staff costs (note 23)	**26,927,187**	23,325,373
Depreciation of property and equipment right-of-use assets (note 23)	**1,938,533**	1,806,268
Amortisation of intangible assets (notes 4 & 23)	**848,920**	766,671

19 Basic and diluted earnings per share

Basic earnings per share amounts for the year are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for the effects of dilutive instruments.

	2021 AED	2020 AED
Profit for the year (AED)	**38,638,957**	54,795,358
Weighted average number of ordinary shares in issue throughout the year	**100,000,000**	100,000,000
Basic and diluted earnings per share (AED)	**0.39**	0.55

As of 31 December 2021 and 2020, the Company has not issued any instruments that have an impact on the basic and diluted earnings per share when exercised.

20 Net premiums

	Gross premiums written		Reinsurance premiums ceded		Net premiums	
	2021	2020	**2021**	2020	**2021**	2020
	AED	AED	**AED**	AED	**AED**	AED
Motor	**111,552,361**	98,871,023	**62,517,437**	62,436,566	**49,034,924**	36,434,457
Fire	**66,404,636**	61,064,423	**60,559,638**	55,955,577	**5,844,998**	5,108,846
Medical	**44,750,543**	36,999,246	**25,082,410**	17,299,691	**19,668,133**	19,699,555
Engineering	**20,301,359**	20,677,461	**19,413,415**	18,999,980	**887,944**	1,677,481
Marine	**62,325,945**	58,796,862	**57,017,474**	53,593,193	**5,308,471**	5,203,669
Workmen's compensation and third-party liability	**7,011,418**	10,863,746	**2,539,948**	6,133,253	**4,471,471**	4,730,493
Other lines of business	**2,167,245**	2,500,938	**1,630,695**	1,931,184	**536,549**	569,754
	314,513,507	289,773,699	**228,761,017**	216,349,444	**85,752,490**	73,424,255

21 Net claims paid

	Gross claims paid		Reinsurance share of claims paid		Net claims paid	
	2021	2020	**2021**	2020	**2021**	2020
	AED	AED	**AED**	AED	**AED**	AED
Motor	**66,512,374**	58,883,266	**45,724,556**	42,343,147	**20,787,818**	16,540,119
Fire	**15,316,348**	22,224,648	**14,692,861**	21,303,635	**623,487**	921,013
Medical	**36,195,640**	26,926,664	**24,844,579**	17,822,602	**11,351,061**	9,104,062
Engineering	**5,446,161**	7,111,668	**5,331,361**	6,972,432	**114,800**	139,236
Marine	**4,511,779**	22,017,312	**4,305,843**	21,338,766	**205,936**	678,546
Workmen's compensation and third-party liability	**421,432**	382,563	**40,513**	8,489	**380,919**	374,074
Other lines of business	**2,075,335**	3,444,717	**1,952,766**	3,129,837	**122,569**	314,880
	130,479,069	140,990,838	**96,892,479**	112,918,908	**33,586,590**	28,071,930

22 Income from investments

	2021	2020
	AED	AED
Dividend income	**8,843,742**	9,563,163
Interest income	**6,408,518**	7,303,512
Change in fair value of investments carried at fair value through profit or loss (note 9)	**7,708,323**	(2,149,122)
(Loss)/gain on sale of investments carried at fair value through profit or loss	**(423,395)**	137,625
Other investment loss/expense	**(79,266)**	(1,712)
	22,457,922	14,853,466

23 General and administrative expenses

	2021 AED	2020 AED
Staff costs (note 18)	**26,927,187**	23,325,373
Remuneration of the Directors (note 13)	**4,500,000**	4,500,000
Legal and professional fees	**1,791,687**	2,100,944
Central Bank of UAE fees	**1,238,057**	1,173,881
Depreciation of property and equipment and right-of-use assets (note 3, 5 & 18)	**1,938,533**	1,806,268
Impairment of outstanding claims recoveries	**-**	-
Travelling and communication	**910,933**	782,472
Amortisation of intangible assets (note 4 & 18)	**848,920**	766,671
Printing and stationery	**374,065**	355,598
Interest expense on withheld reinsurance balance	**999,258**	529,601
Training cost	**314,513**	289,774
Repair and maintenance	**577,938**	500,540
Other expenses	**2,206,042**	5,525,217
	42,627,133	41,656,339
Allocated to:		
Underwriting	**3,207,005**	2,453,810
Other expenses	**39,420,128**	39,202,529
	42,627,133	41,656,339

24 Risk management

Governance framework

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

Capital management objectives, policies and approach

The Company has established the following capital management objectives, policies and approach to manage the risks that affect its capital position. The capital management objectives are:

- To maintain the required level of stability of the Company thereby providing a degree of security to policyholders;
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders;
- To retain financial flexibility by maintaining strong liquidity;
- To align the profile of assets and liabilities taking account of risks inherent in the business;
- To hold sufficient capital to cover the statutory requirements;
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders; and
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.

The operations of the Company are also subject to regulatory requirements within the United Arab Emirates where it operates.

24 Risk management (continued)

Approach to capital management

The Company seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders.

The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics.

The primary source of coapital used by the Company is equity funds provided by shareholders.

The Company has had no significant changes in its policies and processes relating to its capital structure during the previous years.

No changes were made in the objectives, policies or processes during the years ended 31 December 2021 and 31 December 2020. Capital comprises share capital, legal reserve, general reserve, investment revaluation reserve, reinsurance reserve and retained earnings, and is measured at AED 463 million as at 31 December 2021 (2020: AED 389 million).

On 28 December 2014, the Insurance Authority (now Central Bank of the UAE) issued Financial Regulations for Insurance Companies and were then subsequently published in the UAE Official Gazette No. 575 on 28 January 2015 and came into force on 29 January 2015. The Company is subject to local insurance solvency regulations. The Company has incorporated in its policies and procedures the necessary tests to ensure compliance with such regulations. Central Bank of the UAE allows an alignment period of up to three years for the insurance companies to be in compliance with the regulations.

As per the Federal Law No. (6) of 2007 Concerning the Establishment of the Insurance Authority & Organization of the Insurance Operations, the minimum capital requirement remains at AED 100 million for Insurance companies.

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 table below summarises 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.

	2021	2020
	AED	AED
Minimum Capital Requirement (MCR)	**100,000,000**	100,000,000
Solvency Capital Requirement (SCR)	**148,607,079**	131,566,174
Minimum Guarantee Fund (MGF)	**49,304,271**	42,634,469
Own Funds		
Basic Own Funds	**262,741,703**	233,457,059
Ancillary Own Funds	**-**	-
MCR Solvency Margin surplus	**162,741,703**	133,457,059
SCR Solvency Margin surplus	**114,134,624**	101,890,885
MGF Solvency Margin surplus	**213,437,432**	190,822,590

25 Insurance and financial risk

Regulatory framework

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

The operations of the Company are subject to regulatory requirements within the jurisdictions in which it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions to minimise the risk of default and insolvency on the part of insurance companies to meet unforeseen liabilities as these arise.

The chairman of the Insurance Authority vide Board of Directors' Decision No. (25) of 2014 dated 28th December 2014, issued Financial Regulation for Insurance Companies (FRIC) applicable to insurance companies incorporated in the UAE and the foreign insurance companies licensed to practice the activity in the UAE.

The major highlights of the new regulation is summarized in the below table:

Regulation
1. Basis of Investing the Rights of the Policy Holders
2. Solvency Margin and Minimum Guarantee Fund
3. Basis of calculating the technical reserves
4. Determining the Company's assets that meet the accrued insurance liabilities
5. Records which the Compay shall be obligated to organise and maintain as well as the data and documents that shall be made available to the Authority
6. Principles of organising accounting books and records of the Company, agents and brokers and determining data to be maintained in these books and records
7. Accounting policies to be adopted and the necessary forms needed to be prepare and present reports and financial statements.

Insurance risk

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

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.

25 Insurance and financial risk (continued)

Insurance risk (continued)

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.

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). Furthermore, the Company's strategy limits the total exposure to any one territory and the exposure to any one industry.

Property insurance contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claim payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. 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 territories in which the Company operates, and there is a balance between commercial and personal properties in the overall portfolio of insured buildings.

The reinsurance arrangements include excess and catastrophe coverage. The effect of such reinsurance arrangements is that the Company should not suffer net insurance losses of a set minimum limit of AED 500,000 for motor and workmen's compensation and third-party liability AED 300,000 in any one event. The Company has survey units dealing with the mitigation of risks surrounding claims. This unit investigates and recommends ways to improve risk claims. The risks are reviewed individually at least once in 3 years and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

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 element of the claims provision includes incurred but not reported claims (IBNR). The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the 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.

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. 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. Claims requiring court or arbitration decisions are estimated individually by independent loss adjusters along with the Company's internal legal counsel.

25 Insurance and financial risk (continued)

Insurance risk (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 estimated loss ratios are analysed below by class of business for the current and previous year:

	31 December 2021		*31 December 2020*	
	Gross loss ratio	**Net loss ratio**	Gross loss ratio	Net loss ratio
Motor	**136%**	**99%**	138%	139%
Non-motor	**136%**	**86%**	68%	78%

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 uses assumptions based on a mixture of internal and market data to measure its claims liabilities. 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 Company's accident years within the same class of business.

25 Insurance and financial risk (continued)

Insurance risk (continued)

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 for motor and non-motor:

Accident year	*2016 and earlier*	*2017*	*2018*	*2019*	*2020*	*2021*	*Total*
Non-Motor-Gross:	*AED*	*AED*	*AED*	*AED*	*AED*	*AED*	*AED*
At the end of the accident year	947,001,994	89,800,376	82,742,058	107,929,183	130,499,128	140,982,060	1,499,870,747
One year later	853,722,342	74,006,018	70,946,976	90,759,301	106,699,514	-	1,196,134,151
Two years later	884,430,864	73,964,090	63,891,142	106,034,886	-	-	1,128,320,983
Three years later	882,889,653	71,087,383	60,475,572	-	-	-	1,014,452,608
Four years later	873,960,386	68,705,369	-	-	-	-	942,665,755
Five years later	878,141,728	-	-	-	-	-	878,141,728
Current estimate of cumulative payments	878,141,728	68,705,369	60,475,572	106,034,886	106,699,514	140,982,060	1,361,039,129
Cumulative payments to date	858,966,818	64,135,992	57,434,175	69,500,615	61,751,376	36,932,874	1,148,721,850
Liability recognized in the statement of financial position	19,174,910	4,569,377	3,041,397	36,534,272	44,948,137	104,049,186	212,317,279
Motor- Gross:							
At the end of the accident year	538,488,411	146,640,701	121,908,015	92,203,877	67,490,132	74,645,744	1,041,376,880
One year later	463,302,257	125,308,055	101,760,899	84,244,582	61,314,576	-	835,930,369
Two years later	460,249,046	126,327,646	103,983,590	86,585,891	-	-	777,146,173
Three years later	459,803.089	120,332,314	104,618,802	-	-	-	684,754,204
Four years later	462,612,615	123,365,172	-	-	-	-	585,977,787
Five years later	450,307,061	-	-	-	-	-	450,307,061
Current estimate of cumulative payments	450,307,061	123,365,172	104,618,802	86,585,891	61,314,576	74,645,744	900,837,245
Cumulative payments to date	448,675,018	117,567,657	95,847,397	74,740,949	44,795,431	33,486,151	815,112,604
Liability recognized in the statement of financial position	1,632,042	5,797,515	8,771,405	11,844,942	16,519,145	41,159,592	85,724,641

Concentration of insurance risk

The Company's underwriting business is based entirely within the UAE and other GCC countries, except for some treaty reinsurance arrangements with companies based in Europe and Asia.

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 arrangement 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 concentrations 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.

25 Insurance and financial risk (continued)

Insurance risk (continued)

Concentration of insurance risk (continued)

The concentration of insurance risk before and after reinsurance by territory in relation to the type of insurance risk accepted is summarised below:

	31 December 2021		*31 December 2020*	
	Gross AED	**Net AED**	Gross AED	Net AED
Motor				
UAE	**3,937,748,346**	**1,181,324,504**	18,481,937,354	5,544,581,206
Non-motor				
UAE	**169,904,994,978**	**2,639,567,972**	180,880,832,340	7,120,272,667
GCC Countries	**11,517,375,540**	**-**	19,196,123,909	4,336,553,963
	181,422,370,518	**2,639,567,972**	200,076,956,249	11,456,826,630
Grand Total	**185,360,118,864**	**3,820,892,476**	218,558,893,603	17,001,407,836

Sensitivity of underwriting profit and losses
The insurance operations of the Company resulted in a segment profit of AED 53,731,645 (2020: AED 77,469,819).
• The Company has an overall risk retention level in the region of 2.06% (2020: 7.78%) and the Company is adequately covered by proportional and non-proportional programs to guard against major financial impact.
• The Company has net commission earnings of AED 10,012,908 during the year against AED 21,939,586 in 2020 from underwriting operations, predominantly from the reinsurance placement which remains as a comfortable source of income.

Credit risk
Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company.

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; and
• amounts due from banks for its bank balances and fixed deposits and 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 policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

25 Insurance and financial risk (continued)

Credit risk (continued)

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 includes details of provisions for impairment on insurance receivables and subsequent write-offs. Exposures to individual policyholders and groups of policyholders are mitigated by ongoing credit evaluation of their financial condition. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Company.

For 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.

The Company's five largest customers account for 29% of outstanding accounts receivable at 31 December 2021 (2020: 31%).

At 31 December 2021 and 2020, all term deposits were placed with banks within UAE. Management is confident that this concentration of liquid assets at year-end does not result in any credit risk to the Company as the banks are major banks operating in the UAE and are highly regulated by the Central Bank.

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.

Market risk

Market 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 investment securities. The Company limits market risks by maintaining a diversified portfolio and by continuous monitoring of developments in the market. In addition, the Company actively monitors the key factors that affect the market movements, including analysis of the operational and financial performance of investees.

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

At the reporting date if the equity prices are 10% higher/lower as per the assumptions mentioned above and all the other variables were held constant:
For investments measured at fair value through profit or loss
Fair value would have increased/decreased by AED 3,604,860 (2020: AED 4,013,626).

For investments measured at fair value through other comprehensive income
Changes in revaluation reserves of shares would increase/decrease by AED 24,569,543 (2020: AED 17,055,674) as a result of the changes in fair value of quoted shares.

25 Insurance and financial risk (continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the finance income or finance cost of the Company. The Company is exposed to interest rate risk on its investment in bonds and term deposits that carry fixed interest rates which are detailed in Notes 9 and 12, respectively.

The Company generally tries to minimise the interest rate risk by closely monitoring the market interest rates and investing in those financial assets in which such risk is expected to be minimal.

Interest rate sensitivity analysis

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

As all the interest-bearing financial assets and liabilities of the Company carry fixed interest rates, the Company is not subject to fluctuation of interest rate at the reporting date.

Currency risk

Foreign currency risk is the risk that financial instrument will fluctuate due to change in foreign exchange rates. Assets are typically funded in the same currency as that of the business being transacted to eliminate exchange exposures. Management believes that there is a minimal risk of significant loss due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

The Company's major transactions in foreign currencies are in US Dollars. As the exchange rates of the UAE Dirham is pegged to the US Dollar, the Company is not subject to significant currency risk.

Liquidity risk

Liquidity risk is the risk that Company will not be able to meet its commitments associated with insurance contracts and financial liabilities as they fall due.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 December 2021 and 31 December 2020, based on contractual payment dates and current market interest rates.

	Current Up to 1 year AED	Non-current >1 year AED	Total AED
31 December 2021			
Provision for employees end of service	-	**8,456,579**	**8,456,579**
Lease liabilities	**1,195,243**	**2,819,769**	**4,015,012**
Insurance and other payables	**179,257,687**	-	**179,257,687**
Insurance contract liabilities	**442,621,107**	-	**442,621,107**
	623,074,037	**11,276,348**	**634,350,385**
31 December 2020			
Provision for employees end of service	-	8,341,652	8,341,652
Lease liabilities	1,203,375	3,669,432	4,872,807
Trade and other payables	191,648,784	-	191,648,784
Insurance contract liabilities	358,127,301	-	358,127,301
	550,979,460	12,011,084	562,990,544

25 Insurance and financial risk (continued)

Liquidity risk (continued)

The expected maturity profile of the assets at 31 December 2021 and 2020 is as follows:

	Less than one year	More than one year	No maturity date	Total
	AED	AED	AED	AED
31 December 2021				
Property and equipment	-	-	1,270,692	1,270,692
Intangible assets	-	-	3,287,444	3,287,444
Right-of-use-assets	-	-	4,305,866	4,305,866
Investment properties	-	-	65,812,225	65,812,225
Statutory deposits	-	-	9,980,000	9,980,000
Deferred acquisition costs	23,221,362	-	-	23,221,362
Investments carried at fair value through other comprehensive income	-	245,695,433	-	245,695,433
Investments carried at fair value through profit or loss	103,340,654	-	-	103,340,654
Insurance balances receivable	99,869,670	-	-	99,869,670
Reinsurer's share of unearned premium reserve	89,822,167	-	-	89,822,167
Reinsurer's share of outstanding claims reserve	181,060,392	-	-	181,060,392
Reinsurer's share of claims incurred but not reported reserve	70,375,343	-	-	70,375,343
Reinsurer's share of unexpired risk reserve (premium deficiency reserve)	-	-	-	-
Prepayments and other receivables	6,861,229	-	-	6,861,229
Deposits	165,330,125	-	-	165,330,125
Bank balances and cash	49,090,158	-	-	49,090,158
	788,971,100	245,695,433	84,656,227	1,119,322,760

25 Insurance and financial risk (continued)

Liquidity risk (continued)

	Less than one year	More than one year	No maturity date	Total
	AED	AED	AED	AED
31 December 2020				
Property and equipment	-	-	1,534,096	1,534,096
Intangible assets	-	-	3,817,779	3,817,779
Right-of-use-assets	-	-	5,312,243	5,312,243
Investment properties	-	-	65,812,225	65,812,225
Statutory deposits	-	-	9,980,000	9,980,000
Deferred acquisition costs	16,432,759	-		16,432,759
Investments carried at fair value through other comprehensive income	-	170,556,736	-	170,556,736
Investments carried at fair value through profit or loss	40,136,262	-		40,136,262
Insurance balances receivable	106,329,866	-		106,329,866
Reinsurer's share of unearned premium reserve	85,530,265	-		85,530,265
Reinsurer's share of outstanding claims reserve	134,554,763	-		134,554,763
Reinsurer's share of claims incurred but not reported reserve	44,274,346	-		44,274,346
Reinsurer's share of unexpired risk reserve (premium deficiency reserve)	-	-		-
Prepayments and other receivables	7,800,394	-		7,800,394
Deposits	183,208,101	-		183,208,101
Bank balances and cash	98,881,191	-		98,881,191
	717,147,947	170,556,736	86,456,343	974,161,026

Except for employees' end of service benefits of AED 8,456,579 (2020: AED 8,341,652) and the non-current portion of lease liabilities amounting to AED 2,819,769 (2020: AED 3,669,432), the Company expects its liabilities of AED 623,074,037 (2020: AED 550,979,460) to mature in less than twelve months from the reporting date.

26 Fair value of financial instruments

Financial instruments comprise financial assets and financial liabilities.

The fair values of the financial assets and liabilities of the Company are not materially different from their carrying values at the reporting date.

26 Fair value of financial instruments (continued)

The following table shows the analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at 31 December 2021 and 31 December 2020:

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
31 December 2021				
Investments carried at fair value through other comprehensive income	**245,695,433**	**-**	**-**	**245,695,433**
Investments carried at fair value through profit and loss	**46,524,926**	**51,133,441**	**5,682,287**	**103,340,654**
	292,220,359	**51,133,411**	**5,682,287**	**349,036,087**
31 December 2020				
Investments carried at fair value through other comprehensive income	170,556,736	-	-	170,556,736
Investments carried at fair value through profit and loss	33,307,526	-	6,828,736	40,136,262
	203,864,262	-	6,828,736	210,692,998

Valuation technique:
Level 1: Quoted bid prices in an active market
Level 2: Valuation based on selected observable market inputs
Level 3: Net assets value based on audited financials

During the reporting periods ended 31 December 2021 and 31 December 2020, there were no transfers between level 1 and level 2 fair value measurements, and no transfer into and out of level 3 fair value measurements.

27 Segment reporting

27.1 Segment revenue and results

The Company has two reportable segments, as described below, which are the Company's strategic business units. The strategic business units are managed separately because they require different approach, technology and marketing strategies. For each of the strategic business units, the Chief Operating Decision Maker reviews internal management reports on at least a quarterly basis.

The following summary describes the two main business segments:

- Underwriting of general insurance business - incorporating all classes of general insurance such as fire, marine, motor, medical, general accident and miscellaneous.
- Investments - incorporating investments in marketable equity securities and investment funds, development bonds, term deposits with banks and investment properties and other securities.

27 Segment reporting (continued)

27.1 Segment revenue and results (continued)

Information regarding the Company's reportable segments is presented below:

	31 December 2021			31 December 2020		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Direct revenues	369,489,183	17,574,823	387,064,006	346,387,647	19,853,185	366,240,832
Direct costs	(314,905,653)	(764,739)	(315,670,392)	(271,566,406)	(925,728)	(272,492,134)
Other underwriting income	2,355,120	-	2,355,120	5,102,387	-	5,102,387
Other underwriting expenses	(3,207,005)	-	(3,207,005)	(2,453,810)	-	(2,453,810)
Non-cash investment gain/(loss)	-	7,608,323	7,708,323	-	(2,150,833)	(2,150,833)
Segment profit	53,731,645	24,518,407	78,250,052	77,469,818	16,776,624	94,246,442
General and administrative expenses	(39,420,128)		(39,420,128)	(39,202,529)		(39,202,529)
Finance cost	(194,467)		(194,467)	(261,618)		(261,618)
Other income		3,500	3,500		13,063	13,063
Profit for the year	14,117,050	24,521,907	38,638,957	38,005,671	16,789,687	54,795,358

27.2 Segment assets and liabilities

	31 December 2021			31 December 2020		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Segment assets	480,074,165	590,158,437	1,070,232,602	405,586,511	469,693,324	875,279,835
Unallocated assets	-	-	49,090,158	-	-	98,881,191
Total assets			1,119,322,760			974,161,026
Segment liabilities	645,548,054	5,391,224	650,939,278	573,059,379	6,509,086	579,568,465
Unallocated liabilities	-	-	5,283,005	-	-	5,269,737
Total liabilities			656,222,283			584,838,202
Capital expenditure	846,235	-	846,235	3,662,357	-	3,662,357

27 Segment reporting (continued)

27.3 Revenue from underwriting departments

The following is an analysis of the Company's revenues classified by major underwriting departments.

	2021 AED	2020 AED
Motor	**128,626,806**	115,723,647
Medical	**48,512,915**	39,594,200
Engineering	**26,644,184**	27,296,330
Fire	**87,888,283**	80,483,973
Marine	**67,883,910**	66,074,942
Workman compensation and third-party liability	**7,389,759**	11,550,562
Other lines of business	**2,567,565**	2,771,657
	369,513,422	343,495,311

27.4 Geographical information

The Company's underwriting business is based entirely within the UAE and other GCC countries, except for some treaty reinsurance arrangements with companies based in Europe. All the investments of the Company are held in the UAE and other GCC countries.

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

	Revenue 2021 AED	Revenue 2020 AED	Total assets 2021 AED	Total assets 2020 AED
United Arab Emirates	**306,647,394**	**284,028,854**	**1,034,650,111**	969,441,306
Other GCC Countries	**11,253,837**	**9,094,927**	**8,703,573**	2,533,747
Others	**51,612,191**	**50,371,530**	**75,969,076**	2,185,973
	369,513,422	**343,495,311**	**1,119,322,760**	974,161,026

28 Commitments and contingent liabilities

Legal claims
The Company, in common with the majority of insurers, is subject to claims and litigation in the normal course of its business. Based on advice from internal claims department and independent legal advice, the management records provision representing best estimate of probable outflow of economic resources

Guarantees

	2021 AED	2020 AED
Bank guarantees	**16,044,222**	18,550,200

The above bank guarantees were issued in the normal course of business.

29 Reclassifications

Certain comparative figures have been reclassified, where necessary, to conform to the current year presentation. Management believes that the current year presentation provides more meaningful information to the readers of the financial statements.

These reclassifications did not have any impact on the current or prior year's statement of comprehensive income or retained earnings.

30 Approval of the financial statements

The financial statements were approved and authorized for issue by the Board of Directors on 17 February 2022.

31 Subsequent events

On January 31, 2022, the UAE Ministry of Finance announced the introduction of a 9% Federal Corporate Tax rate effective for fiscal years commencing on or after June 1, 2023. There is no impact of this announcement on the financial statements of the Company for the year ended December 31, 2021. Management will assess the implications of this Federal Corporate Tax in due course.

32 Impact of COVID-19 on the Company's operations

The coronavirus ("COVID-19") pandemic has spread rapidly across the globe. The novel coronavirus (COVID-19) outbreak is a serious and unprecedented public health threat. It has interrupted the movement of people and goods/service throughout the world, and many levels of government are instituting restrictions on individuals and businesses. The pandemic has had significant negative effects on the global economy. The resulting impact on financial reporting will be significant.

The Management has determined that the COVID-19 pandemic has not created a material uncertainty that casts doubt on the entity's ability to continue as a going concern.

The COVID-19 pandemic has developed rapidly since 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. Management has taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for the people (such as social distancing and working from home) and ensuring uninterrupted services that are essential to our business.

At this stage, the impact on the Company's business and results has not been significant and based on experience to date the management expect this to remain. As the Company operates in Insurance Sector, management has found demand for its products/ services and expect this to continue. The management will continue to follow the various government policies and advises and, in parallel, the management is doing utmost to continue operations in the best and safest way possible without jeopardizing the health of all stakeholders.

Management has performed impairment testing on Property, plant and equipment and intangible assets and has identified that no indicators of impairment that exist as a result of the economic conditions caused by the spread of COVID-19.

32 Impact of COVID-19 on the Company's operations (continued)

The negative economic outlook and cash flow difficulties experienced by customers because of COVID-19 and financial instruments and the measurement of expected credit losses - under IFRS 9 based on information about past events, current conditions and forecasts of future economic conditions are also considered for our ECL provision for the year 2021.

Since 31 December 2019, the consequences of the COVID-19 outspread has not materially and adversely affected the supply and demand for the Company's primary products / services and therefore, its operating results have not been significantly affected.

AL DHAFRA INSURANCE COMPANY P.S.C.

Al Dhafra Insurance Company P.S.C

Annual Corporate Governance Report 2021

Contents

Company's Corporate Governance:

Al Dhafra Insurance Co. commenced in 2010 a pro-active review of its corporate governance framework and has adopted extensive corporate governance guidelines in the Corporate Governance Manual in line with the principles set out in the Ministerial Resolution "Based on the decision of the Chairman of Authority's Board of Directors' Decision no. (3/Chairman) of 2020 concerning Approval of Joint Stock Companies Governance Guide.

Company is committed to the highest level of corporate governance, and has derived its values from a system which integrates ethics, corporate integrity and leading compliant practices. Transparency, fairness, disclosure and accountability have been central to the working of the company, its management and Board of Directors (hereafter referred to as 'the Board'). Indeed, the company's commitment to good Corporate Governance practices predates the laws and mandates of the Securities and Commodities Authority (SCA).

This report reflects Company's Corporate Governance system followed during year 2021. The Company's Annual Corporate Governance Report 2021 shall be made available to the shareholders along with the Company's Annual Report. Report will also be published in Company's Website and will be filed with Security Commission Authority (SCA) and Abu Dhabi Exchange (ADX).

Company Conflict of Interest and Disclosure Policy:

- Company has adopted following Conflict of interest and disclosure policy, in compliance with Decision no (3/R) of 2000 concerning the regulations as to Disclosure and Transparency and the amendments thereto dated 31st July 2012.

- In practicing their duties, the Board and the employees should be fully aware of, and clearly understand all applicable laws, rules, and regulations in order that they can comply with them at all circumstances. Any advantages that may be presented to the employees', opportunities for monetary and non-monetary benefits in addition to the normal compensation arrangement paid by the Company should be in line with the conflict of interest policy. Therefore, the employees should accomplish their tasks with the principles of integrity, fairness, and in conformity to the professional standards.

- Benefits or Gifts: Employees are not allowed to receive from third parties, benefits or gifts in addition to those conferred by the Company. This is to prevent any influences on the employees' independence and objectivity.

- Directors are to immediately notify the Company Secretary if a material personal interest relating to the affairs of the Company arises. In this context, a material personal interest would refer to a financial transaction with a related party of the Company exceeding AED 5 Million or 5% of the company's capital whichever is less.

- Directors are to absent themselves from attendance at a meeting of directors where a matter in which they have a material personal interest is being discussed, unless the other directors vote otherwise.
- Concerned parties as defined in ministerial resolution 518 of 2009 are required to disclose to the board within 3 days of transaction that has caused, any conflict of interest or benefit, direct or indirect with Company (including its affiliate or allied companies).
- If one of the major shareholders or Board members has a conflict of interest in an issue which can affect the price or volume of trading of the Company's securities, the Board should conduct a meeting and issue a decision in attendance of all its members; excluding the concerned shareholders/ director. In extraordinary cases, such issues can be resolved through a special committee formed for that purpose.
- Each director shall upon commencement of his term disclose to the Company the nature of the positions the same occupies in the companies and the public establishments and other important commitments and specify the time allocated thereto, and any changes on the above mention upon occurrence.
- Additionally, each director shall disclose on an annual basis, the nature of positions the same occupies in the company's securities, the parent company, and subsidiary or affiliate companies. Based on these disclosures.
- Directors are to monitor compliance with the disclosure policy and to take remedial action where necessary.
- Board members of the company, its manager and staff are not allowed to sell and buy company's shares within a period of 15 days prior to the end of the quarterly, half-yearly and annual financial period and until the disclosure of the financial reports to Financial Market, whereas their trading will be allowed to resume thereafter, provided such transactions followed approval process as required by the prevailing law.
- The company is committed to provide Financial Market with interim (quarterly) reports within one month from the end of each fiscal quarter. The reports must be approved as per the International Financial Reporting Standards (IFRS) and reviewed by the external auditor and approved by the company's executive management.

Compliance with the Conflict of Interest Policy during the Last Year:

The Board hereby declares that each member of the Board has complied with the disclosure requirements as per the laws and regulations issued by the Ministry of Economy and the Securities and Commodities Authority. There is no indication of non-compliance by any of the members of the Board of Directors.

Directors and Employees Dealing in Company's Shares:

The board is responsible for reviewing share dealings by the Board Members, their spouses and children annually, and to decide whether any proposed dealings in the Company's shares at any time by director or their family member or employee requires the prior consent of the Chairman or Security Market.

During the year 2021, share transactions were conducted in either their personal capacity or representing a company by the Board of Directors including their first class relative.

S/N	Names	Position/Relationship	Shares held at 31/12/2021	Total Sale	Total Purchase
1.	H.E Sheikh Mohamed Bin Sultan Al Dhahiry	Chairman Board of Directors	4,587,098	-	-
2.	H.E. Yousef Bin Mohamad Ali Al Nowais	Deputy Chairman.	71,099	-	-
3.	H.E. Sh. Ahmed Moh'd Sultan Al Dhahiri	Board of Director	3,219,869	-	-
4.	H.E Sh. Sultan Saeed Sultan Al Dhahiri	Board of Director	1,451,939	-	-
5.	H.E. Saif Bin Mubarak Al Riyami	Board of Director	2,988,505	-	-
6.	H.E. Saif Saeed Bin Ahmed Ghobash	Board of Director	26,666	-	-
7.	Mr. Muhammad Saeed Omran Al Mazrouei	Board of Director	60,727	-	-
8.	Mr. Rashid Saeed Ahmad Ghobash	Board of Director	-	-	-
9.	Mr. Mohamed Hussain Jasim Al Nowais.	Board of Director	2,681,759	-	-

Board of Directors:

Board Composition:

Company's Board of Directors comprises of 9 Non-Executive members from which 9 are independent directors and there is no change in the formation of Board of directors for 2021. Following table is listing down the board members along with their representation on different Board Committees.

Sr. No.	Name	Particulars (Independent / Executive)	Board Committee Memberships	Duration
1.	H.E Sheikh Mohamed Bin Sultan Al Dhahiry	Independent & Non-executive	Chairman Board of Directors	Since 1993
2.	H.E. Yousef Bin Mohamad Ali Al Nowais	Independent & Non-executive	Deputy Chairman.	Since 2007
3.	H.E. Sh. Ahmed Moh'd Sultan Al Dhahiri	Independent & Non-executive	Chairman – Nomination and Remuneration	Since 2016
4.	Mr. Rashid Saeed Ahmad Ghobash	Independent & Non-executive	Member – Audit Committee	Since 2019
5.	H.E Sh. Sultan Saeed Sultan Al Dhahiri	Independent & Non-executive	Member –Audit Committee and Investment Committee.	Since 2016
6.	H.E. Saif Bin Mubarak Al Riyami	Independent & Non-executive	Member – Nomination and Remuneration Committee & Audit Committee	Since 1984
7.	H.E. Saif Saeed Bin Ahmed Ghobash	Independent & Non-executive	Member – Nomination & Remuneration Committee.	Since 2010
8.	Mr. Muhammad Saeed Omran Al Mazrouei	Independent & Non-executive	Chairman Audit Committee and member - Investment Committee.	Since 2013
9.	Mr. Mohamed Hussain Jasim Al Nowais.	Independent & Non-executive	Chairman – Investment Committee	Since 2019

Short Curriculum Vitae of the Board Members:

- H.E Sheikh Mohamed Bin Sultan Al-Dhaheri: Businessman. Leading the Board of Directors since 1993, holds a Bachelor Degree in politics, economy & law from University of Buckingham - UK and Master's degree in Business Administration from Brunel University - UK, currently heads Al Dhahiry group. Held several important positions in the country, including Chairman of Al Dhahiry Group, Bin Suroor Holding, Abu Dhabi Refreshment Company and Chairman of Al Dhafra Insurance Company.

- HE Yousif Bin Mohammed Ali Al Nowais: Businessman, Board Member since 2007. Holds a university degree from the University of Arizona in 1979. He is the Chairman of the Board of Directors and General Manager of Arab Development Company, and also the Co-Chairman of Al-Nowais Investment Company LLC. He is also Chairman, Vice Chairman or member of several private institutions including, Emircom, Pharmatrade LLC, Danway Electrical and Mechnical Engineering LLC, Archirodon, National Petrolium Services, and Al Ain sports club and ADIC. He has previously held several positions, in the ADNOC group including Finance Director and Managing Director of ADNOC's subsidiary FERTIL.

- H.E.Sh. Ahmed Moh'd Sultan Al Dhaheri: Businessman. He is currently Vice Chairman of Abu Dhabi National Hotels, and Abu Dhabi Aviation. He is currently board member of National Consultative council Abu Dhabi, First Abu Dhabi Bank, Etisalat, Al Dhaheri Group, and Abu Dhabi Refreshment Co.LTD. He hold a bachelor's degree in civil engineering from Al Ain University.

- Mr. Rashid Saeed Ahmad Ghobash: He holds a Bachelor's Degree of Financial Studies from American University of Sharjah. Currently, he is acting a Director of Bayan Investment Company for the past three years, and Senior Analyst in Public Debt Office and responsible for the Investor Relations Department of Finance, Abu Dhabi. Previously, he was working as Financial Analyst, Department of Finance, Abu Dhabi.

- H.E.Sh. Sultan Saeed Sultan Al Dhahiri: Businessman. He is currently Board member of Al Dhaheri Group, Bin Suroor Holding and Abu Dhabi Refreshment LTD. He holds as General Business Administration and Management.

- H.E. Saif Bin Mubarak Al Riami: Businessman. Brigade retired, a board member since 1984, he served as a board member of Abu Dhabi Commercial Bank, Union Coop, the Municipal Council, Chairman of the Board of Directors in Ain Cooperative Society, Al Khor Contracting Company, baraem Al Ain school, Al Ain technical Metal Industries, Al Dhaher Colas group (Oman) . He holds a master's degree in military science-the National Defence College (India).

- H.E. Saif Saeed bin Ahmed Ghobash: Appointed Director General of the Abu Dhabi Executive Office in January 2020 where he currently serves. He previously served as the Undersecretary of the Department of Culture and Tourism Abu Dhabi. Prior to that he was the COO and then Acting CEO of Abu Dhabi Media Company.
  Saif earned a Bsc in Economics from the Wharton School at the University of Pennsylvania. He also earned an EMBA from IMD in Lausanne.

- Mr. Mohamed Saeed Omran Al Mazrouei: A young finance professional. Member since 2014, holds a Bachelor's Degree of Business Administration in Finance and Management from American University of Sharjah and a Master's degree in Finance and Banking from Paris-Sorbonne University Abu Dhabi. Have experience in handling investment portfolio, coupled with experience of managing Al Omran Real Estate and Electro Technical Line (Maintenance Company).

- Mr. Mohammad Hussain Jasim Al Nowais: He holds a Bachelor's Degree in Economics and Business Finance from the Brunel University in London, UK. Currently is the Managing Director of AMEA Power, Director in Al Nowais Investments Company, Board member positions at Waha Capital, Abu Dhabi National Industrial projects and holds Chairman and Managing director at TAMA properties LLC and Tama Investments and Development LLC ,.Previously he was an Investment Associate at Abu Dhabi Investment Authority (ADIA) and worked with J.P. Morgan in USA and completed multiple internships with international financial institutions including HSBC in Abu Dhabi and Citi Bank in London, UK.

Women Members in the Board of Directors:

The nomination process for the Board of Directors is open and available to all qualified shareholders. The shareholders choose a member of the Board of Directors of the women according to the nomination process. It should be noted that to date, no woman has been a member of the Board of Directors. During the opening of the nomination period at the 2019 General Assembly meeting as there is no female component in the Board of Directors currently.

Directors Remuneration:

Remuneration to the board members is determined in pursuant to the Article (118) of the Law of Commercial Companies No. (8) Of 1984. I.e. Up to 10% of the profit for the year, after deducting depreciation and reserve, and distributing a minimum of 5% as revenues from the shareholders capital. Remuneration AED 4,500,000 was paid to the Board for year 2020.

Proposed remuneration for Board of Directors for 2021, which will be submitted to the Annual General Assembly meeting is AED (Not yet determined).

No allowances was paid for Board of Directors for attending the sessions of the Board subcommittees for the Financial Year 2021.

Audit Committee:

Name	Number of meetings	Total
Mr. Mohammed Saeed Omran Al Mazrouei	4	-
H.E. Saif Bin Mubarak Al Riyami		-
Mr. Rashid Saeed Ahmad Ghobash		-

Nomination and remuneration committee:

Name	Number of meetings	Total
H.E. Sheikh Ahmed Mohammed Sultan Al Dhaheri	1	-
H.E. Saif Saeed Bin Ahmed Ghobash		-
H.E. Saif Bin Mubarak Al Riyami		-

Investment Committee:

Name	Number of meetings	Total
Mr. Mohamed Hussain Jasim Al Nowais	4	-
H.E. Sheikh Sultan Saeed Sultan Suroor Al Dhaheri		-
Mr. Mohamed Said Omran Al Mazrouei		-

Board Meetings:

There were 11 Board meetings held during the year 2021. The following table clarifies the dates of the meetings and the attendance of the members:

Name of Directors	Dates of Meetings										
	(11/2021) 10/12/2021 Circular	(10/2021) 18/11/2021 Circular	(09/2021) 10/11/2021 Via Video Conferencing	(08/2021) 23/09/2021 Circular	(07/2021) 15/09/2021 Circular	(06/2021) 05/09/2021 Circular	(05/2021) 11/08/2021 Via Video Conferencing	(04/2021) 06/05/2021 Via Video Conferencing	(03/2021) 14/03/2021 Circular	(02/2021) 09/03/2021 Circular	(01/2021) 09/02/2021 Via Video Conferencing
H.E. Sheikh Mohamed Bin Sultan Al Dhahiry	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
H.E. Yousef Bin Mohamed Al Nowais	✓	✓	✓ Proxy	✓	✓	✓	✓	✓	✓	✓	✓
H.E.Sh. Ahmad Moh'd Sultan Al Dhahiri	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
H.E.Sh. Sultan Saeed Sultan Al Dhahiri.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
H.E. Saif Bin Mubarak Al Riamy	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	×
H.E. Saif Saeed Bin Ahmed Ghobash	✓	✓	✓ Proxy	✓	✓	✓	✓ Proxy	✓	✓	✓	✓
Mr. Mohamed Saeed Omarn Al Mazrouei	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Rashid Saeed Ahmed Saeed Ghobash	✓	✓	✓ Proxy	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Mohamed Hussain Jasim Naser Al Nowais.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

"✓"= Attended

"✓Proxy"= **Proxy**

"×" = Apologized

"N/A" = Were not member as of date

"E" = Term Expired

Board Tasks and Responsibilities:

The Boards' role is to represent the shareholders and is accountable to them for creating and delivering value through the effective governance of the business.

The Board will annually publish an Annual Governance Report, which is a statement of the practices and processes the Board has adopted to discharge its responsibilities.

Once appointed, every director shall disclose to the Company the nature of relations he has with other listed companies, including positions, investments and other significant obligations through signing a Declaration of Independence Form.

Additionally, the Board shall have the following Roles and Responsibilities:

- Set and review the strategic direction and approves the Annual Operating Budget and Business Plan;
- Make decisions concerning the Company's capital structure and dividend policy;
- Review, approve and monitor major investments and strategic commitments;
- Review and approve the annual and interim Financial Statements;
- Ensure compliance with applicable laws, regulations and all appropriate accounting standards;
- Ensure that an adequate risk management framework is in place to identify, assess and mitigate risks;
- Ensure appropriate policies and delegations are in place to effectively govern the Company;
- Adopt a Governance Structure that is aligned with the Company's values and strategies, and ensures the following:
    - Enhancing the Company's reputation;
    - Maintaining high standards of behavior;
    - Promoting ethical and responsible decision making;
    - Communicate clear expectations and Delegation of Authority; and
    - Complying with the applicable Governance Regulation (i.e. Securities Commodities Authority (SCA) regulations).
- Appointment of the Senior Management and evaluation of his on-going performance and remuneration through the Nomination and Remuneration Committee.
- Ensure that an appropriate succession plan for Senior Management is in place;
- Recognize the legitimate interests of all stakeholders, being the shareholders, customers, staff and the communities in which the Company operates;

- Set written rules for the dealings of the staff in the securities issued by the Company and its associated companies (where applicable);

- Ensure the integrity of external reporting including:
    - Review and monitor controls, processes and procedures in place to maintain the integrity of the Company's financial and accounting records and statements, with the guidance of the Audit Committee upon its formation;
    - Ensure accurate, objective and comprehensive information is conveyed to the shareholders to ensure that they are fully informed of material developments; and
    - Review the reports of the Audit Committee in relation to risk, internal controls and internal and external audit reports.

- Exceptionally issue some of its decisions by passing on a draft thereof for signature in emergency situations, provided the following are taken into considerations:
    - That the cases of issuing decisions by passing on the draft decision for signature may not exceed four (4) cases a year;
    - The agreement of the majority of the members of the Board that the concerned case is a case of emergency;
    - Handing the decision to the members of the Board in writing for the purpose of their consent, provided that the documents and evidences necessary to study the same are accompanied therewith; and
    - The written consent of the majority shall be attained on any decisions of the Board that is issued through passing on written draft for signature, and provided that the same is presented to the subsequent meeting of the Board so as to include the same in the minutes of the meeting.

- Tasks of the Non-Executive Directors shall include without limitation:

    - To participate in meetings of the Board and to provide independent opinion on strategic matters, policy, performance, accountability, resources, appointments and activity criteria;
    - To ensure that priority shall be given to the Company's and Shareholders' interests in case of conflict of interests;
    - To participate in the Company's Audit Committees;
    - To control the Company's performance in realizing its agreed objectives and goals and to monitor its performance reports;
    - To develop procedural rules for the Company's Governance and supervise and monitor their implementation in compliance therewith; and
    - To avail the Board and its different Committees of their skills, experience, diversified specialties and qualifications through regular presence and efficient participation in the General Meetings.

Responsibilities Delegated to Executive Management:

The Executive management, comprising General Manager, as well as Department Heads who are responsible to implement the company strategy and manages the day-to-day affairs of the company according to the business plans and activities approved by the Board, protecting the shareholder interests and adopting best and successful practices. Executive management delegates functions to senior management team subject to board policies and legal requirements.

The power to authorize the signature of the Executive Management for a period of three years from 25/6/2019.

SR	Authorized Person	Authorization power	Authorization period
1	Kamal Sartawi	Management of all the company's affairs	3 Years

Transactions with Related Parties:

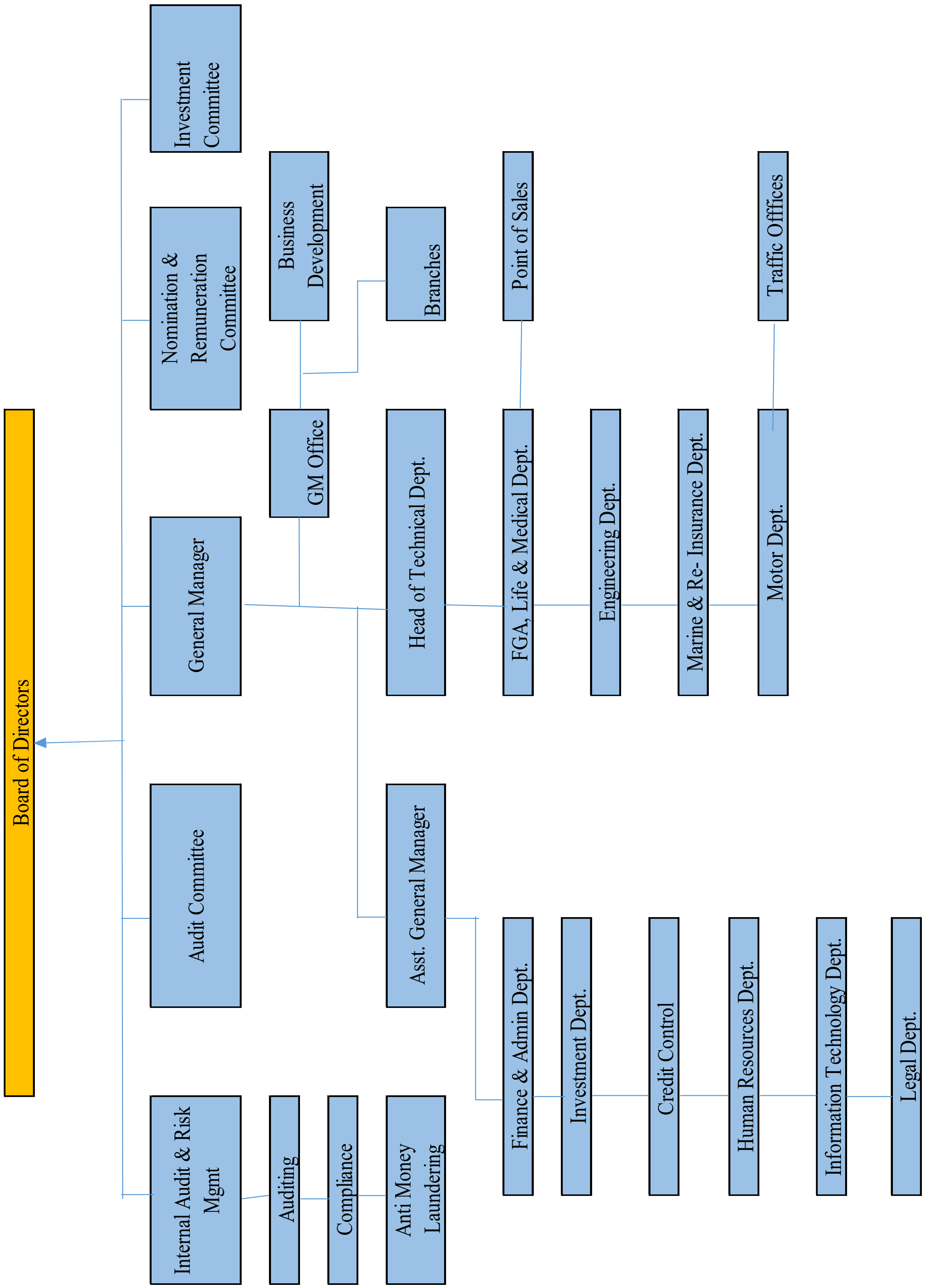
Major stakeholders identified are directors including major shareholders of the company and those entities in which they have ability to control or exercise significant influence in financial and operational decisions, and key management personnel. These transactions are made with in the normal course of business. These transactions are based on the insurance services provided to Director's associated companies for the year 2021. If the transaction amount with related party exceed 5% of share capital of ADIC, Board approval is required for such transactions. Details of the transactions and relationship are as follows for 2021:

Related party Name & Nature of Relationship	Sum of Premiums	Sum of Claims
Chairman's Group	96,184	71,210
Chairman's Group	28,924	2,150
Chairman's Group	738,455	168,635
Chairman's Group	264,917	26,530
Chairman's Group	82,773	1,100
Director	98,292	55,300
Director	48,042	800
Director	26,944	-
Director	118,073	-
Total	1,502,606	325,725

There was no board member whose transactions exceeded 5% of the paid up capital.

Company's Organizational Structure:

The following is the company's organizational chart



Company's Executive management includes:

Total remuneration given in 2021 to General Manager, Assistant General Manager and Head of Technical as per table below:

Ser.	Position	Date of appointment	Total salaries and allowances paid for 2021 (AED)	Total proposed bonuses for 2021	Any other cash/ real bonuses of 2020 (or to become payable thereafter)
1	General Manager	Since 1984	1,800,799	Not yet determined	xx
2	Asst. General Manager	Since 1994	671,729	Not yet determined	xx
3	Head of Technical	Since 2013	577,162	Not yet determined	xx

Supervision Committee of Insiders' Transactions

Mr. Ajith Kumar, Chairman of the Supervision Committee acknowledges his responsibility for the follow-up and supervision system on transactions of the insiders in the Company, review of its work mechanism and ensuring its effectiveness.

1. A committee was set up to monitor and supervise insider transactions on 24/11/2020 from the following:

Name	Member of Supervision Committee
Mr. Ajith Kumar	Chairman of the Committee
Mr. Mohammed Al-Najoumi	Member
Mr. Mahmoud Ezzat	Member

2. The committee is responsible for managing the policy of dealing with the shares of the company and monitoring the circulation of members of the Board of Directors and employees in the shares of the company regularly.

3. The Committee held its meeting on 04/01/2022 and reviewed the updated list of insiders' records. It also reviewed the total trading on the company's shares as at 31/12/2021 and did not notice any irregularities related to insider transactions during that period.

External Auditors:

The External Auditor of Al Dhafra Insurance Company is Grant Thornton, and their address is P.O. Box: 41255 -Abu Dhabi- UAE. The said Auditor is an External Auditing Company and independent from the Company's Board of Directors and its Executive Management.

The Board of Directors recommends to the General Assembly the appointment of the External Auditor upon the recommendation of the Audit Committee which takes into account the efficiency, reputation and experience. The determination of the External Auditor fees is decided by the General Assembly of the Company. The External Auditor Attends the Company's General Assembly Meeting and presents its report to the shareholders, such report shall be neutral and independent. Also, the External Auditor replies to the enquiries related to its report.

There are no reservations of the company's auditor on the interim and annual financial statements for the year 2021.

The Audit Committee reviews the quality and efficiency of the audit operations performed by the External Auditor, and presents the necessary recommendations to the Board of Directors as to the re-appointment or replacement of the External Auditor. The External Auditor has been auditing the Company's accounts since 2021.
The company has not utilized any form of services from any other external auditor/party while preparing its annual Financial Statements.

Name of Auditing Firm	Grant Thornton
Audit Engagement Partner	Samer Hijazi
Number of years the auditor spent as an external auditor of the Company	Since 2020 (2 year)
Total auditing fees in relation to the financial statements of 2021 (AED)	AED 120,500
The cost of other services rendered by the external auditor for filing of XBRL to Security and Commodities Authority (SCA) , E-Form certification and AML report for Insurance Authority	AED 201,500
A statement of other services provided by another external auditor (other than the Company's auditor) during 2021 (if any). If there was no another external auditor, this should be mentioned expressly.	• AJMS for Internal Audit Services

Board Committee's:

Audit Committee:

Mr. Mohamed Saeed Omran Al Mazrouei, Audit Committee Chairman, acknowledges his responsibility for the committee system in the Company, review of its work mechanism and ensuring its effectiveness

Roles and Responsibilities (Term of Reference):

- Oversight of the preparation of the Financial Statements.
- Review of the annual and quarterly Financial Statements.
- Review any insider, affiliated or related party transactions and ensure that rules for the conduct and approval of these are complied with.
- Reviewing the Company's Internal Control Systems for effectiveness. This may be undertaken by seeking assistance from external consulting firms.
- Ensure Risk Management policies are developed and undertake regular examination of cases of non-compliance with the same.

Composition of the Audit Committee:

S No	Name	Designation
1	Mr. Mohamed Saeed Omran Al Mazrouei	Chairman
2	H.E. Saif Bin Mubarak Al Riyami	Member
3	Mr. Rashid Saeed Ahmed Ghobash	Member

- Mr. Omran Al Mazrouei has the expertise in finance and accounting. All three members are Non-Executive.

The following table clarifies the dates of the meetings and the attendance of the members:

Name	Meeting Dates			
	(04/2021) 10/11/2021 (Via Video Conferencing – Webex)	(03/2021) 11/08/2021 (Via Video Conferencing – Webex)	(02/2021) 06/05/2021 (Via Video Conferencing – Webex)	(01/2021) 08/02/2021 (Via Video Conferencing – Webex)
Mr. Mohamed Saeed Omran Al Mazrouei	✓	✓	✓	✓
H.E. Saif Bin Mubarak Al Riyami	✓	✓	✓	✓
Mr. Rashid Saeed Ahmed Ghobash	✓ proxy	✓	✓	✓

"✓" = Attended
"✓Proxy" = Proxy
"✘" = Apologized
"N/A" = Were not member as of date
"E" = Term Expired

Nomination and Remuneration Committee:

Sh. Ahmed Moh'd Sultan Al Dhahiri, Nomination and Remuneration Committee Chairman, acknowledges his responsibility for the committee system in the Company, his review of its work mechanism and ensuring its effectiveness

Roles and Responsibilities (Term of Reference):

Verification of on-going independence of independent board members. If the committee discovers that any of the members do not meet the independence criteria, it shall present this matter to the company's board and the board shall notify the member by a letter to be sent by registered mail to the members' registered address recorded in the company's files and shall address the reasons for the lack of independence; such member shall provide clarification to the board within fifteen days from the date of the notification.

The board in its earliest meeting after the member's response or after the expiry of the period preferred to above, shall issue a decision confirming whether the member is considered independent or not.

Even when such board member is no longer meeting the independence criteria and such situation does not result a breach to the minimum requirement for the number of independent board members, the same must be taken into account when establishing board committees.

Notwithstanding provisions of Article (102) of the Commercial Companies Law, if the board decision holding that the member is no longer independent is to impact the minimum requirements for the independent board members, the board shall appoint a new member as a replacement and such appointment shall be reviewed at the earliest general assembly of the company in order to give effect to the decision of the board.

Formulation and annual review of the policy on granting remunerations, benefits, incentives and salaries to the Board members and senior executives of the Company and the committee will verify that remunerations and benefits granted to the senior executive management of the Company are reasonable and in line with the Company's performance.

Composition of the Nomination & Remuneration Committee:

The Board has delegated authority to the committee as per the approved term of reference. The role of the Committee is to assist in discharging the board's responsibilities relating to compensation of company's staff and nomination to the membership of the board in line with applicable laws and regulations. The Board decides the need and frequency of the committee to discuss and advise related matter accordingly, the members nominated by the board for committee are as follows:

S No	Name	Designation	Attendance
1	Sh. Ahmed Moh'd Sultan Al Dhahiri	Chairman	✓
2	H.E Said Bin Mubarak Al Riyami	Member	✓
3	H.E. Saif Saeed Bin Ahmed Ghobash	Member	✓

The following table clarifies the dates of the meetings and the attendance of the members:

Name	Meeting Dates (01/2021) 02/02/2021 (Via Video Conferencing – Webex)
H.E. Sh. Ahmed Moh'd Sultan Al Dhahiri.	✓
H.E. Saif Bin Mubarak Al Riyami	✓
H.E. Saif Saeed Bin Ahmed Ghobash.	✓

"✓"= Attended
"✓Proxy"= Proxy
"✗" = Apologized
"N/A" = Were not member as of date
"E" = Term Expired

Investment Committee:

Mr. Mohamed Hussain Jasim Al Nowais., Chairman of the Investment Committee acknowledges his responsibility for the committee system in the company and for his review of its work mechanism and ensuring its effectiveness.

Roles and Responsibilities (Term of Reference):

- Setting the investment guidelines
- Reviewing / monitoring the investments
- Review the compliance of investment portfolio with the applicable laws
- Review and monitor the performance of the investment made through outsourcing
- In conjunction with the Audit Committee, determining the scope of the rigorous audit procedures that include full coverage of the investment activities to ensure timely identification of internal control weaknesses and operating system deficiencies
- Assisting the Board of Directors in its evaluation of the adequacy and efficiency of the investment policies, procedures, practices and controls applied in the day-today management of its business through an audit report that is to be submitted to the Audit Committee
- Review and approve the valuation methods used to value the investments
- Review and approve a stress testing framework and policy for all its investments
- Review the result of stress testing performed at least annually

Composition of the Investment Committee:

S.No	Name	Designation
1	Mr. Mohamed Hussain Jasim Al Nowais.	Chairman
2	H.E. Sheikh Sultan Saeed Sultan Suroor Al Dhaheri	Member
3	Mr. Mohamed Saeed Omran Al Mazrouei	Member

The following table clarifies the dates of the meetings and the attendance of the members:

Name	Meeting Dates			
	(04/2021) 11/11/2021 (Via Video Conferencing – Webex)	(03/2021) 15/09/2021 (Via Video Conferencing – Webex)	(02/2021) 07/03/2021 (Via Video Conferencing – Webex)	(01/2021) 26/02/2020 (Via Video Conferencing – Webex)
Mr. Mohamed Hussain Jasim Al Nowais.	✓	✓	✓	✓
H.E. Sheikh Sultan Saeed Sultan Suroor Al Dhaheri	✗	✓	✓	✓
Mr. Mohamed Saeed Omran Al Mazrouei	✓	✓	✓	✓

"✓"= Attended
"✓Proxy"= Proxy
"✗" = Apologized
"N/A" = Were not member as of date
"E" = Term Expired

Internal Controls:

The Board accepts its responsibility of application, review and efficiency of the Company's Internal Control Systems. The board conducts an annual review of the following:

a. Review of the mechanism of operation of the Company's internal control department;
b. Review procedure that the Company has adopted to determine, assess and manage considerable risks;
c. Evaluate procedure that the Company has adopted to handle material internal control aspects of any serious problems that have been disclosed in the annual accounts and reports.

Internal control system in the Company is evaluated by various procedures including:

- Financial functioning is adequately governed through internal control procedures adopted in the Company. Financial manual of the Company details the rules and procedures to be followed in each financial transaction including various levels of financial authorities are defined and exercised by the concerned authorized employees of the Company, either individually or jointly.

- The Company has an Internal Control Department headed by duly qualified and experienced internal audit professional, develops an internal audit program for the Company to ensure that the internal control and procedures of the Company are in place by undertaking periodical and concurrent review of the business transactions carried out at different departments and offices of the Company. And reporting findings to Audit Committee detailing its observations and suggestions (wherever necessary) to improve systems and procedures of the Company.

The Company's Internal Control Department structure has following roles:

- Mr. Hassan Saleem is appointed as Head of Internal Audit and Compliance Department since 2016. (Associate Chartered Certified Accountant-UK, Bachelor of Science (hons) in Applied Accounting from Oxford Brookes University-UK, Certified Accounting Technician-UK, Advanced Diploma in Business and Accounting-UK). A competent professional with more than 10 years of experience in Auditing operations, Risk Management and in Compliance.

  On 3/11/2016, pursuant to Article (51) of the Chairman of Securities and Commodities Authority's Resolution No. (7/R.M) of 2016 concerning the Standards of Corporate Discipline and Governance of Public Shareholding Companies, the Company appointed the head of the internal control department, Mr. Hassan Saleem, as an independent compliance officer to verify the Company and its employees compliance with the laws and the regulations in force in the Country. He has the qualifications and experience mentioned in item above.

- In the event of an emergency, a major problem or such a major problem is mentioned within the reports and annual accounts, the Internal Control Department shall identify such a problem or an emergency or assess its impact on the Company and call the Audit Committee for an urgent meeting to discuss this problem and its causes, methods of treatment, how to mitigate its effects and the measures to prevent the aggravation and recurrence of the problem in the future and make recommendations to the Board of Directors for appropriate decision.

- In this regard "Five " Internal Audit reports are issued to Audit Committee and relevant presentation are given to board members. The Company has not experienced any major problem during 2021.

- Codes of Conduct are in place for staff members of the Company to ensure that level of service the company expects to deliver to its customers is achieved and to maintain highest standards of work culture. And all staff members of the Company are fully aware of all administrative rules within the Company.

- Detailed operating manuals and policies of all underwriting, claims and other functional departments of the Company are followed by every department.

- All activities of the Company are computerized with special focus to update and improve computer system in use as to satisfy Company needs and serve its clients efficiently.

Details of Non-Compliance by the Company/Violations:

Al Dhafra Insurance has not violated nor breached any regulatory rules and regulations for the year 2021.

Corporate Social Responsibility and Environment Sustainability:

1) Ethical Conduct

We strive to conduct business with honesty, integrity and respect for all our clients.

2) Environment Protection

For 2021, the company continuously adheres to protecting the environment by promoting an awareness "greener" business like encouraging staff to restrict printing if it can be kept on screen "Think GREEN before printing this email "

3) Employee Care

We seek to maintain a healthy work environment by ensuring the safety and wellbeing of our employees and providing a fulfilling & rewarding career for all.
We also strongly support nationalization through secession planning, training and career development.
In recent years, we have continued to refine our employee offering and implement initiatives that meet business needs in the most efficient and effective manner. These includes a new portfolio of globally accredited training courses and an impressive array of employee benefits.

4) Training for UAE Nationals

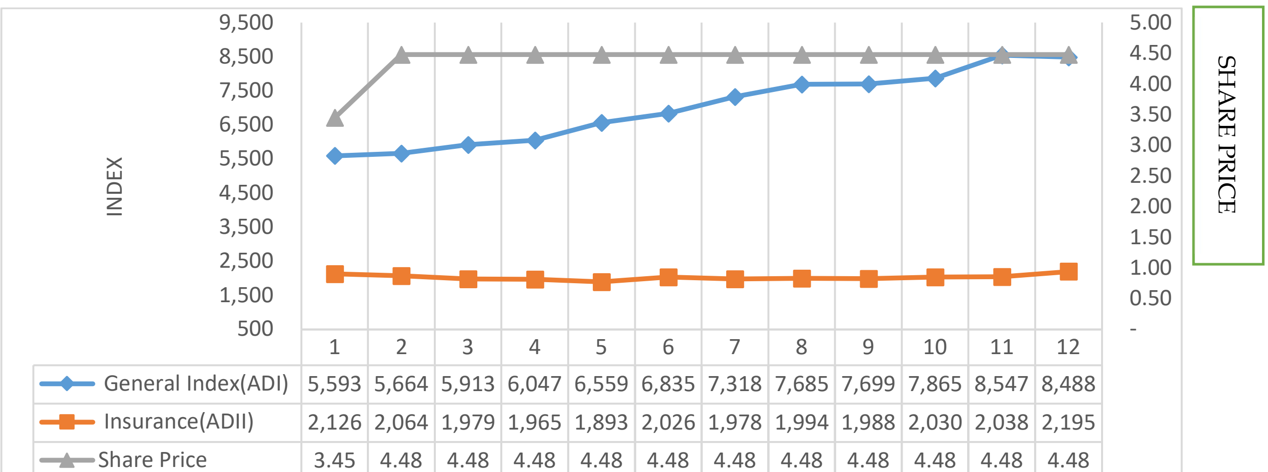
ADIC believes that 'On the Job Training' for Emiratis will make them more competent than outside class room training and in On Job Training Emirati employees will be directly inducted by Dept. heads having intense experience and knowledge in their respective are of work. Under direct supervisor of Dept. heads employee will get more confidence in their work as well as trainer can guide them towards results with proper feedback.
We are also encouraging our Emirati staff to attend training programs, workshops conducted by Insurance Authority and Emirates Institute for Banking and Financial Studies.

General Information:

- Share price at the market (high/low) at the end of each month of the year 2021:

Month	High	Low	Closing
January	AED 3.45	AED 3.45	AED 3.45
February	AED 4.48	AED 4.48	AED 4.48
March	AED 4.48	AED 4.48	AED 4.48
April	AED 4.48	AED 4.48	AED 4.48
May	AED 4.48	AED 4.48	AED 4.48
June	AED 4.48	AED 4.48	AED 4.48
July	AED 4.48	AED 4.48	AED 4.48
August	AED 4.48	AED 4.48	AED 4.48
September	AED 4.48	AED 4.48	AED 4.48
October	AED 4.48	AED 4.48	AED 4.48
November	AED 4.48	AED 4.48	AED 4.48
December	AED 4.48	AED 4.48	AED 4.48

Comparison of the share volume performance with the market index and Insurance Industry Index



	1	2	3	4	5	6	7	8	9	10	11	12
General Index(ADI)	5,593	5,664	5,913	6,047	6,559	6,835	7,318	7,685	7,699	7,865	8,547	8,488
Insurance(ADII)	2,126	2,064	1,979	1,965	1,893	2,026	1,978	1,994	1,988	2,030	2,038	2,195
Share Price	3.45	4.48	4.48	4.48	4.48	4.48	4.48	4.48	4.48	4.48	4.48	4.48

**(Source ADX Website)*

39.72 % of shares are being held by 10 corporate shareholders and 60.28% of shares held by individual shareholders as at 31st December 2021; all shareholders are either UAE Nationals or companies established in UAE.As shown in table (1):

Table No. (1) :

Ser.	Shareholder Classification	Shareholding (%)			
		Individuals	Corporations	Governments	Total
1	Local	60.28	39.72	-	100
2	Arabic	-	-	-	
3	Foreign	-	-	-	
	Total	60.28	39.72	-	100

Al Dhafra shares are held by UAE nationals and companies. Shareholding Pattern (Individuals, Companies, Government) & Major Shareholders who hold more than 5% of Capital.As shown in table No. (2).

Table No. (2):

Name of the Company /Individual	Shareholder type	% Holding
Ghobash Trading	Company	21.85%
H.H Aisha Saeed Muhammad Al Dhahiri	Individual	13.17%
Ataya Masharea (LLC)	Company	6.59%
Mr. Saeed Ahmed Omran Al Mazroui	Individual	6.00%
Masaa Company	Company	5.83%

39.72% of the company's shares are owned by 10 corporate shareholders and 60.28% are held by individual shareholders as at 31 December 2021. All shareholders are UAE nationals or companies established in the UAE. The chart structure to contribute to the company as in Table (3):

Table No. (3):

Share Holding	No. of Shareholder	No. Shares Held	Holding Percentage
Shares Less than 50,000	79	997,283	1%
Shares from 50,000 but less than 500,000	40	9,043,357	9.04%
Shares From 500,000 but Less than 5,000,000	22	36,514,268	36.51%
Shares from 5,000,000 and above	5	53,445,092	53.45%
GRAND TOTAL	146	100,000,000	100%

Investor Relation Officer:

Company designated an employee as Investor Relation officer and his name and contact details are update in company website. Company has opened a page in Arabic format on company website dealing with matters of interest to investors and updating the information regularly.

Name	Designation	Mobile No.	E-mail	Contact
Mohamed Ahmed El Noujomi	Investor Relation Officer	055 561 61 69	investorsrelation@aldhafrainsurance.ae	Ph.: 02-6949-409 Fax: 02-6729-833

http://www.aldhafrainsurance.ae/investors-relation/contact-us/

Board Secretary:

She is responsible for relevant administrative tasks in addition to attending and recording Board Meetings.

Name	Designation	Date of Appointment	Qualification
Mahmoud Ezzat	Board Secretary & Committees	11th September 2020	Masters of Law

Main Responsibilities of the Board Secretary:

1. Prepare for Board Meetings
2. Prepare the Minutes of the Board Meetings.
3. Prepare for the Meeting of the Committees of the Board of Directors.
4. Prepare the minutes of the meetings of the committees of the Board of Directors
5. Follow – up for Signatures of the Minutes and provide Members with Signed Copies.
6. Follow – up the Implementation of Decisions Issued by the Board of Directors.

Major Events the company had during the year 2021:

There were no major events during the year.

Emiratization:

The Al Dhafra Insurance Company is highly committed to the Emiratization drive and has been recruiting UAE Nationals of the highest caliber and supporting them with a successful professional career path plan over the years.

The Al Dhafra Insurance Company has a diverse range of career options and training opportunities which identifies local talent, nurtures and rewards them through training, mentorship and professional development to ensure the active promotion of UAE nationals with attractive remuneration packages. The table below shows the number of local staff within our company at the end of 2021.

Emiratization Percentage in 2019	Emiratization Percentage in 2020	Emiratization Percentage in 2021
6%	7%	7%

Special resolutions before the general assembly held during 2021:

No special resolutions were presented to the General Assembly held on 17/03/2021.

Statement of innovative projects and initiatives:

The latest new core Application system (IIRIS) has been gone live by 1 Jan, 2021.

The Company will publish the Integrated and ESG Report for the year, 2021

Signature of the Chairman of the Board of Directors	Signature of the Chairman of the Audit Committee	Signature of the Chairman of the Nomination and Remuneration Committee	Head of Internal Audit Department
Date : 10/02/2022	Date : 10/02/2022	Date : 10/02/2022	Date : 10/02/2022

AL DHAFRA INSURANCE CO. P.S.C. GMO 1 ABU DHABI

Company Official Seal

SUSTAINABILITY REPORT - 2021
AL DHAFRA INSURANCE COMPANY

Table of Contents

"Greener Business"

Introduction

About Us

Founded in 1979, Al Dhafra Insurance company is a reputed insurance company. ADIC is listed on Abu Dhabi Securities Exchange and is head quartered in Abu Dhabi, United Arab Emirates (UAE).

ADIC offers a multiple range of insurance solutions catering to the requirement of Retails customers as well as to Corporates. The product range of ADIC includes both life and non-life solutions. The company has presence across 3 emirates with 5 branches. The company also has on-line sales offices in part of the Immigration offices and Traffic offices across the country.

We strive to achieve business excellence by applying innovations and technology in the way we operate. While being in a competitive position, we continuously try to improve, innovate, and grow while keeping our stakeholder interest at the core of everything we do. ADIC's business operation is fully automated and branches and offices are connected on-line with Head Office for fast and efficient customer service.

Being an entity, which values best governance practices and ethics, ADIC is committed to adopt a sound ESG strategy to achieve its environment, social and governance objectives.

Our Core Mission and Values:

Mission:

- Add Value to Insurance Service provided
- Increase Stake holder's Value

Values:

- Highest Priority to Customer Needs
- Loyalty and Integrity
- Constant Improvement
- High standard of Public Conduct

General Manager Message

Dear Stakeholders,

Extending my heartiest regards to all the readers of this document, I am delighted to present the sustainability report 2021 of Al Dhafra Insurance Co PSC.

Our presence in UAE spans over four decades and throughout this time, we have earned the stature of trusted partner amongst our valuable stakeholders. Al Dhafra immensely values the trust demonstrated by its customers, shareholders and the society and remains committed to the well being of its stakeholders

In this report, we present our constant efforts to raise engagement with our customers, employees and partners to achieve a sustainable development built upon trust and transparency. We are committed in developing a corporate environment empowering people to create a positive impact to a more sustainable society.

As we strive to attain a sustainable environment, we recognize there is more work to be done and we are dedicated to implement concrete actions that will result in positive outcomes. Our sustainable development strategy to foster an environment of strong governance, diversify an inclusive culture that empowers employees, and adopt sustainable business practices to ensure a safe environment.

We are committed to deliver our corporate responsibility through enhancing our customer services, honoring timely claims, serving the community and making long-term local investments. Further, we believe that presenting such sustainability report will serve as catalyst for self-assessment and continued improvement in our sustainability journey.

I look forward to further strengthening our sustainability efforts, in close cooperation with our esteemed clientele, dedicated employees and valuable partners.

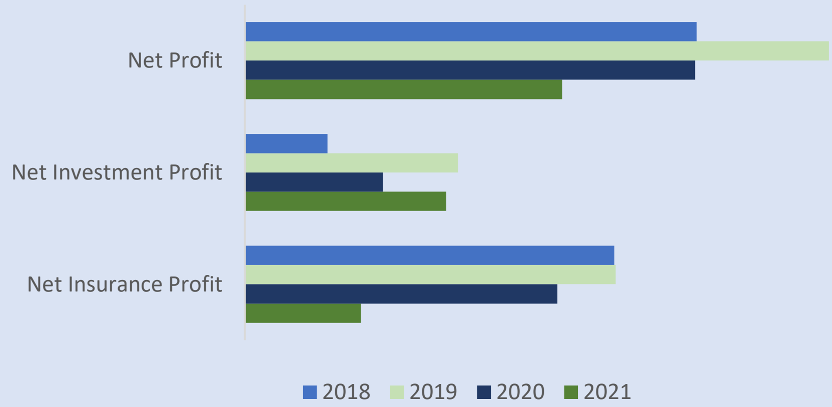
Kamal Sartawi
General Manager

Business Overview

Operational Presence

The successful insurance results due to the prudent underwriting approach and the stable investment income constantly balancing risk with profitability has been a hallmark of ADIC's strategy to ensure steady growth and thereby maximizing our shareholders returns.

Year	Premium Written	Net Profit %	Dividend per Share
2021	314.51	12.29%	0.35
2020	289.90	18.91%	0.40
2019	323.80	21.96%	0.40
2018	331.50	16.34%	0.35

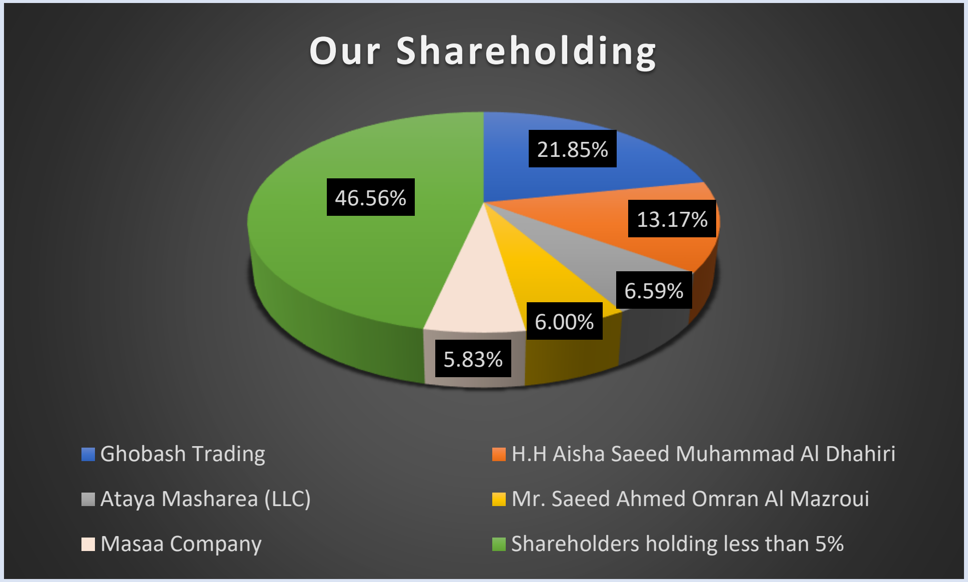


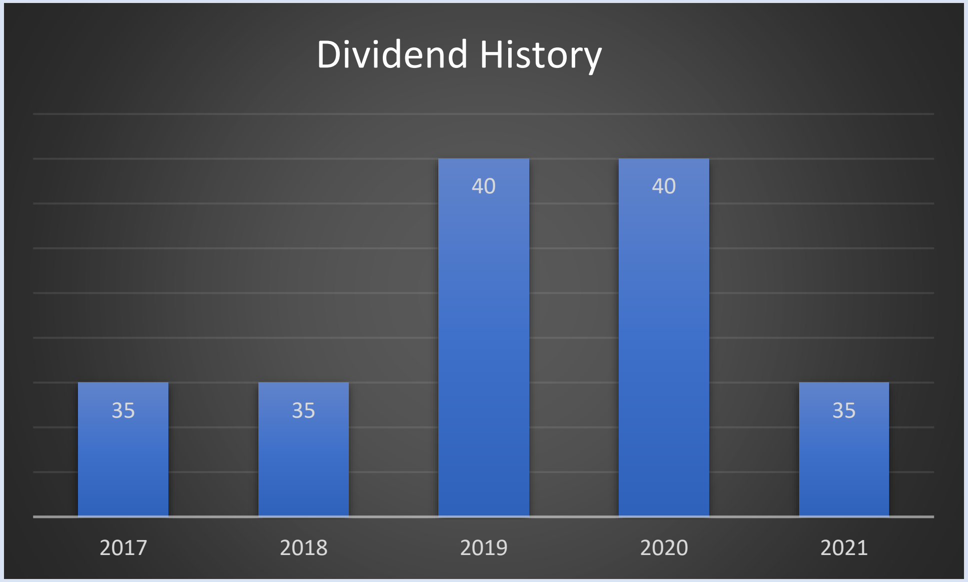
Ratings Received

Moody – Baa1 Stable Outlook
AM Best – B++ Good Stable Outlook
ADNOC – ICV Certified

"Greener Business"

Our Shareholders





Ser.	Shareholder Classification	Shareholding (%)			
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3	Foreign	-	-	-	
	Total	60.28	39.72	-	100

"Greener Business"

About This Report

We are pleased to present our sustainability report 2021. Through this report we demonstrate our commitment towards ADX initiative to drive sustainability in alignment with UAE national vision 2021, Abu Dhabi Economic Vision 2030 and national & global efforts on adopting sustainable development goals (SDG) through all the activities in insurance value chain.

Reporting Period

The scope of this report cover our performance from 1 January 2021 to 31 December 2021.

This report is based on the ADX guidelines for ESG reporting. Our goal is to align our activities and operations, assess performance across KPIs, recognize strengths and acknowledge areas for improvement. We believe that this exercise will help in defining and implementing management practices aimed at bridging gaps and providing an ESG reporting framework to guide and aid our future business activities and operations. From a national and local context, the report has been developed taking into account key considerations of UAE Vision 2021 and Abu Dhabi Economic Vision 2030. From a global perspective, ADIC's ESG report has been developed from insights and considerations taken from the United Nations Sustainable Development Goals (SDGs) and wider reporting considerations taken from the GRI standards guidance.

ADIC 2021 ESG Reporting Boundary and Limitations

The 2021 ESG report builds on the reporting baseline formed in the previous report. This report covers data for ADIC located within the UAE and covers all of its operations.

Stakeholder Feedback

We thank all our stakeholders who have played a key role in contributing to our sustainability performance and welcome your valuable feedback on this report, which can be directed to info@aldhafrainsurance.ae.

About This Report

ALIGNMENT WITH THE ADX ESG GUIDE:

Wherever feasible, ADIC has aligned with the ESG reporting disclosures set out in the guidelines produced by Abu Dhabi Securities Exchange (ADX). These guidelines emphasize on 31 specific indicators under environmental, social and governance topics which are deemed essential for reporting by the Sustainable Stock Exchange Initiative and the World Federation of Exchange. As the company’s experience and expertise in sustainability reporting grows, it aims to meet as many as possible indicators relevant for an insurance company.

In order to ensure improved sustainability performance, ADIC is adopting a proactive approach to integrate ESG into various aspects of our business. This integration will encompass our core operations (underwriting, claims), corporate governance, risk management, strategies and reporting. ADIC is reviewing and focusing on the SDGs earmarked by the United Nations so we can have the desired impact via our service offering, business operations and investments. Applicable and relevant SDGs are referenced in different parts of this report.

“Greener Business”

About This Report

In order to undertake the materiality assessment, we have identified/documented sustainability factors/framework:

Climate Change

- Supporting green products, reducing paper usage, promoting ecological sustainability
- Efficient use of Water & Energy, waste recycling;

Digitalization

- Implementation of Online portals for Brokers, Service Providers;
- Implementation of Mobile Application;

Data Privacy

- Robust Security Management System;
- Periodic reviews by External IT consultants;

Governance

- Sound governance framework and presence of governance Board Committees/functions;
- Code of Conduct , Whistle blower policy to ensure Ethical business practices;
- Robust compliance framework in place

Customer Satisfaction

- Long lasting relationship with most of customer;
- Review of feedback to measure Customer Happiness;

Social Responsibility

- Organized Covid-19 booster dose for employees, family and friends;
- Apprenticeship programs to provide on job training to new graduates;

Shareholders

- Timely publication if financial information;
- Consistent increase in Shareholder’s Equity;

Training & Development

- Inhouse and External training for employees;

Diversity & Inclusion

- Ensuring balanced Ethnic Diversity;
- Pricing of products does not discriminate based on gender or nationalities;
- Equal Opportunity Employer

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ESG –Stakeholders Collaboration & Priorities

Investor/ Shareholder:

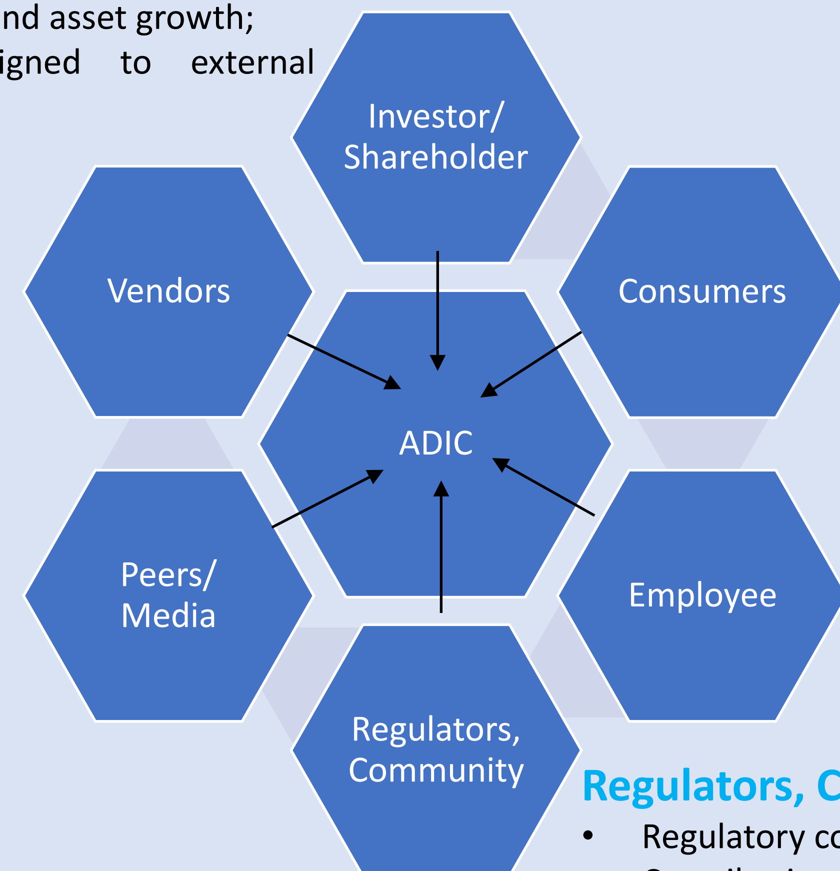
- Early adoption of global best practices;
- Steady net income and asset growth;
- ESG reporting aligned to external frameworks

Vendors:

- Ethical business practices;
- Business growth
- Timely settlement of dues;
- Fair and transparent dealings

Peers/ Media:

- Clear and effective communication Transparency;
- Exchange of information;



Consumer:

- Effective and Friendly Customer Service;
- Enhanced use of technology and improved access to insurance services;
- Protection of Policyholder’s right;

Employee:

- Safe and friendly working environment;
- Workforce diversity, including among senior executives;
- Training and development, work-life balance;

Regulators, Community:

- Regulatory compliance and transparency;
- Contribution to the national economy;
- Job creation and stability;

“Greener Business”

ESG –Stakeholders Collaboration & Priorities

Materiality assessment was conducted to apprehend stakeholders' expectations and identify key ESG risks. We intend to continue our interaction with the key stakeholders to assess the relevancy of these material items. The following table shows whether the materiality topics are of low (⚪), medium (🟡) or major/high (🟢) importance to our different stakeholder groups:

PARTICULARS	WITHIN THE COMPANY		OUTSIDE THE COMPANY			
	MANAGEMENT	EMPLOYEES	CUSTOMERS	GOVERNMENT	PARTNERS/VENDORS	INVESTORS
GOVERNANCE, COMPLIANCE AND ETHICS	🟢	🟢	🟡	🟢	🟡	🟢
REGULATORY MANAGEMENT COMPLIANCE	🟢	🟢	🟡	🟢	🟡	🟢
BUSINESS ETHICS	🟢	🟢	🟡	🟡	🟢	🟡
BUSINESS CONTINUITY AND RISK MANAGEMENT	🟢	🟡	🟢	🟡	🟢	🟢
PRIVACY AND SECURITY	🟢	🟢	🟢	🟢	🟢	🟢
TRANSPARENCY	🟢	🟢	🟡	🟡	🟡	🟢
RESPONSIBLE INVESTMENT	🟢	🟢	🟡	🟡	⚪	🟡
FINANCIAL PERFORMANCE	🟢	🟢	🟢	⚪	🟡	🟡
FINANCIAL INCLUSION	🟢	🟡	🟢	🟡	🟡	🟢
DIGITISATION AND INNOVATION	🟡	🟡	🟢	⚪	🟢	🟢
APPROPRIATE PRICING	🟡	🟡	🟢	🟢	🟢	🟢
CUSTOMER ENGAGEMENT AND SATISFACTION	🟢	🟢	🟢	🟢	🟢	🟢
EMIRATISATION	🟢	🟡	🟡	🟢	🟡	🟡
DIVERSITY AND GENDER EQUALITY	🟢	🟢	🟢	🟡	⚪	⚪
TRAINING AND DEVELOPMENT	🟢	🟢	🟢	🟡	🟡	⚪

Governance


Mission
Best Practices
vision
CORPORATE
GOVERNANCE
team
profit
values
Staff
decisions
responsibilities
procedures
roles
rules
Board
involvement

Overview

At ADIC, we believe that by having a high quality corporate governance framework and complete information transparency, we are better able to promote the long-term sustainable success of ADIC, generate value for all stakeholders and contribute to wider community.

Accordingly we have adopted and implemented a complete corporate governance framework that fulfills all applicable laws and regulations while also being in line with international best practices. This corporate governance framework is designed to ensure that ADIC has a culture of consistency, responsibility, accountability and transparency of highest standard at all level. Accordingly, we are taking this opportunity to remind you of the comprehensive corporate governance framework that we have adopted and under which we operate.

Further details on our Corporate Governance should be read in conjunction with separate Corporate Governance Report published by us (link to Corporate Governance Report 2021: https://www.aldhafrainsurance.ae/investors-relation/corporate-governance/

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Governance Framework

- Al Dhafra Insurance Co. commenced in 2010 a pro-active review of its corporate governance framework and has adopted extensive corporate governance guidelines in the Corporate Governance Manual in line with the principles set out in the Ministerial Resolution "Based on the decision of the Chairman of Authority's Board of Directors' Decision no. (3/Chairman) of 2020 concerning Approval of Joint Stock Companies Governance Guide.
- Company is committed to the highest level of corporate governance, and has derived its values from a system which integrates ethics, corporate integrity and leading compliant practices. Transparency, fairness, disclosure and accountability have been central to the working of the company, its management and Board of Directors (hereafter referred to as 'the Board'). Indeed, the company's commitment to good Corporate Governance practices predates the laws and mandates of the Securities and Commodities Authority (SCA).
- The Boards' role is to represent the shareholders and is accountable to them for creating and delivering value through the effective governance of the business. Once appointed, every director shall disclose to the Company the nature of relations he has with other listed companies, including positions, investments and other significant obligations through signing a Declaration of Independence Form.

Governance Framework

Board of Directors

Board Committees

- Audit Committee
- Investment Committee
- Nomination & Remuneration Committee

Management Committees

- Executive Committee
- Risk Committee
- Insider Trading Committee
- Complaints Committee
- Technology Steering Committee

• Investor Relations:

- ADIC also has an investor relations department, which maintains relationships with its shareholders and incorporates their opinions into the decision-making process. This ensures that the business is open to thoughts from those who have vested interests in its growth and profitability.

Governance Guideline

• Board of Directors:

- The Company's Board of Directors consists of 9 members who are citizens of United Arab Emirates. All the members of the Board of Directors are independent.
- The roles of the Chairman and the CEO are separated and the Chairman is considered independent.
- Regular meetings were held (11 meetings) in 2021, and the attendance for each of the meeting has been displayed in the corporate governance report 2021.
- Board biographies are disclosed in details in the governance report.
- Board members are elected at least every 3 years.

• Audit Committee:

- The audit committee consists of 3 members and all are independent.
- Members of the committee have the financial and operational experience.
- The Audit Committee does not oversee sustainability risks but has a comprehensive role.
- The internal control system covers the standard issues related to financial, operational, and legal risks.
- No major internal control failures have been identified over the past three years.
- The nominations committee consists of 3 members and all are independent.

"Greener Business"

Governance Guideline

• Remuneration Committee:

- The remuneration committee consists of 3 members and all are independent.
- All elements of remuneration are disclosed on an individual basis.
- We do not link our remuneration and performance targets as of now.

• Investment Committee:

- The Investment committee consists of 3 members and all are independent.
- Investment committee ensures proper investment of funds to respond adequately to changing economic and social circumstances.
- Decision making on the investment strategy occurs through mutual consent of the Board and the Committee.

• Shareholders' Right:

- We respects the "one share - one vote" principle.
- There are no major restrictions on shareholders' ability to vote.
- We disclose voting results in a general form.

Governance Guideline

• Corporate Governance Policy:

- We are committed to having a corporate governance framework that is compliant with all corporate governance requirements that are applicable to public joint stock companies in the UAE and that are consistent with international best practices.
- Our Corporate Governance Policy provides clear guidance on:
    - ADIC corporate governance structure and the interface between the ADIC and its stakeholders.
    - The authorities and decision-making mechanisms within the ADIC and between its stakeholders.
    - The role and responsibilities of the ADIC corporate governance function.
- The policy provides complete details of the governance structure and responsibility to be shared by the stakeholders and the management team.

• Code of Conduct :

- Our Code of Conduct demonstrates ADIC's commitment to compliance and ethical behavior in all that it does.
- Our Code of Conduct:
    - Sets out the minimum standard of conduct that we expect from anyone working for or on behalf of ADIC.
    - Provides a set of basic rules and standards that are designed to ensure that our business is conducted in an ethical and compliant manner and in accordance with our core values.

Governance Guideline

• Non-Discrimination:

- Based on our Code of Conduct core value 'We Are Respectful', we do not tolerate discrimination, harassment or violence of any kind in our workplace.
- We ensure all our employees adhere to this and base their conduct on our values of workplace ethics, honesty, and integrity.
- We expect all our suppliers, contractors and business partners to abide by our Code of Conduct and to our Supplier and Partner Code of Ethics.

• Related Party Transactions Policy:

- Our Related Party Transaction Policy is designed to ensure that:
  - transactions with related parties are conducted on arm's length terms.
- In accordance with this policy, we may not enter into a related party transaction unless it has been approved by:
  - our Board of Directors, where the transaction's value does not exceed 5% of the value of our share capital.
  - our shareholders at a General Assembly, where the transaction's value exceeds 5% of our share capital.

Governance Guideline

- **Anti Money Laundering Policy:**

- AL Dhafra Insurance Company is committed to the highest standards of Anti-Money Laundering & Countering Finance of Terrorist (AML-CFT) compliance and requires management and employees to adhere to these standards to prevent the use of its products or services for money laundering purposes and to safeguard the interests of its customers/stakeholders.

- **Company Conflict of Interest and Disclosure Policy:**

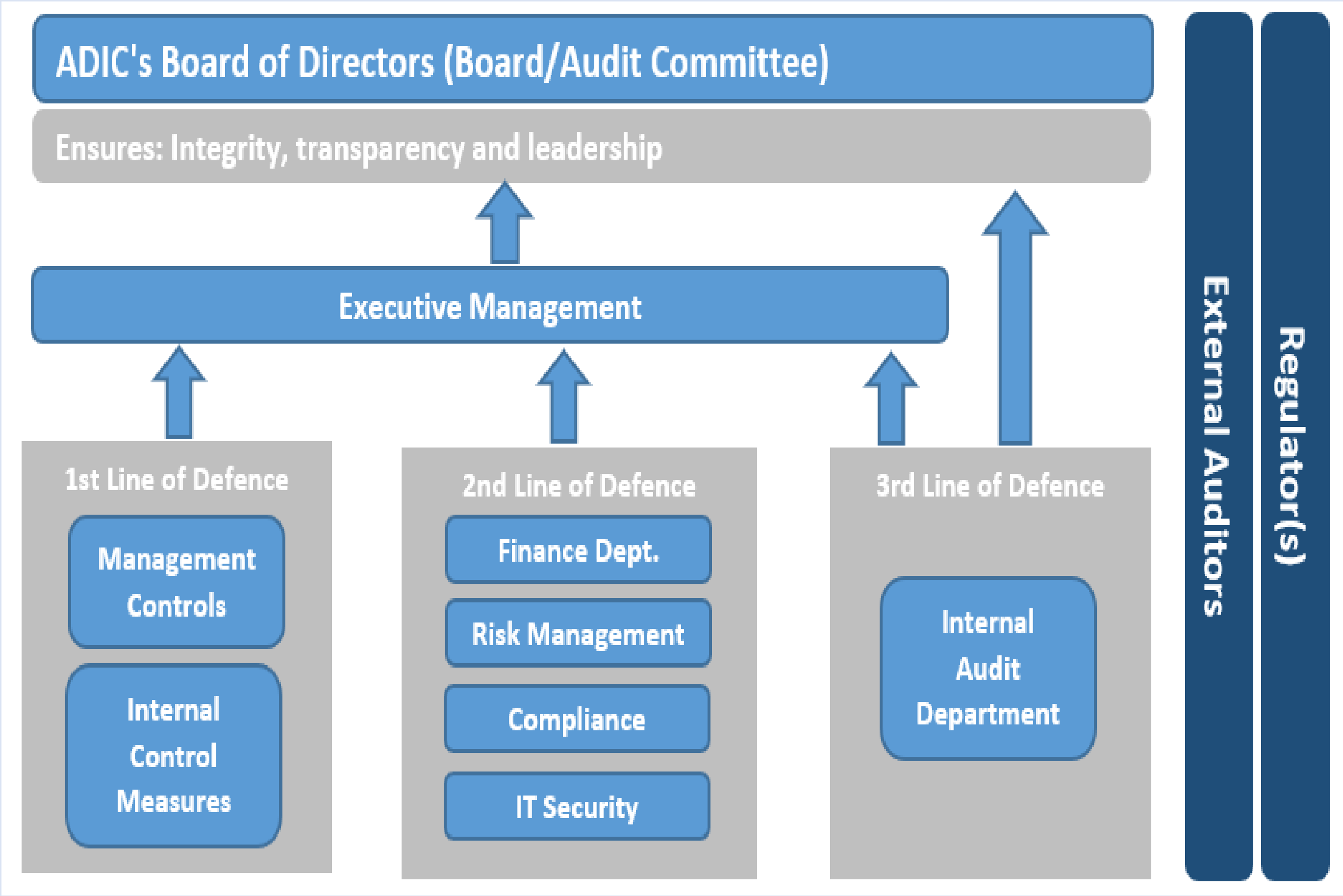
- In practicing their duties, the Board and the employees should be fully aware of, and clearly understand all applicable laws, rules, and regulations in order that they can comply with them at all circumstances. Any advantages that may be presented to the employees', opportunities for monetary and non-monetary benefits in addition to the normal compensation arrangement paid by the Company should be in line with the conflict of interest policy. Therefore, the employees should accomplish their tasks with the principles of integrity, fairness, and in conformity to the professional standards

Governance Model

Our Control Environment:

"ADIC follows and believes in "three line of defense" governance model"

ADIC has established key control functions to monitor, consult and report on key governance and operational risks. Clear charters and reporting lines are defined to ensure transparency and independence.



"Greener Business"

Governance Model

First Line of Defence:

relates to the management of risks at the points where they arise. These activities are carried out by persons who take on risks on behalf of the Company. Risk management at this level consists of appropriate checks and controls, incorporated in the relevant procedures and the guidelines that are set by the Executive Committee with the assistance of the RMF.

Second Line of Defence:

concerns the risk management activities that are carried out by the RMF and the important supporting operations. Specifically, the RMF is responsible for the preparation, maintenance and periodic review of this Policy, as well as for the continuous monitoring of compliance with its policies and procedures.
The Actuarial Function in its advisory capacity provides technical expertise to both the 1st and 2nd Line of Defence.

Third Line of Defence:

concerns the activities of Internal Audit that through its work provides an independent assurance to the BoD, on the performance and effectiveness of the risk management systems within the Company. The Internal Audit conducts regular internal audits of the procedures applied for managing all types of risks and their effectiveness, the results of these audits are summarized in reports submitted to the BoD, through the Audit Committee, and to the Senior Management.

External Assurance:

assurance from external independent bodies such as the external auditors and other external bodies. External bodies may not have the existing familiarity with the organization that an internal audit function has, but they can bring a new and valuable perspective. Additionally, their outsider status is clearly visible to third parties, so that they can not only be independent but be seen to be independent.

Governance – Control Pillars

Whistleblower Mechanism:

A whistleblower mechanism is in place to receive anonymous tips or complaints pertaining to potential fraud or compliance violations. ADIC has a dedicated email address, monitored by the Compliance Officer, where any fraud or wrong doing witnessed can be reported anonymously by anyone affiliated with the organisation. The information relayed is then handled in a confidential manner by the Compliance Department.

Internal Audit:

Independent internal audits are conducted by third party vendors to undertake critical review of business operations, risk management and overall compliance environment within the organisation. The internal audit findings are directly communicated by the compliance department to the Audit Committee.

Risk Management:

ADIC recognizes the importance of having efficient and effective enterprise risk management systems in place. The goal of the Company's risk management process is to ensure that the operations that expose it to risk are consistent with its strategy, business objectives and risk philosophy, while maintaining an appropriate risk/reward balance and enhancing stakeholder value. ADIC intends to identify and integrate ESG concerns into risk management and underwriting practices.

Compliance:

Compliance function reviews the regulatory compliances and assesses the Compliance status to achieve complete adherence. Based on the ESG policy and reporting requirements, compliance function will ensure review of ESG compliance requirements.


Social

Overview

At ADIC, we believe that in addition to maximizing shareholders value, we must also act in a manner that benefits the society in which we operate as well the society in general.

Accordingly we constantly work to enact policies that promote an ethical balance between the dual mandates of striving for profitability and benefiting society as a whole. Our policies consists of both commission policy and omission policy in order to achieve our goal of social responsibility.

Accordingly, we are taking this opportunity to remind you of the comprehensive social responsibility framework that we have adopted and under which we operate. In this section, we will provide you with a brief overview of our social responsibility processes and report on how these processes have been implemented by us.

Further details on our Social responsibility should be read in conjunction with Integrated Report published on company's website. (https://www.aldhafrainsurance.ae/investors-relation/)

Employees – Our Partners

ADIC's work environment and practices support employees by making sure that they possess and develop essential skills to serve our stakeholders. The primary goals of ADIC's Human Resource strategy are to attract and retain best talents, promote diversity and equality. While employee well-being remains our key focus, we encourage and foster sustainable work culture, work-life balance and overall health of staff.

SDG 3
Good Health & Well-Being

SDG 4
Quality Education

SDG 10
Reduced Inequalities

SDG 5
Gender Equality

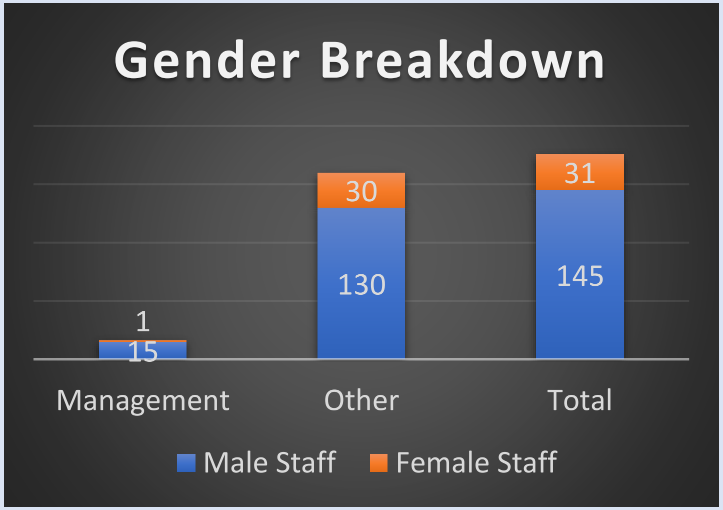
SDG 8
Decent Work & Economic Growth

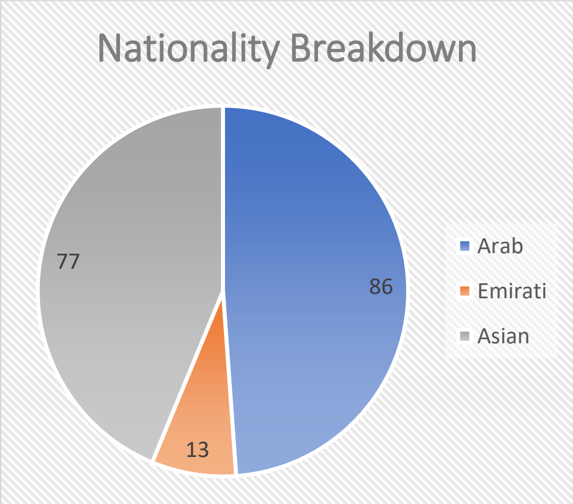
Our Workforce, Diversity & Composition

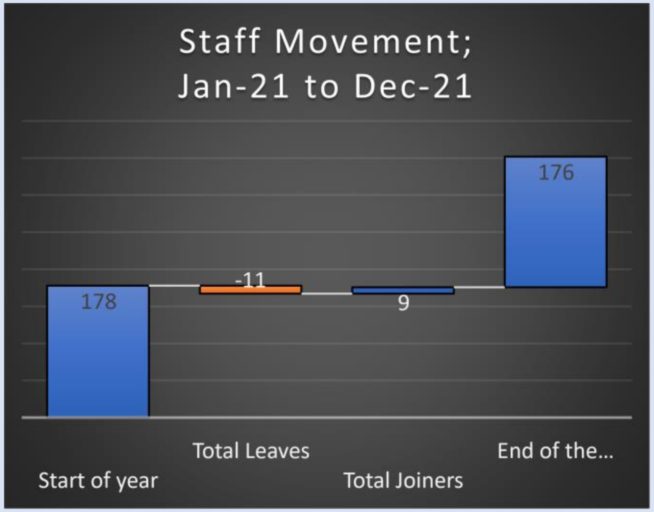
ADIC believes that investing in employees and their wellbeing is a core responsibility as an employer, which will in turn lead to increased productivity and profitability.

As a company operating in the diverse country of the UAE, which is home to people from over 200 nationalities, ADIC places diversity and inclusion on a high pedestal. Working towards creating a workplace where everyone can thrive, ADIC is currently focused on:

- Gender equality,
- Emiratization,
- training and development,
- benefits provision and wellbeing.







"Greener Business"

Social- Linking with ADX Guidelines

Good Health & Well-Being:

- The overall Pandemic situation improved during the year, still in order to ensure good health & Well Being of its employees, ADIC followed a two shift approach in its efforts to protect its employees.
- ADIC also provided with Vaccination camps as well as camp for Booster Dose.
- ADIC performed regular Sterilization program to ensure the premises are safe for its Customers, Tenants and Employees.
- ADIC has made it mandatory for all its employees to maintain a Green pass on the Al-Hosn app to enter the office premises.
- Employees were provided with health supplies such as masks and sanitizers to enhance their safety in the persistent pandemic situation.
- No serious work related employee health incidents were reported in 2021.

Quality Education:

- ADIC encourage its employees to take part in conferences arranged by different organizations to enhance the knowledge and keep up to date with the current changes.
- ADIC also encourages its employees to go for higher studies related to their area of work and provides them with paid leaves for examination and reimbursement of fees for the course and study material.

Social- Linking with ADX Guidelines

Gender Equality:

- ADIC believes in gender equality and opportunities are provided solely based on merit and not gender.
- Our policy is to hire is based on the qualification and relevant experience to handle the job profile and the best fit based on the above criteria is employed within the organization
- ADIC endeavors to create a working environment where women feel safe, seen and empowered.
- ADIC also follows a clear salary and wages policy on the basis of competence and experience in accordance with unified standards for both men and women.
- Women currently makes up 18% of the workforce.

Decent Work & Economic Growth:

- In our commitment to provide a healthy work environment, we work to provide a healthy work life balance for our employees and as such employees are encouraged to not work after the working hours are completed.
- The management team is also always easily accessible for all the employees to guide them and help them in work.
- ADIC will not participate in child or forced labour and will not engage with any vendors/partners who does make use of the vulnerable to obtain economic advantage.

Social- Linking with ADX Guidelines

8 DECENT WORK AND ECONOMIC GROWTH

Decent Work & Economic Growth:

Nationalization:

- The company has made specific reference to promote Emiratization in its Corporate Governance Report 2021 and website. We commit to Emiratization and offers nationals opportunities for employment, training and career development.
- The company has 7% UAE nationals working with various departments.
- The Central Bank of the UAE sets targets for Emiratization, which ADIC achieved in 2021.
- ADIC is able to train and develop UAE nationals and support them in their careers with various training opportunities and mentoring.

10 REDUCED INEQUALITIES

Reduced Inequalities:

- ADIC does not discriminate against any religion, sex, language or ethnicity.
- This is clearly captured in the Human resources manual of the company.
- ADIC will not participate in child or forced labor and will not engage with any vendors/partners who does make use of the vulnerable to obtain economic advantage.
- ADIC also follows a clear salary and wages policy on the basis of competence and experience and does not discriminate based on caste, creed, color, sex.

Social Responsibility

• Responsible Customer Relation:

- Our approach to customer stewardship is a transparent and fair treatment of our customers right from enquiring about our services to the selection of suitable insurance products and the fair and timely settlement of their insurance claims.
- Our customers have always been at the heart of everything we do, and ensuring their continuous satisfaction and meeting their expectations is pivotal to our growth and success.
- Al Dhafra has deployed measures to ensure responsible customer relations.
    - Complaint management system: Al Dhafra has a complaint management system that resolves all complaints within 1 business days of receiving notice.

• Data Privacy and Security:

- The kind of information we deal with, data privacy and security is of great importance to us, as such we keep on implementing data security systems that maintain the privacy of the data by providing utmost security.
- We have also setup a disaster recovery plan in partnership with Etisalat to further enhance our data security and storage.
- Periodic independent IT audit is also performed at regular intervals to ensure that no major risk exists or if any risk is identified than remedial actions are implemented.

Social Responsibility

- ## Responsible Supply Chain:

- We seek to ensure our procurement processes are performed responsibly and that our supply chain is managed in consideration of environmental, social and ethical standards.
- Our customers have always been at the heart of everything we do, and ensuring their continuous satisfaction and meeting their expectations is pivotal to our growth and success.
- Al Dhafra has deployed limited measures to ensure responsible relationships with suppliers.
    - Procurement from Local Suppliers: Al Dhafra has a system in place to source locally whenever it is feasible, supporting and contributing to the development of UAE economy
    - Minimum three competitive quotes are obtained for all insurance and non-insurance related expenses.
    - Major expenditures are evaluated and negotiated with suppliers at committee level.
    - All the suppliers need to pass through the ADIC checklist before empanelment which takes into account ESG factors.

Environment

Overview

We understand our major role being timely response to customers when they need assurance and especially when being impacted by the climate change claims. Moving from the traditional insurer role, we also realize that climate change risk requires us to actively engage with our entire value chain in implementing preventive risk management and adaptive strategies. While we try to reduce our environmental impact as far as possible, it is going to be a long journey building socio-economic resilience and transitioning to low-carbon economy together. Therefore, amongst others we want to take part through planned investments, awareness, and trainings (risk preparation and mitigation).

We are committed to limit the environmental footprint from our business operations, ensure economical use of resources and focus on processes that support our "Think Green" initiative. These programs are our steps in implementing ecological habits, embedding corporate philosophy in actions we take and impact we create in support to our society. Understanding that "Change is the only thing constant", we review and revisit our operational goals and collaborate with employees and supply chain partners to operate responsibly and encourage continuous improvements & incentivize environmental stewardship.

Our Efforts

We acknowledge the importance of minimizing the impact of our operations on environment. ADIC continues to monitor its environmental footprint and implement energy efficiency measures. The following prioritizes our efforts:

- Increased digitalization and process automation to reduce the use of papers, color print outs are minimized, back-to-back print-outs are encouraged.
- Replacing high energy consuming lights with energy efficient LED lights.
- Reduce our carbon footprint, manage the amount of waste produced from our operations.
- Constant monitoring of our CO_2 emissions, power utilization and water consumption.

“Greener Business”

Environment Priorities

ADIC being a responsible entity is very thoughtful of its impact on the society and environment. SDGs identify our environmental priorities. Hence, we understand that major issues like climate change and its effect should remain our focal point. Insurers being a critical part of the value chain can play an extremely important role in making a positive impact on environment.

Our environmental goals and priorities are aligned with the UAE Vision to position UAE as a low carbon economy.

SDG 6

Clean Water & Sanitation

SDG 12

Responsible Consumption & Production

SDG 9

Industry, Innovation & Infrastructure

SDG 13

Climate Action

Environment- Linking with ADX Guidelines

Responsible Consumption and Production:

- ADIC aims at replacing the existing lighting with automatic lights, which operate by sensing the movement, in common areas in the office building
- ADIC's business-related emissions decreased due to operations being conducted remotely and given travel restrictions.
- Paper is a large source of waste in the insurance industry, due to the heavy reliance on paper documents such as paper forms and agreements. ADIC is combating this waste generation by digitalizing many of its paper-based activities, and by environmentally friendly shredding.
- We have resorted to intra mails and DMS scanning and archiving mechanism to reduce the printing and thereby reducing the use of paper.

Clean Water & Sanitation:

- ADIC has been monitoring its water consumption over the past year and in its effort to reduce wastage has planned to replace some of the water distribution devices with modern types that work on the principal of reducing water consumption.

Environment- Linking with ADX Guidelines

Climate Action:

- In 2021, ADIC business related emissions increased as the operation were conducted from office. During 2021, the vehicles owned consumed 11,197 liters of petrol. An average consumption of 7 liters/100 km them corresponds to 7 l x 2392 g/l/100 (per km) = 167 g CO_2/km. The total emission for petrol for the company is therefore estimated at 18 TCO_2E.
- The waste majorly consists of non hazardous waste out which some portions are recycled while other is disposed off as per the guidelines.

Industry Innovation & Infrastructure:

- ADIC work towards achieving sustainable products and services and constantly looks for ways to achieve the same.
- ADIC works on providing online portals for its products and services to its Customers. In its efforts to achieve the same, has moved its motor insurance business to the online portal in its commitment to achieve sustainable products and services.
- ADIC has also launched a mobile application in its effort to provide more sustainable ways of performing business operations.

Future Sustainability Approach

Our Approach:

- The company shall be committed to prepare this report annually.
- Our sustainability approach does not stop evolving, which allows us to continue to reinforce our responsibility, supervise our various capital flows and understand the interlinkages between what is best, in addition to our support in consolidating a comprehensive and integrated approach towards various groups in terms of the decision-making and practices, and keeping our concentration focused on creating value in short, medium and long term.
- This report represents our relentless efforts to open transparent communication with relevant and concerned parties internally and externally, as well as being part of our internal measures to monitor operations and ensure full harmony between our operations and practices on the one hand, and our strategic vision on the other hand.
- The company as such is committed to comply with the UAE vision 2021 and Abu Dhabi Vision 2030 in the future as well.

“Greener Business”

Future Sustainability Approach

To help us in our approach to achieve sustainability ADIC shall consider the following in integrating ESG principles in business decisions. This includes:

- Work together with governments, regulators and other key stakeholders in the industry and community to promote ESG initiatives.
- Embed in decision making ESG issues relevant to insurance business, committed to responsible underwriting.
- Accountability and transparency in regularly disclosing the progress in implementing the principles.
- Work together with clients and business partners to raise awareness of ESG issues, manage risk and develop solutions.
- Drive claims management in line with ESG principles.
- Consider ESG based exclusions in Insurance and corporate policies.

FEEDBACK.

We appreciate your valuable feedback on this report and any other queries that you may have.
You may write to us at:

Al Dhafra Insurance Co. PSC

www.aldhafrainsurance.ae ☎ 971 2 6949 444