شركة التأمين العربية التعاونية
ARABIA INSURANCE COOPERATIVE COMPANY

RIGHTS ISSUE PROSPECTUS

Arabia Insurance Cooperative Company

A Saudi joint stock company, established in accordance with the Royal Decree No. M/23, dated 15/03/1428H (corresponding to 03/04/2007G) and the Ministerial Resolution No. 93, dated 14/03/1428H (corresponding to 02/04/2007G), with Commercial Registration No. 1010243302, dated 18/11/1429H (corresponding to 27/01/2008G).
Offering of 20,000,000 shares through a rights issue at a total nominal value of SAR 200,000,000 per Share, representing an increase of 100% of the Company's current Share Capital. The Company's Share Capital will become SAR 400,000,000.

First Offering Period: From Tuesday 25/06/1436H (corresponding to 14/04/2015G) to Thursday 04/07/1436H (corresponding to 23/04/2015G)

Second Offering Period: From Sundy 07/07/1436H (corresponding to 26/04/2015G) to Tuesday 09/07/1436H (corresponding to 28/04/2015G)

Arabia Insurance Cooperative Company ("Arabia Insurance" or the "Company") is a Saudi joint stock company established in accordance with Royal Decree No. M/23, dated 15/03/1428H (corresponding to 03/04/2007G) and the Ministerial Resolution No. 93, dated 14/03/1428H (corresponding to 02/04/2007G) with Commercial Registration No. 1010243302, dated 18/11/1429H (corresponding to 27/01/2008G) issued from Riyadh, Saudi Arabia. The current Share Capital of the Company is SAR 200,000,000 consisting of 20,000,000 Ordinary Shares ("the Shares") with a nominal value of SAR 10 each (the "Existing Shares" with each is an "Existing Share"). As at the date of this Prospectus (the "Prospectus"), the major shareholders of the Company (who owns 5% or more of the Company shares) are: the Arabia Holding (a Holding company) (a Lebanese Joint Stock Company), which is a holding company registered in Beirut, Lebanon, owns 19.2% of the Company shares, Jordan Insurance Company PLC, a Jordanian joint stock company that owns 12.2% of the Company shares, and the Arab Supply and Trading Company, a Saudi limited liability company that owns 5.0% of the Company shares.

The Board of Directors recommended in on 02/11/1435H (corresponding to 28/08//2014G) to increase the Company's Share Capital from SAR 200,000,000 to SAR 400,000,000 after obtaining the necessary regulatory approvals. The Company's Extraordinary General Meeting held on Tuesday 18/06/1436H (corresponding to 07/04/2015G), has approved the Board of Director's recommendation to increase the Share Capital to meet the financial solvency requirements.

The rights issue (the "Offering") consists of the issuance of 20,000,000 Ordinary New Shares (the "New Shares" or "Offer Shares") at an Offer Price of SAR 10 per share to increase the Company's Share Capital from SAR 200,000,000 Ordinary Shares to 40,000,000 Ordinary Shares, representing an increase of 100% of the current Share Capital.

The Rights will be issued as tradable securities (referred to collectively as the "Rights" and each a "Right") to Qualifying (Eligible) Shareholders registered in the Company's Shareholders Register as at the close of trading on the date of the EGM being Tuesday 18/06/1436H (corresponding to 07/04/2015G), (the "Eligibility Date"). Each Shareholder is referred to as ("Registered Shareholder") and collectively as ("Registered Shareholders"), provided that such Rights are deposited in the Registered Shareholders› accounts within two (2) days of the Eligibility Date in the ratio of one (1) Right for every one share held as of the Eligibility Date. Each Right grants its holder the eligibility to subscribe for one New Share at the Offer Price.

Registered Shareholders and other investors (institutional and individuals) may trade the Rights on the Saudi Stock Exchange ("Tadawul" or the "Exchange") during the period from Tuesday 25/06/1436H (corresponding to 14/04/2015G), until the close of trading on Thursday 04/07/1436H (corresponding to 23/04/2015G), (the "Trading Period").

The subscription for the New Shares will be in two phases:

(a) First Offering Period (Phase 1): From Tuesday 25/06/1436H (corresponding to 14/04/2015G), until the end of the day on Thursday 04/07/1436H (corresponding to 23/04/2015G), (the "First Offering Period"), during which only Registered Shareholders may exercise their Rights to subscribe (in whole or in part) for the New Shares up to the number of Rights deposited in their accounts after the EGM. The subscription for the New Shares will be approved, subject to the number of Rights available in the relevant account at the end of the Trading Period. The First Offering Period coincides with the Trading Period during which Registered Shareholders and other investors (institutional and individuals) may trade in the Rights.

(b) Second Offering Period (Phase 2): From Sunday 07/07/1436H (corresponding to 26/04/2015G), until the end of the day on Tuesday 09/07/1436H (corresponding to 28/04/2015G), (the "Second Offering Period"), during which all Right holders whether Registered Shareholders or purchasers of Rights during the Trading Period (referred to collectively as "Eligible Persons", and each an "Eligible Person"), may exercise their Rights to subscribe. The Rights may not be traded during this period.

Subscription Application Forms may be submitted during both the First Offering Period and Second Offering Period at any of the branches of the Receiving Agents (the "Receiving Agents") listed in pages (x) of this Prospectus. In the event that any Shares remain unsubscribed for after the First Offering Period and the Second Offering Period (the "Rump Shares"), they will be offered to a number of institutional investors (referred to as "Institutional Investors"), provided that such Institutional Investors submit offers to purchase the Remaining Shares. Receipt of such offers will start at 10:00 AM on Sunday 14/07/1436H (corresponding to 03/05/2015G), until the following day at 10:00 AM on 15/07/1436H (corresponding to 04/05/2015G). This offering will be referred to as the ("Rump Offering"). The Rump Shares will be allocated to Institutional Investors in order of the price of the offers with the highest first until all of the Rump Shares have been allocated (providing that such a price shall not be less than the Offer Price), with the Rump Shares being proportionally divided among Institutional Investors that tendered offers at the same price. Fractional Shares will be added to the Rump Shares and treated in the same manner. All proceeds resulting from the sale of the Rump Shares shall be distributed to the Company and any proceeds in excess of the paid Offer Price shall be distributed to the Eligible Persons no later than Thursday 25/07/1436H (corresponding to 14/05/2015G).

In the event that any Rump Shares are not purchased by the Institutional Investors, such shares will be allocated to the Underwriter, who will purchase the same at the Offer Price (please see "Subscription Terms and Conditions" section, page 176 and section "Underwriting", page 171). After the completion of the Offering, the Company's Share Capital will become SAR 400,000,000 (divided into 40,000,000 Shares). The net proceeds of the Offering will be mainly utilized to meet company's financial solvency requirements (Please see "Use of Proceeds" section, page 148). The final allocation will be announced on Wednesday 17/07/1436H (corresponding to 06/05/2015G) at the latest ("Allocation Date") (Please see "Subscription Terms and Conditions" section, Page 176).

The Company has only one class of Shares and no shareholder will have any preferential voting rights. The New Shares will be fully paid and rank identically with the existing Shares. Each Share entitles its holder to one vote and each shareholder ("the Shareholder") with at least twenty (20) Shares has the right to attend and vote at the general assembly meetings (each a "General Assembly Meeting") of the Company. The New Shares will be entitled to receive their portion of any dividends declared by the Company, if any, after they are issued and in respect of subsequent financial years (Please see "Dividend Policy" section, page 147 and "Risk Factors - Dividends" section, page 16).

The Company listed 20,000,000 shares on 26/01/1429H (corresponding to 04/02/2008G) on Tadawul. The founding shareholders subscribed for 60% of the Company's Share Capital while the remaining 40% had been offered to the Public through an IPO.

Currently, the Company's existing Shares are traded on Tadawul. The Company has made an application to the Capital Market Authority in the Kingdom of Saudi Arabia for the admission and listing of the New Shares and this Prospectus has been approved. All requirements to carry out this issuance have been fulfilled and all necessary regulatory approvals have been obtained. Trading in the New Shares is expected to commence on the Exchange soon after the final allocation of the New Shares (see Section "Key Dates for Subscribers"). Following the commencement of trading in the Shares, Saudi nationals and residents, GCC nationals, Saudi companies, banks and funds, GCC companies and establishments, foreign investors from outside the Kingdom (through swap agreements) will be allowed to trade in the Shares. This Prospectus should be read in full and the "Important Notice" and "Risk Factors" sections of this Prospectus should be analysed carefully by all eligible investors prior to making a decision to invest in the New Shares offered hereby.

Financial Advisor, Lead Manager and Lead Underwriter

الجزيرة كابيتال
ALJAZIRA CAPITAL الجزيرة للأسواق المالية

Receiving Agents

NCB الأهلي | anb العربي | samba سامبا | riyad bank بنك الرياض | BANK ALJAZIRA بنك الجزيرة

This Prospectus includes information given in compliance with the Listing Rules (the "Listing Rules") issued by the CMA in the Kingdom of Saudi Arabia. The Directors, whose names appear on page (viii) jointly and severally accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading. The CMA and Tadawul take no responsibility for the contents of this Prospectus, make no representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document.

This unofficial English language translation of the official Arabic language Prospectus is provided for information purposes only. The Arabic language Prospectus published on the CMA's website (www.cma.org.sa) remains the only official, legally binding version and shall prevail in the event of any conflict between the two texts.

This Prospectus is dated 18/06/1436H (corresponding to 07/04/2015G).

شركة التأمين
العربية
التعاونية
ARABIA
A I C C
INSURANCE COOPERATIVE COMPANY

Important Notice

This Prospectus provides details of information relating to the Arabia Insurance Cooperative Company and the offered New Shares. When applying for the New Shares, Subscribers will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which are available for collection from the Company, lead manager and Receiving Agents or by visiting the Company's website (www.aicc.com.sa), website of Aljazira Capital Markets Company (www.aljaziracapital.com.sa) or the Capital Market Authority's website: (www.cma.org.sa) or

The Company has appointed Aljazira Capital Markets Company ("**Aljazira Capital**") to act as the Financial Advisor, Lead Manager and Underwriter in relation to the Offering of the Offer Shares referred to herein.

This Prospectus includes information given in compliance with the Listing Rules issued by the Capital Market Authority ("CMA") under resolution No 3-11-2014 on 20/08/1425H (corresponding to 04/10/2004G), revised by the CMA's Board resolution No. 1-36-2012 on 11/01/1434H (corresponding to 25/11/2012G) ("Listing Rules"). The Directors, whose names appear on page (v), collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading. Neither CMA nor the Exchange do not take any responsibility for the contents of this Prospectus, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, substantial portions of the market and industry information herein are derived from external sources, and while none of the Company, its Directors, Founding Shareholders, Financial Advisor, or the Company's advisors, whose names appear on page (viii) of this Prospectus (the "**Advisors**"), have any reason to believe that any of the market and industry information is materially inaccurate, such information has not been independently verified, and no representation is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as at the date hereof is subject to change. In particular, the actual financial condition of the Company and the value of the Offer Shares may be adversely affected by future developments in inflation, interest rates, taxation or other economic and political factors, over which the Company has no control. Neither the delivery of this Prospectus nor any oral, written or printed interaction in relation to the Offering is intended to be, nor should be construed as or relied upon in any way as, a promise or representation as to future earnings, results or events.

The Prospectus is not to be regarded as a recommendation on the part of the Company or any of its Advisors to participate in the Offering. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice in relation to the Offering and must rely on their own examination of the Company and the appropriateness of both the investment opportunity and the information herein with regard to the recipient's individual objectives, financial situation and needs.

The Offering is directed at the Registered Shareholders and other investors (institutional and individuals) during the period from Tuesday 25/06/1436H (corresponding to 14/04/2015G), until the end of trading on the day of Thursday 04/07/1436H (corresponding to 23/04/2015G) provided that the subscription in the New Shares shall be carried out through two phases:

a) First Offering Period (Phase 1): From Tuesday 25/06/1436H (corresponding to 14/04/2015G), until the end of the day on Thursday 04/07/1436H (corresponding to 23/04/2015G), (the "First Offering Period"), during which only Registered Shareholders may exercise their Rights to subscribe (in whole or in part) for the New Shares up to the number of Rights deposited in their accounts after the EGM. The subscription for the New Shares will be approved, subject to the number of Rights available in the relevant account at the end of the Trading Period. The First Offering period coincides with the Trading Period during which Registered Shareholders and other investors (institutional and individuals) may trade in the Rights.

b) Second Offering Period (Phase 2): From Sunday 07/07/1436H (corresponding to 26/04/2015G), until the end of the day on Tuesday 09/07/1436H (corresponding to 28/04/2015G), (the "Second Offering Period"), during which all Rights' holders whether Registered Shareholders or purchasers of Rights during the Trading Period (referred to collectively as "Eligible Persons", and each an "Eligible Person"), may exercise their Rights to subscribe. No trading of Rights shall take place in this period.

In the event that any Shares remain unsubscribed for after the First Offering Period and the Second Offering Period (the "Remaining Shares"), they will be offered to a number of institutional investors (referred to as "Institutional Investors"), provided that such Institutional Investors submit offers to purchase the Remaining Shares. Receipt of such offers will start at 10:00 AM on Sunday 14/07/1436H (corresponding to 03/05/2015G), until the following

day at 10:00 AM on 15/07/1436H (corresponding to 04/05/2015G). This offering will be referred to as the "Rump Offering". The Rump Shares will be allocated to Institutional Investors in order of the price of the offers with the highest first until all of the Rump Shares have been allocated, with the Rump Shares being proportionally divided among Institutional Investors that tendered offers at the same price. Fractional Shares (the "Fractional Shares") will be added to the Rump Shares and treated in the same manner. All proceeds resulting from the sale of the Rump Shares and the Fractional Shares up to the paid Offer Price shall be distributed to the Company and any proceeds in excess of the paid Offer Price shall be distributed to the Eligible Persons no later than Thursday 25/07/1436H (corresponding to 14/05/2015G).

The rights issue under this Prospectus depends on the approval of the Shareholders. A call for convening of an Extraordinary General Assembly of Shareholders on Tuesday 18/06/1436H (corresponding 07/04/2015G) has been published to approve the rights issue. Shareholders shall note that if they do not approve the rights issue of the shares, the rights issue will stop automatically, and at that time this Prospectus will be considered null and shareholders will be notified accordingly.

Industry and Market Data

In this Prospectus, information and data regarding Saudi economy and insurance industry have been obtained from different sources believed to be reliable. The Company has exerted reasonable efforts to verify correctness of such information. While neither the Company nor its Directors have a reason to believe that any of the market and industry information is materially inaccurate, such information has not been independently verified and no representation is made with respect to the accuracy or completeness of any of this information. The referenced sources include the Saudi Insurance Market Survey Report 2013G issued by the Saudi Arabian Monetary Agency (SAMA) and Swiss Reinsurance Company (Swiss Re) report on the insurance sector 2013G. The Company declares that information included in this Prospectus are the latest as at the Date of this prospectus.

Saudi Arabian Monetary Agency
Maathar Street - Riyadh
P.O. Box 2992, Riyadh 11169
Saudi Arabia
Tel: +966 11 4633000
Fax: +966 11 4663966
Website: www.sama.gov.sa

مؤسسة النقد العربي السعودي
Saudi Arabian Monetary Agency

SAMA, the central bank of the Kingdom of Saudi Arabia, was established in 1372H (1952G).

The main Functions of SAMA include:

- Issuing the national currency, the Saudi Riyal;
- Acting as a banker to the government;
- Managing the Kingdom's foreign currency reserves;
- Conducting monetary policy to promote price and exchange rate stability;
- Promoting growth and ensuring the soundness of the financial system.
- Supervising commercial banks and insurance companies.

The information and delay included in this Prospectus with regard to insurance sector includes data extracted from the insurance market report 2013G issued from SAMA. The information obtained from SAMA and used in this Prospectus relating to the Saudi National Economy is publicly available and obtainable from internet; therefore, no consent has been obtained to use such information.

Swiss Reinsurance Company (Swiss Re)

An international pioneer company in reinsurance founded in 1863 in Zurich, Switzerland with operations in more than 25 countries around the world. Swiss Re issues reports on insurance sector all over the world and these reports are available for public in its website. The information obtained from Swiss Re is publicly available and obtainable from internet therefore no consent has been pursued to use such information.

Financial Information

The audited financial statements for fiscal years 2011G, 2012G and 2013G as well as the notes thereto, in addition to the interim financial statements for the periods ended 30 September 2013G and 2014G as well as the notes thereto have been prepared in conformity with the standards issued by the International Financial Reporting Standards (IFRS) and audited in accordance with the standards issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). The Company ascertains that there is no material difference or financial impact on the financial statements as a result of preparing them based on IFRS. Audit of financial statements has been

conducted by Deloitte & Touche Bakr Abulkhair & Co. and Al Bassam Certified Accountants & Advisors for the years 2011G and Deloitte & Touche Bakr Abulkhair & Co. and Al Bassam Certified Accountants & Advisors for the years 2012G, and by Ernst & Young and Al Bassam Certified Accountants & Advisors for the year 2013G. The Company publishes its financial statements in Saudi Arabian Riyals ("SAR").

We Used the Exchange rate of Lebanese Lira 1 = Saudi Riyal 0.0024 and the exchange rate of Jordanian Dinar 1 = Saudi Riyal 5.2816 for the purpose of converting all amounts in Lebanese Lira and amounts in Jordanian Dinar to amounts estimated in Saudi Riyals in this Prospectus, (according to the Bulletin of foreign currency exchange rates against the Saudi Riyal for the month of Rabii Al Awal 1436H issued by the Saudi Arabian Monetary Agency).

Forecasts and Forward Looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of certain stated assumptions. These forecasts are related to the Company's business plan for the years 2014G-2018G and have been prepared by the Company's Senior Management and approved by SAMA. Future operating conditions may differ from the assumptions used and consequently no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts. The Company confirms that the statements made in this Prospectus are based on due care.

Certain statements in this Prospectus constitute "forward-looking-statements". Such statements can generally be identified by their use of forward-looking words such as "plans", "estimates", "believes", "expects", "may", "will", "should", or "are expected", "would be", "anticipates" or the negative or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company and its management with respect to future events, and are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (please refer to "Risk Factors" section, page 5). Should any one or more of the risks or uncertainties materialize or any underlying assumptions prove to be inaccurate or incorrect, actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated, planned or expected.

Subject to the requirements of the Listing Rules, the Company must submit a supplementary Prospectus to the CMA if at any time after the Prospectus has been published and before the admission of the New Shares to listing, the Company becomes aware that: (1) there has been a significant change in material matters contained in the Prospectus or any document required by the Listing Rules, or (2) additional significant matters have become known which would have been required to be included in the Prospectus. Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

Corporate Directory

Board Members Directors: *

Name	Post	Representing	Nation-ality	Age	capacity	Held Shares						Membership Date
						Direct	%	Indirect	%	Total	%	
Abdulaziz Abdulhadi Alqahtani ***	Chairman Board	-	Saudi	65	Independent/ Non Executive	22,000	0.11	19,798	0.10%	41,	0.21%	01/01/2011G
Mohammad Saad Al Khabbaz	Board Member	-	Lebanese	58	Non Independent/ Executive	1,000	0.01%	None	None	98	0.005	01/01/2014G
Fayez Humod Alfaraj	Board Member	-	Saudi	43	Independent/ Non Executive	1,000	0.01%	None	None	1,000	0.01%	01/01/2014G
Abdulaziz Saleh Aloamair	Board Member	-	Saudi	35	Independent/ Non Executive	1,000	0.01%	None	None	1,000	0	01/01/2014G
Mohammad Ahmad Arar	Board Member	-	Saudi	75	Independent/ Non Executive	10,420	0.05%	None	None	10,420	5%	31/12/2007G
Ghassan Ibraheem Akeel	Board Member	Arab Supply and Trading Company	Jordanian	46	Non Independent/ Non Executive	2,000	0.01%	None	None	1,000	0	01/01/2011G
Khaldun Abdulrahman Abuhassan	Board Member	Jordan Insurance Company**	Jordanian	74	Non Independent/ Non Executive	None	None	None	None	None	5%	31/12/2007G
Othman (Mohammad Ali) Bdeir****	Board Member	Jordan Insurance Company**	Jordanian	76	Non Independent/ Non Executive	None	None	None	None	10,420	0.05%	01/01/2014G
Naji Haseeb Fayyad	Board Member	Arabia Holding**	Lebanese Canadian	51	Non Independent/ Non Executive	None	None	None	None	None	None	01/01/2014G
Muneer Botrus Mouasher	Board Member	Arabia Holding**	Jordanian	45	Non Independent/ Non Executive	None	None	None	None	None	None	01/01/2014G

Source: Arabia Insurance

* The Company's Articles of Association states that the Board of Directors shall consist of 11 Directors. Hence, there is one vacant seat in the Board.

** 1000 of the shares of each represented company have been allocated to guarantee the membership of their representatives

*** The indirect ownership of Mr. Abdulaziz Abdulhadi Alqahtani is resulting from his ownership in Abdulhadi Alqahtani Group of Companies.

**** The indirect ownership of Mr. Othman (Mohammad Ali) Bdeir is resulting from his ownership in the Jordan Insurance Company, a public joint stock company.

Company Address	Board secretary
Arabia Insurance Cooperative Company Bin Tami Center, King Abdul-Aziz Road King Abdullah Street P.O. Box Riyadh 11323 286555 Kingdom of Saudi Arabia Tel: +966 11 2153360 Fax: +966 11 2153197 Website: www.aicc.com.sa E-mail: ho@aicc.com.sa	Ziad Mohammad Al Rabish Bin Tami Center, King Abdul-Aziz Road King Abdullah Street P.O. Box Riyadh 11323 286555 Kingdom of Saudi Arabia Tel: +966 11 2153360 Fax: +966 11 2153197 Website: www.aicc.com.sa E-mail: zrbaish@aicc.com.sa
Company Authorized Representative (1) Abdul Aziz Saleh Al Omair Bin Tami Center, King Abdul-Aziz Road King Abdullah Street P.O. Box Riyadh 11323 286555 Kingdom of Saudi Arabia Tel: +966 11 2153360 Fax: +966 11 2153197 Website: www.aicc.com.sa E-mail: aalomair@aicc.com.sa	Company Authorized Representative (2) Mohammad Saad Subhi Khabbaz Bin Tami Center, King Abdul-Aziz Road King Abdullah Street P.O. Box Riyadh 11323 286555 Kingdom of Saudi Arabia Tel: +966 11 2153360 Fax: +966 11 2153197 Website: www.aicc.com.sa E-mail: skhabbaz@aicc.com.sa

Stock Exchange
Saudi Stock Market (Tadawul Abraj Atta'awuneya North Tower - 700 King Fahad Road P.O. Box 60612 Riyadh 11555 Kingdom of Saudi Arabia Tel: +966 11 218 1200 Fax: +966 11 218 1220 Website: www.tadawul.com.sa E-mail: webinfo@tadawul.com.sa

The company's main banks
Arab National Bank King Faisal Street P.O. Box 56921, Riyadh 11564 Saudi Arabia Tel: +966 (11) 4029000 Fax: +966 (11) 4027747 Website :www.anb.com.sa E-Mail: info@anb.com.sa
Saudi British Bank (SABB) Prince Abdul-Aziz Ben Musaed bin Jalawi Street P.O. Box 9084 Riyadh 11413 Saudi Arabia Tel: 966 11 405 0677 Fax: 966 11 405 0660 Website: www.sabb.com E-mail: sabb@sabb.com

The company's main banks	
Samba Financial Group King Abdul Aziz Road - Riyadh P.O. Box 883, Riyadh 11421 Saudi Arabia Tel: +966 (11) 477 4770 Fax: +966 (11) 479 9402 Website: www.samba.com E-Mail: customercare@samba.com	
Riyad Bank King Abdulaziz Road P.O. Box 22622, Riyadh 11614 Kingdom of Saudi Arabia Tel: +966 (11) 401 3030 Fax: +966 (11) 404 2618 Website: www.riyadhbank.com E-mail: customercare@riyadbank.com	
The National Commercial Bank King Abdul Aziz Road P.O. Box 3555, Jeddah 21481 Kingdom of Saudi Arabia Tel: +966 (12) 649 3333 Fax: +966 (12) 6437426 E-mail: contactus@alahli.com Website: www.alahli.com	
Al Rajhi Bank Olaya Road - Riyadh Kingdom of Saudi Arabia Tel: +966 11 2795857 Fax: +966 11 795860 Website: www.alrajhibank.com.sa E-mail: contactcenter1@alrajhibank.com.sa	

Advisors

Financial Advisor, Lead Manager and Underwriter

Aljazira Capital
King Fahd Road Riyadh
P.O. Box 20438, Riyadh 11455
Kingdom of Saudi Arabia
Tel:+966 11 2256000
Fax:+966 11 2256068
Website: www.aljaziracapital.com.sa
E-mail: contactus@aljaziracapital.com.sa

Legal Advisor

Mohammad Ibraheem Al Ammar legal consulting Office
in Cooperation with King & Spalding
Kingdom Tower, King Fahd Road
P.O. Box 9597 Riyadh 12214
Kingdom of Saudi Arabia
Tel: +966 11 4669400
Fax: +966 11 2110033
Website: www.kslaw.com
E-mail: mal-ammar@kslaw.com

Financial Due Diligence Advisor

PricewaterhouseCoopers
Kingdom Tower, King Fahd Road
P.O. Box :8282, Riyadh 11482
Kingdom of Saudi Arabia
Tel: +966 11 4654240
Fax: +966 11 4651663
Website: www.pwc.com/middle-east
E-mail: ipopwc@sa.pwc.com

Note: All of the aforementioned Advisors/consultants have given and not withdrawn their written consent for the appearance of their names and logos and inclusion of their statements in the form and context set out in this Prospectus; and do not themselves, or any of their relatives or affiliates have any shareholding or interest of any kind in the Company as at the date of this Prospectus.

Legal Accountants 2011G & 2012G

Deloitte & Touché Bakr Abulkhair & Co.
Prince Turki bin Abdul-Aziz Street,
Sulaimaniya Districts
P.O. Box 213 Riyadh 11514
Kingdom of Saudi Arabia
Tel: +966 11 2828400
Fax: +966 11 293088
Website: www.deloitte.com
E-mail: info@deloitte.com

Al Bassam Certified
Accountants & Advisors
King Abdul Aziz Road, Malaz,
P.O. Box 69658, Riyadh 11557
Kingdom of Saudi Arabia
Tel:+966 11 2065 333
Fax:+966 11 2065 444
Website: www.albassamcpa.com
E-mail: Ibrahim.albassam@sa-uhy.com

Legal Accountants 2013G	
Ernst & Young Al Faisaliah Tower King Fahd Road P.O. Box 2732 Riyadh 11461 Kingdom of Saudi Arabia Tel: +966 11 2734730 Fax: +966 11 2734740 Website: www.ey.com/me E-mail: riyadh@sa.ey.com	
Al Bassam Certified Accountants & Advisors King Abdul Aziz Road, Malaz P.O. Box 69658, Riyadh 11557 Kingdom of Saudi Arabia Tel:+966 11 2065 333 Fax:+966 11 2065 444 Website: www.albassamcpa.com E-mail: Ibrahim.albassam@sa-uhy.com	

Note: All of the aforementioned Advisors/consultants have given and not withdrawn their written consent for the appearance of their names and logos and inclusion of their audit reports in this Prospectus; and do not themselves, or any of their relatives or affiliates have any shareholding or interest of any kind in the Company as at the date of this Prospectus.

Receiving Agents	
Bank Aljazira King Abdulaziz Road P.O. Box 6277, Jeddah 21442 Kingdom of Saudi Arabia Tel: +966 (12) 6098888 Fax: +966 (12) 6098881 Website : www.baj.com.sa E-mail: info@baj.com.sa	بنك الجزيرة BANK ALJAZIRA INNOVATIVE ISLAMIC BANKING مصرفية إسلامية حديثة
Samba Financial Group King Abdul Aziz Road - Riyadh P.O. Box 883, Riyadh 11421 Saudi Arabia Tel: +966 (11) 477 4770 Fax: +966 (11) 479 9402 Website: www.samba.com E-Mail: customercare@samba.com	samba سامبا
Riyad Bank King Abdulaziz Road P.O. Box 22622, Riyadh 11614 Kingdom of Saudi Arabia Tel: +966 (11) 401 3030 Fax: +966 (11) 404 2618 Website: www.riyadhbank.com E-mail: customercare@riyadbank.com	بنك الرياض riyad bank
The National Commercial Bank King Abdul Aziz Road P.O. Box 3555, Jeddah 21481 Kingdom of Saudi Arabia Tel: +966 (12) 649 3333 Fax: +966 (12) 6437426 Website: www.alahli.com E-mail: contactus@alahli.com	NCB الأهلي
Arab National Bank King Faisal Street P.O. Box 56921, Riyadh 11564 Saudi Arabia Tel: +966 (11) 4029000 Fax: +966 (11) 4027747 Website :www.anb.com.sa E-Mail: info@anb.com.sa	العربي anb

Summary of the Offering

The Company	Arabia Insurance Cooperative Company ("Arabia Insurance" or the "Company") is a Saudi joint stock company established in accordance the Ministerial Resolution No. 93, dated 14/03/1428H (corresponding to 02/04/2007G) and Royal Decree No. M/23, dated 15/03/1428H (corresponding to 03/04/2007G) and Commercial Registration No. 1010243302, dated 18/01/1429H (corresponding to 27/01/2008G)
Summary of Company Activities	The Company is practicing, in compliance with the provisions of the Cooperative Insurance Companies Control Law, Implementing Regulations and all applicable laws and rules in the Kingdom of Saudi Arabia, cooperative insurance activities for all insurance businesses and related services including agencies, representation, corresponding or brokerage.
Nature of Offering	Increasing Capital through issuance of new shares
Major Shareholders	Major Shareholders are shareholders who own 5% or more of the Company shares. Those are: • Arabia Holding (a Holding Company) (a Lebanese Joint Stock Company), a holding Company registered in Beirut, Lebanon, owns 3,840,000 shares in the Company's capital representing 19.2% of the total Company Shares. • Jordan Insurance Company, a Jordanian joint stock company, owns 2,440,000 shares in the Company's capital representing 12.2% of the total Company Shares. • The Arab Supply and Trading Company, a Saudi limited liability company that owns 1,000,000 shares in the Company's capital representing 5% of the total Company Shares.
Strategic Partners	Strategic Partners are shareholders that provide support to the Company because they possess technical, scientific and operational experience and know how in the Company's activities enabling them to provide added value to the business, thanks to their qualitative knowledge. The Company's Strategic Partners are Arabia Holding (a Holding Company) (a Lebanese Joint Stock Company), and Jordan Insurance Company, a Jordanian joint stock company.
Offer Price	SAR 10 per New Share, representing the price of subscription for the new share.
Adjusted Price	The Company's share value in Tadawul has been adjusted to SAR 13.8 per share at the close of trading on the day of the EGM and after shareholders' approval of Capital increase. This represents a reduction of SAR 3.8 in the share value.
Company's capital prior to the Offering	SAR 200,000,000
Total number of Existing issued Shares prior to the Offering	20,000,000 Ordinary Shares, fully paid
Nominal Value	SAR 10 per share
Total Number of Offer Shares	20,000,000 Ordinary Shares
Total number of Shares after capital increase	40,000,000 Ordinary Shares
Company Capital post Offering	SAR 400,000,000
Percentage of increase in Share Capital	100%
Total Offering value	SAR 200,000,000
Offering costs	SAR 8,000,000
Net Proceeds after deduction of Offering costs	SAR 192,000,000

Use of the Offering Proceeds	Total Offering Proceeds are estimated at SAR 200,000,000. The offering expenses amounting to SAR 8,000,000 will be deducted from the Total Offering Proceeds. These expenses include the fees of the Lead Manager, Financial Advisor and Underwriter, Legal Advisor to the offering, reporting accountants, Receiving Agent's expenses, marketing, printing, distribution and other Offering related expenses. The net offering proceeds will be used by the Company to maintain the solvency requirements as required by the provisions of the Implementing Regulations of the Cooperative Insurance Companies Control Law. Shareholders will not receive any part of these proceeds resulting from the Offering (Please refer to "Use of Proceeds" section of this Prospectus).
Number of Underwritten Shares	20,000,000 Ordinary Shares
Total amount underwritten	SAR 200,000,000
Eligibility Date	Close of trading on the day of the EGM voting on the increase in the Company's capital according to the Board recommendation, being Tuesday 18/06/1436H (corresponding to 07/04/2015G).
Registered Shareholders	Shareholders registered in the Company's Register as at the close of trading on the day of the EGM.
Rights	Rights are issued as tradable securities giving their holders the priority to subscribe for the New Shares, upon approval of the capital increase. All shareholders registered in the Company's Register at the end of the day of the EGM will be entitled to receive Rights. Each Right grants its holder eligibility to subscribe for one New Share at the Offer Price. Rights will be deposited within two days after the date of the EGM. The rights will appear in the accounts of the Registered Shareholders under a new symbol specifying the Rights Issue. The Registered Shareholders will be informed of the deposit of the Rights in their accounts.
New Shares	The Shares offered for subscription by Registered Shareholders resulting from the Capital increase of the issuing Company.
Rights Issue Ratio	1 Rights for every 1 existing Share owned by a Registered Shareholder. This ratio is the outcome of dividing the number of New Shares by the number of the Company's existing shares.
Number of Issued Rights	20,000,000 Rights
First Offering Period	From Tuesday 25/06/1436H (corresponding to 14/04/2015G), until the end of the day on Thursday 04/07/1436H (corresponding to 23/04/2015G), (the "First Offering Period"), during which only Registered Shareholders may exercise their Rights to subscribe (in whole or in part) for the New Shares up to the number of Rights deposited in their accounts after the EGM. The subscription for the New Shares will be approved, subject to the number of Rights available in the relevant account at the end of the Trading Period. The First Offering period coincides with the Trading Period during which Registered Shareholders and other investors (institutional and individuals) entitled to trade on the Saudi Stock Exchange, may trade in the Rights.
Trading Period	Will commence on Tuesday 25/06/1436H (corresponding to 14/04/2015G) and will last up to and including Thursday 04/07/1436H (corresponding to 23/04/2015G). Registered Shareholders and other investors (institutional and individuals) entitled to trade on the Saudi Stock Exchange, may trade in the Rights during this period.
Second Offering Period	From Sunday 07/07/1436H (corresponding to 26/04/2015G), until the end of the day on Tuesday 09/07/1435H (corresponding to 28/04/2015G), during which all Rights holders whether Registered Shareholders or purchasers of Rights during the Trading Period may exercise their Rights to subscribe. Offer Shares may not be traded during this period. Rights may not be traded during the Second Offering Period.
Subscription Procedure	Eligible shareholders who have interest to subscribe to the new offered shares shall complete the subscription application forms and submit them to the branches of the Receiving Agents during business hours of the Subscription Period. Subscribers (Eligible Shareholders) who have participated in previous subscriptions in the Kingdom may subscribe through Internet, banking phone or ATMs or any branches of the receiving agents that provide any of such services, provided that the following conditions shall be met: 1) The Subscriber (Eligible Shareholder) should have a valid banking account with a Receiving Agent that provides this service. 2) The personal information of the Subscriber (Eligible Shareholder) has not changed (by adding or deleting a family member) since a recent subscription unless such a change has been duly notified to the Receiving Agent and approved by it.
Rump Shares	The remaining Shares which were not subscribed for during the First Offering Period and the Second Offering Period.

Rump Offering	Rump Shares will be offered to a number of institutional investors (referred to as "Institutional Investors"), provided that such Institutional Investors submit offers to purchase the Remaining Shares. Receipt of such offers will start at 10:00 AM on Sunday 14/07/1435H (corresponding to 03/05/2015G), until the following day at 10:00 AM on 15/07/1435H (corresponding to 04/05/2015G). The Rump Shares will be allocated to Institutional Investors in order of the price of the offers with the highest first until all of the Rump Shares have been allocated (provided that the offered price shall not be less than the Offer Price), with the Rump Shares being proportionally divided among Institutional Investors that tendered offers at the same price. Fractional Shares will be added to the Rump Shares and treated in the same manner.
Eligible Persons	All holders of Rights, whether they are Registered Shareholders or purchasers of Rights during the trading period.
Listing of/Trading in the Rights Issue	"Tadawul" is preparing mechanisms regulating the trading of the Rights in its system. A separate symbol will be given to the Company's Rights Issue (separate from the Company's trading symbol for the existing Shares on the Tadawul screen). Registered Shareholders shall have the following options during the offering and trading period of the trading of the Rights: 1. Keeping the Rights as at the Eligibility Date and exercising their Rights to subscribe for the New Shares. 2. Selling the Rights or a part thereof through the Exchange. 3. Purchasing additional Rights through the Exchange. 4. Refraining from taking any action relating to the Rights, whether selling the Rights or exercising the right to subscribe for the same. The Rump Shares resulting from not exercising the Rights or selling the same will be offered in the Rump Offering. The registered shareholders and other investors (institutional and individuals) may, during the Trading Period, purchase and sell Rights through the Exchange and (provided the Rights are held until the end of the First Offering Period) may exercise such Rights to subscribe for New Shares, only during the Second Offering Period. The "Tadawul" system will cancel the Company's Rights Issue symbol on the Tadawul screen after the end of the Trading Period. Therefore, the Rights trading will end with the end of the Trading Period.
Indicative Value of the Right	The indicative value of a Right reflects the difference between the Company's share market value during the Trading Period and the Offer Price. Tadawul will continuously calculate and publish the indicative value of a Right during the First Offering Period on its website with 5 minutes delay. The market information service providers will also publish this information. This will allow investors to be informed of the indicative value of a Right when entering the orders.
Right Trading Price	The price at which the Right is traded. This price is set through the market offer and demand mechanism; therefore, it may differ from the Indicative Value of the Right.
Exercising the Issued Rights	Eligible Persons may subscribe for New Shares by completing a Subscription Application Form and paying the relevant fee at the Receiving Agents' branches or by subscribing electronically through the Receiving Agents offering such services to Applicants. Eligible Persons may exercise their Rights as follows: During the First Offering Period, only Registered Shareholders may exercise their Rights to subscribe (in whole or in part) for the New Shares up to the Number of Rights deposited in their accounts after the EGM. The subscription for the New Shares will be approved, subject to the number of Rights available in the relevant account at the end of the Trading Period. The First Offering period coincides with the Trading Period during which Registered Shareholders and other investors (institutional and individuals) may trade in the Rights. During the Second Offering Period, all Rights' holders, whether Registered Shareholders or purchasers of Rights during the Trading Period may exercise their right to subscribe. In the event that Rights have not been exercised by Eligible Persons before the end of the Second Offering Period, the Rump Shares resulting from the unexercised Rights or failure to sell the Rights will be offered in the Rump Offering.
Public	In the Listing Rules, it means the persons other than the following: (1) affiliates of the issuer; (2) substantial shareholders of the issuer; (3) directors and senior executives of the issuer; (4) directors and senior executives of affiliates of the issuer; (5) directors and senior executives of substantial shareholders of the issuer; (6) any relative of persons described at (1), (2), (3), (4) or (5) above; (7) any company controlled by any persons described at (1), (2), (3), (4), (5) or (6) above; or (8) persons acting in concert, with a collective shareholding of (5%) or more of the class of shares to be listed.

Shares Allocation	New Shares will be allocated to each investor according to the number of Rights subscribed for in a complete and correct manner. Fractional Shares will be collected and offered to Institutional Investors during the Rump Offering. All proceeds resulting from the sale of Rump Shares shall be distributed to the Company and any proceeds in excess of the Offer Price shall be distributed to the Eligible Persons no later than Thursday 25/07/1436H (corresponding to 14/05/2015G). (Please see "Subscription Terms and Conditions and Submitting of Applications" Section).
Payment of Compensation Amounts (if any)	Cash compensation amounts will be paid to Eligible Persons who did not subscribe wholly or partially for the New Shares, as well as to the holders of fractional Shares on Thursday 25/07/1435H (corresponding to 14/05/2015G) at the latest (please see "Subscription Terms and Conditions"). Compensation amounts represent remaining sale proceeds resulting from the Rump Shares and fractional Shares (in excess of the Offer Price).
Shares' Dividends	The New Shares will be entitled to receive their portion of any dividends declared by the Company for the period from the commencement of the Offering and for the following financial years. (Please refer to "Dividends Policy" Section)
Voting rights	The Company has only one class of Shares. No Shareholder shall have any preferential voting rights. Each of the Shares entitles its holder to one vote. Each Shareholder with at least 20 (twenty) shares has the right to attend and vote at the General Assembly meeting.
Risk Factors	There are certain risks relating to investment in the Offering. These risks can be generally categorized into (a) risks related to the Company business; (b) risks related to the market and regulatory environment; and (c) risks related to the Ordinary Shares. These risks have been presented in the section entitled ("Risk Factors") in this Prospectus, which should be reviewed carefully before taking a decision to invest in the New Shares. (Please see "Risk Factors" section in this Prospectus).
Shares trading	Trading in the Rights on Tadawul will start after completion of all formalities relating to the admission and listing and final allocation listing of the shares.
Previously listed shares by the Issuer	The Founding Shareholders subscribed for 12,000,000 shares (60%) of the Company's total current shares and paid their value in full. The remaining shares totaling to 8,000,000 shares (40%) have been offered through an IPO, during the period from 15/10/1428H (corresponding to 27/10/2007G) up to 22/10/1428H (corresponding to 03/11/2007G) at an offer price of SAR 10 per share. The Shares were listed on the Stock Exchange (Tadawul) on 26/01/1429H (04/02/2008G).
Restrictions to shares	The Company's shares have been listed on Tadawul on 26/01/1429H (corresponding to 04/02/2008G). The restriction period on disposition of shares (3 years) had expired and there are no restrictions on the Founding Shareholders' shares. Hence, the Founding Shareholders and the Strategic Shareholder are entitled to dispose of their shares after obtaining approval of SAMA and CMA. Furthermore, the Founding Shareholders as well as other shareholders are subject to any restrictions on disposition of shares that may be imposed under the regulations issued by CMA or other relevant regulations and instructions.
Restriction on the Rights	There are no any restrictions or obligations on the subscription for or trading in the Rights, except the restrictions on the Rights relating to the Strategic Shareholders and the Substantial Shareholders, who are committed to subscribe for all Rights they are entitled to in accordance with written undertaking letters they submitted to SAMA.
Undertaking to Subscribe	The Arabia Holding, a Lebanese Joint Stock Company, (holding company) (Strategic Shareholder) provided a letter of undertaking to SAMA, confirming its commitment to subscribe to 3,840,000 shares, representing its full entitlement in the Rights totaling to 19.2% of the total Rights offered for subscription, according to the number of shares it holds on the Eligibility Date. The Jordan Insurance Company PLC (Strategic Shareholder) provided a letter of undertaking to SAMA, confirming its commitment to subscribe to 2,440,000 shares, representing its full entitlement in the Rights totaling to 12.2% of the total Rights offered for subscription, according to the number of shares it holds on the Eligibility Date. The Arabian Supply and Trading Company (a Major Shareholder) provided also a letter of undertaking to SAMA, confirming its commitment to subscribe to 1,000,000 shares, representing its full entitlement in the Rights totaling to 5% of the total Rights offered for subscription, according to the number of shares it holds on the Eligibility Date

The "Important Notice" and "Risk Factors" sections of this Prospectus should be considered carefully prior to making any investment decision according to this Prospectus.

Key Dates for the Eligible Subscribers

Milestone	Date
EGM, setting the Eligibility Date and Eligible Shareholders	on Tuesday 18/06/1436H (corresponding to 07/04/2015G)
First Offering Period Date and Trading in Rights	From Tuesday on 25/06/1436H (corresponding to 14/04/2015G) until Thursday on 04/07/1436H (corresponding to 23/04/2015G)
Second Offering Period Date	From Sunday on 07/07/1436H (corresponding to 26/04/2015G) until Tuesday on 09/07/1436H (corresponding to 28/04/2015G)
Offering Period End Date and deadline for submitting Subscription Applications Forms	From Tuesday on 09/07/1436H (corresponding to 28/04/2015G)
Rump Offering Period Date	From Sunday on 14/07/1436H (corresponding to 03/05/2015G) until Monday on 15/07/1436H (corresponding to 04/05/2015G)
Final Allocation Notification	on Wednesday 17/07/1436H (corresponding to 06/05/2015G)
Payment of Compensation Amounts (if any) for Eligible Persons who did not participate in the Offering and those entitled to Shares fractions	on Thursday 25/07/1436H (corresponding to 14/05/2015G)
Expected date for the commencement of trading in Offer Shares	After completing all necessary procedures. Dates will be communicated through the local newspapers and on Tadawul website.

Note: The above timetable and all dates therein are indicative. Actual dates will be communicated through local newspapers published in KSA as well as on Saudi Stock Exchange ("Tadawul") website www.tadawul.com.sa

Key Announcement Dates

Announcement	Announcer	Announcement Date
Announcement regarding the EGM (Eligibility Date)	Company	on Wednesday 19/06/1436H (corresponding to 08/04/2015G)
Announcement regarding the EGM outcome, including the approval of the Company's Capital increase	Company	on Wednesday 19/06/1436H (corresponding to 08/04/2015G)
Announcement regarding the change in Company's share price, shares' deposit and announcement regarding the Indicative Value of the Right	Tadawul	on Wednesday 19/06/1436H (corresponding to 08/04/2015G)
Announcement regarding the New Shares subscription periods and rights trading	Company	on Wednesday 19/06/1436H (corresponding to 08/04/2015G)
Reminder Announcement regarding the First Offering Period and the Rights Trading Period	Company	On Tuesday 25/06/1436H (corresponding to 04/07/2015G)
Reminder announcement of the last Trading day for the Rights Issue and the importance of selling Rights for those not willing to exercise such Rights	Tadawul	On Thursday 04/07/1436H (corresponding to 23/04/2015G)
Announcement regarding the commencement of the Second Offering Period	Company	On Sunday 07/07/1436H (corresponding to 26/04/2015G)
Reminder about the last Trading day for submitting Subscription Application Forms for the Second Offering Period	Company	On Tuesday 09/07/1436H (corresponding to 28/04/2015G)
Announcement regarding: (1) Outcome of the First and Second Offering Periods, (2) details of the sale of unsubscribed Shares, if any, and (3) commencement of the Rump Offering	Company	On Thursday 11/07/1436H (corresponding to 30/04/2015G)
Announcement regarding the outcome of the Rump Offering and Notification of the final allocation	Company	On Wednesday 17/07/1436H (corresponding to 06/05/2015G)
Announcement regarding the deposit of New Shares in the investors' accounts	Tadawul	On Sunday 21/07/1436H (corresponding to 10/05/2015G)
Announcement regarding distribution of the compensation amounts (if any) to Eligible Persons	Company	On Thursday 25/07/1436H (corresponding to 14/05/2015G)

The above timetables and all dates therein are indicative. Actual dates will be communicated through local newspapers published in KSA as well as on Tadawul's website www.tadawul.com.sa.

How to Apply

Subscribing for the New Shares shall be limited to Eligible Persons. In the event that Eligible Persons do not subscribe for the New Shares, the unsubscribed shares shall be offered to Institutional Investors through the Rump Offering. Eligible Persons wishing to subscribe for the New Shares shall fill the Subscription Application Forms available during the First Offering Period and the Second Offering Period (as applicable) at the Receiving Agents' branches then deliver the same to any of these Receiving Agents before the end of the Second Offering period, even though they do not have an account with the receiving agent.

Subscription may be made through Internet, banking phone or ATMs to the receiving agents that provide any of such services provided that the Eligible Shareholders should have a valid banking account with a Receiving Agent that provide this service and the subscriber's account should be updated.

Subscription Application Forms must be completed in accordance with the instructions mentioned under "Subscription Terms and Conditions" section of this Prospectus. Every subscriber must fill in and agree on complete all relevant items in Subscription Application Form. The Company reserves the right to reject, in full or in part, any application for New Shares that does not comply with any of the Subscription terms or requirements. No amendment or withdrawal can be made to the Subscription Application Form after submission to the Receiving Agents. Once accepted by the Company, a Subscription Application Form shall represent a legally binding contract between the Company and the Eligible Person (Please see "Subscription Terms and Conditions" section of this Prospectus).

FAQs about the Rights Issue Mechanism

What is a Rights Issue?

A Rights Issue is an offering of tradable securities that give their holders the priority to subscribe for New Shares upon approval of the capital increase of the Company. They are acquired rights for all Registered Shareholders in the Company's Register as at the close of trading on the date of the EGM. Each Right grants its holder eligibility to subscribe in one New Share at the Offer Price.

Who is granted the Rights?

The Rights are granted to all Registered Shareholders in the Company's Register as at the close of trading on the date of the EGM.

When are the Rights deposited?

The Rights are deposited within two days after the EGM. The Shares will appear in the accounts of Registered Shareholders under a new symbol that designates these Rights. These Rights cannot be traded or exercised by the Registered Shareholders until the beginning of the First Offering Period.

How are Registered Shareholders notified of the Rights being deposited in their accounts?

The Registered Shareholders are notified through an announcement on the Tadawul website.

How many Rights can be acquired by a Registered Shareholder?

The number of Rights to be acquired by a Registered Shareholder is subject to the Rights Issue ratio and the number of Shares held by the Registered Shareholder as at the close of trading on the date of the EGM.

What is the Rights Issue ratio?

It is the ratio that permits the Registered Shareholder to know how many Rights he/she is entitled to in relation to the Shares that he/she already owned on the date of the EGM. If a company, for example, has issued 1,000 shares and increases its capital by offering 200 new shares, its number of shares becomes 1,200. Then, the eligibility ratio is 1 to 5 (one new share for every five existing shares).

Are these Rights tradable and will they be added to the Shareholders accounts under the same name/ symbol as the Company's shares; or will they be assigned a new name?

The Rights will be deposited in Shareholders' accounts under a new symbol specially assigned to the Rights Issue.

What is the Right value upon the trading commencement?

The Right opening price is the difference between the share closing price on the day preceding such Right listing, and the Offer Price. For example, if the closing price of a share on the preceding day is SAR 35 (thirty-five Saudi Riyals) and the Offer Price is SAR 10 (ten Saudi Riyals), the opening price of the Rights will be 35 minus 10, i.e. SAR 25 (twenty-five Saudi Riyals).

Can Registered Shareholders subscribe for additional shares?

Registered Shareholders can subscribe for additional shares by purchasing new Rights during the Trading Period. These Rights can be exercised to subscribe for the new additional shares only during the Second Offering Period.

How does the Offering take place?

The Offering will take place as it currently does by submitting Subscription Application Forms at any of the Receiving Agents' branches (mentioned in this Prospectus) and only during the First Offering Period and/or the Second Offering Period.

Can Shareholders subscribe more than once through more than one receiving bank?

Yes, they are allowed to subscribe. However, the quantity of subscribed shares should not exceed the number of rights acquired upon end of rights trading period. Any excess in the shares subscribed over the number of rights acquired at the end of rights trading period will result in the cancellation of subscription application.

If Company shares are acquired through more than one investment portfolio, in which portfolio will the Rights be deposited?

The Rights will be deposited in the same portfolio where the shares of the Company connected to the Rights are deposited. Example: If a shareholders holds 1000 shares in the Company (800 shares in portfolio (a) and 200 shares in portfolio (b), then the total Rights which will be deposited (1000) Rights as each shares is eligible for (1) Rights. Therefore, 800 Rights will be deposited in portfolio (a) and 200 Rights will be deposited in portfolio (b).

In case of subscription through more than one portfolio, where will the new shares after allocation be deposited?

Shares may be deposited in the investment portfolio mentioned in the first subscription application

Are share certificate holders allowed to subscribe and trade?

Yes, they are allowed to subscribe. However, they will only be able to trade after depositing their certificates in investment accounts through the Receiving Agents or the Tadawul's depository center and submitting the requisite documents.

What happens if New Shares are subscribed for, and then the Rights have been sold after that?

If a Registered Shareholder subscribes, then sells the Rights without purchasing a number of Rights equal to the number of exercised Rights prior to the end of the Offering period, then the Subscription Application will be rejected entirely, if all Rights have been sold, or partly in an amount equal to the number of sold Rights. In this case, the Registered Shareholder will be notified by its Receiving Agent and the rejected Offering amount will be refunded.

Are additional Rights purchasers entitled to trade them once again?

Yes, purchasers of additional Rights may sell them and purchase other Rights only during the Trading Period.

Is it possible to sell a part of these Rights?

Yes, the investor may sell a part of these Rights and subscribe for the remaining part.

Is it possible to subscribe during the weekend between the First and Second Offering Periods?

No, that is not possible.

When the subscriber can subscribe for the Rights he purchased during trading period?

During the second phase only after completion of the trading period in the rights.

Can the Eligible Person sell the Right after expiry of the Trading Period?

That is not possible. After the expiry of the Trading Period, the Eligible Person may only exercise the right to subscribe for the capital increase. In case the Right is not exercised, the investor may be subject to loss or decrease in the value of his investment portfolio.

What happens to Rights that are unsold or unsubscribed for during the Trading Period as well as the First and Second Offering Periods?

The Rump Shares resulting from a failure to exercise or sell these Rights will be offered during the Rump Offering, organized by the Lead Manager according to the standards set forth in this Prospectus.

Will there be any additional fees for the trading in Rights?

The same commissions applying to the shares will also apply on sale and purchase operations, without a minimum commission being imposed.

Summary of Key Information

This summary is a brief overview of the information contained in this Prospectus and does not contain all of the information that may be important to Subscribers. Recipients of this Prospectus should read the whole Prospectus before making a decision as to whether or not to invest in the new Shares. Certain terms contained in this Prospectus have been defined in the "Definitions and Abbreviations" section of this Prospectus.

Company Background

Arabia Insurance Cooperative Company (the "Company" or "Arabia Insurance") is a Saudi Joint Stock Company that was incorporated according to the Royal Decree No. (M/23), dated 15/03/1428H (03/04/2007G). The Company commenced its business following the issuance of the Council of Ministers Resolution No. (93), dated 14/03/1428H (02/04/2007G) to establish the Company. The Company operates under Commercial Registration issued in Riyadh No. 1010243302, dated 18/01/1429H (corresponding to 27/01/2008G). The Company's Head Office is located in the city of Riyadh, King Abdul Aziz Road, Bin Tami Center, P.O Box 286555, Riyadh 11323, Kingdom of Saudi Arabia.

The Company has obtained the permit of the Saudi Arabian Monetary Agency No. TMN/15/20086, dated 14/06/1429H (corresponding to 18/06/2008G) to practice the insurance and reinsurance business in accordance with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations. In 2014G, and based on the request of the Arabia Insurance Company to amend its activity, the Company has obtained approval of the Saudi Arabian Monetary Agency to amend the license granted to it to exercise the insurance and reinsurance activity so that it becomes limited to conducting insurance business only pursuant to letter No. 351000076885, dated 14/06/1435H (Corresponding to 14/04/2014G).

The Company exercises general insurance activities, health insurance and protection and savings in the Kingdom of Saudi Arabia according to the principle of cooperative insurance. Its products include motor insurance, health insurance, marine insurance, engineering insurance, general accident insurance, property insurance, protection and savings insurance and others.

Capital Structure

The Company's Capital is two hundred million Saudi Riyals (SAR 200,000,000) divided into twenty million (20,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share fully paid up. The Founding Shareholders have subscribed to twelve million (12,000,000) shares representing (60%) of the total shares of the Company and paid their entire value. The remaining shares, amounting to eight million (8,000,000) shares representing (40%) of the total shares, were offered for public subscription under the laws and regulations of the Capital Market Authority during the period from 15/10/1428H (corresponding to 27/10/2007G) to 22/10/1428H (corresponding to 03/11/2007G) at an Offer Price of ten Saudi Riyals (SAR 10) per share.

The Company has obtained the approval of the Saudi Arabian Monetary Agency per the letter No. 351000145469 dated 26/11/1435H (corresponding to 21/09/2014G) to increase its capital in the amount of two hundred million Saudi Riyals (SAR 200,000,000) through Rights Issue. After the end of the Rights Issue process, the Company's Capital will become four hundred million Saudi Riyals (SAR 400,000,000) divided into forty million (40,000,000) ordinary shares, at a nominal value of ten Saudi Riyals (SAR 10) per share. The Board of Directors has recommended in its resolution dated 02/11/1435H (corresponding to 28/08/2014G) to increase the capital in compliance with the Company's solvency requirements.

The Most Significant Dates and Developments

Date	Developments
5/5/1426H (corresponding to 12/6/2005G)	The Company obtained the service investment license number 102030104276 from the Saudi Arabian General Investment Authority
14/3/1428H (corresponding to 2/4/2007G)	The Founding Shareholders received a license to establish the Company under the Council of Ministers Resolution No. (93)
15/3/1428H (corresponding to 3/4/2007G)	The Founding Shareholders obtained a license to establish the Company per the Royal Decree No. (M/23)
15/10/1428H (corresponding to 27/10/2007G)	The Company's shares were offered to the public through an Initial Public Offering (IPO)

Date	Developments
18/1/1429H (corresponding to 27/1/2008G)	The Company was established and the Commercial Registration No. 1010243302 was issued
26/1/1429H (corresponding to 4/2/2008G)	The Company's shares were listed in the Saudi Stock Exchange "Tadawul"
14/6/1428H (corresponding to 18/6/2008G)	The Company obtained approval from SAMA No. TMN/15/20086 permitting it to conduct insurance and reinsurance business.
17/9/1430H (corresponding to 6/9/2009G)	The Company received approval from the Council of Cooperative Health Insurance (CCHI) as a licensed health insurance company
14/6/1435H (corresponding to 14/4/2014G)	The Company obtained the approval of the Saudi Arabian Monetary Agency to amend the license granted to it for conducting insurance and reinsurance business so that it becomes limited to conducting insurance business only according to letter No. 351000076885.
26/11/1435H (corresponding to 21/9/2014G)	The Company obtained approval of SAMA to increase its capital per the letter No. 351000145469

Source: Arabia Insurance

The Company's Vision

"Be one of the leading cooperative insurance companies in the Kingdom."

The Company's Mission

"To serve the Company's clients, shareholders, employees, and the Saudi community at large by providing a wide range of cooperative insurance products and services"

The Shareholders of the companies who own 5% or more as of 30/9/2014G

No	Name	Nationality	Ownership Ratio	Number of Shares	Nominal Value (SAR)
1	Arabia Holding (a Holding Company)	Lebanese	19.20%	3,840,000	38,400,000
2	Jordan Insurance Company	Jordanian	12.20%	2,440,000	24,400,000
3	Arab Supply and Trading Company	Saudi Arabia	5.00%	1,000,000	10,000,000
	Total		**36.40%**	**6,281,000**	**62,810,000**

Source: Arabia Insurance Cooperative Company

Business Strategy

The Company's Strategy is represented in seeking growth and realizing returns for shareholders through the following:

- Rendering insurance services at suitable prices and following the advice of the Actuary while pricing its services in a way that commensurate with the requirements of the Cooperative Insurance Companies Control Law issued by the SAMA.
- Obtain the best technologies for the business, applying and developing them continuously.
- Self-development of businesses and minimizing reliance on funding from shareholders.
- Investment in high expertise human resources and develop their performance.
- Wide geographical expansion by opening multiple sale centers that provide insurance services throughout the Kingdom of Saudi Arabia.
- Development of the volume of business with agents and brokers in the Kingdom.
- Attention to all clients especially the individuals, small and medium-sized enterprises.

Strengths and Competitive Advantages

- A recognized trade name in the region
- Support of the Founding Shareholders
- Variety of Products
- Highly experienced managerial team
- Strong relations with reinsurers

Summary of Insurance Activities

Arabia Insurance Cooperative Company provides protection solutions through 38 different policies, ranging from health insurance, property insurance, life insurance, motor insurance, transportation, occupational accidents, etc.. The Company has received the final approval from the Saudi Arabian Monetary Agency for 22 insurance schemes. It has also received a temporary approval for 16 insurance schemes.

No	Products that received final approval	No	Products that received temporary approval
1	Motor Insurance Policy	1	Personal Accident Insurance Policy (for groups and individuals)
2	Cooperative Health Insurance Policy	2	Household labor Comprehensive Insurance Policy
3	Glass Plates Insurance Policy	3	Homeowners Insurance Policy
4	Breach of Trust (fidelity) Insurance Policy	4	Valuable Asset Insurance Policy
5	Professional Liability Insurance Policy for Engineers	5	All-Danger Contractor Insurance
6	Group Life Insurance Program Policy to Protect Credit	6	Erection All Risks (EAR) Insurance Policy
7	Groups' Contract Insurance Policy	7	Contractors' Equipment and Machinery Insurance Policy
8	Land Transit Insurance Policy	8	Machinery and Equipment Breakdown Insurance Policy
9	Marine cargo Insurance Policy	9	Machinery Breakdown Loss of Profit Insurance Policy
10	Hull Marine Insurance Policy	10	Boiler Insurance Policy
11	In-Safe Money Insurance Policy	11	Deterioration of Stock in Cold Storage Insurance Policy
12	Money Insurance policy during Transport	12	Electronic Devices Insurance Policy
13	Workers' Compensation Insurance Policy	13	Schools Liability Insurance Policy
14	Employer's Liability Insurance Policy	14	Vehicular Mechanical and Electrical breakdowns Warranty Extension Insurance Policy
15	All-Danger Property Insurance Policy	15	Intermediaries (Brokers) Professional Liability Insurance Policy
16	Fire Insurance Policy	16	Third Party and Product Liability Insurance Policy
17	Loss of Profits Insurance Policy		
18	Theft Insurance policy		
19	Medical Malpractice Insurance policy		
20	Civil Liability Insurance Policy (lifts)		
21	Third Party Liability Insurance Policy		
22	Riots and/or Strikes and/or Civil Unrest and/or Intentional Damage Insurance Policy		

Source: Arabia Insurance

Overview of Insurance market in Saudi Arabia

The Insurance business started in the Kingdom of Saudi Arabia prior to 1974G through agencies and branches of foreign companies (the majority of which came from the Kingdom of Bahrain). Then, the Saudi Arabia Insurance Company was founded in 1974G, followed by the Red Sea Insurance Company, and the Saudi Arabia United Insurance Company in 1976G. However, in 1977G, Resolution No. 51 was issued by the Council of Senior Scholars considering the cooperative insurance to be agreeable with the principles of Islamic law. Thus, the National Company for Cooperative Insurance was founded in 1985G (later renamed the Cooperative Insurance Company) for the purpose of insuring large projects and retaining a large percentage of the insurance premiums within the Kingdom. Then, the Cooperative Insurance became the form through which insurance is provided in the Kingdom of Saudi Arabia because it is permissible from an Islamic law (Sharia) prospective contrary to the commercial insurance. The foreign insurance companies continued to operate within the Kingdom as an intermediary between the agents and reinsurance companies abroad.

In 1999G, the Cooperative Health Insurance Law was issued under Royal Decree No. M/10, followed by a decree for the insurance of drivers' licenses issued under the Council of Ministers' Resolution No. 222 in 2001G.

The Cooperative Insurance Companies Control Law was issued under Royal Decree No. M/32 dated 02/06/1424H (31/07/2003G) to determine the general framework for conducting insurance business in the Kingdom; the cooperative insurance. The Saudi Arabian Monetary Agency was designated as the agency responsible for the implementation of the Law. The Royal decree no. 3120/MB dated 04/03/1426H (13/04/2005G) was issued to give a three-year transitional period (up to 2008G) for the existing insurance companies to adjust their situations to practicing the cooperative insurance activity. This has led new companies to apply for obtaining a license in accordance with the cooperative insurance law. SAMA allowed the companies it had reviewed their files, and are being established by royal decree to renew their clients' insurance policies during a period of time that expired on 17/02/2010G.

Currently, the number of insurance companies operating in the Kingdom of Saudi Arabia, and listed in the Saudi stock Exchange are totaling to 35 companies as of 30/09/2014G.

Summary of Risk Factory

Several risks are associated with Right Issues, summarized as follows:

- Risks relating to the Company activities and operations;
- Risks associated with the market and regulatory environment;
- Risks Relating to shares

Financial Indictors

Financial information relating to 2012G included within the audited financial statements for the fiscal year ended on 31 December 2012G, vary from the financial statements for 2012G which have been included for comparative purposes in the audited financial statements for the fiscal year ended on 31 December 2013G. The financial information for the year 2012G included in the audited financial statements for the fiscal year ended 31 December 2013G include adjustments consistent with the nature of balances in order to conform to the presentation of 31 December 2013G statements. These include

- Reclassification from "Reinsurance balances receivables" to "Premiums and reinsurance balances receivable, net" of SAR 107.4 million;
- Increase of "Reinsurance balances payable" and "Reinsurance balances receivable, net" by SAR 18.4 million;
- Reclassification from "Accounts payable" to "Accounts payable, accrued expenses and other liabilities" of SAR 3.1 million; and
- Decrease of "Premiums and reinsurance balances receivable, net" and "Accounts payable, accrued expenses and other liabilities" by SAR 0.3 million.

Therefore, in order to ensure consistent analysis of similar items, this Prospectus relies on the financial information of 2012G which has been included for comparative purposes in the audited financial statements for the fiscal year ended on 21 December 2013G.

Balance Sheet (SAR Thousands)	Financial Year ended on 31/12/2011G (Audited)	Financial Year ended on 31/12/2012G (Audited)	Financial Year ended on 31/12/2013G (Audited)	Financial Period ended on 30/09/2013G (Unaudited)	Financial Period ended on 30/09/2014G (Unaudited)
Total Insurance Operations' Assets	981,808	1,130,959	830,046	865,153	930,369
Total Shareholders' Assets	180,375	178,490	179,868	180,063	189,713
Total Assets	**1,162,183**	**1,309,449**	**1,009,915**	**1,045,216**	**1,120,082**
Total Insurance Operations' Liabilities and Insurance Operations' surplus	981,808	1,130,959	830,046	865,153	930,369
Shareholders' Liabilities	6,574	11,372	115,828	103,336	137,878
Shareholders' Equity:	173,800	167,118	64,040	76,727	51,835
Total Shareholders' Liabilities and Equity	180,375	178,490	179,868	180,063	189,713
Total Insurance Operations' Liabilities and Shareholders' Liabilities and Equity	**1,162,183**	**1,309,449**	**1,009,915**	**1,045,216**	**1,120,082**

Source: Audited financial statements for years 2011G, 2012G, and 2013G and interim financial statements for the periods ended on 30 September 2013G and 2014G

Income Statement (SAR Thousands)	Financial Year ended on 31/12/2011G (Audited)	Financial Year ended on 31/12/2012G (Audited)	Financial Year ended on 31/12/2013G (Audited)	Financial Period ended on 30/09/2013G (Unaudited)	Financial Period ended on 30/9/2014G (Unaudited)
Insurance Operations					
Gross written premium	565,059	653,945	586,327	465,901	527,662
Net written premiums	333,882	408,456	448,051	346,151	308,038
Total Revenues	361,369	444,008	485,111	371,354	339,253
Gross paid claims	398,863	776,370	607,227	487,830	484,895
Net incurred claims	203,421	315,452	461,889	369,267	258,687
Total costs and expenses	343,760	452,362	601,878	473,622	360,891
Net surplus (deficit) from insurance operations	17,608	(8,354)	(116,767)	(102,268)	(21,638)
Surplus (deficit) transferred to comprehensive statement of Shareholders' Operations	15,847	(8,354)	(116,767)	(102,268)	(21,638)
Shareholders' Operations					
Net surplus (deficit) transferred from results of insurance operations	15,847	(8,354)	(116,767)	(102,268)	(21,638)
General and administrative expenses	2,663	1,284	1,428	1,051	638
Investment income	4,106	6,779	16,363	14,791	11,125
Net (loss) for the period	17,290	(2,859)	(101,832)	(88,528)	(11,151)
Zakat and Income Tax	4,679	3,516	1,500	1,500	500
Change in fair value of available for sale investments	644	1,999	253	364	554
Total comprehensive (loss) for the year	13,255	(4,376)	(103,078)	(90,391)	(12,204)

Source: Audited financial statements for years 2011G, 2012G and 2013G and interim financial statements for the period ended on 30 September 2013G.

Cash Flows Statement (SAR Thousands)	Financial Year ended on 31/12/2011G (Audited)	Financial Year ended on 31/12/2012G (Audited)	Financial Year ended on 31/12/2013G (Audited)	Financial Period ended on 30/09/2013G (Unaudited)	Financial Period ended on 30/9/2014G (Unaudited)
Statement Of Insurance Operations' Cash Flows					
Net cash from (used in) operating activities	59,700	198,300	(259,530)	(264,947)	(74,968)
Net cash from (used in) investing activities	1,198	(140,992)	138,882	110,260	26,219
Net cash from (used in) financing activities	-	-	-	-	-
Cash and cash equivalents at end of year	142,630	199,938	79,290	45,252	30,542
Statement Of Shareholders' Cash Flows					
Net cash from (used in) operating activities	23,821	6,144	(9,396)	(8,996)	3,013
Net cash from (used in) investing activities	26,963	(91,109)	29,453	34,747	(7,009)
Net cash from (used in) financing activities	-	-	-	-	-
Cash and cash equivalents at end of year	98,654	13,689	33,747	39,440	29,751

Source: Audited financial statements for years 2011G, 2012G, and 2013G and interim financial statements for the period ended on 30 September 2014G.

Major Indicators	Financial Year ended on 31/12/2011G (Audited)	Financial Year ended on 31/12/2012G (Audited)	Financial Year ended on 31/12/2013G (Audited)	Financial Period ended on 30/09/2013G (Unaudited)	Financial Period ended on 30/9/2014G (Unaudited)
Profit (loss) per share	(0.86)	(0.14)	(5.09)	(4.43)	(0.56)
Return on Assets	1.70%	(0.20%)	(8.80%)	(9.90%)	(1.40%)
Return on Shareholders' Equity	10.30%	(1.70%)	(88.10%)	(82.20%)	(24.80%)
Net Loss Ratio (Net incurred claims /Net earned premiums)	60.90%	77.20%	103.10%	106.70%	84.00%
Net Profit (Loss) Margin	4.80%	(0.60%)	(21.00%)	(23.80%)	(3.30%)
Total Liabilities to Total Assets	85.00%	87.20%	93.70%	92.70%	95.40%
Average growth of gross written premiums	(0.50%)	15.70%	(10.30%)	(8.60%)	13.30%

Source: Audited financial statements for years 2011G, 2012G, and 2013G and interim financial statements for the period ended on 30 September 2014G and management analysis

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1. Definitions and Abbreviations

Term	Definition
The Company or Arabia Insurance	Arabia Insurance Cooperative Company, a Saudi joint stock company
Advisors	The Company's advisors whose names appear on page (viii)
Actuary	A person who applies various statistical and probability theories to determine the pricing of insurance products, assess the liabilities and calculate provisions.
Related Parties	They are meant to be: 1- The Company's affiliates 2- The Company's substantial shareholders. 3- The Company's directors and senior executives. 4- The Company affiliates' directors and senior executives. 5- The Company substantial shareholders' directors and senior executives. 6- The Company's Legal Advisor and Financial Advisor. 7- Any relatives to the persons described at (1, 2, 3, 4 or 5) above. 8- Any Company controlled by any person described at (1, 2, 3, 4, 5, 6 or 7) above.
Gross Written Premium	Gross written premium of insurance policies within certain timeframe without deducting the premiums ceded to reinsurance companies.
Ceded premiums	The premiums ceded to reinsurance companies within the context of reinsurance operations.
Net Written Premiums	Calculated by deducting the relevant ceded premiums of each line of insurance
Un Earned Premiums	The part of written premiums that covers risks relating to future financial periods.
Board or Board of Directors	Arabia Insurance's Board of Directors whose names appear on page (v)
By-Laws	The Company's By-Laws
CAGR or Compounded Annual Growth Rate	A method used to calculate the growth rate in a certain item during a specific period of time
CMA or the Authority	Capital Market Authority of Saudi Arabia
Companies Regulations	The Companies Regulations issued by Royal Decree No. M/6, dated 22/3/1385H, as amended
Solvency Margin using the Claims method	The solvency margin is calculated by multiplying the specified factor for each insurance line (according to SAMA guidelines) by the Adjusted Net Claims for each line.
Solvency Margin using the Premiums method	The solvency margin is calculated by multiplying the specified factor for each insurance line (according to SAMA guidelines) by the Adjusted Net Written Premium for each line.
Exchange or Tadawul	The Saudi Arabian Stock Exchange
Facultative Reinsurance	An optional case-by-case method of reinsurance. The reinsurer has the option to accept or reject the offered risks.
Proportional Reinsurance	A method of redistributing the insurance amounts (whether premiums or claims) between the Company and the Reinsurer at a certain agreed percentage.
Founding Shareholders	Founding Shareholders of the Company whose names appear on page (29)
Strategic Partners	Strategic Partners are shareholders that provide support to the Company because they possess technical, scientific and operational experience and know how in the Company's activities enabling them to provide added value to the business, thanks to their qualitative knowledge. The Company's Strategic Partners are Arabia Holding (a Holding Company) (a Lebanese Joint Stock Company), and Jordan Insurance Company, a Jordanian joint stock company.
Control	The ability to influence the actions or decisions of another person, directly or indirectly, alone or in combination with a relative or affiliate, through any of the following: (A) Possession of ratio equals to 30% or more of the voting rights in the Company; and (B) the right to appoint 30% or more of the members of the management team.
GCC	Gulf Cooperation Council

Term	Definition
GDP	Gross Domestic Product of K.S.A
General Meeting	General Meeting of the Company's shareholders
The Government	The Government of Saudi Arabia
Public	In the Listing Rules, it means the persons other than the following: (1) affiliates of the issuer; (2) substantial shareholders of the issuer; (3) directors and senior executives of the issuer; (4) directors and senior executives of affiliates of the issuer; (5) directors and senior executives of substantial shareholders of the issuer; (6) any relative of persons described at (1), (2), (3), (4) or (5) above; (7) any company controlled by any persons described at (1), (2), (3), (4), (5) or (6) above; or (8) persons acting in concert, with a collective shareholding of (5%) or more of the class of shares to be listed.
Insurance Law or Cooperative Insurance Companies Control Law	Cooperative Insurance Companies Control Law promulgated by Royal Decree No. M/32 dated 2/6/1424H (corresponding to 31/7/2003G)
Cooperative Health Insurance Council (CHIC)	Cooperative Health Insurance Council is an independent Saudi body established under Article IV of the Council of Ministers Resolution No. (71) of 27/04/1420H (corresponding to 11/08/1999G) which provides for the establishment of the Cooperative Health Insurance Council to oversee the implementation of the Cooperative Health Insurance Law . This Law aims to provide and regulate health care to all non-Saudis residents in the Kingdom. It may also apply to citizens and others under a resolution by the Council of Ministers.
Insurance Policy	A legal document or a contract issued to the Insured by the Company setting out the terms of the contract to indemnify the Insured for loss and damages against a premium paid by the Insured
Protection and Saving Insurance	Insurance operations under which the insurer pays a sum or sums, including saving proceeds, at a future date in exchange for the subscriptions paid by the insured
Implementing Regulations	The Implementing Regulations of the Cooperative Insurance Companies Control Law promulgated by the ministerial order No. 1/561 dated 1/3/1425H (corresponding to 20/4/2004G) issued by the Minister of Finance
Corporate Governance Regulations	The corporate governance regulations in KSA issued by Capital Market Authority under resolution No 2006/212/1 dated 21/10/1427H (corresponding to 13/11/2006G) and subsequent amendments.
Insured	A natural person or legal person, which has taken an Insurance Policy
Insurer	An insurance company that accepts insurance contracts to assume the risk of the insured loss and to compensate for that loss directly to the insured.
KSA, Saudi Arabia, or the Kingdom	The Kingdom of Saudi Arabia
Listing Rules	The Listing Rules issued by the CMA on 20/8/1425H (corresponding to 4/10/2004G) as amended on 28/2/1433H (corresponding to 22/1/2012G)
Lead Manager	Aljazira Capital
Management	The management of Arabia Insurance
Net Proceeds	The net proceeds of the Offering, after deducting the Offering expenses
Offer Price	SAR 12 per Offer Share
Offered Shares	20,000,000 Ordinary shares
Eligibility Date	Close of trading on the date of EGM voting on the increase in the Company's Capital according to the Board recommendation, being Tuesday 18/06/1436H (corresponding to 07/04/2015G).
First Offering Period	The Offering will start on Tuesday 25/06/1436H (corresponding to 14/04/2015G) and will last for 10 calendar days, up to and including the last day of the offering closing on Thursday 04/07/1436H (corresponding to 23/04/2015G).

Term	Definition
Trading Period	The shares trading period will coincide with the start of the First Offering Period and will commence on Tuesday 25/06/1436H (corresponding to 14/04/2015G) and will last for 8 calendar days, up to and including Thursday 04/07/1436H (corresponding to 23/04/2015G).
Second Offering Period	The Second Offering Period will start on Sunday 07/07/1436H (corresponding to 26/04/2015G) and will last for 3 working days up to and including Tuesday 09/07/1436H (corresponding to 28/04/2015G).
Rump Offering	Offering of any Rump Shares unsubscribed for by the Eligible Persons to Institutional Investors during the Rump Offering Period.
Rump Offering Period	Unsubscribed Rump Shares, if any, will be offered for subscription during the period from Sunday 14/07/1435H (corresponding to 03/05/2015G) at 10:00 a.m. up to 10:00 a.m. of the following day which 15/07/1436H (corresponding to 04/05/2015G).
Eligible Persons	Eligible Persons includes both Registered Shareholders and purchasers of Rights during the Trading Period.
Trading of Rights	Eligible persons may trade in (Buy and Sell) the rights issue of (1) right for each (1) of the Company's shares in Tadawul.
Exercising of Rights	Application for subscription to the New Shares by the eligible persons through completion of application forms and payment of the money to the Receiving Agents or through electronic subscription to the Receiving Agents providing such type of service.
Registered Shareholders	Shareholders registered in the Company's Register as at the close of trading on the date of the EGM.
Official Gazette	Um Al Qura, the official Gazette of the Government of Saudi Arabia
Person	A natural person
Prospectus	This document prepared by the Company in relation to the Offering
Policyholder	A person who, according to the Company's records, are at any given time the holders of insurance policies issued, or acquired by the Company
Receiving Agents	Bank Aljazira, Al Rajhi Bank, National Commercial Bank, Saudi British Bank, Saudi Fransi Bank, and Riyad Bank.
Reinsurance	The process by which an insurer or reinsurer insures or reinsures another insurer or reinsurer (the ceding company) against all or a portion of the insurance or reinsurance risks underwritten by the ceding company under one or more policies
Reinsurer	A reinsurance company that accepts insurance contracts from another insurer for some or all the risks it has assumed
SAMA	Saudi Arabian Monetary Agency
SAR or SR	Saudi Arabian Riyal, the official currency of Saudi Arabia
Shareholders	The holder of the Shares as at any particular time
Shares	The Ordinary shares of the Company amounting to 20 million with a nominal value of ten Saudi Arabian Riyals (SAR 10) each.
Aljazira Capital	Aljazira Capital Markets Company, licensed by CMA to conduct securities management, advice, arranging, dealing and custody business. It is a wholly owned company by Bank Aljazira.

Term	Definition
Financial Broker	A joint stock company conducts brokerage business and the broker's agent working for the brokerage firm, who conducts all or some of the following: • acts on commercial basis as a broker in securities trading; • submits on commercial basis an offer to others to obtain financial assets in the form of securities; • implements on commercial basis securities transactions for his own account not through issuance of securities, in order to find a market in the securities, or to make a profit resulting from the difference between the supply and demand prices of securities; • conducts on commercial basis acquisition or offering of securities for the issuer, or a person in control of that issuer; and • Conducts brokerage on commercial basis including currency swap and securities contracts arrangements.
Institutional Investors	This includes a group of institutions, as follows: • Publicly offered investment funds established in the Kingdom that invest in securities listed on the Exchange, provided that the fund's terms and conditions permit such investment, and provided that the terms and conditions of the Investment Funds Regulations are observed; • Persons authorized to deal in securities as principal, provided that financial adequacy requirements are observed; • Companies listed on the Saudi Stock Exchange through their portfolios managed by authorized persons, banks and insurance companies listed in Tadawul, according to the regulations issued by the CMA, provided that the Company's involvement does not lead to a conflict of interests.
SAGIA	Saudi Arabian General Investment Authority
SOCPA	Saudi Organization for Certified Public Accountants
Subscriber	Anybody who subscribes for the offer shares
Subscription Application Form	The application form submitted by the subscriber to purchase the offered shares
Surplus Distribution	Method by which profit of insurance and reinsurance companies is distributed among Policyholders
Tadawul or the Exchange	An automatic system to buy and sell Saudi shares
Technical Provisions	The value set aside to cover expected losses arising on a book of insurance policies and its financial obligations
Reserve for deficit of premiums	It is an estimated reserve determined by the actuary and is based on the ratio of the expected loss for the residual part of the risk and usually arises when an actuarial expert believe that the prices of the policies are not sufficient to cover future claims related thereto.
Underwriter	Aljazira Capital Company
Underwriting Agreement	The underwriting agreement between the Company and the Underwriter
AA	A credit rating from S&P
S&P	Standard and Poor's, an American company specialized in rating and development of rating indicators for the financial markets performance in different world markets in addition to providing analysis and studies to more than 2000 internationally listed companies.
BBB	A credit rating from S&P
AM Best	An international rating company of insurance industry in particular

2. Risk Factors

Anyone wishing to invest in the Rights Issue should carefully study all of the information contained in this Prospectus, including the risk factors described below before deciding whether to purchase the Offer Shares.

Members of the Board of Directors and Executive Management of the Company believe that the risks outlined below that the Company may encounter are material risks, and they may adversely affect the Company's activities, financial position, results of operations, and cash flow if any of them occurs. The Company may encounter other risks currently unidentified or considered immaterial by the management, and if any or some of these risks occur or become material, the value of the Offer Shares will decrease and prospective investors may lose all or part of their investment in the Offer Shares.

Members of the Board of Directors further declare that, to the best of their knowledge and belief, there are no significant risks that can affect decisions taken by investors as of the date of this Prospectus, except as disclosed in this Section.

This Prospectus includes also forward-looking statements and data involving risks and uncertainties. In this regard, the actual results of the Company may materially differ from those in the assumed forward-looking statements and data, due to some factors, including the risks faced by the Company as described below or in other locations of this Prospectus.

An investment in the shares of the Company is only suitable for investors who are capable of evaluating the risks and merits of such an investment. Therefore, prospective investors who have doubts about which actions to take should refer to a person licensed for providing advice about purchasing shares and other securities.

The order in which the risks and the uncertainties are listed below is not intended to reflect their likely significance or impact on the Company and its operations.

2.1 Risks relating to the Company business and operations

2.1.1 Risk related to Company's insurance portfolio concentration in least profitable activities

The Company's operations concentrate on motor and health insurance. The table below shows the concentration in the last four years:

1- Table (2.1): Company's insurance operations concentration

	2011G	2012G	2013G	2014G
Motor	41%	52%	45%	53%
Health	40%	31%	31%	28%
Others	19%	18%	24%	19%

Source: Audited financial statements for the years ended December 31, 2011G, 2012G and 2013G, and interim financial statements for the period ended December 31, 2014G

Profit Margins vary according to insurance categories, where net loss rates for motor and health insurance are considered higher compared to other products:

2- Table (2.2): Net loss ratios for the Company

	2011G	2012G	2013G	2014G
Motor	74%	83%	110%	89%
Health	39%	72%	94%	50%
Others	76%	46%	36%	71%

Source: Audited financial statements for the years ended December 31, 2011G, 2012G and 2013G, and interim financial statements for the period ended December 31, 2014G

Due to high net loss ratios of motor and health insurance in recent years, the Company was forced to increase the prices, based on recommendation of the actuary of the Company, resulting in a lower market share of the Company for these two sectors. In case net loss ratios for these two sectors do not drop, or in case of inability to diversify its insurance portfolio, the Company's results and financial performance will be adversely and materially affected.

2.1.2 Customer concentration risks

Insurance policies issued to five largest customers of the Company accounted for 45.3% of the Company's total operations in 2011G, 50.8% in 2012G, and 49.7% in 2013G (see "Financial Information and Management Discussion and Analysis" section, page No. "80"). In 2014G, the Company's operations concentrated on four major customers, for whom insurance policies accounted for 59.2% of the Company's operations, as follows:

- Saudi Oger: 26.4% of the gross written premiums for the Company in 2014G.
- Aljomaih Automotive Trading Co: 14.6% of the gross written premiums for the Company in 2014G.
- Aqsat International Trading Co.: 11.6% of total gross premiums for the Company in 2014G.
- Ajil Financial Services Company: 6.6% of the gross written premiums for the Company in 2014G.

It should be noted also that health insurance written premiums by Saudi Oger represented 84.4% of the total health insurance premiums for the Company in 2014G. In case the Company loses one or more of the major customers, or if it is unable to diversify its customer base, its revenues, financial condition and results of operations will be adversely affected.

2.1.3 Risks related to technical provisions (reserves)

The Company sets aside provisions in the balance sheet according to the requirements of Article (69) of the Implementing Regulations of the Cooperative Insurance Companies Control Law in order to meet future projected obligations. They include estimates of amounts for payment of reported and unreported claims and expenses related to adjustment of losses. The process of estimating reserves and provisions is subject to future expectations of the size and frequency of claims, according to historical data in the insurance sector. The process of determining the appropriate level of reserves for insurance claims process is inherently uncertain due to the newness of insurance sector in the Kingdom and the difficulty and complexity of the assumptions based on which the reserves are allocated.

Since the size of reserves is based on future estimates, it is possible that the Company's reserves prove to be inadequate at any period, whereupon the Company should increase them. On the other hand, reserves allocated may be in excess of the Company's need, which will deprive the Company from an opportunity to invest the surplus allocations. Therefore, the error in the process of estimating reserves will have negative impact on the Company's financial condition and results of operations.

2.1.4 Risks related to amending international accounting standards

The Council of International Accounting Standards affiliated to the International Accounting Standards Organization develops and reviews international standards for financial reporting on regular basis. The Council has recently issued amendments to these standards (Please refer to "Financial Information and Management Discussion and Analysis" section on page "66") as follows:

- Amendments became effective as of 1/1/2014G and should be applied before 1/1/2016G.
- Amendments become effective as of 1/1/2018G.

The Company Management has decided not to apply early these effective amendments. The Company's application of these standards may lead to adverse impacts on the Company's financial condition and results of operations.

2.1.5 Unforeseen disaster risks

The Company offers property insurance products. The table below shows the total premiums earned and claims incurred for this sector for the years 2012G, 2013G and 2014G:

3- Table (2-3): Premiums earned and claims incurred for property sector for the years 2012G, 2013G and 2014G

SAR '000	2012G	2013G	2014G
Earned Premiums	1,251	882	903
Earned Premiums as a percentage of total	0.3%	0.2%	0.2%
Incurred Claims	782	215	3,840

Source: Audited financial statements for the years ended on 31 December 2011G, 2012G and 2013G, and interim financial statements for the period ended December 31, 2014G.

Unexpected natural or unnatural disasters, will directly affect the Company's business and performance. The Company will be exposed to high number of claims arising from the occurrence of unforeseen disasters such as storms, hurricanes, earthquakes, fires, riots, and others, and as such, the increasing number of claims will adversely and materially affect the Company's financial condition and results of operations.

2.1.6 Reinsurance risks

The insurance companies, in the normal course of their business, depend on reinsurance agreements concluded with local and offshore Companies to minimize risks arising from insurance coverage provided to the customers (Please refer to "Reinsurers" section on page "36").

The availability, amount and cost of reinsurance are subject to the prevailing market conditions, which are usually beyond the Company's control. Article (40) of the Implementing Regulations of the Cooperative Insurance Companies Control Law requires the following:

- Insurers must retain at least 30% of the total amount of written premiums.
- At least 30% of gross written premiums within the Kingdom of Saudi Arabia should be reinsured. The Company does not currently adhere to this condition.

The Company deals with a small number of reinsurers, such as its largest reinsurer (Hanover Re) which has acquired almost 40% of the Company's reinsurance portfolio for the year 2014G.

Fluctuations in the reinsurance market may result in marked increase in reinsurance fee, which would adversely affect the Company's profitability.

In addition, there is no guarantee that reinsurers would pay their share in future claims, and failure to pay would adversely affect the Company's financial situation, relationship with customers and its future profits.

Also, the Company is exposed to credit risk related to reinsurers, as well as other risks related to them outside the Kingdom, with respect to political, regulatory and economic conditions in their countries. However, risks related reinsurers would not relieve the Company from its obligations to its insured customers.

It is worth mentioning that there are some contracts that have been signed with various reinsurance companies, which states that reinsurer may terminate reinsurance agreement in case of any change in ownership of the Company or its control. No assurance has been obtained for reinsurance companies that Rights Issue will not result in termination of the related reinsurance agreements. In case Rights Issue is considered to make change in the ownership or control of the Company, and certain reinsurance agreements are terminated, the Company's operations and financial results will be adversely affected.

2.1.7 Risks relating to dependence on key personnel

The Company's Management depends mainly on qualified employees to fill its key positions. The Company does not give any assurances that it will succeed in attracting and retaining key personnel. Also, the Company is not insured against damages to its business due to loss or termination of any of its key employees.

In addition, the Company has many non-Saudi employees who occupy key leadership positions and they work according to the Labor laws of the Kingdom. In the case the applicable laws and policies are changed or new restrictions are imposed on non-Saudi workers in the Kingdom, this will impede the Company's ability to retain its employee or attract new employees, or its ability to process official transactions such as issuance or renewal of work permits and others.

If the Company is unable to retain its key personnel, and in case of their loss or separation, the Company's business, financial condition and results of operation will be adversely affected.

2.1.8 Risks relating to some vacant key positions in the Company

The Company has five vacant key positions as follows: Deputy General Manager for Operations, Director of Sales and Marketing, Deputy General Manager for Medical Insurance, Director of Protection and Savings Insurance and Deputy General Manager for General Insurance. Currently, other employees of the Company are carrying out the tasks related to these vacant positions on temporary basis. Filling these positions is necessary, as they affect the Company's ability to manage its operations efficiently.

Company's productivity and financial performance will be adversely affected in the event of delay in hiring or in the event of not being able to appoint a person who possesses the required efficiency and expertise that should be met by candidates to fill these positions, due to the impact of these positions on the Company's ability to implement its established strategies and plans.

It should also be noted that there is a vacancy in the Board of Directors. The Company's bylaws provides for eleven members, while the current Board of Directors consist of ten members only. Failure to fill the vacant positions may expose the Company to sanctions that will adversely affect its financial performance and results of operations.

The Company bylaws stipulates that the Board of Directors shall appoint Managing Director for management of the Company. The Company has not yet appointed Managing Director, which may lead to imposition of sanctions on the Company and accordingly would adversely affect the financial performance and results of operations.

2.1.9 Risks relating to staff errors and misconduct

Any employees' errors or misconduct during performance of their work with the Company may result in violation of the prevailing laws and regulations, which in turn will lead to imposition of financial penalties, sanctions or fines on the Company or result in damage to its reputation. The Company does not guarantee nonoccurrence of errors or misconduct by employees, and if that occur, they would adversely affect its financial performance and results of operations.

2.1.10 Risks relating to sources of financing

The Company's ability to conduct its operational activities and expansion of its business and investments depends on many factors, among the most important of which is to obtain financing. To obtain additional financing may require issuance of new shares, which is the main source of funding for the Company, getting loans from any of the commercial banks operating in the Kingdom, or the issuance of Sukuk. Access to sources of funding may be based on conditions unfavorable to the Company in terms of adequacy or cost of funding. Financial markets conditions, general perception of the society regarding cooperative insurance sector's compliance with the principles of Islamic Law and other factors, have impact on the availability and cost of financing sources available to the Company. If the Company is unable to obtain timely and appropriate financing, its performance and results of operations would be adversely affected.

2.1.11 Risks of lack of satisfactory investment returns

The performance of invested assets is subject to a variety of risks, including general economic conditions, market fluctuations, volatility of return on investment, liquidity risks, credit risks and non-payment risks. If the Company fails to balance its portfolio with financial obligations, it may be forced to liquidate their investments at unfavorable times or prices, which could adversely and substantially affect the financial conditions and operation results.

The Company has also obtained SAMA's approval on its investment policy. In case of any discrepancies between what was submitted to SAMA and approved by it, and the policies followed, SAMA may request the Company to rectify its situation and provide reasons for non-compliance, and implement some supervisory and other regulatory procedures that might adversely affect the Company's financial condition and operations.

Investment portfolio is also affected by lack of certain financial products, such as derivatives, which might lead to less diversification of asset classes in which the Company may invest, and result in lower investment returns. If the Company fails to diversify its investments, its profitability and financial performance would be affected.

2.1.12 Risks relating to IT system failures

The Company uses several IT systems and computer programs in the course of its operations. They include programs for communications, sales, policy issuance, claims management, financial and technical programs, in addition to maintaining information and data and keeping other electronic files. These programs and technology systems assist in dealing with huge number of operations continuously and without interruption, and provide protection from technical problems, malfunctions and viruses that may appear suddenly.

In case the systems, programs and backup plans of the Company, any of its branches or other associated entities fails during operations, the Company does not guarantee that there would be no partial or total interruption of its operations which would impede its ability to conduct its normal business, and accordingly would adversely affect the Company's financial performance, results of operations and reputation.

2.1.13 Risks relating to efficient risk management policies

The Company follows certain policies to manage, measure and control risks in line with the Implementing Regulations of the Cooperative Insurance Companies Control Law and Risk Management Regulation for Insurance Companies issued by SAMA, which are assessed and updated periodically. Failure to implement, update or obtain adequate information to respond in a timely manner will expose the Company to a variety of risks, including, for example, non-compliance with regulations of the Cooperative Insurance Companies Control Law, which will adversely and significantly affect the Company's results, financial performance and continuity.

2.1.14 Liquidity risks

The Company faces liquidity risks when it is unable to provide the necessary funds to meet its financial obligations and liabilities arising from operational activities on time. The Company does not guarantee non-occurrence of any sudden events that may require immediate liquidity, which would adversely affect its operational performance and financial condition.

2.1.15 Credit risks

Credit risks arise when one of the parties is unable to meet its financial obligation to the other party. The Company may face credit risk in several temporary or permanent cases, including the inability of reinsurers to meet their obligations in settlements, existence of receivables from customers, and failure of third parties to fulfill their obligations towards the Company, and others.

The Company cannot assure that the parties with which it deals would meet their obligations. It also cannot predict their future ability to accurately abide by their obligations. In case the creditors do not discharge their obligations towards the Company, its financial condition and results of operations would adversely and significantly affected.

2.1.16 Risks relating to reliance on brokers and agents

The Company deals with several brokers and agents for marketing and distribution of its products (Please refer to "Legal Information" section, page No. "158"). Gross written premiums through these brokers and agents represented 42.4% of the total gross written premiums for the year 2014G as compared with a percentage of 41.5% in 2011G, 48.3 in 2012G and 380 38.2 in 2013G (Please refer to "Financial Information and Management Discussion and Analysis" section, page No. "80").

The Company cancelled the agreement with Almayazin Inc. (Company agent) for sale of motor insurance at the end of 2013G due to lack of the agent's ability to achieve meaningful sales as a result of increase of motor insurance premiums against third party liability by the Company, following the recommendation of the actuary. It should be noted that the average gross written premiums by Almayazin Inc. through the years 2011G, 2012G and 2013G amounted to SR 11.2 million, or about 1.9% of the average gross written premiums in the same period.

Due to reliance on brokers and agents, any interruption or termination of arrangements with them, or noncompliance by them with the Implementing Regulations of the Cooperative Insurance Companies Control Law or the Insurance Intermediaries Regulation or Insurance Market Code of Conduct Regulations, would significantly and adversely affect the Company's sales, reputation, financial condition and results of operations.

2.1.17 Risks of currency exchange rates fluctuation

Risks of currency exchange rates arise when the Company has relationships with foreign parties not residing in the Kingdom and requiring it to deal with them in foreign currencies. The Company's operations are currently in Saudi Riyals only, including transactions with reinsurers outside the Kingdom. If the Company has future contracting with non-resident parties where financial transactions are made in foreign currencies, the Company will encounter the risk of foreign currency exchange rate fluctuations. Any significant unexpected fluctuations in exchange rates will adversely affect the Company's revenues and financial performance.

2.1.18 Risks of rating

The Company deals with several reinsurers rated by Standard & Poor's (S&P) or (AM BEST), which are international entities conducting rating of insurance and reinsurance companies and other financial service companies on regular basis in terms of their the strength of their financial conditions, financial condition, efficiency of claim coverage, as well as quality of their services and the strength of their reinsurance programs (see "Arabia Insurance' Background and the Nature of its Activities" section, page No. "36").

This rating is not an evaluation of the Company's shares or recommendation to invest in any of the rated companies. Also, this rating is subject to change in the event of degradation of financial condition and efficiency of the reinsurance companies that deal with the Company. Changes in rating may affect customer confidence in the Company's strength and ability to meet its obligations, and will adversely affect its business and future performance.

2.1.19 Risks of issuance and translation of insurance policies

The Company studies the potential risks before issuing insurance policies to the requestor, and this is done through the process of assessment of risks relating to customers themselves, study of any concentration of insured risks, as well as an estimate of what the nature of the risks insured, legal obligations and liabilities associated with the insurance policies and risks relating to claims. This is in addition to carrying out an assessment of the risks of any lawsuits or settlements of claims filed by and against the client. The Company's poor estimates of the risks of issuing insurance policies will make the Company suffer financial losses and will adversely affect its performance in the future.

In addition, insurance products contracts offered by the Company are sometimes drafted in English and then translated into Arabic. It is worth mentioning that Arabic translation of some items in the insurance policies is not perfect as for terminologies mentioned in the policy which may lead to dispute between the parties about the interpretation of meanings, and resulting in conflicts with customers and adversely affect the Company's business and financial results.

2.1.20 Risks relating to renewal of current insurance policies

The Company follows up with its clients before expiration of policies in order to retain them and renew insurance policies for additional periods or issuance new policies in line with their requirements. Renewal rates in motor and health insurance for individuals are low in general as a result of competition in the market. If the Company fails to renew the policies issued to existing customers, gross written premiums for the Company may decline in the future, which would adversely affect the Company's continuity, size of operations and financial performance.

2.1.21 The effect of decline of the customers trust in the Company

Any decline in the level of customer confidence in the Company will lead to higher incidents of cancellation of insurance policies and refunding of their values, or refrain from underwriting in the insurance policies, which would adversely affect the Company's sales, financial conditions and results of operations.

2.1.22 Risks relating to the Company's losses

The Company has reported accumulated losses of SR 136.3 million as at 31 December 2014G (as per the unaudited interim financial statements for the period ended 31 December 2014G), which amounts to 68.2% of its share capital. Article (148) of the Companies Law, issued by the Ministry of Commerce and Industry as per Royal Decree No. (M/6) dated 22/03/1385H (20/07/1965G), and its amendments, stipulated that in the event that accumulated losses of a joint stock company reaches 75% of its capital, Board of Directors should call the extraordinary general assembly to convene to consider continuation or dissolution of the Company before the end of its duration as specified in its By-laws.

In addition, the Regulations relating to procedures and instructions for listed companies, that reported accumulated losses of 50% or more of their capital ("Regulations"), issued by the Board of CMA under Resolution No. 4-48-2013, dated 15/01/1435H (corresponding to 18/11/2013G), specified that certain actions should be applied on these companies.

Article four of this regulation states that in case the Company's losses exceed 75% and less than 100% of its share capital:

a. The Company should immediately announce to the public in the event that its accumulated losses reaches 75% or more and less than 100% of its capital. The announcement should specify the amount of accumulated losses, their percentage of the share capital and the factors leading to the loss, with the Company's compliance with any related procedures or instructions.
b. The Company's shares trading will be suspended for one trading session following the announcement mentioned in paragraph (a) of this article. The Exchange adds a sign next to the Company's name on its website, referring to the percentage of the accumulated losses which reached more than 75% and less than 100% of its shared capital.
c. When suspension of trading of the Company's shares is lifted, the time required to implement clearing of orders for sale and purchase of the Company shares would be two working days (T+2).
d. Without prejudice to the provisions of Article (148) of the Companies regulations, the Board of Directors should prepare a plan to modify the Company's conditions and announce that to the shareholders of the Company within a period not exceeding 90 calendar days of the issuance of the announcement referred to in paragraph (a) of this Article.
e. Annex No (1) of the Implementing Regulations relating to the procedures and instructions for listed Companies, whose accumulated losses reached 50% or more of their capital, specifies the minimum information that must be included in the plan required in accordance with paragraph (d) of this Article.

f. The Company's Board of Directors must form a committee composed of not less than three members, including one Director, to be responsible for implementation of the required plan in accordance with paragraph (d) of this article, and to inform the Board of Directors of the relevant updates.

g. The Company must announce to the public on a quarterly basis the details of implementation of the plan required as per paragraph (d) of this article. The announcement shall include the following:

   1. Disclosure of future quarterly and annual financial projections contained in the plan required in accordance with paragraph (d) of this article, and compare them with actual quarterly and annual financial statements, and explanation of reasons of performance deviation, if any.
   2. Description of actual implementation of performance indicators referred to in Annex (1) of this regulation.

h. The Company should announce to the public at the end of each month (according to the calendar used in calculating its fiscal year) its financial statements prepared by the Company's management, within ten days following the end of each month.

i. The Exchange removes the sign referred to in paragraph (b) of this article and repeat the period to instantly sell and purchase the Company's shares (T+0) upon reducing of the accumulated losses below 75% of the Company's share capital, and the lapse of two financial years each of 12 months minimum (following the fiscal year during which the losses reached 75% or more of the Company's share capital), provided the audited annual financial statements show operational profits and positive operational cash flow for the last fiscal year.

j. The listing of the Company's shares is cancelled 30 days after the occurrence of any of the following:

   1. The Company's failure to develop the required plan pursuant to paragraph (d) of this Article.
   2. The lapse of the two fiscal years following the fiscal year during which the Company's accumulated losses exceeded 75% of its share capital without adjusting the Company's situation by reducing its accumulated losses below 75% of its share capital; or the Company's failure to achieve operational profits and positive cash flow for the last fiscal year.

Article five of this regulation stipulates also that when the Company's accumulated losses reached 100% or more of its share capital:

a. The Company should immediately announce to the public in the event that its accumulated losses reached 100% of its capital. The announcement should specify the amount of accumulated losses, their percentage of the share capital and the factors leading to the loss, with the Company's compliance with any related procedures or instructions.

b. The Exchange adds a sign next to the Company's name on its website, indicating that the percentage of the accumulated losses reached 100% of its share capital, immediately after the announcement referred to in paragraph (a) of this Article.

c. When the sign referred to in paragraph (b) of this Article is added, trading of the Company's shares in the Exchange will be suspended.

d. Without prejudice to the provisions of Article (148) of the Companies Regulations, the Board of Directors should prepare a plan to modify the Company's conditions and announce that to the shareholders of the Company within a period not exceeding 90 calendar days of the issuance of the announcement referred to in paragraph (a) of this Article.

e. Annex No (1) of the Implementing Regulations, relating to the procedures and instructions for listed Companies whose accumulated losses reached 50% or more of their capital, specifies the minimum information that must be included in the plan required in accordance with paragraph (d) of this Article.

f. The Company's Board of Directors must form a committee composed of not less than three members, including one of Director, to be responsible for implementation of the required plan in accordance with paragraph (d) of this article, and to inform the Board of Directors of the relevant updates.

g. The Company must announce to the public on a quarterly basis the details of implementation of the plan required as per paragraph (d) of this article. The announcement shall include the following:

   1. Disclosure of future quarterly and annual financial projections contained in the plan required in accordance with paragraph (d) of this article, and compare them with actual quarterly and annual financial statements, and explanation of reasons of performance deviation, if any.
   2. Description of actual implementation of performance indicators referred to in Annex (1) of this regulation.

h. The Company should announce to the public at the end of each month (according to the adopted calendar used in calculating its fiscal year) its financial statements prepared by the Company's Management, within ten days following the end of each month.

i. The Company's shares may be traded during the suspension period, through the Security Depository Center, in accordance with CMA applicable norms.

j. The Exchange removes the sign referred to in paragraph (b) of this article and lifts the suspension of trading the Company's share upon reducing the accumulated losses below 75% of the Company's share capital,

and the lapse of two financial years each of which shall not be less than 12 months (following the year during which the losses reached 75% or more of the Company's share capital), provided that the audited annual financial statements show positive operational profits and positive cash flows for the last fiscal year.

k. The listing of the Company's shares is cancelled 30 days after the occurrence of any of the following:
   1. The Company's failure to developed the required plan pursuant to paragraph (d) of this Article.
   2. The elapse of the two fiscal years following the fiscal year during which the Company's accumulated losses exceeded 100% of its share capital without adjusting the Company's situation by reducing its accumulated losses below 75% of its share capital (This period shall include the period specified in sub-paragraph (2) of paragraph (j) of Article Four of the Regulations relating to the procedures and instructions for listed companies, with accumulated losses reached 50% or more of the share capital); or the Company's failure to achieve operational profits and positive cash flow for the last fiscal year.

There are no guarantees that the Company will discontinue realizing further losses in the future. In case the Company continues to realize losses or if it is liquidated, shareholders will lose all or part of their investments in its shares.

2.1.23 Risks relating to Solvency requirements

According to Articles (66), (67) and (68) of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by the Saudi Arabian Monetary Agency, insurance companies shall maintain a minimum solvency margin cover equivalent to 100%, which means that net value of assets that can be included in the calculation of the solvency margin is not less than the required minimum solvency margin. Arabia Insurance's Solvency margin cover rate reached (minus 33.5%) as at 31 December 2014G, based on interim unaudited financial statements for the period ended December 31, 2014G).

The Company's solvency level is affected primarily by the technical reserve that it is required to maintain, which in turn is affected by the volume of insurance policies sold and their profits, returns of investments, size of claims, and the overall growth of business. SAMA periodically monitors the performance of insurance companies and requires them to set aside additional provisions to maintain the required level of solvency margin cover. When the level of the Company's solvency margin cover declines, SAMA imposes various remedial actions that may adversely affect the Company's results and financial condition, including the following:

- Increase Company's share capital.
- Decrease costs.
- Liquidate certain assets.
- Amend product prices.
- Stop underwriting new policies.
- Any other action deemed appropriate to the Company and approved by SAMA.

In case of Company's failure to satisfy the solvency requirements within a timeframe set by SAMA and after taking aforementioned actions, SAMA may solicit the appointment of a financial advisor to restructure the Company or otherwise withdraw the license which would adversely affect the Company's financial performance, results of operations and reputation.

As the actual solvency margin cover for the Company has declined below 25% (see "Financial Information and Management Discussion and Analysis" section on page No. "132"), and according to SAMA requirements, the Board of Directors in its resolution on 02/11/1435H (corresponding to 28/08/2014G), recommended to increase share capital of the Company from two hundred million Saudi Riyals (SR 200,000,000) to four hundred million Saudi Riyals (SR 400,000,000) to meet solvency requirements, after obtaining the necessary regulatory approvals. The Extraordinary General Assembly approved in its meeting held on Tuesday 18/ 06/1436H (07/04/2015G) the recommendation of the Board of Directors to increase the Company's share capital.

In addition, according to Article (65.2) of SAMA's Implementing Regulations, the maximum concentration ratio for each class of assets shall not exceed 20% of total assets. Currently, the Company does not comply with of these terms (see "Financial Information and Management Discussion and Analysis" section, page number "132"). SAMA may at its discretion impose modifications to the solvency account due to non-compliance with regulatory limits of asset concentration rate, which would adversely affect the solvency of the Company.

2.1.24 Risks relating to transactions with Related Parties

Total annual written premiums of insurance contracts with related parties shown below reached about SR 5.6 million as of 30 Nov. 2014G (see "Legal Information" section, page No. "160"), which accounted for 1.1% of gross written premiums in the same period. These transactions with related parties are summarized as follows:

- Insurance contracts for Abdulhadi Alqahtani & Co. for Services (company indirectly owned at 32.7% by the Chairman of the Board of Directors of Arabia Insurance Company)

- Insurance contracts with the Saudi Mais Company for Medical Products (company owned at 51% by a shareholder in Arabia Insurance)
- Insurance contracts for Arab Supply and Trading Co. (a major shareholder in Arabia Insurance)
- Motor insurance contracts for some members of the Board of Directors and Senior Management.

It should be noted that the above mentioned Abdulhadi Alqahtani & Co. for Services Co. should pay insurance premiums under insurance contract with the Company amounting to SR 3,116,217 as of 30 Nov. 2014G. Article (49) of the Implementing Regulations of the Cooperative Insurance Companies Control Law states that any insurance policy for any related parties shall not be issued or renewed until due premiums are paid in full. Practically, premiums of insurance policies with related parties are not paid in full when issued or renewed as specified above, which may expose the Company to disciplinary actions, penalties or sanctions by SAMA, and that would adversely affect its operations and financial performance.

The Company's Bylaws states that every member of the Board of Directors shall deposit at least 5,000 shares of the Company to ensure their compliance with any contracts entered into between the Company and Board members, and which were approved by the General Assembly. The Company currently does not comply with these conditions, and such violation of its Bylaws may results in imposition of sanctions, which would adversely affect its financial performance and results of operations.

The Company issued insurance policies for some members of its Board of Directors, and has not obtained the approval of SAMA to issue such policies as stipulated by the Company By-Laws, making it subject to sanctions that, if applied, would adversely affect its operations and financial performance.

2.1.25 Risks relating to contracts with third parties

The Company has entered into several agreements with several parties in its regular course of business (see "Legal Information" section, page "155"), most prominent ones include:

- Insurance coverage agreements
- Agreements with reinsurers
- Agency agreement with the National Takaful Company to market, represent and sell the Company's products.
- Brokerage agreements with thirty-six insurance brokers to sell the Company's products.
- Agreement with Manar Sigma Company to provide consulting insurance and actuarial services.
- Agreement with Globe Med Company to work as insurance claims settlement specialist for the management of medical insurance claims.

The Company depends on willingness and ability of all parties to fulfill their obligations under the terms and conditions of the said agreements. As no assurances or confirmation can be given, regarding the parties' compliance with the mentioned agreements, any breach to any of these agreements by the parties will adversely and materially affect the Company's business and financial performance.

Furthermore, in case the Company has entered into contracts that do not meet all legal requirements applied to lease contracts of some branches of the Company, it may result in disputes that lead to have the Company make payments to various parties for compensation of its obligations under these contracts, which will adversely affect the profitability of the Company and its financial performance.

2.1.26 Risks relating to the current status of Zakat

The Company has submitted grievances to Department of Zakat and Income Tax (DZIT) regarding differences of SR 1,600,000 resulted from the method of calculating the amounts to be paid by the Company for the years 2008G to 2011G. In the event that the Company's does not win its objection, it shall pay the specified amount of SR 1,600,000.

The Company also received a provisional DZIT certificate for the year 2013G and it is valid until April 2015G. Since the Zakat position of the Company for the past years has not become final until now, there is a risk that the Company will be obliged to pay sums of money to DZIT, in excess of what has been allocated for these years, which would adversely affect the profitability of the Company and its financial performance.

2.1.27 Risks relating to protection of trademark and intellectual property

The Company has registered its Trademark with the Ministry of Commerce and Industry and obtained its final approval and certificate of trademark registration on 03/03/1429H (11/03/2008G) (see "Legal Information" section, page No. "159"). It relies on its ability to protect and use its brand to compete in the market. In case of lack of ability to protect its trademark, the Company's results, business and reputation would be adversely affected.

2.1.28 Risks relating to litigation and legal proceedings

In general, companies deal with individuals, companies and other parties through legal contracts and agreements that define the framework and the type of relationship between the two parties. Therefore, companies are subject to judicial and legal disputes filed by or against the, as a result of non-compliance with contracts or responsibilities, non-payment of dues, disputes with customers, labor conflicts or others.

It is worth mentioning that the Company is currently involved in nine judicial disputes (see "Legal Information" section, page No "162"). It is a plaintiff in four suits worth a total of approximately SR 1.6 million, and a defendant in five other cases worth a total of approximately SR 3.0 million. In the event that the Company lost one of those cases, or all of them, it would be obliged to pay the amounts claimed by plaintiff parties, it would be subject to loss of amounts that it claimed for, or it would be liable to pay substantial legal expenses, which would adversely affect its financial condition and results operations. The Company also does not guarantee that no legal issues would arise in the future, which could lead to payment of claims or substantial financial compensation, which would adversely affect the Company's reputation, results of operations and financial performance.

2.2 Risks associated with the market and regulatory environment

2.2.1 Risks relating to withdrawal of license by SAMA

The Company has obtained SAMA's license No. TMN/15/20086 dated 14/06/1429H (18/06/2008G) to practice insurance and reinsurance activities in accordance with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations. Upon the request of the Company, SAMA approved amendment of the Company's license so that it will be limited to practice of insurance activity, pursuant to letter No. 351000076885, dated 14/06/1435H (14/04/2014G). The Company operates in accordance with specific conditions of SAMA as per laws and regulations in place. The Company shall adhere to Article (76) of the Implementing Regulations of the Cooperative Insurance Companies Control Law after obtaining the license. SAMA has the right to withdraw the Company's license in any of the following cases:

- If the Company does not practice its licensed activity within six months;
- If the Company does not fulfill requirements of Law or the Implementing Regulations;
- If it is established that the Company has deliberately provided SAMA with false information and data;
- If SAMA found that the entitlements of the insured, beneficiaries, or shareholders are exposed to loss due to the way by which the activity is practiced;
- If the Company becomes bankrupt, and unable to meet its obligations;
- If the Company deliberately conducts business in a fraudulent and deceptive manner;
- If the paid up capital of the Company falls below the prescribed minimum limit or the Company does not fulfill the solvency requirements under Article (68) of the Implementing Regulations;
- If the insurance activity in classes of insurance falls to a limit that SAMA deems unviable for the Company to operate under;
- If the Company refuses to pay the claims due to beneficiaries for no reason;
- If the Company prevents the inspection team appointed by SAMA from examining the records; and
- If the Company refuses to implement a final judgment in connection with any insurance disputes.

If the Company fails to fulfill or comply with the terms and conditions of the Implementing Regulations, it would be subject to withdrawal of its license, where would not be able to continue practicing its business in the Kingdom, and as a result, investors would lose all or part of their investments in the Company.

2.2.2 Risks relating to the Cooperative Insurance Companies Control Law and its Implementing Regulations in the Kingdom of Saudi Arabia

Insurance companies practice their activities according to the Cooperative Insurance Companies Control Law and its Implementing Regulations in the Kingdom of Saudi Arabia. The law specifies the framework of the insurance companies with respect to business lines, capital requirements, surplus, size of insurance claims, size and types of investments, technical standards, settlement arrangements, the adequacy of reserves, and others. Accordingly, any changes, modifications or new policies in insurance regulations could adversely affect the Company's business, financial condition and operational results.

The works of insurance companies are regulated and monitored by SAMA which has the full authority to take the necessary measures to regulate the sector, including issuance of approvals for work licenses or their modifications, approvals for launching insurance products and their types, and to impose fines and other sanctions. In the case of the Company's failure to comply with the Cooperative Insurance Companies Control Law and its Implementing Regulations, it will subject to fines or sanctions, which would adversely and materially affect its results of operations, financial performance or continuity.

2.2.3 Risks of Insurance Business

Regulation of the Insurance Sector is considered new, as the Cooperative Insurance Companies Control Law was issued in 2003G, and its Implementing Regulations were issued 2004G. Shares of most Saudi insurance companies were listed in the Saudi stock Exchange during the last seven years. Since the insurance business is based on historical information and data to assess future estimated risks that include a lot of important assumptions that cannot be predicted due to their nature, and they are beyond the control of the Company, such risks are not properly reflected in the Company's calculation of the expected losses, premiums assessment and pricing or technical allocations to meet future claims. Thus, any error in calculation of net risks that the Company is exposed to, will adversely affect its financial condition and results of operations.

2.2.4 Risks relating to political and economic atmosphere and Insurance sector conditions

The Company is significantly affected by the changes on economic and political conditions in Saudi Arabia, particularly the insurance sector's conditions. Changes in political and economic conditions, such as judicial decisions, political developments, economic criteria, rates of inflation, changes in consumer demand, purchasing ability, the Kingdom's financial results and other, may affect size of future claims, which will be adversely reflected on the profitability of insurance companies. As it is not possible to predict the negative impacts caused by political and economic atmosphere and the sector's conditions in the future, there would be no assurance that future economic conditions will not adversely and substantially affect the Company's earnings and financial condition.

2.2.5 Growth of the Insurance market

Insurance market growth rate in the Kingdom of Saudi Arabia is affected by several factors and events, such as keeping pace with the progress in general economic growth, development of social welfare, economic movement, population count, administrative organization, size of demand and others. Growth of the sector is generally considered a hypothetical matter based on future uncertain projections beyond the control of the Company. In case the insurance industry or various categories of insurance do not realize the expected growth according to the Company's expectations, its revenues, returns and results of operations will be adversely affected.

2.2.6 Risks relating to competition and expansion

According to the List of Insurance and Reinsurance Companies and Services Providers issued by SAMA on 24/03/2014G, the number of insurance companies authorized to work has reached (35) companies and they are all listed in the Saudi Stock Market (Tadawul). Three insurance companies acquired in 2013G a total of 51.2% of the gross written premiums, while 32 insurance companies share the remaining percentage of (48.8%), leading to have small companies lose the ability to price their products, as they must take into account the applicable rates by top companies when determining the prices of their products, which would adversely affect the profitability of the Company and its financial performance in case it is forced to reduce the prices of their products to maintain its market share.

The insurance companies compete to increase their market share in the insurance sector in the Kingdom through several factors, including the diversification of the offered products, the quality of services, premiums charged, financial rating approved by independent evaluation entities and institutions, terms and conditions of coverage, speed of claims payment, the Company's experience and reputation, and others. It is also expected that foreign insurance companies will increase their presence in the Kingdom. In light of the increasing competition in the insurance industry, there is no guarantee that the Company will be able to maintain its existing customers or attract new customers. This may lead to lower market share of the Company, higher sales and marketing expenses, higher costs of products and accordingly their prices, which would adversely affect the Company's profitability margins, results of operations and financial performance.

Under such competitive conditions, it is expected the mergers, acquisitions or market exist would take place. If the Company could not continue to operate, then it would be possible that shareholders all or part of their investments in the Company.

2.2.7 Risks relating to products' approval

The Company received final approval by SAMA on 22 insurance schemes, and also obtained a temporary approval for 16 insurance schemes that should be renewed every six months (see "Legal Information" section, page No. "164"). SAMA grants approval of the products under the Cooperative Insurance Companies Control Law and its Implementing Regulations. However, it may take in some cases six months or more to obtain these approval. In order to obtain SAMA approval the Company shall submit documents, modify products and policies according to the requirements of SAMA. In addition, it should modify or update policies relating to the Company's liability

towards insured parties. If the Company did not get the final approvals for all its insurance schemes, or in the event SAMA refused to renew the temporary approvals, the Company's operations and financial performance would be adversely affected.

2.2.8 Risks relating to reporting conditions

Cooperative Insurance Companies Control Law and its Implementing Regulations require the Company to periodically provide SAMA with financial and operational reports, including information concerning the general operations of the Company, capital structure, legal position, shareholding and financial solvency rates and other financial details prepared in accordance with the regulatory accounting principles.

Listing Rules issued by the Capital Market Authority (CMA) also provides that the Company shall submits lists of financial reports periodically to the CMA. It also states that there should be public disclosure of material information relating to the Company's business, latest updates, and financial results. Therefore, the Company could be subject to regulatory measures, restrictions on its operations or fines if it failed to comply with submission of reports and periodical announcements. This would harm its reputation, and would adversely affect the Company's results of operations and financial condition.

Transactions with some of clients of the Company exceeded 5% of its total income, through issuance of multiple policies, and such transactions have not been disclosed by the Company. It should be noted that there was no policy individually issued that worth more than 5% of the Company's total income. If it is found that the Company should have disclosed the transactions with each client in excess of 5% of its total income, it may be subject to imposition of certain sanctions for its failure to disclose and violating the relevant regulations, which would adversely affect its results of operations and financial condition.

2.2.9 Risks relating to restriction on ownership of Insurance companies

Cooperative Insurance Companies Control Law and it Implementing Regulations places certain restrictions on owning shares in insurance companies. According to Article (9) of the Cooperative Insurance Companies Control Law, and Article (39) of the Implementing Regulations, insurance or reinsurance companies should obtain pre-written approval of SAMA for merger with, holding, control or purchase of shares in other insurance or reinsurance companies.

These restrictions will impede the Company's ability to attract strategic investors if SAMA denies or delays the required approval, or places conditions that the Company cannot fulfill, which will in turn adversely and significantly affect the Company's operations, and financial performance.

2.2.10 Risks relating to Saudization requirements

The Company is subject to requirements of Saudization imposed by the Ministry of Labor and the Saudi Arabian Monetary Agency.

The Company currently falls under the high green category of Saudization program "Nitaqat", which was launched by the Ministry of Labor (see "Arabia Insurance' Background and the Nature of its Activities" section, page No. "41"). Saudization rate is negatively affected by departure of Saudi employees from their work in the Company, and in light of the difficulty in providing local qualified manpower, and the competition in attracting them by insurance companies, there is no guarantee by the Company to maintain the required ratio of Saudization in the future. In the event of the Saudization percentage in the Company dropped to below the required ratio, it would be subject to penalties of up to stop the issuance of any new work permits, stop the transfer of sponsorship of non-Saudi employees, prohibit participation in government tenders, and prevent access to funds and other government incentives, which would in turn adversely affect the Company's operations and financial performance.

In addition, and in accordance with Article (79) of the Implementing Regulations of the Cooperative Insurance Companies Control Law, the Saudization ratio in the insurance companies should not be less than 30% at the end of the first year, and should be increased annually, according to the Company's business plan provided to SAMA. The ratio of Saudization required by SAMA is currently 55%. Saudization rate in the Company is currently less than percentage required by SAMA, which may introduce the Company to regulatory procedures, penalties or sanctions by SAMA, which, in turn will adversely affect the Company's operations and financial performance.

2.2.11 Risks arising from the Kingdom's accession to the World Trade Organization (WTO)

Kingdom of Saudi Arabia became a member of the World Trade Organization on 11/12/2005G. That membership may have impacts on market conditions in the Kingdom in terms of liberalization of the domestic economy, entry of foreign companies, drafting of new laws, and amendment of current laws and regulations to protect Saudi investors.

As a result of such changes, the entry of global insurance companies a well-known brand names will increase the intensity of competition in the market and have negative impact on the market share of the Company. Changes in the regulatory environment may result in new specification and standards that may be imposed on the Company and increase the costs in the future, leading to low profitability of the Company and decline of its operations performance.

2.2.12 Risks relating to failure to adhere to the regulations of the Council of Cooperative Health Insurance (CCHI)

Medical insurance products provided by the Company are subject to CCHI oversight, after being licensed by SAMA. CCHI imposes several regulations and procedures that the insurance companied should adhere to, including undertaking to give the required medical consents within maximum of 60 minutes, and pay amounts due to medical service providers, such as hospitals and medical clinics within 60 days. The Company's failure to comply with CCHI rules and regulations makes it vulnerable to financial fines or penalties or withdrawal of the license authorizing provision of medical insurance products, which in turn would materially and adversely affect the Company's business and financial performance.

2.2.13 Risks relating to scarcity of qualified personnel

Saudi labor market suffers from severe shortage of local qualified personnel required to fulfill the needs of the insurance companies. This increases the demand for qualified personnel, which may lead to competition between the existing and new companies to attract these cadres. This in turn will increase the cost of hiring qualified personnel and retaining the existing staff, which could lead to a rise in operating expenses and accordingly might affect the profitability of the companies operating in the insurance sector.

2.2.14 Risk relating to lack of cultural awareness of insurance and its importance

There are risks about the society's general perception about the compliance of Cooperative Insurance products and activities with provisions of Islamic Sharia. Lack of society cultural awareness about the importance of the insurance sector could adversely affect the Company's business, financial condition and results of operations.

2.3 Risks relating to Shares

2.3.1 Risks relating to potential volatility in the Share price

The Company's share price may be subject to a large degree of volatility and instability as a result of several factors, including market conditions relating to shares, regulatory changes in the sector, deterioration of the results of the Company's business, inability to implement future plans, entry of new competitive companies and speculations on the Company's operations.

During the phases of subscription in the rights issue shares, the market price of the Company's share is not indicative of its market price after the offering, and there is no guarantee that the Subscriber will be able to sell his shares at a price equal to or higher than the offering price after the exercise of the priority rights. In case of low market price of the shares after the exercise of the priority rights, Subscribers will lose some value of their investments in the Company's shares.

2.3.2 Risks relating to potential fluctuations in the price of the Rights

The Rights' market price may be subject to significant fluctuations due to the change of market trends with regard to the Company's Shares. These fluctuations may be significant due to the difference between the authorized limits of price change for trading in the Rights, as compared to the authorized limits of price change for trading in the normal Shares. In addition, as the trading price of the Rights depends on the price of the Company's Share, and might be affected by the fluctuations in the price of the Company's share. There is no guarantee that there would be no large fluctuations in price during the priority rights trading, which in turn would adversely affect their value.

2.3.3 Lack of demand for the Company's Shares and Rights

There is no guarantee that there will be sufficient demand for the Company's Rights during the Trading period, in order to realize profits for the sellers. Also, there is no guarantee that there will be sufficient demand for the Company's Rump Shares by the Institutional Investors during the Rump Offering. In case the Institutional Investors do not subscribe for the Rump Shares at a high price, the compensation amount may not be sufficient in order to be distributed to the holders of unexercised Rights.

Moreover, there can be no assurance that there will be sufficient market demand for the Shares obtained by an Applicant either (a) through subscription to the Rights, (b) during the Rump Offering or (c) in the open market. This would adversely affect the share price and shareholders' profitability.

2.3.4 Risks relating to trading in the Rights

Trading in the Rights is subject to risks that may cause substantial losses, because the range of daily fluctuation allowed for rights trading prices exceeds the range of the daily volatility allowed for stock prices (10% up and down from the closing price of the previous day). There is also a direct correlation between the Company's share price and the indicative value of the right. Accordingly, the daily price limits (i.e., the range of the daily volatility) for rights trading are affected by the daily price limits for stock trading.

In case the investor fails to sell the existing Rights before the end of the Trading Period for these rights, he will be forced to exercise these Rights to subscribe for New Shares where he may incur some losses. Thus, investors should review the full details of the mechanism of listing and trading of Rights and the functioning method thereof and should be aware of all the factors affecting them, to make sure that any investment decision will be based on complete awareness and understanding.

2.3.5 Potential dilution of ownership

If the holder of the Rights does not fully exercise his Rights with respect to acquisition of New Shares in the Offering, or if he sells his Rights during the Trading Period, his shareholding percentage and voting rights will be reduced. There can be no assurance that returns of selling his rights will be sufficient to fully compensate the drop of his shareholding percentage in the Company's capital.

2.3.6 Failure to exercise the Rights in a timely manner

The First Subscription Period will start on Tuesday 25/06/1436H (corresponding to 14/04/2015G) and end on Thursday 04/07/1436H (corresponding to 23/04/2015G). Registered Shareholders are allowed to exercise their right to subscribe (in whole or in part) for the new shares within the limits of the number of priority rights deposited in their portfolios after the Shareholders Meeting. The Second Subscription Period will start on Sunday 07/07/1436H (corresponding to 26/04/2015G) and end on Tuesday 09/07/1436H (corresponding to 28/04/2015G), during which all the Rights holders, whether they are registered shareholders, or shareholders who have purchased priority rights during the trading period, will be allowed to exercise their rights for subscription.

If the Eligible Shareholders are not able to exercise their subscription rights properly by the end of the Second Subscription Period, there can be no assurance that a compensation amount will be distributed to Eligible Shareholders who have not exercised their subscription rights (See "Subscription and Offering Terms, Conditions and Instructions" Section, page No. "176"), and they will be exposed to loss or decline in the value of their investment portfolios.

2.3.7 Risks relating to dividends

The Company's decision for dividends will depend on, amongst other things, the future profit, financial condition, capital requirements, distributable reserves and available credit of the Company, general economic conditions, and other factors that the Directors deem significant from time to time. Also, distribution of dividends is subject to the Company's policy for dividends as stipulated by the By-Laws and after getting SAMA's approval (see "Dividend Policy" page No. "147"). The Company has not paid any dividends to its Shareholders since its incorporation, and it does guarantee distribution of any dividends in future.

2.3.8 Risks relating to the effective control by Substantial Shareholders

The Company has three Substantial Shareholders who collectively own 36.4% of its shares. They are Arabia Holding SAL (19.2%), Jordan Insurance Company PLC (12.2%), and the Arab Supply and Trading Company (5.0%) (see "Arabia Insurance' Background and the Nature of its Activities", page No. "30").

There are a number of resolutions adopted by the Company, according to the results of the shareholders voting during the shareholders Assemblies held by the Company. The vote is made on the substantive decisions such as mergers, acquisitions, sale of assets, transactions with related parties, election of board members, preventing or making any particular change in the Company, increasing its capital and others. Substantial Shareholders may collectively have the ability to control the substantive decisions taken by the shareholders during shareholders assemblies, which may be not in favor of the Company's interests and could adversely affect its financial performance and results of operations.

2.3.9 Risks relating to Expiry of Lock-up Period

Upon foundation of the Company in 2007G, the Founding Shareholders whose aggregate shareholding was 60% of the Company's total shares were restricted from selling their Shares in the Company for a period of 3 full fiscal years. Currently, after lapse of the lock-up period, the founding shareholders have the right to dispose their shares after obtaining SAMA and CMA approvals. Selling of shares or part of them by the founding shareholders may lead to negative impact on the Company's share value.

3. Market and Sector Information

3.1 Sources of Information

The information and estimates contained in this Prospectus, which are related to the insurance industry and market data, were obtained from various publicly available sources. It is believed that these sources, information and estimates are reliable. The Company has exerted an appropriate and conceivable effort to validate these sources. Although there is no reason for the Company, Board of Directors or Company advisors whose names appear on page (viii) to believe that this information related to the insurance industry and market-related data is inaccurate; yet, this information was not validated independently by anyone, and no assurance can be provided as to its accuracy or completeness. These sources include:

Saudi Arabian Monetary Agency (SAMA):

Report and statistics of SAMA about the insurance market in Saudi Arabia. Information published by SAMA is publicly available and can be obtained via the Internet, and therefore written consent to use this information in the Prospectus has not been sought. SAMA, as the Central Bank of the Kingdom of Saudi Arabia, was founded in 1372H (1952G).The main functions of SAMA include:

The main Functions of SAMA include:

- Issuing the national currency, the Saudi Riyal;
- Acting as a banker to the government and supervise commercial banks;
- Managing the Kingdom's foreign currency reserves;
- Conducting monetary policy to promote price and exchange rate stability;
- Promoting growth and ensuring the soundness of the financial system.
- Supervising commercial banks and insurance companies.

Swiss Reinsurance Company ("Swiss Re")

An international pioneer company in reinsurance founded in 1863 in Zurich, Switzerland with operations in more than 25 countries around the world. Swiss Re issues reports on insurance sector all over the world and these reports are available for public in its website. The information obtained from Swiss Re is publicly available and obtainable from internet therefore no consent has been pursued to use such information.

3.2 Overview of the Saudi Economy

Saudi Arabia's economy is a stable economy that is subsidized by the Government spending. The actual Kingdom revenues increased from SAR 564.3 Billion in 2005G, to SAR 1,156.4 Billion in 2013G. The actual government spending amounted to SAR 346.5 Billion in 2005G, while it reached SAR 976.0 Billion in 2013G. The following table outlines the evolution of the actual income and expenses (in billion riyals) from 2005G to 2013G:

4- Table (3-1): The Evolution of actual income and expenses (in SAR billion) from 2005G to 2013G

Year	Actual Revenues	Actual Expenses	Actual surplus/deficit
2005G	564.3	346.5	217.8
2006G	673.7	393.3	280.4
2007G	642.8	466.2	176.6
2008G	1,101	520.1	580.9
2009G	509.8	596.4	(86.6)
2010G	741.6	653.9	87.7
2011G	1,117.8	826.7	291.1
2012G	1,247.4	873.3	374.1
2013G	1,156.4	976	170.3

Sources: Data extracted from the websites of the Ministry of Finance and Central Department of Statistics and Information

3.3 Overview of the Insurance Market in GCC) Countries

Due to the newness of the insurance sector in the Kingdom of Saudi Arabia compared to more advanced world countries, it is considered to be one of the least developed economic sectors in the GCC countries and in the Middle East and North Africa as a whole. However, it has witnessed growth in the aftermath of the economic development, population growth, improvement of regulatory environment and the increased awareness of the importance of insurance. Despite the potential growth factors; yet, the low insurance penetration rates pose great opportunities for insurance companies in the Gulf Cooperation Council (GCC) Countries. It is expected that the organizational structure of the insurance sector will continue to mature in line with the positive regulatory developments undertaken by the companies operating in the insurance sector in order to achieve greater amount of volume and operational efficiencies.

It is expected that the openness of the regional countries' economies, the pursuit of the regional countries' governments to develop legislative regulations and increase investments, will have a positive impact on the insurance sector which ensures the continued growth in the upcoming years. It is also expected that the insurance sector will benefit from the significant expansion in the construction and infrastructure business, where a large part of the oil revenues is reverted to develop the non-oil sectors to support the economic diversification, in addition to increasing the penetration of health and auto insurance due to the mandatory insurance and the increased sales of new car.

The following table illustrates the economic indicators of the insurance market in the GCC Countries in 2013G, where the gross written premiums in the Gulf Cooperation Council (GCC) Countries amounted to about 18,378 million US dollars. United Arab Emirates leads the insurance market in the region by as much as 43,3% of the gross written premiums, followed by the Kingdom of Saudi Arabia at a rate of 34,6% of the gross written premiums.

5- Table 5 (3-2): Insurance Market in the GCC Countries in 2013G

Country	Gross written Premiums (USD million)			Population (million)	GDP (USD bn)	Insurance Penetration (A percentage of GDP)		
	Protection and Saving	General and Health Insurance	Total			Protection and Saving	General and Health Insurance	Total
Bahrain	173	515	688	1.2	33	0.52%	1.56%	2.08%
Kuwait	182	770	952	2.9	195	0.09%	0.39%	0.49%
Oman	88	859	947	2.9	83	0.11%	1.03%	1.14%
Qatar	64	1,407	1,471	2.1	211	0.03%	0.67%	0.70%
Saudi Arabia	256	6,105	6,361	28.8	745	0.03%	0.82%	0.85%
Emirates	1,933	6,026	7,959	9.1	396	0.49%	1.52%	2.01%

Source: Swiss Re Report 2014G

3.4 The Insurance Sector in the Kingdom of Saudi Arabia

The Insurance business started in the Kingdom of Saudi Arabia prior to 1974G through agencies and branches of foreign companies (the majority of which came from the Kingdom of Bahrain). Then, the Saudi Arabia Insurance Company was founded in 1974G, followed by the Red Sea Insurance Company, and the Saudi Arabia United Insurance Company in 1976G. However, in 1977G, Resolution No. 51 was issued by the Council of Senior Scholars considering the cooperative insurance to be agreeable with the principles of Islamic law. Thus, the National Company for Cooperative Insurance was founded in 1985G (later renamed the Cooperative Insurance Company) for the purpose of insuring large projects and retaining a large percentage of the insurance premiums within the Kingdom. Then, the Cooperative Insurance became the form through which insurance is provided in the Kingdom of Saudi Arabia because it is permissible from an Islamic law (Sharia) prospective contrary to the commercial insurance. The foreign insurance companies continued to operate within the Kingdom as an intermediary between the agents and reinsurance companies abroad.

In 1999G, the Cooperative Health Insurance Law was issued under Royal Decree No. M/10, followed by a decree for the insurance of drivers' licenses issued under the Council of Ministers' Resolution No. 222 in 2001G.

The Cooperative Insurance Companies Control Law was issued under Royal Decree No. M/32 dated 02/06/1424H (31/07/2003G) to determine the general framework for conducting insurance business in the Kingdom; the cooperative insurance. The Saudi Arabian Monetary Agency was designated as the agency responsible for the implementation of the Law. The Royal decree no. 3120/MB dated 04/03/1426H (13/04/2005G) was issued to

give a three-year transitional period (up to 2008G) for the existing insurance companies to adjust their situations to practicing the cooperative insurance activity. This has led new companies to apply for obtaining a license in accordance with the cooperative insurance law. SAMA allowed the companies it had reviewed their files, and are being established by royal decree to renew their clients' insurance policies during a period of time that expired on 17/02/2010G.

Currently, the number of insurance companies operating in the Kingdom of Saudi Arabia, and listed in the Saudi stock Exchange are totaling to 35 companies as of 30/09/2014G as follows:

6- Table (3-3): Insurance Companies listed in the Saudi Stock Market "Tadawul" as of 30/09/2014G:

	Name		Name
1.	National Company for Cooperative Insurance ("Tawuniya")	19.	Saudi Re for Cooperative Reinsurance Company
2.	Mediterranean & Gulf Cooperative Insurance & Reinsurance ("Med Gulf")	20.	United Cooperative Assurance
3.	Malath Cooperative Insurance & Reinsurance Company	21.	Saudi Arabian Cooperative Insurance Co. (SAICO)
4.	Alahlia for Cooperative Insurance Company	22.	Allied Cooperative Insurance Group ("ACIG")
5.	Al-Ahli Takaful Company ("ATC")	23.	Wiqaya Takaful Insurance & Reinsurance Company
6.	SABB Takaful Company	24.	Al Rajhi Company for Cooperative Insurance
7.	MetLife AIG ANB Cooperative Insurance Company	25.	AXA Cooperative Insurance Company
8.	Arabian Shield Cooperative Insurance Company	26.	Ace Arabia Insurance Cooperative Company
9.	Saudi IAIC for Cooperative Insurance ("SALAMA")	27.	Buruj Cooperative Insurance Company
10.	Gulf Union Cooperative Insurance Company	28.	Al Alamiya for Cooperative Insurance
11.	Saudi Fransi Cooperative Insurance Company ("Allianz SF")	29.	Gulf General Insurance Company
12.	Sanad Insurance & Reinsurance Cooperative Company ("SANAD")	30.	Solidarity Saudi Takaful Company
13.	Trade Union Cooperative Insurance Company	31.	Wataniya Insurance Company
14.	Al Sagr Company for Cooperative Insurance	32.	Amana Cooperative Insurance Co
15.	Wafa Company for Cooperative Insurance	33.	Saudi Enaya Insurance Co
16.	Arabia Insurance Cooperative Company	34.	. Alenma Tokyo Marine for Cooperative Insurance
17.	Saudi United Cooperative Insurance	35.	Jazira Takaful Cooperation Co
18.	BUPA Arabia for Cooperative Insurance		

Source: SAMA and Tadawul

3.5 Gross written premiums

Insurance is classified into three categories namely health insurance, protection and savings insurance and general insurance. Insurance activities include the following:

- Motor Insurance
- Property /Fire Insurance
- Marine Insurance
- Aviation Insurance
- Energy Insurance
- Engineering Insurance
- Accidents insurance, liability and other

7- Table (3-4): Gross Written Premiums (in SAR million) from 2005G to 2013G

General	Motor	Property/ Fire	Marine	Aviation	Energy	Engineer-ing	Accidents, liability and other types	Total General Insurance	Total Health Insurance	Total Protection and Saving	Total Written Premiums
2005G	1,587.3	643.5	382	135.1	121.6	296.4	424	3,589.9	1,370.3	193.2	5,153.4
2006G	1,920.2	769.2	431.4	126.1	126.7	543.7	579.6	4,496.9	2,222.2	217.9	6,937.0
2007G	2,440.2	742.2	531.6	114.5	305.3	479.7	577.3	5,190.8	3,065.0	327	8,582.8
2008G	2,542.1	798.4	619.6	138.5	208.2	682.1	531.3	5,520.2	4,805.2	593.7	10,919.1
2009G	3,055.4	904.9	525	174.1	301.7	810.3	543.7	6,315.3	7,292.0	1,002.9	14,610.1
2010G	3,238.8	958.7	518.2	304.5	328.9	869.2	506.8	6,725.1	8,690.1	972.2	16,387.4
2011G	3,922.2	1,156.70	634.1	272.1	361	912.5	631.5	7,890.1	9,708.4	905.1	18,503.6
2012G	4,689.2	1,348.40	743.1	67.1	384.6	1,076.60	690.9	8,999.9	11,285.4	888.5	21,173.8
2013G	6,354.7	1,664.50	740.3	144	456	1,199.70	940.8	11,500.0	12,895.0	844.5	25,239.5

Source: Saudi insurance market report for the year 2013G prepared by the Saudi Arabian Monetary Agency

Gross written premiums for all insurance activities in the Saudi insurance market amounted to about SAR 25.2 billion in 2013G; an increase by 19.2% from 2012G where the gross written premiums amounted to about SAR 21.2 billion compared to SAR 18.5 billion in 2011G. The compound annual growth rate for the gross written premiums amounted to 16.8% during the past three years (2011G-2013G).

Gross general insurance written premiums amounted to USD 11.5 billion; an increase by 27.8% in 2013G over 2012G, where it amounted to DAR 9 billion, while it reached SAR 7.9 billion in 2011G, where it increased during the past three years at a compound annual growth rate of 20.7%.

The gross written health insurance premiums which amounted to SAR 12. 9 billion has increased by 14.3% in 2013G while it amounted to SAR 11.3 billion in 2012G; an increase by 16.2% in 2011G reaching SAR 9.7 billion. Compound annual growth rate of the gross health insurance written premiums amounted to about 15.0%.

It was noted that the protection and savings gross insurance written premiums has decreased during the past three years from SAR 905 million in 2011G to SAR 889 million in 2012G and to 844 million riyals in 2013G. The following table shows the written premiums for each insurance activity as a percentage of the gross premiums:

8- Table (3-5): Written premiums for each activity as a percentage of the gross written premiums (2005G to 2013G)

Year	Motor	Prop-erty/ Fire	Marine	Avia-tion	En-ergy	Engi-neer-ing	Accidents, liabilities and Others	Total General Insurance	Total health insurance	Total protection and saving insurance	Total written premiums
2005G	30.80%	12.50%	7.40%	2.60%	2.40%	5.80%	8.20%	69.70%	26.60%	3.70%	100.00%
2006G	27.70%	11.10%	6.20%	1.80%	1.80%	7.80%	8.40%	64.80%	32.00%	3.10%	100.00%
2007G	28.40%	8.60%	6.20%	1.30%	3.60%	5.60%	6.70%	60.50%	35.70%	3.80%	100.00%
2008G	23.30%	7.30%	5.70%	1.30%	1.90%	6.20%	4.90%	50.60%	44.00%	5.40%	100.00%
2009G	20.90%	6.20%	3.60%	1.20%	2.10%	5.50%	3.70%	43.20%	49.90%	6.90%	100.00%
2010G	19.80%	5.90%	3.20%	1.90%	2.00%	5.30%	3.10%	41.00%	53.00%	5.90%	100.00%
2011G	21.20%	6.30%	3.40%	1.50%	2.00%	4.90%	3.40%	42.60%	52.50%	4.90%	100.00%
2012G	22.10%	6.40%	3.50%	0.30%	1.80%	5.10%	3.30%	42.50%	53.30%	4.20%	100.00%
2013G	25.20%	6.60%	2.90%	0.60%	1.80%	4.80%	3.70%	45.60%	51.10%	3.30%	100.00%

Source: Saudi insurance market report for the year 2013G prepared by the Saudi Arabian Monetary Agency

3.6 Net Written Premiums

9-Table (3-6): Net written premiums (in million SR) from 2005G to 2013G

Line of Business	Motor	Property/ Fire	Marine	Aviation	Energy	Engineering	Accidents, liabilities and Others	Total General Insurance	Total health insurance	Total protection and saving insurance	Net written premiums
2005G	1,486.90	69.2	112.7	4	0.1	57	182.7	**1,912.60**	**1,106.60**	**149.7**	**3,168.90**
2006G	1,814.10	80.8	124.4	4.3	-	84.2	243.4	**2,351.20**	**1,842.50**	**153.2**	**4,346.90**
2007G	2,297.30	84.1	169.8	3.6	2.4	97.6	219.2	**2,874.00**	**2,403.10**	**266.8**	**5,543.90**
2008G	2,458.70	95.4	201.5	5.5	0.9	122.2	217.3	**3,101.50**	**3,750.90**	**468.2**	**7,320.60**
2009G	2,944.10	105.2	183.2	1.1	5.2	125.3	244.3	**3,608.40**	**5,556.90**	**908**	**10,073.20**
2010G	3,098.80	126.5	175.4	4.8	7.6	113.9	275.9	**3,802.90**	**7,120.00**	**876.8**	**11,799.80**
2011G	3,710.60	135.5	204.9	1.2	7.4	131.2	279.8	**4,470.60**	**8,225.10**	**841.2**	**13,536.90**
2012G	4,408.20	203.2	229.5	2.4	7.3	165.9	329	**5,345.50**	**9,951.30**	**767**	**16,063.80**
2013G	5,967.00	281.6	241.5	3.6	7.5	180.3	391	**7,072.70**	**11,456.00**	**714**	**19,242.70**

Source: Saudi insurance market report for the year 2013G prepared by the Saudi Arabian Monetary Agency

Net written premiums represent premiums held by the insurance company after deducting the premiums assigned to the local and international reinsurance companies from the gross written premiums by the type of activity.

The gross net written premiums has increased from SAR 13.5 billion in 2011G to SAR 16.1 billion in 2012G by 18,7%, and then increased to SAR 19.2 billion in 2013G by 19.7%. During the past three years (2011G to 2013G), the average motor Insurance rate and health insurance amounted to 89% of the gross net written premiums. The health insurance has maintained its position in terms of being the largest insurance business, where its rate amounted to 61% on average of the gross net written premiums during the past three years, and then the Motor Insurance ranked second place at a rate of 29% on average of the gross net written premiums.

Protection and savings insurance

3.7 Percentage of Retention

10- Table (3-7): Net written premiums ratio of gross written premiums from 2009G to 2013G

Insurance Activity	2009G	2010G	2011G	2012G	2013G
Medical Insurance	76.2%	81,9%	84,7%	88,2%	88,8%
Motor Insurance	96.4%	95.7%	94.6%	94.0%	93.9%
Property insurance / fire	11.6%	13.2%	11.7%	15.1%	16.9%
Accident. liability and other insurance	44.9%	54.4%	44.3%	47.7%	41.6%
Engineering Insurance	15.5%	13.1%	14.4%	15.4%	15.0%
Marine Insurance	34.9%	33.8%	32.3%	20.9%	32.6%
Protection and savings insurance	90.5%	90.2%	92.9%	0.90%	0.80%
Energy Insurance	1.7%	2.3%	2.1%	1.9%	1.6%
Aviation insurance	0.6%	1.6%	0.5%	3.6%	2.5%
All activities	**68.9%**	**72.0%**	**73.2%**	**75.9%**	**76.2%**

Source: Saudi insurance market report for the year 2013G prepared by the Saudi Arabian Monetary Agency

The percentage of retention is defined as the ratio of net written premiums from gross written premiums; in other words, the ratio of the gross written premiums held by the insurance companies. The newly licensed insurance companies abide by the minimum retention rate of 30%, according to the Implementing Regulations. The overall retention rate for insurance companies operating in the Saudi market in 2011G stood at 73.2% and then rose to 75.9% in 2012G, then to 76.2% in 2013G. This increase is attributed to the increase in auto insurance premium rate from gross written premiums in years 2012G and 2013G, and the high retention rate of this business.

3.8 Distribution of the Market Share of the Insurance Companies

Noteworthy, most insurance companies operating in the insurance market of the Kingdom of Saudi Arabia lack the pricing power of their products; in other words, they must be in line with the market price of the top insurance companies. In 2013G, three insurance companies dominated a total of 51,2% of the gross written premiums, while 32 other insurance companies share the remaining ratio of 48.8%. As shown in the table below, the first company acquired a market share of 22.2% of the gross written premiums in 2013G:

11- Table (3-8): Market shares of the Leading Insurance Companies Operating in the Kingdom of Saudi Arabia during the years (2010G to 2013G)

Insurance company	Gross written premiums (SR million)				Market share			
	2010G	2011G	2012G	2013G	2010G	2011G	2012G	2013G
Al-Tawuniya	4,181	4,431	5,635	5,605	25.50%	23.90%	26.60%	22.20%
Medgulf	2,623	2,811	3,318	4,138	16.00%	15.20%	15.70%	16.40%
Bupa	1,749	1,993	2,194	3,177	10.70%	10.80%	10.40%	12.60%
UCA	851	1,069	1,024	1,293	5.20%	5.80%	4.80%	5.10%
Trade Union	410	538	561	877	2.50%	2.90%	2.60%	3.50%
Axa	952	428	460	776	5.80%	2.30%	2.20%	3.10%
Malath	600	601	558	771	3.70%	3.20%	2.60%	3.10%
Alianz	523	684	621	746	3.20%	3.70%	2.90%	3.00%
Other insurers	4,498	5,949	6,803	7,856	27.40%	32.10%	32.10%	31.10%

Source: SAMA and Tadawul

3.9 Distribution of the Market Share of the Insurance Companies

The Cooperative Insurance Companies Control Law was adopted under the Royal Decree No. M/32 dated 02/06/1424H, which established a basis as a legal and supervisory framework for the insurance sector. The Saudi Arabian Monetary Agency has been tasked to act as a regulatory authority. The Capital Market Authority assumes the responsibility for overseeing this sector. Later, the Implementing Regulations was issued under the Ministerial Decree No. 1/596 dated 01/03/1425H (Corresponding to 20/04/2004G) to control and regulate the insurance business in the Kingdom. Among the most prominent items stipulated by the Cooperative Insurance Companies Control Law and its Implementing Regulations, are the following:

- Insurance business should be exercised by the insurance companies incorporated and registered in the Kingdom of Saudi Arabia that operate according to the principle of cooperation and in accordance with the regulations and provisions of Islamic law.
- The applicant insurance/reinsurance company should be a joint stock company established primarily to conduct insurance and/or reinsurance business provided that the insurance company's capital should not be less than one hundred million Saudi Riyals (SAR 100,000,000) and the reinsurance company's capital should not be less than two hundred million Saudi Riyals (SAR 200,000,000) as a minimum.
- The gross written premiums should be no more than ten times the Company's fully paid capital.
- The direct insurance company must retain at least 30% of the gross written premiums in the Kingdom.
- 90% of the net insurance operations accumulated surplus must be transferred to shareholders' income accounts and remaining (10%) shall be distributed to the insurance policyholders, either directly or in a form of reduction in insurance premiums in the future.
- The insurance companies must reinsure at least 30% as a minimum of the gross written premiums in the Kingdom of Saudi Arabia.

3.10 Demand for Insurance Products and its Drivers

Below is a summary of the growth factors expected for the insurance market in the Kingdom of Saudi Arabia:

Mandatory Health Insurance Program

The Council of Ministers issued Resolution No. 71 dated 27/04/1427H (11/08/1999G) wherein it announced the introduction of the mandatory health insurance to all residents working in the Kingdom. The Council for Cooperative Health Insurance was established on 01/01/1422H (26/03/2001G) in order to implement and oversee the mandatory health insurance in the Kingdom.

This system is designed to ease the financial burden on the Saudi government, which provides free of charge medical care services to more than 22 million people. The new Cooperative Health Insurance System will cover between six to seven million people of foreign labor. The first phase of the system was applied in June 2006G, which stipulated that companies of more than 500 people should provide health insurance coverage for their employees. This phase included 450 companies employing 500,000 foreign employees. The second phase included companies employing between 100 and 500 foreign employees, while the third and final phase which began in September 2008G included companies with less than 100 non-Saudis workers. It is also expected that mandatory health insurance will be ultimately imposed on Saudi nationals.

Mandatory Motor Insurance Program

In 2002G, due to the increase in car accident rates, the Kingdom of Saudi Arabia imposed the third party liability insurance as a requirement for foreign vehicles while crossing the territory of the Kingdom, in addition to imposing the third party liability insurance for vehicles as a precondition for renewal of driver's license for Saudi nationals and foreigners residing in Kingdom as well. According to the decision of the Council of Ministers No. 271 dated 25/12/1427H, the mandatory Motor Insurance became mandatory in lieu of the driver's license insurance.

The mandatory Motor Insurance initiative, which coincided with the increase in the number of registered vehicles in the Kingdom, has led to high demand rates for insurance and increased the issued insurance policies significantly. Due to the remarkable growth in the economy and the increase in population, it is expected that the demand for protection and insurance will continue to increase based upon the increase in the number of registered vehicles.

Protection and Savings Insurance

The Protection and Savings Insurance is almost not existing in the Kingdom of Saudi Arabia due to cultural and religious reasons as well as other factors such as the lack of awareness with the products of the protection and savings insurance. As the market turned officially to be a more organized and more sophisticated market as well as the increased awareness among consumers, it is expected that the level of spread of traditional Protection and Savings Insurance products and Takaful products may increase.

In addition to that, and with the entry of new insurance companies into the Saudi market, it is expected that each insurance company introduces more sophisticated products to meet more of the customers' needs which will result in a change in the offered insurance products. Some insurance products such as credit insurance, mortgage insurance and recoverable and amendable life insurance as well as all of these products are not available in the Saudi market. In addition, this will increase the degree of evolution and expand the marketing channels.

3.11 Future Developments

The insurance industry, in the Kingdom of Saudi Arabia, is expected to go through tangible evolution as a result of new insurance regulations, and due to the common changes in: Macroeconomics factors, new governmental policies and regulations, demographic structure, and in the citizens' awareness of Insurance Services. These developments include:

- Foreign insurance companies may increase their presence in the Kingdom utilizing the increase in the technical knowledge, distribution of competencies, customer orientation and financial strength.
- It is expected that the financial solvency of insurance companies will increase. The Saudi Arabian Monetary Agency has issued preliminary approval for many companies to raise their capital through the Rights Issue. If the capital of these companies is actually increased, its financial solvency will improve directly.
- It is expected that insurance companies will increasingly realize the importance of the need for a more effective and systematic risk management process in the future.
- The intense competition may lead to a reduction in premium rates, which, in turn, reduces the amount of profit. Under such competitive conditions, mergers or acquisitions are likely to occur or withdrawal from the market prior to maturity of investment growth and prior to producing tangible returns.
- It is likely that the licensed companies will operate in a more transparent work environment as a result of their regulatory status as joint stock companies and the reports required to be submitted under the law.

- The application of mandatory health insurance for expatriates and a similar system that includes the Saudis would greatly increase the customer base for insurance companies.
- The majority of insurance companies seek to develop new insurance products in the Saudi insurance market in response to the rapid changes in the business environment.
- The Saudi Arabian Monetary Agency is constantly working to develop, regulate and increase the effectiveness of the insurance market in the Kingdom.
- Certain insurance companies operating in the general and health insurance sectors may resort to diversifying their activities by adopting Protection and Savings insurance with the increased awareness and the promotion of the culture of insurance.

4. Arabia Insurance' Background and the Nature of its Activities

4.1 Introduction

Arabia Insurance Cooperative Company "Arabia" is a Saudi Joint Stock Company that was incorporated according to the Royal Decree No. (M/23), dated 15/03/1428H (03/04/2007G). The Company commenced its business following the issuance of the Council of Ministers Resolution No. (93), dated 14/03/1428H (02/04/2007G) to establish Company. The Company operates under Commercial Registration issued in Riyadh No. 1010243302, dated 18/01/1429H (corresponding to 27/01/2008G). The Company's Head Office is located in the city of Riyadh, King Abdul Aziz Road, Bin Tami Center, P.O Box 286555, Riyadh 11323, Kingdom of Saudi Arabia.

The Company has obtained the permit of the Saudi Arabian Monetary Agency No. TMN/15/20086, dated 14/06/1429H (corresponding to 18/06/2008G) to practice the insurance and reinsurance business in accordance with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations. In 2014G, and based on the request of the Arabia Insurance Company to amend its activity, the Company has obtained the approval of the Saudi Arabian Monetary Agency to amend the authorization granted to it to exercise the insurance and reinsurance activity so that it becomes limited to practicing insurance activity only per the letter No. 351000076885, dated 14/06/1435H (Corresponding to 14/04/2014G).

The Company exercises general insurance activities, health insurance and protection and savings in the Kingdom of Saudi Arabia according to the principle of cooperative insurance. Its products include motor insurance, health insurance, marine insurance, engineering insurance, general accident insurance, property insurance, protection and savings insurance and others.

The Company's capital is two hundred million Saudi Riyal (SAR 200,000,000) divided into twenty million (20,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share. The shares value is fully paid up. The Founding Shareholders have subscribed to twelve million (12,000,000) shares representing (60%) of the total shares of the Company and paid up their entire value. The remaining shares, amounting to eight million (8,000,000) shares representing (40%) of the total shares, were offered for public subscription under the laws and regulations of the Capital Market Authority, which occurred during the period from 15/10/1428H (corresponding to 27/10/2007G) to 22/10/1428H (corresponding to 03/11/2007G) at an Offer Price of ten Saudi Riyals (SAR 10) per share (see "Arabia Insurance' Background and the Nature of its Activities", section, page "30").

The Most Significant dates and developments

12- Table (4-1): The Most Significant Dates and Developments

Date	Developments
05/05/1426H (12/06/2005G)	The Company obtained the service investment license number 102030104276 from the Saudi Arabian General Investment Authority
14/03/1428H (02/04//2007G)	The Founding Shareholders received a license to establish the Company under the Council of Ministers Resolution No. (93)
15/03/1428H (03/04/2007G)	The Founding Shareholders obtained a license to establish the Company per the Royal Decree No. (M/23)
15/10/1428H (27/10/2007G)	The Company's shares were were offered to the public through an Initial Public Offering (IPO)
18/01/1429H (27/01/2008G)	The Company was established and the Commercial Registration No. 1010243302 was issued
26/01/1429H (04/02/2008G)	The Company's shares were listed in the Saudi Stock Exchange "Tadawul"
14/06/1429H (18/06/2008G)	The Company obtained approval from SAMA No. TMN/15/20086 permitting it to conduct insurance and reinsurance business.
17/09/1430H (06/09/2009G)	The Company received approval from the Council of Cooperative Health Insurance (CCHI) as a licensed health insurance company
14/06/1435H (14/04/2014G)	The Company obtained the approval of the Saudi Arabian Monetary Agency to amend the authorization granted to it for conducting insurance and reinsurance business so that it becomes limited to conducting insurance business only according to letter No. 351000076885.
26/11/1435H (21/09/2014G)	The Company obtained approval of SAMA to increase its capital per the letter No. 351000145469

Source: Arabia Insurance

4.2 The Company's Vision and Mission

The Company's Vision

"Be one of the leading cooperative insurance companies in the kingdom."

The Company's Mission

"To serve our policyholders, shareholders, employees, and the Saudi community at large by providing a wide range of cooperative insurance products and services"

4.3 Business Strategy

The Company's Strategy is represented in seeking growth and realizing returns for shareholders through the following:

- Rendering insurance services at suitable prices and following the advice of the Actuary while pricing its services in a way that commensurate with the requirements of the Cooperative Insurance Companies Control Law issued by the SAMA.
- Obtain the best technologies for the business, applying and developing them continuously.
- Self -development of businesses and minimizing reliance on funding from shareholders.
- Investment in high expertise human resources and develop their performance.
- Wide geographical expansion by opening multiple sale centers that provide insurance services throughout the Kingdom of Saudi Arabia.
- Development of the volume of business with agents and brokers in the Kingdom.
- Attention to all clients especially the individuals, small and medium-sized enterprises.

4.4 Capital Structure

The Company's Capital is two hundred million Saudi Riyals (SAR 200,000,000) divided into twenty million (20,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share fully paid up. The Founding Shareholders have subscribed to twelve million (12,000,000) shares representing (60%) of the total shares of the Company and paid their entire value. The remaining shares, amounting to eight million (8,000,000) shares representing (40%) of the total shares, were offered for public subscription under the laws and regulations of the Capital Market Authority during the period from 15/10/1428H (corresponding to 27/10/2007G) to 22/10/1428H (corresponding to 03/11/2007G) at an Offer Price of ten Saudi Riyals (SAR 10) per share.

The Company has not granted any privileges or preferential rights to the Founding Shareholders or any other person. The following table shows the Founding Shareholders of the Arabia Insurance Company as in the 30/09/2014G:

13- Table (4-2): The Founding Shareholders of the Arabia Insurance Company, as at 30/09/2014G.

Number	Name	Nationality	Ownership Ratio	No. of Shares	Nominal Value (SAR)
1	Arabia Holding (a Holding Company)	Lebanese	19.2%	3,840,000	38,400,000
2	Jordan Insurance Company	Jordanian	12.2%	2,440,000	24,400,000
3	Arab Supply and Trading: Company	Saudi Arabian	5.0%	1,000,000	10,000,000
4	Saudi Brothers Commercial Company	Saudi Arabian	1.5%	300,000	3,000,000
5	The Modern Holding Company for Commercial and Industrial Investments	Saudi Arabian	1.25%	250,000	2,500,000
6	Lama Ismail Abu Khadra	Saudi Arabian	0.9%	180,000	1,800,000
7	Abdulhadi Alqahtani & Partners Co	Saudi Arabian	0.3%	60,000	600,000
	Other shareholders		19.7%	3,930,000	39,300,000
	Subscribers from the public		40.0%	8,000,000	80,000,000
	Total		**100.0%**	**20,000,00**	**200,000,000**

Source: Arabia Insurance

The Company has obtained the approval of the Saudi Arabian Monetary Agency per the letter No. 351000145469 dated 26/11/1435H (corresponding to 21/09/2014G) to increase its capital in the amount of two hundred million Saudi Riyals (SAR 200,000,000) through Rights Issue. After the end of the Rights Issue process, the Company's Capital will become four hundred million Saudi Riyals (SAR 400,000,000) divided into forty million (40,000,000) ordinary shares, at a nominal value of ten Saudi Riyals (SAR 10) per share. The Board of Directors has recommended in its resolution dated 02/11/1435H (corresponding to 28/08/2014G) to increase the capital in compliance with the Company's solvency requirements.

The Company received a letter of undertaking from the Arabia Holding (a Holding Company) (strategic shareholder) Confirming its commitment to subscribe to 3,840,000 shares, representing the full entitlement in the Rights totaling to 19.2% of the total Rights offered for subscription, according to the number of shares it holds on the Eligibility Date. The Company received a letter of undertaking from the Jordan Insurance Company, PLC (Strategic Shareholder) confirming its commitment to subscribe to 2,440,000 shares, representing its full entitlement in the Rights totaling to 12.2% of the total Rights offered for subscription, according to the number of shares it holds on the Eligibility Date. The Company has also received a letter of undertaking from the Arab Supply and Trading Company (a Substantial Shareholder) confirming its commitment to subscribe to 1,000,000 shares, representing its full entitlement in the Rights totaling to 5% of the total Rights offered for subscription, according to the number of shares it holds on the Eligibility Date.

4.5 Shareholders who own 5% or more

The following table shows the shareholders who own 5% or more of the Company's shares as of 30/09/2014G:

14-Table (4-3): Shareholders who own 5% or more of the Company's shares as of 30/09/2014G

No	Name	Nationality	Ownership Ratio	Number of Shares	Nominal Value (SR)
1	Arabia Holding (a Holding Company)	Lebanese	19.2%	3, 840,000	38,400,000
2	Jordan Insurance Company	Jordanian	12.2%	2,440,000	24,440,000
3	Arab Supply and Trading Company	Saudi Arabian	5.0%	1,000,000	10,000,000
	Total		**36.4%**	**6,281,000**	**62,810,000**

Source: Arabia Insurance

Overview of the institutional shareholders who own 5% or more

Arabia Holding (a Holding Company)

Arabia Holding (a Holding Company) is a Lebanese holding company founded in 2001G. Its main Head Office is located in Beirut. The company operates in investment sector, and owns stocks in closed companies and shares in limited liability companies, and management of companies in which it owns a controlling stake. Additionally, it owns patents, discoveries, privileges, Trademarks and other reserved rights and leases them to other companies.

Arabia Holding (a Holding Company) capital is 4,500,000,000 Lebanese Lira (equivalent to SAR 10.8 million) divided into 10,000 shares of fully paid value. Each share value amounts to 450,000 Lebanese Lira (equivalent to SAR 1,080). The following table shows the Company's shareholders:

15-Table (4-4): Shareholders of the Arabia Holding (a Holding Company)

No.	Name	Ownership ratio	Number of Shares	Value in Lebanese Lira (LL)	Value (SR)
1	Arabia Insurance Company S.A.L (Lebanon)	99.0%	9,900	4,455,000,000	10,692,000
2	Dr. Hisham Subhi Al Besat	0.25%	25	11.25 million	27,000
3	Dr. Karma Badri Al Hasan	0.25%	25	11.25 million	27,000
4	Hani Atallah Freij	0.25%	25	11.25 million	27,000
5	Nadeem Emile Baroudi	0.25%	25	11.25 million	27,000
	Total	**100.0%**	**10,000**	**4,500,000,000**	**10,800,000**

Source: Arabia Insurance

As mentioned in the table above, the Arabia Insurance Company S.A.L (Lebanon) owns 99.0% of the Arabia Holding (a Holding Company).

The Arabia Insurance Company S.A.L (Lebanon) was founded in 1944G. It is a Lebanese joint-stock company headquartered in Beirut. The Arabia Insurance Company S.A.L (Lebanon) practices all insurance and reinsurance business through 36 branches and agencies in Lebanon, the United Arab Emirates, Oman, Bahrain, Kuwait and Qatar, as well as sister companies in both Jordan and Syria.

The Arabia Insurance Company S.A.L (Lebanon) capital that amounts to 51,000,000,000 LL (equivalent to 122,400,000 Saudi riyals) is divided into 20,400,000 fully paid ordinary shares, at a nominal value of 2,500 LL per share (equivalent to 6 SAR). The following table shows the Company's shareholders:

16 -Table (4-5): Shareholders of the Arabia Insurance Company S.A.L (Lebanon)

No.	Name	Ownership ratio	Number of Shares	Value (LL)	Value (SR)
1	Arab Bank, PLC	37.4%	7,633,680	19,084,200,000	45,802,080
2	Mohammad Abdel-Rahman AL Bahar	4.9%	1,011,600	2,529,000,000	6,069,600
3	Orient S.A.L	4.1%	832,320	2,080,800,000	4,993,920
4	Suleiman Tannous & Sons Co	2.9%	583,650	1,459,125,000	3,501,900
5	Alif Ba Ta Company	1.1%	233,200	583,000,000	1,399,200
6	Nasser Bin Khaled Al Thani	1.0%	207,600	519,000,000	1,245,600
7	Mohammad Yousuf Jalal	1.0%	207,600	519,000,000	1,245,600
8	Jum'a Al Majid Abdullah	0.6%	116,800	292,000,000	700,800
	Others shareholders	47.0%	9,573,550	23,933,875,000	57,441,300
	Total	**100.0%**	**20.400,000**	**51,000,000,000**	**122,400,000**

Source: Arabia Insurance

Jordan Insurance Company P.L.C:

Jordan Insurance Company P.L.C is a public joint-stock limited company that is headquartered in the city of Amman. The Company operates in the activity of insurance and reinsurance where it offers insurance products against fire, natural factors, explosions, motor Insurance, car accidents, theft, breach of trust, civil liability risks, as well as insurance against the dangers of land, sea and air transport, life insurance and disability and old age guarantee. The Jordan Insurance Company P.L.C capital amounts to 30 million Jordanian dinars (equivalent to 158,448, 000 SR) divided into 30,000,000 ordinary shares of a fully paid value, at a nominal value of 1 Jordanian dinar (SAR 5.2816) per share. The following table shows the Company's shareholders:

17-Table (4-6): Shareholders of Jordan Insurance Company P.L.C

No.	Name	Ownership ratio	Number of Shares	Value (JD)	Value (SR)
1	Othman Mohammad Ali Bdeir	27.1%	8,142,454	8,142,454	43,005,185
2	Munchen Re	10.0%	3,000,000	3,000,000	15,844,800
3	Al Maseera Investment Company	6.6%	1,994,871	1,994,871	10,536,111
4	Methqal and Shawkat company	6.3%	1,877,391	1,877,391	9,915,628
5	Social Security Corporation	3.4%	1,026,417	1,026,417	5,421,124
6	Mohammad Osama Jawdat	3.2%	970,706	970,706	5,126,881
7	Omar Mohammad Othman	2.7%	811,128	811,128	4,284,054
8	Essam Mohammad Othman	2.5%	762,927	762,927	4,029,475
9	Shehadeh Salameh AL Tewal	1.7%	508,497	508,497	2,685,678
10	Talal Shehadeh Salameh	1.6%	494,426	494,426	2,611,360
11	Sabeeh Taher Darwish	1.3%	402,750	402,750	2,127,164

No.	Name	Ownership ratio	Number of Shares	Value (JD)	Value (SR)
12	Huda Mohammad Othman	1.3%	382,011	382,011	2,017,629
13	Hind Mohammad Othman	1.2%	374,763	374,763	1,979,348
14	Al Amal Investment Company	1.2%	368,086	368,086	1,944,083
15	Arab Bank PJSC	1.1%	344,990	344,990	1,822,099
	Public	28.5%	8,538,583	8,538,583	45,097,380
	Total	**100.0%**	**30,000,000**	**30,000,000**	**158,448,000**

Source: Arabia Insurance

Arab Supply and Trading Company:

The Arab Supply and Trading Company was founded in 1976G, a Saudi limited liability company, that is headquartered in the city of Riyadh. The company operates in industry sector, food, agriculture, real estate, constructing and others in Saudi Arabia and the Middle Eastern Region.

The Arab Supply and Trading Company's capital is SR 250,000,000 divided into 250,000 shares of equal value. The value of each share is SAR 1,000. The following table shows the Company's shareholders:

18-Table (4-7): Shareholders in the Arab Supply and Trading: Company

Number	Name	Ownership Ratio	Number of shares	Value (SR)
1	Khaled Sabeeh Al Masri	79.0%	197,500	197, 500, 000
2	Sabeeh Taher Masri	20.0%	50,000	50,000,000
3	Qimmat Al Sahra'a for Commercial Services Company	1.0%	2,500	2,500,000
	Total	**100.0%**	**250,000**	**250,000,000**

Source: Arabia Insurance

4.6 Ownership of the Arabia Insurance Company in other companies

The Arabia Insurance Company owns 3.85% of the Najm for Insurance Services. This company provides for the needs of insurance companies through rendering support services for Motor Insurance as an accident surveyor, loss estimator, and insurance claims settlement specialist. Najm for Insurance Services does not practice any business that is competitive to the Arabia Insurance Company. Najm for Insurance Services does not have a license to engage in insurance or reinsurance, or insurance intermediation activities. The Company operates under SAMA approval No. 1916/MT/MAT. The Company commenced its operations in 2007G in Riyadh, Kingdom of Saudi Arabia. It has then been transitioned to a closed joint stock company on 12/10/1434H (18/08/2013G) under Commercial Registration No. 1010229751.

Apart from its ownership in Najm for Insurance Services, Arabia Insurance Company has no ownership in other companies, subsidiaries or any other sister companies.

Najm for Insurance Services Capital is SAR 50,000,080 divided into 5,000,008 ordinary shares at a nominal value of 10 riyals per share of a value that is fully paid up. The following table shows the ownership of the Arabia Insurance Company in it:

19 -Table (4-8): Ownership of the Arabia Insurance Company in other companies

Company	Number of Shares	Share Nominal Value	Total Nominal Value	Percentage of Ownership
Najm for Insurance Services	192,300	SAR 10	1,923,000	3.85%

Source: Arabia Insurance

4.7 Products and Services

Arabia Insurance Cooperative Company provides protection solutions through 38 different policies, ranging from health insurance, property insurance, life insurance, motor insurance, transportation, occupational accidents, etc.. The Company has received the final approval from the Saudi Arabian Monetary Agency for 22 insurance schemes. It has also received a temporary approval for 16 insurance schemes.

Arabia Insurance does not have any commercial activity or substantial part of its assets used outside the Kingdom of Saudi Arabia.

Products that have been definitively approved by SAMA:

The Company received final approval from the Saudi Arabian Monetary Agency to provide the products listed in the table below. This will entail the Company's commitment to provide insurance coverage and protection for the policyholder. It will also entail its commitment to the requirements of the Saudi Arabian Monetary Agency with regard to providing the necessary documentations to update or modify any of these products and their policies (documents).

20- Table (4-9): Products that the Company has received final approval on from the Saudi Arabian Monetary Agency

Number	Name and Description of final approval	Date of Final Approval
1	Motor Insurance Policy This insurance provides compensation to policyholder for loss or damage to his vehicle while it is present inside the Kingdom of Saudi Arabia. The Company will also compensate the third party in case of physical injury or physical damage as a result of any accidents suffered by the policyholder while driving the vehicle.	19/05/1434H (31/03/2013G)
2	Cooperative Health Insurance Policy The Company, under this policy, covers the medical service costs incurred by policyholders at specific networks of hospitals, clinics and dispensaries and medical centers.	23/11/1429H (22/11/2008G)
3	Glass Plates Insurance Policy The policy covers any losses or damages caused by breaking the glass of the buildings or its facilities during the period of insurance accident.	27/03/1431H (13/03/2010G)
4	Breach of Trust (dishonesty) Insurance Policy This type of insurance covers the financial losses that may be suffered by the policyholder as a result of fraud or dishonesty by any of his employees within the scope of his work.	27/03/1431H (13/03/2010G)
5	Professional Liability Insurance Policy for Engineers This type of insurance enables owners of professional businesses such as engineers and architects to protect themselves against any legal liability they many incur.	12/10/1431H (27/09/2010G)
6	Group Life Insurance Program Policy to Protect Credit This program covers borrowers from banks credit companies at the value of the remaining loan in case of creditor's death or total disability.	07/03/1433H (30/01/2012G)
7	Groups' Contract Insurance Policy The policy provides life insurance in case of death or permanent total disability, permanent partial disability resulting from unforeseen accidents or illness of the insured group members during the period of the employment contract. This policy falls under the protection and savings insurance category.	07/03/1433H (30/01/2012G)
8	Land Transit Insurance Policy Insurance, under this policy, covers any serious losses or damage that may be caused to the goods while transporting them by land as a result of a collision the tanker, rollover or burning accidents.	12/01/1432H (18/12/2010G)
9	Marine cargo Insurance Policy The policy covers any losses or damages to goods during transport by sea or air as a result of unexpected accidents or fires.	12/01/1432H (18/12/2010G)
10	Hull Marine Insurance Policy The Company, under this policy, covers ship hulls against risks associated with marine sailing.	12/01/1432H (18/12/2010G)

Number	Name and Description of final approval	Date of Final Approval
11	In-Safe Money Insurance Policy Insurance, under this policy, covers loss of money from the safe specified in the policy as a result of theft or fire.	15/04/1432H (19/01/2011G)
12	Money Insurance policy during Transport Insurance, under this policy, covers loss of money during transport to and from locations specified in the policy such as bank, office or mail.	15/04/1432H (19/01/2011G)
13	Workers' Compensation Insurance Policy This policy covers the policyholder's liability for the payment of compensation and/or specific expenses as outlined in the Saudi Labor Law Regulations.	06/02/1433H (31/12/2011G)
14	Employer's Liability Insurance Policy This policy provides the employer with the required protection against legal liability that may incur as a result of death, physical injury or unexpected accidents to anyone who works for him.	06/02/1433H (31/12/2011G)
15	All Risks Property Insurance Policy The Company, under this policy, covers the insured property or any part thereof in the event of destruction or unexpected physical damage. This includes the buildings, construction equipment, machinery, equipment, tools and stored products, furniture and others.	14/04/1433H (07/03/2012G)
16	Fire Insurance Policy Insurance, under this policy, covers any physical damages to the property that may result from lightning, fires, explosions and electric contact. This includes the buildings, construction equipment, machinery, equipment, tools and stored products, furniture and others.	14/04/1433H (07/03/2012G)
17	Loss of Profits Insurance Policy This insurance provides compensation for loss of earnings as a result of physical damage caused by fire, lightning, storms and other natural factors.	14/04/1433H (07/03/2012G)
18	Theft Insurance policy This insurance gives protection to the policy holder against theft accompanied with violence upon the thief's entry or exit of the Head Office of the policyholder.	14/04/1433H (07/03/2012G)
19	Medical Malpractice Insurance policy This policy covers the damages caused by medical errors including costs of any claims or legal proceedings.	24/11/1433H (10/10/2012G)
20	Civil Liability Insurance Policy (lifts) This insurance provides the owners of property that contains electric lifts with protection against legal liability. This covers the damages that may occur to users of elevators in the event of an unexpected downtime or stoppage.	30/11/1433H (16/10/2012G)
21	Third Party Liability Insurance Policy This insurance provides protection to the policyholder against legal liability that may be incurred to him. It covers the financial compensations imposed on him in case of death, physical injury or property damages. Such damage may be caused by unexpected accidents while at work, during training, operation, transport, etc.	21/03/1434H (02/02/2013G)
22	Riots, Strikes Civil Commotion and/or Intentional Damage Insurance Policy This insurance provides compensation for losses and damages that may be incurred by the policyholder as a result of riots, civil commotions, intentional damage such as fire, looting of property or deliberate cracking (breaking).	21/03/1434H (02/02/2013G)

Products for which the Company has received temporary approval from SAMA

The Company has obtained a temporary approval from SAMA to provide the products listed in the table below. This will entail the Company's commitment to the policyholders to provide coverage and insurance protection, and its commitment to the requirements of the Saudi Arabian Monetary Agency with respect to the renewal of the temporary approval of the product every six months to provide the necessary documentations to renew the approval and respond to any inquiries raised by SAMA.

The Company has obtained the temporary approval of the products described in the following table. The temporary approval has been extended for a period of six months from 02/04/1436H (22/01/2015G) for these products with the exception of comprehensive domestic labor insurance policy, for which the period of the approval validity has ended and the Company is in the process of its renewal:

21- Table (4-10): Products for which the Company has received temporary approval from SAMA

Number	Name and Description of Insurance Policy	Date of Temporary Approval
1	Personal Accident Insurance Policy (for groups and individuals) This policy provides compensation in case of death, permanent total disability or permanent partial disability resulting from personal accident. This policy is available for individuals or groups. This policy falls under the general insurance category. It also compensates the policyholder in the event of personal accident only and it does not provide him with insurance in the event of death or disability resulting from illness.	02/04/1436H (22/01/2015G)
2	Household labor Comprehensive Insurance Policy The Company covers, under this policy, the domestic labor compensation in case of death, permanent partial or total disability, or in the case of illness or unexpected injury, or the employer's maltreatment, or failure of the employer to pay the worker's entitlements. It also covers the employer's expenses in the event of the escape of the worker or if there is a need to replace him.	(30/09/1435H (27/07/2014G)
3	Homeowners Insurance Policy This policy provides compensation for any losses or damages incurred to the residence of the policy holder, and any affiliated facilities such as garages, fences, fuel tanks, water pipes and electricity cables and others	02/04/1436H (22/01/2015G)
4	Valuable Asset Insurance Policy The Company, under this policy, covers the compensation for losses resulting from the loss of or damage of valuable holdings.	(02/04/1436H (22/01/2015G)
5	All -Danger Contractor Insurance This insurance covers any losses or damage that may incur to construction projects such as houses, buildings, bridges and towers. This policy is usually acquired by contractors or project managers.	02/04/1436H (22/01/2015G)
6	Erection All Risks (EAR) Insurance Policy The Company, under this policy, covers any loss or damage caused to projects that may include installation or fixing of equipment, machines or devices. It also covers damage to property of a third party in addition to the physical injuries. This policy is usually acquired by contractors or project managers.	02/04/1436H (22/01/2015G)
7	Contractors' Equipment and Machinery Insurance Policy This insurance policy provides protection for equipment and machinery used by contractors during the performance of their work. It covers in case of unexpected loss or damage during operation.	02/04/1436H (22/01/2015G)
8	Machinery and Equipment Breakdown Insurance Policy This insurance policy provides protection for equipment and machinery in the event of unexpected stoppage or during their maintenance. It also includes protection against damage that may inflict the damaged materials as a result of such machinery and equipment failure.	02/04/1436H (22/01/2015G)
9	Machinery Breakdown Loss of Profit Insurance Policy This insurance provides compensation for loss of profits as a result of any incident that may occur during operation due to the failure of equipment and machines.	02/04/1436H (22/01/2015G)
10	Boiler Insurance Policy This insurance policy provides protection for losses caused by the explosions, or damages that may be caused by boilers during operation.	02/04/1436H (22/01/2015G)
11	Deterioration of Stock in Cold Storage Insurance Policy The insurance, under this policy, covers goods stored in cold storages in the event of their sudden failure to operate.	02/04/1436H (22/01/2015G)
12	Electronic Devices Insurance Policy The Company, under this policy, covers compensation for electronic equipment in the event of their damage while in the possession of the policyholder within certain conditions.	02/04/1436H (22/01/2015G)

Number	Name and Description of Insurance Policy	Date of Temporary Approval
13	Schools Liability Insurance Policy This policy provides protection for schools against legal liability that may inflict them as a result of any physical injuries or incidents that the students may be exposed to inside the school campus, or during the activities organized by the school.	02/04/1436H (22/01/2015G)
14	Vehicular Mechanical and Electrical breakdowns Warranty Extension Insurance Policy The Company, under this policy, provides coverage to vehicle owners to extend the warranty granted on the mechanical and electrical malfunctions that may inflict their vehicles.	02/04/1436H (22/01/2015G)
15	Intermediaries (Brokers) Professional Liability Insurance Policy This policy provides protection for brokers against legal liability that may inflict them as a result of any claims, legal proceedings, or loss of documents as a result of the violation or negligence in the performance of their professional duties.	02/04/1436H (22/01/2015G)
16	Third Party and Product Liability Insurance Policy The Company, under this policy, covers the policyholder against the third party legal liability that may arise from the production operations and damages to products.	02/04/1436H (22/01/2015G)

Source: Arabia Insurance

4.8 Future Products

The Company continually evaluates opportunities for providing new products, whether individual, commercial, family or public in order to meet the individual and institutional customer requirements commensurate with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations. At present, the Company does not have any intention to introduce new insurance products or to study potential products to be introduced in future products.

4.9 Reinsurers

The Company is dealing with several reinsurance companies having at least for “BBB” rating by Standard & Poor’s (S&P) or “B+” by AM Best Company (AM BEST), as stipulated in Chapter 3 of the Organizational Regulation of reinsurance business issued by the Saudi Arabian Monetary Agency. It should also be noted that SAMA also allows insurance companies operating in the Kingdom to deal with reinsurance companies that have a “Baa” rating by Moody’s Investors Service or “BBB” rating by Fitch Ratings as a minimum. If the Company wishes to deal with reinsurers who are uncertified by SAMA, they must obtain a written consent from SAMA. The ratings indicate the strength of the financial condition of the reinsurance company and its efficiency to cover claims, in addition to the quality of its service and the strength of its programs in reinsurance.

The Company has contracted with several international reinsurance companies (see “Legal Information” section, page number “157”) to reduce the risk of the insurance business and ensure the stability of operations and sources of capital, in addition to reducing the risk of losses and stabilize profitability. The dealings with Hannover Reinsurance as of 30/09/2014G (Hannover Re) constitute about 40% of the total value of the Company’s dealings with reinsurers.

Noteworthy, there are no substantial financial burdens related to withholding tax that may be imposed by reinsurers operating outside the Kingdom on the Arabia Insurance Cooperative Company.

22 -Table (4-11): The most important reinsurers that the Company deals with the as of 30/09 /2014G

Name	Nationality	Rating	The Company classified
Hannover Re	German	A +	AM Best
Assicurazioni Generali	Italian	A	AM Best
General Insurance Company “GIC”	Indian	A-	AM Best
Emirates Reinsurance	Emirati	B ++	AM Best
Labuan Re	Malaysian	A-	AM Best
Int’l General Insurance	Emirati	A-	AM Best
Oman Insurance	Emirati	A	AM Best

Name	Nationality	Rating	The Company classified
Sirius Int'l	Swedish	A	AM Best
Kuwait Reinsurance	Kuwaiti	A-	AM Best
InterGlobal	British	A-	AM Best
Saudi Re	Saudi Arabian	BBB +	S&P
Korean Re	Korean	A	AM Best
Trust Re	Bahraini	A-	AM Best
Partner Re	Dutch	A-	S&P

Source: Arabia Insurance

4.10 competitive advantages

The Company enjoys the following competitive advantages:

- A recognize trade name in the region
- Support of the Founding Shareholders
- Diversity of Products
- Highly experienced managerial team
- Strong relations with reinsurers

4.11 Revenues

The following table shows the Company's revenues from the subscribed premiums during the past four years:

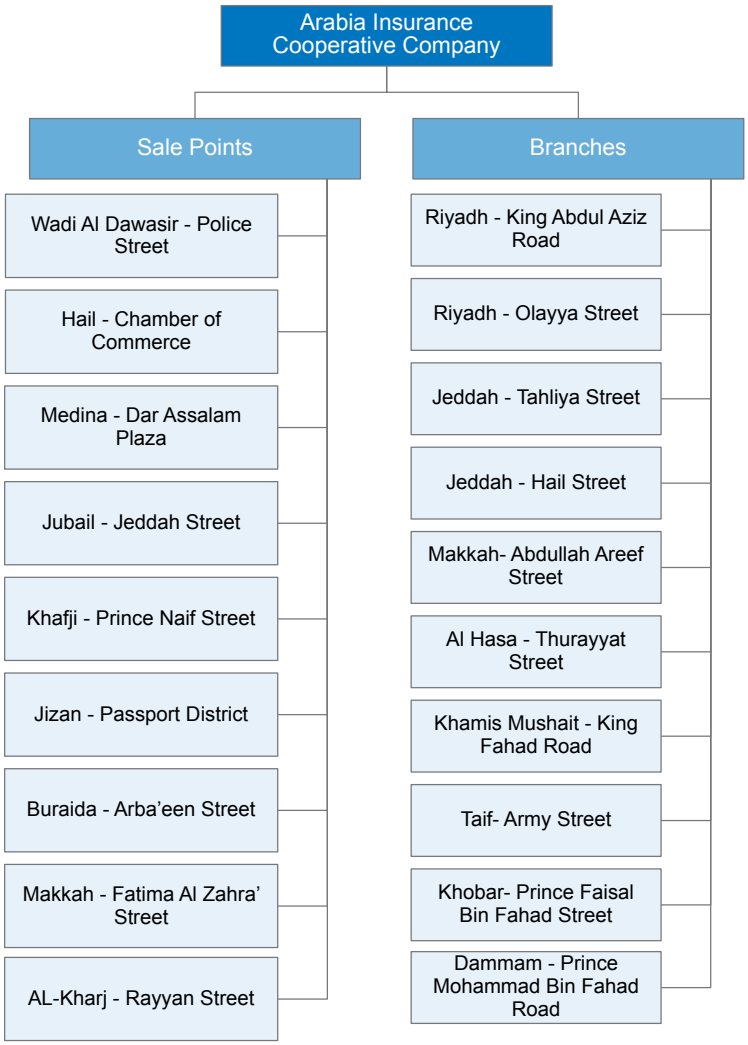
23 -Table (4-12): written premiums for the years ended on 31/12/2011G, 2012G, 2013G and 2014G .

In Thousands of Saudi Riyals	Fiscal Year 2011G (Audited)	Fiscal Year 2012G (Audited)	Fiscal Year 2013G (Audited)	Fiscal Year 2014G (Unaudited)
Health	227,125	199,856	180,663	173,140
Motor	231,195	339,048	265,147	341,504
Fire	29,339	31,358	40,305	35,204
Engineering	35,897	31,893	41,246	39,078
Marine	26,962	35,469	40,842	38,766
Other	14,541	16,322	18,123	16.544
Total	**565,059**	**653,945**	**586,327**	**644,234**

Source: audited financial statements for the years ended in December 31, 2011G and 2012G and 2013G, and the interim financial statements for the period ended in December 31, 2014G

4.12 Marketing and Distribution

The Company markets its products in support of the Company's vision and goals. It also promotes the value of its products and services for the existing and potential customers. It strives to develop the volume of its sales through the geographical spread across the Kingdom of Saudi Arabia as it offers its products and services from its Head Office in Riyadh in addition to 10 other branches and 9 sale points distributed around the Kingdom. The Company has no commercial activity outside the Kingdom of Saudi Arabia. The following figure shows the centers and branches of the Company:



4.13 Customer Base

Arabia Insurance Company Targets individual clients and commercial customers of companies and establishments. It managed over the past years to attract a large customer base within its framework and plans developed for continued growth. The following table shows the key customers whom the Company had contracted with as of 31/12/2014G in terms of the volume of subscribed premiums (the value of which exceeds 5% of the total subscribed premiums):

24-Table (4-13): The Main Customers of the Company in year 2014G

Company	Premiums (thousand Saudi Riyals)	The ratio of the total premiums
Saudi Oger	169,843	26.4%
Al Jomaih Auto Trading	94,083	14.6%
Aqsat International Trading Company	74,839	11.6%
Ajil Financial Services Company	42,377	6.6%
Total	**381,142**	**59.2%**

Source: Arabia Insurance

It should also be noted that the insurance policies issued to the five main customers in the Company accounted for 45,3% of the Company's total business in 2011G, 50,8% in 2012G and 49,7% in 2013G (see "Financial Information and Management Analysis Discussion " Section on page number "80").

The following table shows the distribution of the Company's customers, according to insurance activity, as on 31/12/2014G:

25-Table (4-14): Arabia Insurance Company Customers' Data Base as of 31/12/2014G

Insurance Type	Number of individual clients	number of Customers a companies	Total
Motor Insurance	57,034	1,893	58,927
Medical Insurance	19,854	72	19,926
Accident insurance	1,516	359	1,875
Fire insurance	125	362	487
Marine Insurance	70	183	253
Engineering Insurance	35	145	180
Protection and savings insurance	-	10	10
Total	**72,210**	**2,951**	**75,161**

Source: Arabia Insurance

4.14 Customer Service

The Company's Customer service principles are based on the concept of the right combination of staff, policies and communication tools that warrants the delivery of high quality service. The Company is committed to employing qualified and trained cadre to meet and receive the various types of customers and fulfill their requirements to the best possible service. The Company has developed policies and procedures peculiar to customer service that direct the staff to providing high quality service through the reception of customers, meeting their needs and following up with their transactions as well as providing adequate information and other procedures. The Company has also paid great attention to the development and management of the relationship with the customer, such as the means of communication, electronic systems for following-up with the customers' records that will facilitate the communication with the customer and increase the degree of responsiveness, and provide the correct and accurate information.

The Company also provides its customers with after-sale services through call-receiving policies and systems with respect to claims and inquiries, suggestions and complaints, around the clock and outside official working hours.

4.15 Employees

Arabia Insurance Company used a distinctive combination of local skills and international expertise. As of 30/09/2014G, the number of company employees amounted to 251 employees as shown in the table below:

26 -Table (4-15): The Company's employees by geographic area and the categories of main activity for the years 2012G and 2013G.

	As of 31/12/2012G						As of 31/12/2013G					
	Saudis		Non Saudis		Total		Saudis		Non Saudis		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
The Head Office and the Central Region Center												
Executive Department	0	0%	5	100%	5	100%	0	0%	4	100%	4	100%
Financial Department	2	11%	16	89%	18	100%	0	0%	17	100%	17	100%
Human Resources Department	5	71%	2	29%	7	100%	3	50%	3	50%	6	100%
Reinsurance and Technical Affairs Department	4	21%	15	79%	19		7	30%	16	70%	23	
Operations Department	32	47%	36	53%	68	100%	29	47%	33	53%	62	100%
Marketing and Sales Department	5	50%	5	50%	10	100%	5	42%	7	58%	12	100%
Internal Audit Department	1	33%	2	67%	3		1	33%	2	67%	3	
Legal Affairs Department	6	75%	2	25%	8	100%	7	100%	0	0%	7	100%
Information Technology Department	2	25%	6	75%	8	100%	2	25%	6	75%	8	100%
Customer Services Department	2	40%	3	60%	5		5	71%	2	29%	7	
Total for Central Region	**59**	**39%**	**92**	**61%**	**151**	**100%**	**59**	**40%**	**90**	**60%**	**149**	**100%**
Western Region Center						100%						100%
Financial Department	0	0%	4	100%	4		0	0%	4	100%	4	
Human Resources Department	2	100%	0	0%	2	100%	2	100%	0	0%	2	100%
Operations Department	25	44%	32	56%	57	100%	22	39%	34	61%	56	100%
Marketing and Sales Department	0	0%	4	100%	4		0	0%	3	100%	3	
Information Technology Department	0	0%	1	100%	1	100%	0	0%	1	100%	1	100%
Customer Services Department	0	0%	5	100%	5	100%	1	20%	4	80%	5	100%
Total for Western Region	**27**	**37%**	**46**	**63%**	**73**		**25**	**35%**	**46**	**65%**	**71**	
Eastern Region Center						100%						100%
Financial Department	3	50%	3	50%	6	100%	3	60%	2	40%	5	100%
Operations Department	34	79%	9	21%	43		25	69%	11	31%	36	
Marketing and Sales Department	1	13%	7	88%	8	100%	2	25%	6	75%	8	100%
Customer Services Department	1	50%	1	50%	2	100%	0	0%	0	0%	0	100%
Total for Eastern Region Center	**39**	**66%**	**20**	**34%**	**59**		**30**	**61%**	**19**	**39%**	**49**	
Total	**125**	**44%**	**158**	**56%**	**283**	**100%**	**114**	**42%**	**155**	**58%**	**269**	**100%**

Source: Arabia Insurance

27-Table (4-16): the Company's employees by geographic area and categories and the main activity as 31/12/2014G

Region / Department	As of 31/12/2014G					
	Saudis		Non Saudis		Total	
	Number	Percentage	Number	Percentage	Number	Percentage
The Head Office and the Central Region Center						
Executive Department	5	50%	5	50%	10	100%
Financial Department	2	13%	13	87%	15	100%
Human Resources Department	3	60%	2	40%	5	100%
Reinsurance and Technical Affairs Department	3	23%	10	77%	13	100%
Operations Department	33	52%	30	48%	63	100%
Marketing and Sales Department	11	79%	3	21%	14	100%
Internal Audit Department	1	33%	2	67%	3	100%
Legal Affairs Department	2	100%	0	0%	2	100%
Information Technology Department	3	33%	6	67%	9	100%
Customer Services Department	7	88%	1	13%	8	100%
Total for Central Region	**70**	**49%**	**72**	**51%**	**142**	**100%**
Western Region Center						
Financial Department	1	25%	3	75%	4	100%
Human Resources Department	2	100%	-		2	100%
Operations Department	27	47%	31	53%	58	100%
Marketing and Sales Department	-	0%	5	100%	5	100%
Information Technology Department	-	0%	1	100%	1	100%
Customer Services Department	1	50%	1	50%	2	100%
Total for Western Region	**31**	**43%**	**41**	**57%**	**72**	**100%**
Eastern Region Center						
Financial Department	3	75%	1	25%	4	100%
Operations Department	23	79%	6	21%	29	100%
Marketing and Sales Department	1	33%	2	67%	3	100%
Customer Services Department	1	100%	-	0%	1	100%
Total for Eastern Region Center	28	76%	9	24%	37	100%
Total	**129**	**51%**	**122**	**49%**	**251**	**100%**

Source: Arabia Insurance

The Company is committed to applying the regulations and instructions of employing non-Saudi staff provided that they are legally employed and sponsored by the Company. Corrective respite imposed by the Ministry of Labor has not adversely affected the Company's business or its outcome.

The gradual decrease in the number of company employees from 283 in 2012G to 251 employees as of 31/12/2014G is attributed to the reduction in the general and administrative expenses.

The Company's management recognizes that there is no intention to make any fundamental change to the nature of its activities.

4.16 Commitment to Saudization

In line with the Cooperative Insurance Companies Control Law and its Implementing Regulations issued by SAMA, the Arabia Insurance Company is committed to maintaining the required ratio of Saudization by employing, training and qualifying Saudis. As of 31/12/2014G, the percentage of Saudization within the Company reached 51.4% out of 251 employees (The Company falls under the high green zone of Saudization Nitaqat Program as shown in the table below). The Company has received a Certificate of Compliance to Saudization by the Ministry of Labor on 28/10/2014G. However, the ratio of Saudization within the Company is less than that required by SAMA which amounts to 55%.

28-Table (4-17): Localization rates of medium-sized companies operating in the insurance industry and business sector

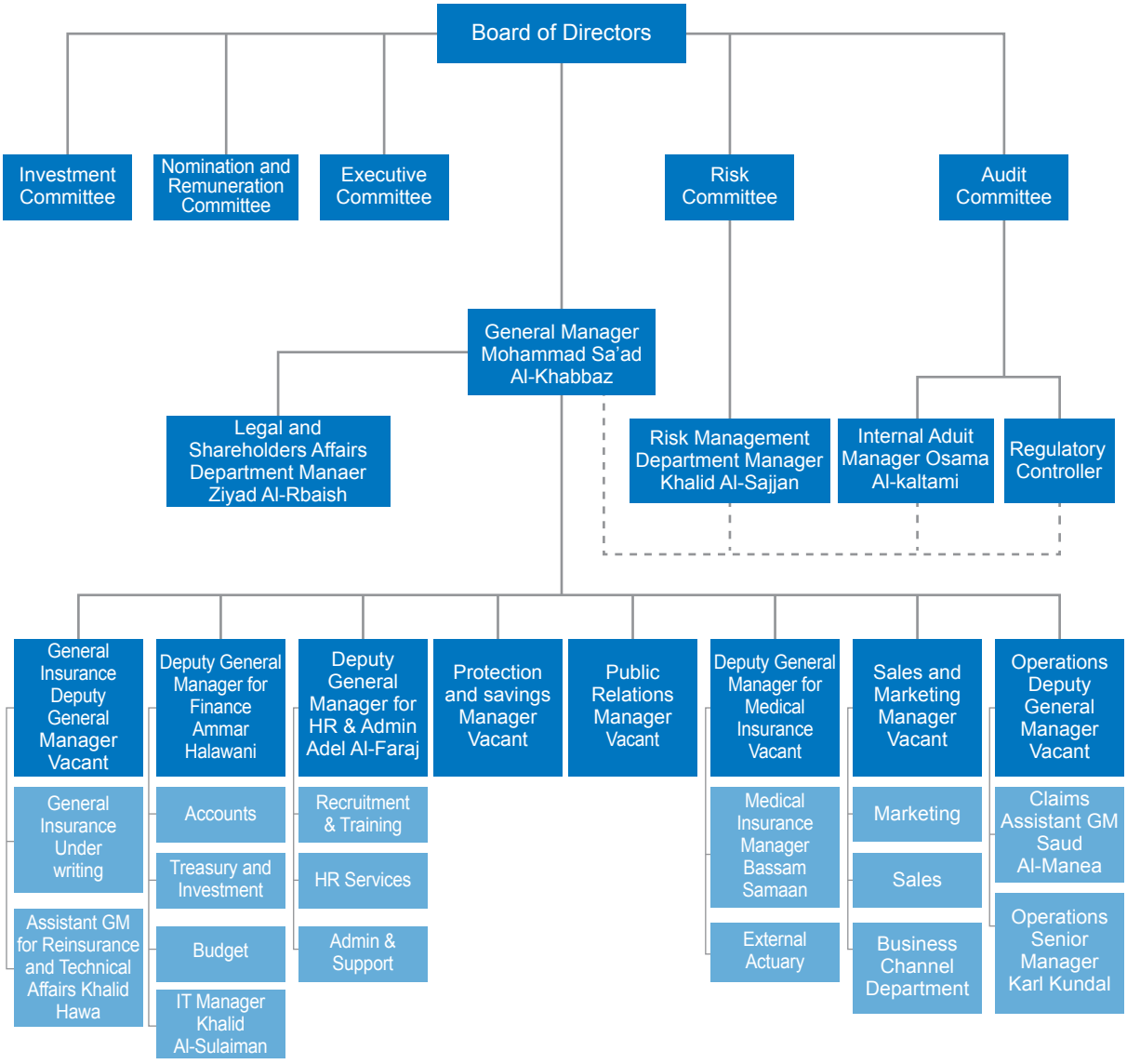
Activity	Business size	Staffing		Nitaqat										
		From	To	Red		Yellow		Low Green		Medium Green		High Green		Platinum
Insurance and business services	Medium	50	499	0%	4%	5%	19%	20%	31%	32%	43%	44%	54%	55%

Source: Ministry of Labor

5. Company Organizational Structure

5.1 Organizational Structure

The Company is currently considering modifying its organizational structure through the possibility of consolidating certain tasks together in order to tighten control and tune with the actual needs of the Company. This step has not yet been finalized or approved by the Board of Directors or the Saudi Arabian Monetary Agency. The Company's new organizational structure will be brought to the Board of Directors for approval in its expected meeting during April 2015G. The key vacancies in the current organizational structure are; the Operations Deputy General Manager, Sales and Marketing Manager, Deputy General Manager for medical insurance, Public Relations Manager, Protection and Savings Manager and the Deputy General Manager for General Insurance. Currently, other employees are assigned to carry out the tasks related to the vacant positions on a temporary basis.



5.2 Board of Directors

The Board of Directors comprises 10 Directors including the Board Chairman. Board Members were appointed by the Ordinary General Meeting of the shareholders of the Company held on 16/02/1435H (19/12/2013G) for the third term of three years effective 29/02/1435H (01/01/2014G). The Board Members have appointed the Chairman and Secretary of the Board of Directors during the Board meeting held on 14/03/1435H (15/01/2014G).

The Board Members have high expertise on international and local level. The Board has all the necessary powers to manage the Company, including:

- Approving the strategic trends, main objectives, action plans and risk management policy of the Company and oversee their implementation.

- Setting the optimal capital structure, strategies and financial objectives of the Company and approve annual budgets.
- Overseeing major capital expenditures and acquiring assets and disposing of them.
- Setting performance targets and monitoring the overall implementation and performance of the Company.
- Conducting periodic review and approve the organizational and functional structures of the Company.
- Establishing and overseeing the internal controls and systems of the Company.
- Setting the policies and procedures that ensure the Company's compliance with the applicable rules and regulations and complies with the disclosure of the essential information to shareholders, creditors and other stakeholders.

The Board of Directors calls the General Assembly of the shareholders of the Company to meet in ordinary and extraordinary meetings and sets their agendas. The Board of Directors meets at least four times a year.

29- Table (5.1): Board Members

Name	Post	Repre-senting	Nation-ality	Age		Held Shares						Membership Date
						Direct	%	Indi-rect	%	Total	%	
Ab-dulaziz Abdul-hadi Alqahtani ***	Chairman Board	-	Saudi	65	Independ-ent/ Non Executive	22,000	0.11	19,798	0.10%	41,	0.21%	01/01/2011G
Moham-mad Saad Al Khabbaz	Board Member	-	Lebanese	58	Non Inde-pendent/ Executive	1,000	0.01%	None	None	98	0.005	01/01/2014G
Fayez Humod Alfaraj	Board Member	-	Saudi	43	Independ-ent/ Non Executive	1,000	0.01%	None	None	1,000	0.01%	01/01/2014G
Ab-dulaziz Saleh Aloamair	Board Member	-	Saudi	35	Independ-ent/ Non Executive	1,000	0.01%	None	None	1,000	0	01/01/2014G
Moham-mad Ahmad Arar	Board Member	-	Saudi	75	Independ-ent/ Non Executive	10,420	0.05%	None	None	10,420	5%	31/12/2007G
Ghassan Ibra-heem Akeel	Board Member	Arab Supply and Trading Com-pany	Jordanian	46	Non Independ-ent/ Non Executive	2,000	0.01%	None	None	1,000	0	01/01/2011G
Khaldun Abdul-rahman Abuhas-san	Board Member	Jordan Insur-ance Com-pany**	Jordanian	74	Non Independ-ent/ Non Executive	None	None	None	None	None	5%	31/12/2007G
Othman (Moham-mad Ali) Bdeir****	Board Member	Jordan Insur-ance Com-pany**	Jordanian	76	Non Independ-ent/ Non Executive	None	None	None	None	10,420	0.05%	01/01/2014G
Naji Haseeb Fayyad	Board Member	Arabia Hold-ing**	Lebanese Canadian	51	Non Independ-ent/ Non Executive	None	None	None	None	None	None	01/01/2014G
Muneer Botrus Mouash-er	Board Member	Arabia Hold-ing**	Jordanian	45	Non Independ-ent/ Non Executive	None	None	None	None	None	None	01/01/2014G

Source: Arabia Insurance

* The Company's Articles of Association states that the Board of Directors shall consist of 11 Directors, and thus there is one vacant seat in the Board.

** 1,000 shares of the represented companies shares have been allocated as Guarantee Shares for their representatives

*** The indirect ownership of Mr. Abdulaziz Abdulhadi Alqahtani is resulting from his ownership in Abdulhadi Alqahtani Group of Companies.

**** The indirect ownership of Mr. Othman (Mohammad Ali) Bdeir is resulting from his ownership in the Jordan Insurance Company, a public joint stock company.

Qualifications and experiences of the Board Members:

Abdulaziz Abdulhadi Alqahtani	
Nationality	Saudi
Age	65
Position	Board Chairman
Appointment Date	01/01/2011G
Qualifications	• Bachelor's degree in Business Administration from the University of Portland, Oregon, UAS, 1971G
Details of current and previous membership in other Companies' Boards	• Board Chairman, Abdulhadi Abdullah Alqahtani Sons Holding Group (closed joint stock company operating in multi-investment sector) since 1997G. • Board Chairman, Abdullah Abdulhadi & Co. Marine Petroleum Services (limited liability company operating in marine and oil services sector) since 1971G. • Board Chairman, Qahtani Fisk Electric and Telephone Business Ltd. (limited liability company engaged in electrical and telephone business) since 1977G. • Board Chairman, Al-Maha for Trading and Contracting Holding Company (limited liability company engaged in construction sector) since 1979G. • Board Chairman, Abdulhadi Abdullah Alqahtani & Sons Co., Ltd. for soft drinks manufacturing (a limited liability company engaged in food industry) since 1982G. • Board Chairman, Gulf for Salt Manufacturing Co., Ltd. (closed joint stock company engaged in salt industry) since 1993G. • Board Chairman, Gulf Business Network Group Co., Ltd. (limited liability company operating in environmental services sector, water treatment, security and safety, and fire services) since 1993G. • Board Chairman, Central Union Mining Company (a limited liability company engaged in mining sector) since 2001G. • Board Chairman, Ithad Cans Manufacturing Co., Ltd. (limited liability company engaged in food industry) since 2006G. • Board Member, Arbah Financial Company (closed joint stock company operating in financial services sector company) since 2007G.

Mohammad Saad Al-Khabbaz	
Nationality	Lebanese
Age	58
Position	Board Member and General Manager
Appointment Date	01/01/2014G
Qualifications	• Bachelor's degree in Business Administration and Companies Organization from Beirut University, College of Banking and Finance, Lebanon, 1978G • Training Course in general insurance with Swiss Re Company in Switzerland, 1981G • Training Course in marketing with the American Management Association,USA,1982G • Advanced course in insurance and claims engineering with Munich Re Company, Germany, 2000G • Training course in management with Munich Re Co., Germany, 2004G
Experience	• Assistant Manager, Arabia Insurance Company, Beirut (closed contribution company engaged in insurance sector) from 1974G to 1982G • Progressed in several positions in the Arab International Insurance Company (a Bahraini closed Joint stock operating in the insurance sector) from 1982G to 2006G, most recently served as Regional Manager • Vice CEO for operations, Arab Insurance Cooperative Company, from 2006G to 2009G • Vice Chairman of Insurance Executive Committee under supervision of SAMA, since 2008G
Current Positions	• General Manager since 2009G and Board Member since 2014G, Arabia Insurance Cooperative Company
Details of current and previous membership in other Companies' Boards	Board Member, Najm for Insurance Services Company (closed joint stock company operating in insurance services sector) from 2007G to 2013G

Fayes Hmoud Al-Faraj	
Nationality	Saudi
Age	43
Position	Board Member
Appointment Date	01/01/2014G
Qualifications	• Bachelor's degree in Business Administration from Arab Open University, Cairo, Egypt, 2009G
Details of current and previous membership in other Companies' Boards	• Board Chairman, Vienna Gardens Est. (single proprietorship engaged in the trade sector) since 2014G

Abdul Aziz Saleh Al-Omair	
Nationality	Saudi
Age	35
Position	Board Member
Appointment Date	01/01/2014G
Qualifications	• Bachelor's degree in Business Administration from University of Webster, Geneva, Switzerland, 2004G
Experience	• Corporate Banking Officer, Saudi Fransi Bank (a Joint Stock Company operating in banking sector) from 2006G to 2007G. • Corporate Banking Manager, Al Rajhi Bank (a Joint Stock Company operating in banking sector) from 2007G to 2009G. • Deputy Head of Private Mutual Funds, Al-Rajhi Capital Company (a closed joint stock company operating in financial services sector) from 2009G to 2010G. • Regional Head of Eastern and Central Regions for corporate and HNW customers marketing, Al-Rajhi Capital Company (a closed Joint Stock Company operating in financial services sector) from 2010G to 2011G. • Investors Relations Officer, R Capita Bank, Bahrain (a closed Joint Stock Company operating in financial services sector) from 2011G to 2012G.
Current Positions	• CEO, Wasl Commercial Investments Co., (limited liability company engaged in investment sector) since 2012G.
Details of current and previous membership in other Companies' Boards	• Board Member of Makeen Capital Co., (a closed Joint Stock Company operating in financial services sector) since 2013G.

Mohammad Ahmad Arar	
Nationality	Saudi
Age	46
Position	Board Member
Appointment Date	31/12/2007G
Qualifications	• Bachelor of Commerce in economics and political science from King Saud University, Riyadh, 1964G
Experience	• School Principal, Al Faisaliah School Jeddah, (non-profit organization engaged in education sector) from 1986G to 1989G. • Public Relations Manager, King Abdul Aziz University, (non-profit organization engaged in education sector), from 1991G to 1997G. • Medical Services Officer, Embassy of the Kingdom of Saudi Arabia, Jordan, for the Saudi community in Jordan, governmental organization of the Diplomatic sector, from 2001G to 2011G.
Details of current and previous membership in other Companies' Boards	None

Ghassan Ibrahim Aqeel	
Nationality	Jordanian
Age	46
Position	Board Member
Appointment Date	01/01/2011G
Qualifications	• Bachelor's degree in accounting from Jordan University, Amman, Jordan, 1988G • Master's degree in business administration from Thunderbird University, Arizona, USA, 1989G • Certified Public Accountant, USA, 1992G
Experience	• Audit and Financial Consulting Manager, Arthur Andersen & Co. (joint venture operating in financial services sector) from 1989G to 1990G. • CFO, Arab Supply and Trade (limited liability company engaged in industry and trade sector), from 1990G to 2002G
Current Positions	• Deputy CEO of the Arab Supply and Trade Company, limited liability company engaged in industry and trade sector, since 2005G.
Details of current and previous membership in other Companies' Boards	• Board Member, Cairo Amman Bank, public Joint stock operating in banking sector, since 2002G • Board Member, Astra Industrial Group, public joint stock company engaged in industrial investment sector company, since 2007G • Board Member, Vital Holding Company, United Arab Emirates, limited liability company engaged in investment in telecommunications sector), since 2007G • Board Member, National Company for aviation ground support, limited liability company operating in airport services sector, since 2010G

Khaldun Abdulrahman Abu Hassan	
Nationality	Jordanian
Age	74
Position	Board Member
Appointment Date	31/12/2007G
Qualifications	• Bachelor's degree in Business Administration from the American University, Beirut, Lebanon, 1964G • Master's degree in Business Administration from the University of Denver, Colorado, USA, 1966G • Diploma in Insurance, Swiss Re Company, Switzerland, 1974G • Diploma in Insurance, Munich Re Company, Germany, 1974G • Diploma in Insurance, Skandia Company, Stockholm, Sweden, 1976G.
Experience	• Board Chairman, Al-Mashreq Companies, Jordan, private shareholding limited liability company engaged in iron industry, since 1978G • Board Member, Ittihad Company for hydrocarbons storage and management, Jordan, private shareholding limited liability company engaged in import, storage and distribution of hydrocarbons, since 2009G. • Member of the Board of Trustees of the University of Jordan, Amman, a non-profit organization engaged in education sector and university research, since 2010G. • Honorary Consul General of the Consulate of the Kingdom of Jordan in the Slovak Republic, governmental organization of diplomatic sector) since 2002G. • Head of the Jordanian-German Business Council, Jordan, General Association engaged in economic relations sector, since 2000G.
Details of current and previous membership in other Companies' Boards	• Board Chairman of the Jordan Insurance Company, public joint stock company engaged in insurance sector, from 1991G to 2009G.

Othman Mohammad Ali Bdeir	
Nationality	Jordanian
Age	76
Position	Board Member
Appointment Date	01/01/2014G
Qualifications	• Bachelor's degree in Business Administration from the University of Tennessee, Tennessee, USA, 1963G. • Bachelor's degree in civil engineering from the University of Tennessee, Tennessee, USA, 1966G.
Current Positions	• Board Chairman of the Exploration Company for Construction Industries, Jordan, a limited liability company engaged in industry and mining sector, since 1978G.
Details of current and previous membership in other Companies' Boards	• Board Member of the National Oil Company for production of electrical energy from shale oil, Jordan, public Joint stock company operating in mining sector, from 2008G to 2012G. • Board Member of Al-Ameen for Investment Company, Jordan, a public Joint stock company engaged in investment sector, since 1995G. • Board Member, Al-Amal Company for Financial Investment, Jordan, public Joint stock Company engaged in brokerage and investment sector, since 2005G. • Board Chairman of Jordan Insurance Company, public joint stock company engaged in insurance sector, since 2005G. • Board Member of Exploration Company for Construction Industries, Jordan, limited liability company engaged in industry and mining sector, since 2009G. • Board Member, Asia Insurance Company, Kurdistan of Iraqi, a Joint Stock Company operating in insurance sector, since 2013G

Naji Haseeb Fayyad	
Nationality	Lebanese
Age	51
Position	Board Member
Appointment Date	01/01/2014G
Qualifications	• Bachelor's degree in Business Administration from the American University, Beirut, Lebanon, 1984G • Master's degree in Business Administration from the American University, Beirut, Lebanon, 1987G, and Postgraduate Diploma in Accounting from Miguel University, Montreal, Canada, 1996G • Certified Accountant by the Canadian Institute of Chartered Accountants, Montreal, Canada, 1999G • Certified Internal Auditor by the Institute of Internal Auditors, California, USA, 2000G
Experience	• Internal Auditor, Deloitte and Touché, Montreal, Canada, limited liability company engaged in financial services sector, from 1994G to 2000G. • Senior Manager of Internal Audit for the Arabia Insurance Company, Lebanon, Lebanese Joint Stock Company engaged in insurance sector, from 2000G to 2007G.
Current Positions	• Vice President for Finance, Arabia Insurance Company, Lebanon, a Joint stock engaged in insurance sector, since 2007G.
Details of current and previous membership in other Companies' Boards	None

Muneer Botrus Mouasher	
Nationality	Jordanian
Age	45
Position	Board Member
Appointment Date	01/01/2014G
Qualifications	• Bachelor's degree in Accounting from Al-Ahliyya Amman University, Jordan, 1994G • Diploma in Insurance, Insurance Law Institute, London, Great Britain, 2004G
Experience	• Insurance operations manager, Arab Bank Jordan, a public company engaged in banking sector, from 2006G to 2013G.
Current Positions	• CEO, Arabia Insurance Company, Lebanon, a Joint stock engaged in insurance sector company, since 2013G.
Details of current and previous membership in other Companies' Boards	• Board Member of Al-Nisr Al-Arabi Insurance Company, Jordan, a public company engaged insurance sector, from 2008G to 2013G. • Board Member of Arabia Insurance Company, Lebanon, a Joint stock engaged in insurance sector, since 2009G.

Ziyad Mohammad Al-Rbaish	
Nationality	Saudi
Age	39
Position	Board Secretary and Manager of Legal and Shareholders Affairs Department
Appointment Date	07/07/2013G
Qualifications	• Master's degree in Business Law and Insurance Law from Swansea University, UK, 2011G. • Bachelor's degree in Law from the University of Jordan, Amman, Jordan, 2000G. • High Diploma in Law from Bournemouth Business School International, UK, 2009G. • Completed modern methods program in insurance business and insurance contract legal rule, Spark Institute for Training, Jordan, 2013G. • Certified Director from Cambridge International College, United Kingdom, 2013G, prior to joining the Company in 2013G.
Experience	• Lawyer and Legal Adviser in the Office of Blacksmiths LLP (a professional company engaged in legal sector), from 2001G to 2004G. • Legal adviser and Head of the insurance team of the Saudi Industrial Development Fund (government financial institution operating in the industrial sector), from 2005G to 2013G.
Details of current and previous membership in other Companies' Boards	None

5.3 Summary of Contracts

Senior executives Services

The following table illustrates the summary of the senior executive service contracts of the Company:

30- Table (5-2): Summary of the senior executives service contracts

Name	Position	Contract start date	Contract term	Contract type
Mohammad Sa'ad Al-Khabbaz	General Manager	1/2/2009G	2 years	Automatic renewal
Ammar Mohammad Halawani	Deputy General Manager for Finance	17/10/2009G	2 years	Automatic renewal
Khalid Jad Hawaa	AGM for reinsurance and technical affairs	4/8/2010G	2 years	Automatic renewal
Adel Saleh Al-Faraj	Deputy General Manager for Human Resources	11/4/2009G	Indefinite	Indefinite

Source: Arabia Insurance

5.4 Compensations and remunerations of the Board member and Senior Executives

The responsibility to propose remunerations earned by the Board members and senior executives falls within the framework of the Nomination and Remuneration Committee (please refer to "Company Organizational Structure" section, page "51"). The following table illustrates the salaries, remunerations and allowances earned by the members of the Board of Directors and the top five Executives (including the General Manager and Chief Financial Officer) who received the highest remunerations during the past 4 years.

31- Table (5-3): Remunerations of the Directors and Senior Executives

SR (million)	2011G	2012G	2013G	2014G
Board Members	910	1,017	400	162
Senior Executives	2,918	3,544	4,410	4,079
Total (SAR)	**3,828**	**4,561**	**4,810**	**4,241**

Source: Arabia Insurance

5.5 Corporate Governance

Arabia Insurance strictly complies with corporate governance rules in line with the Corporate Governance Regulations issued by the Capital Market Authority. The Company's compliance with these regulations is a key element for the success of the Company which requires enforcement a clear transparency and disclosure framework in order to serve the interests of shareholders.

The following policies and standards that have been adopted by the Company and approved at the ordinary general meeting on 05/05/2010G:

- The Policies, standards and procedures for membership of the Board of Directors
- Regulations of the Board of Directors functions and responsibilities
- Rules for the selection of the Nomination and Remuneration Committee members and the term of their membership and their manner of function
- Rules of the selection of the Audit Committee members and the term of their membership and the manner in which they perform their responsibilities.
- Internal Audit Charter
- Disclosure and Transparency Regulations
- Investment policy (the Company deposited a copy of this policy with SAMA who neither objected to nor approved the policy in writing)

The Board of Directors has formed a number of committees as required by the Corporate Governance Regulations, in order to assist the Board of Directors in the management of the Company with high efficiency and full proficiency.

5.6 Conflict of Interest

Both Companies Regulations issued by the Ministry of Commerce and Industry issued under the Royal Decree No. (M/6) of 22/03/1385H (07/20/1965G), and the Corporate Governance Regulations issued by the CMA Board under Resolution No. 1/212/2006 of 21/10/1427H (corresponding to 13/11/2006G), include Articles relating to protection of investors against conflict of interests of the persons with power to take decisions; the Articles are:

Articles (69) of the Companies Regulations and (18.b) of the Corporate Governance Regulations: Member of the board of directors should not have any interest whether directly or indirectly, in the transactions or contracts made for the account of the Company, except with an authorization from the Ordinary General Assembly, to be renewed annually. Transactions made by way of public bidding shall, however, be excluded from this restraint if the member has submitted the best offer. The member must inform the board of directors of any personal interest he may have in the transactions or contracts made for the account of the Company. Such declaration must be recorded in the minutes of the board meeting, and the interested member shall not participate in voting on the resolution to be adopted in this respect. The chairman of the board of directors shall inform the Ordinary General Assembly, when it convenes, of the transactions and contracts in which any member has a personal interest. Such communication shall be accompanied by a special report from the auditor.

Articles (70) of the Companies Regulations and (18.b) of the Corporate Governance Regulations: A Board member shall not, without a prior authorization of the General Assembly, to be renewed annually, participate in any activity which may likely compete with the activities of the company, or trade in any branch of the activities carried out by the company.

Articles (71) of the Companies Regulations and (18.c) of the Corporate Governance Regulations: The company shall not grant cash loan whatsoever to any of its Board members or render guarantee in respect of any loan entered into by a Board member with third parties, excluding banks and other fiduciary companies. Also, the Chairman of the Board of Directors and members of the Board of Directors shall not vote on any decisions relating to their remunerations.

Therefore, AICC, its Board members and Senior Executives confirm that they are in full compliance with the provisions of Articles 69, 70 and 71 of the Companies Regulations and Article 18 of the Corporate Governance Regulations.

5.7 Declarations for bankruptcy and direct interests of the members of the Board of Directors and Executives

The Company's Directors, Board Secretary and Senior Management declare that:

- None of them has been declared bankrupt or insolvent.
- No insolvency has been declared during the last 5 years for any company in which a any of them appointed in it in a managerial or supervisory position.
- They do not themselves, nor do any relatives, have any direct or indirect interest in the Company's shares except as stated in the "Company's Organizational Structure" section, page "55", and in the "Legal Information" section, page "152", of this Prospectus.
- Save as disclosed in the "Legal Information" section of this Prospectus, neither any of them nor do their relatives have any interest or material contracts or arrangements, ongoing or intended contracts upon submission of this Prospectus with regard to the Company's activities.

5.8 Board Committees

5.8.1 The Executive Committee

Executive Committee aims mainly to oversee the daily performance of the Company and provide support and guidance to the Board of Directors through the Chief Executive Officer.

The Committee meets at least six times a year and the main functions of the Executive Committee are as follows:

- Perform as directed by SAMA and the Board of Directors to assist the Chief Executive Officer in audit, recommendations and decision-making.
- Oversee the operational and investment developments and provide recommendations accordingly as well as to oversee the risk management.
- Review key business strategies of the Company and provide recommendations thereon.
- Review and approve important agreements and capital expenditures.
- Ensure follow and implement the Company's corporate governance regulations.

Members of the Executive Committee were appointed during the Board meeting held on 14/03/1435H (15/01/2014G) as follows:

32- Table (5-4): Executive Committee Members

Name	Position
Khaldun AbdulRahaman Abu Hassan	Head of Committee
Abdul Aziz Saleh Al-Omair	Member
Mohammad Saeed Al-Khabbaz	Member
Muneer Petrus Ma'asher	Member
Ghassan Ibrahim Aqeel	Member

Source: Arabia Insurance

Experience and qualification of the Executive Committee Members

Resumes of the Executive Committee Members are mentioned in page 45.

5.8.2 Audit Committee

Audit Committee's tasks consist principally of making recommendations to the Board of Directors with respect to the financial performance of the Company, and also to oversee internal controls, publish financial statements and reports and endure their integrity. In addition, the Audit Committee shall ensure the neutrality and independence of the external auditors.

The Committee meets at least six times a year and the main functions of the Executive Committee according to the Corporate Governance Regulations are as follows:

- Oversee the internal audit activity management in the Company in order to check its effectiveness in the implementation of functions and tasks set by the Board of Directors.
- Review the internal control system and produce a written periodic report thereon, and follow implementation of the corrective actions of the comments raised in the report.
- To recommend to the Board of Directors appointment of External Auditors and determine their fees and laid off, taking into account their independence when recommending the appointment.
- Define the scope of the external audit to ensure its compliance with audit standards applicable in the Kingdom.
- Monitor the function of the External Auditors, and approve any work outside the scope of audit performed during their assigned audit function.
- Review the audit plan with the certified accountant and provide the Committee's notes on it.
- Study and the initial annual financial statements prior to submission to the Board of Directors and to provide opinion and recommendation thereon.
- Study the accounting policies used and provide comments and recommendation thereon to the Board of Directors.

Members of the Audit Committee were appointed during the Board meeting held on 14/03/1435H (15/01/2014G) as follows:

33- Table (5-5): Audit Committee Members

Name	Position
Naji Haseeb Fayyad	Head of Committee
Abdulrahman Mawlai Al-Bezaiwi	Member
Ahmad Sulaiman Al-Jaser	Member

Source: Arabia Insurance

Experience and Qualifications of the Audit Committee Members

Resume of Mr. Hasseb Fayyad is detailed in page 48.

Abdulrahman Mawlai AL-Bzaiway	
Nationality	Saudi
Age	45
Position	Audit Committee Member
Appointment Date	02/04/2014G
Qualifications	• Bachelor's degree in Accounting from King Saud University, 1991G • Fellowship of the Saudi Organization for Certified Public Accountants, 2012G • Certified Public Accountant from the American Institute of Certified Accountants, USA, 2001G • Institute of Internal Auditors Certificate from the Institute of Internal Auditors. United States, 1994G • Certified Information Systems Auditor form Control & Audit Association for Information Systems, USA, 1998G
Experience	• Senior Auditor, Al-Mawarid Holding Group, a holding company engaged in investment sector, from 1991G to 1995G • Manager in Al-Jraied and Co., joint venture operating in the financial services sector, from 1996G to 2006G
Current Positions	• CFO for Fawaz Alhokair Group (a joint stock company engaged in the trade and retail sector, since 2006G and member of the Board of Directors since 2011G
Details of current and previous membership in other Companies' Boards	None

Ahmad Sulaiman Al-Jaser	
Nationality	Saudi
Age	48
Position	Member of the Audit Committee
Appointment Date	02/04/2014G
Qualifications	• Bachelor's degree in industrial management from King Fahd University for Petroleum and Minerals, 1993G • Certificate in Executive Management from Insead Business School, France, 2006G
Experience	• Held a number of positions the last was as Audit and Risks General Manager, Samba Financial Group, a financial group operates in banking and financial services sector, from 1993G to 2007G. • Internal Audit General Manager, Capital Market Authority, legislative and regulatory government agency, from 2007G to 2009G. • General Manager, financial market institutions supervisory department, Capital Market Authority, legislative and regulatory government agency, from 2009G to 2013G
Details of current and previous membership in other Companies' Boards	• Member of the Board of Directors and Managing Director of KSB Capital Group, closed joint stock company operating in financial services sector, since 2013G • Member of the Board of Directors for Abu Moati Company for bookstores, closed joint stock company operating in retail sector, since 2014G

5.8.3 Investment Committee

The main responsibility of the Investment Committee is to define investment tasks, monitor, and supervise the performance of the Company's investments and make recommendations thereon to the Board of Directors. The Committee meets at least twice a year. The main tasks of the Investment Committee are as follows:

- Assist the Board of Directors in reviewing investment policies on a regular basis regarding the risks, returns and solvency requirements.
- Ensure compliance of the Company's investment activities to the conditions described in the Company's articles of association, in addition to compliance with the requirements of the laws, rules and regulations.

- Develop criteria for selecting investments, and review their performance periodically.
- Review investment opportunities and strategies used in the investment.
- Ensure the adequacy and appropriateness of the principles of investment risks management.

Members of the Investment Committee were appointed during the Board meeting held on 14/03/1435H (15/01/2014G) as follows:

34- Table (5-6): Members of the Investment Committee

Name	Position
Fayez Hmoud Al-Faraj	Head of Committee
Abdul Aziz Saleh Al-Omair	Member
Mohammad Ahmad Arar	Member
Ghassan Ibrahim Aqeel	Member
Mohammad Othman Bdair	Member

Source: Arab Cooperative Insurance Company

Experience and Qualifications of the Investment Committee Members

Resumes of the Investment Committee Members are detailed in page 45.

5.8.4 Risk Management Committee

Risk Management Committee shall review and assesse all the risks arising from the Company's activities and ensure the effectiveness of internal controls, risk treatment methods and provide recommendation thereon to the Board of Directors.

The Risk management Committee meets four times at least a year and its main responsibilities are as follows:

- Oversee of the central department of the risk management process.
- Promote appropriate risk culture that defines the objectives, responsibilities, share knowledge and information, and develop efficiency and responsibility to mitigate risks.
- Submit reports on the risks, including necessary recommendations to ensure effectiveness of the risk management program and its ability to meet the standards and regulatory requirements.
- Develop and control risk management strategies through regular revision and assessment of such strategies focusing on areas that have a high level of risk as defined according to the risk assessment process.

Members of the Risk Committee were appointed during the Board meeting held on 14/03/1435H (15/01/2014G) as follows:

35- Table (5-7): Members of Risk Committee

Name	Position
Fayez Hmoud Al-Faraj	Head of Committee
Naji Haseeb Fayyad	Member
Mohammad Saeed Al-Khabbaz	Member

Source: Arab Cooperative Insurance Company

Experience and Qualifications of the Risk Committee Members

Resumes of the Risk Committee Members are detailed in page 45.

5.8.5 Nomination and Remuneration Committee

The major responsibility of the Remuneration and Nominations Committee is to help the Company's Board to boost the Company's performance and develop management through the appointment of senior executives with high experience, in addition to providing advice on rewards bonuses and incentives paid to management and employees.

The Remuneration and Nominations Committee meets at least one time a year and its main responsibilities according to Corporate Governance Regulations are as follows:

- Review the structure of the Board of Directors and make recommendations regarding changes that can be made and handled in line with the Company's interest.
- Recommend to the Board of Directors the nomination for the Board membership according to the approved policies and standards.

- Ensure, on annual basis, independence of the independent Board Members and the absence of any conflict of interest.
- Develop clear policies on compensation and rewards the Board of Directors, senior executives and employees.
- Recommend to the Board of Directors on payment of periodic compensation and remunerations in accordance with the established performance standards.

Members of the the Remuneration and Nominations Committee were appointed during the Board meeting held on 14/03/1435H (15/01/2014G) as follows:

36- Table (5-8): Members of Remuneration and Nominations Committee

Name	Position
Abdulaziz Abdulhadi Alqahtani	Head of Committee
Muneer Petrus Muaasher	Member
Khaldun Abdul Rahman Abu Hassan	Member
Abdul Aziz Saleh Al-Omair	Member
Ali Othman Mohammed Bedier	Member

Source: Arab Cooperative Insurance Company

Experience and Qualifications of the Remuneration and Nominations Committee Members

Resumes of the Remuneration and Nominations Committee Members are detailed in page 45.

5.9 Senior Management

The Company's Senior Management consists of the following:

37- Table (5-9): Senior Management of the Arab Cooperative Insurance Company

Name	Position	Nationality	Age	Number of shares	Date of appointment
Mohammed Saad Al-Khbbaz	General Manager	Lebanese	58	1,000	01/02/2009G
Ammar Mohammed Halawani	Deputy General Manager for Finance	Jordanian	40	-	17/10/2009G
Khalid Jad Hawa	AGM for Reinsurance & Technical Affairs	Lebanese	53	-	04/08/2010G
Adel Saleh Al-Faraj	Deputy General Manager for Human Resources and Administration	Saudi	48	-	11/04/2009G
Carl Kazimierz Kondal	Senior Operations Manager	British	54	-	11/05/2014G
Bassam Nazeer Sammaan	Medical insurance Manager	Lebanese	53	--	10/10/2009G
Saud Ahmad Al-Manea	Assistant General Manager, Claims	Saudi	49	-	18/06/2011G
Khalid Asaad Al-Sajjan	Manager, Risk Management	Saudi	46	-	09/07/2011G
Osama Mohammad Al-Kalthami	Manager, Internal Audit	Saudi	37	-	08/06/2012G
Ziyad Muhammad Al-Rbaish	Manager, Legal and shareholders Affairs	Saudi	39	23,603	07/07/2013G
Khalaf Mohaimeed Al-Sulaiman	Manager, IT	Syrian	53	-	26/05/2009G

Source: Arab Cooperative Insurance Company

Experience and Qualifications of the Senior Management Members

Resumes of Mohammed Saad Al-Khabbaz and Ziyad Mohammad Al-Rbaish are detailed in pages 45 and 49 respectively.

Ammar Mohammad Halawani	
Nationality	Jordanian
Age	40
Position	Deputy General Manager for Finance
Appointment Date	17/10/2009G
Qualifications	• Bachelor's degree in accounting from the University Kanciuc, New York, USA, 1995G • Master's degree in Business Administration, the University of Kanciu, New York, USA, 1996G • Certified Public Accountant certificate from the Society of Legal Accountants, USA, 1999G • Certified Financial Analyst, USA, 2004G,
Experience	• Audit Senior Manager, Deloitte & Touche, USA, partnership company operating in the financial services sector, from 1996G to 2004G • Audit Senior Manager, Deloitte & Touche, Jordan, partnership company operating in the financial services sector, from 2004G to 2007G
Details of current and previous membership in other Companies' Boards	None

Khalid Jad Hawa	
Nationality	Lebanese
Age	53
Position	AGM, reinsurance & technical affairs
Appointment Date	04/08/2010G
Qualifications	• Bachelor's degree in business administration from the Lebanese American University, Lebanon, 1982G • Master's degree in public health from the American University, Beirut, Lebanon, 1989G • Master's degree in business administration from the Lebanese American University, Lebanon, 1984G
Experience	• A number of positions, most recently as Manager of Technical Accounts section, Arabia Insurance Company, Beirut, Lebanon, closed joint stock company operating in the insurance sector company, from 1982G to 2009G • Head of training and consulting programs for insurance and reinsurance companies, Al-Bassam Certified Accountants & Advisors, partnership company operating in the financial services sector, 2010G
Details of current and previous membership in other Companies' Boards	None

Adel Saleh Al-Faraj	
Nationality	Saudi
Age	48
Position	Deputy General Manager, for HR and Administration
Appointment Date	11/04/2009G
Qualifications	• Bachelor's degree in Information from King Saud University, KSA, 1990G • Received many administrative and specialized training courses in the field of Human Resources development and retention of human resources, within and outside the Kingdom. He is a Member of the Saudi Management Association.
Experience	• HRD supervisor of Riyadh Care Hospital - formerly GOSI Hospital, a subsidiary of the General Organization for Social Insurance engaged works in health services sector) from 1991G to 1993G • Senior Manager, Human Resources and Administrative affairs, Saudi Chemical Company, Saudi public joint stock company engaged in civil and military explosives industry, from 1993G to 2008G
Details of current and previous membership in other Companies' Boards	None

Karl Kazimers Kundal	
Nationality	British
Age	54
Position	Senior Operations Manager
Appointment Date	11/05/2014G
Qualifications	• Master's degree in Business Administration from Lancaster University, UK, 2003G • Associate member certificate, Chartered Insurance Institute, London, United Kingdom, 2003G • Certified Insurance Specialist, Chartered Insurance Institute, London, United Kingdom, 2011G
Experience	• A number of positions, most recently as Change Manager, Royal & San Company, United Kingdom, joint stock company engaged in insurance sector, United Kingdom, from 1993G to 2007G • Regional Manager, Eastern Region, Arabian Shield Cooperative Insurance Company (joint stock company engaged in insurance sector, from 2007G to 2012G • Head of Sales and Marketing and Regional Operations, Arabian Shield Cooperative Insurance Company, joint stock company, engaged in insurance sector, from 2013G to 2014G
Details of current and previous membership in other Companies' Boards	None

Bassam Nazir Samaan	
Nationality	Lebanese
Age	53
Position	Medical Insurance Manager
Appointment Date	10/10/2009G
Qualifications	• Holds a Bachelor's degree in business applications for Business from Lebanese American University, Lebanon, 1985G • Fellowship of the Life Management Institute, affiliated to the American Life Management Association, Georgia, USA, 1993G
Experience	• Held a number of positions, most recently Assistant Subscription Manager, US Life Insurance, subsidiary of foreign company, Lebanon, engaged in insurance industry, from 1986G to 1998G • Vice president, Health and Life Insurance Fidelity Company, Lebanon, joint stock company engaged in insurance sector, from 1998G to 2003G • Insurance Products Sales Manager, General International Line Company, Lebanon, limited liability company engaged in insurance sector, from 2005G to 2006G • Banking Insurance Manager, MEDGULF Company, Lebanon, a closed joint stock company engaged in insurance sector, from 2006G to 2007G • Direct Sales Manager and member of the Investment Committee, SABB Takaful Insurance Company, joint stock company engaged in insurance sector, from 2007G to 2009G
Details of current and previous membership in other Companies' Boards	None

Saud Ahmad Al-Manea	
Nationality	Saudi
Age	49
Position	Assistant General Manager for Claims
Appointment Date	18/06/2011G
Qualifications	• Bachelor's degree in agriculture from King Saud University, 1993G • Diploma in Insurance from Chartered Insurance Institute, London, UK, 1997G • Diploma in claims processing from Chartered Insurance Institute, London, United Kingdom, 2004G • Basic course in general insurance practices, Bahrain Institute for Banking and Financial Studies, 2005G • Training course in general insurance practices, Bahrain Institute for Banking and Financial Studies, 2006G • Training course in insurance law, Bahrain Institute for Banking and Financial Studies, 2007G
Experience	• Motor claims and general insurance manager, central region, Service Providers Manager and compliance and quality manager, Cooperative Insurance Company (public joint stock company engaged in insurance sector, from 1993G to 2008G • Claims Manager for general insurance, motor and medical, Allianz Saudi Fransi, public Joint stock operating in insurance sector company, from 2008G to 2010G • Claims Manager for general insurance, cars and medical, Global Company for Cooperative Insurance (joint stock company engaged in insurance sector, from 2010G to 2011G
Details of current and previous membership in other Companies' Boards	None

Khalid Asaad Al-Sajjan	
Nationality	Saudi
Age	46
Position	Risk Manager
Appointment Date	09/07/2011G
Qualifications	• Bachelor's degree in Business Administration from King Saud University, 1990G • Master's degree with Honours in Business Administration (Finance) from Prince Sultan University, 2009G • Risk assessment & control degree, British Financial Markets Association, London, 1999G • Certificate of advanced analysis of credit risk and business analysis from crown centre of the kings college, Buffalo, New York, USA, 2004G • Risk assessment certificate from the American Institute for property and accidents insurance specialists, Pennsylvania, USA, 2013G
Experience	• Held a number of positions, most recently operations manager, Saudi Hollandi Bank (joint stock company operating in banking sector, from 1994 to 2003G • General Manager, Knights Foundation Travel and Tourism, an enterprise engaged in travel and tourism sector, 2004G • General Manager of the First Solution Consulting Office, a firm engaged in management consulting sector, from 2005G to 2011G
Details of current and previous membership in other Companies' Boards	None

Osama Mohammad Al-Kalthami	
Nationality	Saudi
Age	37
Position	Internal Audit Manager
Appointment Date	08/06/2012G
Qualifications	• Bachelor's degree in Business Administration from the King Abdul Aziz University, Jeddah, 2008G • Has more than 10 specialized certificates in the field of internal audit from international institutions such as the IIR, MIS and MOODY'S, as well as Business English Diploma, UK, 2003G
Experience	• Customer Service Representative, Riyad Bank (a joint stock company operating in banking sector, from 1996 to 1997G • Credit analyst, Risk Management and Analysis Department, Arab National Bank, a Joint stock company operating in banking sector, from 1997 to 2004G • Senior Internal Auditor, Arab National Bank, a Joint stock company operating in the banking sector, from 2004G to 2008G • Retail Banking Audit Manager, Albilad Bank, a Joint stock company operating in the banking sector, from 2008G to 2010G • Internal Audit Department Manager, Saudi Arabia for Cooperative Insurance Company, a Joint stock company, engaged in insurance sector, from 2010G to 2012G
Details of current and previous membership in other Companies' Boards	None

Khalaf Muhaimeed Al-Sulaiman	
Nationality	Saudi
Age	53
Position	IT Manager
Appointment Date	26/05/2009G
Qualifications	• Bachelor's degree in computer science and mathematics from the University of Nebraska, Lincoln, USA, 1988G • Obtained a number of specialized courses, including programming from SAP Centre, Pennsylvania, USA, 2002G
Experience	• Programmer, Cooperative Insurance of Omaha, Nebraska, USA, a Joint stock company operating in insurance sector, from 1988 to 1996G • IT consultant, Heinz Company, Pennsylvania, USA, a joint stock company operating in food industry, from 1996 to 2002G • Programming Instructor, Union University, Reqa, Syria, a private institution, from 2005G to 2006G. • IT Manager, Syrian-Kuwaiti Insurance Company, Damascus, a Joint stock company operating in insurance sector, from 2006G to 2009G
Details of current and previous membership in other Companies' Boards	None

5.10 The Company's Departments

The following is an explanation of the functions and responsibilities of the key departments of the Company:

Financial Management:

The financial management of the application of financial policies and procedures in accordance with the system of good governance, accounting and regulatory requirements and to ensure the protection of shareholders' rights and ensures the continuity of the company, by:

Finance Department

The Finance Department enforces the financial policies and procedures in line with Corporate Governance Regulations and the accounting and regulatory requirements to ensure protection of shareholders' rights and continuity of the Company, through:

- Preparing the financial statements in compliance with the disclosure and listing requirements in line the applicable accounting and control principles.
- Developing the required financial and accounting policies and procedures necessary for the success of the company's plan and enforcement of the internal controls in order to preserve the company's assets and commensurate with the applicable regulatory laws and regulations.
- Implementing the approved investment plan in accordance with the applicable laws and regulations and follow-up balances of policyholders and shareholders within the available areas.
- Preparing the required statistical reports for Board, Committees, GM and other departments and providing them within the specified time, and preparing the estimated budget and follow up it.
- Providing the regulatory requirements, preparing periodic progress reports and providing Zakat and tax statements within the legal deadline.

Reinsurance Technical Affairs Department:

The reinsurance and technical affairs department undertakes underwriting and reinsurance functions including all insurance products available with the company through the following:

- Prepare policy quotations in line with Company's policy in accordance with the overall actuarial principles for risk assessment, and related expenses.
- Negotiate policy contracts and conditions with clients, brokers and clarify the terms of the policies and the risks included in the insurance coverage.
- Seek to obtain adequate insurance coverage for the portfolio through reinsurance agreements with high credit rating companies.
- Deal with regulators and prepare the necessary statistics and provide important details to obtain regulatory approvals for the Company's products.
- Monitor performance and provide the necessary statistics to the Board of Directors and coordinate with relevant departments of the Company to modify the relevant policies and procedures.

Human Resource Management:

The Human Resources Department is responsible for providing the necessary competent human resources, retain the same and provide a stimulating work environment that helps boosting productivity. The most important responsibilities of this department are the following:

- Prepare an annual staffing plan based on the needs of the Company and attract qualified resources to fill the vacant positions.
- Manage all staff requirements such as contracts, incentives; contribute to job performance assessment and develop succession and skill development plans.
- Train cadres considering the required skills and arrange staff professional courses and tests necessary to perform tasks efficiently.
- Coordinate with governmental and regulatory bodies such as the Labor Office, SAMA and Passport Department and enforce the relevant special regulations.
- Attract and recruit Saudi qualified cadres in all departments of the Company and motivate them to continue with the Company.

Operations Department:

The responsibilities of the Operations Department include organization of the Company's business, its relationship with customers and ensure provision of quality services to the insured within the framework of the annual plan approved by the Board of Directors, including:

- Control and organize kingdom-wide branches and points of sale functions and make the necessary changes to ensure compliance of the branch with the Company's policies and regulations.
- Coordinate with the concerned departments to implement procedures of payment of claims, serve customers, collect premiums and supply areas with the necessary cadres.
- Follow up brokers, agents and sales channels and apply sales plan approved by the Company's management to achieve the goals.
- Monitor general and administrative expenses, control cost and study customer profitability and their documentation, and take the necessary corrective actions to correct the work flow when necessary.
- Prepare, in coordination with the concerned departments, the necessary reports for enforcing the action and sales plans in accordance with the objectives of the Management and Board of Directors.

Medical Insurance Department:

The Medical Insurance Department undertakes all medical insurance business with respect to coverage, claims, reinsurance. Its tasks include:

- Organizing the medical insurance business through development of policies and procedures for the duties assigned to its employees.
- Pricing medical insurance policies, according to SAMA's instructions and in line with the pricing system prepared by the actuary, taking into account the ratio of risks and benefits required by customers.
- Managing and modifying the medical insurance policies, activating the approved medical network and the insured to the Council of Cooperative Health Insurance System.
- Processing claims received from customers, studying and forwarding the completed claims to Finance Department, coordinating with Medical Claims Department and organizing work with medical service providers.
- Covering risks through contracts with reinsurers and in coordination with the reinsurance and technical affairs department in line with the general policy of the Company.

Claims Department:

Claims Department handles the claims received from the insured, studies and processes them in a way to achieve the Company's compliance with the terms of coverage in the insurance policies through the following:

- Develop policies and procedures for the Department considering the receipt, analysis, make the technical provision and pay the correct claims within the regular time limit.
- Estimate losses through the use of qualified loss estimators or obtain estimates of the value of claims from approved parties and follow-up to obtain the necessary documents and reports to approve the claims.
- Coordinate with the Finance Department to secure the necessary liquidity to repay the outstanding claims and with the Reinsurance and Technical Affairs Department for the inclusion of reinsurance allocations within the claims provision; each according to its jurisdiction.
- Prepare monthly, quarterly and annual reports for the Management and Board requirements containing the required statistics to measure performance.

- Train the staff on management actions, modify procedures to be in line with the Company's business plan and ensure compliance with regulatory instructions.

Risk Management Department:

Risk management Department studies the potential risks that may arise from the Company's business or from insurance and investment market conditions so as to find out the ways to contain these risks through policies and procedures used by the Company through the following:

- Develop Company's risk management strategy and recommend to the Board of Directors of the accepted risk profiles and follow up their implementation.
- Study the Company's business and identify potential risks in the insurance sectors in which the Company operates and discuss with the management the consequences of these risks and the ways to contain them.
- Submit periodic reports to the Risk Committee including the mechanism that mitigates the potential risks and define their expected impact on the Company's business, and to submit the necessary reports to the board and regulators.
- Analyze and review the records and statistics of the actual causes and ways to avoid losses in coordination with the concerned departments with the assessment of the potential impacts on the Company's business environment.
- Review the Company's policies and procedures including emergency and business continuity plan and make the necessary amendments to ensure understanding of the potential risks and ways to contain them before becoming actual losses.

Internal Audit Department:

The Internal Audit Department monitors the Company's compliance with Company's policies as well as the laws and regulations applicable to the insurance business, and provides the necessary actions to address violations through the following:

- Prepare the annual internal audit plan and compliance procedures, discuss them with the Audit Committee, obtain the approval of the Board of Directors to implement the same; and to include any required amendments to the plan in accordance with the Board's vision.
- Implement the audit plan and examine the major risks to the Company based on the procedures and policies, according to regulations and laws.
- Promote compliance culture through periodically distributed reports to all staff of the Company, follow up the relationship with regulators and submit management feedback on these parties upon request.
- Submit complete reports of the results of the internal audit and compliance and discuss such reports with the Audit Committee and concerned managers and submit proposals to be applied to address and close the relevant observations.
- Provide necessary reports to the Board on the audit results and contribute to tightening internal controls while maintaining the professional independency of the department.

Legal and Shareholders Affairs Department:

Legal and Shareholders Affairs Department ensures that its functions flow legally and that the laws and regulations issued by the supervisory and regulatory bodies are strictly enforced. The most prominent tasks of the Legal and Shareholders Affairs Department are summarized as follows:

- Provide legal advice to the Board of Directors, senior management and all departments of the Company in all aspects relating to the Company business
- Provide legal consultation to the Company with respect to the laws and regulations issued by SAMA regarding insurance regulations issued by the Capital Market Authority, and prepare and review disclosures relating to the Company on Tadawul site.
- Draft and prepare all types of contracts, including commercial and insurance contracts, employment contracts, as well as all agreements and other legal documents that the Company is a party in and supervise its conclusion.
- Develop legal strategies and internal general policies to help reduce litigation and / or regulatory violations and to overcome disputes and problems with other parties.
- Prepare legal studies and research and review of draft rules, regulations and directives from the legal point of view.
- Prepare and arrange the General Assemblies of the shareholders and coordinate with the competent authorities to obtain the necessary approvals before the meeting, and supervise the meetings.

Information Technology Department:

This department is concerned with the management of computer and communications systems and providing the necessary technical tools for the success of the development and protection of the Company's business through the following:

- Develop the IT systems in line with the requirements of the reinsurance and technical affairs, financial and other departments of the Company so as to provide the necessary tools to perform the tasks required of those departments.
- Support the Company's management through the development and activation of Informative and statistical reports that help managers to make decisions necessary for the success of the Company's business within the Company's business plan.
- Provide the information necessary for the supervisory and compliance departments to ensure effective governance and control systems in the Company to ensure following-up enforcement of policies and regulations.
- Present developments with respect to information technology to the Company's management to implement new systems that help in the success of the business plan, and to update computer and communication systems according to the budget.
- Provide alternative action plan to ensure business continuity and continuous communication availability between branches and POS with Head Office in coordination and follow-up with the service providers.

Sales and Marketing Department:

This department is concerned with increase of sales and development of the Company's revenue through its branches, dealing with agents and brokers; and to market the Company's services through various channels as follows:

- Organize the relationship with agents and brokers through the provision of product sale tools, and issue documents and financial conditions, according to Company policy.
- Coordinate with Operations Department through the development of sales and marketing plan to ensure the branches are committed to achieving the annual budget figures approved by the Board.
- Discuss ways of marketing the Company's products through advertising or care-related events and through the distribution of awareness brochures that include the Company's name and brand.
- Train and prepare staff to be able to educate potential customers about the Company's services and products and its excellence in customer service, in order to attract the target number of customers according to the annual plan.

6. Management Discussion and Analysis of Financial Information

6.1 Introduction

Management analysis and discussion of Company financial condition and results of operations as shown below is based on the Company's audited financial statements for the financial years ended on 31 December 2011G, 2012G and the notes attached thereto. These notes have been audited by both Deloitte & Touche Bakr Abulkhair & Co. and Al-Bassam Certified Accountants & Advisors, and the notes attached thereto which have been audited by Ernest &Young and Al-Bassam Certified Accountants & Advisors as well as the primary unaudited and condensed financial statements for the nine month period ended on 30 September 2014G and the notes attached thereto, which were reviewed by Ernest &Young and Al-Bassam and Al-Nimer Certified Accountants which need to be read with these statements .

This section, prepared by the Company's Management, contains future statements involving uncertain risks and forecasts. The actual performance of the Company may be substantially different from what is contained in these forward-looking statements due to various factors including those that were discussed below and elsewhere in this Prospectus.

Please note that the figures contained in this section have been rounded to the nearest integer. Therefore, the sum of those numbers may differ from what is contained in the tables. It should also be noted that all the percentages, margins, annual expenses and compounded annual growth rates are based upon these rounded numbers.

6.2 Directors' declaration for financial statements

The Board of Directors **acknowledges** that the Company has an operating capital sufficient for the upcoming twelve months from the date of this Prospectus. The Board of Directors also **acknowledges** that the Company has achieved net losses before Zakat at an amount of SAR 11.2 million in the first nine months of the year 2014G (SAR 148.4 million since incorporation).

Members of the Board of Directors, both individually and collectively, acknowledge the following:

- The financial information included in this Prospectus has been extracted without any substantial change from the Company's audited financial statements for the years ended on 31 December 2011G, 2012G and 2013G, and the primary unaudited and condensed financial statements for the period ended on 30 September 2013G.
- The Company's audited and unaudited financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). The audited financial statements have also been prepared in accordance with the Generally Accepted Auditing Standards in the Kingdom of Saudi Arabia. The audited financial statements were examined according to the initial financial report review standard issued by the Saudi Organization for Certified Public Accountants (SOCPA).
- The financial information contained in this Prospectus is presented in a manner that is consistent with the established procedure for the Company's annual financial statements

6.3 Legal organizational structure and overview of activities and processes

Arabia Insurance Cooperative Company is a Saudi joint stock company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010243302 dated 18 Muharram 1429H (corresponding to 27 January 2008G).

The Company's activities involve practicing cooperative insurance and reinsurance business and all related activities in accordance with the Cooperative Insurance Companies Control Law and its Implementing Regulations in the Kingdom of Saudi Arabia. Its main activity includes all categories of general insurance, health insurance and protection and savings insurance.

On 14 Jumada II 1435H (corresponding to 14 April 2014G), the Company received an approval from the Saudi Arabian Monetary Agency to amend the insurance and reinsurance professional license business (activity) so that it is limited to the insurance business only. This change was based upon the Company's desire in an attempt to reduce the minimum financial solvency from SAR 200 million to SAR 100 million.

The Company's capital was not subjected to any right of option as of 31 December 2011G, 2012G and 2013G, and 30 September 2014G. Moreover, the Company has not given any commissions, discounts, brokerage fees or any other non-cash compensation during the three years immediately preceding the date of application for admission and listing with regard to the publication or issuance of any securities for any of the members of the Board of Directors, Senior Executives or any other experts. The Company was listed on the Saudi stock Exchange (Tadawul) on 26 Muharram 1429H (Corresponding to 04 February 2008G).

38- Table (6-1): The Legal Structure as of 30 September 2014G

Shareholders	Number of shares	Share Price (SAR)	Capital (SAR '000)	Percentage of Ownership (%)
Arab Supply and Trade Company	10,000,000	10	10,000	5.00%
Arabia Holding (a Holding Company)	38,400,000	10	38,400	19.20%
Jordan Insurance Company	24,400,000	10	24,400	12.20%
Public	80,000,000	10	80,000	40.00%
Other Owners	47,200,000	10	47,200	23.60%
Total	**200,000,000**	**50**	**200,000**	**100%**

Source: Arabia Insurance Cooperative Company Management

AICC provides a variety of insurance coverages in all general insurance activities including Motor, Property, Marine Sector, Health and Engineering insurance as well as other forms of general insurance.

According to the Management, there are no indications of any seasonal factors or economic cycles that may have an impact on the business or the financial position of the Company. Moreover, the Management acknowledges that there is no information on any governmental, economic, financial, monetary or political policies, or any other factors that have affected or may substantially affect, directly or indirectly, the Company's operations, with the exception of the changes that occurred in the insurance market in general in terms of the severe competition which has a negative impact on the Company's results.

According to The Management, the Company does not possess any contractual securities, or other assets of a value that will be subject to fluctuations or its value may be difficult to ascertain which will significantly affect the assessment of the financial position.

6.4 Basis of Preparation

Financial statements have been prepared in accordance with International Financial Reporting Standards and not in accordance with Accounting Standards generally accepted in the Kingdom of Saudi Arabia and accredited by the Saudi Organization for Certified Public Accountants.

6.4.1 Basis of Measurement

The interim condensed financial statements are prepared in accordance with the historical cost principle except for the available for sale investments which are measured with the fair value.

6.4.2 Statement of Compliance

The interim condensed financial statements of the Company have been prepared by the management in accordance with International Financial Reporting Standards (IFRS).

As required by Kingdom of Saudi Arabian insurance laws, the Company must maintains separate accounts for insurance operations and shareholders' operations, and the financial statements shall be presented accordingly. All assets related to the insurance operations and shareholders' operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of other revenue and expenses from joint operations is as determined by the Company's Management and Board of Directors.

The interim condensed financial statements enclosed for the nine month period ended on 30 September 2013G and 2014G do not include all the information and disclosures required in the audited annual financial statements, and should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2013G.

6.4.3 Functional and Presentation Currency

The financial statements shall be presented in Saudi Riyals, which is the functional currency of the Company.

6.5 Distribution of (Deficit)/Surplus

The Company must distribute 10% of net insurance operations to policyholders and allocate the remaining 90% for the Company›s shareholders, according to the insurance law and its Implementing Regulations issued by the Saudi Arabian Monetary Agency. The Company's insurance operations deficit for the year ended on 31 December 2013G reached an amount of SAR 116.7 million (2012G: A deficit of SAR 8.3 million). Accordingly, 100% (2012G: 100%) of the deficit amounting to SAR 116.7 million (2012G: deficit of SAR 8.3 million) was transferred to shareholders operations for the year). The Company's deficit of insurance operations for the nine month period ended on 30 September 2014G amounted to SAR 21.6 million.

6.6 New Accounting Standards, Amendments of Accounting standards and Interpretations

The significant accounting and risk management policies adopted in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2013G except for the adoption of the following amendments to the existing standards mentioned below which have no significant financial impact on the financial statements of the Company: Amendments to existing accounting standards:

- Amendments to IFRS (10), IFRS (12) and IAS (27) that provides consolidation relief for investments funds applicable from 1 January 2014G. This mandatory consolidation relief provides that a qualifying investment entity is required to account for investments in controlled entities as well as investments in associates and joint ventures at fair value through profit or loss provided it fulfils certain conditions with an exception being that subsidiaries that are considered an extension of the investment entity's investing activities.
- IAS (32) amendment applicable from 1 January 2014G clarifies that a) an entity currently has a legally enforceable right to off-set if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and b) gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk and processes receivables and payables in a single settlement process or cycle.
- IAS (36) amendment applicable retrospectively from 1 January 2014G addresses the disclosure of information about the recoverable amount of impaired assets under the amendments, recoverable amount of every cash generating unit to which goodwill or indefinite-lived intangible assets have been allocated is required to be disclosed only when an impairment loss has been recognized or reversed.
- IAS (39) amendment applicable from 1 January 2014G added a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specified criteria

6.6.1 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's interim condensed financial statements are disclosed below:

- IFRS 9 Financial Instruments

  In July 2014G, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS (39) Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018G, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009G, 2010G and 2013G) is permitted if the date of initial application is before 1 February 2015G. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Company's financial liabilities.

  The Company has not early adopted any other standard, interpretation or amendments that has been issued for early adoption but is not yet effective.

- IAS (32) Offsetting Financial Assets and Financial Liabilities - Amendments to IAS (32)

  These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective

for annual periods beginning on or after 1 January 2014G . These amendments are not expected to be relevant to the Company.

- IFRIC Interpretation (21) Levies (IFRIC 21)

  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014G . The Company does not expect that IFRIC 21 will have material financial impact in future financial statements

- IAS (39) Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS (39).

  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014G . The Company has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

  The Company opined not to early on adopt any new accounting standards or interpretations or amendments to other accounting standards issued but not effective yet.

6.7 Summary of Significant Accounting Policies

The following is a summary of significant accounting policies concerning the preparation of financial statements:

6.7.1 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, cash at banks and short time deposits with an original maturity of less than three months at the date of acquisition.

6.7.2 Property and Equipment

Property and equipment are primarily stated at cost less accumulated depreciation and any impairment in value. Depreciation is charged to the statement of results of insurance operations on a straight-line basis over the estimated useful lives of the assets.

The estimated useful lives of Property and Equipment are as follows:

	Years
Leasehold improvements	4
Furniture, fixtures and office equipment	10
Motor vehicles	5
Computers and Office Equipment	3 - 5

Management recognizes that there are not any expected changes to the Company's depreciation policy.

A review of the Property and Equipment book value shall be carried out to verify if there is impairment in their value when events or changes in circumstances indicate that the book 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.

Gains or losses of disposing any item of property and equipment (which is calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognized in the income statement

6.7.3 Available for sale investments

Available for sale investments are stated at cost at the purchase date as part of the Company's investments and are subsequently stated at fair value unless the fair value cannot be measured. The change in fair value is presented directly in the insurance operation surplus/shareholders' equity and the realized gains and losses of available for sale investments are recognized in the statement of insurance operations and accumulated surplus/shareholders' operations.

6.7.4 Held to Maturity Investments

Investments which have fixed or determinable payments that the Company has the positive intention and ability to hold till maturity are subsequently measured at amortized cost, less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on such investments is recognized in the statement of insurance operations and accumulated surplus /shareholders 'operations when the investment is derecognized or impaired.

6.7.5 Impairment and Un-collectability of Financial Assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, any impairment loss is recognized in the statement of insurance operations and accumulated surplus /shareholders' operations. Impairment in value is determined as follows:

a. For assets carried at fair value, impairment is the difference between the cost and fair value, less any impairment loss previously recognized in the statement of insurance operations and accumulated surplus / shareholders' operations.
b. For assets carried at cost, impairment is the difference between the carrying book value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
c. For assets carried at amortized cost, impairment is determined based on the future cash flows that are discounted at the original effective special commission rate.

6.7.6 Zakat and Income Tax

Zakat and income tax are provided for in accordance with Saudi Arabian Zakat and Tax Regulations. Zakat is charged to equity accounts of Saudi founding shareholders and general public while income tax is charged to equity accounts of Non-Saudi founding shareholders.

6.7.7 Employees' End of Service Benefits

Employees' ends of service benefits are provided and payable as a lump sum to all employees under the terms and conditions of Saudi Labor Regulations upon termination / end of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at the date of the statement of financial position. End of service payments are calculated based on employees' last salaries and allowances and their cumulative years of service, as defined by the conditions stated in the labor law in the Kingdom of Saudi Arabia.

6.7.8 Commission income

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the suppliers or not.

6.7.9 Accounts payable, accrued expenses and other liabilities

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the suppliers or not.

6.7.10 Statutory Reserve

In accordance with its bylaws, the Company shall allocate 20% of its annual net income to the statutory reserve until it has built up a reserve equal to 100% of the share capital. This allocation has not been made taking into account the accumulated losses.

6.7.11 Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably. No provisions are recognized for future operational losses.

6.7.12 Trade date

All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Company commits to purchase or sell the assets). Regular way purchases or sales of financial assets are transactions that require settlement of assets within the time frame generally established by regulation or convention in the market place.

6.7.13 Foreign currencies

Transactions in foreign currencies are recorded in Saudi riyals at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Saudi Riyals at the exchange rate prevailing at the statement of financial position date. All translation differences are taken to the statement of insurance operations and accumulated surplus / shareholders' operations.

6.7.14 Offsetting Financial Assets and Liabilities

Financial assets and liabilities are offseted and the net amounts reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Revenues and expenses are not offset in the statement of insurance operations and accumulated surplus / shareholders' operations unless required or permitted by any accounting standards their interpretations.

6.7.15 Premiums Earned and Commission Income

Premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of written premiums relating to the unexpired period of coverage.

The underwriting results represent premiums earned, fee and commission income less claims paid, other underwriting expenses and anticipated claims payable in respect of the year, net of amounts subject to reinsurance, less provision for any anticipated future losses of the effective policies.

Commission receivable on reinsurance contracts are deferred and amortized on a straight-line basis over the term of the reinsurance contracts.

Retained premiums and commission income, which relate to unexpired risks beyond the end of the financial year, are reported as unearned premiums and deferred based on the following methods:

- Actual number of days for all other insurance lines of business.
- Regarding marine cargo, the unearned premiums represent the gross written premiums during the last three months of the current financial year

6.7.16 Premiums Receivable

Premiums receivable are recognized when due and are measured on initial recognition at the fair value of the considerations received or receivable. The carrying value of premiums receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of insurance operations and accumulated surplus. Premiums receivable are derecognized when the de-recognition criteria for financial assets have been met.

6.7.17 Gross Outstanding Claims

Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, and are charged to the statement of insurance operations and accumulated surplus as incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the date of the statement of financial position, whether reported or not. Provisions for reported claims not paid as at the date of statement of financial position are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported at date of the statement of financial position. The ultimate liability may be in excess of or less than the amount provided.

Any difference between the provisions at the date of the statement of financial position and settlements and provisions in the subsequent year is included in the underwriting account for that year. The Company does not

discount its liabilities for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

6.7.18 Liability Adequacy Test

At each statement of financial position date, the Company assesses whether its recognized insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred policy acquisition costs) is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognized in the statement of insurance operations and accumulated surplus and an unexpired risk provision is created.

6.7.19 Deferred policy acquisition costs

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contacts to which they relate, similar to unearned premiums. All other acquisition costs are recognized as an expense when incurred. Amortization is recorded in the statement of insurance operations and accumulated surplus.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of insurance operations and accumulated surplus. Deferred policy acquisition costs are also considered in the liability adequacy test for each financial reporting period.

6.7.20 Reinsurance

The Company cedes insurance risks in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance agreement.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurers can be measured reliably. The impairment loss is recorded in the statement of insurance operations and accumulated surplus.

Reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Premiums and claims on reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered as a direct business, taking into account the classification of the reinsurance transactions.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contracts.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired or when the contract is transferred to another party.

6.7.21 Reinsurance Unearned Reinsurance Commissions

Commission receivable on outwards reinsurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate. Amortization is recorded in the statement of insurance operations and accumulated surplus.

6.7.22 Product classification

The Company issues insurance contracts that transfer insurance risks. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if

as specified uncertain future event adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event.

6.7.23 De-recognition of Financial Instruments

The de-recognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

6.7.24 Fair Values

The Company measures financial instruments, such as investments in available for sale or derivatives if any, and non-financial assets, at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 17. 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.

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

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

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

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

The Company's management determines the policies and procedures for both recurring fair value measurement, such as investment properties, available for sale financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation, if any.

External valuers are involved for valuation of significant assets, such as investment properties, available for sale financial assets if any, and significant liabilities, such as contingent consideration. Involvement of external valuers is decided annually by investment committee after discussion with and approval by the Company's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. External valuers are changed every three years. The investment committee decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case. At each reporting date, the valuation committee analyses the movements in the fair values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the valuation committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The valuation committee, in conjunction with the Company's external valuers, also compares at each reporting date, changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. On an interim basis, the valuation committee and the Company's external valuers present the valuation results to the audit committee and the Company's independent auditors. This includes a discussion of the major assumptions used in the valuations.

6.7.25 Segmental reporting

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incurs expenses and about which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. For management purposes, the Company is organized into business units based on their products and services and has six reportable operating segments as follows:

- Medical insurance, which covers medical costs, medicines, and all other medical services and supplies.
- Motor Insurance, which provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Fire, provides coverage against fire and any other insurance included under this class of insurance.
- Engineering, provides coverage for builder's risks, construction mechanical, electrical, electronic work, and machinery breakdown and any other insurance included under this class of insurance.
- Marine, provides coverage for goods in transit and the vehicles of transportation on main roads, and any other insurance included under this class of insurance.
- Other insurance classes, which cover any other classes of insurance not mentioned above.

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from income or loss in the accompanying financial statements.

No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments which will then be eliminated at the level of the financial statements of the Company.

6.8 Significant Accounting Estimates and Assumptions

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the financial reporting date. However, uncertainty about these estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of the statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are as follows.

6.8.1 Ultimate Liability Arising From Claims Made Under Insurance Contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of the statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. Claims requiring court or arbitration decisions are estimated individually. Independent risk adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis. The Company is exposed to disputes with, and sometimes possibility of defaults by reinsurers companies. The Company monitors on a quarterly basis the development of disputes with and the financial position strength for its reinsurers

6.8.2 Impairment Losses of Premiums Receivable

a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status being indicative of the ability to pay all amounts due as per contractual terms.

6.8.3 Deferred Acquisition Costs

Certain acquisition costs related to the sale of new policies are recorded as deferred acquisition costs and are amortized in the statement of insurance operations and accumulated surplus over the related period of insurance policy coverage. If the assumptions relating to future profitability of these insurance policies are not realized, the

amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of insurance operations and accumulated surplus.

6.9 Results of Operations

6.9.1 Income Statement

6.9.1.1 Statement of Comprehensive Income

39- Table (6-2): Income statement for insurance Policyholders for the years ended on 31 December 2011G, 2012G and 2013G

(SAR' 000)	Financial year 2011G (Audited)	Financial year 2012G (Audited)	Financial year 2013G (Audited)	CAGR 2011G-2013G
Total written premiums	565,059	653,945	586,327	**1.90%**
Minus: Reinsurance premiums ceded	(207,661)	(148,606)	(199,780)	**(1.90%)**
Excess of Loss premiums	(6,105)	(7,029)	(8,922)	**20.90%**
Net written premiums	**351,293**	**498,311**	**377,625**	**3.70%**
Change in unearned premiums, net	(17,412)	(89,855)	70,426	**N/A**
Earned premiums, net	**333,882**	**408,456**	**448,051**	**15.80%**
Net incurred claims	(203,421)	(315,452)	(461,889)	**50.70%**
Policy Acquisition costs	(48,091)	(54,184)	(52,063)	**4.00%**
Earned reinsurance commission	24,664	26,181	29,369	**9.10%**
Net Underwriting results	**107,034**	**65,000**	**(36,533**	**NA**
General and administrative expenses	(92,249)	(82,726)	(87,925)	**(2.40%)**
Other Insurance Revenues	-	6,343	-	**0.00%**
Other Revenues	2,824	3,028	7,691	**65.00%**
Net surplus (deficit) from insurance operations	**17,608**	**(8,354)**	**(116,767)**	**N/A**
Ratio Analysis				**Change (%)**
Average growth of written premiums	N/A	15.70%	(10.30%)	**N/A**
Assignment rate	37.80%	23.80%	35.60%	**(2.2)**
Net earned premiums as a percentage of Gross written premium	59.10%	62.50%	76.40%	**17.3**
Net loss ratio	60.90%	77.20%	103.10%	**42.2**
Commission paid as a percentage of gross written premiums	8.10%	8.70%	7.40%	**(0.7)**
Received commission as a percentage of ceded premiums	13.70%	15.30%	14.40%	**0.7**
Net commission ratio	7.00%	6.90%	5.10%	**(2)**
Net underwriting surplus as a percentage of Gross written premiums	18.90%	9.90%	(6.20%)	**(25.2)**
Net expenses ratio	27.60%	20.30%	19.60%	**(8)**
Consolidated net percentage	95.60%	104.30%	127.80%	**32.2**
Net surplus (deficit) from insurance operations as a percentage from total written premiums	3.10%	(1.30%)	(19.90%)	**(23)**
Number of insurance policies	154,925	239,489	266,961	**112,036**
Written premiums for each insurance policy	3.6	2.7	2.2	**(1.5)**

Source: Audited financial statements for the years ended on 31 December 2011G, 2012G and 2013G and Arabia Insurance Management

Gross Written Premiums

Discrepancy in written premiums in motor insurance led to the discrepancy in gross written premiums for the period from fiscal year 2011G to fiscal year 2013G. As a result, gross written premiums rose from SAR 565.1 million for the fiscal year 2011G to SAR 653.9 million for the fiscal year 2012G after the rise in Motor insurance premiums from SAR 231.2 million to SAR 339.0 million for the same period. Subsequent decline in Motor insurance premiums to SAR 265.2 million resulted in a decline in gross written premiums to SAR 586.3 million for the fiscal year 2013G.

Ceded Premiums

The overall retention of two major health insurance policies that belong to the Saudi Oger Group and Al Zahid Group in fiscal year 2012G led to a significant decline in the percentage of assignment in the fiscal year 2012G (23.8%) compared to assignment percentage in fiscal years 2011G (37.8%) and 2013G (35.6%) due to the disagreement with the reinsurer (SCORE RI) on pricing of insurance policies

Net Incurred Claims

The increase in f Health and Motor Insurance net loss rates led to a rise in net loss rates for the company by SAR 42.2 percentage points from 60.9% in fiscal year 2011G to 103.1% in fiscal year 2013G:

- Health Insurance Loss Rate rose from 39.4% in fiscal year 2011G to 93.9% in fiscal year 2013G due to the loss resulting from the total retention of the two insurance policies for Saudi Oger Group and Al Zahid Group.
- The Loss rate rose for Motor insurance from 73.7% in fiscal year 2011G to 109.9% in fiscal year 2013G mainly as a result of three insurance policies for car rental companies at high loss rates relating to Al Jabr Automotive Kia Motors, Arab National Bank and National Commercial Bank in addition to the high loss rate of Third-Party insurance.

Policy Acquisition Costs

Policy Acquisition Costs increased from SAR 48.1 million in fiscal year 2011G to SAR 54.2 million in fiscal year 2012G, and then dropped to SAR 52.1 million in fiscal year 2013G in parallel with the increase and then the decline in gross written premiums during the same period.

Commission paid as a percentage of gross written premiums fell down from 8.1% in fiscal year 2011G to 7.4% in fiscal year 2013G due to non-renewal of a major insurance policies related to Al Jabr Automotive Kia Motors and Arab National Bank which were generated by a broker.

Reinsurance Commissions Received

Reinsurance gained commissions increased from SAR 24.7 million in fiscal year 2011G to SAR 29.4 million in fiscal year 2013G, driven mainly by the increase in commissions received in the maritime sector from SAR 6.7 million to SAR 8.6 million, and in the engineering sector from SAR 10.7 million to SAR 11.1 million during the same period, respectively.

The discrepancy, resulting from commissions received in the engineering sector as a percentage of the assigned insurance premiums, which represents a total of 40% of the total commission received, led to the discrepancy in commissions received as a percentage of assigned premiums for the period undergoing analysis of the fiscal year 2011G to fiscal year 2013G.

General and Administrative Expenses

The decline in fees relating to the Saudi Arabian Monetary Agency Control and Inspection and the Council of Health Insurance in the amount of SAR 10.8 million, and the fees of Medical Claims Department versus the rise in employee salaries by SAR 6.9 million, resulted in the decrease of general and administrative expenses for both insurance operations and shareholders operations from SAR 94.9 million in fiscal year 2011G to SAR 89.4 million in fiscal year 2013G.

Other Insurance Revenues (Income)

Other insurance revenues, amounting to SAR 6.3 million as in fiscal year 2012G, relate to the written premiums, and the reinsurance share of claims that have been received by related parties (Arabia Insurance Company S.A.L (Lebanon).

Other Revenues (Income)

Other revenues (income) consist of commission income from investments related to insurance operations. Other income increased from SAR 2.8 million in the fiscal year 2011G to SAR 7.7 million in the fiscal year 2013G as a result of profits realized from the sale of investments by SAR4.6 million in fiscal year 2013G.

40-Table (6-3): Statement of Shareholders' Comprehensive Income for the years ended on 31 December 2011G, 2012G and 2013G.

(SAR' 000)	Financial year 2011G (Audited)	Financial year 2012G (Audited)	Financial year 2013G (Audited)	CAGR 2011G-2013G
Shareholders' appropriation from insurance operations' surplus (deficit)	15,847	(8,354)	(116,767)	N/A
Gains on sale of available for sale investments	881	3,210	11,153	255.80%
Commission income	3,225	3,569	5,211	27.10%
General and administrative expenses	(2,663)	(1,284)	(1,428)	(26.80%)
Net income (loss) for the year	**17,290**	**(2,859)**	**(101,83)2**	**N/A**
Zakat and Income Tax	(4,679)	(3,516)	(1,500)	(43.40%)
Change in fair value of available for sale investments	644	1,999	253	(37.30%)
Net comprehensive income (loss) for the year	**13,255**	**(4,376)**	**(103,078)**	**N/A**

Source: Audited Financial statements for the years ended on 31 December 2011G, 2012G and 2013G and Arabia Insurance Management

Shareholders' appropriation from insurance operations' surplus (deficit)

Deficit in the insurance operations amounted to SAR 116.8 million in fiscal year 2013G wherein the shareholders bear this entire loss.

Gains on sale of available for sale investments and Commission Income

Gains on sale of available for sale investments relating to shareholders operations rose from SAR 881,000 in fiscal year 2011G to SAR 11.2 liquidation of investment funds based on the decision of the Investment Committee. Commissions' income realized from commissions received relates to shareholders' investment income.

Zakat and Income Tax

The decline in Zakat and Income Tax from SAR 4.7 million in fiscal year 2011G to SAR 1.5 million in fiscal year 2013G is primarily due to the income tax in the amount of SAR 1.3 million in fiscal year 2011G (none in subsequent periods is due to losses).

6.9.1.2 Technical income Statements

41 -Table (6-4): Segmental Information For The Year Ended On 31 December 2011G

(SAR' 000)	Financial year 2011G						
	Health	Motor	Fire	Engineering	Marine	Others	Total
Results of insurance operations							
Total written premiums	227,125	231,195	29,339	35,897	26,962	14,541	**565,059**
Minus: Reinsurance premiums ceded	(121,150)	-	(27,223)	(31,895)	(17,777)	(9,616)	**(207,661)**
Excess of Loss premiums	-	(5,654)	(278)	-	(173)	-	**(6,105)**
Net premiums written	**105,975**	**225,540**	**1,838**	**4,002**	**9,012**	**4,926**	**351,293**
Change in unearned premiums, net	19,417	(34,305)	287	(381)	(572)	(1,857)	**(17,412)**
Earned premiums, net	**125,392**	**191,235**	**2,124**	**3,621**	**8,440**	**3,069**	**333,882**
Gross paid claims and other expenses	(190,849)	(160,239)	(27,871)	(7,173)	(11,166)	(1,565)	**(398,863)**
Reinsurers' share in total paid claims	135,508	11,500	24,909	6,253	6,714	697	**185,581**
Changes in outstanding claims	5,903	7,883	(4,110)	18	(444)	613	**9,862**
Net incurred claims	**(49,439)**	**(140,855)**	**(7,072)**	**(903)**	**(4,897)**	**(255)**	**(203,421)**
Policy acquisition costs	(26,499)	(18,124)	(1,219)	(633)	(986)	(630)	**(48,091)**
Earned reinsurance commission	-	-	8,783	7,665	6,063	2,152	**24,664**
Net Underwriting results	**49,454**	**32,256**	**2,617**	**9,751**	**8,621**	**4,335**	**107,034**

(SAR' 000)	Financial year 2011G						
	Health	Motor	Fire	Engineering	Marine	Others	Total
General and administrative expenses							**(92,249)**
Other revenues							**2,824**
Insurance operations surplus							**17,608**
Key performance indicators							
Assignment rate	53.30%	2.40%	93.70%	88.90%	66.60%	66.10%	**37.80%**
Net earned premiums as a percentage of Gross written premium	55.20%	82.70%	7.20%	10.10%	31.30%	21.10%	**59.10%**
Net loss ratio	39.40%	73.70%	332.90%	24.90%	58.00%	8.30%	**60.90%**
Commission paid as a percentage of net earned premiums	9.50%	8.90%	3.70%	2.90%	3.60%	4.50%	**8.10%**
Commission received as a percentage of net earned premiums	N/A	N/A	35.20%	33.50%	37.10%	23.60%	**13.70%**
Insurance operations surplus as a percentage of Gross written premium	21.80%	14.00%	8.90%	27.20%	32.00%	29.80%	**18.90%**

Source: Audited Financial statements for the years ended on 31 December 2011G, 2012G and 2013G and Arabia Insurance Management

The net underwriting results during fiscal year 2011G amounted to SAR 107.0 million where the marine insurance sector represented the largest percentage of net underwriting results as a percentage of the gross written premiums (32,0%), followed by the other insurance sector (29,8%) and the engineering projects insurance sector (27,2%). The net underwriting results as a percentage of gross written premiums for the health insurance industry represented 21.8%, followed by Motor insurance sector (14.0%) and fire insurance sector (8.9%).

42 -Table (6-5): Segmental information for the year ended on 31 December 2012G

(SAR' 000)	Financial year 2012G						
	Health	Motor	Fire	Engineering	Marine	Others	Total
Results of insurance operations							
Total written premiums	199,856	339,048	31,358	31,893	35,469	16,322	**653,945**
Minus: Reinsurance premiums ceded	(54,142)	-	(29,951)	(27,149)	(26,827)	(10,537)	**(148,606)**
Excess of Loss premiums	-	(6,325)	(477)	-	(227)	-	**(7,029)**
Net premiums written	145,714	332,723	930	4,744	8,415	5,786	**498,311**
Changes in unearned premiums, net	(7,395)	(83,073)	321	253	628	(589)	**(89,855)**
Earned premiums, net	138,319	249,649	1,251	4,997	9,043	5,197	**408,456**
Gross paid claims and other expenses	(230,710)	(209,400)	(319,040)	(7,418)	(6,923)	(2,879)	**(776,370)**
Reinsurers' share in total paid claims	148,358	2,307	316,518	6,486	3,597	1,716	**478,981**
Changes in outstanding claims, net	(17,658)	1,074	1,741	(1,213)	(2,047)	39	**(18,064)**
Net incurred claims	(100,010)	(206,019)	(782)	(2,145)	(5,373)	(1,123)	**(315,452)**
Policy Acquisition costs	(22,949)	(26,632)	(976)	(1,122)	(1,680)	(826)	**(54,184)**
Earned reinsurance commission	-	-	7,112	11,307	6,559	1,202	**26,181**
Net Underwriting results	15,361	16,998	6,605	13,037	8,549	4,450	**65,000**
General and administrative expenses							**(82,726)**
Other insurance revenues							**6,343**
Other revenues							**3,028**
Insurance operations deficit							**(8,354)**
Key performance indicators							
Assignment rate	27.10%	1.90%	97.00%	85.10%	76.30%	64.60%	**23.80%**
Net earned premiums as a percentage of Gross written premium	69.20%	73.60%	4.00%	15.70%	25.50%	31.80%	**62.50%**
Net loss ratio	72.30%	82.50%	62.50%	42.90%	59.40%	21.60%	**77.20%**
Commission paid as a percentage of net earned premiums	9.10%	10.00%	3.00%	2.50%	6.00%	5.90%	**8.70%**
Commission received as a percentage of net earned premiums	N/A	N/A	22.00%	33.50%	24.40%	13.10%	**15.30%**

(SAR' 000)	Financial year 2012G						
	Health	Motor	Fire	Engineering	Marine	Others	Total
Insurance operations surplus as a percentage of Gross written premium	7.70%	5.00%	21.10%	40.90%	24.10%	27.30%	**9.90%**

Source: Audited Financial statements for the years ended on 31 December 2011G, 2012G and 2013G and Arabia Insurance Management

The net underwriting results amounted to SAR 65.0 million during fiscal year 2012G where the engineering projects insurance sector represented the largest percentage of net underwriting results as a percentage of gross written premiums (40,9%), followed by other insurance sector (27,3%),and the marine insurance sector (24.1%). The net underwriting results represented 21.1% as a percentage of gross written premiums for the fire insurance sector, followed by health insurance sector (7,7%) and the Motor insurance sector (5.0%).

43-Table (6-6): Segmental Information For The Year Ended on 31 December 2013G.

(SAR' 000)	Financial year 2013G						
	Health	Motor	Fire	Engineering	Marine	Others	Total
Results of insurance operations							
Total written premiums	180,663	265,147	40,305	41,246	40,842	18,123	**586,327**
Minus: Reinsurance premiums ceded	(82,534)	-	(38,159)	(37,020)	(30,683)	(11,384)	**(199,780)**
Excess of Loss premiums	-	(7,808)	(885)	-	(229)	-	**(8,922)**
Net premiums written	**98,129**	**257,339**	**1,261**	**4,226**	**9,930**	**6,739**	**377,625**
Changes in unearned premiums, net	12,817	61,092	(380)	(1,043)	(936)	(1,125)	**70,426**
Earned premiums, net	**110,947**	**318,432**	**882**	**3,183**	**8,994**	**5,613**	**448,051**
Gross paid claims and other expenses	(169,123)	(335,898)	(72,591)	(11,820)	(14,051)	(3,744)	**(607,227)**
Reinsurers' share in total paid claims	53,535	1,454	71,750	10,577	7,110	2,715	**147,141**
Changes in outstanding claims, net	11,464	(15,371)	626	(212)	2,150	(460)	**(1,803)**
Net incurred claims	**(104,124)**	**(349,815)**	**(215)**	**(1,455)**	**(4,791)**	**(1,489)**	**(461,889)**
Policy underwriting costs	(16,752)	(29,650)	(1,485)	(638)	(2,829)	(709)	**(52,063)**
Earned reinsurance commission	-	-	7,027	11,756	8,337	2,249	**29,369**
Net Underwriting results	**(9,930)**	**(61,034)**	**6,209**	**12,846**	**9,711**	**5,665**	**(36,533)**
General and administrative expenses							**(87,925)**
Other insurance revenues							**7,691**
Insurance operations deficit							**(116,767)**
Key performance indicators							
Assignment rate	45.70%	2.90%	96.90%	89.80%	75.70%	62.80%	**35.60%**
Net earned premiums as a percentage of Gross written premium	61.40%	120.10%	2.20%	7.70%	22.00%	31.00%	**76.40%**
Net loss ratio	93.90%	109.90%	24.40%	45.70%	53.30%	26.50%	**103.10%**
Commission paid as a percentage of net earned premiums	9.40%	7.90%	3.60%	1.20%	7.00%	4.40%	**7.40%**
Commission received as a percentage of net earned premiums	N/A	N/A	19.90%	29.90%	27.90%	22.20%	**14.40%**
Insurance operations surplus as a percentage of Gross written premium	(5.50%)	(23.00%)	15.40%	31.10%	23.80%	31.30%	**(6.20%)**

Source: Audited Financial statements for the years ended on 31 December 2011G, 2012G and 2013G and Arabia Insurance Management

The deficit in net underwriting results amounted to SAR 36.5 million during fiscal year 2013G, where the other insurance sector represented the largest percentage of net underwriting results as a percentage of gross written premiums (31,1%) followed by engineering projects insurance sector (31.1%) ,and the marine insurance sector (23,8%). The net underwriting results represented 15,4% as a percentage of gross written premiums for the fire insurance sector, followed by the deficit in the health insurance sector by (5,.5%) and the deficit In the Motor sector by (23.0%).

6.9.1.3 Gross Written Premiums

44 -Table (6-7): Gross Written Premiums For The Years Ended On 31 December 2011G, 2012G And 2013G

(SAR' 000)	Financial year 2011G (Audited)	Financial year 2012G (Audited)	Financial year 2013G (Audited)	CAGR 2011G-2013G
Health	227,125	199,856	180,663	(10.80%)
Motor	231,195	339,048	265,147	7.10%
Fire	29,339	31,358	40,305	17.20%
Engineering	35,897	31,893	41,246	7.20%
Marine	26,962	35,469	40,842	23.10%
Other	14,541	16,322	18,123	11.60%
Total	**565,059**	**653,945**	**586,327**	**1.90%**
As a percentage of the total				**Change (%)**
Health	40.20%	30.60%	30.80%	(9.4)
Motor	40.90%	51.80%	45.20%	4.3
Fire	5.20%	4.80%	6.90%	1.7
Engineering	6.40%	4.90%	7.00%	0.7
Marine	4.80%	5.40%	7.00%	2.2
Other	2.60%	2.50%	3.10%	0.5

Source: Audited Financial statements for the years ended on 31 December 2011G, 2012G and 2013G and Arabia Insurance Management

Gross Written Premiums in the Health Sector

Premiums written in the health sector reduced from SAR 227.1 million in fiscal year 2011G to SAR 180.7 million in fiscal year 2013G as a result of the non-renewal of two major health insurance policies for the Saudi bin Laden Group in 2012G, and Al Zahid Group in 2013G. In addition to that the decline in written premiums for individual insurance policies from SAR 49.7 million in fiscal year 2012G to SAR 45. 0 million in fiscal year 2013G as a result of the increase in the level of competition in the market for the same period where the insurance policy rates for individuals were high for the Company compared to the market prices.

Gross Written Premiums in the Motor Sector

Gross Written premiums in the Motor sector rose from SAR 231.2 million in fiscal year 2011G to SAR 339.0 million in fiscal year 2012G due to the increase of written premiums relating to the leasing business for the Arab National Bank in the amount of SAR 26.4 million in addition to Al Jaber Kia Motors insurance policy (SAR 47.1 million in fiscal year 2012G). The two major insurance policies, as well as the National Commercial Bank car insurance policy, were suspended in fiscal year 2013G due to the rise of loss rates in these insurance policies which led to a decline in gross written premiums in the Motor sector.

Written premiums in the fire sector rose form SAR 29,3 million in fiscal year 2011G to SAR 40,3 million in fiscal year 2013G as a result of the Company's increase of the premium prices for a key client (Al Zahid Group) after incurring a large claim for this client related to the explosion of the gas truck in Riyadh during the fiscal year 2012G.

The decline in gross written premiums in the engineering sector from SAR 35.9 million in fiscal year 2011G to SAR 31.9 million in fiscal year 2012G resulted from the temporary suspension of governmental projects that belong to Saudi Oger. The continuation of the same projects that belong to Saudi Oger, which were suspended in the previous year, resulted in the subsequent rise to SAR 41.2 million in fiscal year 2013G.

Gross Written Premiums in the Fire Sector

Ddecline in gross written premiums in the engineering sector from SAR 35.9 million in the fiscal year 2011G to SAR 31.9 million in the fiscal year 2012G is resulted from the temporary suspension of government projects belonging to Saudi Oger. The continuation of the same Saudi Oger projects which were suspended in the previous year resulted in a subsequent rise to SAR 41.2 million in the fiscal year 2013G.

Gross Written Premiums in the Engineering Sector

Written premiums rose in the maritime sector from SAR 27.0 million in the fiscal year 2011G to SAR 40.8 million in the fiscal year 2013G. This is due primarily to underwriting to a new policy belonging to Al Jomaih Group at SAR 9.6 million in the fiscal year 2012G. In addition to underwriting of a new Marine insurance policy belonging yo to Abdullah Hashim Company and Warid Company, amounting to SAR 2.6 million to SAR 2.4 million in the fiscal year 2013G, respectively.

Gross Written Premiums in the Marine Sector

Premiums written in the marine sector rose from SAR 27.0 million in fiscal year 2011G to SAR 40.8 million in fiscal year 2013G. This is primarily due to the underwriting of a new insurance policy for Al Jomaih Group in the amount of SAR 9.6 million in fiscal year 2012G. In addition to the underwriting of a new Marine insurance policy for Abdullah Hashim Company and Warid Company amounting to SAR 2.6 million to SAR 2.4 million in fiscal year 2013G respectively.

Other Gross Written Premiums

Other written premiums relate to:

- General Accident Insurance amounted to SAR 14.0 million in fiscal year 2013G
- Protection and Savings Insurance that amounted to SAR 4.1 million in fiscal year 2013G

45 -Table (6-8): Gross Written Premiums, According To The Distribution Channel For The Years Ended On 31 December 2011G, 2012G And 2013G

(SAR' 000)	Financial year 2011G (Audited)	Financial year 2012G (Audited)	Financial year 2013G (Audited)	CAGR 2011G-2013G
Direct	330,354	338,273	362,356	**4.70%**
Agents	21,935	59,854	97,422	**110.70%**
Brokers	212,770	255,818	126,549	**(22.90%)**
Total	**565,059**	**653,945**	**586,327**	**1.90%**
Number of Policies				**Change 11-13**
Direct	**39,004**	46,731	49,571	**10,567**
Agents	79,721	127,007	160,670	**80,949**
Brokers	36,201	65,752	56,721	**20,520**
Average Gross written Premiums for each insurance policy				**Change (%)**
Direct	8.5	7.2	7.3	**(1.2)**
Agents	0.3	0.5	0.6	**0.3**
Brokers	5.9	3.9	2.2	**(3.6)**

Source: Arabia Insurance Management

Gross Written Premiums Through Direct Sales

Direct sales rose from SAR 330.4 million in fiscal year 2011G to SAR 362.4 million in fiscal year 2013G due to rise in the insurance premium of the Saudi Oger Medical Insurance Policy from SAR 86.8 million to SAR 111.7 million for the same period.

Total Written Premiums Through Agents

Premiums collected from agents rose from SAR 21.9 million in fiscal year 2011G to SAR 97,4 million in fiscal year 2013G primarily as a result of the rise in medical insurance policies and Third Party Liability Motor insurance through Mayazin and Watani Takaful agents.

Total Premiums Written Through Brokers

Broker insurance premiums rose from SAR 212.8 million in fiscal year 2011G to SAR 255.8 million in fiscal year 2012G as a result of the underwriting of two major insurance policies for the Arab National Bank and Al Jabr Kia Motors. Al Jomaih Group insurance policy, which was made through a broker, rose from SAR 58.4 million to SAR 71.9 million for the same period undergoing study. The subsequent decline in fiscal year 2013G to SAR 126.6 million resulted mainly from the non-renewal of two major insurance policies of the Arab National Bank and Al Jabr Kia Motors.

46-Table (6-9): Major Customers For The Years Ended On 31 December 2011G, 2012G And 2013G

(SAR' 000)	Financial year 2011G (Audited)	Financial year 2012G (Audited)	Financial year 2013G (Audited)	CAGR 2011G-2013G
Saudi Oger Group	114,157	118,709	136,033	9.20%
Saudi bin Ladin Group	21,621	5,835	-	NA
Zahid Group	27,429	38,066	28,469	1.90%
ASTRA Group	12,381	7,149	7,621	(21.50%)
Ajomaih	58,352	71,867	80,267	17.30%
Arab National Bank	30,697	56,674	-	N/A
National Commercial Bank	25,278	29,232	5,047	(55.30%)
Ajil	24,445	26,835	37,804	24.40%
Aljabr Kia	-	47,064	-	NA
Aqsat	-	-	8,816	NA
Total	**314,360**	**401,430**	**304,057**	(1.70%)
As a percentage of grand total				**Change (%)**
Saudi Oger Group	20.20%	18.20%	23.20%	3
Saudi bin Ladin Group	3.80%	0.90%	0.00%	(3.8)
Zahid Group	4.90%	5.80%	4.90%	0
ASTRA Group	2.20%	1.10%	1.30%	(0.9)
Ajomaih	10.30%	11.00%	13.70%	3.4
Arab National Bank	5.40%	8.70%	0.00%	(5.4)
National Commercial Bank	4.50%	4.50%	0.90%	(3.6)
Ajil	4.30%	4.10%	6.40%	2.1
Aljabr Kia	0.00%	7.20%	0.00%	-
Aqsat	NA	NA	1.50%	1.5
Total	55.60%	61.40%	51.90%	(3.8)

Source: Arabia Insurance Cooperative Company Management

Saudi Oger Group

The insurance premiums obtained from Saudi Oger Group consist primarily of medical insurance, which constituted 82,1% of the total premiums written from Saudi Oger in fiscal year 2013G. The rise resulting in insurance premiums collected from Saudi Oger from SAR 114.2 million in fiscal year 2011G to SAR 136,0 million in fiscal year 2013G resulted primarily from the rise of Saudi Oger Medical insurance policy pricing SAR from 86.7 million in fiscal year 2011G to SAR 111.7 million in the year fiscal 2013G.

Saudi Bin Laden Group

Saudi Bin Laden Group insurance policy consists primarily of medical insurance, which amounted to SAR 21.6 million in fiscal year 2011G and SAR 5.8 million in fiscal year 2012G.

Al Zahid Group

The rise in Al Zahid Group account from SAR 27.4 million in fiscal year 2011G to SAR 38.1 million in fiscal year 2012G was due to the rise in the insurance policy pricing in all sectors, specifically:

- The fire insurance policy pricing increased from SR 4.2 million in fiscal year 2011G to SAR 10.0 million in fiscal year 2012G.
- The medical insurance policy pricing increased from SAR 11.3 million in fiscal year 2011G to SAR 13.5 million in fiscal year 2012G.

The subsequent decline in premiums earned from Zahid Group in fiscal year 2013G to SAR 28.5 million was a result of:

- Getting rid of the medical insurance policy (valued at SAR 13.5 million in fiscal year 2012G) due to the rise in the loss rate, which amounted to 130%. Therefore, the renewal of the insurance policy at a high pricing was rejected by Zahid Group.
- The decrease in medical insurance premiums was met by an increase in the fire insurance policy premiums that amounted to SAR 15.0 million in fiscal year 2013G as a result of the renewal of the insurance policy at a high premium due to a large claim incurred by the company in fiscal year 2012G with regard to the explosion of the gas truck in Riyadh, amounting to a total value of SAR 203 million.

Astra Group

The Astra medical insurance policy (valued at SAR 4.6 million) was not renewed in fiscal year 2012G which resulted in a decrease in the group's account from SAR12.4 million in fiscal year 2011G to SAR 7.1 million in fiscal year 2012G. The subsequent rise to SAR 7.6 million resulted primarily from the rise in insurance policy pricing for each sector with the exception of the marine insurance policy where the premiums were reduced by SAR 500,000 in fiscal year 2013G.

Al Jomaih Group

The rise in premiums earned from Al Jomaih Group insurance policy from SAR 58.3 million in fiscal year 2011G to SAR 80.3 million in fiscal year 2013G is due to obtaining a Marine insurance policy in an amount of SAR 10.4 million in fiscal year 2013G, while premiums in fiscal year 2011G consisted only from a Motor insurance policy that valued at SAR 58.3 million. The Motor insurance policy pricing increased from SAR 58.4 million in fiscal year 2011G to SAR 64,9 million in fiscal year 2013G, accompanied with an underwriting of a new Marine insurance policy that valued at SAR 10.4 million in fiscal year 2013G.

Arab National Bank

The rise in premiums earned from the Arab National Bank from SAR 30.7 million in fiscal year 2011G to SAR 56.7 million in fiscal year 2012G is primarily due to the increase in the number of insured cars and the pricing of the Motor insurance policy from SAR29.4 million to SAR 55.9 million for the same period undergoing study in compensation for the high loss rate which amounted to 133% in fiscal year 2012G.

The National Commercial Bank (NCB)

The National Commercial Bank (NCB) consists of a Motor Insurance policy that valued at SAR 25.3 million in fiscal year 2011G, SAR 29.2 million in fiscal year 2012G, and SAR 5.0 million in fiscal year 2013G. Insurance policy was suspended during the fiscal year 2013G as a result of the high accumulated loss rate, which amounted to 134,8% during fiscal years between 2011G and 2013G resulting from the rise in insured car accidents.

AJIL Company

The rise in premiums relating to AJIL Company from SAR 24.4 million in fiscal year 2011G to SAR 37.8 million in fiscal year 2013G driven primarily by the rise in the coverage of Motor insurance policy pricing and the engineering insurance policy where the Motor insurance policy increased from SAR 15.6 million to SAR 25.2 million while the engineering insurance policy pricing rose from SAR 8,6 million to SAR 12,2 million respectively for the same period undergoing test.

Al Jaber Kia Motors

Al Jaber Kia Motors insurance policy consists of a Motor insurance policy that valued at SAR 47.1 million in fiscal year 2012G; but this insurance policy was not renewed due to the high loss rate for this client.

AQSAT Company

Premiums collected from AQSAT Company consist of Motor insurance policy in the amount of SAR 8.8 million in fiscal year 2013G.

6.9.1.4 Reinsurance

47 -Table (6-10): Ceded Premiums Per Business Activity Including Excess Of Loss For The Years Ended On 31 December 2011G, 2012G And 2013G.

(SAR' 000)	Financial year 2011G (Audited)	Financial year 2012G (Audited)	Financial year 2013G (Audited)	CAGR 2011G-2013G
Health	121,150	54,142	82,534	(17.50%)
Motor	5,654	6,325	7,808	17.50%
Fire	27,501	30,428	39,044	19.20%
Engineering	31,895	27,149	37,020	7.70%
Marine	17,950	27,054	30,912	31.20%
Other	9,616	10,537	11,384	8.80%
Total	**213,765**	**155,635**	**208,702**	(1.20%)
Assignment rate				**Change (%)**
Health	53.30%	27.10%	45.70%	(7.7)
Motor	2.40%	1.90%	2.90%	0.5
Fire	93.70%	97.00%	96.90%	3.1
Engineering	88.90%	85.10%	89.80%	0.9
Marine	66.60%	76.30%	75.70%	9.1
Other	66.10%	64.60%	62.80%	(3.3)
Total	37.80%	23.80%	35.60%	(2.2)

Source: Audited Financial statements for the years ended on 31 December 2011G, 2012G and 2013G and Arabia Insurance Management

Assignment Rate for the Health Sector

The decrease in the assignment rate related to health insurance premiums from 53.3% in fiscal year 2011G to 27.1% in fiscal year 2012G resulted primarily from the full retention of the two major health insurance policies for Saudi Oger Group and Al Zahid Group in the amount of SAR 93.6 million and SAR 13,5 million respectively In July 2012G following a disagreement with the reinsurer (SCORE RI) on insurance policy pricing. The Saudi Oger insurance policy was reinsured in fiscal year 2013G which led to a rise in the health insurance assignment rate to 45,7% in fiscal year 2013G.

Assignment Rate for Vehicle Sector

The premiums in the Motor sector are covered by excess of loss insurance policies. The decrease in the assignment rate from 2.4% in fiscal year 2011G to 1,9% in fiscal year 2012G resulted primarily from the decline in claims that its individual value exceeds SAR 375,000. The assignment rate for the vehicle sector rose from 1,9% in fiscal year 2012G to 2,9% in fiscal year 2013G due to the rise in claims that their individual value exceed SAR 469,000 after raising the limit in excess of loss insurance from SAR 375,000 in fiscal year 2012G to SAR 469,000 in fiscal year 2013G.

Assignment Rate for Fire Sector

The fire sector assignment rate rose from 93,7% in fiscal year 2011G to 97,0% in fiscal year 2012G and 96,9% in fiscal year 2013G due to the change in the terms of the proportional reinsurance agreement where the retention rate for fire insurance decreased from 70% in fiscal year 2011G to 60 % in fiscal year 2012G and 2013G.

Assignment Rate For The Engineering Sector

The assignment rate for the engineering sector dropped from 88,9% in fiscal year 2011G to 85,1% in fiscal year 2012G as a result of the lack of coverage for the excess of loss during the year. The assignment rate rose later on to 89,8% in fiscal year 2013G as a result of annexing of part of the operating engineering sector under excess of loss cover.

Assignment Rate for the Marine Sector

Assignment Rate for the Marine Sector rose from 66,6% in fiscal year 2011G to 76,3% in fiscal year 2012G due to the change in the terms of proportional reinsurance per the agreement where the retention rates decreased from 70% in fiscal year 2011G to 60% in fiscal year 2012G and 2013G.

Assignment Rate For Other Sectors

During the period from fiscal year 2011G to fiscal year 2013G, assignment rate of other sectors (general accident insurance, and protection and savings insurance) declined slightly from 66,1% to 62,8% as a result of the decline in assignment rates for the general insurance from 72,8% in fiscal year 2011G to 69,3 % in fiscal year 2013G driven by the rise in general and administrative expenses as a percentage of written premiums.

6.9.1.5 claims

48 -Table (6-11): Total And Reinsurers' Share Of Claims Paid For The Years Ended On 31 December 2011G, 2012G And 2013G

SAR' 000	Financial year 2011G (Audited)	Financial year 2012G (Audited)	Financial year 2013G (Audited)	CAGR 2011G-2013G
Health	190,849	230,710	169,123	**(5.90%)**
Motor	160,239	209,400	335,898	**44.80%**
Fire	27,871	319,040	72,591	**61.40%**
Engineering	7,173	7,418	11,820	**28.40%**
Marine	11,166	6,923	14,051	**12.20%**
Other	1,565	2,879	3,744	**54.70%**
Total claims paid	**398,863**	**776,370**	**607,227**	**23.40%**
Health	135,508	148,358	53,535	**(37.10%)**
Motor	11,500	2,307	1,454	**(64.40%)**
Fire	24,909	316,518	71,750	**69.70%**
Engineering	6,253	6,486	10,577	**30.10%**
Marine	6,714	3,597	7,110	**2.90%**
Other	697	1,716	2,715	**97.40%**
Reinsurer's share in paid claims	**(185,581)**	**(478,981)**	**(147,141)**	**(11.00%)**
Change in outstanding claims, net	(9,862	18,064	1,803	**NA**
Net incurred claims	203,421	315,452	461,889	**50.70%**
Reinsurers' share in paid claims				**Change (%)**
Health	71.00%	64.30%	31.70%	**(39.3)**
Motor	7.20%	1.10%	0.40%	**(6.7)**
Fire	89.40%	99.20%	98.80%	**9.5**
Engineering	87.20%	87.40%	89.50%	**2.3**
Marine	60.10%	52.00%	50.60%	**(9.5)**
Other	44.50%	59.60%	72.50%	**28**
Total	**46.50%**	**61.70%**	**24.20%**	**(22.3)**

Source: Arabian Cooperative Insurance Company

49 -Table (6-12): Net Incurred Claims, According To Business Activity For The Years Ended On 31 December 2011G, 2012G And 2013G

(SAR' 000)	Financial year 2011G (Audited)	Financial year 2012G (Audited)	Financial year 2013G (Audited)	CAGR 2011G-2013G
Health	49,439	100,010	104,124	**45.10%**
Motor	140,855	206,019	349,815	**57.60%**
Fire	7,072	782	215	**(82.60%)**
Engineering	903	2,145	1,455	**27.00%**
Marine	4,897	5,373	4,791	**(1.10%)**
Other	255	1,123	1,489	**141.40%**
Net incurred claims	**203,421**	**315,452**	**461,889**	**50.70%**
Net loss ratio				**Change (%)**
Health	39.40%	72.30%	93.90%	**54.4**
Motor	73.70%	82.50%	109.90%	**36.2**
Fire	332.90%	62.50%	24.40%	**(308.5)**
Engineering	24.90%	42.90%	45.70%	**20.8**
Marine	58.00%	59.40%	53.30%	**(4.8)**
Other	8.30%	21.60%	26.50%	**18.2**
Total	**60.90%**	**77.20%**	**103.10%**	**42.2**

Source: Audited Financial statements for the years ended on 31 December 2011G, 2012G and 2013G and Arabia Insurance Management

Net Incurred Claims for the Health Sector

Net loss ratio for medical insurance rose from 39,4% in fiscal year 2011G to 72,3% in fiscal year 2012G a result of high claims fully incurred by the company due to the full retention (i.e lack of reinsurance) of two major medical insurance policies for Saudi Oger Group and Al Zahid Group at a value of SAR 93.5 million and SAR 13,5 million respectively. Saudi Oger Medical Insurance Policy was fully retained in July 2012G, and thus the impact of the insurance policy continued during the first half of fiscal year 2013G, which also led to a rise in the loss ratio to 93,9% in fiscal year 2013G.

Net Incurred Claims For Motor Sector

Net loss ratio for Motor Sector rose from 73,7% in fiscal year 2011G to 109,9% in fiscal year 2013G primarily due to three car rental companies with high loss ratios which are Al Jaber Kia Motors, Arab National Bank and National Commercial Bank where loss ratios reached 163,2%, 147,4%, and 142,7% respectively, in addition to the increase in loss ratio for third party liability motor insurance.

Net Incurred Claims for the Fire Sector

Net loss ratio for the Fire Sector amounted to 332,9% in fiscal year 2011G due to the large claim of CCMC (Consolidated Can Manufacturing Corporation) incurred by the Company which amounted to SAR 307 million (gross level) (SAR SAR 1.9 million in net level). Fire insurance net loss ratio decreased to 62,5% in fiscal year 2012G despite the company's sustaining of a large claim related to the explosion of a fuel truck in Riyadh, which has harmed a number of the company's clients (mainly Al Zahid Group, Tamgo, Warid, Astra Group and Al Jomaih Group) of which cost amounted to SAR 203 million in gross level. This is attributable to the fact that the insurance policies were well covered by the reinsurance policies where the company incurred SAR 1,2 million in net level with respect to the explosion of a fuel truck. Net loss ratio of fire insurance dropped to 24,4% in fiscal year 2013G due to the lack of major claims incurred by the company during the year.

Net Incurred Claims for the Engineering Sector

Loss ratios related to the engineering sector rose from 24,9% in fiscal year 2011G to 42,9% in fiscal year 2012G and 45,7% in fiscal year 2013G due to major losses related to the explosion of the fuel truck in Riyadh in fiscal year 2012G, which caused a damage to construction sites related to the Saudi Oger Company and AJIL Company accompanied by a large claim amounting to SAR 2.1 million (in gross level) (SAR 190, 000 in net level) related to Bassami Group medical insurance policy in fiscal year 2013G.

Net Incurred Claims for the Marine Sector

The net loss ratio for the marine sector remains stable for the period from fiscal year 2011G to fiscal year 2013G due to the lack of large major claims during this period.

Net Incurred Claims for Other Sectors

Net loss ratio for other sectors rose from 8,3% in fiscal year 2011G to 21,6% in fiscal year 2012G and 26,5% in fiscal year 2013G driven by the rise in net loss ratio of general accidents and third party (liability) insurance, protection and savings insurance.

6.9.1.6 Policy Acquisition Costs

50-Table (6-13): Policy Acquisition Costs For The Years Ended On 31 December 2011G, 2012G And 2013G

(SAR' 000)	Financial year 2011G (Audited)	Financial year 2012G (Audited)	Financial year 2013G (Audited)	CAGR 2011G-2013G
Health	21,563	18,159	16,938	(11.40%)
Motor	20,557	34,040	20,931	0.90%
Fire	1,073	944	1,453	16.40%
Engineering	1,057	799	481	(32.60%)
Marine	965	2,120	2,874	72.60%
Other	659	969	791	9.60%
Assigned Commissions	**45,874**	**57,032**	**43,468**	(2.70%)
Change in deferred acquisitions costs	2,217	(2,848)	8,596	96.90%
Total	**48,091**	**54,184**	**52,063**	4.00%
Paid commission as a percentage from total written premiums				**Change (%)**
Health	9.50%	9.10%	9.40%	(0.1)
Motor	8.90%	10.00%	7.90%	(1)
Fire	3.70%	3.00%	3.60%	(0.1)
Engineering	2.90%	2.50%	1.20%	(1.8)
Marine	3.60%	6.00%	7.00%	3.5
Other	4.50%	5.90%	4.40%	(0.2)
Total	**8.10%**	**8.70%**	**7.40%**	(0.7)

Source: Arabia Insurance

Policy Acquisition Costs for the Health Sector

Commission paid as a percentage of gross written premiums of the health sector remained relatively stable from fiscal year 2011G to fiscal year 2013G.

Policy Acquisition Costs for the Motor Sector

The rise in commissions paid to the Motor sector from 8,9% in fiscal year 2011G to 10% in fiscal year 2012G resulted from the underwriting of two major insurance policies for Al Jaber Kia Motors and the Arab National Bank through a broker. Commissions paid in fiscal year 2013G decreased to 7,9% due to the increase in third party motor insurance processes through direct sales accompanied by the underwriting of insurance policies for AJIL and Warid Companies through direct sale.

Policy Acquisition Costs for the Fire Sector

The commission paid as a percentage of gross written premiums for the fire sector decreased from 3,7% in fiscal year 2011G to 3,0% in fiscal year 2012G as a result of an increase in premiums written related to the Al Zahid Group through direct sale and thus the lack of a need to pay a commission. Commission paid as a percentage of gross written premiums to the fire sector rose from 3,6% in fiscal year 2013G as a result of an increase in premiums written for a number of key accounts collected through a broker in the amount of SAR 5.5 million in fiscal year 2012G, and SAR 6.8 million in fiscal year 2013G.

Policy Acquisition Costs for the Engineering Sector

The underwriting of AJIL insurance policy through direct sales led to the decrease in paid commissions to the engineering sector from 2,9% in fiscal year 2011G to 1,2% in fiscal year 2013G.

Policy Acquisition Costs for the Marine Sector

The reason for the rise in commission paid as a percentage of the total insurance written premiums for the marine sector from 3,6% in fiscal year 2011G to 7,0% in fiscal year 2013G is due to the underwriting of Al Jomaih insurance policy through the insurance house as a broker.

Policy Acquisition Costs For Other Sectors

Other sectors commissions paid rose as a percentage of gross written premiums from 4,5% in fiscal year 2011G to 5,9% in fiscal year 2012G, driven by the underwriting of two major insurance policies for general insurance and public liability insurance while commission rates declined in fiscal year 2013G as a result of the Warid Company insurance policy which was acquired through direct sales.

51 -Table (6-14): Earned Reinsurance commissions for the years ended on 31 December 2011G, 2012G and 2013G

6.9.1.7 Earned Reinsurance Commissions

(SAR' 000)	Financial year 2011G (Audited)	Financial year 2012G (Audited)	Financial year 2013G (Audited)	CAGR 2011G-2013G
Fire	9,692	6,692	7,774	**(10.40%)**
Engineering	10,691	9,105	11,057	**1.70%**
Marine	6,658	6,600	8,623	**13.80%**
Other	2,273	1,386	2,526	**5.40%**
Received reinsurance commissions	**29,314**	**23,781**	**29,981**	**1.10%**
Change in unearned reinsurance commission revenues	(4,651)	2,399	(612)	**(63.70%)**
Total commission earned from reinsurance	**24,664**	**26,181**	**29,369**	**9.10%**
Received reinsurance commissions as a percentage of ceded premiums				**Change (%)**
Fire	35.20%	22.00%	19.90%	**(15.3)**
Engineering	33.50%	33.50%	29.90%	**(3.6)**
Marine	37.10%	24.40%	27.90%	**(9.2)**
Other	23.60%	13.10%	22.20%	**(1.4)**
Total	**13.70%**	**15.30%**	**14.40%**	**0.7**

Source: Arabian Cooperative Insurance Company

Earned Reinsurance Commissions For The Fire Sector

Primarily, the increase resulting from the Facultative reinsurance from SAR 6.4 million in fiscal year 2011G to SAR 24.1 million in fiscal year 2013G led to a decrease in commissions received from the fire sector reinsurance during the same period so that the facultative reinsurance is generally subject to reinsurance commissions less than the proportional insurance. In addition, the decline in commission rates according to the proportional reinsurance agreement where the commission rate has decreased according to the agreement from 42% in fiscal year 2011G to 39,5% in fiscal year 2012G. The commission surplus layers decreased according to the agreement itself from 40% in fiscal year 2011G to 37,5% in fiscal year 2012G. Commission received decreased according to the proportional reinsurance agreement from 39,5% in fiscal year 2012G to 36% in fiscal year 2013G.

Earned Reinsurance Commissions for the Engineering Sector

The earned commission received from the engineering sector as a percentage of assigned premiums decreased from 33,5% as of fiscal year 2011G and 33,5% in fiscal year 2012G to 29,9% in fiscal year 2013G as a result of a

decline in commission rates (primarily the proportional reinsurance business) related to participation and surplus agreements where the commission relating to participation agreements decreased from 41% in fiscal year 2011G to 38,5% in fiscal year 2013G. Also, the commission relating to the surplus decreased from 39% in fiscal year 2011G to 36,5% in fiscal year 2013G.

Earned Reinsurance Commissions for the Marine Sector

Commission received for the marine sector decreased as a percentage of premiums assigned from 37,1% in fiscal year 2011G to 24,4% in fiscal year 2012G as a result of a decline in commission rates (primarily the proportional reinsurance business) where the commission rate related to participation agreements decreased from 43% in fiscal year ratios 2011G to 40,5% in fiscal year 2012G. Commission relating to the surplus decreased from 41% to 38,5% for the same period undergoing testing. The rise in commission received as a percentage of premiums assigned from 24,4% in fiscal year 2012G to 27,9% in fiscal year 2013G resulted from the decline in loss ratios which led to an increase in profit commissions related to the marine sector registered within the earned reinsurance commissions.

Earned Reinsurance Commissions For Other Sectors

The decline in commission received for other sectors (mainly consists of general accident insurance and protection and savings insurance) as a percentage of premiums assigned from 23,6% in fiscal year 2011G to 13,1% in fiscal year 2012G resulted from the decline in commission from 40% to 37,5% for the proportional reinsurance agreement during the same period. The rise in received reinsurance commissions by 22,2% in fiscal year 2013G is attributed to the increase in proportional insurance by approximately SAR 1,1 million in addition to the introduction of amendments from previous periods during fiscal year 2012G, which resulted in an increase in commissions received during the year.

6.9.1.9 General And Administrative Expenses

52 -Table (6-15): General And Administrative Expenses For The Years Ended On 31 December 2011G, 2012G and 2013G

(SAR' 000)	Financial year 2011G (Audited)	Financial year 2012G (Audited)	Financial year 2013G (Audited)	CAGR 2011G-2013G
Employee costs	40,263	42,240	47,153	**8.20%**
Supervision and control costs	23,256	18,532	12,475	**(26.80%)**
Stationery and Publications	2,498	3,537	2,585	**1.70%**
Advertisement	3,592	3,061	1,226	**(41.60%)**
Legal and professional fees	2,077	2,737	3,632	**32.20%**
Rent	2,387	2,649	2,985	**11.80%**
Depreciation	1,716	1,987	2,449	**19.50%**
Insurance costs	2,311	1,956	2,200	**(2.40%)**
Communications	1,495	1,531	1,612	**3.80%**
Travel and accommodation	1,597	1,181	1,420	**(5.70%)**
Provision for / (recovered from) bad debts	4,551	(1,677)	1,814	**(36.90%)**
Bad debts	(	-	4,587	**0.00%**
Board remunerations and expenses	1,528	602	423	**(47.40%)**
Bank fees / charges	292	142	339	**7.70%**
Other	7,349	5,531	4,453	**(22.20%)**
Total	**94,912**	**84,010**	**89,354**	**(3.0%)**
As a percentage of the total written premiums				**Change (%)**
Employee costs	7.10%	6.50%	8.00%	**0.9**
Supervision and control costs	4.10%	2.80%	2.10%	**(2)**
Stationery and Publications	0.40%	0.50%	0.40%	**(0)**

(SAR' 000)	Financial year 2011G (Audited)	Financial year 2012G (Audited)	Financial year 2013G (Audited)	CAGR 2011G-2013G
Advertisement	0.60%	0.50%	0.20%	(0.4)
Legal and professional fees	0.40%	0.40%	0.60%	0.3
Rent	0.40%	0.40%	0.50%	0.1
Depreciation	0.30%	0.30%	0.40%	0.1
Insurance costs	0.40%	0.30%	0.40%	(0)
Communications	0.30%	0.20%	0.30%	0
Travel and accommodation	0.30%	0.20%	0.20%	(0)
Provision for / (recovered from) bad debts	0.80%	(0.30%)	0.30%	(0.5)
Bad debts	0.00%	0.00%	0.80%	0.8
Board remunerations and expenses	0.30%	0.10%	0.10%	(0.2)
Bank fees / charges	0.10%	0.00%	0.10%	0
Other	1.30%	0.80%	0.80%	(0.5)
Total	**16.80%**	**12.80%**	**15.20%**	**(1.6)**
No. of employees	235	283	269	60
average annual salary per employee	171.3	149.3	175.3	(11.5)

Source: Audited Financial statements for the years ended on 31 December 2011G, 2012G and 2013G and Arabia Insurance Management

Employee Costs

Employee costs increased from SAR 40.3 million Saudi in fiscal year 2011G to SAR 47.2 million in fiscal year 2013G mainly due to the increase in the number of employees from 235 employees to 269 employees during the same period.

Supervisory and Control Costs

Supervisory and Control costs decreased from SAR 23.3 million in fiscal year 2011G to SAR 12.5 million in fiscal year 2013G as a result of the decrease in costs related to the third party's acting as health insurance claim management (Globe Med), where the paid annual management fees to Globe Med decreased from 6% for companies and 9% to the individual insurance to 4% for each of the companies insurance and individuals during the same period.

Stationery and Publications

Stationery and publication costs increased from SAR 2.5 million in fiscal year 2011G to SAR 3.5 million in fiscal year 2012G as a result of creating a new archive system for filing. Stationery and publication costs decreased to SAR 2.6 million in 2013G, where there was not any additional extraordinary expenses in fiscal year 2013G such as those recorded in the fiscal year 2012GG.

Advertising

Advertising costs decreased from SAR 3.6 million in fiscal year 2011G to SAR 1,2 million in fiscal year 2013G as a result of the change in the focus of advertising campaigns for the company from individual insurance to companies insurance in addition to halting the participating in advertising campaigns carried out by the Arabia Insurance Company S.A.L at the Middle East level.

Legal and Professional Fees

Legal and Professional costs increased from SAR 2.1 million in fiscal year 2011G to SAR 2.7 million in fiscal year 2012G as a result of the use of an external auditor to perform the internal audit for the company. Moreover, legal and professional costs increased to SAR 3.6 million in fiscal year 2013G as a result of outsourcing to a company for the development of information systems .and the increase in legal and professional costs as a result of additional actuarial burdens specialized in insurance policy pricing according to the Saudi Arabian Monetary Agency requirements.

Leases

Leasing costs rose from SAR 2.4 million in fiscal year 2011G to SAR 3.0 million in fiscal year 2013G due to the increase in the number of leased Points of Sale from 10 points of sale in fiscal year 2011G to 13 points of sale in fiscal year 2013G.

Insurance Expenses

Insurance expenses amounting to SAR 2.3 million, SAR 2.0 million, and SAR 2.2 million in each of fiscal years 2011G, 2012G, and 2013G respectively relate to the health insurance and protection and savings insurance to the Company employees and the fire insurance for the main center.

Communications

Communication costs in general relate to Internet costs and costs of using the phone which have been relatively stable during the analysis period from fiscal year 2011G to fiscal year 2013G in addition to operating a disaster recovery system, which requires additional communication burdens specifically in fiscal year 2013G.

Travel and Accommodation

Travel and accommodation costs decreased from SAR 1.6 million during fiscal year 2011G to SAR 1.2 million in fiscal year 2012G due to the decrease in travel costs for senior management staff. Travel and accommodation costs rose to SAR 1.4 million in fiscal year 2013G as a result of the company's decision to issue airline ticket allowance for Saudi employees.

Bad Debts

The bad receivable debts that have been written off during fiscal year 2013G relate mainly to receivable debts linked with compensations from reinsurers related to CCMC claim (Consolidated Manufacturing Can Corporation) due to re-estimation of the volume of damage and thus reduce the total value of the claim.

Board of Directors Bonuses and Expenses

The decline in the Board of Directors bonuses and expenses during the analysis period from fiscal year 2011G to fiscal year 2013G resulted from the change of insurance operations results from the surplus in fiscal year 2011G to a deficit during fiscal years 2012G and 2013GG.

Bank Fees

Bank fees are the management costs for the company's investment portfolio as the change in these costs during the period of analysis resulted from a change in the value of the company's investments.

Other Costs

Other costs consist mainly from withholding tax costs since the decline from SAR 7.3 million in fiscal year 2011G to SAR 4.5 million in fiscal year 2013G resulted from the decrease in deferred taxes relating to Saudi Oger insurance and Zahid Group premiums where the company did not assign premiums for these insurance policies during the second half of fiscal year 2012G and the first half of fiscal year 2013G.

6.9.1.10 Senior Management Staff Benefits

53 -Table (6-16): Senior Management Staff Benefits For The Years Ended On 31 December 2011G, 2012G And 2013G

(SAR' 000)	Financial year 2011G (Audited)	Financial year 2012G (Audited)	Financial year 2013G (Audited)
Salaries and other belongings	2,918	3,544	4,410
End-of-Service Award	122	148	164
Board of Directors' Bonuses and Meeting fees	910	1,017	400
Final Balance	**3,950**	**4,709**	**4,974**
As a percentage of received gross written premiums			
Short term benefits	0.50%	0.50%	0.80%
End-of-Service Award	0.00%	0.00%	0.00%
As a percentage of general and administrative expenses			
Short term benefits	3.10%	4.20%	4.90%
End-of-Service Award	0.10%	0.20%	0.20%

Source: Audited Financial statements for the years ended on 31 December 2011G, 2012G and 2013G and Arabia Insurance Management

Final balances for the senior management staff rose from SAR 3,95 million for fiscal year ending in 2011G to SAR 4.97 million for fiscal year 2013G as a result of the increase in the balance of salaries and other belongings from SAR 2.9 million for the fiscal year 2011G to SAR 4,4 million for fiscal year 2013G; salary and annual bonuses rose for three senior managers by 23% in fiscal year 2013G.

6.9.2 Financial Position

54 -Table (6-17): Financial Position statement as on 31 December 2011G, 2012G and 2013G

(SAR' 000)	21/12/2011G (Audited)	21/12/2012G (Audited)	21/12/2013G (Audited)
Insurance operations' assets			
Cash and cash equivalents	142,630	199,938	79,290
Term deposits	-	54,619	45,867
Premiums and reinsurance balances receivable, net	162,953	289,650	177,607
Investments available for sale	46,177	129,399	-
Amounts due from related parties	13,634	17,375	2,239
Investments held to maturity	11,703	15,078	15,078
Prepayments and other assets	12,759	10,102	10,327
Reinsurance share of unearned premiums	117,943	63,984	107,445
Reinsurers' share of outstanding claims	444,869	311,442	255,736
Deferred policy acquisition costs	22,653	25,501	16,905
Amounts due from shareholders' operations	-	7,224	112,692
Property and equipment, net	6,487	6,647	6,860
Total insurance operations' assets	**981,808**	**1,130,959**	**830,046**
Shareholders' assets			
Cash and cash equivalents	98,654	13,689	33,747
Term deposits	-	87,945	69,241

(SAR' 000)	21/12/2011G (Audited)	21/12/2012G (Audited)	21/12/2013G (Audited)
Investments available for sale	42,431	34,906	35,563
Investments held to maturity	6,054	19,645	19,645
Prepayments and other assets	1,227	2,305	1,673
Amounts due from insurance operations	12,009	-	-
Statutory deposit	20,000	20,000	20,000
Total shareholders' Assets	**180,375**	**178,490**	**179,868**
Total assets	**1,162,183**	**1,309,449**	**1,009,915**
Insurance operations liabilities			
Accounts Payables	29,038	318,249	51,007
Reinsurers receivables	58,768	18,369	69,663
Outstanding claims	535,162	419,799	365,896
Accounts payable, accrued expenses and other liabilities	39,938	31,613	26,742
Unearned premiums	286,352	322,248	295,283
Unearned reinsurance commissions	14,391	11,992	12,604
Employee end of service benefits	3,206	4,279	6,120
Amounts due to shareholders' operations	12,009	-	-
Total of Insurance Operations liabilities	**978,864**	**1,126,548**	**827,315**
Insurance operations' surplus			
Accumulated surplus	2,731	2,731	2,731
Change in fair value for available for sale investments	213	1,680	-
Total liabilities and insurance operations surplus	**981,808**	**1,130,959**	**830,046**
Shareholders' equities and liabilities			
Shareholders' liabilities			
Accounts payable, accrued expenses and other liabilities	2,186	1,397	1,278
Amounts due to insurance operations	-	7,224	112,692
Due Zakat and Income Tax	4,388	2,750	1,859
Total shareholders' liabilities	**6,574**	**11,372**	**115,828**
Shareholders' equity			
Share capital	200,000	200,000	200,000
Accumulated losses	(27,020)	(33,395)	(136,726)
Change in fair value for available for sale investments	821	513	766
Total shareholders' equity	**173,800**	**167,118**	**64,040**
Total shareholders' liabilities and equity	**180,375**	**178,490**	**179,868**
Total liabilities and insurance operations surplus and shareholders' equities and liabilities	**1,162,183**	**1,309,449**	**1,009,915**
Key performance indicators			
Deferred policy acquisition costs/paid commissions	49.40%	44.70%	38.90%
Unearned reinsurance commission revenues/received commissions	49.10%	50.40%	42.00%
Unearned premium reserve/Gross written premiums	50.70%	49.30%	50.40%

(SAR' 000)	21/12/2011G (Audited)	21/12/2012G (Audited)	21/12/2013G (Audited)
Net outstanding claims reserve/Net incurred claims	44.40%	34.30%	23.80%
Reinsurers share of total outstanding claims and incurred but not reported claims/ total outstanding claims and incurred but not reported claims	83.10%	74.20%	69.90%
Reinsurers share of unearned premium reserve/ total unearned premium reserve	41.20%	19.90%	36.40%
Return on assets	1.10%	(0.30%)	(10.20%)
Return on shareholders' equities	7.60%	(2.60%)	(161.00%)

Source: Audited Financial statements for the years ended on 31 December 2011G, 2012G and 2013G and Arabia Insurance Management

Cash and Quasi-Cash

Cash balance dropped from SAR 241,3 million on 31/12/2011G to SAR 113.0 million as of 31/12/2013G mainly due to the decrease of balance of term deposits of less than three months where the balance dropped from SAR 109.7 million to SAR 33,5 million for the same period.

Term Deposits

Term deposits relate to deposits invested in banks on a maturity date of more than three months. The balance of term deposits rose for to SAR 142.6 million as of 31/12/2012G as a result of investing a portion of the reinsurance rebates amounting to SAR 200 million relating to CCMC (Consolidated Can Manufacturing Corporation) part of which was invested in a form of temporary deposits.

Premiums And Reinsurance Balances Receivable

The rise in premiums and reinsurance balances receivable to SAR 289.7 million as of 31/12/2012G is primarily due to reinsurance receivable related to CCMC (Consolidated Can Manufacturing Corporation) claim which portion due from the reinsurers is estimated at SAR 200 million.

Investments Available For Sale

The balance of Investments available for sale rose from SAR 88.6 million on 31/12/2011G to SAR 164.3 million as of 31/12/2012G as a result of investing a portion of the reinsurance share amounting to SAR 200 million relating to CCMC (Consolidated Can Manufacturing Corporation) claim, part of which was invested in a form of temporary Available For Sale Investments.

Amounts Due From Related Parties

Receivable balance from related parties rose from SAR 13,6 million as of 31/12/2011G to SAR 17.4 million as of 31/12/2012G as a result of a reinsurance share received in fiscal year 2012G by the Arabia Insurance Company - Lebanon to the Arabia Insurance "Company" account in the amount of SAR 6.3 million. This was met with a decrease in the balance as a result of the payment of expenses by the Arabia Insurance Company - Lebanon to the order of Arabia Insurance "Company" in the amount of SAR 2.6 million. The subsequent decline on 31/12/2013G also resulted mainly from paying dues to the company in the amount of SAR 14,4 million.

Investments Held To Maturity

Investment held to maturity balance rose from SAR 17,8 million as of 31/12/2011G to SAR 34.7 million as of 31/12/2013G mainly due to adding bonds related to SABIC (SAR 3,76 million) and the General Authority for Civil Aviation (SAR 5.0 million) .

Prepaid Expenses And Other Assets

The pre-paid and other asset expenses related to the insurance operations and shareholders operations from SAR 14.0 million as of 31/12/2011G to SAR 12.0 million as of 31/12/2013G due to the decrease in fees paid to a third party for management of health claims (Globe Med) from 6,0% to 4,0%.

Reinsurers' Share of Unearned Premiums

The main reason for the decline in the reinsurers' share of unearned premiums from SAR 117.9 million as of 31/12/2011G to SAR 64,0 million as of 31/12/2012G is primarily due to:

- The full retention of two major medical insurance policies related Saudi Oger Group and Al Zahid Group in July 2012G and April 2012G respectively which resulted in a decrease in Reinsurers' share of unearned

premiums for the medical sector from SAR 71.3 million on 31/12/2011G to SAR 18.2 million as of 31/12/2012G.

- The temporal suspension of business for a period of four months relating to the underwriting of individual medical insurance policies by the Council of Cooperative Health Insurance during the year 2011G, which contributed to the decline occured as of 31/12/2012G.
- The decline in the engineering insurance account from SAR 22.6 million to SAR 16.0 million is primarily due to the non-renewal of an engineering insurance policy related Saudi Oger.

The main reason for the rise in reinsurers 'share of unearned premiums to SAR 107.4 million as of 31/12/2013G is due to rise of Reinsurers' share of unearned premiums related to the medical sector from SAR 18,2 million to SAR 43,5 million due to the inclusion of the Saudi Oger insurance policy under the reinsurance agreement accompanied by the rise in Reinsurers' share of unearned premiums related to the fire sector from SAR 15.6 million to SAR 21.5 million due to the rise of the written premiums . related to Al Zahid Group.

Reinsurers' Share Of Outstanding Claims

Reinsurers' share of outstanding claims decreased from SAR 444.9 million as of 31/12/2011G to SAR 255.7 million as of 31/12/2013G. This is primarily due to the decline in the reinsurers' share of outstanding claims for the fire sector from SAR 377.5 million to SAR 126,8 million for the same period due to the payment of a large claim in the year 2013G related to the company CCMC (Consolidated Can Manufacturing Corporation) incurred in 2011G.

Deferred Policy Acquisition Costs

The deferred policy acquisition costs rose from SAR 22.7 million rose from 31/12/2011G to SAR 25,5 million as of 31/12/2012G. This rise is due to the deferred policy acquisition costs for motor sector which rose from SAR 8.0 million as of 31/12 / 2011G to SAR 15.4 million as of 31/12/2012G as a result of underwriting Al Jaber Kia Arab Motors and the National Bank insurance policies through a broker. This rise was partly offset by the decline in the medical account from SAR 12.9 million as of 31/12/2011G to SAR 8.1 million as of 31/12/2012G.

The deferred policy acquisition costs were reduced to SAR 16.9 million as of 31/12/2013G primarily due to the decline in motor account to SAR 6.7 million as of 31/12/2013G as a result of the non-renewal of major Motor insurance policies for the year 2012G (Al Jaber Kia Motors and Arab National Bank) due to their high losses

Property and Equipment

55 -Table (6-18): Net Property and Equipment as of 31 December 2011G and 2012G

(SAR' 000)	31 December 2011G	31 December 2012G	31 December 2013G
Leasehold improvements	1,148	1,087	1,107
Furniture and fixtures	2,120	2,348	2,372
Vehicles	113	139	97
Computers and office equipment	3,107	3,073	3,285
Total	**6,487**	**6,647**	**6,860**

Source: Arabia Insurance

The Company did not do a major expansion during the analysis period which led to a steady and slight rise in property and equipment between 2011G and 2013G.

Accounts Payable

Accounts payables rose from SAR 29.0 million as of 31/12/2011G to SAR 318.3 million as of 31/12/2012G as a result of the large claim related to CCMA (Consolidated Can Manufacturing Corporation) which is estimated at SAR 307 million incurred in fiscal year 2011G.

Reinsurers Receivables

The activity relating to the reinsurers receivables copes with the activity related to the assigned gross premiums, The decline in receivable account from SAR 58.8 million as of 31/12/2011G to SAR 18.4 million as of 31/12/2012G is primarily due to the full retention of the two major medical insurance policies relating to Saudi Oger Group and Al Zahid Group. The subsequent rise to SAR 69.7 million as of 31/12/2013G is due to the coverage of the Saudi Oger insurance policy within the reinsurance agreement for the medical sector as of July 2013G.

Outstanding Claims

Claims under settlement reduced from SAR 535.2 million as of 31/12/2011G to SAR 365.9 million as of 31/12/2013G as a result of a reduction in claims under settlement related to the fire sector from SAR 382.8 million to SAR 152.3 million for the same period after the payment of large claims related to CCMC (Consolidated Can Manufacturing Corporation) and fuel truck explosion in Riyadh.

Accounts Payable And Accrued Expenses And Other Liabilities

The decline in creditors account, accrued expenses and other liabilities resulted mainly from the insurance operations and shareholders operations from SAR 42.1 million as of 31/12/2011G to SAR 28.0 million as of 31/12/2013G from the increase in premium proceeds earned from the direct sales not accompanied by commission sale.

Unearned Premiums

Unearned premiums rose from SAR 286.4 million as of 31/12/2011G to SAR 322.2 million as of 31/12/2012G driven primarily by the rise in unearned premiums relating to vehicle insurance after obtaining Al Jaber Kia Motors insurance policy at the end of the year in parallel with the decline in unearned premiums for the medical sector as a result of the temporary suspension of business related to the individual medical insurance policy by the Council for Cooperative Health Insurance during the year 2011G, which led to the effect occurred as of fiscal year 2012G. Also, unearned premiums decreased to SAR 295.3 million as of 31/12/2013G due to the decrease of unearned premiums related to vehicle sector as a result of the suspension of three main insurance policies for the Arab National Bank, Al Jaber Kia Motors and the National Commercial Bank.

Unearned Reinsurance Commissions

Unearned reinsurance commissions declined from SAR 14.4 million as of 31/12/2011G to SAR 12.6 million as of 31/12/2013G as a result of the decline in unearned reinsurance commissions for the engineering sector from SAR 7.7 million to SAR 4.6 million (which led to a decrease in commissions received due to the rise in loss rates). The reason for the decline is the nature and timing of the underwriting or the renewal of engineering insurance policies, where the duration of the insurance policies vary from 3 to 5 years.

End Of Service Benefits For Employees

The end of service benefits for employees increased from SAR 3.2 million as of 31/12/2011G to SAR 6,1 million as of 31/12/2013G due to the increase in the number of employees (from 235 employees to 295 employees respectively) and the increase in the number of years of service.

Payable Zakat And Income Tax

The payable Zakat and Income Tax account decreased from SAR 4.4 million as of 31/12/2011G to SAR 1.9 million as of 31/12/2013G as a result of owed income tax at an amount of SAR 1.3 million for fiscal year 2011G compared to none in subsequent years due to incurred annual losses.

6.9.2.1 Insurance Operations Investments

56 -Table (6-19): Insurance Operations Investments As of 31 December 2011G, 2012G And 2013G

(SAR' 000)	31/12/2011G (Audited)	31/12/2012G (Audited)	31/12/2013G (Audited)
Term deposits	-	54,619	45,867
Investments held tp maturity	11,703	15,078	15,078
Investments available for sale	46,177	129,399	-
Total	**57,880**	**199,096**	**60,945**

Source: Audited Financial statements for the years ended on 31 December 2011G, 2012G and 2013G

Term Deposits

The availability of liquidity in 2012G resulted in the company's resort to depositing an amount of SAR 54.6 million as of 31/12/2012G in the form of term deposits with Audi Capital and Muscat Capital earning 3,3% per annum. The balance decreased to SAR 45.9 million as of 31/12/2013G as a result of the liquidation of part of the deposit and that is due to the management's estimate in accordance with the expected cash flows.

Investments Held To Maturity

Bond balance rose from SAR 11.7 million as of 31/12/2011G to SAR 15.1 million as of 31/12/2013G due to the addition of bonds related to Qatar National Bank and the Islamic Development Bank in the amount of SAR 1.5 million and SAR 1.9 million respectively.

Investments Available For Sale

Investments available for sale consist mainly from investment funds and a stock portfolio listed in the Saudi exchange. Investment available for sale balance rose from SAR 46.2 million as of 31/12/2011G to SAR 129.4

million as of 31/12/2012G as a result of the investment of portion of the reinsurance rebates amounting to SAR 200 million for CCMC (Consolidated Can Manufacturing Corporation), where part of which was invested in the form of investments available for sale on a temporary basis through investment funds. All of these investments were sold as of 31/12/2013G due to the payment of such claim in addition to the need for liquidity.

During the year 2013G, the company sold its own stock portfolio which is classified as available for sale investments and valuated as of 31/12/2012G in the amount of SAR 12.0 million by Al Ahli Capital achieving a realized income of SAR 4.6 million during fiscal year 2013G.

6.9.2.2 Shareholders' Operations Investments

57- Table (6-20): Shareholders' Operations Investments As of 31 December 2011G, 2012G And 2013G

(SAR' 000)	31/12/2011G (Audited)	31/12/2012G (Audited)	31/12/2013G (Audited)
Investment funds	34,456	16,420	11,259
Equity portfolio	-	13,346	12,937
Bonds Available for sale	6,051	3,217	9,444
Shares	1,923	1,923	1,923
Bonds- to maturity date	6,054	19,645	19,645
Total	**48,485**	**54,551**	**55,208**
As a percentage of total			
Investment funds	71.10%	30.10%	20.40%
Equity portfolio	0.00%	24.50%	23.40%
Bonds Available for sale	12.50%	5.90%	17.10%
Shares	4.00%	3.50%	3.50%
Bonds- to maturity date	12.50%	36.00%	35.60%

Source: Audited Financial statements for the years ended on 31 December 2011G, 2012G and 2013G and Arabia Insurance Management

Investment Funds

The balance in the investment funds declined from SAR 34.5 million as of 31/12/2011G to SAR 16.4 million as of 31/12/2012G as a result of liquidation of Murabaha funds through Samba and Al Rajhi Capital, and the balance decreased to SAR 11.3 million as of 31/12/2013G as a result of the liquidation of Saudi British Bank Murabaha Fund and the purchase of investment units in the real estate Abraj Real Estate Fund.

Equity Portfolio

An investment portfolio was opened to invest in Saudi stocks listed in 2012G in the amount of SAR 13.3 million. There has been no significant change in fiscal year 2013G which led to balance stability as of 31/12/2013G.

Bonds Available For Sale

Bonds rated as bonds available for sale as of 31/12/2013G valued at SAR 9.4 million are composed of a range of investments in the following bonds:

- Almarai Company bonds valued at SAR 2.0 million achieving a percentage of 3,0% with HSBC as its paperkeeper.
- General Authority of Civil Aviation bonds valued at SAR 2,0 million achieving a percentage of 3,2% with HSBC as its paperkeeper.
- Dar Al Arkan bonds valued at SAR 3,8 million realizing 5,8% with Odeh Capital as its paperkeeper.
- Abu Dhabi Islamic Bank bonds valued at SAR 1,9 million realizing 6,4% with Odeh Capital keeper as its paperkeeper.

Stocks

Investments in stocks in the amount of SAR 1.9 million relate to the investment in Najm Insurance Services Company.

Investments Held To Maturity

The balance of investments held to maturity rose to SAR 19.6 million as of 31/12/2012G where the balance remained in a stable condition during the historical periods. Bonds held to maturity consist of several bonds realizing a weighted average rate amounting to 3,83% per annum,

6.9.2.3 Premiums And Receivable Reinsurance Balances

58 -Table (6-21): Premiums And Receivable Reinsurance Balances, Net As Of 31 December 2011G, 2012G And 2013G

(SAR' 000)	31/12/2011G (Audited)	31/12/2012G (Audited)	31/12/2013G (Audited)
Insurance Policyholders	211,066	204,525	176,892
Provision for doubtful debts	(48,113)	(40,375)	(35,144)
Total receivable premiums	162,953	164,150	141,748
Receivable reinsurance balances	-	125,750	43,154
Provision for doubtful debts[1]	-	(250)	(7,296)
Total Receivable reinsurance balances	-	125,500	35,858
Total	**162,953**	**289,650**	**177,607**
Key performance indicators			
Receivable premiums/Gross written premiums	28.80%	25.10%	24.20%
Pro Provision for doubtful debts as a percentage of Total receivable premiums	29.50%	24.60%	24.80%

Source: Audited Financial statements for the years ended on 31 December 2011G, 2012G and 2013G and Arabia Insurance Management

Premiums And Receivable Reinsurance Balances

Net receivable accounts increased from SAR 163.0 million as of31/12/2011G to 289.7 million as of 31/12/2012G as a result of the rise in receivable reinsurance balances to SAR 125.8 million in relation to a claim paid to CCMC (Consolidated cans Manufacturing Corporation) amounting to SAR 307.0 million in fiscal year 2013G. The subsequent decline to SAR 177.6 million as of 31/12/2013G resulted from the decline in receivable reinsurance balances and the rise in gross written premiums paid in cash by health insurance policyholder individual clients and Motor insurance.

59 -Table (6-22): Provision For Doubtful Debts As of 31 December 2011G, 2012G And 2013G

(SAR' 000)	31/12/2011G (Audited)	31/12/2012G (Audited)	31/12/2013G (Audited)
Provision at the beginning of the year	43,562	48,113	40,625
Charged (recovered) during the year	4,551	(1,427)	1,814
Witten off during the year	-	(6,061)	-
Provision at the end of the year	**48,113**	**40,625**	**42,439**

Source: Audited Financial statements for the years ended on 31 December 2011G, 2012G and 2013G

Provision For Doubtful (bad) Debts

The provision for doubtful (bad) debts is calculated in accordance with the instructions issued by the Saudi Arabian Monetary Agency so that the entire insurance policy premium becomes payable when issued. Therefore, the company will set aside the provision for doubtful debts after a ninety-day period of not paying premiums at varying proportions based upon the term of debt. The company decided in the year 2012G to write-off the debt in the amount of SAR 6.1 million, and most importantly:

- Al Hamrani United Company of SAR 614,000
- Abdullatif for Perfumes and Cosmetics in the amount of SAR 300,000 where the dispute over the claim lasts for more than five years.
- Al Zahid Workshop in the amount SAR 272,000.

6.9.2.4 Deferred Policy Acquisition Costs

60 -Table (6-23): Deferred Policy Acquisition Costs As Of 31 December 2011G, 2012G And 2013G Costs

(SAR' 000)	31/12/2011G (Audited)	31/12/2012G (Audited)	31/12/2013G (Audited)
Balance on 01 January	24,870	22,653	25,501
Acquisition costs incurred during the year	45,874	57,032	43,468
Acquisition costs charged to the year	(48,091)	(54,184)	(52,063)
Balance at the end of the period	**22,653**	**25,501**	**16,905**
Acquisition cost for Deferred insurance policies/ Commission paid during the period	49.40%	44.70%	38.90%

Source: Audited Financial statements for the years ended on 31 December 2011G, 2012G and 2013G and Arabia Insurance Management

61 -Table (6-24): Deferred Policy Acquisition Costs Per Sector as of 31 December 2011G, 2012G And 2013G

(SAR' 000)	31/12/2011G (Audited)	31/12/2012G (Audited)	31/12/2013G (Audited)
Health	12,927	8,137	8,323
Motor	7,987	15,396	6,677
Fire	450	418	387
Engineering	873	550	392
Marine	151	591	636
Other	265	409	491
Total	**22,653**	**25,501**	**16,905**
as a percentage of commissions paid by segment			
Health	59.90%	44.80%	49.10%
Motor	38.90%	45.20%	31.90%
Fire	41.90%	44.30%	26.60%
Engineering	82.60%	68.90%	81.60%
Marine	15.60%	27.90%	22.10%
Other	40.30%	42.10%	62.00%
Total	49.40%	44.70%	38.90%

Source: Audited Financial statements for the years ended on 31 December 2011G, 2012G and 2013G and Arabia Insurance Management

Deferred Policy Acquisition Costs For The Medical Sector

The decrease in medical insurance policy for Saudi Bin Laden Group from SAR 21.6 million to SAR 5.8 million which was acquired through a broker led to a decrease in deferred policy acquisition costs as a percentage of the paid commissions from 59.9% as of 31/12/2011G to 44,8 % as of 31/12/2012G. The subsequent rise to 49,1% in fiscal year 2013G resulted from the discounts offered to Saudi Oger.

Deferred Policy Acquisition Costs For The Motor Sector

The rise in deferred policy acquisition costs as a percentage of the commissions paid from 38,9% as of 31/12/2011G to 45,2% as of 31/12/2012G is attributed primarily to the underwriting of Al Jaber Kia Motors on 21 July 2011G amounting to SAR 47.1 million and to the rise of written premiums for the Arab National Bank in the amount of SAR 26.4 million. Those accounts have been canceled which led to the subsequent decline to 31,9% as of 12/31/2013G.

Deferred Policy Acquisition Costs For The Fire Sector

The decline in deferred policy acquisition costs as a percentage of the commissions paid from 41,9% as of 31/12/2011G to 26.6% as of 31/12 /2013G is primarily due to the difference in the underwriting periods of the various insurance policies.

Deferred Policy Acquisition Costs For The Engineering Sector

The engineering insurance was exposed to a decline in deferred policy acquisition costs as a percentage of the commissions paid from 82,6% costs as of 31/12/2011G to 68,9% as of 31/12/2012G as a result of a major insurance policy for Saudi Oger in the amount of SAR 3.5 million that was underwritten in January 2012G. The difference in underwriting the various insurance policy periods resulted in the subsequent rise to 81,6% as of 31/12/2013G.

Deferred Policy Acquisition Costs For the Marine Sector

The rise in the deferred policy acquisition costs as a percentage of commissions paid for the marine sector between 31/12/2011G and 31/12/2013G from the underwriting of the marine insurance policy for AL Jomaih Group in the amount of of SAR 10,4 million in May 2013G.

Deferred Policy Acquisition Costs For The Other Sectors

The rise in the deferred policy acquisition costs as a percentage of commissions paid from 40,3% as of 31/12/2011G to 62,0% as of 31/12/2013G is primarily due to the insurance policies relating to general accidents and liability insurance underwritten at the end of the year.

6.9.2.5 Prepayments and Other Assets

62 -Table (6-25): Prepayments and Other Assets as of 31 December 2011G, 2012G and 2013G

(SAR' 000)	31/12/2011G (Audited)	31/12/2012G (Audited)	31/12/2013G (Audited)
Prepaid Expenses	8,604	4,952	5,020
Payments offered for vendors	2,096	2,256	2,236
Employee receivables	680	537	546
Payable commissions	886	2,460	2,116
Others	1,721	2,202	2,083
Total	**13,986**	**12,407**	**12,000**
Percentage of total			
Prepaid Expenses	62%	40%	42%
Payments offered for vendors	15%	18%	19%
Employee receivables	5%	4%	5%
Payable commissions	6%	20%	18%
Others	12%	18%	17%

Source: Audited Financial statements for the years ended on 31 December 2011G, 2012G and 2013G and Arabia Insurance Management

Prepaid Expenses

Prepaid expenses mainly consist of third party fees, who runs the medical claims; Globe Med Inc, (service provider), which is calculated as a percentage of premiums for medical sector. Prepaid expenses decreased from SAR 8.6 million as of 31/12/2011G to SAR 5.0 million as of 31/12/2013G as a result of the reduction in fees ratios in general from 6% to 4%, according to the agreement with Globe Med, in addition to the general decline in gross written premiums for the medical sector of fiscal year 2011G to fiscal year 2013G.

Advance Payments To Suppliers

Payment balance made to vendors settled from SAR 2,1 million as of 31/12/2011G to SAR 2,2 million as of 12/31/2013G.

Employee Receivables

The decrease in employee receivables from SAR 680,000 as of 31/12/2011G to SAR 546,000 as of 31/12/2013G is due to the reduction of loans granted to employees.

Accrued Commissions

Accrued commissions relate mainly to the accrued interest from investments in term deposits and fixed-income investments. The rise in the accrued interest from SAR 886,000 as of 31/12/2011G to SAR 2.5 million as of

31/12/2012G resulted mainly from the rise of term deposits from zero as of 31/12/2011G to SAR 142.5 million as of 31/12/2012G, and also the rise in investments available for sale from SAR 88.6 million as of 31/12/2011G to SAR 164.3 million as of 31/12/2012G. The subsequent decline in the balance of the accrued commissions as of 31/12/2013G resulted from the liquidation of part of the term deposits and investments available for sale for which balances amounted to SAR 115.1 million and SAR 35,6 million respectively as of 31/12/013G.

Other Assets

Other assets mainly consist of prepaid rents and staff allowances. The rise in the balance from SAR 1.7 million as of 31/12/2011G to SAR 2.1 million as of 31/12/2013G is mainly due to the rise in the balance of prepaid rents.

6.9.2.6 Due from Related Parties - Insurance Operations

63 -Table (6-26): Due From Related Parties - Insurance Policyholders As of 31 December 2011G, 2012G And 2013G

(SAR' 000)	31/12/2011G (Audited)	31/12/2012G (Audited)	31/12/2013G (Audited)
Arabia Insurance Company – Lebanon (shareholder)	12,651	16,386	1,239
Jordan Insurance Company – (shareholder)	983	989	1,000
Total	**13,634**	**17,375**	**2,239**

Source: Audited Financial statements for the years ended on 31 December 2011G, 2012G and 2013G and

Receivable balance from related parties rose from SAR 13.6 million as of 31/12/2011G to SAR 17.4 million as of 31/12/2012G as a result of the reinsurance share received in fiscal year 2012G by the Arabia Insurance Company - Lebanon to the account of Arabia Insurance " The company "in the amount of SAR 6.3 million. This was met by the decline in the balance as a result of payment of expenses by Arabia Insurance Company - Lebanon to the account of Arabia Insurance" The Company" in the amount of SAR 2.6 million. The subsequent decline as of 31/12/2013G resulted primarily from the payment of dues to the company in the amount of SAR 14.4.

Unearned Premium Reserve And Reinsurers' Share of this Reserve

64 -Table (6-27): Unearned Premiums Reserve As Of 31 December 2011G, 2012G And 2013G

(SAR' 000)	31/12/2011G (Audited)	31/12/2012G (Audited)	31/12/2013G (Audited)
Health	136,202	90,494	103,026
Motor	93,860	176,933	115,841
Fire	13,890	16,135	22,350
Engineering	25,595	18,787	31,997
Marine	7,690	9,998	11,181
Other	9,116	9,902	10,889
Total unearned premiums reserve	**286,352**	**322,248**	**295,283**
Health	71,290	18,187	43,536
Motor	-	-	-
Fire	13,063	15,630	21,465
Engineering	22,574	16,018	28,186
Marine	5,108	8,044	8,291
Other	5,908	6,105	5,967
Reinsurers share of unearned premiums reserve	**117,943**	**63,984**	**107,445**
Net unearned premiums reserve	**168,410**	**258,265**	**187,838**
Unearned premiums reserve as a percentage of total written premiums			

(SAR' 000)	31/12/2011G (Audited)	31/12/2012G (Audited)	31/12/2013G (Audited)
Health	60.00%	45.30%	57.00%
Motor	40.60%	52.20%	43.70%
Fire	47.30%	51.50%	55.50%
Engineering	71.30%	58.90%	77.60%
Marine	28.50%	28.20%	27.40%
Other	62.70%	60.70%	60.10%
Total	**50.70%**	**49.30%**	**50.40%**
Reinsurers share of unearned premiums reserve as a percentage of ceded premiums			
Health	58.80%	33.60%	52.70%
Motor	0.00%	0.00%	0.00%
Fire	47.50%	51.40%	55.00%
Engineering	70.80%	59.00%	76.10%
Marine	28.50%	29.70%	26.80%
Other	61.40%	57.90%	52.40%
Total	**55.20%**	**41.10%**	**51.50%**

Source: Audited Financial statements for the years ended on 31 December 2011G, 2012G and 2013G and Arabia Insurance Management

Health Insurance

The decline in health insurance premiums reserve as a percentage of gross written premiums from 60,0% on 31/12/2011G to 45,3% on 31/12/2012G, is mainly due to suspending individuals health insurance by the Council for Cooperative Health Insurance during the fiscal year 2011G, which led to influencing the results of fiscal year 2012G. On 31/12/2013G, health insurance premiums reserve decreased as a percentage of gross written premiums to 57%. The company, according to the actuarial report, recalculated an additional reserve to make up for the deficiencies in the health insurance policy pricing in the amount of SAR 9.2 million during fiscal year 2013G.

Motor Insurance

The rise in Motor premiums reserve as a percentage of gross written premiums from 40,6% on 31/12/2011G to 52,2% on 31/12/2012G is mainly due to the underwriting of Al Jaber Kia Motors company insurance policy before the end of fiscal year 2012G. On 31/12/2013G, Motor insurance premium reserves as a percentage of gross written premiums returned to its normal level of (43,7%) due to the company's non-renewal of Al Jaber Kia Motors insurance policy. The company, according to the actuarial report, made a recalculation to compensate for the deficiencies in the Motor insurance policy pricing in the amount of SAR 11.0 million during fiscal year 2013G.

Fire Insurance

The rise in the fire unearned premiums reserve as a percentage of gross written premiums from 47,3% on 31/12/2011G to 51,5% on 31/12/2012G and 55,5% on 31/12/2013G is mainly due to the renewal of Al Zahid Group insurance policy at a higher price before the end of fiscal year 2012G and fiscal year 2013G.

Engineering Insurance

The decline in the engineering unearned premiums reserve as a percentage of gross written premiums from 71,3% on 31/12/2011G to 58,9% on 31/12/2012G is mainly due to the cancellation of the engineering insurance policy for Saudi Oger. On 31/12/2013G, the engineering unearned premiums reserve, as a percentage of gross written premiums, rebounded (returned to its normal level).

Marine Insurance

The marine unearned premiums reserve remain, as a percentage of gross written premiums, relatively stable at an average of 28% during the period.

Other Insurances

The other insurance unearned premiums reserve remain, as a percentage of gross written premiums, relatively stable at an average of 61% during the period.

6.9.2.7 Outstanding Claims, Incurred But Not Been Reported, Reinsurers' Share In The Total Outstanding Claims And Claims Incurred But Not Reported

65 -Table (6-28): Outstanding Claims (Except For Claims Incurred But not Reported) - Net as at 31 December 2011G, 2012G and 2013G

(SAR' 000)	31/12/2011G (Audited)	31/12/2012G (Audited)	31/12/2013G (Audited)
Health	29,244	29,487	15,942
Motor	51,876	50,042	55,775
Fire	381,954	244,783	146,247
Engineering	6,318	13,244	43,189
Marine	10,147	21,965	15,132
Other	2,223	1,576	8,828
Total outstanding claims	481,762	361,097	285,112
Health	20,520	8,072	9,396
Motor	953	3,017	4,587
Fire	377,441	241,507	143,550
Engineering	5,943	11,795	41,529
Marine	6,026	15,394	10,999
Other	1,255	1,101	8,042
Reinsurers' share of outstanding claims	**412,138**	**280,886**	**218,103**
Net total outstanding claims	**69,624**	**80,211**	**67,010**
Reinsurers share of outstanding claims as a percentage of outstanding claims			
Health	70.20%	27.40%	58.90%
Motor	1.80%	6.00%	8.20%
Fire	98.80%	98.70%	98.20%
Engineering	94.10%	89.10%	96.20%
Marine	59.40%	70.10%	72.70%
Other	56.40%	69.80%	91.10%
Total	**85.50%**	**77.80%**	**76.50%**

Source: Arabia Insurance

Health Insurance

Provision for outstanding claims related to health insurance is calculated by the third party performing the settlement of these claims (Globe Med). The decline in the reinsurers' share of outstanding claims for health insurance as a percentage of the total outstanding claims from 70,2% on 31 December 2011G to 27,4% on 31/12/2012G resulted from not reinsured Saudi Oger premiums and Zahid Group insurance policy premiums due to the disagreement with the reinsurer on the pricing of these insurance policies. On 31/12/2013G, reinsurers' share of outstanding claims rose again driven by the ceding of Saudi Oger insurance policy premiums.

Motor Insurance

The increase in the Motor reinsurers share of outstanding claims as a percentage of total claims under settlement during the analysis period from 1,8% on 31/12/2011G to 8,2% on 31/12/2013G resulted from an increase in an estimated value of more than SAR469, 000 following the impact of the decision issued in the Kingdom of Saudi Arabia to increase the blood money from SAR 100, 000 to SAR 300,000 for the claims incurred during 2012G fiscal

year balance.

Fire Insurance

During the analysis period, the company incurred two large claims in total, but the impact of these two claims after deducting the reinsurers' share has not had a significant impact on the company's results, where the claims were as follows:

- CCMC claim (Consolidated Can Industry Corporation) estimated at SAR 307 million in total during fiscal year 2011G (SR 1,9 million, after deducting the reinsurers share).
- Several claims related to the gas truck explosion in Riyadh estimated at SAR 203 million during fiscal year 2012G (SR 1,2 million deducting the reinsurers share).

Engineering Insurance

The rise in total engineering insurance outstanding claims of SAR 6,3 million on 31/12/2011G to SAR 13,2 million on 31/12/2012G was mainly as a result related to several claims for construction sites that were affected by the explosion of the gas truck for Saudi Oger and AJIL Companies. Also, the total engineering insurance outstanding claims increased to SAR 43,2 million on 31/12/2013G mainly as a result of a large claim estimated at SAR 20 million related to Saudi Oger Company.

Marine Insurance

The rise in the marine reinsurers' share of outstanding claims as a percentage of the total outstanding claims from 59,4% on 31/12/2011G to 72,7% on 31/12/2013G was mainly due to rise in the assignment rate of the reinsurers agreement from 30% to 40% during fiscal year 2012G.

Other Insurances

The rise in the reinsurers' share and other insurances of outstanding claims as a percentage of the total outstanding claims from 56,4% on 31/12/2011G to 91,1% on 31/12/2013G due to the inclusion of Saudi Oger insurance policy (Protection and savings) under reinsurance agreements an assignment rate of 75% instead of 50% during the second half of 2012G, in addition to the rise in the average of the covered accidents at higher rates within the reinsurance agreements pertaining to general accidents and liability depending on the type of risk/claim.

66 - Table (6-29): Total Claims Incurred But Not Reported, According To Business Activity on 31 December2011G, 2012G and 2013G

(SAR' 000)	31/12/2011G (Audited)	31/12/2012G (Audited)	31/12/2013G (Audited)
Health	40,189	24,671	47,014
Motor	9,908	10,198	22,304
Fire	864	17,242	6,027
Engineering	-	342	342
Marine	1,699	3,831	1,552
Other	741	2,418	3,544
Total of incurred but not reported claims reserve	**53,399**	**58,703**	**80,783**
Health	28,267	7,782	26,720
Motor	2,923	389	1,286
Fire	76	16,958	5,788
Engineering	-	203	203
Marine	1,012	3,548	982
Other	452	1,676	2,653
Reinsurers share in incurred but not reported claims	**32,731**	**30,557**	**37,634**
Net incurred but not reported claims	**20.668**	**28.146**	**43.15**

Source: Arabia Insurance

Based on the actuarial report on 31 December 2013G, incurred but not reported claims are calculated and registered according to the following:

- Earned premiums are calculated based on the date of the insurance policy
- Calculation of implied loss rate
- Calculation of expected claims (earned premiums X loss rate)
- Calculation of expected claims from the provision for claims under settlement

For categories contrary to the vehicle category, the dynamic factor model was used in the estimation of incurred but not reported claim reserves which is the preferred method in general among other methods. This is consistent with the method used in the previous report.

Health Insurance

The increase in the provision for health insurance incurred but not reported claims on 31 December 2013G compared with the previous periods was a result of the increase in the loss of health insurance rate against not assigning insurance policy premiums for Saudi Oger Group and Al Zahid Group.

Motor Insurance

The increase in the provision for Motor insurance incurred but not reported claims on 31December 2013G compared with previous periods is a result of the last requirement of the Saudi Arabian Monetary Agency which stipulates a retain of 100% provision vis-à-vis the debris and rebates compensation with respect to claims that occurred more than a year ago as well as the increase in the implied level of losses.

Engineering Insurance

Based on the actuarial analysis, the increase in the provision for engineering insurance incurred but not reported claims on 30 September 2014G, compared with previous periods is a result of the timing of the insurance policy underwriting during the fiscal year in addition to SAMA claims at a more accurate total estimation for these claims compared with previous periods (increased by SAR700, 000 on the net level).

6.9.2.8 Accrued Expenses And Other Liabilities

67 - Table (6-30): Creditors And Accrued Expenses And Other Liabilities As Of 31 December 2011G, 2012G And 2013G

(SAR' 000)	31/12/2011G (Audited)	31/12/2012G (Audited)	31/12/2013G (Audited)
Due for vendors and brokers	28,999	24,111	17,482
Due withholding tax	8,129	4,694	6,313
Council for Cooperative health insurance	2,271	2,055	1,876
Board of Directors' Bonuses	1,735	908	537
Others	990	1,241	1,813
Total	**42,125**	**33,010**	**28,020**

Source: Audited Financial statements for the years ended on 31 December 2011G, 2012G and 2013G

Payable To Suppliers And Brokers

The decline in the calculation of entitlements to suppliers and brokers from SAR 29,0 million as of 31/12/2011G to SAR 17,5 million as of 31/12/2013G mainly from the discharge of insurance policies for Al Al Jaber Kia Motors and the Arab National Bank which were acquired by the brokers.

Payable Withholding Tax

The company paid SAR 6,5 million(including SAR 1,0 million demurrage) from accumulated withholding taxes for the fiscal years from 2009G to 2011G which resulted in the decrease in account from SAR 8,1 million as of 31/12/2011G to SAR 4,7 million as of 31/12/2012G. Withholding tax is paid using the net receivables owed related to the reinsurers before 2012G. But, according to the Department of Zakat and Income Tax, withholding tax must be paid using the gross premiums assigned leading to increase in the account to SAR 6,3 million as of 12/31/2013G,

Health Insurance Council Fees

The reduction in the fees payable to the Council of Health Insurance (calculated as 1% of written premiums for the

medical sector) is related to the decline in written premiums for the medical sector. Premiums declined from SAR 227.1 million as of 31/12/2011G SAR 180.7 million as of 31 / 12/2013G.

Directors' Remunerations

Bonus calculation for the Board of Directors consists of meetings expenses, annual fees, and a share of the profits to the members of the Board. Expenses accumulate based on the financial results for the previous year which have been recorded in the current year, The decline in net income for the period under study resulted in a decrease in the account from SAR 1.7 million as of 31/12/2011G to SAR 908,000 as of 31/12/2012G SAR and 537,000 as of 31/12/2013G,

Other Entitlements

Other entitlements consist of review, consulting, and actuarial fees. The resulting rise as of 31/12/2013G to SAR 1.8 million from SAR 990,000 as of 31/12/2011G resulted from the rise in audit and actuarial fees.

6.9.2.9 Unearned Reinsurance Commission Revenues

68- Table (6-31): Unearned Reinsurance Commission Revenues movement as at 31 December 2011G,2012G and 2013G

(SAR' 000)	31/12/2011G (Audited)	31/12/2012G (Audited)	31/12/2013G (Audited)
On 1 January	9,741	14,391	11,992
Commissions received during the year	29,314	23,781	29,981
Commissions earned during the year	(24,664)	(26,181)	(29,369)
At the end of the period	**14,391**	**11,992**	**12,604**

Source: Audited Financial statements for the years ended on 31 December 2011G, 2012G and 2013G

69- Table (6-32): Unearned Reinsurance Commission Revenues per activity as at 31 December 2011G,2012G and 2013G

(SAR' 000)	31/12/2011G (Audited)	31/12/2012G (Audited)	31/12/2013G (Audited)
Fire	3,697	3,277	4,024
Engineering	7,653	5,450	4,751
Marine	1,997	2,038	2,324
Other	1,044	1,227	1,504
Total	**14,391**	**11,992**	**12,604**
As a percentage of received commissions			
Fire	38.10%	49.00%	51.80%
Engineering	71.60%	59.90%	43.00%
Marine	30.00%	30.90%	27.00%
Other	45.90%	88.50%	59.50%
Total	**49.10%**	**50.40%**	**42.00%**

Source: Audited Financial statements for the years ended on 31 December 2011G, 2012G and 2013G and Arabia Insurance Management

Fire Insurance

The increase in revenues of fire reinsurance unearned commissions as a percentage of the received commissions, from 38.1% of revenue as of December 31, 2011G to 51.8% as of December 31, 2013G, was in line with the increase in the fire insurance unearned premiums assigned as a percentage of assigned premiums.

Engineering Insurance

The decline in revenues of unearned engineering reinsurance commissions as a percentage of the received commissions, from 71.6% as of December 31, 2011G to 43.0% as of December 31, 2013G, resulted from the decrease of commission rate in reinsurance agreement from 41% in the fiscal year 2011G to 38.5% in fiscal year 2013G.

Marine Insurance

The decline in revenues of unearned marine reinsurance commissions as a percentage of the received commissions, from 30.0% as of December 31, 2011G to 27.0% as of December 31, 2013G, was in line with the decrease in the unearned fire insurance premiums assigned as a percentage of assigned premiums.

Other Insurances

The increase in revenues of unearned other reinsurances commissions as a percentage of the received commissions, from 45.9% of revenue as of December 31, 2011G to 88.5% as of December 31, 2012G, resulted from the increase in premiums written in the second half of the year.

6.9.2.10 Statement of Changes in Shareholders' Equity

70- Table (6-33): Statement of Changes in Shareholders' Equity for the years ended on 31 December 2011G, 2012G and 2013G.

(SAR' 000)	Share capital	Accumulated losses	Change in fair value of investments available for sale	Total
Balance at January 1, 2011G	200,000	(39,631)	1,089	161,458
Net income for the year	-	17,290	-	17,290
Zakat and income tax	-	(4,679)	-	(4,679)
Change in fair value of available for sale investments	-	-	644	644
Transfers to shareholders' operations	-	-	(912)	(912)
December 31, 2011G	200,000	(27,020)	821	173,800
Balance at January 1, 2012G	200,000	(27,020)	821	173,800
Net loss for the year	-	(2,859)	-	(2,859)
Zakat and income tax	-	(3,516)	-	(3,516)
Change in fair value of available for sale investments	-	-	1,999	1,999
Transfers to shareholders' operations	-	-	(2,306)	(2,306)
December 31, 2012G	200,000	(33,395)	513	167,118
Balance at January 1, 2013G	200,000	(33,395)	513	167,118
Net loss for the year	-	(101,832)	-	(101,832)
Zakat and income tax	-	(1,500)	-	(1,500)
Change in fair value of available for sale investments	-	-	10,714	10,714
Transfers to shareholders' operations	-	-	(10,461)	(10,461)
December 31, 2013G	200,000	(136,726)	766	64,040

Source: Audited Financial statements for the years ended on 31 December 2011G, 2012G and 2013G

The company's share capital is SAR 200 million divided into 20 million shares, with a value of SAR 10 per share.

As at 31/12/2011G, shareholders' equity in the company reached SAR 173.8 million after realizing net profits for the financial year 2011G amounted to SAR 17.3 million, prior to calculation of taxes, gains and losses of the change in fair value of investments. On 31/12/2012G, shareholders' equity in the company reached SAR 167.1 million after recording a net loss for the year amounting to SAR 2.9 million, prior to calculation of taxes and gains and losses of the change in fair value of investments. On 31/12/2013G, shareholders' equity in the company reached SAR 64.0 million after a loss of SAR 101.8 million

The company plans to increase its capital in fiscal year 2015G for the following reasons:

- To cover cumulative losses which amounted to SAR 136.7 million as of 31/12/2013G, representing 68.4% of the capital;
- To strengthen the solvency margin cover as provided in the Implementing Regulations of the Saudi Arabian Monetary Agency (SAMA); and
- To increase the capacity of underwriting, primarily in the corporate activities sector.

Zakat and Income Tax

71-Table (6-34): Zakat and income tax, as of December 31, 2011G, 2012G and 2013G.

(SAR' 000)	31/12/2011G (Audited)	31/12/2012G (Audited)	31/12/2013G (Audited)
Share Capital	200,000	200,000	200,000
Provisions	2,505	4,027	30,992
Properties, Plant & Equipment, Net	(6,487)	(6,647)	(6,860)
Investments available for sale	-	(27,249)	(14,860)
Accumulated Losses	(39,631)	(27,020)	(33,395)
Adjusted year's income (loss)	26,551	(835)	(97,926)
Zakat Base	**182,937**	**142,276**	**77,952**
68.6% share of Saudi shareholders in Zakat Base	125,495	97,601	53,475
Annual Zakat at 2.5%	**3,137**	**2,440**	**1,337**

Source: Audited Financial statements for the years ended on 31 December 2011G, 2012G and 2013G and Arabia Insurance Management

72- Table (6-35): Zakat provisions and zakat declaration for the years ended 31 December 2011G, 2012G and 2013G.

(SAR' 000)	31/12/2011G (Audited)	31/12/2012G (Audited)	31/12/2013G (Audited)
Provision at the beginning of the year	4,587	4,388	2,750
Charged for the year	4,388	2,440	1,500
Adjustments to previous years	292	1,076	-
Paid during the year	(4,879)	(5,153)	(2,391)
Balance at the end of period	**4,388**	**2,750**	**1,859**

Source: Audited Financial statements for the years ended on 31 December 2011G, 2012G and 2013G

73- Table (6-36): Zakat declarations

Year	Zakat Declaration submitted	Advance payment paid	Zakat Certificate	Type of Certificate	Open investigation	DZIT Assessment
2011G	Yes	Yes	Yes	Restricted	Yes	Pending
2012G	Yes	Yes	Yes	Restricted	Yes	Pending
2013G	Yes	Yes	Yes	Restricted	Yes	Pending

Source: Arabia Insurance

An appeal or a petition has been opened with the Department of Zakat and Income (DZIT) regarding deductible investments and statutory deposit.

DZIT final assessments for the analysis period is still under consideration because of the ban of investments related to Saudi shares portfolio on 31/12/2013G. Relevant potential additional tax dues reached SAR 1.6 million as of 31/12/2013G, according to the company's management.

Management does not believe that any issues raised in these assessments will have a recurring impact on the years with evaluations not yet completed.

Zakat returns for the years up to 31/12/2013G have been submitted, and the restricted zakat certificate allows the company to continue all its current operations, except for those related to final settlement of payments or benefits with respect to government contracts.

Cash Flows

74-Table (6-37): Statement of Cash Flows for insurance operations for the years ended December 31, 2011G, 2012G and 2013G.

(SAR' 000)	Financial year 2011G (Audited)	Financial year 2012G (Audited)	Financial year 2013G (Audited)
Cash flows from operating activities			
Insurance operations' (surplus) deficit after shareholders' appropriation	1,761	-	-
Adjustments to reconcile insurance operations' deficit after shareholders' appropriation to net cash from operating activities:			
Shareholders' appropriation from insurance operations' surplus (deficit)	15,847	(8,354)	(116,767)
Gains on sale of available for sale investment	(1,200)	(953)	(5,072)
Depreciation	1,716	1,987	2,449
Losses from sale of property and equipment	16	49	-
Provision (reverse) for doubtful debts	4,551	(1,677)	1,814
Net adjustments	**22,691**	**(8,948)**	**(117,576)**
Changes in operating assets and liabilities:			
Premiums and reinsurance balances receivable	50,697	(106,901)	110,229
Accrued amounts from related parties	41,314	(3,740)	15,136
Prepaid expenses and other assets	4,475	2,657	(226)
Reinsurers' share of unearned premiums	(5,260)	53,959	(43,461)
Reinsurers' share of outstanding claims	(355,403)	133,426	55,706
Deferred policy acquisition costs	2,217	(2,848)	8,596
Amounts due to shareholders' operations, net	(26,522)	(10,879)	11,299
Accounts payable	2,074	289,211	(267,242)
Reinsurers accounts payable	(52,489)	(58,768)	51,294
Outstanding claims	345,541	(115,362)	(53,904)
Unearned premiums	22,672	35,896	(26,965)
Accounts payable, accrued expenses and other liabilities	1,578	(8,076)	(4,870)
Reinsurance unearned commissions	4,651	(2,399)	612
Employee End of Service Benefits, net	1,463	1,073	1,842
Net cash from/(used in) operating activities	59,700	198,300	(259,530)
Cash flows from investing activities			
Time deposits, net	-	(54,619)	8,752

(SAR' 000)	Financial year 2011G (Audited)	Financial year 2012G (Audited)	Financial year 2013G (Audited)
Purchase of available for sale investments	(54,034)	(226,190)	(106,000)
Purchase of held to maturity investments	(9,453)	(3,375)	-
Proceeds from sale of investments available for sale	66,970	145,388	238,792
Purchase of property and equipment	(2,307)	(2,210)	(2,662)
Proceeds from sale of property and equipment	22	15	-
Net cash from/(used in) investment activities	**1,198**	**(140,992)**	**138,882**
Cash and cash equivalents at beginning of year	81,732	142,630	199,938
Cash and cash equivalents at end of year	**142,630**	**199,938**	**79,290**

Source: Audited Financial statements for the years ended on 31 December 2011G, 2012G and 2013G

75-Table (6-38): Statement of Cash Flows for shareholders operations for the years ended December 31, 2011G, 2012G and 2013G.

(SAR' 000)	Financial year 2011G (Audited)	Financial year 2012G (Audited)	Financial year 2013G (Audited)
Net income / (loss) income for the period	**17,290**	**(2,859)**	**(101,832)**
Shareholders' appropriation from insurance operations' surplus (deficit)	(15,847)	8,354	116,767
Profits from sale of available for sale investments	(881)	(3,210)	(11,153)
Net adjustments	**562**	**2,285**	**3,782**
Prepaid expenses and other assets	524	(1,0780	632
Accounts payable, accrued expenses and other liabilities	1,092	(789)	(120)
Amounts due from insurance operations, net	26,522	10,879	(11,299)
Zakat and income tax paid	(4,879)	(5,153)	(2,391)
Net cash from/(used in) operating activities	**23,821**	**6,144**	**(9,396)**
Purchase of investments available for sale	(51,187)	(55,192)	(42,806)
Time deposits, net	39,244	(87,945)	18,704
Proceeds from sale of available for sale investments	38,906	65,619	53,555
Held to maturity investments	-	(13,591)	-
Net cash from/(used in) investment activities	**26,963**	**(91,109)**	**29,453**
Cash and cash equivalents at the beginning of the year	47,870	98,654	13,689
Cash and cash equivalents at the end of the year	**98,654**	**13,689**	**33,747**

Source: Audited Financial statements for the years ended on 31 December 2011G, 2012G and 2013G

Cash flows from operating activities

Cash flows from operating activities (for insurance operations and shareholders operations) from SAR 83.5 million as of 31/12/2011G to SAR 204.4 million as of 31/12/2012G due to the increase resulting in the accounts payable balance from SAR 2.1 million as of 31/12/2011G to SAR 289.2 million as of 31/12/2012G, which was related mainly to a large claim of SAR 307 million, which refers to CMCC Company (Cans Manufacturing Company) met with a drop in insurance premiums and reinsurance balance receivables from SAR 50.7 million to minus SAR 106.9 million for the same period under investigation. Payment of the above mentioned claim in the fiscal year of 2013G resulted in decrease of cash flows balance for operating activities from SAR 204.4 million as of 31/12/2012G, to minus SAR 268.9 million as of 31/12/2013G. Cash flow related to payables decreased from SAR 289.2 million as of 31/12/2012G to minus SAR 267.2 million as of 31/12/2013G.

Cash Flows from Investment Activities

Volatility in cash flows from investment activities primarily resulted from the activities to purchase time deposits and investments available for sale and the proceeds from the sale of investments available for sale, where a total of SAR 357.9 million was purchased and SAR 105 million was collected in 2012G, which led to the decline in the balance of investment activities to SAR 232.1 million in 2012G. A total of SAR 302.6 million was sold and SAR 81.3 million was collected in 2013G, which led to the increase of the balance to SAR 168.3 million in 2013G.

6.9.2.11 Admissible Assets and Financial Solvency

76- Table (6-39): Admissible Assets as of December 31, 2013G

(SAR' 000)	31/12/2013G
Cash and cash equivalent	113,037
Investments	204,243
Receivables	102,067
Reinsurers recoverable amounts	363,181
Accrued interest, rents, income	443
Deferred policy acquisition costs	16,905
Prepaid expenses	11,011
Tangible assets	6,860
Total	**817,747**
As a percentage of total assets	81.00%

Source: Arabia Insurance

Total admissible assets in the whole table depends on the admissibility factors (i.e. the admissibility rate of each type of assets) specified in the Implementing Regulations of the Saudi Arabian Monetary Agency (SAMA). If the rate of certain assets of total assets is less than the admissibility rate, the 100% of the assets are considered admissible.

Admissible assets are compared in light of the solvency margin prescribed by SAMA, after deducting the total liabilities, in order for SAMA to verify whether the insurance company has sufficient financial capacity.

In accordance with Article (65.1) of the Implementing Regulations of SAMA, the market value of assets should not be exceeded in the evaluation process for the purposes of calculating the solvency margin.

According to Article (65.2) of the Implementing Regulations of SAMA, maximum limit/concentration rate of each class of assets as a percentage of total assets is 20%. SAMA should insert amendments manually in order to reflect the discounts resulting from non-compliance with regulatory limits for assets concentration rate.

77-Table (6-40): Financial Solvency Analysis as of December 31, 2013G

(SAR' 000)	31/12/2013G
Admissible assets:	
Policyholders' operations	639,030
Shareholders' operations	178,717
Total acceptable assets	**817,747**
Liabilities:	
Insurance policyholders' operations	827,315
Shareholders' operations	115,828
Liabilities allowed to be excluded	(112,692)
Total Liabilities	**830,452**
Net admissible assets (a)	**(12,704)**
Required solvency margin	105,290
Minimum capital requirement	200,000
Minimum required solvency margin (b)	**200,000**
Excess (deficit) of net admissible assets over minimum required margin	**(212,704)**
Solvency margin cover (a) / (b)	(6.40%)

Source: Arabia Insurance

There was a deficit in net admissible assets of the company by SAR 12.7 million as of 31/12/2013G, driven by assets acceptability factor, which led to reduction in net receivable insurance and reinsurance premiums balance, amounted to SAR 77.8 million, in addition to increase in the accumulated losses.

The solvency margin cover (i.e. net acceptable assets divided by the minimum required margin) was minus 6.4% as of 31/12/2013G. This is less than the minimum limit of 100% as required by SAMA. This means that net admissible assets were not enough to cover the required solvency margin.

Therefore, the Company did not meet the requirements of SAMA concerning the minimum solvency margin and the solvency margin cover for insurance companies as of 31/12/2013G.

In addition, according to Article (65.2) of SAMA Implementing Regulations, maximum limit/concentration of each class of assets as a percentage of total assets is 20%. SAMA, at its own discretion, may impose modifications to the solvency account due to non-compliance with regulatory limits for assets concentration rate.

As at 31/12/2013G, reinsurance balances (i.e. reinsurance companies share in the reserve of unearned insurance premiums and the reserve of total claims under settlement, according to SAMA, collectively reached SAR 363.2 million) have exceeded the maximum rate of 20% for each category of assets identified by SAMA, to reach 36% of total acceptable assets respectively.

6.9.2.12 Contingent liabilities

78-Table (6-41): Contingent Liabilities

Letters of Credit (LCs)			
Beneficiary	**Purpose**	**Details**	**SAR' 000**
Abdul Latif Jameel Company. LLC	Guarantee payment to auto workshops	Arab National Bank issued bank guarantees for Abdul Latif Jameel Company LLC for Retail Trading, dated 31/03/2013G – renewed.	500
Wallan Trading Co.	guarantee payment to auto workshops	Arab National Bank issued bank guarantees for Wallan Trading Company, dated 31/03/2013G – renewed	200
National Guard Hospital	Provide medical services	Arab National Bank issued bank guarantees to the National Guard Hospital dated 31/11/2015G	200
Total			**900**

Source: Arabia Insurance

6.9.3 Results of Operations for the nine months ended 30/09/2014G

6.9.3.1 Income Statement

79-Table (6-42): Income Statement for insurance policyholders for the periods ended September 30, 2013G and 2014G.

(SAR' 000)	Beginning of the year up to 30/9/2013G (Unaudited)	Beginning of the year up to 30/9/2014G (Unaudited)	Annual Growth 30/9/2013G-30/09/2014G
Total written premiums	465,901	527,662	**13.30%**
Minus: Reinsurance premiums ceded	(153,817)	(153,626)	**(0.10%)**
Excess of Loss premiums	(6,467)	(7,881)	**21.90%**
Net premiums written	**305,616**	**366,155**	**19.80%**
Changes in unearned premiums, net	40,534	(58,117)	**(243.40%)**
Earned premiums, net	**346,151**	**308,038**	**(11.00%)**
Net incurred claims	(369,267)	(258,687)	**(29.90%)**
Policy acquisition costs	(41,030)	(29,320)	**(28.50%)**
Earned reinsurance commission	22,578	29,805	**32.00%**
Net Underwriting results	**(41,569)**	**49,837**	**(219.90%)**

(SAR' 000)	Beginning of the year up to 30/9/2013G (Unaudited)	Beginning of the year up to 30/9/2014G (Unaudited)	Annual Growth 30/9/2013G-30/09/2014G
General and administrative expenses	(63,324)	(72,884)	**15.10%**
Other underwriting revenues	-	-	**0.00%**
Other revenues	2,625	1,410	**(46.30%)**
Deficit of insurance operations	**(102,268)**	**(21,638)**	**(78.80%)**
Ratio Analysis			**Change (%)**
Average growth of written premiums	N/A	13.30%	**N/A**
Assignment rate	34.40%	30.60%	**(3.8)**
Net earned premiums as a percentage from Gross written premium	74.30%	58.40%	**(15.9)**
Net loss ratio	106.70%	84.00%	**(22.7)**
Commission paid as a percentage of gross written premiums	8.30%	6.60%	**(1.7)**
Received a commission as a percentage of premiums assigned	13.00%	17.40%	**4.3**
Net commission ratio	5.30%	(0.20%)	**(5.5)**
Net underwriting surplus as a percentage of Gross written premiums	(8.90%)	9.40%	**18.4**
Expenses ratio	18.30%	23.70%	**5.4**
Consolidated net ratio	130.30%	107.50%	**(22.8)**
Deficit from insurance operations as a percentage from Gross written premiums	(22.00%)	(4.10%)	**17.8**
Number of insurance policies	241,308	137,797	**(103,511)**
Premiums written for each insurance policy	1.9	3.8	**1.9**

Gross written premiums

The variation in motor insurance written premiums led to variation in gross written premiums for the periods ended 30/09/2013G and 30/09/2014G. As a result, gross written premiums increased from SAR 465.9 million during the year up to 30/9/2013G to SAR 527.7 million during the year up to 30/9/2014G, after the rise in premiums resulting from motor insurance from SAR 206.1 million to SAR 275.2 million for the same period.

Reinsurance Ceded Premium

The decline in assignment rates from 34.4% during the year up to 30/9/2013G, compared to 30.6% for the same period of 2014G, was due to increase in premiums written for the motor insurance, from SAR 206.0 million to SAR 275.2 million for the same period under assessment, as the assignment rates of insurance premiums written for motor insurance segment is low.

Net loss ratio

The decrease in net loss ratio of health insurance and motor insurance resulted in decline in total loss ratio from 106.7% from the beginning of the year up to 30/09/2013G to 84.0% from the beginning of the year up to 30/09/2014G, primarily as follows:

- Health insurance loss rate of decreased from 97.3% during the year up to 30/09/2013G to 70.2% during the year up to 30/09/2014G, primarily as a result of the appropriate pricing of Saudi Oger policy, and the abandon of low-performing accounts.
- Motor insurance loss rate dropped from 113.8% during the year up to 30/09/2013G to 88.8% during the year up to 30/09/2014G as a result of stopping the policies of high-loss rates and the increase of third party liability insurance rates.

Policy Acquisition Costs

Commission paid as a percentage of gross written premiums decreased from 8.3% during the year up to 30/09/2013G, to 6.6% during the year up to 30/09/2014G as a result of the discharge of major motor policies belonging to Al-Jabr KIA and Arab National Bank, which were insured by a broker.

Reinsurance Commissions Earned

Resulting disparity resulting from commissions received from the engineering line of business, which represents a total of 40% of the total commission received, led to disparity in commissions received as a percentage of premiums assigned during the year up to 30/09/2013G and the period from the beginning of the year up to 30/09/2014G, as a result of entering profit commissions under reinsurers account.

General and Administrative Expenses

The rise in general and administrative expenses during the year up to 30/09/2014G, resulted mainly from the increase of doubtful debts provision by the amount of SAR 12.1 million, due to entering the reinsurers provision of SAR 6.7 million, and entering an amount of SAR 5.4 million as an additional reserve for customers receivables in accordance with SAMA's instructions.

Other Income

Other Income represents commission income from investments related to insurance operations. The decline in time deposits for insurance operations to the decline in other income during the year up to 30/09/2014G, to SAR 1.4 million, compared to SAR 2.6 million during the year up to 30/09/2013G.

80-Table (6-43): Comprehensive income statement for shareholders for the periods ended September 30, 2013G and 2014G

(SAR' 000)	Beginning of the year up to 30/9/2013G (Unaudited)	Beginning of the year up to 30/9/2014G (Unaudited)	Annual Growth 30/9/2013G-30/09/2014G
Shareholders' appropriation from insurance operations' surplus (deficit)	(102,268)	(21,638)	(78.80%)
Profits from sale of available for sale investments	10,938	7,039	(35.60%)
Commission income	3,853	4,086	6.10%
General and administrative expenses	(1,051)	(638)	(39.30%)
Net loss for the period	**(88,528)**	**(11,151)**	**(87.40%)**
Zakat and Income Tax	(1,500)	(500)	(66.70%)
Change in fair value of available for sale investments	(364)	(554)	52.30%
Total comprehensive loss for the period	**(90,391)**	**(12,204)**	**(86.50%)**

Source: Interim unaudited financial statements for the period ended 30 September 2014G

Shareholders' appropriation from insurance operations' surplus (deficit)

Deficit in insurance operations reached SAR 21.6 million from the beginning of the year up to 30/09/2014G, where shareholders bear the entire losses.

Zakat and Income Tax

Decrease in expenses related to zakat and income tax from SAR 1.5 million for the fiscal year 2013G to SAR 500,000 from the beginning of the year up to 30/09/2014G, resulted from existence of previous allocations of SAR one million, so that balance as of 30/09/2014G provided SAR 1.46 million, which is considered sufficient as deemed by the Company's management and Zakat adviser. Also, these provisions have been implicitly approved by the chartered accountant, as interim unaudited financial statements for the period ended September 30, 2014G were issued without reservation.

6.9.3.2 Technical Income Statements

81-Table (6-44): The income statement, according to business activity, for the period ended September 30, 2013G

	Beginning of the year until 30/9/2013G						
(SAR' 000)	**Health**	**Motor**	**Fire**	**Engineering**	**Marine**	**Others**	**Total**
Results of insurance operations							
Total written premiums	162,463	206,063	24,199	28,740	29,662	14,774	**465,901**
Minus: Reinsurance premiums ceded	(74,208)	-	(22,284)	(26,108)	(22,393)	(8,825)	**(153,817)**
Excess of Loss premiums	-	(5,748)	(576)	-	(143)	-	**(6,467)**
Net premiums written	**88,255**	**200,315**	**1,339**	**2,633**	**7,126**	**5,949**	**305,616**
Changes in unearned premiums, net	1,451	41,670	(675)	609	(774)	(1,747)	**40,534**
Earned premiums, net	**89,706**	**241,985**	**663**	**3,242**	**6,352**	**4,202**	**346,151**
Gross paid claims and other expenses	(137,928)	(260,686)	(69,941)	(7,152)	(9,043)	(3,080)	**(487,830)**
Reinsurers' share in total paid claims	39,077	1,345	69,268	6,384	4,140	2,348	**122,562**
Changes in outstanding claims , net	11,547	(15,955)	164	(272)	938	(421)	**(4,000)**
Net paid claims	(87,304)	(275,296)	(509)	(1,040)	(3,965)	(1,153)	**(369,267)**
Policy acquisition costs	(12,421)	(24,567	(1,098)	(4920	(1,935)	(517)	**(41,030)**
Earned reinsurance commission	-	-	5,279	9,250	6,361	1,687	**22,578**
Net Underwriting results	**(10,019)**	**(57,878)**	**4,335**	**10,960**	**6,813**	**4,220**	**(41,569)**
General and administrative expenses							**(63,324)**
Other revenues							**2,625**
Insurance operations deficit							**(102,268)**
Main performance indicators							
Assignment rate	45.70%	2.80%	94.50%	90.80%	76.00%	59.70%	**34.40%**
Net earned premiums as a percentage from Gross written premium	55.20%	117.40%	2.70%	11.30%	21.40%	28.40%	**74.30%**
Net loss ratio	(97.30%)	(113.80%)	(76.80%)	(32.10%)	(62.40%)	(27.40%)	**(106.70%)**
Commission paid as a percentage of net earned premiums	9.40%	9.00%	5.90%	1.20%	7.50%	4.40%	**8.30%**

	Beginning of the year until 30/9/2013G						
(SAR' 000)	Health	Motor	Fire	Engineering	Marine	Others	Total
Commission received as a percentage of net earned premiums	N/A	N/A	21.90%	29.50%	28.10%	20.90%	**13.00%**
Underwriting results as a percentage of gross written premiums	(6.20%)	(28.10%)	17.90%	38.10%	23.00%	28.60%	**(8.90%)**

Source: Interim unaudited financial statements for the period ended 30 September 2014G and Arabia Insurance Management

Deficit in net underwriting results reached SAR 41.6 million from the beginning of the year up to 30/09/2013G, where engineering projects insurance segment represented the largest percentage of net underwriting results as a percentage of gross written premiums (38.1%), followed by other insurance segment (28.6%) and marine insurance segment (23.0%). Net underwriting results as a percentage of gross written premiums for fire segment represented 17.9%, followed by deficit in health insurance segment (6.2%) and deficit in motor insurance segment (28.1%).

82-Table (6-45): Income statement, according to the business activity for the period ended September 30, 2014G

(SAR' 000)	Beginning of the year until 30/9/2014G						
	Health	Motor	Fire	Engineering	Marine	Others	Total
Results of insurance operations							
Total written premiums	158,906	275,169	23,788	29,875	27,224	12,700	**527,662**
Minus: Reinsurance premiums ceded	(76,197)	-	(22,210)	(26,880)	(19,643)	(8,696)	**(153,626)**
Excess of Loss premiums	-	(6,750)	(938)	-	(193)	-	**(7,881)**
Net premiums written	**82,709**	**268,418**	**640**	**2,995**	**7,388**	**4,004**	**366,155**
Changes in unearned premiums, net	(7,619)	(52,917)	105	555	1,055	704	**(58,117)**
Earned premiums, net	**75,091**	**215,502**	**746**	**3,550**	**8,443**	**4,708**	**308,038**
Gross paid claims and other expenses	(96,062)	(188,037)	(163,066)	(21,411)	(13,168)	(3,152)	**(484,895)**
Reinsurers' share in total paid claims	52,308	1,842	161,106	19,920	7,060	2,447	**244,683**
Changes in outstanding claims, net	(8,939)	(5,240)	(3,430)	(133)	(1,531)	799	**(18,474)**
Net paid claims	(52,694)	(191,435)	(5,389)	(1,623)	(7,639)	94	**(258,687)**
Policy acquisition costs	(11,324)	(13,868)	(1,106)	(437)	(2,013)	(574)	**(29,320)**
Earned reinsurance commission	-	-	5,390	13,158	6,892	4,366	**29,805**
Net Underwriting results	**11,074**	**10,199**	**(360)**	**14,647**	**5,682**	**8,594**	**49,837**
General and administrative expenses							**(72,884)**
Other revenues							**1,410**
Insurance operations deficit							**(21,638)**
Main performance indicators							**Change (%)**
Assignment rate	48.00%	2.50%	97.30%	90.00%	72.90%	68.50%	**30.60%**
Net earned premiums as a percentage from Gross written premium	47.30%	78.30%	3.10%	11.90%	31.00%	37.10%	**58.40%**
Net loss ratio	(70.20%)	(88.80%)	(722.90%)	(45.70%)	(90.50%)	2.00%	**(84.00%)**
Commission paid as a percentage of net earned premiums	6.80%	7.10%	6.00%	1.80%	7.10%	5.10%	**6.60%**
Commission received as a percentage of net earned premiums	N/A	N/A	18.50%	49.80%	33.00%	43.70%	**17.40%**
Underwriting results as a percentage of gross written premiums	7.00%	3.70%	(1.50%)	49.00%	20.90%	67.70%	**9.40%**

Source: Interim unaudited financial statements for the period ended 30 September 2014G and Arabia Insurance Management

Surplus in net underwriting results reached SAR 49.8 million from the beginning of the year up to 30/09/2014G, where other insurance segment represented the largest percentage of net underwriting results as a percentage of gross written premiums (67.7%), followed by engineering projects insurance segment (49.0%) and marine insurance segment (20.9%). Net underwriting results as a percentage of gross written premiums for health insurance segment represented (7.0%), followed by motor insurance segment (3.7%) and the deficit in fire insurance segment (1.5%).

6.9.3.3 Gross written premiums

83-Table (6-46): Gross written premiums for the periods ended September 30, 2013G and 2014G.

(SAR' 000)	Beginning of the year up to 30/9/2013G (Unaudited)	Beginning of the year up to 30/9/2014G (Unaudited)	Annual Growth 30/9/2013G-30/9/2014G
Health	162,463	158,906	(2.20%)
Motor	206,063	275,169	33.50%
Fire	24,199	23,788	(1.70%)
Engineering	28,740	29,875	3.90%
Marine	29,662	27,224	(8.20%)
Other	14,774	12,700	(14.00%)
(SAR' 000)	**465,901**	**527,662**	**13.30%**
As a percentage of the total			**Change (%)**
Health	34.90%	30.10%	(4.8)
Motor	44.20%	52.10%	7.9
Fire	5.20%	4.50%	(0.7)
Engineering	6.20%	5.70%	(0.5)
Marine	6.40%	5.20%	(1.2)
Other	3.20%	2.40%	(0.8)

Source: Interim unaudited financial statements for the period ended 30 September 2014G and Arabia Insurance Management

Gross written premiums in health insurance segment

Insurance premiums written, resulting from health insurance, declined from SAR 162.5 million during the year up to 30/09/2013G, to SAR 158.9 million during the year up to 30/09/2014G, as a result of the decline in written premiums related to individuals policies from SAR 35.6 million during the year up to 30/09/2013G to SAR 4.9 million during the year up to 30/09/2014G. This was as a result of the high level of competition while at the same time the company was increasing higher prices above the market level, which led to a loss in market share for health insurance premiums for individuals. It is worth mentioning that Saudi Oger policy constitutes concentration by 86.8% of the total written premiums for health insurance during the year up to 30/09/2014G.

Gross written premiums in motor insurance segment

The level of total insurance premiums rose during the year up to 30/09/2013G, to the period from the beginning of the year until 30/09/2014G, due to higher insurance premiums written, resulted from comprehensive motor insurance from SAR 148.7 million from the beginning of the year up to 30/09/2013G to SAR 246.7 million from the beginning of the year up to 30/09/2014G. This increase resulted from the growth in written premiums belonging to Aqsat Automobile Company in the amount of SAR 59.4 million as a result of adding new fleet of vehicles, met with a fall in premiums relating to third party liability insurance from SAR 57.3 million to SAR 28.5 million for the same period due to higher average prices for each policy (from SAR 618 to SAR 739 for the same period), resulting in a loss of market share due to the competition.

Gross written premiums in Fire insurance segment

Written premiums resulting from fire insurance remained at their levels during the year up to 30/09/2014G, compared to the same period up to 30/09/2013G.

Gross written premiums in engineering insurance segment

Written premiums resulting from engineering insurance remained at their levels during the year up to 30/09/2014G, compared to the same period up to 30/09/2013G.

Gross written premiums in marine insurance segment

Written premiums decreased from SAR 29.7 million during the year up to 30/09/2013G, to SAR 27.2 million during the year up to 30/09/2014G, as a result of the decline in the number of vehicles belonging to Al-Jomaih Group.

Gross written premiums in other insurances

Other written premiums are related to:

- General accident insurance amounted to SAR 10.4 million during the year up to 30/09/2014G.
- Protection and savings insurance amounted to SAR 2.3 million during the year up to 30/09/2014G.

84-Table (6-47): Gross written premiums, according to the distribution channel for the periods ended September 30, 2013G and 2014G.

(SAR' 000)	Beginning of the year up to 30/9/2013G (Unaudited)	Beginning of the year up to 30/9/2014G (Unaudited)	Annual Growth 30/9/2013G-30/9/2014G
Direct	248,584	313,307	26.00%
Agents	77,645	16,437	(78.80%)
Brokers	139,673	197,918	41.70%
Total	**465,901**	**527,662**	**13.30%**
Number of Policies			Change (%)
Direct	43,670	35,353	(,318)
Agents	132,990	31,048	(101,942)
Brokers	64,648	71,396	6,749
Average total premiums written for each policy			
Direct	5.7	8.9	3.2
Agents	0.6	0.5	(0.1)
Brokers	2.2	2.8	0.6

Source: Arabia Insurance

Gross written premiums through direct sales

Direct sales rose to SAR 313.3 million during the year up to 30/09/2014G, compared to SAR 248.6 million during the year up to 30/09/2013G due to higher pricing of third party liability motor insurance policy, acquired directly. Also, for the same period, medical insurance policy for Saudi Oger increased from SAR 108.5 million during the year up to 30/09/2013G, to SAR 137.9 million during the year up to 30/09/2014G.

Gross written premiums through agents

Earned premiums through agents decreased from SAR 77.6 million during the year up to 30/09/2013G to SAR 16.4 million during the year up to 30/09/2014G, due to increase in premiums of motor insurance for third party liability. The company cancelled the agreement with Mayazin (the Company's Agent) for sale of vehicle insurance at the end of the year 2013G due to lack of the agent's ability to sell the insurance policies.

Total premiums written through brokers

The increase to SAR 197.9 million during the year up to 30/09/2014G, compared to SAR 139.7 million during the year up to 30/09/2013G, primarily resulted from the increase of gross written premiums for Aqsat Company amounting to SAR 59.4 million as a result adding an additional vehicle fleet.

85-Table (6-48): Major customers for the periods ended September 30, 2013G and 2014G.

(SAR' 000)	Beginning of the year up to 30/9/2013G (Unaudited)	Beginning of the year up to 30/9/2014G (Unaudited)	Annual Growth 30/9/2013G-30/9/2014G
Saudi Oger Group	120,829	147,943	**22.40%**
Zahid Group	6,607	5,157	**(2.00%)**
ASTRA Group	7,098	9,393	**32.30%**
Ajomaih	74,819	92,922	**24.20%**

(SAR' 000)	Beginning of the year up to 30/9/2013G (Unaudited)	Beginning of the year up to 30/9/2014G (Unaudited)	Annual Growth 30/9/2013G-30/9/2014G
Arab National Bank	5,048	-	N/A
Ajil	30,347	35,179	15.90%
Aqsat	7,978	67,356	744.30%
Total	**252,727**	**357,950**	**41.60%**
As a percentage of the grand total			Variation rate
Saudi Oger Group	25.90%	28.00%	2.1
Zahid Group	1.40%	1.00%	(0.4)
ASTRA Group	1.50%	1.80%	0.3
Ajomaih	16.10%	17.60%	1.6
Arab National Bank	1.10%	0.00%	(1.1)
Ajil	6.50%	6.70%	0.2
Aqsat	1.70%	12.80%	11.1
Total	54.20%	67.80%	13.6

Source: Arabia Insurance

Saudi Oger Group

Insurance premiums earned from Saudi Oger Group consist primarily of medical insurance, which constitutes 93.2% of the total written premiums of Saudi Oger. The increase of insurance premiums, earned from Saudi Oger, from SAR 120.8 million during the year up to 30/09/2013G, to SAR 147.9 million during the year up to 30/09/2014G, was primarily due to the higher pricing of the medical insurance policy for Saudi Oger by 27.1% from the beginning of the year up to 30/09/2014G compared to the year up to 30/09/2013G.

Zahid Group

The decline in written premiums for Zahid Group, from SAR 6.6 million during the year up to 30/09/2013G to SAR 5.1 million during the period from the beginning of the year up to 30/09/2014G, was primarily due to the decline in engineering insurance policy from SAR1.8 million during the year up to 30/09/2013G to SAR 116 thousand during the year up to 30/09/2014G, offset by a slight increase in marine insurance policy from SAR 958 thousand to SAR 1.4 million for the same period .

Astra Group

The main reason for the rise from SAR 7.1 million during the year up to 30/09/2013G to SAR 9.4 million during the year up to 30/09/2014G was the increase of the motor insurance policy for the group from SAR 2.8 million to SAR 4.5 million accompanied by a slight rise in all operating sectors.

Al-Jomaih group

The rise from SAR 74.9 million during the year up to 30/09/2013G to SAR 92.9 million during the year up to 30/09/2014G, was primarily due to the rise in pricing motor insurance policy from SAR 62.2 million to SAR 81.9 million for the same period under investigation.

The National Commercial Bank

The policy was suspended during the financial year 2013G as a result of the high rate of cumulative loss, reached 134.8% during the fiscal years 2011G through 2013G.

Ajil Company

The rise was in motor insurance policy and engineering insurance policy which increased to SAR 35.2 million during the year up to 30/09/2014G compared to SAR 30.3 million during the year up to 30/09/2013G.

Aqsat Company

The policy significantly increased from SAR 8.0 million during the year up to 30/09/2013G to SAR 67.4 million during the year up to 30/09/2014G as a result of insurance for additional fleet of vehicles.

6.9.3.4 Reinsurance

86-Table (6-49): Ceded premiums according to business line, including Excess of loss for the periods ended September 30, 2013G and 2014G

(SAR' 000)	Beginning of the year up to 30/9/2013G (Unaudited)	Beginning of the year up to 30/9/2014G (Unaudited)	Annual Growth 30/9/2013G-30/9/2014G
Health	74,208	76,197	**2.70%**
Motor	5,748	6,750	**17.40%**
Fire	22,860	23,148	**1.30%**
Engineering	26,108	26,880	**3.00%**
Marine	22,536	19,836	**(12.00%)**
Other	8,825	8,696	**(1.50%)**
Total	**160,285**	**161,507**	**0.80%**
Assignment average			**Change (%)**
Health	45.70%	48.00%	**2.3**
Motor	2.80%	2.50%	**(0.3)**
Fire	94.50%	97.30%	**2.8**
Engineering	90.80%	90.00%	**(0.9)**
Marine	76.00%	72.90%	**(3.1)**
Other	59.70%	68.50%	**8.7**
Total	**34.40%**	**30.60%**	**(3.8)**

Source: Interim unaudited financial statements for the period ended 30 September 2014G and Arabia Insurance Management

Assignment rate for health insurance

Assignment rates stabilized at the same levels during the year up to 30/09/2014G compared to the same period in 2013G.

Assignment rate for motor insurance

Insurance premiums collected from motor insurance are fully retained and covered by excess of loss nsurance policies. Assignment rate stabilized at the same levels during the year up to 30/09/2014G compared to the same period in 2013G.

Assignment rate for fire insurance

High assignment of fire policy for Saudi Oger, amounting to 5.9 million during the year up to 30/09/2014G resulted in increase of assignment rate for fire insurance from 94.5% during the year up to 30/09/2013G to 97.3% during the year up to 30/09/2014G.

Assignment rate for engineering insurance

Assignment rate for engineering insurance steadily stabilized during the year up to 30/09/2013G and the year up to 30/09/2014G

Assignment rate for marine insurance

The increase in general and administrative expenses as a percentage of written premiums caused reduction of assignment rate for marine insurance from 76.0% during the year up to 30/09/2013G to 72.9% during the year up to 30/09/2014G.

Assignment rate for other insurances

Assignment rate rose to 68.5% during the year up to 30/09/2014G driven by the rise in assignment rate for general accident insurance from 67.1% during the year up to 30/09/2013G to 71.3% during the year up to 30/09/2014G.

6.9.3.5 Claims

87-Table (6-50): Total reinsurers share of claims paid for the periods ended September 30, 2013G and 2014G

(SAR' 000)	Beginning of the year up to 30/9/2013G (Unaudited)	Beginning of the year up to 30/9/2014G (Unaudited)	Annual Growth 30/9/2013G-30/9/2014G
Health	137,928	96,062	(30.40%)
Motor	260,686	188,037	(27.90%)
Fire	69,941	163,066	133.10%
Engineering	7,152	21,411	199.30%
Marine	9,043	13,168	45.60%
Other	3,080	3,152	2.30%
Total paid claims	**487,830**	**484,895**	(0.60%)
Health	39,077	52,308	33.90%
Motor	1,345	1,842	36.90%
Fire	69,268	161,106	132.60%
Engineering	6,384	19,920	212.00%
Marine	4,140	7,060	70.50%
Other	2,348	2,447	4.20%
Share of reinsurers in paid claims	**122,562**	**244,683**	99.60%
Change in outstanding claims, Net	4,000	18,474	361.90%
Net incurred claims	**369,267**	**258,687**	(29.90%)
Reinsurers share as a percentage of the total paid claims			**Change (%)**
Health	28.30%	54.50%	26.1
Motor	0.50%	1.00%	0.5
Fire	99.00%	98.80%	(0.2)
Engineering	89.30%	93.00%	3.8
Marine	45.80%	53.60%	7.8
Other	76.30%	77.60%	1.4
Total	**25.10%**	**50.50%**	25.3

Source: Interim unaudited financial statements for the period ended 30 September 2014G and Arabia Insurance Management

88-Table (6-51): Net incurred claims according to the business lines for the periods ended September 30, 2013G and 2014G

(SAR' 000)	Beginning of the year up to 30/9/2013G (Unaudited)	Beginning of the year up to 30/9/2014G (Unaudited)	Annual Growth 30/9/2013G-30/9/2014G
Health	87,304	52,694	**(39.60%)**
Motor	275,296	191,435	**(30.50%)**
Fire	509	5,389	**957.90%**
Engineering	1,040	1,623	**56.00%**
Marine	3,965	7,639	**92.70%**
Other	1,153	(94)	**(108.10%)**
Net incurred claims	**369,267**	**258,687**	**(29.90%)**
Net loss ratio			**Change (%)**
Health	97.30%	70.20%	**(27.1)**
Motor	113.80%	88.80%	**(24.9)**
Fire	76.80%	722.90%	**646.1**
Engineering	32.10%	45.70%	**13.6**
Marine	62.40%	90.50%	**28.1**
Other	27.40%	(2.00%)	**(29.4)**
Total	**106.70%**	**84.00%**	**(22.7)**

Source: Interim unaudited financial statements for the period ended 30 September 2014G and Arabia Insurance Management

Net incurred claims for the health insurance

Net loss ratio declined during the year up to 30/09/2014G compared to the same period from the year up to 30/09/2013G from 97.3% to 70.2% as a result of improving conditions relating to insurance policies with the service contractors, which led to improvement in discounts and transactions, as well as improvement in pricing Saudi Oger policy which increased the insurance premium from SAR 108.5 million during the year up to 30/09/2013G to SAR 137.9 million during the year up to 30/09/2014G to suit size of losses.

Net incurred claims for motor insurance

The company suspended three accounts of car rental companies at high loss ratio (related to Algaber KIA, Arab National Bank, and National Commercial Bank, with loss ratios of 163.2%, 147.4% and 142.7%, respectively) in the fiscal year 2013G, which resulted in improvement of loss ratio, which decreased from 113.8% during the year up to 30/09/2013G to 88.8% during the year up to 30/09/2014G. In addition, the insurance pricing for motor improved during the year up to 30/09/2014G, where written premium rate of individual insurance policies increased from SAR 618 during the year up to 30/09/2013G, to SAR 739 riyals during the year up to 30/09/2014G accompanied by the reduction in the number of issued policies for public transportation vehicles which have high loss ratio.

Net incurred claims for fire insurance

Net loss ratio rose to 722.9% during the year up to 30/09/2014G, compared to 76.8% during the year up to 30/09/2013G as a result of large claims related to Saudi Mais Medical Products Co., amounting to SAR 110 million at Gross level (SAR 4.0 million at net level). SAR 20 million was paid during the year up to 30/09/2014G, where the company retained the equivalent of 3.6%.

Net incurred claims for engineering insurance

Loss ratios, during the year up to 30/09/2013G compared to the year up to 30/09/2014G, increased from 32.1% to 45.7% due to higher net claims which have not been reported in the amount of about SAR 700 thousand.

Net incurred claims for marine insurance

Net loss ratio increased by 28.1 percentage point during the year up to 30/09/2014G, driven by a number of claims relating to Ward Company, amounted to SAR 3.1 million at the gross level (SAR 1.2 million at net level) in addition to the increase in claims not reported in the amount of about SAR 2.0 million.

Net incurred claims for other insurances

Net loss ratio was minus 2% during the year up to 30/09/2014G, compared to 27.4% during the year up to 30/09/2013G for incurred claims, as a result of large reduction in the reserve of outstanding claims for General Accident Insurance and Liability Insurance.

6.9.3.6 Policy Acquisition Costs

89-Table (6-52): Policy Acquisition Costs for the periods ended on September 30, 2013G and 2014G

(SAR' 000)	Beginning of the year up to 30/9/2013G (Unaudited)	Beginning of the year up to 30/9/2014G (Unaudited)	Annual Growth 30/9/2013G-30/9/2014G
Health	15,255	10,734	**(29.60%)**
Motor	18,644	19,540	**4.80%**
Fire	1,420	1,423	**0.20%**
Engineering	358	523	**46.00%**
Marine	2,238	1,922	**(14.10%)**
Other	652	652	**(0.10%)**
Commissions paid	**38,567**	**34,794**	**(9.80%)**
change in costs of underwriting deferred policies	2,463	(5,474)	**(322.20%)**
Total	**41,030**	**29,320**	**(28.50%)**
Commission paid as a percentage of total premiums written			**Change (%)**
Health	9.40%	6.80%	**(2.6)**
Motor	9.00%	7.10%	**(1.9)**
Fire	5.90%	6.00%	**0.1**
Engineering	1.20%	1.80%	**0.5**
Marine	7.50%	7.10%	**(0.5)**
Other	4.40%	5.10%	**0.7**
Total	**8.30%**	**6.60%**	**(1.7)**

Source: Arabia Insurance

Policy acquisition costs for health insurance

Due to lower individual insurance through the agent, the commission paid as a percentage of gross written premiums during the year up to 30/09/2014G, decreased as compared with the same period for the year up to 30/09/2013G.

Policy acquisition costs for motor insurance

The decline in commissions paid for motor insurance as a percentage of gross written premiums of 9% during the year up to 30/09/2013G compared to 7.1% during the year up to 30/09/2014G was primarily resulted from the disposal of documents belonging to Al-Jaber KIA and Arab National Bank.

Policy acquisition costs for fire insurance

The commission paid as a percentage of gross written premiums during the year up to 30/09/2013G and during the year up to 30/09/2014G is considered higher than the percentage for the entire year as a result of the renewal of Zahid Group policy (no commission) in the fourth quarter of the fiscal year.

Policy acquisition costs for engineering insurance

The increase in commissions paid during the year up to 30/09/2013G from 1.2% to 1.8% during the year up to 30/09/2014G, resulted from low business related to Zahid Group where the policy was obtained through direct sales.

Policy acquisition costs for marine insurance

The increase in commission paid as a percentage of gross written premiums for marine insurance from 3.6% in fiscal year 2011G to 7.0% was due to underwriting of Al-Jomaih policy through the Insurance House a broker. Commission rates also stabilized on what it was during the year up to 30/09/2014G compared to the same period in 2013G.

Policy acquisition costs for other insurances

Commission paid as a percentage of gross written premiums for other insurance segments increased to 0.7% percent during the period from the beginning of the year up to 30/09/2014G, driven by the increase in the discount on general insurance and liability insurance as a result of the increase in pricing the policy for Saudi Oger.

6.9.3.7 Reinsurers commissions

90-Table (6-53): Earned reinsurance commissions for the periods ended September 30, 2013G and 2014G

(SAR' 000)	Beginning of the year up to 30/9/2013G (Unaudited)	Beginning of the year up to 30/9/2014G (Unaudited)	Annual Growth 30/9/2013G-30/9/2014G
Fire	5,007	4,287	**(14.40)%**
Engineering	7,697	13,395	**74.00%**
Marine	6,329	6,549	**3.50%**
Other	1,842	3,798	**106.20%**
Reinsurance commissions received	**20,874**	**28,029**	**34.30%**
Change in reinsurers unearned commissions	1,704	1,777	**4.30%**
Total	**22,578**	**29,805**	**32.00%**
Reinsurance commissions received as a percentage of ceded premiums			**Change (%)**
Fire	21.90%	18.50%	**(3.4)**
Engineering	29.50%	49.80%	**20.4**
Marine	28.10%	33.00%	**4.9**
Other	20.90%	43.70%	**22.8**
Total	**13.00%**	**17.40%**	**4.3**

Source: Arabia Insurance

Earned reinsurers commissions for fire insurance

Primarily, the increase in optional reinsurance shares (of relatively low commissions compared proportional reinsurance commissions) from SAR 10.5 million during the year up to 30/09/2013G to SAR 12.7 million for the same period of 2014G, resulted in a decline in the commissions received from fire reinsurance segment for the period of investigation.

Earned reinsurers commissions for engineering insurance

Driven by the increase in commission earnings (SAR 5.6 million during the year up to 30/09/2014G), the commission received as a percentage of assigned premiums increased to 49.8% during the year up to 30/09/2014G, compared to 29.5 % during the year up to 30/09/2013G.

Earned reinsurers commissions for marine insurance

Driven by the increase in the share of proportional reinsurance with higher commissions, from SAR 12.7 million during the year up to 30/09/2013G to SAR 13.2 million during the year up to 30/09/2014G, the commission received for marine insurance as a percentage of assigned premiums increased to 33.0%, during the year up to 30/09/2014G, compared to 28.1% during the year up to 30/09/2013G.

Earned reinsurers commissions for other insurances

Loss rates for other segments of insurance significantly declined during the year up to 30/09/2014G compared to the same period in 2013G, which led to increase in the commission received as a percentage of assigned premiums from 20.9% to 43.7% for the same period as a result of increase in income of earnings commission which amounted to SAR 2.4 million for other segments during the year up to 30/09/2014G.

6.9.3.8 General and administrative expenses

91- Table (6-54): Operating expenses for the periods ended September 30, 2013G and 2014G

(SAR' 000)	Beginning of the year up to 30/9/2013G (Unaudited)	Beginning of the year up to 30/9/2014G (Unaudited)	Annual Growth 30/9/2013G-30/9/2014G
Employees costs	34,062	32,494	(4.60%)
Overseeing and control costs	9,807	9,977	1.70%
Stationary and publications	1,864	1,756	(5.80%)
Advertisement	1,058	224	(78.80%)
Legal and professional fees	2,732	(148)	(105.40%)
Rents	2,259	2,409	6.60%
Depreciation	1,724	1,860	7.90%
Insurance expenses	1,740	1,460	(16.10%)
Telecommunications	1,044	1,662	59.20%
Travel and accommodation	1,054	287	(72.80%)
Provision for doubtful accounts (recovered)	3,309	15,385	364.90%
Board's remunerations and expenses	297	(29)	(109.90%)
Bank fees	259	283	9.20%
Others	3,164	5,903	86.60%
Total	**64,373**	**73,522**	**14.20%**
As a percentage of total premiums written			**Change (%)**
Employee costs	7.30%	7.00%	(0.3)
Overseeing and control costs	2.10%	2.10%	0
Stationary and publications	0.40%	0.40%	0
Advertisement	0.20%	0.00%	(0.2)
Legal and professional fees	0.60%	0.00%	(0.6)
Rents	0.50%	0.50%	0
Depreciation	0.40%	0.40%	0
Insurance expenses	0.40%	0.30%	(0.1)
Telecommunications	0.20%	0.40%	0.1
Travel and lodging	0.20%	0.10%	(0.2)
Provision for doubtful accounts (recovered)	0.70%	3.30%	2.6
Board expenses and remuneration	0.10%	0.00%	(0.1)
Bank fees	0.10%	0.10%	0
Others	0.70%	1.30%	0.6
Total	**13.80%**	**13.90%**	**0.1**
No. of employees	N/A	251	N/A
Rate salaries per year per employee	N/A	129.5	N/A

Source: Interim unaudited financial statements for the period ended 30 September 2014G and Arabia Insurance Management

Staff costs

Staff costs of SAR 34.0 million during the year up to 30/09/2013G declined to SAR 32.5 million during the year up to 30/09/2014G as a result of the decline in the number of staff from 269 employees to 251 employees during the same period.

Supervisory and regulatory costs

Supervisory and regulatory costs increased slightly from SAR 9.8 million during the year up to 30/09/2013G to SAR 10.0 million during the year up to 30/09/2014G as a result of the increase in costs related to third party assuming management of health insurance claims (Globe Med), as it increased deduction percentage for written premiums from 4% to 5.2% during the same period.

Stationery and publications

Slight decline in stationery and publications costs from SAR 1.9 million during the year up to 30/09/2013G to SAR 1.8 million during the year until 30/09/2014G, was a result of the company's strategy to reduce costs in general.

Publicity & Advertising

Publicity and Advertising costs of SAR 1.1 million during the year up to 30/09/2013G declined to SAR 224,000 during the year up to 30/09/2014G as a result of continuing the focus of the company's advertising campaigns from individual insurance to corporate insurance.

Legal and professional fees

During the period from the beginning of the year until 30/09/2014G, the amount SAR 1.6 million was reflected as legal and professional fees related to reinsurance expenses (legal and claim assessment fees) incurred in fiscal year 2013G, relating to the claim of Zahid Group.

Rentals

There has been no change in the number of sale points or significant increase in rental costs during the year up to 30/09/2014G compared to the period from the beginning of the year up to 30/09/2013G.

Insurance expenses

Insurance expenses are related to health insurance costs for employees of the Company and fire insurance.

Communication

Communication costs increased significantly from SAR 1.0 million during the year up to 30/09/2013G to SAR 1.7 million during the year until 30/09/2014G, mainly due to calculation of additional costs related to fiscal year 2013G amounted to SAR 380,000.

Travel and lodging

Travel and lodging costs declined from SR1.1 million during the year up to 30/09/2013G to SAR 287,000 during the year up to 30/09/2014G as a result of reflecting travel and lodging costs of SAR 200,000 related to reinsurance expenses (travel and lodging expenses) incurred during the fiscal year 2013G in relation to the claim of Zahid Group. This in addition to the decline in the number of staff from 269 employees during the year ended December 31, 2013G to 251 employees during the year up to 30/09/2014G.

Bank Fees

Bank fees related to management costs of the Company's investment portfolio, where the change in these costs during the period of analysis resulted from change in the value of the company's investments.

Other Costs

Other costs of SAR 3.1 million during the year up to 30/09/2013G, increased to SAR 5.9 million during the year up to 30/09/2014G as a result of the increase in deductible taxes due to the increase in ceded premiums outside the Kingdom of Saudi Arabia.

6.9.3.9 Benefits of Senior Management Staff

92-Table (6-55): Senior management staff benefits for the periods ended September 30, 2013G and 2014G

(SAR' 000)	Beginning of the year up to 30/9/2013G (Unaudited)	Beginning of the year up to 30/9/2014G (Unaudited)
Salaries and other items	3,308	2,838
End of service benefits	164	118
Board meeting fees and remunerations	300	100
End balance	3.729	3,057
As a percentage of total received premiums		
Short term benefits	0.70%	N/A
End of service benefits	0.00%	0.00%
As a percentage of general and administrative expenses		
Short term benefits	5.10%	N/A
End of service benefits	0.20%	0.20%

Source: Arabia Insurance

Final balances of senior management personnel benefits decreased from SAR 3.7 million for the financial period ended 30/9/2013G to SAR 3.1 million for the same period of 2014G as a result of resignation of one deputy general manager in March 2014G.

6.9.3.10 Balance Sheets as at 30/09/2014G

6.9.4 Statement of financial position

93- Table (6-56): Financial position as at December 31, 2013G and September 30, 2014G

(SAR' 000)	30/9/2013G (Audited)	30/9/2014G (Unaudited)
Assets of insurance operations		
Cash and cash equivalent	79,290	30,542
Time deposits	45,867	10,000
Premiums and reinsurance balances receivable, net	177,607	325,040
Available-for-sale Investments	-	-
Amounts due from related parties	2,239	1,067
Held to maturity investments	15,078	22,622
Prepaid expenses and other assets	10,327	13,674
Reinsurers' share of unearned premiums	107,445	115,219
Reinsurers' share of outstanding claims	255,736	247,057
Policy acquisition costs	16,905	22,379
Amounts due from shareholders' operations	112,692	135,600
Property and equipment, net	6,860	7,169
Total assets of the insurance operations	**830,046**	**930,369**
Shareholders' assets		
Cash and cash equivalent	33,747	29,751
Time deposits	69,241	78,428

(SAR' 000)	30/9/2013G (Audited)	30/9/2014G (Unaudited)
Available-for-sale Investments	35,563	39,870
Held to maturity investments	19,645	19,645
Prepaid expenses and other assets	1,673	2,019
Amounts due from insurance operations	-	-
Statutory deposit	20,000	20,000
Total shareholders' assets	179,868	189,713
Total assets	**1,009,915**	**1,120,082**
Liabilities of insurance operations		
Accounts payable	51,007	56,529
Reinsurers receivables	69,663	71,254
Claims under settlement	365,896	375,691
Accounts payable, accrued expenses and other liabilities	26,742	46,439
Unearned premiums	295,283	361,174
Reinsurance unearned commissions	12,604	10,828
End of service benefits for employees	6,120	5,724
Amounts due to shareholders' operations	-	-
Total liabilities of insurance operations	**827,315**	**927,638**
Surplus from insurance operations		
Accrued surplus dividends	2,731	2,731
Change in fair value of available for sale investments	-	-
Total liabilities and surplus of insurance operations	**830,046**	**930,369**
Shareholders liabilities and equity		
Shareholders liabilities		
Accounts payable, accrued expenses and other liabilities	1,278	807
Amounts due to insurance operations	112,692	135,600
Zakat and income tax payable	1,859	1,470
Total shareholders' liabilities	**115,828**	**137,878**
Shareholders' equity		
Share capital	200,000	200,000
Accumulated losses	(136,726)	(148,377)
Change in fair value of available for sale investments	766	212
Total shareholders' equity	**64,040**	**51,835**
Total shareholders' liabilities and equity	**179,868**	**189,713**
Total liabilities and surplus of insurance operations, and shareholders' liabilities and equity	**1,009,915**	**1,120,082**
Key Performance Indicators		
Underwriting insurance policies deferred costs / commissions paid	38.90%	64.30%
Reinsurance unearned commissions income/ commission received	42.00%	38.60%
Unearned premiums reserve/ gross written premiums	50.40%	68.40%

(SAR' 000)	30/9/2013G (Audited)	30/9/2014G (Unaudited)
Net reserve of total claims under settlement/ net claims incurred	23.80%	49.70%
Reinsurers' share of the outstanding claims and claims incurred but not reported/ Total outstanding claims and claims incurred but not reported	69.90%	65.80%
Reinsurers' share of unearned premiums reserves / Total unearned premiums reserves	36.40%	31.90%
Return on Assets	(10.20%)	(1.10%)
Return on shareholders' equity	(161.00%)	(23.50%)

Source: Audited financial statements for the year ended on 31 December 2013G and the Interim unaudited financial statements for the period ended 30 September 2014G and Arabia Insurance Management

Cash and cash equivalent

The decrease in the balance as of 30/09/2014G was mainly due to additional decline in the balance of the time deposits less than three months.

Time deposits

The balance decreased to SAR 88.4 million as of 30/09/2014G due to the need for cash to settle claims, in addition to diversification of the investment portfolio by purchasing securities held to maturity related to Saudi Electricity Company (SEC) amounting to SAR 7.5 million.

Premiums receivables and reinsurance balances

The increase to SAR 325.0 million as of 30/09/2014G resulted from underwriting several major policies related to Saudi Oger, Al-Jomaih, and premiums in the middle of the fiscal year.

Available for sale investments

The balance increased to SAR 39.9 million as of 30/09/2014G as a result of the purchase of securities available for sale (two) and liquidation of equity portfolio offset by investment in Dirayah Fund amounted to SAR 15 million.

Amounts due from related parties

Subsequent decline in balances due from related parties as of 31/12/2013G resulted mainly from paying dues to the Company amounting to SAR 14.4 million in the fiscal year 2013G by the Arab Insurance Company- Lebanon to Arabia Insurance Co. "the Company". The balance decreased slightly as of 30/09/2014G to SAR 1.1 million as a result of additional related payments.

Investments held to maturity

The balance of investments held to maturity increased to SAR 42.3 million as of 30/09/2014G mainly resulted from addition of securities related to Saudi Electricity Company (SAR 7.5 million).

Prepaid expenses and other assets

The increase of prepaid expenses and other assets to SAR 15.7 million as of 30/09/2014G was mainly due to increase in fees paid to the Globe Med as a result of higher premiums of Saudi Oger medical policy, as well as the increase of Globe Med fees from 4% to 5.2%.

Reinsurers' share of unearned premiums

The main reason for the increase of reinsurers' share of unearned premiums to SAR 115.2 million as of 30/09/2014G was due to increase of reinsurers' share of unearned premiums related to medical insurance from SAR 43.5 million to SAR 59.7 million for the same period in line with the increase in unearned premiums for medical insurance during the same period.

Reinsurers' share of outstanding claims

Reinsurers' share of outstanding claims decreased to SAR 247.1 million as of 30/09/2014G, primarily as a result of the decline in the reinsurers' share of outstanding claims for fire insurance to SAR 126.8 million for the same period according to completion of payments of fire claim related to Zahid Group in 2014G which was incurred in 2012G.

Deferred policy underwriting costs

The increase of SAR 22.4 million as of 30/09/2014G resulted from the policy of Aqsat Co. , with written premiums estimated at SAR 67.4 million during the year up to 30/09/2014G, compared to SAR 8.8 million as in the fiscal year 2013G.

Property and equipment

94- Table (6-57): Net property and equipment as of 31 December 2013G and September 30, 2014G

(SAR' 000)	30/9/2013G (Audited)	30/9/2014G (Unaudited)
Leasehold improvements	1,107	1,024
Furniture and fittings	2,372	2,142
Vehicles	97	81
Computers and office equipment	3,285	3,921
Total	**6,860**	**7,169**

Source: Arabia Insurance

Account related to property and equipment increased from SAR 6.9 million as of 31/12/2013G to SAR 7.2 million as of 30/09/2014G as a result of the capitalization of the disaster recovery system amounted at SAR 800,000 as of 30/09/2014G, versus reduction in net value of the property and equipment resulting from consumption expenses.

Accounts payable

Accounts payables decreased to SAR 56.5 million as of 30/09/2014G as a result of payments for claims incurred in previous years.

Reinsurance receivables

Movement on reinsurers' receivables match with the movement on total insurance premiums assigned. The increase of SAR 71.3 million as of 30/09/2014G was due to the medical insurance policy coverage for Saudi Oger within reinsurance agreement started July 2013G.

Outstanding claims

Claims incurred but not reported under medical insurance increased from SAR 47.0 million as of 31/12/2013G to SAR 73.5 million as of 30/09/2014G due to the increase in total claims under settlement from SAR 365.9 million to SAR 375.7 million respectively.

Accounts payable, accrued expenses and other liabilities

Accounts payable, accrued expenses and other liabilities increased to SAR 47.2 million as of 30/09/2014G, as a result of the discount of payables to Saudi Oger amounting to SAR 11 million, as well as the increase in premiums written through intermediaries.

Unearned premiums

Total unearned premiums increased to SAR 361.2 million as of 30/09/2014G due to higher unearned premiums related to motor insurance due to the increase in insurance premiums written for Aqsat Company and Saudi Oger.

Unearned reinsurance commissions

Unearned reinsurance commissions declined to SAR 10.8 million as of 30/09/2014G as a result of decrease in unearned reinsurance commission for engineering segment to SAR 5.0 million. The reason for the decline is due to the nature and timing of underwriting or renewal of engineering insurance policies, where policy terms vary from 3 to 5 years.

End of service benefits for employees

End of service benefits decreased from SAR 6.1 million as of 31/12/2013G to SAR 5.7 million as of 30/09/2014G due to resignation of Deputy General Manager, where an amount of about SAR 200,000 was deducted from the balance of the benefits, in addition to the decline in the number of employees from 269 to 251 for the same period under assessment.

Zakat and income tax payable

Zakat and tax payable decreased from SAR 1.9 million as of 31/12/2013G to SAR 1.5 million as of 30/09/2014G due to lower zakat and income tax because of annual losses previously incurred.

6.9.4.1 Investment of insurance operations

95- Table (6-58): Investments of insurance operations as of December 31, 2013G and September 30, 2014G

Investments (SAR' 000)	30/9/2013G (Audited)	30/9/2014G (Unaudited)
Deposits in banks	45,867	10,000
Bonds	15,078	22,622
Total	**60,945**	**32,622**

Source: Audited financial statements for the year ended on 31 December 2013G and the Interim unaudited financial statements for the period ended 30 September 2014G

Deposits in banks

Deposits consist mainly of investments with Awdah Capital and Muscat Capital which realize annual earnings of 3.3%. Additional liquidation of time deposits in other currencies led to a decline to SAR 32.6 million as of 30/09/2014G in order to cover claims incurred, which offset by a slight increase in semi-governmental bonds estimated at SAR 7.5 million as a result of investments in sukuk of Saudi Electricity Company.

Bonds

Bond balance increased from SAR 15.1 million as of 31/12/2013G to SAR 22.6 million as of 30/09/2014G due to addition of SEC Sukuk amounted to SAR 7.5 million.

6.9.4.2 Investments of shareholders' operations

96-Table (6-59): Investments of shareholders' operations as of December 31, 2013G and September 30, 2014G

(SAR' 000)	30/9/2013G (Audited)	30/9/2014G (Unaudited)
Investment funds	11,259	26,250
Equity portfolio	12,937	-
Available for sale securities	9,444	11,697
Stocks	1,923	1,923
Securities- until maturity	19,645	19,645
Total	**55,208**	**59,515**
As a percentage of total		
Investment funds	20.40%	44.10%
Equity portfolio	23.40%	0.00%
Available for sale securities	17.10%	19.70%
Stocks	3.50%	3.20%
Securities- until maturity	35.60%	33.00%

Source: Audited financial statements for the year ended on 31 December 2013G and the Interim unaudited financial statements for the period ended 30 September 2014G and Arabia Insurance Management

Investment funds

Balance increased to SAR 26.3 million as of 30/09/2014G as a result of investment in Diraya Commercial Financing Fund amounted to SAR 15.0 million.

Equity portfolio

On 30/09/2014G the company's liquidated the equity portfolio amounted to SAR 12.9 million as of 31/12/2013G, in response to the decision of the investment committee in the company.

Securities available for sale

Securities classified as securities available for sale as of 30/09/2014G amounted to SAR 11.7 million from a range of investments in the following bonds:

- Bonds of Emirates-Dubai National Bank valued at SAR 1.2 million, realizing an rate of 6.4% with Awdah Capital as a keeper thereof.
- Bonds of Burgan Bank valued at SAR 746,000, realizing an rate of 7.3% with Awdah Capital as a keeper thereof.
- Bonds of Almarai company valued at SAR 2.0 million, realizing an rate of 3.0% with HSBC as a keeper thereof.
- Bonds of General Authority of Civil Aviation valued at SAR 2.0 million, realizing an rate of 3.2% with HSBC as a keeper thereof.
- Bonds of Dar Al Arkan valued at SAR 3.8 million, realizing an rate of 5.8% with Awdah Capital as a keeper thereof.
- Bonds of Abu Dhabi Islamic Bank valued at SAR 1.9 million, realizing an rate of 6.4% with Awdah Capital as keeper thereof.

Stocks

Investments in stocks amounting to SAR 1.9 million related to investment in Najem Insurance Services Company.

Investments held to maturity

Investments held to maturity balance remained stable during the two periods. Bonds held to maturity consist of several bonds realizing a weighted rate of 3.83% per annum.

6.9.4.3 Receivable premiums and reinsurance balances

97-Table (6-60): Net receivable premiums and reinsurance balances, as of December 31, 2013G and September 30, 2014G

(SAR' 000)	30/9/2013G (Audited)	30/9/2014G (Unaudited)
Holders of insurance policies	176,892	331,887
Provision for doubtful debts	(35,144)	(43,768)
Total receivable insurance premiums	141,748	288,119
Receivable reinsurance balances	43,154	45,726
Provision for doubtful debts	(7,296)	(8,805)
Total receivable reinsurance premiums	35,858	36,922
Total	**177,607**	**325,040**
Key Performance Indicators		
Receivables premiums/ gross written premiums	24.20%	54.60%
Provision for doubtful debts as a percentage of the total receivable insurance premiums	24.80%	15.20%

Source: Audited financial statements for the year ended on 31 December 2013G and the Interim unaudited financial statements for the period ended 30 September 2014G and Arabia Insurance Management

Receivables premiums and reinsurance balances

Increase of net receivables to SAR 325.0 million as of 30/09/2014G mainly resulted from renewal of Saudi Oger and underwriting of Aqsat policy in July 2014G, as term of funding varies depending on the contract.

98-Table (6-61): Provision for doubtful debts as of December 31, 2013G and September 30, 2014G

(SAR' 000)	30/9/2013G (Audited)	30/9/2014G (Unaudited)
Provision beginning of the year	40,625	42,439
Charged/ (recovered) during the year	1,814	10,133
Written off during the year	-	-
Provision at the end of the year	**42,439**	**52,573**

Source: Audited financial statements for the year ended on 31 December 2013G and the Interim unaudited financial statements for the period ended 30 September 2014G

Provision for doubtful debts

The increase in provisions for doubtful debt, as of 30/09/2014G resulted from the increase in outstanding receivables for more than 90 days, from 120.2 million as of 31/12/2013G, to SAR 130.9 million as of 30/09/2014G. Also, the value of receivables for insurance premiums for Al-Jomaih, outstanding for more than 90 days, was SAR 55.9 million as of 30/09/2014G.

99- Table (6-62): Age of receivable insurance premiums and reinsurance balance- as of September 30, 2014G.

(SAR' 000)	Less than 30 days	30-90 days	90-180 days	More than 180 days	Total
Policy holders	25,328	188,787	38,990	35,014	288,119
Reinsurer companies	31,840	737	4,240	105	36,922
Total	**57,168**	**189,524**	**43,230**	**35,118**	**325.041**

Source: Arabian Cooperative Insurance Company

Saudi Arabian Monetary Agency issued a circular dated January 1, 2011G, requiring receivables to be fully due, effective the date of the policy rather than the maturity date. According to Article sixty nine of the Implementing Regulations of the Cooperative Insurance Companies, provision for doubtful debts is calculated, as a minimum, as follows:

1. 10% of total amounts due on reinsurers that are overdue by more than one hundred eighty days.
2. 15% of total amounts due on the insured that are overdue by more than ninety days.
3. 25% of total amounts due on the insured that are overdue by more than one hundred eighty days.
4. 75% of total amounts due that are overdue by more than three hundred and sixty days.
5. 100% of due amounts that are disputed.

The Company has complied with computation of provision for doubtful debts in accordance with the above mentioned mechanism.

6.9.4.4 Deferred Acquisition Costs

100-Table (6-63): Deferred acquisition costs as of December 31, 2013G and September 30, 2014G

(SAR' 000)	30/9/2013G (Audited)	30/9/2014G (Unaudited)
Balance as at 1 January	25,501	16,905
Acquisition costs incurred during the year	43,468	34,794
Acquisition costs charged for the year	(52,063)	(29,320)
Balance at the end of the period	**16,905**	**22,379**
Deferred acquisition costs /paid commissions during the period	38.90%	64.30%

Source: Arabia Insurance

101-Table (6-64): Deferred acquisition costs by segment as at 31 December 2013G and September 30, 2014G

(SAR' 000)	30/9/2013G (Audited)	30/9/2014G (Unaudited)
Health	8,323	7,734
Motor	6,677	12,356
Fire	387	705
Engineering	392	479
Marine	636	543
Other	491	562
Total	**16,905**	**22,379**
As a percentage of paid commissions by segment		
Health	49.10%	N/A
Motor	31.90%	N/A
Fire	26.60%	N/A
Engineering	81.60%	N/A
Marine	22.10%	N/A
Other	62.00%	N/A
Total	**38.90%**	**N/A**

Source: Audited financial statements for the year ended on 31 December 2013G and the Interim unaudited financial statements for the period ended 30 September 2014G and Arabia Insurance Management

Deferred Acquisition Costs

Total underwriting costs of deferred policies increased from SAR 16.9 million as of 31/12/2013G to SAR 22.4 million as of 30/09/2014G as a result of increase in deferred underwriting of motor insurance from SAR 6.7 million to SAR 12.4 million due to the policy related to Aqsat, amounting to SAR 67.4 million in 2014G.

6.9.4.5 Prepaid expenses and other assets

102-Table (6-65): Prepaid expenses and other assets as of 31 December 2013G and September 30, 2014G

(SAR' 000)	30/9/2013G (Audited)	30/9/2014G (Unaudited)
Prepaid expenses	5,020	8,914
Advances to suppliers	2,236	1,038
Staff receivables	546	983
Commissions payable	2,116	2,350
Other	2,083	2,408
Total	**12,000**	**15,693**
Percentage of total		
Prepaid expenses	42%	57%
Advances to suppliers	19%	7%
Staff receivables	5%	6%
Commissions payable	18%	15%
Other	17%	15%

Source: Arabian Cooperative Insurance Company

Prepaid expenses

The increase recorded as of 30/09/2014G was due to the comparison of financial statements for a period of nine months with annual financial statements, where prepaid expenses include premiums of receivable surplus loss, which are amortized during the year, bringing its total to zero by the end of the year. Receivable surplus loss premiums account balance reached SAR 2.6 million as of 30/09/2014G (Nothing in 31/12/2013G).

Advances to suppliers

Decrease in payments to suppliers from SAR 2.2 million as of 31/12/2013G to SAR 1.0 million as of 30/09/2014G mainly resulted from the capitalization of disaster recovery system, which amounted to SAR 800,000.

Receivables to Employees

The increase of receivables to employees from SAR 546,000 as of 31/12/2013G to SAR 983,000 as of 30/09/2014G resulted from the increase in number of employees and increase in salaries, which led to an increase in advances relating to employees allowances paid in advance.

Payable Commissions

Payable commissions mainly related to interest accrued from investments in time deposits and fixed-income investments. The balance as of 30/09/2014G increased to SAR 2.4 million as a result of increase fixed-income investments in the amount of SAR 2.0 million.

Other assets

Other assets mainly consist of prepaid rents and staff allowances. The balance as of 30/09/2014G increased to SAR 2.4 million as a result of pre-paid allowances for employees in the amount of SAR 670,000.

6.9.4.6 Receivable from related parties- insurance operations

103-Table (6-66): Receivable from related parties - insurance policyholders as of December 31, 2013G and September 30, 2014G

(SAR' 000)	30/9/2013G (Audited)	30/9/2014G (Unaudited)
Arabia Insurance Company – Lebanon (Shareholder)	1,239	986
Jordanian Insurance Company – (Shareholder)	1,000	81
Total	**2,239**	**1,067**

Source: Arabian Cooperative Insurance Company

The balance due from related parties decreased from SAR 2.2 million as of 31/12/2013G to SAR 1.1 million as of 30/09/2014G as a result of payment of expenses by Arab Insurance Company- Lebanon on behalf of the Company, as well as reinsurance movements related to Jordan Insurance Company.

Unearned premiums reserve and reinsurers' share of this reserve

104-Table (6-67): Unearned premiums reserve as of December 31, 2013G and September 30, 2014G

(SAR' 000)	30/9/2013G (Audited)	30/9/2014G (Unaudited)
Health	103,026	126,838
Motor	115,841	168,757
Fire	22,350	15,748
Engineering	31,997	32,047
Marine	11,181	7,584
Other	10,889	10,199
Total unearned premiums reserve	**295,283**	**361,174**
Health	43,536	59,730
Motor	-	-
Fire	21,465	14,969

(SAR' 000)	30/9/2013G (Audited)	30/9/2014G (Unaudited)
Engineering	28,186	28,790
Marine	8,291	5,749
Other	5,967	5,981
Reinsurers share in unearned premiums reserve	**107,445**	**115,219**
Net unearned premiums reserve	**187,838**	**245,955**
Health	57.00%	N/A
Motor	43.70%	N/A
Fire	55.50%	N/A
Engineering	77.60%	N/A
Marine	27.40%	N/A
Other	60.10%	N/A
Total	**50.40%**	**N/A**
Health	52.70%	N/A
Motor	0.00%	N/A
Fire	55.00%	N/A
Engineering	76.10%	N/A
Marine	26.80%	N/A
Other	52.40%	N/A
Total	**51.50%**	**N/A**

Source: Audited financial statements for the year ended on 31 December 2013G and the Interim unaudited financial statements for the period ended 30 September 2014G and Arabia Insurance Management

Unearned premiums reserve

Unearned premiums reserve increased from SAR 295.3 million as of 31/12/2013G to SAR 361.2 million as of 30/09/2014G due to higher reserves in motor segment from SAR 115.8 million to SAR 168.8 million, resulted primarily from policy underwriting for Aqsat Co. in the middle of the fiscal year. It is worth mentioning that the deficit in premiums reserve, which is determined by the actuary falls under reserve of unearned premiums account, which dropped from 20.7 million as of 31.12.2013G to SAR 4.6 million as of 30/09/2014G.

6.9.4.7 Total outstanding claims, incurred claims but not reported, and reinsurers' share in total outstanding claims and claims incurred but not reported

105-Table (6-68): Outstanding claims (except for claims incurred but not reported) - net as of December 31, 2013G and September 30, 2014G

(SAR' 000)	30/9/2013G (Audited)	30/9/2014G (Unaudited)
Health	15,942	15,945
Motor	55,775	59,101
Fire	146,247	123,586
Engineering	43,189	15,145
Marine	15,132	15,031
Other	8,828	11,437
Total outstanding claims	**285,112**	**240,245**
Health	9,396	9,579
Motor	4,587	7,856

(SAR' 000)	30/9/2013G (Audited)	30/9/2014G (Unaudited)
Fire	143,550	117,732
Engineering	41,529	14,054
Marine	10,999	11,453
Other	8,042	10,831
Reinsurers share in total outstanding claims	**218,103**	**171,506**
Net total outstanding claims	**67,010**	**68,739**
Health	58.90%	60.10%
Motor	8.20%	13.30%
Fire	98.20%	95.30%
Engineering	96.20%	92.80%
Marine	72.70%	76.20%
Other	91.10%	94.70%
Total	**76.50%**	**71.40%**

Source: Arabia Insurance

Health Insurance

On 31/12/2013G and 30/09/2014G reinsurers' share of outstanding claims returned to increase, driven by assignment of premiums of Saudi Oger policy which was fully retained in previous years.

Motor Insurance

The increase in motor reinsurers' share in outstanding claims as a percentage of total outstanding claims during the analysis period from 8.2% as of 31/12/2013G to 13.3% as of 30/09/2014G resulted from increase of estimated value of claims of more than SAR 469,000.

Fire insurance

During the analysis period, the company incurred large claims in total, but the impact of these claims after deducting the reinsurers' share was not big on the company's results. Main claims were as follows:

- Claim of Saudi Mais Medical Products Company, estimated at SAR 110 million during the nine months ended 30/09/2014G (SAR 3.9 million after deducting the reinsurers' share).

The decline in fire reinsurers' share in outstanding claims as a percentage of total outstanding claims during the analysis period from 98.2% as of December 31, 2013G to 95.3% as of 30/09/2014G, resulted from the company's retention of larger portion of the policy for Saudi Mais Medical Products where retention rate was 3.6% in fiscal year 2013G.

Engineering Insurance

The re-assessment of Saudi Oger claim in engineering segment from SAR 20 million as of 31/12/2013G to SAR 3.0 million as of 30/09/2014G resulted in decrease of total engineering insurance outstanding claims, primarily to SAR 15.1 million as of 30/09/2014G.

Marine Insurance

The increase of marine reinsurers' share in outstanding claims as a percentage of the total outstanding claims from 72.7% as of 31/12/2013G to 76.2% as of 30/09/2014G, was primarily due to the impact of the increase in assignment rate in the reinsurers' agreement from 30 % to 40%, which happened in previous years.

Other insurance

Other reinsurers' share in outstanding claims as a percentage of total outstanding claims increased to 94.7% as of 30/09/2014G as a result of increase of assignment rate in the collective protection and savings insurance for Saudi Oger policy from 50% to 75% during the same period.

106-Table (6-69): Total claims incurred but not reported, according to line of business as of December 31, 2013G and September 30, 2014G

(SAR' 000)	30/9/2013G (Audited)	30/9/2014G (Unaudited)
Health	47,014	73,533
Motor	22,304	26,381
Fire	6,027	9,536
Engineering	342	17,880
Marine	1,552	6,587
Other	3,544	1,529
Total Reserve of incurred but not reported claims	**80,783**	**135,446**
Health	26,720	44,119
Motor	1,286	182
Fire	5,788	9,025
Engineering	203	17,038
Marine	982	3,930
Other	2,653	1,256
Reinsurers' share in reserve for claims incurred but not reported	**37,634**	**75,551**
Net claims incurred but not reported	**43.15**	**59.895**

Source: Arabia Insurance

Based on the latest actuarial report dated December 31, 2013G, claims incurred but not reported are calculated and recorded according to the following:

- Calculation of earned premiums based on the date of the policy
- Calculation of implicit loss rate
- Calculation of expected claims (earned premiums x loss rate)
- Deduction of expected claims from the provision for claims under settlement.

For segments other than motor segment, dynamic factor model was used in estimation of reserves of incurred claims but not reported, which is the preferred method in general compared to other methods. This is consistent with the method used in previous report where potential loss is estimated based on claims paid and claims under the settlement compared to earned premiums.

Health Insurance

The increase in the provision for incurred medical insurance claims, which had not been reported as of September 30, 2014G, compared with previous periods, was due to increase in loss rate of health insurance because of non-assignment of premiums of Saudi Oger and Zahid Group insurance policies in 2012G and part of 2013G.

Motor Insurance

The increase in the provision for incurred motor insurance claims, which had not reported as of September 30, 2014G, compared with previous periods, due to the latest requirements of Saudi Arabian Monetary Agency, which provided for retention of 100% provision for compensation debris and recoveries with respect to claims that occurred more than a year ago, as well as the increase in the implicit level of losses.

Engineering Insurance

Based on actuarial analysis, the increase in the provision for engineering insurance claims incurred but not reported as of September 30, 2014G, compared with previous periods, was due to the timing of policy underwriting during the fiscal year, in addition to SAMA requirements to make more accurate total estimate for these claims compared with previous periods (net increase was SAR 700,000).

6.9.4.8 Accrued expenses and other liabilities

107-Table (6-70): Creditors, accrued expenses and other liabilities as of 31 December 2013G and September 30, 2014G

(SAR' 000)	30/9/2013G (Audited)	30/9/2014G (Unaudited)
Payable to suppliers and brokers	17,482	38,068
Accrued tax deductible	6,313	5,362
Remunerations for Health Insurance Council	1,876	1,643
Remunerations for Board of Directors	537	-
Others	1,813	2,173
Total	**28,020**	**47,246**

Source: Arabia Insurance

Payable to suppliers and brokers

Increase of the balance to SAR 38.1 million as of 30/09/2014G, resulted from the increase of written premiums relating to the policies for both Aqsat Company and Jomaih Group, in addition to the discount given to Saudi Oger, estimated at SAR 11 million.

Accrued tax deductible

According to the Department of Zakat and Income (DZIT), deductible tax should be paid using the gross premiums assigned leading to increase of the account to SAR 6.3 million as of 31/12/2013G. Assignment movement outside the Kingdom of Saudi Arabia slightly declined during the fiscal year 2013G and the period from the beginning of the year up to 30/09/2014G resulting in a lower tax account as of 30/09/2014G compared to the account for the year as of 31/12/2013G.

Health Insurance Council Fees

The reduction in fees payable to Health Insurance Council (calculated as 1% of written premiums for the medical segment) related to the decline in written premiums for the medical segment. During the year up to 30/09/2014G, written premiums for the medical segment fell to SAR 158.9 million, resulting in a decline the account of benefits to SAR 1.6 million as of 30/09/2014G.

Remuneration for Board of Directors

Remunerations to board of directors are entered and calculated at the end of the year, so the balance was not calculated as of 30/09/2014G.

Other receivables

Other receivables consist of review, consulting and actuary fees. The increase as of 30/09/2014G from SAR 1.8 million to SAR 2.2 million as of 31/12/2013G was due to company's plan for changing policy of payment of annual tickets for employees, which led to increase in the account SAR 360,000.

6.9.4.9 Unearned reinsurance commission income

108-Table (6-71): Movement of unearned reinsurance commission income as of December 31, 2013G and September 30, 2014G

(SAR' 000)	30/9/2013G (Audited)	30/9/2014G (Unaudited)
As at 1st January	11,992	12,604
Commissions received during the year	29,981	28,029
Commissions earned during the year	(29,369)	(29,805)
As at the end of the period	**12,604**	**10,828**

Source: Arabia Insurance

109- Table (6-72): Unearned reinsurance commission income, according to business activity as of December 31, 2013G and September 30, 2014G

(SAR' 000)	30/9/2013G (Audited)	30/9/2014G (Unaudited)
Fire	4,024	2,921
Engineering	4,751	4,988
Marine	2,324	1,982
Other	1,504	936
Total	12,604	10,828
As a percentage of the commissions received		
Fire	51.80%	N/A
Engineering	43.00%	N/A
Marine	27.00%	N/A
Other	59.50%	N/A
Total	**42.00%**	**N/A**

Source: Arabia Insurance

Unearned reinsurance commission income

Unearned reinsurance commission income decreased from SAR 12.6 million as of 31/12/2013G to SAR 10.8 million as of 30/09/2014G as a result of decrease in commission income in the fire segment from SAR 4.0 million to SAR 2.9 million due to renewal of Zahid's policy at the end of 2013G.

6.9.4.10 Statement of Changes in Shareholders' Equity

110-Table (6-73): Statement of changes in shareholders' equity for the year ended December 31, 2013G and the period ended September 30, 2014G

(SAR' 000)	Share capital	Accumulated losses	Change in fair value of available for sale investments	Total
Balance at January 1, 2013G	200,000	(33,395)	513	167,118
Net loss for the year	-	(101,832)	-	(101,832)
Zakat and income tax	-	(1,500)	-	(1,500)
Change in fair value of available for sale investments	-	-	10,714	10,714
Transfers to shareholders' operations	-	-	(10,461)	(10,461)
December 31, 2013G	**200,000**	**(136,726)**	**766**	**64,040**
Balance at January 1, 2014G	200,000	(136,726)	766	64,040
Net loss for the year	-	(11,151)	-	(11,151)
Zakat and income tax	-	(500)	-	(500)
Change in fair value of available for sale investments	-	-	(554)	(554)
Transfers to shareholders' operations	-	-	-	-
September 30, 2014G	**200,000**	**(148,377)**	**212**	**51,835**

Source: Audited financial statements for the year ended on 31 December 2013G and the Interim unaudited financial statements for the period ended 30 September 2014G

The company's share capital is SAR 200 million divided into 20 million shares, with a nominal value of SAR 10 per each.

As at 30/09/2014G, shareholders' equity in the Company amounted to SAR 51.8 million, after recording a net loss for the period as at September 2014G, amounted to SAR 11.2 million, before calculating tax, profits and losses of change in fair value of investments.

The company plans to increase its capital in the fiscal year 2015G, for the following reasons:

- cover its accumulated losses of SAR 148.4 million as of 30/09/2014G, which represents 74.2% of the capital;
- strengthen the solvency margin cover as provided for in the implementing regulations of the Saudi Arabian Monetary Agency; and
- increase capacity of underwriting primarily in the corporate business.

Zakat and Income Tax

111- Table (6-74): Zakat and income tax as at December 31, 2013G and September 30, 2014G

(SAR' 000)	30/9/2013G (Audited)	30/9/2014G (Unaudited)
Share capital	200,000	200,000
Provisions	30,992	48,559
Property and equipment, net	(6,860)	(7,168)
Available for sale investments	(14,860)	(21,923)
Accumulated losses	(33,395)	(136,726)
Adjusted (Loss)/ income for the year	(97,926)	(1,414)
Zakat base	**77.952**	**81.328**
68.6% share of Saudi shareholders of zakat base	53.475	55.791
2.5% Zakat for the year	**1.337**	**1.395**

Source: Audited financial statements for the year ended on 31 December 2013G and Arabia Insurance Management

112- Table (6-75): Zakat movement as of December 31, 2013G and September 30, 2014G

(SAR' 000)	30/9/2013G (Audited)	30/9/2014G (Unaudited)
Provision at the beginning of the year	2,750	1,859
Charged for the year	1,500	500
Adjustments to previous years	-	-
Paid during the year	(2,391)	(888)
Balance at end of period	**1,859**	**1,471**

Source: Audited financial statements for the year ended on 31 December 2013G and Arabia Insurance Management

There is an appeal or a petition opened with the Department of Zakat and Income (DZIT) regarding deductible investments and statutory deposit.

DZIT final assessments for the analysis period is still under consideration because of the ban of investments related to Saudi shares portfolio on 31/12/2013G. Relevant potential additional tax dues reached SAR 1.6 million as of 31/12/2013G, according to the company's management.

Management does not believe that any issues raised in these assessments will have a recurring impact on the years with evaluations not yet completed.

Zakat returns for the years up to 31/12/2013G have been submitted, and the restricted zakat certificate allows the company to continue all its current operations, except for those related to final settlement of payments or benefits with respect to government contracts.

Cash Flows

113-Table (6-76): Cash flows of insurance operations for the periods ended September 30, 2013G and 2014G

(SAR' 000)	Beginning of the year up to 30/9/2013G (Unaudited)	Beginning of the year up to 30/9/2014G (Unaudited)
Cash flows from operating activities		
Insurance operations' deficit after shareholders' appropriation	-	-
Adjustments to reconcile insurance operations' deficit after shareholders' appropriation to net cash from operating activities:		
Shareholders' appropriation from insurance operations' (deficit)	(102,268)	(21,638)
Gains on sale of available for sale investment	(523)	-
Depreciation	1,718	1,794
Gains from sale of property and equipment	-	-
Provision (reverse) for doubtful debts	3,301	10,133
Net adjustments	**(97,771)**	**(9,710)**
Changes in operating assets and liabilities:		
Premiums and reinsurance balances receivable	47,063	(157,567)
Accrued amounts from related parties	9,356	1,172
Prepaid expenses and other assets	(5,053)	(3,346)
Reinsurers' share of unearned premiums	(36,678)	(7,774)
Reinsurers' share of claims under settlement	56,577	8,679
Deferred policy acquisition costs	2,463	(5,474)
Amounts due to shareholders' operations, net	9,300	(1,271)
Accounts payable	(246,044)	5,522
Reinsurers accounts payable	44,655	1,591
Outstanding claims	(52,577)	9,795
Unearned premiums	(3,856)	65,891
Accounts payable, accrued expenses and other liabilities	8,582	19,697
Reinsurance unearned commissions	(1,703)	(1,777)
Employee End of Service Benefits, net	741	(396)
Net cash from/(used in) operating activities	**(264,947)**	**(74,968)**
Cash flows from investing activities		
Time deposits, net	9,080	35,867
Purchase of available for sale investments	(106,000)	-
Purchase of held to maturity investments	-	(7,544)
Proceeds from sale of investments available for sale	209,113	-

(SAR' 000)	Beginning of the year up to 30/9/2013G (Unaudited)	Beginning of the year up to 30/9/2014G (Unaudited)
Purchase of property and equipment	(1,933)	(2,104)
Proceeds from sale of property and equipment	-	-
Net cash from/(used in) investment activities	**110,260**	**26,219**
Cash and cash equivalents at beginning of the period	199,938	79,290
Cash and cash equivalents at end of the period	**45,252**	**30,542**

Source: Audited financial statements for the year ended on 31 December 2013G and the Interim unaudited financial statements for the period ended 30 September 2014G

114-Table (6-77): Statement of Cash Flows for shareholders operations for the periods ended September 30, 2013G and 2014G.

(SAR' 000)	Beginning of the year up to 30/9/2013G (Unaudited)	Beginning of the year up to 30/9/2014G (Unaudited)
Net income / (loss) income for the period	**(88,528)**	**(11,151)**
Shareholders' appropriation from insurance operations' deficit	102,268	21,638
Profits from sale of investments available for sale	(10,938)	(7,039)
Net adjustments	**2,802**	**3,448**
Prepaid expenses and other assets	5	(34)
Accounts payable, accrued expenses and other liabilities	(112)	(470)
Amounts due from insurance operations, net	(9,300)	1,271
Zakat and income tax paid	(2,391)	(889)
Net cash from/(used in) operating activities	**(8,996)**	**3,013**
Purchase of available for sale investments	(28,721)	(51,838)
Time deposits, net	26,200	(9,187)
Proceeds from sale of investments available for sale	37,268	54,016
Held to maturity investments	-	-
Net cash from/(used in) investment activities	**34,747**	**(7,009)**
Cash and cash equivalents at the beginning of the period	13,689	33,747
Cash and cash equivalents at the end of the period	**39,440**	**29,751**

Source: Audited financial statements for the year ended on 31 December 2013G and the Interim unaudited financial statements for the period ended 30 September 2014G

Cash flows from operating activities

Underwriting of Saudi Oger policy in mid-2014 resulted in increase of premiums receivable, which mainly resulted in decline of cash flow in insurance premiums and reinsurance balances receivable, which fell to minus SAR 157.6 million as of 30/09/2014G.

Cash flows from investment activities

Liquidation of available-for-sale investments led to decline in cash from investment activities to SAR 19.2 million as of 30/09/2014G.

6.9.4.11 Admissible Assets and Financial Solvency

115-Table (6-78): Accepted assets as of December 31, 2013G and September 30, 2014G

(SAR' 000)	31/12/2013G	30/9/2014G
Cash and cash equivalent	113,037	60,292
Investments	204,243	190,516
Receivables	102,067	247,759
Reinsurers recoverable amounts	363,181	362,276
Accrued interest, rents, income	443	-
Deferred policy acquisition costs	16,905	22,379
Prepaid expenses	11,011	15,693
Tangible assets	6,860	7,169
Total	**817,747**	**906,084**
As a percentage of total assets	81.00%	80.90%

Source: Arabia Insurance

Total admissible assets in the whole table depends on the admissibility factors (i.e. the admissibility rate of each type of assets) specified in the Implementing Regulations of the Saudi Arabian Monetary Agency (SAMA). If the rate of certain assets of total assets is less than the admissibility rate, the 100% of the assets are considered admissible.

Admissibe assets are compared in light of the solvency margin prescribed by SAMA, after deducting the total liabilities, in order for SAMA to verify whether the insurance company has sufficient financial solvency.

In accordance with Article (65.1) of the Implementing Regulations of SAMA, the market value of assets should not be exceeded in the evaluation process for the purposes of calculating the solvency margin.

According to Article (65.2) of the Implementing Regulations of SAMA, maximum limit/concentration rate of each class of assets as a percentage of total assets is 20%. SAMA should insert amendments manually in order to reflect the discounts resulting from non-compliance with regulatory limits for assets concentration rate.

116-Table (6-79): Calculation of Solvency Margin as of September 30, 2014G

	Gross written premiums (GWP) method					Claims method				
(SAR' 000)	GWP	NWP	Retention rate	class risk factor	Required solvency	Gross incurred claims*	Net incurred claims*	Retention factor	Class risk factor	Required solvency
Accidents and Liabilities	13,725	3,772	50.00%	30.00%	2,059	4,615	(13)	50.00%	35.00%	808
Motor insurance	34,252	25,442	97.40%	20.00%	65,088	266,410	261,596	98.20%	25.00%	65,399
Property insurance	39,895	563	50.00%	16.00%	3,192	76,453	2,031	50.00%	20.00%	7,645
Marine insurance	38,405	10,193	50.00%	30.00%	5,761	9,897	6,210	62.70%	30.00%	1,863
Aviation insurance	-	-	0.00%	30.00%	-	-	-	--	30.00%	-
Power insurance	-	-	0.00%	30.00%	-	-	-	--	30.00%	-
Engineering insurance	42,380	4,588	50.00%	30.00%	6,357	41,295	1,879	50.00%	30.00%	6,194
Other general insurance	2,323	1,021	50.00%	16.00%	186	3,468	964	50.00%	20.00%	347
Health insurance	77,107	92,584	52.30%	16.00%	14,813	189,450	88,882	50.00%	24.00%	22,734
Total	**648,088**	**438,163**			**97,456**	**591,589**	**361,550**			**104,990**

Source: Arabia Insurance

Pursuant to the Implementing Regulations of SAMA, the Arabia Insurance Company shall maintain a minimum solvency margin equal to the highest amount as per the three methods, among the following amounts:

- Minimum share capital for each individual insurance company as required by SAMA. (as for Arabia Insurance it is SAR 100 million)
- Solvency margin calculated according to Premiums method (GWP) (SAR 97.5 million)
- Solvency margin calculated according to Claims method (SAR 104.99 million)

Accordingly in 30/09/2014G, the company's shareholders equity amounted to SAR 51.8 million is below the minimum required solvency margin of SAR 105 million.

117-Table (6-80): Analysis of solvency as of December 31, 2013G and September 30, 2014G

(SAR' 000)	31/12/2013G	30/9/2014G
Acceptable assets:		
Policyholders' operations	639,030	716,420
Shareholders' operations	178,717	189,664
Total acceptable assets	**817,747**	**906,084**
Liabilities:		
Insurance policyholders' operations	827,315	927,638
Shareholders' operations	115,828	137,878
Liabilities allowed to be excluded	(112,692)	(135,600)
Total Liabilities	**830,452**	**929,915**
Net admissible assets (a)	**(12,704)**	**(23,831)**
Required solvency margin	105,290	104,990
Minimum capital requirement	200,000	104,990
Minimum required solvency margin (b)	**200,000**	**104,990**
Excess (deficit) in net admissible assets over minimum required margin	**(212,704)**	**(128.821)**
Solvency margin cover (a)/(b)	(6.40%)	(22.70%)

Source: Arabian Cooperative Insurance Company

There was a deficit in net admissible assets of policyholders operations by SAR 23.8 million as of 30/09/2014G, driven by assets admissibility factor, which led to reduction in net receivable insurance and reinsurance premiums balance, amounted to SAR 78 million, in addition to increase in the accumulated losses.

The solvency margin cover (i.e. net admissible assets divided by the minimum required margin) was minus 22.7 as of 30/09/2014G. This is less than the minimum limit of 100% as required by SAMA. This means that net admissible assets were not enough to cover the required solvency margin.

Therefore, the Company did not meet the requirements of SAMA concerning the minimum solvency margin and the cover of financial solvency margin for insurance companies as of 30/09/2014G.

In addition, according to Article (65.2) of SAMA Implementing Regulations, maximum limit/concentration of each class of assets as a percentage of total assets is 20%. SAMA, at its own discretion, may impose modifications to the solvency account due to non-compliance with regulatory limits for assets concentration rate.

As at 30/09/2014G, reinsurance balances (i.e. reinsurance companies share in the unearned premiums reserve and the outstanding claims reserve, according to SAMA, collectively reached SAR 362.3 million) have exceeded the maximum rate of 20% for each category of assets identified by SAMA, to reach 29% and 32% of total admissible assets respectively.

6.9.4.12 Contingent liabilities

118-Table (6-81): Contingent Liabilities

Letters of Credit (LCs)			
Beneficiary	**Purpose**	**Details**	**SAR' 000**
Abdul Latif Jameel Company. LLC	Guarantee payment to auto workshops	Arab National Bank issued bank guarantees for Abdul Latif Jameel Company LLC for Retail Trading, dated 31/03/2013G – renewed.	500
Al-Walan Trading Co.	guarantee payment to auto workshops	Arab National Bank issued bank guarantees for Al-Walan Trading Company, dated 31/03/2013G – renewed	200
National Guard Hospital	Provide medical services	Arab National Bank issued bank guarantees to the National Guard Hospital dated 31/11/2015G	200
Total			**900**

Source: Arabia Insurance

7. Capitalization and Indebtedness

The Company's Share Capital is two hundred million Saudi Riyals (SAR 200,000,000) comprising twenty million (20,000,000) shares with an equal nominal value of SAR 10 each all are fully paid. The Founding Shareholders subscribed for 12,000,000 shares (representing 60%) of the Company capital and paid their value fully, while the remaining 8,000,000 shares, representing 40% of the Capital, have been offered for public subscription in accordance with the laws and regulations of CMA, during the period from 15/10/1428H (corresponding to 27/10/2007G) to 22/10/1428H (corresponding to 03/11/2007G) at an offer price of SAR 10 per share.

Directors confirm that the Company's Capital is not covered by any option right, and the Company has not given any privileges or preferential rights for the Founding Shareholders or any other person.

The following table demonstrates the capitalization and indebtedness of the Company, which has been extracted from its audited financial statements for the years ended on 31 December 2011G, 2012G, 2013G and the interim unaudited financial statements for the period ended on 30 September 2014G. The following table should be read along with the financial statements and the note accompanying them, which are all included in this Prospectus under the section entitled "Auditors' Report".

119- Table (7-1): Capitalization & Indebtedness of the Company

(SAR' 000)	Beginning of the year up to 31/12/2011G (Audited)	Beginning of the year up to 31/12/2012G (Audited)	Beginning of the year up to 31/12/2013G (Audited)	Beginning of the year up to 30/9/2014G (Unaudited)
Insurance operations' liabilities				
Accounts Payable	29,038	318,249	51,007	56,529
Payable to reinsurers	58,768	18,369	69,663	71,254
Gross outstanding claims	535,162	419,799	365,896	375,691
Due Payments, Accrued Expenses and Other Liabilities	39,938	31,613	26,742	46,439
Unearned premiums	286,352	322,248	295,283	361,174
Unearned reinsurance commission	14,391	11,992	12,604	10,828
Employees' end of service benefits	3,206	4,279	6,120	5,724
Due from insurance operations	12,009	-	-	-
Total insurance operations' assets	**978,864**	**1,126,548**	**827,315**	**927,638**
Shareholders' assets				
Due surplus distributions	2,731	2,731	2,731	2,731
Change in fair value of available for sale investments	213	1,680	-	-
Total insurance operations' liabilities & surplus	**981,808**	**1,130,959**	**830,046**	**930,369**
Shareholders' liabilities and equity				
Shareholders' liabilities				
Due Payments, Accrued Expenses and Other Liabilities	2,186	1,397	1,278	807
Due from insurance operations	-	7,224	112,692	135,600
Zakat and Income Tax payable	4,388	2,750	1,859	1,470
Total shareholders' liabilities	**6,574**	**11,372**	**115,828**	**137,878**
shareholders' equity				
Share capital	200,000	200,000	200,000	200,000
Accumulated losses	(27,020)	(33,395)	(136,726)	(148,377)
Change in fair value of available for sale investments	821	513	766	212
Total shareholders' equity	**173,800**	**167,118**	**64,040**	**51,835**
Total shareholders' liabilities and equity	**180,375**	**178,490**	**179,868**	**189,713**
Total insurance operations' liabilities & surplus Shareholders' liabilities and equity	**1,162,183**	**1,309,449**	**1,009,915**	**1,120,082**

Source: Audited financial statements for years 2011G, 2012G and 2013G and interim financial statements for the period ended on 30 September 2014G

The Company confirms that there is no issued or existing instrument, declared and not yet issued instrument, or

any term loans which is covered or not covered by either a personal guarantee or a mortgage at the date of this Prospectus.

The Company further confirms that it has no loans or debts, including any overdrafts facilities, liabilities under acceptance, acceptance credit, or lease purchase obligations, which is covered or not covered by either a personal guarantee or a mortgage as at the date of this Prospectus

The Board Members confirm that:

- Save as stated in the “Capital and Indebtedness” section in this Prospectus, the Company has no contingent liabilities or guarantees as at the date of this Prospectus.
- It has no commitments or potential indebtedness or securities as at the date of this Prospectus.
- The Company’s capital is not under option as of the date of this Prospectus.
- The Company has not amended its capital since it was incepted in 2008G with a capital of 200,000,000 (which is the institutional capital)
- The Company will have sufficient working capital to cover the 12 months following the date of this Prospectus.
- There have been no commissions, discounts or intermediation fees, or any non-cash considerations awarded by the Company during the previous three years directly preceding the date of filing the admission and listing application until the period covered by the auditor until issuance of this Prospectus.

8. Dividend Policy

The Company's policy for dividends distribution shall conform with terms stipulated in the Cooperative Insurance Companies Control Law and its Implementing Regulations and the Company's By-Laws adopted by the Constitutional Assembly. Article (44) of the Company's By-Laws defines the Company's policy for distribution of Dividends as follows:

- Zakat and income tax allocations are to be held,
- 20% of the net profits shall be withheld to form a statutory reserve, The ordinary General Assembly may discontinue this allocation when the said reserve reaches one hundred per cent. of the Company's paid-up capital.
- The Ordinary General Assembly may withhold an additional percentage of the annual net profits to form an additional reserve to be allocated for the purpose or specific purposes decided by the Ordinary General Assembly,
- The balance shall be paid to the Shareholders as an initial payment of not less than 5% of the paid-up Capital,
- The balance shall be distributed among the Shareholders as a share in the profits or transferred to retained earnings account,
- By resolution of the Board of Directors, periodic profits, deducted from the annual profits may be distributed in accordance with applicable rules and regulations issued by competent authorities

Without prejudice to Paragraph 5 of Article 43 of the Company's By-Laws which stipulates that 10% of the surplus shall be directly distributed to the insured persons or be deducted from their premiums for the following year and the remaining 90% be carried-over to the Shareholders' Income Account.

Any announcement for dividends distribution will depend on the Company gains, financial condition, market condition and economic environment, as well as other factors including analysis of the investment opportunities, reinvestment requirements, cash and capital requirements, future prospects of the Company business, impact of dividend distribution on the Zakat status of the Company, etc.

Notably, the Company has not declared any dividends distribution since its incorporation due to its need to offset its accumulated losses. The New Shares are eligible for any dividends to be declared by the Company after completion of the Offering and in the following fiscal years.

9. Use of Offering Proceeds

9.1 Net Offering Proceeds

The total Offering Proceeds of the Rights Issue is estimated at SAR 200,000,000, of which SAR 8,000,000 will be paid to cover the Offering expenses. Such expenses include the fees of the Financial Advisor, Lead Manager, Legal Adviser, Auditor and Media and Public Relations Advisor, in addition to the expenses of the Underwriting, Receiving Agents, marketing, printing, distribution and other expenses related to offering.

Net Offering Proceeds will amount to SAR 192,000,000 which will mainly be used to meet the financial solvency requirements. Shareholders will not receive any proceeds arising from the Offering.

The company will also submit a quarterly report on the details of its usage of proceeds of the Rights Issue offerings. The Company will declare the developments of using the proceeds to the public.

9.2 Use of Offering Proceeds

All insurance companies operating in the Kingdom of Saudi Arabia practice their business according to the Cooperative Insurance Companies Control Law and its Implementing Regulations and the subsequent amendments issued by the Saudi Arabian Monetary Agency from time to time. The above referenced law stipulates that insurance companies shall maintain a Minimum Solvency Margin that is no less than the following three amounts:

- Minimum Capital Requirements.
- Premiums Financial Solvency Margin.
- Claims Financial Solvency Margin

Insurance companies need to maintain Net Admissible Assets at a minimum of the above mentioned solvency margin. This requirement is translated into the need for maintaining a minimum Solvency Margin Cover of (100%) (Net Admissible Assets in the solvency account divided by the Minimum Solvency Margin).

Based upon that, the net offering proceeds amounting to SAR 192,000,000 will be mainly used in the following:

- Fulfilling the requirements of solvency.
- Retaining an amount of SAR 20,000,000 as a statuary deposit after increasing the capital (as stated in Article 58 of the Implementing Regulations of the Cooperative Insurance Companies Control Law).
- Improving the credit rating granted to the company by AM Best rating agency.
- Increasing and augmenting the Company's investments in accordance with the provisions and terms of the Implementing Regulations.

120- Table (9-1): Use of Offering Proceeds

Item	Amount (SAR)
Total Offering Proceeds	**200,000,000**
Estimated Offering Expenses	8,000,000
Net Offering Proceeds	**192,000,000**
Statutory Deposit (10% of the increase in paid-up capital)	20,000,000
Investment in bank deposits and short term investment funds	100,000,000
Investments in bonds and other Long-Term investments	50,000,000
Investment in companies' shares and other investment vehicles	22,000,000

Source: Arabia Insurance

The Company is required to adhere to the general guidelines for the investment of insurance companies as stipulated in the Implementing Regulations of the Cooperative Insurance Companies Control Law. It is worth mentioning that according to paragraph A-4 of Article (30) of the Listing Rules, the Company cannot invest more than 25% of the money raised from the Offering in public investments, and since the investment is under the purposes of the Company, as defined in Article (3) of its By-Laws, the use of the Offering Proceeds for investment purposes is not incompatible with the article mentioned above.

The table below depicts the expected contribution of the net proceeds from the Offering to maintain the margin of solvency cover in the coming years:

121- Table (9-2): Contribution of Offering Net Proceeds in Financial Solvency Margin cover

Item (SAR' 000)	2014G Interim	2015G Estimates	2016G Estimates	2017G Estimates	2018G Estimates
Minimum Capital Requirement	100,000	100,000	100,000	100,000	100,000
Required Solvency Margin	97,834	108,359	102,791	109,087	116,966
Minimum Required Solvency Margin	100,000	108,359	102,791	109,087	116,966
Net Admissible Assets	(33,489)	168,607	183,668	199,169	219,964
Solvency Margin Cover (%)	**(33.5%)**	**156%**	**179%**	**183%**	**188%**

Source: Arabia Insurance

* The information contained in the above table with relation to years 2015 to 2018G is estimates. Actual results may differ from these expectations. Solvency margin for the year 2014G is prepared according to the interim statements for the period ended on 31 December 2014G. the figures are adjustable after completion of the audit process.

10. Experts Statement

Financial Advisor, Legal Advisor and Financial Due Diligence Advisor have given and not withdrawn their written consent to the publication of their statements in the form included in the Prospectus. Also the auditors have given and not withdrawn their written consent to include their audit reports in the Prospectus. None of the above advisers or their employees or any of their relatives has any shareholding or interest of any kind in the Company.

11. Declarations of Directors, Senior Management

The Directors declare that all of the financial information presented in the Prospectus is extracted without material change from the Company's audited financial statements for the years ended 31/12/2011G, 31/12/2012G and 31/12/2013G as well as the interim unaudited financial statements for the period ended on 30/9/2014G, and that the financial statements have been prepared and inspected in accordance with the accounting standards issued by International Financial Reporting Standards (IFRS), not according to the recognized accounting standards of Saudi Arabia. The Directors, Senior Executives and Board Secretary further declare the following:

- They have not declared bankruptcy at any time and they were not subjected to bankruptcy or insolvency proceedings.
- They have not been employed in a managerial or supervisory capacity at a Company that has declared bankrupt in the five years preceding the date of this Prospectus.
- With the exception of what was mentioned in the Organization Structure, page 55 and in "Legal Information" section, page No 152 of this Prospectus, they do not themselves, nor do any relatives or affiliates, have any direct or indirect interest in the Company of any kind.
- With the exception of what was disclosed in "Legal Information" Section of this Prospectus, neither they nor any of their relatives or affiliates have any material interest in any contract or arrangement that is effective or planned to be concluded relating to the Company's business upon submitting the Prospectus.
- All contracts had been disclosed in the Prospectus (including the terms and conditions of these contracts) which may affect the decision of the subscribers to subscribe to the Rights Issue shares.
- All related parties operations, contracts and transactions have been disclosed in the Prospectus with the exception of the Legal Advisor and Financial Advisor contracts.
- The Shareholders of the Company whose names appear on page number "30" are the legal and beneficial owners.
- There has been no interruption in the Company's business that could affect or have a significant impact on the financial condition in the last twelve months.
- No commissions, discounts, brokerages or other non-cash compensation were granted by the Company in the last three years immediately preceding the date of submitting the listing application in relation to the publication or issuance of any securities.
- There have been no adverse material changes in Company's financial or commercial conditions during the last 3 years preceding directly the date of listing and admission application as well as the period contained in the auditor's report until approval of this Prospectus.
- Neither they nor any of their relatives or their dependents or employees have any interest directly or indirectly in the Shares or debt instruments or any interest of any kind in the Company except what is contained in the "Organizational Structure" section, page "55" and Legal Information" section, page "152" of this Prospectus.
- The Company does not grant any cash loan of any kind or collaterals to loan with a third party for any of its directors in compliance with Article (71) of the Companies Regulations.
- The financial information presented in this Prospectus is extracted from the Audited Financial Statements without any material change and these Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS).
- There is no intention or tendency to make any fundamental change in the nature of the activity of the Company.
- The Company has sufficient working capital to cover the working capital requirements during the (12) months period following the date of this Prospectus.
- The appropriateness, efficiency and effectiveness of Internal Control and Accounting Systems and the Company's Information Technology systems.
- The Company strictly complies with Article (69) & Article (70) of the Companies Regulations and Article (18) of Corporate Governance Regulations.
- The Company should have no any debt instrument or term loan up to the date of this Prospectus and neither the Company's nor its affiliates' assets are under option.
- As of the date of this Prospectus, the Company does not have any subsidiary or sister Company inside or outside the Kingdom of Saudi Arabia.
- The Company has currently no program to allocate shares to its employees until the publication date of this Prospectus.
- There are no other arrangements that allow Company employees to participate in its capital.
- There is no conflict of interest in the Company activity with any Board Member.

The Company's Board members also acknowledge that, according to the Company's By-Law and other constitutional documents, there is no:

- Authority that enables a member of the Board of Directors, a Managing Director or a Chief Executive Officer to vote on any contract or suggestion wherein they or any of their relatives have a personal interest therein.
- Authority that enables a member of the Board of Directors, a Managing Director or a Chief Executive Officer to vote on any remunerations granted to them.
- Authority that enables a member of the Board of Directors, senior executives or chief executive officer to borrow sums from the Company.

12. Legal Information

12.1 Constitution

Arabia Insurance Cooperative Company is a Saudi joint stock company formed pursuant to Royal Decree No. M/(23) dated 15/03/1428H (03/04/2007G) and the resolution of the Council of Ministers No.(93) dated 14/03/1428H (02/04/2007G). It operates under Commercial Registration No. 1010243302 issued in Riyadh on 18/01/1429H (27/01/2008G) and Permit to conduct cooperative insurance business (general insurance, health insurance and protection and savings insurance) issued by SAMA, No. (TMN/15/20086), dated 14/06/1429H (18/06/2008G).

12.2 Head Office

The Company's head office is located in Riyadh, Kingdom of Saudi Arabia. The Company has established branches in Riyadh, Jeddah, Makkah, Khamis Mushayt, Al-Khobar, Hofuf, Taif and Dammam. The Company's address as per the Commercial Registration Certificate is: Woroud District, King Abdulaziz Road, Bin Tami Center, P. O. Box 28655 Riyadh 11323, Kingdom of Saudi Arabia, Tel: +966 11 215336, Fax: +966 11 2153197.

12.3 Board of Directors

The Company's Board of Directors consists of 10 members including the chairman, as follows:

122- Table (12-1): Board of Directors *

Name	Post	Repre-senting	Nation-ality	Age	Capacity	Held Shares						Membership Date
						Direct	%	Indi-rect	%	Total	%	
Abdulaziz Abdulhadi Alqahtani ***	Chairman Board	-	Saudi	65	Inde-pendent/ Non Execu-tive	22,000	0.11	19,798	0.10%	41,	0.21%	01/01/2011G
Moham-mad Saad Al Khabbaz	Board Member	-	Leba-nese	58	Non Inde-pendent/ Execu-tive	1,000	0.01%	None	None	98	0.005	01/01/2014G
Fayez Humod Alfaraj	Board Member	-	Saudi	43	Inde-pendent/ Non Execu-tive	1,000	0.01%	None	None	1,000	0.01%	01/01/2014G
Abdulaziz Saleh Aloamair	Board Member	-	Saudi	35	Inde-pendent/ Non Execu-tive	1,000	0.01%	None	None	1,000	0	01/01/2014G
Moham-mad Ahmad Arar	Board Member	-	Saudi	75	Inde-pendent/ Non Execu-tive	10,420	0.05%	None	None	10,420	5%	31/12/2007G
Ghassan Ibraheem Akeel	Board Member	Arab Supply and Trading Com-pany	Jorda-nian	46	Non In-depend-ent/ Non Execu-tive	2,000	0.01%	None	None	1,000	0	01/01/2011G
Khaldun Abdul-rahman Abuhas-san	Board Member	Jordan Insur-ance Com-pany**	Jorda-nian	74	Non In-depend-ent/ Non Execu-tive	None	None	None	None	None	5%	31/12/2007G
Othman (Moham-mad Ali) Bdeir****	Board Member	Jordan Insur-ance Com-pany**	Jorda-nian	76	Non In-depend-ent/ Non Execu-tive	None	None	None	None	10,420	0.05%	01/01/2014G

Name	Post	Repre-senting	Nation-ality	Age	Capacity	Held Shares						Membership Date
						Direct	%	Indi-rect	%	Total	%	
Naji Haseeb Fayyad	Board Member	Arabia Hold-ing**	Leba-nese Ca-nadian	51	Non In-depend-ent/ Non Execu-tive	None	None	None	None	None	None	01/01/2014G
Muneer Botrus Mouasher	Board Member	Arabia Hold-ing**	Jorda-nian	45	Non In-depend-ent/ Non Execu-tive	None	None	None	None	None	None	01/01/2014G

Source: Arabia Insurance

* The Company's Articles of Association states that the Board of Directors shall consist of 11 Directors, and thus there is one vacant seat in the Board.

** 1,000 shares of the represented companies shares have been allocated as Guarantee Shares for their representatives

*** The indirect ownership of Mr. Abdulaziz Abdulhadi Alqahtani is resulting from his ownership in Abdulhadi Alqahtani Group of Companies.

**** The indirect ownership of Mr. Othman (Mohammad Ali) Bdeir is resulting from his ownership in the Jordan Insurance Company, a public joint stock company.

12.4 Board committees:

The Board has committees consisting of board members and independent non-board members as follows:

- **Executive Committee:**

The Executive Committee consists of 5 members, all of whom are board members. (Refer to " Organizational Structure " Section, page No "45").

- **Audit Committee:**

The Audit Committee consists presently of 3 members, one of whom is a board member. (Refer to " Organizational Structure " Section, page No "45").

- **Investment Committee:**

The Investment Committee consists presently of 5 members, all of whom are board members. (Refer to "Organizational Structure" Section, page No "45").

- **Risk Committee:**

The Risk Committee consists presently of 3 members, all of whom are board members. (Refer to " Organizational Structure" Section, page No "45").

- **Remuneration and Nomination Committee:**

This committee consists of 5 members, all of whom are board members. (Refer to "Organizational Structure" Section, page No "45").

12.5 Capital Structure:

The Share Capital of the Company is SAR 200,000,000 divided into 20,000,000 Ordinary Shares of equal value of SAR 10 each all of which are fully paid up. Founding Shareholders subscribed to 12,000,000 shares constituting 60% of the Company's capital and paid up their value in full. The remaining 8,000,000 shares, 40%, were offered to the public in line with the laws and regulations of CMA in the period 15/10/1428H (27/10/2007G) to 22/10/1428H (3/11/2007G) for an offer price of SAR 10 per share.

No preferential rights or merits were offered to constituents or any other person. The following table shows the Founding Shareholders of Arabia Insurance Cooperative Company as of 30/09/2014G:

123- Table (12-2): Shareholders of Arabia Insurance Cooperative Company:

No	Name	Nationality	Holding%	No. of shares	Nominal Value (SAR)
1	Arabia Holding (a Holding Company)	Lebanon	19.2%	3,840,000	38,400,000
2	Jordan Insurance Company	Jordan	12.2%	2,440,000	24,400,000
3	Arab Supply & Trading Company	Saudi	5.0%	1,000,000	10,000,000
4	Saudi Brothers Commercial Company	Saudi	1.5%	300,000	3,000,000
5	Modern Industrial Investment Company for Trade and Industries Holdings	Saudi	1.25%	250,000	2,500,000
6	Lama Ismail Abu Khadra	Saudi	0.9%	180,000	1,800,000
7	Abdulhadi Alqahtani and Partners Co.	Saudi	0.3%	60,000	600,000
8	Other shareholders		19.7%	3,930,000	39,300,000
9	Public		40.0%	8,000,000	80,000,000
	Total		**100.00%**	**20,000,000**	**200,000,000**

Source: Company

The Company obtained SAMA's approval, pursuant to letter No. 351000145469, dated 26/11/1435H (21/09/2014G) to increase its capital by SAR 200,000,000 by way of Rights Issue ("Offering"). Upon completion of subscription to the Rights shares, the Company's Capital will amount to SAR 400,000,000 divided into 40,000,000 ordinary shares for a nominal value of SAR (10) each. The Board of Directors, in its resolution passed by circulation dated 02/11/1435H (28/08/2014G) recommended the increase of the Company's Capital in order to meet the capital adequacy requirements.

The Company received an undertaking letter from Arabia Company LJSC (Holdings) (a strategic shareholder) confirming its commitment to subscribe for 3,840,000 shares, representing all of its rights which amount to 19.2% of the total Rights offered for subscription in accordance with the number of shares it holds as of the Eligibility Date. The Company received an undertaking letter from Jordan Insurance Company (a strategic shareholder) confirming its commitment to subscribe for 2,440,000 shares, representing all of its rights which amount to 12.2% of the total Rights offered for subscription in accordance with the number of shares it holds as of the Eligibility Date. The Company received an undertaking letter from Arab Supply and Trading Company (a substantial shareholder) confirming its commitment to subscribe for 1,000,000 shares, representing all of its rights which amount to 5.0% of the total Rights offered for subscription in accordance with the number of shares it holds as of the Eligibility Date.

12.6 Major License and Permits:

The Company holds a number of licenses and Permits issued by competent authorities which enable it to conduct its activities within the Kingdom of Saudi Arabia. The following is a summary of the Licenses and Permits obtained by the Company:

124- Table (12-3): Major Licenses and permits:

Purpose	Purpose	Date of issue	Last Renewal Date	Expiry Date	Renewal Term	Issuing Authority
Commercial registration Certificate 1010243302	Establish and register the Company	18/01/1429H (27/01/2008G)	None	18/10/1439H (09/10/2017G)	10 years	MOCI
Permit to conduct Insurance business No/ (TMN/15/200861	License to conduct Insurance Business	14/06/1429H (18/06/2008G)	13/06/1435H (14/04/2014G)	12/06/1438H (11/03/2017G)	3 years	SAMA
Qualification letter No 927/3531	Qualifying the Company to issue medical insurance policies	17/09/1430H (06/09/2009G)	14/08/1435H (12/06/2014G)	12/08/1436H (31/05/2015G)	1 year	Cooperative Health Council
Foreign Investment License No TMN/15/20086	Approving the Foreign Investor partner in the Co	05/05/1426H (12/06/2005G)	03/04/1435H (03/02/2014G)	02/04/1436H (22/01/2015G)	1 year	SAGIA

Source: Company

12.7 Summary of Material Contracts and Agreements:

Insurance and Reinsurance Agreements:

The Company provides to its customers a set of insurance products in respect of General Insurance, Health Insurance and Protection and Savings Insurance. These products provide various types of policies such as health insurance, Motor Insurance, fire perils, shipping and contractors' risks under approvals obtained from SAMA.

The major policies, the value of which exceeds 5% of total income of the Company, are those issued for the following parties:

- Ajel Financial Services Company;
- Saudi Oger Company;
- Al-Jomaih Motors Trading Company; and
- Aqsat International Trading Company.

The following policies were issued to the above parties based on the insurance forms in respect of which the Company obtained SAMA approval. The terms of such agreements do not exceed one year and expire on different dates by the end of 2014G and during 2015G.

The Company has disclosed in advance the contract that was concluded with Saudi Oger. The value of this contract exceeds 5% of the Company's total revenues. The Company has not disclosed in advance the transactions with other companies mentioned above where such transactions are related to several contracts. None of any of such contracts individually exceeded 5% of the Company's total revenues.

The following is a summary of major policies issued by the Company as at 30/11/2014G and their percentage of subscribed premiums:

125 –Table (12-4): Major policies issued by the Company as of 30/11/2014G

Beneficiary	Insurance Policy	Premiums Against insurance Coverage	% of total subscribed premiums	Expiry of Insurance Coverage
Ajel Financial Services Company	Engineering Works Damage Insurance Policy	13,324,011 37,500		Many different dates
	Property Fire Damage Insurance Policy	2,048 214,035 7,837		Many different dates
	General Accidents Damage Insurance Policy	126,000 27,900 100,000		Many different dates
	Motor Vehicles damages Insurance Policy	22,527,000 31,424		Many different dates
Total		**36,397,755**	**6.38%**	
Saudi Oger Company	Engineering Works Damage Insurance Policy	2,279,307 4,178		Many different dates
	Property Fire Damage Insurance Policy	164,663 3,848,912 102,712		Many different dates
	General Accidents Damage Insurance Policy	1,012,691 516,496 9,000 570,442 66,487 12,149 207,773 1,010,900		Many different dates
	Maritime Shipping damage Insurance Policy	9,378		Many different dates
	Motor Vehicles damages Insurance Policy	442,308		Many different dates
	Health Insurance Policy	140,672,146		Many different dates
Total		**150,929,542**	**26.46%**	
Al Jomaih Motors Co.	Property Fire Damage Insurance Policy	2,000 5,891,500		Many different dates
	General Accidents Damage Insurance Policy	6,675 189,166 265,787 395,614		Many different dates
	Maritime Shipping damage Insurance Policy	5,190,474 21,000		Many different dates
	Motor Vehicles damages Insurance Policy	70,548,804 8,494,249 377,853		Many different dates
Total		**91,383,122**	**16.02%**	
Aqsat International Trading Company	Motor Vehicles damages Insurance Policy	68,488,634		Many different dates
Total		**68,488,634**	**12.01%**	

Source: Company

It should be noted that the policies mentioned in the above table have expired on 31/01/2015G and are now in the process of being renewed.

The Company concluded a number of reinsurance agreements with various international companies including Willis, Shedid Re, Munich Re, Inter-global Insurance, Arab War Risks Company, Pure White Company for Reinsurance of different insurance risks. These agreements stipulate the coverage period, geographical coverage, premiums, insurance amount and other items relating to terms and conditions of reinsurance. The following is a summary of the major 3 reinsurance agreements concluded by the Company:

126- Table (12.5): Major 3 Reinsurance Contracts

Policy Type	Reinsurance Company/Broker	Products	Period
Partial Reinsurance Agreement	Through mediators: • Willis Re Company by 10% coverage • Chedid Re Company by 80% coverage, Reinsurance companies: • Hannover Reinsurance Company by 40% coverage, • Swiss Re Company by 20% coverage, -Trust Re Company by 5% coverage, • Saudi Reinsurance Company by 5% Coverage, UAE Reinsurance Company by 3% coverage, • Indian General Insurance Company by 17% coverage, • With reinsurance companies directly: CCR Company by 5% coverage • RUV Company by 5% coverage	Properties and Accidents Insurance, Engineering Insurance and Marine insurance	01/01/2015G – 31/12/2015G
Partial Reinsurance Agreement	Broker: • Chedid Re Company Reinsurance companies: • Hannover Reinsurance Company by 40% coverage, • Indian General Insurance Company by 15% coverage, • General Insurance Company by 15% coverage, • - Korean Reinsurance Company by 5% coverage,	Health Insurance Claims Coverage	01/01/2015G – 31/12/2015G
Loss Excess Insurance	Brokers: • Willis Re Company by 5% coverage • Chedid Re Company by 80% coverage, • CCR Company by 5% coverage, • RUV Company by 5% coverage, • Saudi National Advanced System Company by 5% coverage, • Reinsurance companies: Hannover Reinsurance Company, • General Insurance Company India • Swiss Re company, Swiss Re Company, • Saudi Reinsurance Company, • UAE Reinsurance Company, XL Re,	Loss Excess Cover for Motor Vehicle Accidents and Labour Compensations	01/01/2015G – 31/12/2015G

Source: Company Management

The Company has other supporting reinsurance agreements which help to cover the reinsurance of all Company

works. Many of the reinsurance agreements imply provisions which enable the reinsurance company to terminate the agreement in case of any change in the ownership, management or controlling status of the Company.

Upon expiry of the said agreements, the Company concludes new reinsurance agreements either with the same companies or brokers mentioned under the same terms and conditions provided for in the expiring agreement, or with other companies based on different terms and conditions in line with the practices prevailing in the market at the time of concluding such new agreements.

12.8 Other Commercial and Investments Contracts

The Company concluded various contracts relating to its activities including the following contracts:

Agency Contract with Watani Takaful Company:

The Company concluded on 17/01/2011G a non-exclusive Agency contract with Watani Takaful Company to promote and sell the products of the Company against commissions as specified in the contract. The Watani Takaful Company under the contract will achieve a targeted sales of SAR 105,000,000 within one calendar year failing which the Company shall have the right to terminate this contract. The Company will provide the necessary support to its agent, Watani Takaful Company, in terms of logistic and advisory services in order to enable Takaful to perform its obligations as provided for in the contract.

The agent under this contract will be eligible for commissions for premiums collected and paid to the Company. The term of this contract is 3 calendar years and is automatically renewable for similar periods.

Brokerage Agreement with Insurance Brokers

The Company concluded a brokerage agreement with thirty six insurance brokers under which brokers will sell the Company products against certain commissions as detailed in the agreement. Insurance brokers will represent policyholders in line with the related rules and regulations, and the relationship between the Company and insurance broker will be on a non-exclusive basis.

Under this agreement, the insurance broker will provide all insurance services including collection of premiums and fees from customers in relation to valid and renewed policies.

The agreement will be renewed with the written agreement of the two parties upon expiry of agreement. If the two parties continue to deal with each other after the expiry of the agreement, this will be considered as a renewal for one calendar year under the same terms and conditions of the original agreement.

Inspection and Loss Assessment Agreement:

The Company concluded agreements with five Inspection and Loss Estimation Experts on a non-exclusive basis. Under this agreement, the Inspection and Loss Assessment expert will inspect the accident location within 48 hours from the request of the Company and will provide an initial report within 7 days from appointment date. As with regard to individual claims, the expert will provide the report within one week, while for companies, he will deliver the report within three weeks. The validity of agreement will be two Gregorian years.

Agreement with Manar Sigma to provide insurance advisory and actuary services:

The Company concluded on 17/05/2014G an agreement with Manar Sigma Company to provide insurance and actuary services. Under this agreement Manar Sigma Company shall provide many services including assessment of financial solvency of the Company and its ability to meet its financial obligations, Validation of the reservations allotted by the Company and to review the investment policy of the Company and ensure it is appropriate with the Company's obligations and cash flows. The Company will pay SAR 360,000 to Manar Sigma for the services provided for in the agreement. The term of agreement is one year renewable under a written agreement of the two parties upon expiry. If the two parties continue to deal with each other after the expiry of the agreement, this will be considered as a renewal for one calendar year under the same terms and conditions of the original agreement.

Agreements with Najm for Insurance Services Company:

The Company concluded on 28/01/2014G an agreement with Najm for Insurance Services Company to provide assessment and inspection services of motor vehicles accidents. Under this agreement Najm for Insurance Services Company shall provide many services including determination of liability in traffic accidents in addition to streamlining and management of losses resulting from accidents involving policyholders issued by the Company. The Company will pay accumulated fees to Najm as detailed in the agreement and schedules. The term of agreement is twelve months renewable based on a written agreement of the two parties. If the two parties continue to deal with each other after the expiry of the agreement, this will be considered as a renewal for one calendar year under the same terms and conditions of the original agreement.

In addition, the Company concluded on 18/01/2014G an agreement with Najm for Insurance Services Company to provide electronic services under which information on insurance policies will be transferred to Traffic Department. The value of this agreement amounts to SAR 100,000 payable annually. The term of this agreement is one year renewable automatically.

Agreement with the Saudi Stock Exchange (TADAWUL):

The Company concluded on 24/01/2009G an agreement with the TADAWUL under which the latter shall handle the shareholders registry of the Company. Under this agreement, TADAWUL will provide certain services such as registration and custody of shares, updating the Company's information and registration of transfer of ownership among shareholders. The term of this agreement is one year renewable automatically. Payable fees will be paid as detailed in the agreement schedule.

Agreement with Globe Med:

The Company concluded on 01/04/2012G an agreement with Globe Med for settlement of insurance claims and management of health insurance claims on behalf of the Company. The term of this agreement is one year renewable automatically.

Investment Agreements:

- Agreement for subscription to Derayah Trading Finance Fund, managed by Derayah Financial Company,. The Company invested fifteen Million Saudi Riyals in the Fund. The Fund is open-ended and was launched as a private placement on 05/02/2013G under the laws and regulations of CMA. The Fund operates under Margin lending for trading customers secured by the assets of customers. The management fees of the fund amount to 0.50% per annum of the net daily value of fund assets. The Company confirms that investment in this Fund is valid under the agreement effective 03/09/2014G.
- Investment Management Account agreement with HSBC Saudi Arabia Ltd. ("HSBC") (a copy of which is not yet given to the Company and is in the process of obtaining this copy), under which HSBC will invest the Company funds deposited in the SAR Investment account in mutual funds, Sukuk and Murabaha transactions on behalf of the Company against fees as specified in the agreement. Termination of agreement will be made by a written notice by either party, and the agreement is governed by the rules and regulations of the Kingdom of Saudi Arabia.
- Commitment and subscription agreement with Abraaj General Partner IX Limited under which the Company has invested an amount of Three Million US Dollars in a mutual fund managed by Abraaj General Partner IX Limited. This agreement is subject to the rules and regulations of Cayman Islands and is subject to London International Arbitration Court in London, UK. The Company confirms that this agreement is valid effective 29/04/2013G.

12.9 Contracts relating to Company Real-Estate Properties

The Company does not have any real-estate property; however it has concluded a number of lease agreements relating to its head office and branches for periods ranging between 1 and 5 years. Major offices of the Company were leased under lease contracts made with Saleh Hmoud Al-Tami and Bros Development Company. The total area of offices leased amount to 1,089,78 square meter for two years for a part of the offices expiring on 30/09/2015G and for 3 years for another part expiring on 30/09/2015G for a total annual rent of SAR 871,824.

It should be noted that there are some lease contracts relating to properties which the Company did not benefit from. Work is in process to update the documents of such properties.

12.10 Intangible Assets

The Company maintains the trademark shown in the table below. The Company has registered this trade mark with the Saudi Trademarks Office at Ministry of Commerce and Industry, and obtained their final approval and the registration certificate dated 03/03/1429H (11/03/2008G), which indicates that protection of trademark will be for 10 years expiring on 10/07/1438H (07/04/2017G).

127- Table (12-6): trademark:

Product	Trademark
Logo of Arabia Insurance Cooperative Company	

Source: Comapny

The Company may exclusively use the name of Arabia Insurance Cooperative Company under the Commercial Registration issued by the Ministry of Commerce and Industry and the license of CMA.

The Company does not have other intangible assets such as patents, copy rights, etc., excluding the licenses to use electronic programs specific with the Company's activities.

The competitive position of the Company depends, among other factors, on its ability to protect and use its intangible assets. Therefore, the company's inability to protect such assets, which basically relate to its trademark, may adversely affect the Company's trademarks, and it may cause the carrying out of the Company's business to be more costly and consequently would adversely affect the results of company's operations.

12.11 Related Party transactions:

The Company issued insurance policies for the related parties listed in the table below. The Board of Directors confirms that the terms and conditions upon which such insurance policies were issued are based on the insurance policies approved by SAMA. In view of the absence of any commercial contracts between the Company and Board Directors, no member of the Board has provided any qualification shares as provided for in Article 11 of the Company's By-Laws, nor has SAMA's approval been obtained of the insurance policies as provided for in Article 25 of the Company's By-Laws. The Company intends to amend these two Articles in consultation with SAMA.

128- Table (12-7): Related Party transactions

Beneficiary	Policy name	Coverage	Premium	Insured Amount
Abdulhadi Alqahtani and Partners Services Company 32.7% held indirectly by the Chairman of Arabia Insurance Company)	Transit as well as Annual Land and Sea Policy	Land Transportation (All Risks)	1,897,112	624,370,716
Public Liability		Public Liability	176,614	50,000,000
	Plant, Equipment and Machinery	Personal Damage or Third Party Damage, On site only	5,405	1,081,000
	Electronic Equipment	Software and Hardware Damages	36,487	12,162,280
	Infidelity Insurance	Fidelity Insurance	133,040	7,500,000
	Maritime Shipping	Goods Coverage	398,100	384,035,669
	Funds	Cash in Safe Cash in Transit	96,440	13,500,000
	Vehicles	Motor Comprehensive	1,428,795	211,639,925
	Insurance Cover-Property Damages	Insurance Cover-Property Damages	1,087,460	1,134,182,392
Total			**5,259,453**	**2,438,471,982**
Arab Supply and Trading Company (As a partner of Arabia Insurance Company with 5.0% shareholding)	Fire Insurance Cover	Property Damage Coverage	31,345	61,708,000
	General Accidents Insurance	Breach of Faith Insurance Funds Insurance	4,812 2,098	1,000,000 715,000

Beneficiary	Policy name	Coverage	Premium	Insured Amount
	Maritime Shipping	Goods Insurance	16,226	4,344,117
	Motor Vehicles	Motor - comprehensive	65,852	1,655,000
Total			**120,333**	**69,422,117**
Saudi Mayes For Medical Products (51% held by a partner of Arabia Insurance Company)	Fire Insurance Cover	Properties – All Risks	143,395	248,329,000
Total			**143,395**	**248,329,000**
Mr. Abdulaziz Abdulhadi Alqahtani (Chairman of Arabia Insurance Company)	Motor Vehicles	Motor - comprehensive	50,420	855,000
Total			**50,420**	**855,000**
Mr. Mohammad Saad Khabaz (General manager, Arabia Insurance Company)	Motor Vehicles	Motor - comprehensive	4,730	100,000
Total			**4,730**	**100,000**
Mr. Ammar Mohammad Halwani (Deputy General Manager Finance)	Motor Vehicles	Motor - comprehensive	2,471	70,000
Total			**2,471**	**70,000**
Mr. Adel Saleh Alfaraj (Deputy General manager, Human Resources and Administration)	Motor Vehicles	Motor - comprehensive	6,724	220,000
Total			**6,724**	**220,000**
Mr. Saud Ahmad Al Manie (Assistant General manager For Claims)	Motor Vehicles	Motor - comprehensive	5,398	135,000
Total			**5,398**	**135,000**
Mr. Carle Cazemers Condal (Senior manager Sales)	Motor Vehicles	Motor - comprehensive	6,857	191,000
Total			**6,857**	**191,000**
Mr. Ghassan Ibrahim Akeel (Director of the Board)	Motor Vehicles	Motor - comprehensive	28,651	400,000
Total			**28,651**	**400,000**
Grand Total			5,628,432	2,758,194,099

Source: Company

** Listed details are as of 30/11/2014G

It should be noted that there are no amounts payable by the above-mentioned related parties except Abdulhadi Alqahtani and Bros Services Company who is liable for premium payments under the insurance policies for an amount of SAR 3,116,217

12.12 Company Status with regard to DZIT

The Company submitted its audited accounts to DZIT regularly including those for the years 2011G,2012G and 2013G. As the Company submitted appeals to DZIT regarding assessment of amounts payable by the Company, the certificates recently issued to the Company, including the DZIT certificate No. 7808 dated 09.07.1435H is "restricted", which means that it is possible that there could be further demands by DZIT after such appeals have been viewed, and consequently further financial sums which may adversely affect the Company's profitability and performance.

The following table shows the Company's position with DZIT:

129- Table (12.8): Company's position with DZIT

Year	Tax Assessment submitted?	Advance Payment Paid?	DZIT Certificate	Certificate Type	Open Investigations?	DZIT Assessment
2011G	Yes	Yes	Yes	Restricted	Yes	Outstanding
2012G	Yes	Yes	Yes	Restricted	Yes	Outstanding
2013G	Yes	Yes	Yes	Restricted	Yes	Outstanding

Source: Company

There is an open appeal with DZIT relating to discounted investments and time deposits. Final assessment of DZIT for the analysis period is still under review due to restricting of investments relating to Saudi equity portfolio. Related additional potential tax dues amounted to SAR 1,600,000 as of 31/12/2013G as indicated by the Company Management. The open appeal is for the years 2008G, 2009G, 2010G and 2011G.

The Management does not believe that any matter raised in such assessments will have recurring effect on the non-finalized assessment years. The Tax return for the analysis period was presented and a restricted certificate was received in May 2014G. The restricted certificate enables the Company to continue all of its commercial operations except those relating to settlement of payments or final payments regarding government contracts.

12.13 Disputes, litigation and claims

Insurance Claims:

Under the insurance contracts, the Company is obliged to compensate beneficiaries for the accidents and damages covered under such contracts as per the terms and conditions thereof. The Directors of the Board and Company Management confirm that as of the date of this Prospectus, there were no substantial claims which would materially affect the Company's businesses or financial position.

One of the substantial claims presently outstanding is the claim of Saudi Mayse Medical Products Company in respect of a major fire in one of the insured warehouses which occurred on 26/07/2014G and the losses which were estimated at SAR 164,550,000 under the all-risk policy signed with the Company. the final losses have yet to be estimated. This claim is still under investigation by the Inspection and Loss Estimation experts. The potential losses arising in connection with this fire are reinsured with reinsurance companies by more than 96%. Should the reinsuring company fail, for any reason, to cover this amount, and in view of the Company's commitment to pay this claim in full, then this will have a substantial negative impact on the financial results of the Company.

Litigation:

The Directors and Senior Management of the Company, as of the date of this Prospectus, confirm that the Company is not part to any legal case, claim, arbitration or administrative actions which may, severally or jointly, substantially affect the Company's business or financial condition. However, it worth mentioning that the Company is a part to 9 cases (which value exceeds SAR 250,000) filed before the competent Saudi courts, including four cases filed by the Company against others as a claimant and five filed against the company as a defendant.

The value of cases filed against the Company amount to SAR 3,016,000, while the cases filed by the Company amount to SAR 1,641,064. Details of these cases are listed in the table below:

130- Table (12-9): Claims and Legal Cases filed against the Company

Claimant	Claim Value (SAR)	Summary of Claim
Establishment (Insured)	1,879,458	The claim is represented in a compensation for theft of the Establishment's warehouse. Arabia Insurance Cooperative Company rejected reimbursement of this loss because the insured, at the time of submitting the application for issuing the insurance policy , had not disclosed its previous losses and the crucial facts of the Company that will lead to change the Company's decision as regards risk cover insurance acceptance or rejection. The Establishment filed a case against the Company before the competent court seeking reimbursement of amount of SAR 1,879,458.The Company received the Bill of Particulars from the competent court and submitted its reply thereto, but had not yet received any response thereof or appointment of a hearing.
Individual (Insured)	300,000	The claim is represented in the Plaintiff's request for compensation for the vehicle's driver death as the vehicle is covered by a comprehensive insurance in addition to the driver's personal accident benefit in the sum of SAR100,000.- maximum. The Company accepted the claim and issued a check to the plaintiff for the amount fixed in the Policy but the attorney refused the compensation.
Individual (Insured)	350,000	The Plaintiff submitted a claim for the driver's blood money, but the Company rejected the claim on the grounds that the driver does not hold a valid driving license whereas one of the conditions of the comprehensive insurance policy issued to the vehicle releases the Company from any expenses or liabilities arising or ensuing, if the vehicle's driver does not hold a valid driving license.
Sponsor (Insured)	300,000	The particulars are represented in the Plaintiff's claim for blood money for a passenger with the driver of the vehicle who was under his sponsorship. The driver was convicted, as per a deed issued by the General Court, of full liability because of excessive speed. The accident resulted in injury of the two persons who died later. The claim was rejected because the comprehensive insurance policy of the vehicle (rented) excludes reimbursement as a result of the insured's violation of the traffic regulations or excess speed.
Individual (Third Party)	272,000	The particulars of the claim are represented in a car accident (third party) as a result of speed and violation of traffic regulations. The driver's vehicle collided with a car insured with the Company while it was parking. The insured was convicted by 75% liability and the Company rejected the third party claim on basis of the insurance policy exclusions besides objection of the conviction percentage. Accordingly, the Plaintiff (attorney of the heirs) filed a case against the driver of the vehicle insured with the Company and obtained a final and enforceable judgment from the General Court requiring the Defendant to pay an amount equivalent of 75% of the blood money and 75% of the vehicle's value. A preliminary judgment was issued requiring the Company to compensate the plaintiff for a sum of SAR 272,000 ,but the company expressed its dissatisfaction with the judgment for the reasons stated earlier and appealed against the judgment. The case is still under consideration before the Appeal Committee.

Source: Arabia Insurance

131- Table (12.10): Claims and Legal cases filed by the Company

Defendant	Claim value (SAR)	Summary of Claim
(Insured) Company	295,117	It has been agreed between the Company and the defendant for sale of medical insurance policies. The defendant did not abide by the payment of the premiums due in respect of the insurance policies in favor of the Company totaling SAR 295,117. The Company filed a lawsuit before the competent court demanding settlement of the outstanding amount and compensation against delay damages. The case is still under review.
(Insured) Company	570,900	It has been agreed between the Company and the defendant for sale of medical insurance policies. The defendant did not abide by the payment of the premiums due in respect of the insurance policies in favor of the Company. A letter was addressed to the defendant demanding the amount payable approximately amounting SAR 570,900 . Accordingly the defendant paid an amount of SAR 142,725 only. The Company filed a lawsuit before the competent court demanding settlement of the outstanding amount and compensation against delay damages. The case is still under hearing

Defendant	Claim value (SAR)	Summary of Claim
(Insured) Company	344,863	An intermediary company offered to the defendant company sale of medical insurance policies by the Arabia Insurance Cooperative Company. The defendant company accepted the offer submitted by the intermediary company. The defendant paid SAR 100,800 as premium of policies value and an amount totaling SAR 244,063 remains outstanding payable by the defendant. The Arabia Insurance Cooperative Company filed a lawsuit against the company and the case is still under hearing before the competent court.
Third Party (Company)	570,900	The insurance company issued two insurance policies to one of its customers to cover the damages that may occur to his goods while on board. The goods were shipped in favor of the insured from China to Dammam on a vessel belonging to the defendant. The goods were in good condition as explicitly indicated in the two bills of lading. After the arrival of the goods to Dammam port, the unloading contractor noticed that, a big number of boxes were dismantled and the goods contained therein have been severely damaged. The company paid to the insured an amount of SAR 683,110. The company replaced the insured in demanding the party which caused the damages and filed a lawsuit against the vessel investors before the competent court demanding an amount of SAR 683,110 and the case is still under review before the competent court

Source: Arabia Insurance

Shareholding companies:

The Company holds shares in one company, Najm for Insurance Services Company, a Saudi Closed Joint-Stock company with a capital of SAR 50,000,080 and head office located in Riyadh. The principal activity of the Company involves insurance services. Arabia Insurance Company holds 3.846% of Najm share capital.

132- Table (12-11): Details of shareholding companies:

Name of Joint stock	Najm Insurance Services Company
Constitution (Legal Form)	Saudi Closed Joint-Stock Company
Principal Activity	Insurance Services
Country of Operations	Kingdom of Saudi Arabia
Country of Incorporation	Kingdom of Saudi Arabia
Capital	SAR 50,000,080
Share of Arabian Cooperative Insurance Company	3.85%

Source: Company

12.14 Insurance Policies issued by the Company

The Company obtained the final approval of SAMA to offer the products listed in the table below.

133- Table (12-12): Products in which the Company obtained SAMA final approval:

No	Insurance Policy Name	Final Approval Date
1	Motor Insurance Policy	19/05/1434H - 31/03/2013G
2	Cooperative Health Insurance Policy	23/11/1429H - 22/11/2008G
3	Glass Insurance Policy	27/03/1431H- 13/03/2010G
4	Fidelity Insurance Policy	27/03/1431H - 13/3/2010G
5	Professional Liability Insurance Policy for Engineers	12/10/1431H - 27/09/2010G
6	Group Life Credit Policy	07/03/1433H - 30/01/2012G
7	Group Contract Insurance Policy	07/03/1433H- 30/01/2012G
8	Land Transported Goods Insurance Policy	12/01/1432H- 18/12/2010G
9	Goods in transit Policy	12/01/1432H – 18/12/2010G
10	Vessel Hull Insurance Policy	12/01/1432H- 18/12/2010G

No	Insurance Policy Name	Final Approval Date
11	Cash in safe Insurance Policy	15/04/1432H – 19/1/2011G
12	Cash in Transit Insurance Policy	15/04/1432H - 19/01/2011G
13	Labor Compensation Policy	06/02/1433H - 31/12/2011G
14	Employer Liability Insurance Policy	06/02/1433H - 31/12/2011G
15	All-Risk Property Insurance Policy	14/04/1433H - 07/03/2012G
16	Fire Perils Insurance Policy	14/04/1433H - 07/03/2012G
17	Income Loss Insurance Policy	14/04/1433H - 07/03/2012G
18	Theft Insurance Policy	14/04/1433H - 7/3/2012G
19	Medical faults Insurance Policy	24/11/1433H - 10/10/2012G
20	Civil Liability Insurance Policy	30/11/1433H - 16/10/2012G
21	Third Party Liability Policy	21/03/1434H - 2/2/2013G
22	Riot, Strikes, Civil Unrest and /or deliberate damage Insurance Policy	21/03/1434H – 2/2/2013G

Source: The Company

The Company obtained a temporary approval of the products listed in the table below. Such a temporary approval was extended for 6 months effective 30/09/1435H (27/07/2014G).

134- Table (12-13): Products for which the Company obtained SAMA temporary approval:

No	Name/Description of Insurance Policy	Date of Temporary Approval
1	Personal Accidents Policy (Individual and Group)	30/09/1435H – 27/7/2014G
2	Comprehensive House labor policy	30/09/1435H – 27/7/2014G
3	Comprehensive Home insurance Policy	30/09/1435H – 27/7/2014G
4	Valuables Insurance Policy	30/09/1435H – 27/7/2014G
5	All-Risk Contractor Insurance Policy	30/09/1435H – 27/7/2014G
6	All-Risk Installation insurance Policy	30/09/1435H – 27/7/2014G
7	Contractor Equipment Insurance Policy	30/09/1435H – 27/7/2014G
8	Machinery Breakdown Insurance Policy	30/09/1435H – 27/7/2014G
9	Insurance of Income Loss consequential to Machinery breakdowns	30/09/1435H – 27/7/2014G
10	Boilers and Heaters Insurance Policy	30/09/1435H – 27/7/2014G
11	Refrigeration Breakdown Stock damage Insurance Policy	30/09/1435H – 27/7/2014G
12	Electronic Equipment Insurance Policy	30/09/1435H – 27/7/2014G
13	School Liability Insurance Policy	30/09/1435H – 27/7/2014G
14	Insurance Policy For extension of Guarantee for Electrical and Mechanical Breakdowns covering vehicles	30/09/1435H – 27/7/2014G
15	Brokers Professional Liability Policy	30/09/1435H – 27/7/2014G
16	Third Party and products Liability Insurance Policy	30/09/1435H – 27/7/2014G

Source: The Company

13. Summary of the Company's By-laws

The Company's by-laws include the following items of effect. This summary shall not act as an alternative of the full text of the By-Laws, which may be reviewed at the Company's Head Office.

Objectives of the Company

The objective of the Company, in accordance with provisions of the applicable Law on Supervision of Cooperative Insurance Companies, its Implementing Regulations and the laws and regulations in force in the Kingdom, is to engage in cooperative insurance operations and all related activities of reinsurance, agencies, representations, correspondence and brokerage. The Company may undertake all activities as may be required for achieving its objectives whether in respect of insurance or investing its funds or to own, dispose of, transfer, sell, lease or replace moveable and fixed assets whether directly or indirectly through companies to be established by the Company or acquired by it or in participating in other entities. The Company may acquire or have interest or participate in any way with the institutions conducting similar activities or financial activities and which help the Company to achieve its objectives, or to merge with or acquire the same. The Company will practice such activities inside or outside the Kingdom of Saudi Arabia.

The Company's Investments

The Company, in accordance with the rules set forth by the Board, may invest the collected amounts from the insured and its shareholders.

Share Capital

The Share Capital of the Company is SAR 200,000,000 (Two Hundred Million Saudi Riyals); divided into 20,000,000 (Twenty Million) equal Shares, each with a nominal value of SAR 10 (Ten Saudi Riyals).

Decrease of Capital

The Extra-Ordinary Meeting, subject to the approval of the competent authorities, may reduce the Company's capital if it is in excess of the Company's needs or if the Company sustains losses. This decision shall be issued only after reading the auditor's report on the reasons calling for such reduction, the obligations to be fulfilled by the Company and the effect of the reduction on such obligations. The resolution shall provide for the manner in which the reduction shall be made. If the reduction of the capital is due to its being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

Transfer of Shares

All Company shares shall be transferable in accordance with the rules, regulations and directives issued by Capital Market Authority. As an exception to the foregoing, the cash shares subscribed to by the Founding Shareholders shall not be transferable before publishing the financial statements for three full fiscal years, each of which is not less than 12 months from the date of incorporation of the Company. Such provisions shall apply to any shares subscribed for by the Founding Shareholders in case of increasing the Company's capital before the lapse of the restriction period. However, ownership of cash shares may be transferred during the restriction period in compliance with the rights selling provisions from one founder to another or to any Board member for presentation as guarantee to the management, or may be transferred from the heirs of one Founding Shareholder, in case of death, to others.

Guarantee Shares

A Board member shall offer at less five thousand 5,000 shares as a guarantee against contracts arising between him and the Company as approved by the ordinary General Assembly. Such right of attachment will include dividends due on the attached Shares.

The Board of Directors is entitled, after the competent authorities approval, when exercising the right for attachment of shares offered as a guarantee from the board members in exchange for contracts that arise between them and the Company, to sell them provided that the debt is due for payment and after a second call sent by a registered mail to the debtor who is the owner of the shares, asking him to pay the debt within two weeks. If he fails to do so, the Board shall be entitled to sell them through the "Exchange" and repay the price of the shares sold to settle all debts and obligations required by the Company. The balance (if any) shall be paid to such shareholder, his sponsor, will administrator or heirs

Constituents of the Board of Directors

The Company shall be managed by a Board of Directors consisting of eleven (11) members appointed by the Ordinary General Assembly for a term not exceeding three (3) years. This appointment shall not prejudice the legal person's right to replace its representative in the Board. As an exception to the forgoing, the Constituent Assembly appoints the first Board of Directors for 3 years commencing from the date of the Ministerial resolution declaring the incorporation of the Company.

The term of the Board members shall expire with the expiry of the appointment term or upon a member's resignation; death; or if it is proved to the Board that a member breaches his duties in a manner that prejudices the Company interest provided that this is coupled with the approval of the Ordinary General Assembly; or with the expiry of such member's membership in accordance with any applicable law or directives; absenteeism for more than three consecutive meetings without acceptable cause to the Board; a judgment was issued declaring his bankruptcy or insolvency; or if he submits request for settlement with creditors; or ceases to payoff his debts; becomes insane; sustains mental sickness, commits an act of breaching trust or morals, or condemned of fraud, or if a member position within the Board becomes vacant, then the Board shall appoint a member in the vacant position provided that such appointment is brought to the attention of the Ordinary General Assembly in its first meeting with the new member only to complete the remaining period of his predecessor. If the number of the board members is short of the required quorum to impart validity to its meetings, the Ordinary General Assembly shall be convened as soon as possible to appoint the required number of members.

Subject to the jurisdictions designated to the General Assembly, the Board shall have the widest powers in managing the affairs of the Company and may, within the limits of its jurisdiction, delegate to one or more of its members or others the power of performing certain work or works.

The Board's remunerations

The remuneration of the Chairman of the Board for performing his duties shall be SAR 180,000 (One Hundred Eighty Thousand Saudi Riyals) per annum. The remuneration for each Director for performing their respective duties shall be SAR 120,000 (One Hundred Twenty Thousand Saudi Riyals) per annum.The Chairman and each Director shall be paid SAR 3,000 (Three Thousand Saudi Riyals) for attending each Board meeting and an amount of SAR 1,500 (One Thousand Five Hundred Saudi Riyals) for attending each meeting of the Executive Committee affiliating of the Board. In addition, the Company shall pay the actual expenses incurred for attending the Board or Executive Committee meetings including travel and accommodation expenses. In any event, the total remuneration of the Chairman and the Directors may not exceed 5% of the net profits. The Company shall ensure that all the written details of the proposed remuneration and reimbursement are provided to the Shareholders prior to the Ordinary General Assembly date where the remunerations & reimbursements will be discussed and voted on. The Company shall also ensure the approval of the conditions of remunerations & reimbursements in a General Assembly where the directors shall not have the right to vote. The remunerations of the Board members may be amended, subject to approval of the Extraordinary General Assembly of the Shareholders.

Chairman of the Board and Managing Director

The Board of Directors shall appoint one of its members as Chairman and the Board shall appoint a Managing Director (who, up to the date of this Prospectus, has not been appointed) for the Company from the members of the Board. The Chairman and the Managing Director shall have the authority to sign on behalf of the Company and enforce the Board's resolutions. The Chairman or Managing Director represents the Company before judicial bodies and others. The Chairman and the Managing Director shall have the powers to delegate their duties to others for specific job/jobs. The Managing Director shall be responsible for the executive management of the Company, fix the salaries, allowances and remunerations of both the Chairman and the Managing Director as set forth in the Company's By-Laws.

The Audit Committee

The Board shall form an Audit Committee consisting of no less than three (3) members and no more than five (5) members who are not executive Directors of the Company and the majority of whom shall not be members of the Board as approved by SAMA, the Ministry of Commerce and Industry and CMA.

The Executive Committee

The Board shall form an Executive Committee consisting of not less than three (3) members and not more than five (5) members. The chairman of the Executive Committee who will chair the meetings shall be elected from the Board members. If the chairman is not present at a meeting, the Committee shall elect a temporary chairman from the members present. A member of the Executive Committee may appoint another member having the right for voting to vote at three Executive Committee meetings only. The period of membership of the Executive Committee shall be the same as of the Board and the Board shall fill the vacancy in the Executive Committee.

Subject to any directives set forth by SAMA or the Company Board, the Executive Committee exercises all the powers specified by SAMA or the Company Board. The Executive Committee provides assistance to the Managing Director or the General Manager within the limits of its prescribed authorities.

The Executive Committee meeting shall be valid only if attended by at least two (2) of its members in person or by proxy, provided that, at least two (2) members shall attend in person. The decisions of the Executive Committee shall be adopted unanimously. In the event of disagreement the decisions shall be adopted by three quarters majority vote of the present or represented members. The Committee shall meet from time to time whenever its chairman considers it necessary provided that at least six (6) meetings shall be held during a year. The Executive Committee shall meet if so requested in writing by at least two (2) members and a decision issued shall be deemed as approved if approved in writing by two (2) of the members.

Board Meetings

The Board shall be called to convene at the head office of the Company by its Chairman and when requested to convene such meeting by two members of the Board. The call shall be documented in the way deemed proper by the Board. The Board may meet outside the head office of the Company. The Board shall meet at least four times within one fiscal year provided the period between meetings should not exceed four months.

The meeting of the Board shall not have a quorum unless attended by at least two thirds of the members in person or by proxy, provided that the members attending in person shall be at least four directors. Subject to Article 15 of the By-Laws, a Board member may delegate another Board member to attend the Board meeting and vote therein on his behalf.

The Board's resolutions shall be passed unanimously, and in case of disagreement by at least two thirds majority vote of the present or represented members. Board resolutions may be issued by members voting by circulation, unless a member requests in writing to hold a meeting for deliberations regarding the matter, in which case, the resolutions will be presented to the Board in its first next meeting. Any member of the Board of Directors who has a direct or indirect interest in any matter or suggestion presented to the Board or the Executive Committee, as applicable, shall inform the Board or the Executive Committee of the nature of his interest in the presented matter. Such a member must refrain from participation in the deliberations and voting on that matter or proposal in the Board or the Executive Committee without the need of excluding him from the number of attendees for the quorum purposes.

The Board members shall not conclude insurance contracts with the Company where they have interest in such contracts without SAMA approval.

General Assembly

The General Assembly of Shareholders properly formed shall be deemed to represent all the Shareholders and shall be held in the city where the Company's head office is located. Each subscriber, no matter of the shares he holds, shall have the right to attend the Constituent General Meeting in person or by proxy for other subscribers and vote thereat. Each shareholder holding 20 shares or more shall have the right to attend the General Assembly. A shareholder may delegate another shareholder who is not a director of the Company to attend the General Assembly on his behalf by means of proxy. The Extraordinary General Assembly shall have jurisdiction to alter the Company By-Laws, except where alteration of the provisions is restricted by the Law. It may pass resolutions on matters falling within the jurisdiction of the Ordinary General Assembly, subject to the same conditions and in the same manner prescribed for the latter.

Except for matters falling within the jurisdiction of the Extraordinary General Meeting, the Ordinary General Assembly shall have jurisdiction to deal with all matters that concern the Company. It shall be held at least once a year within six months following the end of the Company's financial year. Other Ordinary General Meetings may be convened whenever needed.

Convening the General Assembly

The Ordinary General Meeting shall be valid only if attended by shareholders representing at least one half of the Share Capital. In case this quorum is not attained at the first meeting, a notice shall be made for a second meeting to be held within thirty days after the preceding meeting. Such notice shall be published in the manner prescribed in Article 88 of the Companies Regulations. The second meeting shall be valid irrespective of the number of shares represented therein. The Extraordinary General Meeting shall be valid only if attended by shareholders representing at least 50% of the Share Capital. In case this quorum is not attained in the first meeting, a notice shall be made for a second meeting with the same situations provided for in the preceding Article. The second meeting shall be valid if attended by a number of shareholders representing at least one quarter of the Share Capital.

Voting in the General Assembly

Votes in the Constituent Assembly and Ordinary & Extraordinary General Assemblies shall be calculated on the basis of one vote per share.

Resolutions of the Constituent Assembly & Ordinary General Assembly shall be adopted by an absolute majority vote of the Shares represented thereat. However, if such resolutions relate to assessing shares in kind or special benefits, approval shall be obtained from the majority of subscribers holding cash shares representing two thirds of the said shares after excluding subscriptions of the shares in kind or the beneficiaries from the special benefits. These shareholders shall have no opinion in such resolutions even if they are cash shareholders. Resolutions of an EGM shall be adopted by a majority vote of two thirds of the Shares represented at the meeting. However, if the resolution to be adopted is related to increasing or reducing the capital, extending the Company's term, dissolving the Company prior to the expiry of the period specified in its By-laws or merger into another company, then such resolution shall be valid only if adopted by a majority of three-quarters of the Shares represented at the meeting.

Company Accounts & Dividends

The fiscal year of the Company shall commence on the 1st January of each year and expire with the end of December of the same year. The first fiscal year of the Company shall commence from the date of the Ministerial Council declaring the Company incorporation and end on 31st December of the next year.

At the end of each fiscal year the Board shall prepare the closing entries of the Company's assets and liabilities as of that date. The Board of Directors shall also prepare financial statements and a report on the Company's activities and financial position for the concluded financial year. The report should set out the proposed method for distribution of net profits within a period not exceeding forty days from the end of the annual financial year which includes such listings. The Board shall place such documents under the disposal of the auditor at least twenty five days prior to the date set for the General Assembly. The Chairman must publish the financial statements, a comprehensive summary of the Board's report and the full text of the auditors' report in a daily newspaper published in the same city as the Company's head office. The Chairman shall deliver a copy of these documents to the General Department of Companies, CMA and SAM at least twenty-five days before the meeting of the Ordinary General Assembly. The Financial Statements shall compose of the statement of financial position for the insurance and shareholder operations, statement of the insurance operations' surplus (deficit), shareholder income statement, statement of shareholders equity, statement of cash flow for insurance operations and statement cash flows for shareholders'.

Insurance Transaction Accounts will be independent from shareholders income statement, as per the following details:

First: Insurance Transaction Accounts

- An independent account shall be made for the earned premiums, reinsurance commissions and other commissions;
- An independent account shall be made for compensations incurred by the Company;
- At the end of each year, the gross surplus will be determined which represents the difference between the total premiums and compensations minus the marketing, administrative and operating expenses and required technical provisions according to the regulating instructions;
- The net surplus will be determined in the following manner:
- Policyholders' Return on Investment will be added to or deducted from the gross surplus after calculating their revenues and deducting from their realized expenses;
- Distribution of net surplus will be made either through distributing a percentage of (10%) to the policyholders directly, or by reducing their premiums for the following year and carrying over the (90%) to the shareholders income accounts.

Second: Statement of Shareholders Income

- Shareholders income from the return on investment of shareholder funds will be in accordance with the rules established by the Board of Directors;
- Shareholders share of the net surplus will be as stated in paragraph (5) of the Clause (First) thereof.

Distribution of Dividends

The shareholders profits shall be distributed as follows:

- Setting aside the prescribed Zakat and income tax;
- 20% of the net profits shall be withheld to form a statutory reserve. The Ordinary General Assembly may discontinue this allocation whenever the said reserve reaches the total paid-up capital;
- Upon proposal by the Board, the Ordinary General Assembly may withhold a percentage of the annual net profits to form an additional reserve to be allocated for specific purpose/ purposes decided by the General Assembly;

- The balance shall be distributed among the Shareholders as a share in the profits or transferred to retained earnings account;

By resolution of the Board of Directors, periodic profits deducted from the annual profits specified in the Sub-Article 4 above, may be distributed in accordance with applicable rules regulating the same issued by competent authorities.

The Company shall inform the CMA, without any delay, of any resolution for the distribution of profits or recommendation of the same. The distributable profits shall be paid to the Shareholders in the place and on the date as determined by the Board in accordance with the instructions issued by Ministry of Commerce and Industry and subject to the prior written consent of SAMA.

The Company's Losses and Winding up

If the Company's total losses amount to three-quarters of its capital, the Directors shall call an EGM to consider whether the Company shall continue to exist or dissolve prior to the expiry of its period specified in Article 5 of its By-Laws. In all cases, the Assembly's resolution shall be published in the Official Gazette.

The Company will end with the expiry of its prescribed term as per these By-Laws and the provisions stated in the Companies Regulations. Upon expiry of the Company term, or if dissolved prior to expiry of its term, the EGM, based on a proposal by the Board of Directors, shall decide the method of liquidation; appoint one or more liquidator(s) and specify their powers & fees. The powers of the Board of Directors shall cease to continue with the expiry of the Company. However, the Board shall continue the management of the Company after its expiry until a liquidator is appointed. The Company's administrative departments shall retain their respective powers to the extent that they do not conflict with the powers of the liquidators.

Upon liquidation, reservation of subscribers' entitlements to the insurance operation surplus and to the reserves formed shall be taken into account as provided for in both Articles (43) & (44) of the Company's By-Laws.

14. Underwriting

Aljazira Capital Company will be the sole Underwriter of the Offering.

Underwriter

Aljazira Capital Company
King Fahad Road Riyadh
P.O. Box 20438
Riyadh, 11455
Kingdom of Saudi Arabia
Tel: (966) 11 2256000
Fax: (966) 11 2256068
Website: www.aljaziracapital.com.sa
E-mail: contactus@aljaziracapital.com.sa

The Company has entered into the Underwriting Agreement with the Underwriter. Following is a summary of Underwriting Agreement:

Number of Rights:	20,000,000 shares
Offering Price:	SAR 10 per share.

Summary of Underwriting Agreement

The principal terms of the Underwriting Agreement are set forth below:

- The Company undertakes to the Underwriter that, on the allocation date, it will allocate and issue to the Underwriter all shares that have not been subscribed to by the eligible shareholders as additional shares at the Offer Price.
- The Underwriter undertakes to the Company that it will, on the allocation date, purchase the number of Offer Shares not subscribed for, at the Offer Price

Fees

The Underwriter will receive a fixed amount against its underwriting of the Offer Shares.

15. Estimated Offering Expenses

Total value of the Offering is expected at SAR 200 million, of which about SAR 8 million will be paid as costs and expenses of the Rights Offering, which include the fees of Financial Advisor, Legal Advisor, Financial Due Diligence Consultant, Underwriter, Receiving Agents, Media and Public Relations Advisor, as well as the expenses arising from marketing, translation, printing and distribution and other associated Offering expenses. The Company will incur all expenses relating to the Offering process. The following table depicts the total estimated Offering Expenses:

135- Table (14-1): Offering Expenses

Item	Value (AR)
Fees of Financial Advisor, Lead Manager, Underwriter and other advisors/consultants	4,150,000
Marketing, distribution and advertisement expenses	1,500,000
Receiving Agents	1,250,000
Other expenses	1,100,000
Total	**8,000,000**

Source: Arabia Insurance

16. Exemptions

The Company has not submitted any request to CMA to be exempted from any requirements stipulated in the Listing Rules.

17. Description of Shares

Share Capital

The share capital of the Company is SAR 200,000,000 consisting of 20,000,000 shares of equal nominal value of SAR 10 per share.

12,000,000 Shares have been issued in exchange for cash contributions by the Founding Shareholders representing 60% of the Company's Capital, while the remaining 8,000,000 shares representing 40% of the Capital, have been offered for public subscription.

After the Rights Offering is completed and increasing the Capital by SAR 200,000,000, the Company's Capital will become to SAR 400,000,000, divided into 40,000,000 shares with a nominal value of SAR 10 per share.

Subscription to the Share Capital

The Share Capital of the Company was subscribed for in full. Founding Shareholders subscribed for 12,000,000 shares representing 60% of the full Share Capital, while public subscribed for the remaining shares representing 40% of the Share Capital, amounting to 80,000,000 shares, through an IPO.

Capital Increase

The Company may, based on a resolution passed by the EGM and after approval of the competent authorities, increase its capital once or more providing that the original capital has been paid in full. The resolution shall specify the method of capital increase.

Decrease of Capital

The Extra-Ordinary Meeting, subject to the approval of the competent authorities, may reduce the Company's capital based on acceptable reasons, if it proves to be in excess of the Company's needs or if the Company sustains losses. The decrease resolution shall be published and a 60-days period shall be given for creditor of the Company to express their objection thereto. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

Shares

The Company's shares are tradable in accordance with the rules and regulations issued by CMA. However, the shares subscribed for by the Founding Shareholders will not be tradable before publishing the financial statements for 3 full years not more than twelve months each from the date of incorporation. These provisions shall apply to the shares subscribed for by the Founding Shareholders of capital raise is effected prior to expiry of the restriction period. However, cash shares may be transferred during the restriction period in accordance with terms governing the transfer of shares from one founding shareholder to another or to a Board Member as a guarantee of membership, or from a diseased founder's heirs to third parties.

General Meetings

The Ordinary General Meeting shall be valid only if attended by shareholders representing at least one half of the Share Capital. In case this quorum is not attained at the first meeting a notice shall be made for a second meeting to be held within thirty days after the preceding meeting.. The second meeting shall be valid irrespective of the number of shares represented therein. The invitation for the meeting should be published in the Official Gazette and a daily newspaper distributed in the Company's Head Office at least 25 days before the date of the meeting. It is sufficient to send the invitation to the registered address if all shares are nominal shares. In any case, the invitation must contain the agenda of the meeting. A copy of the invitation and agenda must be sent to the Companies Department at the Ministry of Commerce and Industry during the publication.

Resolutions of the Constituent and Ordinary General Assembly shall be adopted by an absolute majority vote of the Shares represented thereat. However, in the event that the decisions are for assessment of the shares in kind or special advantages, they must obtain approval of two-thirds majority of the shareholders who subscribed for shares in cash. In such decisions, in kind shareholders are not entitled to vote.

The Extraordinary General Meeting: The Extraordinary General Meeting shall have jurisdiction to alter the By-Laws except the provisions which may not be altered under the relevant Law. In addition to the foregoing, it may pass resolutions on matters falling within the jurisdiction of the Ordinary General Meeting subject to the same conditions and in the same manner prescribed for the latter. The Extraordinary General Meeting shall be valid only if attended by shareholders representing at least 50% of the Share Capital. In case this quorum is not attained in the first meeting, a notice shall be made for a second meeting in the manner prescribed for the Ordinary General Assembly. The second meeting shall be valid if attended by a number of shareholders representing at least one quarter of the Share Capital.

Resolutions of an EGM shall be adopted by a majority vote of two thirds of the Shares represented at the meeting. However, if the resolution to be adopted is related to increasing or reducing the capital, extending the Company's term, dissolving the Company prior to the expiry of the period specified or merger with another company, then such resolution shall be valid only if adopted by a majority of three-quarters of the Shares represented at the meeting.

Voting during the Constituent Assembly, Ordinary General Assembly and the EGM will be on the basis of one vote per one share. EGM resolutions must be passed by two-thirds majority of the shares present in the meeting unless the decision relates to an increase or decrease of the Company capital, extend its duration or termination of the Company prior to its term as provided for in its By-Laws, or merging with other companies or organizations, the resolution shall not be valid unless it is approved by a majority of three-quarters of the present shares.

Shareholders Rights

Voting Rights

The Company issued one class of issued shares and there are no preferential rights for any shareholder with respect to voting. Every shareholder has the right to one vote for every one share he holds. A shareholder may delegate another Shareholder other than Board members to attend the General Assembly on his behalf.

Dividends Distribution

The Company's policy for dividends distribution shall conform with terms stipulated in the Cooperative Insurance Companies Control Law and its Implementing Regulations and the Company's By-Laws adopted by the Constitutional Assembly.

Article 44 of the Company's By-Laws defines the Company's policy for distribution of Dividends as follows:

- Zakat and income tax allocations are to be held,
- 20% of the net profits shall be withheld to form a statutory reserve, The ordinary General Assembly may discontinue this allocation when the said reserve reaches one hundred per cent. of the Company's paid-up capital.
- The Ordinary General Assembly may withhold an additional percentage of the annual net profits to form an additional reserve to be allocated for the purpose or specific purposes decided by the Ordinary General Assembly,
- The balance shall be paid to the Shareholders as an initial payment of not less than 5% of the paid-up Capital,
- The balance shall be distributed among the Shareholders as a share in the profits or transferred to retained earnings account,

By resolution of the Board of Directors, periodic profits, deducted from the annual profits may be distributed in accordance with applicable rules and regulations issued by competent authorities.

The Company shall inform the CMA, without any delay, of any resolutions for the distribution of profits or recommendation of the same. The distributable profits shall be distributed to the Shareholders in places and on dates as determined by the Board in accordance with the instructions of the Ministry of Commerce and Industry and subject to the prior written consent of SAMA.

The Company has not declared any dividends distribution since its inception. The New Shares are eligible for any dividends to be declared by the Company after completion of the Offering and in the following fiscal years.

In addition, it is worth mentioning that there are no provisions regulating the amendments of the Rights or their categories, nor any provisions to allow members of the Board of Directors or Senior Executives the right to borrow from the Company.

It should be noted that the By-Laws of the Company have not addressed the redemption or repurchase rights, or rights in the surplus assets on liquidation or dissolution.

18. Subscription Terms and Conditions

All Eligible Shareholders, holders of acquired rights and applicants must carefully read the Subscription Terms and Conditions prior to completing the Subscription Application Form or the Rump Offering Form since the completion, execution and submission of the Subscription Application Form constitutes acceptance and agreement to the Subscription Terms and Conditions.

Signing the Subscription Application Form and submitting it to the Receiving Agent is considered a binding agreement between the Company and the Eligible Person. Eligible Persons may obtain this Prospectus and Subscription Application Form from the Receiving Agents.

18.1 Subscription to the New Shares

The Company has submitted an application to CMA for admission and listing of the Company's New Shares. An application will be submitted CMA for trading in Offer Shares after completion of the Offering. Eligible Persons wishing to subscribe may submit the subscription application to the Right during the subscription period. The Subscription Application may be obtained from the following Receiving Agents:

Bank AlJazira King Abdulaziz Road – Jeddah P.O. Box 6277, Jeddah 21442 Kingdom of Saudi Arabia Tel: +966 12 609 8888 Fax: +966 12 609 8881 Website: www.baj.com.sa E-mail: info@baj.com.sa
Samba Financial Group King Abdul Aziz Road P.O. Box 833, Riyadh 11421 Saudi Arabia Tel: +966 (11) 477 4770 Fax: +966 (12) 479 9402 Website: www.samba.com E-Mail: customercare@samba.com
Riyad Bank King Abdulaziz Road P.O. Box 22622, Riyadh 11614 Kingdom of Saudi Arabia Tel: +966 (11) 401 3030 Fax: +966 (11) 404 2618 Website: www.riyadhbank.com E-mail: customercare@riyadbank.com
The National Commercial Bank King Abdul Aziz Road - Jeddah P.O. Box 3555, Jeddah 21481 Kingdom of Saudi Arabia Tel: +966 12 6493333 Fax: +966 12 6437426 Website: www.alahli.com E-mail: contactus@alahli.com
Arab National Bank King Faisal Street P.O. Box 9802, Riyadh 11423 Kingdom of Saudi Arabia Tel: +966 11 402 9000 Fax: +966 11 402 7747 Website: www.anb.com.sa E-mail: info@anb.com.sa

In accordance with this Prospectus, 20,000,000 Shares will be offered for subscription through the Rights Issue representing 100% of the Company's pre-offering share capital, at an Offer Price of SAR 10 per share, with a nominal amount of SAR 10 and a total Offering value of SAR 200,000,000. The New Shares will be issued as one New Share for every one share held. Subscription to the New Shares are offered to the Registered Shareholders, as at the close of trading on the date of the EGM held on Tuesday 18/06/1436H (corresponding to 07/04/2015G) (the "Eligibility Date") and to the Eligible Persons who purchased the Rights during the Trading Period, including Registered Shareholders who bought new Rights in addition to the Rights that they were previously entitled to.

If Eligible Persons do not exercise their Rights and subscribe for the New Shares by the end of the Second Offering Period, the Rump Shares resulting from non-exercise or sale of the Rights by Eligible Persons will be made available to Institutional Investors during the Rump Offering.

Registered Shareholders may trade their Rights deposited in their accounts through Tadawul. These Rights will be considered acquired by all Registered Shareholders in the Company's Shareholders Register as of the end of the EGM date. Each Right grants its holder eligibility to subscribe for one (1) New Share at the Offer Price. The Rights shall be deposited, within a maximum of two working days after the date of the EGM. Rights will appear in the Registered Shareholders' accounts under a new symbol assigned to the Rights Issue.

The schedule and details of the Offering are as follows:

- Eligibility Date: The end of trading on the day of the EGM on Tuesday 18/06/1436H (corresponding to 07/04/2015G).
- First Offering Period: Starts on Tuesday 25/06/1436H (corresponding to 14/04/2015G) until the end of the day on Thursday 04/07/1436H (corresponding to 23/04/2015G) (First Offering Period) during which only Registered Shareholders may exercise their Rights to subscribe (in whole or in part) for the New Shares up to the number of Rights deposited in their accounts after the EGM. The subscription for the New Shares will be approved, subject to the number of Rights available in the relevant account at the end of the Trading Period. Subscription in New Shares will occur by submitting a Subscription Application Form to any branch of the Receiving Agents by submitting a completed Subscription Application Form or through subscribing electronically with the Receiving Agents that offer such services to subscribers. It should be noted that at the end of the Trading Period, if a Registered Shareholder owns a number of Rights lower than the number of Rights that were subscribed for during the same phase, his subscription application will be rejected in whole or in part. He will be informed of this rejection and a refund of the subscription amount will be issued by the Registered Shareholder's Receiving Agent.
- Trading Period: Starts on Tuesday 25/06/1436H (corresponding to 14/04/2015G) until the end of the day on Thursday 04/07/1436H (corresponding to 23/04/2015G), in keeping with the First Offering Period. Tadawul would have then prepared mechanisms to organize the trading of Rights in its systems and shall assign a new symbol for the Company's Rights Issue (separate from Company's trading symbol on TADAWUL screen). The trading system will cancel the Rights Issue symbol of the Company on TADAWUL screen once the Trading Period expires. This period includes the following options:
  a) Registered Shareholders during this period are entitled to:
     1. Retain the acquired Rights as of the Eligibility Date and exercise their Rights to subscribe for the New Shares through the Receiving Agents;
     2. Sell all their Rights or a part thereof;
     3. Purchase additional Rights and trade them (Subscription to additional New Shares is only possible during the Second Offering Period, by filling a Subscription Application Form or electronically with one of the Receiving Agents that provide such services to subscribers); or
     4. Refrain from taking any action relation to the Rights Issue (Not to sell the Rights or exercise the right to subscribe for it). The Rump Shares resulting from not exercising the Rights or selling the same will be offered on the Exchange during the Rump Offering.
  b) Those who purchased Rights during this period, may trade these Rights either by selling them or buying part or all of these Rights. If they purchased and held on to their Rights during this period, they may exercise these Rights and subscribe for New Shares only in the Second Offering Period, by filling a Subscription Form or electronically with one of the Receiving Agents that provide such services to their customers. If they don't subscribe for the Rights by the end of the Second Offering Period, then the Rump Shares resulting from not exercising the Rights or selling the same will be offered on the Exchange during the Rump Offering.
- Second Offering Period: Starts on Sunday 07/07/1436H (corresponding to 26/04/2015G) until the end of the day on Tuesday 09/07/1436H (corresponding to 28/04/2015G). No Rights can be traded during this period, which includes the following steps:
  a) Registered Shareholders who hold Shares in the Company as of the Eligibility Date and who did not

subscribe for New Shares in the Company either in whole or in part during the First Offering Period, may exercise their Right during this phase and in the same way as defined for the First Offering Period. If they purchase additional Rights during the Trading Period, they may exercise their Rights and subscribe in the New Shares during the Second Offering Period, by filling a Subscription Application Form or through an ATM machine or through the telephone or through subscribing electronically with one of the Receiving Agents that provide such services to subscribers. If they don't subscribe for these Shares by the end of this phase, then these Shares will be placed on the market for the Rump Offering.

b) Those who purchased Rights during the Trading Period and held on to them until the end of such period, may exercise their Rights and subscribe in the New Shares in this phase through the same procedures outlined in the First Offering Period. If they don't subscribe for the New Shares by the end of this phase, then the Rump Shares resulting from not exercising the Rights or selling the same will be placed on the market for the Rump Offering.

- Rump Offering: Starts on Sunday 14/07/1436H (corresponding to 03/05/2015G) at 10:00 AM until 10:00 AM of the next day 15/07/1436H (corresponding to 04/05/2015G) until the following day at 10:00 AM on 08/10/1436H (corresponding to 04/08/2014G). During this period, the Rump Shares together with the fractions shares will be offered to a number of institutional investors ("Institutional Investors"). These institutions would thereafter present offers to purchase the Rump Shares, and the Rump Shares will be allocated to Institutional Investors in order of offer value so the highest value comes first until all of the Rump Shares have been allocated (provided that it shall not be less than the Offer Price), with the Rump Shares being proportionally divided among Institutional Investors that tendered offers at the same price. Share fractions will be added to the remaining shares and treated similarly.
- Final Allocation of Shares: Shares will be allocated to each investor based on the number of Rights fully and properly exercised by it. As for the persons entitled to fractional Shares, these fractions will be combined and offered to Institutional Investors during the Rump Offering. All proceeds resulting from the sale of Rump Shares and fractional Shares up to the paid Offer Price shall be distributed to the Company and any proceeds in excess of the Offer Price shall be distributed to the eligible persons no later than Thursday 25/07/1436H (Corresponding to 14/05/2015G).
- Trading of the New Shares on the Market: Trading in the New Shares on the Exchange is expected to commence once all related formalities pertaining to their registration and allocation have been completed

18.2 Eligible Persons who do not subscribe for the New Shares

The Company's share price will be modified at the close of the trading day on the date which the EGM was held on Tuesday 18/06/1436H (corresponding to 07/04/2015G), based on the Offer Price and the number of New Shares issued under this Prospectus, in addition to the market value of listed shares at closing time. Registered Shareholders who do not participate in whole or in part in the New Shares subscription will be subject to a decrease in their percentage of ownership in the Company and the value of the Shares they currently hold. Eligible Persons who did not subscribe to and did not sell their Rights will be vulnerable to losses. Eligible Persons who do not subscribe for New Shares will not get any advantages or benefits against the rights owing to them except to receive proportional cash compensation from the proceeds of the sale price in excess of the Offer Price of the Rump Shares (if any). Registered Shareholders will retain the same number of Shares that they owned before the capital increase.

If Institutional Investors wish to buy the Rump Shares at the Offer Price only, or if they do not wish to subscribe and the Underwriter therefore covers the Rump Shares at the Offer Price, then the non-participating Eligible Persons will not receive any compensation as a result of them not subscribing for the New Shares by exercising their Rights.

Compensation amounts (if any) will be paid to the Eligible Persons who did not subscribe wholly or partially for the New Shares and Shareholders entitled to fractional shares by dividing the compensation amount by the total number of Shares not subscribed for by Eligible Persons and Shareholders entitled to fractional Shares. The compensation per share will thus be determined and paid to the Eligible Persons who did not subscribe for all or part of the Shares they were entitled to, as well as those entitled in fractional Shares.

18.3 Completion of Subscription Application Form

Eligible Persons wishing to exercise their full right and subscribe for all the Rights to which they are entitled, must fill and submit a completed Subscription Application Form, together with the subscription monies for their full entitlement and the required accompanying documents, to one of the Receiving Agents.

The number of Shares that the Eligible Person is entitled to will be calculated based on the existing Rights owned prior to the closing of the Second Offering Period. The subscription monies that the Subscriber must pay are calculated by multiplying the number of existing Rights owned prior to closing of the Second Offering Period by SAR 10.

By completing and presenting the Subscription Application form, the Subscriber:

- Agrees to subscribe for the number of New Shares as stated in the Subscription Application Form;
- Warrants that he/she has carefully read the Prospectus and understood all its contents;
- Accepts the By-Laws of the Company and the terms and conditions mentioned in the Prospectus;
- Does not waive his/her right to claim any damages directly arising from any incorrect or inadequate significant information in the Prospectus, or for any material information missing there from, which would directly impact the Subscriber's acceptance to subscribe had it been contained in the Prospectus;
- Accepts the number of shares allocated to him/her and all other subscription instructions and terms mentioned in the Prospectus and the Subscription Application Form; and
- Warrants not canceling or amending the Subscription Application Form after submitted to the Receiving Agent.

18.4 Documents required to be submitted with the Subscription Application Forms

The Subscription Application Form must be submitted together with the following documents, as applicable to each case, and the Receiving Agents shall match the copy of each document with the original document and then return the original documents to the Subscriber.

- Original and copy of the personal identification card (in case of an individual subscriber)
- Original and copy of the family identification card (for family members)
- Original and copy of the power of attorney (in case of authorizing another person for the subscription)
- Original and copy of the custody deed (for orphans) (for individual subscribers)
- Original and copy of the residence permit (Iqama) for non-Saudis, whenever applicable (for individual subscribers)
- Original and copy of the commercial registration (in case of entities)

Power of attorney will be restricted to first class relatives (children, parents). In case of applying on behalf of another person, the attorney shall write his name and sign the Subscription Application Form. He shall attach the original and a copy of a valid power of attorney issued by a notary public for those who are living in Saudi Arabia or legalized through a Saudi embassy or consulate in the relevant country for those residing outside Saudi Arabia.

18.5 Submission of the Subscription Application Form

Receiving Agents shall start receiving Subscription Application Forms in their branches in the KSA during the First Offering Period and the Second Offering Period. Subscription Application Forms can be submitted by Institutional Investors for any Rump Shares only during the Rump Offering. Subscription Application Forms can be delivered during either of the offering periods either through a branch of the Receiving Agents or the telephone banking services section or ATMs or internet banking of any of the Receiving Agents providing such services.

The Subscription Application Form includes further information which is to be strictly followed. Upon completing, signing and submitting the Subscription Application Form, the Receiving Agent shall stamp it and provide the Subscriber with a copy thereof. If the information filled in the form turns out to be incomplete or incorrect or the form is not stamped by the Receiving Agent, the Subscription Application Form will be considered void.

An Eligible Person shall accept the subscription terms and conditions and fill all sections of the Subscription Application Form. In case the form completed by an applicant does not meet any of the subscription terms and conditions, the Company shall have the right to reject that application in part or whole. Any application providing incomplete or incorrect information or not stamped by a Receiving Agent will be considered void. The application form may not be amended or withdrawn after submission to the Receiving Agents, and shall be considered a binding contract between the Subscriber and the Company, once approved by the Company.

The Subscriber from among Eligible Persons is deemed to have bought the number of New Shares allocated to him when the following terms are fulfilled:

- Delivery by the Eligible Persons of the Subscription Application Form to any of the Receiving Agents' branches;
- Payment in full by the Eligible Person to the Receiving Agents of the total Offer Price (as specified above) of the Shares subscribed for; and
- Delivery to the Eligible Person by the Receiving Agents of the allocation letter specifying the number of Shares allocated to him/her

Eligible Persons will not be allocated New Shares exceeding the number of New Shares that they subscribed for.

18.6 Allocation

The Company and Lead Manager shall open an escrow account called "**Arabia Insurance Cooperative Company - Rights Issue**", in which the subscription proceeds shall be deposited. The New Shares shall be allocated to each investor based upon the number of Rights that he/she properly exercised. As for Shareholders entitled to fractional Shares, these shall be accumulated and offered to Institutional Investors during the Rump Offering. Total price of sale of rump shares will be paid to the Company, and the remainder proceeds of the rump shares (in excess of Offer Price) will be distributed to eligible subscribers each in pro rata with his eligibility no later than Thursday 25/07/1436H (corresponding to 14/05/2015G. Excess unsubscribed for Shares shall be purchased by and allocated to the Underwriter at the launch price

Final notice for the number of Shares allocated to each Eligible Person without any charges or withholdings by the Lead Manager or Receiving Agents is expected to take place by depositing the shares into the accounts of Subscribers with the receiving parties. Eligible Persons shall contact the branch of the Receiving Agent where they have submitted the Subscription Application Form to obtain any further information. The announcement regarding the allocation shall be made no later than Wednesday 17/07/1436H (corresponding to 06/05/2015G.

For the eligible persons of fraction shares, such fractions shall be collected and offered to the institutional investors during the Rump Offering period. The proceeds from the sale of such shares will be distributed to eligible subscribers each in pro rata with his eligibility no later than Thursday 25/07/1436H (corresponding to 14/05/2015G.

18.7 Compensation Payment

The compensation to Eligible Persons who do not subscribe for all or part of the Rights Issue, if any, shall be paid no later than Thursday 25/07/1436H (corresponding to 14/05/2015G.

18.8 FAQs about the Rights Issue Mechanism

What is a Rights Issue?

A Rights Issue is an offering of tradable securities that give their holders the priority to subscribe for New Shares upon approval of the capital increase of the Company. They are acquired rights for all Registered Shareholders in the Company's Register as at the close of trading on the date of the EGM. Each Right grants its holder eligibility to subscribe in one New Share at the Offer Price.

Who is granted the Rights?

The Rights are granted to all Registered Shareholders in the Company's Register as at the close of trading on the date of the EGM.

When are the Rights deposited?

The Rights are deposited within two days after the EGM. The Shares will appear in the accounts of Registered Shareholders under a new symbol that designates these Rights. These Rights cannot be traded or exercised by the Registered Shareholders until the beginning of the First Offering Period.

How are Registered Shareholders notified of the Rights being deposited in their accounts?

The Registered Shareholders are notified through an announcement on the Tadawul website.

How many Rights can be acquired by a Registered Shareholder?

The number of Rights to be acquired by a Registered Shareholder is subject to the Rights Issue ratio and the number of Shares held by the Registered Shareholder as at the close of trading on the date of the EGM.

What is the Rights Issue ratio?

It is the ratio that permits the Registered Shareholder to know how many Rights he/she is entitled to in relation to the Shares that he/she already owned on the date of the EGM. If a company, for example, has issued 1,000 shares and increases its capital by offering 200 new shares, its number of shares becomes 1,200. Then, the eligibility ratio is 1 to 5 (one new share for every five existing shares).

Are these Rights tradable and will they be added to the Shareholders accounts under the same name/symbol as the Company's shares; or will they be assigned a new name?

The Rights will be deposited in Shareholders' accounts under a new symbol specially assigned to the Rights Issue.

What is the Right value upon the trading commencement?

The Right opening price is the difference between the share closing price on the day preceding such Right listing, and the Offer Price. For example, if the closing price of a share on the preceding day is SAR 35 (thirty-five Saudi Riyals) and the Offer Price is SAR 10 (ten Saudi Riyals), the opening price of the Rights will be 35 minus 10, i.e. SAR 25 (twenty-five Saudi Riyals).

Can Registered Shareholders subscribe for additional shares?

Registered Shareholders can subscribe for additional shares by purchasing new Rights during the Trading Period. These Rights can be exercised to subscribe for the new additional shares only during the Second Offering Period.

How does the Offering take place?

The Offering will take place as it currently does by submitting Subscription Application Forms at any of the Receiving Agents' branches (mentioned in this Prospectus) and only during the First Offering Period and/or the Second Offering Period.

Can Shareholders subscribe more than once through more than one receiving bank?

Yes, they are allowed to subscribe. However, the quantity of subscribed shares should not exceed the number of rights acquired upon end of rights trading period. Any excess in the shares subscribed over the number of rights acquired at the end of rights trading period will result in the cancellation of subscription application.

If Company shares are acquired through more than one investment portfolio, in which portfolio will the Rights be deposited?

The Rights will be deposited in the same portfolio where the shares of the Company connected to the Rights are deposited. Example: If a shareholders holds 1000 shares in the Company (800 shares in portfolio (a) and 200 shares in portfolio (b), then the total Rights which will be deposited (1000) Rights as each shares is eligible for (1) Rights. Therefore, 800 Rights will be deposited in portfolio (a) and 200 Rights will be deposited in portfolio (b).

In case of subscription through more than one portfolio, where will the new shares after allocation be deposited?

Shares may be deposited in the investment portfolio mentioned in the first subscription application

Are share certificate holders allowed to subscribe and trade?

Yes, they are allowed to subscribe. However, they will only be able to trade after depositing their certificates in investment accounts through the Receiving Agents or the Tadawul's depository center and submitting the requisite documents.

What happens if New Shares are subscribed for, and then the Rights have been sold after that?

If a Registered Shareholder subscribes, then sells the Rights without purchasing a number of Rights equal to the number of exercised Rights prior to the end of the Offering period, then the Subscription Application will be rejected entirely, if all Rights have been sold, or partly in an amount equal to the number of sold Rights. In this case, the Registered Shareholder will be notified by its Receiving Agent and the rejected Offering amount will be refunded.

Are additional Rights purchasers entitled to trade them once again?

Yes, purchasers of additional Rights may sell them and purchase other Rights only during the Trading Period.

Is it possible to sell a part of these Rights?

Yes, the investor may sell a part of these Rights and subscribe for the remaining part.

Is it possible to subscribe during the weekend between the First and Second Offering Periods?

No, that is not possible.

When the subscriber can subscribe for the Rights he purchased during trading period?

During the second phase only after completion of the trading period in the rights.

Can the Eligible Person sell the Right after expiry of the Trading Period?

That is not possible. After the expiry of the Trading Period, the Eligible Person may only exercise the right to subscribe for the capital increase. In case the Right is not exercised, the investor may be subject to loss or decrease in the value of his investment portfolio.

What happens to Rights that are unsold or unsubscribed for during the Trading Period as well as the First and Second Offering Periods?

The Rump Shares resulting from a failure to exercise or sell these Rights will be offered during the Rump Offering, organized by the Lead Manager according to the standards set forth in this Prospectus.

Will there be any additional fees for the trading in Rights?

The same commissions applying to the shares will also apply on sale and purchase operations, without a minimum commission being imposed.

18.9 Miscellaneous Terms

The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs; provided that, except as specifically contemplated herein, neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.

The terms and conditions set here and any receipt of the Subscription Application Forms or any related Agreements are subject to the regulations of the Kingdom, and shall be interpreted and executed according to such regulations. This Prospectus may be distributed in Arabic and English languages. In case of conflict between the two texts, the Arabic text of the Prospectus shall prevail.

No restriction on the subscription for or trading in the rights for the Offer Shares, except the restrictions relating to the Rights of Strategic Shareholders who are committed to subscribe for all of their entitled Rights by virtue of the written letters addressed to SAMA.

Although the CMA has approved this Prospectus, it may suspend this subscription offer if the Company, at any time after the adoption of this Prospectus by the CMA and before approving the listing of Shares in the market, becomes aware of (1) A significant change that has occurred in any of the key information contained in this Prospectus, or any of the documents required to be included under the Listing Rules, or (2) Any additional issues that should have been included in this Prospectus. In these cases, it is incumbent on the Company to submit to the CMA a supplementary Prospectus, according to the requirements of the Listing Rules. The supplementary Prospectus will therefore be published and an announcement made about applicable subscription dates. It is also possible that this subscription be suspended in the event of non-approval of the EGM on any of its details.

18.10 Trading of New Shares

Trading of the New Shares will take place upon completion of all relevant procedures. This is expected to take place after refund of subscription surplus in coordination with the CMA, and will be announced at a later date.

18.11 The Saudi Arabian Stock Exchange (“Tadawul”)

Tadawul was founded in 2001G as the successor to the Electronic Securities Information System. Electronic trading in securities commenced in the Kingdom in 1989G.

Trading on Tadawul takes place through a fully integrated trading system “TADAWUL” through an integrated process covering the entire process from trade order through settlement. Trading occurs each business day between 11:00 a.m. and 3:30 p.m., from Sunday until Thursday of each week. After close of exchange trading, orders can be entered, amended or deleted from 10:00 a.m. until 11:00 a.m. New entries and inquiries can be made from 10:00 a.m. of the opening session (starting at 11:00 a.m.). These times are subject to change during the Holy month of Ramadan, and are announced by Tadawul’s Management.

Tadawul system works on matching orders by price and orders are received and prioritized based on price. In general, market orders are executed first, and if several instructions are entered at the same price level, they are executed at a first come first serve basis according to their entry time.

Tadawul distributes a comprehensive range of information through various channels, including in particular the Tadawul website and Tadawul Information Link. The Tadawul Information Link supplies trading data in real time to information providers such as Reuters.

Transactions are settled automatically during the day, i.e. ownership transfer takes place immediately after the trade is executed.

Issuers are required to report all material announcements via Tadawul for onward dissemination to the public. Surveillance and monitoring is the responsibility of Tadawul as the operator of the market. The aim of supervision is to ensure fair trading and an orderly market.

18.12 Registration in the Saudi Stock Exchange

An application has been made to the CMA to register and include the New Shares in the Saudi Stock Exchange. The registration is expected to be approved and trading to commence on the Saudi Stock Exchange once the final allocation of the New Shares has been concluded. An announcement will be made on the Tadawul website in due course. The dates and times stated in this Prospectus are only provisional and may be changed or extended at any time subject to approval of the CMA.

Although the Existing Shares are registered and listed on the Exchange (Tadawul), it will only be possible to trade in the New Shares once the allocation of the New Shares has been approved and these have been deposited in their Tadawul accounts. It is absolutely forbidden to trade in the New Shares until the allocation has been approved.

Subscribers who engage in any forbidden activity shall be acting at their own risk. The Company shall have no legal responsibility in such an event.

Although the existing shares of the Company are listed on TADAWUL, trading of new shares cannot be made unless after the allocation of shares to eligible subscribers and proposal providers in the Rump offering is approved and the new shares are deposited in their accounts on Tadawul. It is absolutely prohibited to trade the new shares before allocation process is completed and approved.

Subscribers or proposal providers in the supplementary offering and who deal in restricted trading activities will be fully liable for their dealing in such activities, and the Company will not bear any legal liability in this case.

18.13 Resolutions and Approvals under which shares are offered

Arabia Insurance has recently obtained SAMA's approval under letter No. 351000145469 dated 26/11/1435H (21/09/2014G) to increase its share capital by SAR 200,000,000 through the Rights Issue Offering. Upon completion of the Offering the Company's share capital will become SAR 400,000,000 comprising 40,000,000 shares with nominal value of SAR 10 per share. The Company's Board has passed a resolution dated 02/11/1435H (corresponding to 28/08/2014G) recommending the increase of the Company's capital to meet its solvency requirements. The EGM convened on Tuesday 18/06/1436H (corresponding to 07/04/2015G) has approved the recommendation of the Board of Directors to increase the capital as mentioned and the subscription therein will be limited to registered shareholders at the end of the trading day of the EGM. This Prospectus and all the supporting documents requested by the CMA have been approved by publishing this Prospectus on CMA's website on 11/05/1436H (corresponding to 02/03/2015G).

18.14 Change in the share price as a result of the capital increase

The closing price of the Company's share on the day of the EGM was SAR 17,6 and it is expected to be reset to SAR 13,8 in the opening session the next day. The change represents a decrease of 22%.

The method of calculating the Share Price as a result of Capital increase is:

First: Calculation of the market value of the Company at the close of trading on the day of the EGM:

Number of shares at the end of the day of the EGM multiplied by the closing price for the Company's share on the day of the EGM = market value of the Company at the close of trade on the day of the EGM.

Second: Calculation of the Share Price in the opening session on the day following the day the EGM:

(The market value of the Company at the close on the day of the EGM + the value of the offered shares) / (Number of shares issued by the Company at the end of the day the EGM + the number of New Shares offered in this Offering) = share price reset for the opening session on the day following the day of the EGM.

19. Documents Available for Inspection

The following documents will be available for inspection at the Company's head office in Riyadh, from 8:30 a.m. to 5:00 p.m. (from Sunday to Thursday), 3 weeks before the Offering Period and throughout the Offering Period:

- The Company's Commercial Registration.
- The Company's By-Laws.
- Recommendation of the Board of Directors regarding capital increase.
- Resolution of the EGM approving the Company's Right Issue offering.
- CMA's approval of the Company's capital increase through Rights Issue Offering.
- SAMA's approval of the Company's capital increase.
- Material contracts.
- The contracts that must be disclosed under paragraph (i), section 13, Appendix 4 of the Listing Rules.
- Consents from the auditors to refer to their names and use their reports in this Prospectus.
- A written consent from the Financial Advisor to refer to its name in the Prospects as the Financial Advisor.
- A written consent from the Legal Advisor to refer to its name in the Prospects as the Legal Advisor
- A written consent from the Financial Due Diligence Advisor to refer to its name and include their report in the Prospects
- Swiss Re report on the Kingdom's insurance sector for 2013G and SAMA's report on the Saudi insurance market, 2013G.
- Audited financial statements for the years ended 31 December 2011G, 2012G, and 2013G.
- Interim unaudited financial statements for the periods ended on 30 September 2014G.

20. Auditors' Report

The Company's audited financial statements for the years ended on 31 December 2011G, 2012G, and 2013G and the interim unaudited financial statements for the period ended on 30 September 2014G.

Arabia Insurance Cooperative Company

(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

AND INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2014

Arabia Insurance Cooperative Company
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 September 2014
Amount in Saudi Riyal

	Notes	30 September 2014 (Unaudited)	31 December 2013 (Audited)
		SR	SR
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	4	**30,541,597**	79,290,468
Time deposits	5	**10,000,000**	45,866,938
Premiums and reinsurance balances receivable, net	6	**325,040,407**	177,606,732
Due from related parties	9 (a)	**1,066,965**	2,238,625
Held to maturity investments	8 (a)	**22,622,273**	15,078,098
Prepaid expenses and other assets		**13,673,603**	10,327,416
Reinsurers' share of unearned premiums		**115,218,754**	107,444,876
Reinsurers' share of outstanding claims		**247,057,229**	255,736,071
Deferred policy acquisition costs		**22,379,038**	16,905,371
Due from shareholders operations		**135,600,380**	112,692,086
Property and equipment, net		**7,168,811**	6,859,627
TOTAL INSURANCE OPERATIONS' ASSETS		**930,369,057**	**830,046,308**
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	4	**29,750,778**	33,747,029
Time deposits	5	**78,428,063**	69,240,731
Available for sale investments	7	**39,869,911**	35,562,548
Held to maturity investments	8 (b)	**19,645,388**	19,645,388
Prepaid expenses and other assets		**2,018,920**	1,672,524
Statutory deposit	10	**20,000,000**	20,000,000
TOTAL SHAREHOLDERS' ASSETS		**189,713,060**	**179,868,220**
TOTAL ASSETS		**1,120,082,117**	**1,009,914,528**

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements

Arabia Insurance Cooperative Company
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF FINANCIAL POSITION (Continued)
AS AT 30 September 2014
Amount in Saudi Riyal

	Notes	30 September 2014 (Unaudited)	31 December 2013 (Audited)
		SR	SR
INSURANCE OPERATIONS' LIABILITIES			
Insurance account payable		**56,528,796**	51,006,542
Reinsurance balances payable		**71,253,964**	69,663,004
Outstanding claims		**375,690,830**	365,895,748
Accrued expenses and other liabilities		**46,439,174**	26,742,446
Unearned premiums		**361,174,020**	295,283,222
Unearned reinsurance commission		**10,827,510**	12,604,181
Employees' end of service benefits		**5,723,818**	6,120,220
TOTAL INSURANCE OPERATIONS' LIABILITIES		**927,638,112**	**827,315,363**
INSURANCE OPERATIONS' SURPLUS			
Accumulated surplus		**2,730,945**	2,730,945
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS		**930,369,057**	**830,046,308**
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Accounts payable, accrued expenses and other liabilities		**807,497**	1,277,651
Due to insurance operations		**135,600,380**	112,692,086
Zakat and income tax payable		**1,469,730**	1,858,532
TOTAL SHAREHOLDERS' LIABILITIES		**137,877,607**	**115,828,269**
SHAREHOLDERS' EQUITY			
Share capital		**200,000,000**	200,000,000
Accumulated losses		**(148,376,911)**	(136,726,342)
Change in fair value of available for sale investments	7	**212,364**	766,293
TOTAL SHAREHOLDERS' EQUITY		**51,835,453**	**64,039,951**
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		**189,713,060**	**179,868,220**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,120,082,117**	**1,009,914,528**

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements

Arabia Insurance Cooperative Company

(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2014

Amount in Saudi Riyal

	For the three month period ended 30 September		For the nine month period ended 30 September	
	2014	2013	2014	2013
Gross premiums written	**252,490,278**	151,552,064	**527,661,714**	465,900,907
Less: Reinsurance premiums ceded	**(81,735,952)**	(72,850,856)	**(153,625,531)**	(153,817,393)
Less: Excess of loss expenses	**(2,627,096)**	(2,078,067)	**(7,881,288)**	(6,467,227)
Net premiums written	**168,127,230**	**76,623,141**	**366,154,895**	**305,616,287**
Change in unearned premiums, net	**(64,193,042)**	20,229,338	**(58,116,923)**	40,534,343
Net premiums earned	**103,934,188**	**96,852,479**	**308,037,972**	**346,150,630**
Gross claims paid and other expenses	**(104,339,241)**	(100,536,428)	**(484,895,431)**	(487,829,617)
Reinsurers' share of gross claims paid	**38,787,046**	7,812,491	**244,682,801**	122,562,121
Change in outstanding claims, net	**(9,387,658)**	(8,835,071)	**(18,473,923)**	(3,999,580)
Net claims incurred	**(74,939,853)**	**(101,559,008)**	**(258,686,553)**	**(369,267,076)**
Policy acquisition costs	**(10,249,971)**	(10,236,805)	**(29,320,263)**	(41,030,224)
Reinsurance commission	**8,813,988**	6,568,057	**29,805,410**	22,577,730
Net underwriting results	**27,558,352**	**(8,375,277)**	**49,836,566**	**(41,568,940)**
General and administrative expenses	**(32,109,054)**	(20,511,983)	**(72,884,369)**	(63,324,336)
Other income	**354,915**	670,418	**1,410,060**	2,625,402
Deficit from insurance operations	**(4,195,787)**	**(28,216,842)**	**(21,637,743)**	**(102,267,874)**
Shareholders' appropriation from Deficit	**4,195,787**	28,216,842	**21,637,743**	102,267,874
Sur plus after Shareholders' appropriation	**-**	**-**	**-**	**-**
Accumulated surplus at the beginning of the period	**2,730,945**	**-**	**2,730,945**	**-**
Accumulated surplus at the end of the period	**2,730,945**	**-**	**2,730,945**	**-**

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements

Arabia Insurance Cooperative Company

(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INSURANCES' COMPREHENSIVE OPERATIONS (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2014

Amount in Saudi Riyal

	For the three month period ended 30 September		For the nine month period ended 30 September	
	2014	2013	2014	2013
Net result for the period	-	-	-	-
Other comprehensive income to be reclassified subsequently to the income statement				
Change in fair value of available for sale investments	-	1,217,785	-	2,514,829
Total Comprehensive Income for the period	**-**	**1,217,785**	**-**	**2,514,829**

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements

Arabia Insurance Cooperative Company

(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2014

Amount in Saudi Riyal

	Note	For the three month period ended 30 September		For the nine month period ended 30 September	
		2014	2013	2014	2013
Shareholders' appropriation from insurance operations' deficit		**(4,195,787)**	(28,216,842)	**(21,637,743)**	(102,267,874)
Gains on sale of available for sale investments		**2,146,100**	7,734,341	**7,039,337**	10,938,462
Commission income		**1,545,130**	671,284	**4,085,730**	3,852,555
General and administrative expenses		**(85,131)**	(493,864)	**(637,893)**	(1,050,665)
Net loss for the period		**(589,688)**	**(20,305,081)**	**(11,150,569)**	**(88,527,522)**
Basic and diluted loss per share for the period	**12**	**(0,03)**	**(1,01)**	**(0,56)**	**(4,42)**

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements

Arabia Insurance Cooperative Company

(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE OPERATIONS

(UNAUDITED)

FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2014

Amount in Saudi Riyal

	For the three month period ended 30 September		For the nine month period ended 30 September	
	2014	2013	2014	2013
Net loss for the period	**(589,688)**	(20,305,081)	**(11,150,569)**	(88,527,522)
Items not to be reclassified subsequently to the income statement				
Zakat and income tax	**(500,000)**	(300,000)	**(500,000)**	(1,500,000)
Other comprehensive loss to be reclassified subsequently to the income statement				
Change in fair value of available for sale investments	**(397,224)**	(3,153,704)	**(553,929)**	(363,769)
Total comprehensive loss for the period	**(1,486,912)**	**(23,758,785)**	**(12,204,498)**	**(90,391,291)**

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements

Arabia Insurance Cooperative Company

(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(UNAUDITED)

FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2014

Amount in Saudi Riyal

	Share capital	Accumulated losses	Change in fair value of available for sale investments	Total
(UNAUDITED)				
Balance at 1 January 2013	200,000,000	(33,394,676)	512,999	167,118,323
Net Loss for the period	-	(88,527,522)	-	(88,527,522)
Other comprehensive loss				
Zakat and income tax	-	(1,500,000)	-	(1,500,000)
Change in fair value of available for sale investments			(363,769)	(363,769)
Total other comprehensive loss for the year	**-**	**(1,500,000)**	**(363,769)**	**(1,863,769)**
Balance at 30 September 2013	**200,000,000**	**(123,422,198)**	**149,230**	**76,727,032**
Balance at 1 January 2014	200,000,000	(136,726,342)	766,293	64,039,951
Net Loss for the period	-	(11,150,568)	-	(11,150,568)
Other comprehensive loss				
Zakat and income tax	-	(500,000)	-	(500,000)
Change in fair value of available for sale investments	-	-	(553,929)	(553,929)
Total other comprehensive loss for the year	**-**	**(500,000)**	**(553,929)**	**(1,053,929)**
Balance at 30 September 2014	**200,000,000**	**(148,376,910)**	**212,364**	**51,835,454**

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements

Arabia Insurance Cooperative Company

(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2014

Amount in Saudi Riyal

	Note	For the nine month period ended 30 September	
		2014	2013
		(unaudited)	(unaudited)
OPERATING ACTIVITIES			
Accumulated surplus at the end of the period		-	-
Adjustments to reconcile insurance operations' deficit after shareholders' appropriation to net cash from operating activities:			
Shareholders' appropriation from insurance operations' (deficit)		**(21,637,743)**	(102,267,874)
Gains from sale of available for sales investments		-	(522,819)
Depreciation		**1,794,457**	1,718,055
Provision for doubtful receivables		**10,133,451**	3,301,187
		(9,709,835)	**(97,771,451)**
Changes in operating assets and liabilities:			
Premiums and reinsurance balances receivables		**(157,567,126)**	47,062,707
Reinsurers' share of unearned premiums		**(7,773,876)**	(36,677,864)
Reinsurers' share of outstanding claims		**8,678,843**	56,576,754
Deferred acquisition costs		**(5,473,667)**	2,463,139
Prepaid expenses and other assets		**(3,346,190)**	(5,053,357)
Due from related parties		**1,171,660**	9,356,291
Due to shareholders operations		**(1,270,551)**	9,299,524
Insurance account payable		**5,522,254**	(246,043,681)
Reinsurance payable		**1,590,960**	44,655,146
Accrued expenses and other liabilities		**19,696,727**	8,581,933
Unearned reinsurance commission		**(1,776,671)**	(1,703,160)
Unearned premiums		**65,890,799**	(3,856,482)
Outstanding claims		**9,795,082**	(52,577,173)
Employees' end of service benefits, net		**(396,402)**	741,043
Net cash used in operating activities		**(74,967,993)**	**(264,946,631)**
INVESTING ACTIVITIES			
Time deposits, net		**35,866,938**	9,080,192
Purchase of available for sale investments		-	(106,000,000)
Purchase of held to maturity investments		**(7,544,175)**	-
Proceeds from sale of available for sale investments		-	209,112,784
Purchase of property and equipment		**(2,103,641)**	(1,932,675)
Net cash from investing activities		**26,219,122**	**110,260,301**
Decrease in cash and cash equivalents		**(48,748,871)**	(154,686,330)
Cash and cash equivalents at the beginning of the period		**79,290,468**	199,938,302
Cash and cash equivalents at the end of the period		**30,541,597**	**45,251,972**
Non-cash transaction:			
Change in fair value of available for sale investments		-	**2,514,829**

The accompanying notes 1 to 13 form an integral part of these interim condensed financial statements

Arabia Insurance Cooperative Company

(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS

FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2014

Amount in Saudi Riyal

	Note	For the nine month period ended 30 September	
		2014	2013
		(unaudited)	(unaudited)
OPERATING ACTIVITIES			
Net loss for the period		**(11,150,569)**	(88,527,522)
Adjustments for:			
Shareholders' appropriation from insurance operations' deficit		**21,637,743**	102,267,874
Gains on sale of available for sale Investments		**(7,039,337)**	(10,938,462)
		3,447,837	**2,801,890**
Changes in operating assets and liabilities:			
Prepaid expenses and other assets		**(346,397)**	5,438
Accounts payable, accrued expenses and other liabilities		**(470,153)**	(112,324)
Due from insurance operations		**1,270,551**	(9,299,524)
Zakat and income tax paid		**(888,802)**	(2,391,477)
Net cash from / (used in) operating activities		**3,013,036**	**(8,995,997)**
INVESTING ACTIVITIES			
Purchase of available for sale investments		**(51,837,688)**	(28,720,513)
Time deposits, net		**(9,187,332)**	26,199,574
Proceeds from sale of available for sale investments		**54,015,733**	37,267,506
Net cash (used in) / from investing activities		**(7,009,287)**	**34,746,567**
(Decrease) / increase in cash and cash equivalents		**(3,996,251)**	25,750,570
Cash and cash equivalents at the beginning of the period		**33,747,029**	13,689,412
Cash and cash equivalents at the end of the period		**29,750,778**	**39,439,982**
Non-cash transaction:			
Change in fair value of available for sale investments		**(553,929)**	**(363,769)**

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements

1. GENERAL

Arabia Insurance Cooperative Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010243302 dated 18 Muhram 1429H (corresponding to 27 January 2008).The registered address of the Company is P.O. Box 28655, Riyadh 11323, Kingdom of Saudi Arabia.

The objectives of the Company are to transact cooperative insurance and reinsurance business and related activities in the Kingdom of Saudi Arabia. Its principal activity includes all classes of general insurance, medical insurance, savings and protection. The Company was listed on the Saudi Stock Exchange (Tadawul) on 26 Muhram 1429H (corresponding to 4 February 2008). The Company started insurance and reinsurance operations on 4 Muhram 1430H (corresponding to 1 January 2009).

On14 Jumada Al-akhiraah 1435 H (corresponding to 14 April 2014), the Saudi Arabian Monetary Agency "SAMA" issued its official approval number 351 000 076 885 modifying the license that was issued to the Company number T. MN / 15/20086 for carrying out insurance and reinsurance activities so that its practices is limited to insurance activities only.

On 26 Thul- qidah 1435 (corresponding to 21 September 2014) the Saudi Arabian Monetary Agency issued its approval number 351 000 145 469 for the Company's capital increase from SR 200 million to SR 400 million through a rights issue, noting that the Company is required to comply with a number of subsequent requirements for the SAMA's approval during the three coming months and with the completion of the statutory procedures required from other parties.

2. BASIS OF PREPARATION

Basis of measurement

The interim condensed financial statements have been prepared in accordance with the historical cost basis except for the measurement at fair value of available for sale investments.

Statement of compliance

The interim condensed financial statements of the Company have been prepared by the management in accordance with International Financial Reporting Standards (IFRS).

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for insurance operations and shareholders' operations. The physical custody of all assets related to the insurance operations and shareholders' operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of other revenue and expenses from joint operations is as determined by the Company's management and Board of Directors.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2013.

In management's opinion, the interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim period presented. The interim results may not be indicative of its annual results of the company

3. NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS

The accounting and risk management policies adopted in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2013 except for the adoption of the following amendments to the existing standards mentioned below which have no significant financial impact on the financial statements of the Company:

Amendments to existing accounting standards:

- Amendments to IFRS 10, IFRS 12 and IAS 27 that provides consolidation relief for investments funds applicable from 1 January 2014. This mandatory consolidation relief provides that a qualifying investment entity is required to account for investments in controlled entities as well as investments in associates and joint ventures at fair value through profit or loss provided it fulfils certain conditions with an exception being that subsidiaries that are considered an extension of the investment entity's investing activities.
- IAS 32 amendment applicable from 1 January 2014 clarifies that a) an entity currently has a legally enforceable right to off-set if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and b) gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk and processes receivables and payables in a single settlement process or cycle.
- IAS 36 amendment applicable retrospectively from 1 January 2014 addresses the disclosure of information about the recoverable amount of impaired assets under the amendments, recoverable amount of every cash generating unit to which goodwill or indefinite-lived intangible assets have been allocated is required to be disclosed only when an impairment loss has been recognized or reversed.
- IAS 39 amendment applicable from 1 January 2014 added a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specified criteria

Standards issued but not yet effective:

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's interim condensed financial statements are disclosed below:

• IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Company's financial liabilities.

The Company has not early adopted any other standard, interpretation or amendments that has been issued for early adoption but is not yet effective.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are composed of the following:

	SR			
	30 September 2014 (Unaudited)		31 December 2013 (Audited)	
	Insurance operations	Shareholders operations	Insurance operations	Shareholders operations
Current accounts at banks	**15,136,676**	**17,624,085**	75,108,951	286,604
Time deposits	**10,147,500**	**12,126,693**	-	33,460,425
Checks under deposit	**5,175,448**	**-**	3,982,573	-
Cash on hand	**81,973**	**-**	198,944	-
	30,541,597	**29,750,778**	**79,290,468**	**33,747,029**

In accordance with the Company's cash flows requirements, time deposits are placed for a period ranging from one day to three months and earn special commission at an average rate of 3.15% per annum (2013: 3.30%).

Current accounts and time deposits are placed with counterparties who have investment grade credit ratings. The carrying amounts disclosed above reasonably approximate the fair value at the interim statement of financial position date.

5. TIME DEPOSITS

Time deposits are placed with a maturity of more than three months from the date of original acquisition and earn special commission income at an average rate of 3.17% per annum (2013: 3.27%).

Time deposits are placed with counterparties who have investment grade credit ratings. The carrying amounts of this time deposit reasonably approximate the fair value at the statement of financial position date

6. ACCOUNTS RECEIVABLE, NET

	30 September 2014	31 December 2013
	(Unaudited)	(Audited)
	SR	SR
Premiums receivable	**331,886,657**	176,891,841
Less: Allowance for doubtful receivable	**(43,767,853)**	(35,143,538)
	288,118,804	**141,748,303**
Reinsurance balances receivable	**45,726,401**	43,154,091
Less: Allowance for doubtful receivable	**(8,804,798)**	(7,295,662)
	36,921,603	**35,858,429**
Total premiums and reinsurance balances receivable, net	**325,040,407**	**177,606,732**

7. AVAILABLE FOR SALE INVESTMENTS

Shareholder operations

A) The following analysis of the investments available for sale:

	30 September 2014 (Unaudited) SR	31 December 2013 (Audited) SR
Investments in local investment funds (Quoted)	**15,000,000**	9,113
Investments in local and non-local bonds (Quoted)	**11,696,834**	9,443,608
Investment in non-local investment fund (Un Quoted)	**11,250,000**	11,250,000
Investment in equity of a local company (Un Quoted)	**1,923,077**	1,923,077
Investments in local equity portfolio (UN Quoted)	**-**	12,936,750
	39,869,911	**35,562,548**

The change in fair values of available for sale investments of shareholders' operations amounting to SR 212,364 as at 30 September 2014 (31 December 2013: SR 766,293) is presented within shareholders' equity in the interim statement of financial position.

B) Determination of fair value and fair values hierarchy:

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: Quoted prices in active markets for the same instrument (i.e., without modification or repricing).

Level 2: Quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data.

Level 3: Valuation techniques for which any significant input is not based on observable market data.

B) Determination of fair value and fair values hierarchy (continued)

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

	SR			
	30 September 2014 (unaudited)			
	Level 1	Level 2	Level 3	Total
Available for sale investments				
Bonds	11,696,834	-	-	11,696,834
Equity portfolio	-	-	-	-
Equity	-	-	1,923,077	1,923,077
Investment Funds	15,000,000	11,250,000	-	26,250,000
Total available for sale investments	**26,696,834**	**11,250,000**	**1,923,077**	**39,869,911**

7. AVAILABLE FOR SALE INVESTMENTS

Shareholder operations (continued)

	SR			
	31 December 2013 (audited)			
	Level 1	Level 2	Level 3	Total
Available for sale investments				
Bonds	9,443,608	-	-	9,443,608
Equity portfolio	12,936,750	-	-	12,936,750
Equity	-	-	1,923,077	1,923,077
Investment Funds	9,113	11,250,000	-	11,259,113
Total available for sale investments	**22,389,471**	**11,250,000**	**1,923,077**	**35,562,548**

8. HELD TO MATURITY INVESTMENTS

A) Insurance operations

	30 September 2014 (unaudited)	31 December 2013 (audited)
	SR	SR
Financial institutions bonds	**22,622,273**	**15,078,098**

The average commission rate amounted to 3.22% per annum (31 December 2013: 3.15%). The maturity date of these bonds is up to 2024. These bonds are presented at amortized cost in the interim statement of the financial position. The fair value of held to maturity investments amounted to SR 23,250,016 as at 30 September 2014 (31 December 2013: SR 15,566,353)

B) Shareholders' operations

	30 September 2014 (unaudited)	31 December 2013 (audited)
	SR	SR
Financial institutions and governmental bonds	**19,645,388**	**19,645,388**

The average commission rate amounted to 3.22% per annum (31 December 2013: 3.15%). The maturity date of these bonds is up to 2024. These bonds are presented at amortized cost in the interim statement of the financial position. The fair value of held to maturity investments amounted to SR 20,090,936 as at 30 September 2014 (31 December 2013: SR 20,088,105)

9. RELATED PARTY TRANSACTIONS AND BALANCES

Insurance operations

The following are the details of major related party transactions during the period and the related balances as at the end of the period:

Related party	Nature of transaction	Amounts of transactions for the nine month ended 30 September	
		2014	2013
		(unaudited)	(audited)
Companies represented by Board of Directors	Premiums written	**5,512,751**	7,659,918
	claims	**1,599,857**	5,651,607
Arabia Insurance Company Lebanon (shareholder)	Expenses paid on behalf of Arabia Insurance Company	**43,933**	891,927
	Expenses paid by Arabia insurance company on behalf of the Company	**297,331**	1,258,644
	Settlement to the company for different accounts	**-**	9,000,000
Jordan Insurance Company- (shareholder)	Expenses paid on behalf of Jordan Insurance Company	**5,310**	10,425
	Reinsurance operations, net	**3,792,909**	87,872
	Offset the balance between reinsurance and insurance company	**(923,572)**	-

The above transactions with the related parties resulted in the following balances:

	30 September 2014 (unaudited)	31 December 2013 (audited)
	SR	SR
Companies represented by Board of Directors	**3,094,874**	3,121,273
Arabia Insurance Company shareholder	**985,638**	1,239,036
Jordan Insurance Company- shareholder	**81,327**	999,589
Reinsurance payable due to Jordan Insurance Company	**2,869,337**	(923,572)

9. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Shareholders' operations

Compensation of key management personnel

The remunerations of directors and other key management personnel during the period were as follows:

	SR	
	For the period ended 30 September	
	2014	2013
	(unaudited)	(unaudited)
Short-term benefits	**2,938,310**	3,206,451
End of service benefits	**118,263**	121,102
	3,056,573	**3,327,553**

10. STATUTORY DEPOSIT

Statutory deposit represents 10% of the paid-up capital which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. This statutory deposit cannot be withdrawn without the consent of SAMA

11. SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, operating segments have been approved by Management in respect of the Company' s activities, assets and liabilities as set out below.

Segment results do not include allocation of general and administrative expenses, and other income to operating segments.

Segment assets do not include allocation of cash and cash equivalents, time deposits, available for sale investments, held to maturity investments, premiums and insurance balances receivable, prepaid expenses and other assets, due from related parties and property and equipment, net to operating segments.

Segment liabilities do not include allocation of accounts payable, reinsurance balances payable, accounts payable, accrued expenses and other liabilities, due to insurance operations, employees' end of service benefits and surplus distribution payable to operating segments.

11. SEGMENTAL INFORMATION (CONTINUED)

	For the three month period ended 30 September 2014 (unaudited)						
	Medical SR	Motor SR	Fire SR	Engineering SR	Marine SR	Others SR	Total SR
Insurance operations results							
Gross premiums written	138,993,726	94,829,898	4,676,513	2,774,085	7,604,361	3,611,695	**252,490,278**
Less: Reinsurance premiums ceded	(67,066,719)	-	(4,263,041)	(2,661,591)	(5,758,365)	(1,986,236)	**(81,735,952)**
Excess of loss premiums	-	(2,250,096)	(312,750)	-	(64,250)	-	**(2,627,096)**
Net premiums written	71,927,007	92,579,802	100,722	112,494	1,781,746	1,625,459	**168,127,230**
Change in unearned premiums, net	(47,579,089)	(18,870,794)	44,205	950,464	1,413,653	(151,481)	**(64,193,042)**
Net premiums earned	**24,347,918**	**73,709,008**	**144,927**	**1,062,958**	**3,195,399**	**1,473,978**	**103,934,188**
Gross claims paid and other expenses	(28,018,169)	(51,849,067)	(22,362,392)	(1,106,861)	(668,755)	(333,997)	**(104,339,241)**
Reinsurers' share of gross claims paid	16,365,489	571,644	21,602,630	1,037,662	(1,003,748)	213,369	**38,787,046**
Change in outstanding claims, net	(494,939)	(3,001,483)	(4,133,198)	(225,235)	(1,471,868)	(60,935)	**(9,387,658)**
Net claims incurred	**(12,147,619)**	**(54,278,906)**	**(4,892,960)**	**(294,434)**	**(3,144,371)**	**(181,563)**	**(74,939,853)**
Policy acquisition costs	(3,549,793)	(5,120,274)	(374,102)	(179,196)	(812,908)	(213,699)	**(10,249,971)**
Reinsurance commission earned	-	-	1,868,519	4,240,268	2,052,526	652,675	**8,813,988**
Net underwriting results	**8,650,506**	**14,309,828**	**(3,253,616)**	**4,829,596**	**1,290,646**	**1,731,392**	**27,558,352**
General and administrative expenses							**(32,109,054)**
Other income							**354,915**
Insurance operations' deficit							**(4,195,787)**

11. SEGMENTAL INFORMATION (CONTINUED)

	For the three month period ended 30 September 2013 (unaudited)						
	Medical SR	Motor SR	Fire SR	Engineering SR	Marine SR	Others SR	Total SR
Insurance operations results							
Gross premiums written	120,009,727	7,744,760	4,885,190	4,098,378	9,758,648	5,055,361	**151,552,064**
Less: Reinsurance premiums ceded	(55,600,714)	-	(3,996,823)	(3,687,201)	(7,030,638)	(2,535,480)	**(72,850,856)**
Excess of loss premiums	-	(1,915,984)	(76,231)	-	(85,852)	-	**(2,078,067)**
Net premiums written	**64,409,013**	**5,828,776**	**812,136**	**411,177**	**2,642,158**	**2,519,881**	**76,623,141**
Change in unearned premiums, net	(44,835,336)	66,690,506	(401,451)	697,082	(1,034,563)	(886,900)	**20,229,338**
Net premiums earned	**19,573,677**	**72,519,282**	**410,685**	**1,108,259**	**1,607,595**	**1,632,981**	**96,852,479**
Gross claims paid and other expenses	26,917,739	(70,406,423)	(3,803,632)	(1,451,527)	(5,515,269)	(49,102)	**(100,536,428)**
Reinsurers' share of gross claims paid	7,804,311	332,007	3,854,620	1,303,640	2,195,992	31,161	**7,812,491**
Change in outstanding claims, net	3,716,046	(12,078,571)	(390,439)	(678,033)	819,550	(223,624)	**(8,835,071)**
Net claims incurred	**(15,397,382)**	**(82,152,987)**	**(441,427)**	**(825,920)**	**(2,499,727)**	**(241,565)**	**(101,559,008)**
Policy acquisition costs	(3,739,125)	(5,169,802)	(399,343)	(145,939)	(615,642)	(166,954)	**(10,236,805)**
Reinsurance commission earned	-	-	1,791,906	2,476,761	1,788,618	510,772	**6,568,057**
Net underwriting results	**437,170**	**(14,803,507)**	**1,361,821**	**2,613,161**	**280,844**	**1,735,234**	**(8,375,277)**
General and administrative expenses							**(20,511,984)**
Other income							**670,418**
Insurance operations' deficit							**(28,216,842)**

11. SEGMENTAL INFORMATION (CONTINUED)

	For the Nine month period ended 30 September 2014 (unaudited)						
	Medical SR	Motor SR	Fire SR	Engineering SR	Marine SR	Others SR	Total SR
Insurance operations results							
Gross premiums written	158,906,106	275,168,672	23,788,259	29,874,781	27,224,308	12,699,588	**527,661,714**
Less: Reinsurance premiums ceded	(76,196,994)	-	(22,209,645)	(26,879,766)	(19,643,311)	(8,695,815)	**(153,625,531)**
Excess of loss premiums	-	(6,750,288)	(938,250)	-	(192,750)	-	**(7,881,288)**
Net premiums written	**82,709,112**	**268,418,384**	**640,364**	**2,995,015**	**7,388,247**	**4,003,773**	**366,154,895**
Change in unearned premiums, net	(7,618,524)	(52,916,732)	105,162	554,825	1,054,553	703,793	**(58,116,923)**
Net premiums earned	**75,090,588**	**215,501,652**	**745,526**	**3,549,840**	**8,442,800**	**4,707,566**	**308,037,972**
Gross claims paid and other expenses	(96,062,035)	(188,037,008)	(163,065,843)	(21,410,597)	(13,168,218)	(3,151,730)	**(484,895,431)**
Reinsurers' share of gross claims paid	**52,307,957**	**1,841,835**	**161,106,335**	**19,919,894**	**7,059,990**	**2,446,790**	**244,682,801**
Change in outstanding claims, net	(8,939,462)	(5,239,730)	(3,429,916)	(132,724)	(1,530,672)	798,581	**(18,473,923)**
Net claims incurred	(52,693,540)	(191,434,903)	(5,389,424)	(1,623,427)	(7,638,900)	93,641	**(258,686,553)**
Policy acquisition costs	**(11,323,526)**	**(13,867,910)**	**(1,105,636)**	**(436,579)**	**(2,013,070)**	**(573,542)**	**(29,320,263)**
Reinsurance commission earned	-	-	5,389,969	13,157,584	6,891,632	4,366,225	**29,805,410**
Net underwriting results	11,073,522	10,198,839	(359,565)	14,647,418	5,682,462	8,593,890	**49,836,566**
General and administrative expenses							**(72,884,369)**
Other income							**1,410,060**
Insurance operations' deficit							**(21,637,743)**

11. SEGMENTAL INFORMATION (CONTINUED)

	For the Nine month period ended 30 September 2013 (unaudited)						
	Medical SR	Motor SR	Fire SR	Engineering SR	Marine SR	Others SR	Total SR
Insurance operations results							
Gross premiums written	162,462,764	206,063,172	24,198,841	28,740,351	29,661,695	14,774,084	**465,900,907**
Less: Reinsurance premiums ceded	(74,208,033)	-	(22,284,154)	(26,107,725)	(22,392,657)	(8,824,824)	**(153,817,393)**
Excess of loss premiums	-	(5,747,956)	(576,183)	-	(143,088)	-	**(6,467,227)**
Net premiums written	**88,254,731**	**200,315,216**	**1,338,504**	**2,632,626**	**7,125,950**	**5,949,260**	**305,616,287**
Change in unearned premiums, net	1,450,881	41,669,995	(675,087)	609,420	(773,611)	(1,747,255)	**40,534,343**
Net premiums earned	**89,705,612**	**241,985,211**	**663,417**	**3,242,046**	**6,352,339**	**4,202,005**	**346,150,630**
Gross claims paid and other expenses	(137,927,576)	(260,686,400)	(69,940,770)	(7,152,484)	(9,042,624)	(3,079,763)	**(487,829,617)**
Reinsurers' share of gross claims paid	39,077,324	1,345,398	69,267,560	6,383,641	4,139,742	2,348,456	**122,562,121**
Change in outstanding claims, net	11,546,655	(15,955,261)	163,774	(271,616)	938,308	(421,440)	**(3,999,580)**
Net claims incurred	**(87,303,597)**	**(275,296,263)**	**(509,436)**	**(1,040,459)**	**(3,964,574)**	**(1,152,747)**	**(369,267,076)**
Policy acquisition costs	(12,420,639)	(24,567,442)	(1,097,715)	(492,207)	(1,935,417)	(516,804)	**(41,030,224)**
Reinsurance commission earned	-	-	5,278,994	9,250,166	6,361,080	1,687,490	**22,577,730**
Net underwriting results	**(10,018,624)**	**(57,878,494)**	**4,335,260**	**10,959,546**	**6,813,428**	**4,219,944**	**(41,568,940)**
General and administrative expenses							**(63,324,336)**
Other income							**2,625,402**
Insurance operations' deficit							**(102,267,874)**

11. SEGMENTAL INFORMATION (CONTINUED)

	As at 30 September 2014 (unaudited)						
	Medical SR	Motor SR	Fire SR	Engineering SR	Marine SR	Others SR	Total SR
Insurance operations' assets							
Reinsurers' share of unearned premiums	59,730,313	-	14,969,065	28,789,858	5,748,730	5,980,788	115,218,754
Reinsurers' share of outstanding claims	53,698,599	8,038,086	126,757,276	31,092,059	15,383,541	12,087,668	247,057,229
Deferred policy acquisition costs	7,733,542	12,356,198	705,187	478,961	542,777	562,373	22,379,038
Unallocated assets							545,714,036
							930,369,057
Insurance operations' liabilities and surplus							
Unearned premiums	126,838,299	168,757,455	15,748,374	32,046,577	7,584,391	10,198,924	**361,174,020**
Unearned reinsurance commission	-	-	2,921,240	4,988,473	1,981,545	936,252	**10,827,510**
Outstanding claims	89,477,734	85,482,558	133,121,991	33,024,527	21,617,963	12,966,057	**375,690,830**
Unallocated liabilities							**182,676,697**
							930,369,057

11. SEGMENTAL INFORMATION (CONTINUED)

	As at 31 December 2013						
	Medical SR	Motor SR	Fire SR	Engineering SR	Marine SR	Others SR	Total SR
Insurance operations' assets							
Reinsurers' share of unearned premiums	43,536,279	-	21,465,047	28,185,912	8,290,541	5,967,097	**107,444,876**
Reinsurers' share of outstanding claims	36,115,994	5,873,478	149,338,829	41,731,875	11,980,977	10,694,918	**255,736,071**
Deferred policy acquisition costs	8,322,993	6,676,645	386,778	392,324	635,884	490,748	**16,905,371**
Unallocated assets							**449,959,990**
							830,046,308
Insurance operations' liabilities and surplus							
Unearned premiums	103,025,741	115,840,724	22,349,518	31,997,456	11,180,756	10,889,027	**295,283,222**
Unearned reinsurance commission	-	-	4,024,431	4,751,114	2,324,439	1,504,198	**12,604,181**
Outstanding claims	62,955,667	78,078,220	152,273,628	43,531,618	16,684,727	12,371,888	**365,895,748**
Unallocated liabilities							**156,263,157**
							830,046,308

12. BASIC AND DILUTED LOSS PER SHARE FOR THE PERIOD

Basic and diluted loss per share for the three and nine month period ended 30 September 2014 and 2013 have been calculated by dividing the net loss for the period by the average outstanding shares at the end of the period.

13. COMPARATIVE FIGURES

Certain of the prior period figures have been reclassified to conform to the presentation in the current period.

14. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the board of director on 26 October 2014 (corresponded to 2 Muharram 1436H).

ARABIA INSURANCE COOPERATIVE COMPANY

(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

ARABIA INSURANCE COOPERATIVE COMPANY

(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As At 31 December 2013

Amounts in Saudi Riyal

	Notes	31 December 2013	31 December 2012
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	7	**79,290,468**	199,938,302
Time deposits	8	**45,866,938**	54,619,185
Premiums and reinsurance balances receivable, net	9	**177,606,732**	289,649,500
Available for sale investments	17 (a)	**-**	129,399,104
Due from related parties	22	**2,238,625**	17,374,836
Held to maturity investments	18 (a)	**15,078,098**	15,078,098
Prepaid expenses and other assets	14	**10,327,416**	10,101,915
Reinsurers' share of unearned premiums	10	**107,444,876**	63,983,527
Reinsurers' share of outstanding claims	11	**255,736,071**	311,442,471
Deferred policy acquisition costs	13	**16,905,371**	25,501,193
Due from shareholders' operations		**112,692,086**	7,224,094
Property and equipment, net	15	**6,859,627**	6,646,709
TOTAL INSURANCE OPERATIONS' ASSETS		**830,046,308**	**1,130,958,934**
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	7	**33,747,029**	13,689,412
Time deposits	8	**69,240,731**	87,944,637
Available for sale investments	17 (b)	**35,562,548**	34,905,735
Held to maturity investments	18(b)	**19,645,388**	19,645,388
Prepaid expenses and other assets	14	**1,672,524**	2,304,738
Statutory deposit	24	**20,000,000**	20,000,000
TOTAL SHAREHOLDERS' ASSETS		**179,868,220**	**178,489,910**
TOTAL ASSETS		**1,009,914,528**	**1,309,448,844**

The accompanying notes 1 to 30 form an integral part of these financial statements.

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Certified Public Accountants & Consultants

AUDITORS' REPORT

TO THE SHAREHOLDERS OF ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)

SCOPE OF AUDIT

We have audited the accompanying statement of financial position of Arabia Insurance Cooperative Company - A Saudi Joint Stock Company (the "Company") as at 31 December 2013, and the related statements of insurance operations and accumulated surplus, Insurance Comprehensive Operations, shareholders' operations, shareholders' comprehensive operations, changes in shareholders' equity, insurance operations and shareholders' cash flows for the year then ended, and the notes which form an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards and the provisions of Article 123 of the Saudi Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

UNQUALIFIED OPINION

In our opinion, the financial statements taken as a whole:

- Present fairly, in all material respects, the financial position of the Company as at 31 December 2013, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.
- Comply with the requirements of the Regulation for Companies and the Company's by-laws with respect to the preparation and presentation of the financial statements.

EMPHASIS OF A MATTER

We draw attention to the fact that these financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia as issued by the Saudi Organization for Certified Public Accountants.

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Certified Public Accountant
Registration No. 337

17 Rabi Al Thani 1435 H
17 February 2014

ARABIA INSURANCE COOPERATIVE COMPANY

(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION (Continued)

As At 31 December 2013

Amounts in Saudi Riyal

	Notes	31 December 2013	31 December 2012
INSURANCE OPERATIONS' LIABILITIES			
Insurance account payable		**51,006,542**	318,248,865
Reinsurance balances payable		**69,663,004**	18,368,644
Outstanding claims	11	**365,895,748**	419,799,486
Accounts payable, accrued expenses and other liabilities	16	**26,742,446**	31,612,532
Unearned premiums	10	**295,283,222**	322,248,101
Unearned reinsurance commission	19	**12,604,181**	11,992,255
Employees' end of service benefits		**6,120,220**	4,278,518
TOTAL INSURANCE OPERATIONS' LIABILITIES		**827,315,363**	**1,126,548,401**
INSURANCE OPERATIONS' SURPLUS			
Accumulated surplus	3	**2,730,945**	2,730,945
Change in fair value of available for sale investments	17(a)	**-**	1,679,588
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS		**830,046,308**	**1,130,958,934**
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Accounts payable, accrued expenses and other liabilities	16	**1,277,651**	1,397,484
Due to insurance operations		**112,692,086**	7,224,094
Zakat and income tax payable	21	**1,858,532**	2,750,009
TOTAL SHAREHOLDERS' LIABILITIES		**115,828,269**	**11,371,587**
SHAREHOLDERS' EQUITY			
Share capital	23	**200,000,000**	200,000,000
Accumulated losses		**(136,726,342)**	(33,394,676)
Change in fair value of available for sale investments	17(b)	**766,293**	512,999
TOTAL SHAREHOLDERS' EQUITY		**64,039,951**	**167,118,323**
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		**179,868,220**	**178,489,910**
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS AND SHAREHOLDERS' LIABILITIES AND EQUITY		**1,009,914,528**	**1,309,448,844**

The accompanying notes 1 to 30 form an integral part of these financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY

(A Saudi Joint Stock Company)

STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS

For the Year Ended 31 December 2013

Amounts in Saudi Riyal

	Notes	31 December 2013	31 December 2012
Gross premiums written		586,326,803	653,945,271
Less: Reinsurance premiums ceded		(199,780,206)	(148,606,029)
Excess of loss premium		(8,921,987)	(7,028,672)
Net premiums written		**377,624,610**	**498,310,570**
Change in unearned premiums, net	10	70,426,228	(89,854,814)
Net premiums earned		**448,050,838**	**408,455,756**
Gross claims paid and other expenses	11	(607,227,283)	(776,369,813)
Reinsurers' share of gross claims paid	11	147,141,063	478,981,467
Change in outstanding claims, net	11	(1,802,662)	(18,064,095)
Net claims incurred		**(461,888,882)**	**(315,452,441)**
Policy acquisition costs	13	(52,063,457)	(54,183,510)
Reinsurance commission earned	19	29,368,823	26,180,585
Net underwriting results		**(36,532,678)**	**65,000,390**
General and administrative expenses	20	(87,925,440)	(82,725,823)
Other insurance income	22 (a)	-	6,343,425
Other income		7,691,483	3,028,434
Insurance operations' deficit		**(116,766,635)**	**(8,353,574)**
Shareholders' appropriation from insurance operations' deficit		116,766,635	8,353,574
Insurance operations' surplus after shareholders' appropriation		**-**	**-**
Accumulated surplus at the beginning of the year		2,730,945	2,730,945
Accumulated surplus at the end of the year		**2,730,945**	**2,730,945**

The accompanying notes 1 to 30 form an integral part of these financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY

(A Saudi Joint Stock Company)

STATEMENT OF INSURANCE COMPREHENSIVE OPERATIONS

For the Year Ended 31 December 2013

Amounts in Saudi Riyal

	Notes	31 December 2013	31 December 2012
Net result for the year		**-**	**-**
Other comprehensive income to be reclassified subsequently to the income statement			
Change in fair value of available for sale investments	17 (a)	-	1,466,459
Total Comprehensive Income for the year		**-**	**1,466,459**

The accompanying notes 1 to 30 form an integral part of these financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY

(A Saudi Joint Stock Company)

STATEMENT OF SHAREHOLDERS' OPERATIONS

For the Year Ended 31 December 2013

Amounts in Saudi Riyal

	Notes	31 December 2013	31 December 2012
Shareholders' appropriation from insurance operations' deficit		**(116,766,635)**	(8,353,574)
Gains on sale of available for sale investments	17 (b)	**11,152,851**	3,210,060
Commission income		**5,210,601**	3,568,630
General and administrative expenses	20	**(1,428,483)**	(1,283,820)
Net loss for the year		**(101,831,666)**	**(2,858,704)**
Basic and diluted loss per share for the year	**26**	**(5.09)**	**(0.14)**

The accompanying notes 1 to 30 form an integral part of these financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY

(A Saudi Joint Stock Company)

STATEMENT OF SHAREHOLDERS' COMPREHENSIVE OPERATIONS

For the Year Ended 31 December 2013

Amounts in Saudi Riyal

	Notes	31 December 2013	31 December 2012
Net loss for the year		**(101,831,666)**	(2,858,704)
Items not to be reclassified subsequently to the income statement			
Zakat and income tax	21	**(1,500,000)**	(3,515,533)
Other comprehensive income to be reclassified subsequently to the income statement			
Change in fair value of available for sale investments	17 (b)	**253,294**	1,998,504
Total comprehensive loss for the year		**(103,078,372)**	**(4,375,733)**

The accompanying notes 1 to 30 form an integral part of these financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY

(A Saudi Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the Year Ended 31 December 2013

Amounts in Saudi Riyal

	Notes	Share capital	Accumulated losses	Change in fair value of available for sale investments	Total
Balance at 1 January 2012		200,000,000	(27,020,439)	820,802	**173,800,363**
Net Loss for the year		-	(2,858,704)	-	**(2,858,704)**
Other comprehensive income (loss)					
Zakat and income tax	21	-	(3,515,533)	-	**(3,515,533)**
Change in fair value of available for sale investments	17(b)	-	-	1,998,504	**1,998,504**
Total other comprehensive income (loss) for the year		**-**	**(6,374,237)**	**1,998,504**	**(4,375,733)**
Transfers to statement of shareholders' operations	17(b)	-	-	(2,306,307)	**(2,306,307)**
Balance at 31 December 2012		**200,000,000**	**(33,394,676)**	**512,999**	**167,118,323**
Balance at 1 January 2013		200,000,000	(33,394,676)	512,999	**167,118,323**
Net loss for the year		-	(101,831,666)	-	**(101,831,666)**
Other comprehensive income (loss)					
Zakat and income tax	21	-	(1,500,000)	-	**(1,500,000)**
Change in fair value of available of sale investments	17(b)	-	-	10,714,140	**10,714,140**
Total other comprehensive income (loss) for the year			**(103,331,666)**	**10,714,140**	**(92,617,526)**
Transferred to shareholders' operations	17(b)	-	-	(10,460,846)	**(10,460,846)**
Balance at 31 December 2013		**200,000,000**	**(136,726,342)**	**766,293**	**64,039,951**

The accompanying notes 1 to 30 form an integral part of these financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY

(A Saudi Joint Stock Company)

STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the Year Ended 31 December 2013

Amounts in Saudi Riyal

	Note	31 December 2013	31 December 2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Insurance operations' deficit after shareholders' appropriation		-	-
Adjustments to reconcile insurance operations' deficit after shareholders' appropriation to net cash from operating activities:			
Shareholders' appropriation from insurance operations' (deficit)		**(116,766,635)**	(8,353,574)
Gains from sale of available for sales investments		**(5,072,471)**	(953,232)
Depreciation		**2,448,976**	1,986,843
Gain from sale of property and equipment		-	49,215
Provision (reversal) for doubtful receivables		**1,813,962**	(1,676,863)
		(117,576,168)	**(8,947,611)**
Changes in operating assets and liabilities:			
Premiums and reinsurance balances receivables		**110,228,806**	(106,901,033)
Due from related parties		**15,136,211**	(3,740,455)
Prepaid expenses and other assets		**(225,501)**	2,657,416
Reinsurers' share of unearned premiums		**(43,461,349)**	53,958,977
Reinsurers' share of outstanding claims		**55,706,400**	133,426,459
Deferred policy acquisition costs		**8,595,822**	(2,848,166)
Due from shareholders' operations, net		**11,298,643**	(10,879,142)
Insurance account payable		**(267,242,323)**	289,210,946
Reinsurance balances payable		**51,294,360**	(58,768,022)
Outstanding claims		**(53,903,738)**	(115,362,364)
Unearned premiums		**(26,964,879)**	35,895,837
Accounts payable, accrued expenses and other liabilities		**(4,870,086)**	(8,075,767)
Unearned reinsurance commission		**611,926**	(2,399,145)
Employees' end of service benefits, net		**1,841,702**	1,072,543
Net cash (used in) from operating activities		**(259,530,174)**	**198,300,473**
CASH FLOWS FROM INVESTING ACTIVITIES			
Time deposits, net		**8,752,247**	(54,619,185)
Purchase of available for sale investments		**(106,000,000)**	(226,190,250)
Purchase of held to maturity investments		-	(3,375,000)
Proceeds from sale of available for sale investments		**238,791,987**	145,387,837
Purchase of property and equipment		**(2,661,894)**	(2,210,351)
Proceeds from sale of property and equipment		-	14,810
Net cash from / (used in) investing activities		**138,882,340**	**(140,992,139)**
(Decrease) / increase in cash and cash equivalents		**(120,647,834)**	**57,308,334**
Cash and cash equivalents at the beginning of the year		**199,938,302**	142,629,968
Cash and cash equivalents at the end of the year	**7**	**79,290,468**	**199,938,302**
Non-cash transaction:			
Change in fair value of available for sale investments		**(1,679,588)**	**1,466,459**

The accompanying notes 1 to 30 form an integral part of these financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF SHAREHOLDERS' CASH FLOWS
For the Year Ended 31 December 2013
Amounts in Saudi Riyal

	Note	31 December 2013	31 December 2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year		**(101,831,666)**	(2,858,704)
Adjustments for:			
Shareholders' appropriation from insurance operations' deficit		**116,766,635**	8,353,574
Gains on sale of available for sale Investments		**(11,152,851)**	(3,210,060)
		3,782,118	**2,284,810**
Changes in operating assets and liabilities:			
Prepaid expenses and other assets		**632,214**	(1,077,621)
Accounts payable, accrued expenses and other liabilities		**(119,833)**	(788,918)
Due to insurance operations, net		**(11,298,643)**	10,879,142
Zakat and income tax paid		**(2,391,477)**	(5,153,452)
Net cash (used in) / from operating activities		**(9,395,621)**	**6,143,961**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of available for sale investments		**(42,805,591)**	(55,192,133)
Time deposits, net		**18,703,906**	(87,944,637)
Proceeds from sale of available for sale investments		**53,554,923**	65,619,321
Held to maturity investments		**-**	(13,591,231)
Net cash from / (used in) investing activities		**29,453,238**	**(91,108,680)**
Increase (decrease) in cash and cash equivalents		**20,057,617**	(84,964,719)
Cash and cash equivalents at the beginning of the year		**13,689,412**	98,654,131
Cash and cash equivalents at the end of the year	**7**	**33,747,029**	**13,689,412**
Non-cash transaction:			
Change in fair value of available for sale investments		**253,294**	**1,998,504**

The accompanying notes 1 to 30 form an integral part of these financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Arabia Insurance Cooperative Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010243302 dated 18 Muhram 1429H (corresponding to 27 January 2008).The registered address of the Company is P.O. Box 28655, Riyadh 11323, Kingdom of Saudi Arabia.

The objectives of the Company are to transact cooperative insurance and reinsurance business and related activities in the Kingdom of Saudi Arabia. Its principal activity includes all classes of general insurance, medical insurance, savings and protection. The Company was listed on the Saudi Stock Exchange (Tadawul) on 26 Muhram 1429H (corresponding to 4 February 2008). The Company started insurance and reinsurance operations on 4 Muhram 1430H (corresponding to 1 January 2009).

2. BASIS OF PREPARATION

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and not in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia as issued by the Saudi Organization for Certified Public Accountants.

Basis of measurement

The financial statements are prepared under the historical cost basis except for the measurement at fair value of available for sale investments.

Statement of compliance

The financial statements of the Company have been prepared by the management in accordance with International Financial Reporting Standards (IFRS).

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for insurance operations and shareholders' operations. The physical custody of all assets related to the insurance operations and shareholders' operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of other revenue and expenses from joint operations is as determined by the Company's management and Board of Directors.

Functional and presentational currency

The financial statements are presented in Saudi Riyals being the functional currency of the Company.

3. (DEFICIT) SURPLUS DISTRIBUTION

The Company is required to distribute 10% of the net surplus from insurance operations to policyholders and the remaining 90% to be allocated to the shareholders of the Company in accordance with the Insurance Law and its Implementation Regulations issued by the Saudi Arabian Monetary Agency ("SAMA").

The insurance operations' deficit of the Company for the year ended 31 December 2013 amounted to SR 116.7 million (2012: Deficit SR 8.3 million). Accordingly, 100% (2012: 100%) of the deficit was transferred amounting to SR 116.7 million (2012: Deficit SR 8.3 million) to the shareholders' operations for the year.

4. NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2012 except for the adoption of the following amendments to the existing standards mentioned below which have no significant financial impact on the financial statements of the Company:

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain on AFS financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation of land and buildings). The amendments affect presentation only and have no impact on the Company's financial position or performance.

IAS 1 Clarification of the requirement for comparative information (Amendment)

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position (as at 1 January 2012 in the case of the Company), presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. As a result, the Company has not included comparative information in respect of the opening statement of financial position as at 1 January 2012. The amendments affect presentation only and have no impact on the Company's financial position or performance.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Company re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures.

Application of IFRS 13 has not materially impacted the fair value measurements of the Company. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 17.

New amendments and standards issued but not yet effective:

The Company has chosen not to early adopt the following new standard and amendments to the International Financial Reporting Standards:

IFRS 9 Financial Instruments: Classification and Measurement

On 19 November 2013, the IASB issued a new version of IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39). IFRS 9 (2013) which includes the new hedge accounting requirements and some related amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures. IFRS 9 (2013) also replicates the amendments in IAS 39 in respect of novations. The standard does not have a mandatory effective date, but it is available for application now. A new mandatory effective date will be set when the IASB completes the impairment phase of its project on the accounting for financial statements. Entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of IFRS 9 at the same time. An accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 is available for their hedging relationships. They may later change that policy and apply the hedge accounting requirements in IFRS 9 before they eventually become mandatory. This choice is intended to be removed when the IASB completes its project on accounting for macro hedging.

4. NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS (CONTINUED)

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Company.

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Company does not expect that IFRIC 21 will have material financial impact in future financial statements.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Company has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed in preparation of these financial statements:

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, checks under deposit, current accounts at banks and time deposits with an original maturity of less than three months from the date of acquisition.

Property and equipment

Property and equipment are initially recorded at cost less accumulated depreciation and any impairment in value. Depreciation is charged to the statement of insurance operations and accumulated surplus on a straight line basis over the estimated useful lives of property and equipment.

The estimated useful life of property and equipment is as follows:

	Years
Leasehold improvements	4
Furniture and fixtures	10
Motor vehicles	5
Computers and office equipment	3-5

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

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the relevant statement of income.

Available for sale investments

Available for sale investments are stated at cost at the purchase date as part of the Company's investments and are subsequently stated at fair value unless the fair value cannot be measured. The change in fair value is presented directly in the insurance operation surplus / shareholders' equity and the realized gains and losses of available for sale investments are recognized in the statement of insurance operations and accumulated surplus / shareholders' operations.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held to maturity Investments

Investments which have fixed or determinable payments that the Company has the positive intention and ability to hold till maturity are subsequently measured at amortized cost, less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on such investments is recognised in the statement of insurance operations and accumulated surplus / shareholders' operations when the investment is derecognized or impaired.

Impairment and uncollectibility of financial assets

An assessment is made at each statement of financial position date to determine whether there is an objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, any impairment loss is recognized in the statement of insurance operations and accumulated surplus / shareholders' operations. Impairment in value is determined as follows:

a. For assets carried at fair value, impairment is the difference between the cost and fair value, less any impairment loss previously recognized in the statement of insurance operations and accumulated surplus / shareholders' operations.
b. For assets carried at cost, impairment is the difference between the carrying book value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
c. For assets carried at amortized cost, impairment is determined based on the future cash flows that are discounted at the original effective special commission rate.

Zakat and income tax

Zakat and income tax are provided for in accordance with Saudi Arabian Zakat and Tax Regulations. Zakat is charged to equity accounts of Saudi founding shareholders and general public while income tax is charged to equity accounts of Non-Saudi founding shareholders.

Employees' end of service benefits

Employees' end of service benefits are provided and payable as a lump sum to all employees under the terms and conditions of Saudi Labor Regulations upon termination / end of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at the date of the statement of financial position. End of service payments are calculated based on employees' last salaries and allowances and their cumulative years of service, as defined by the conditions stated in the labor law in the Kingdom of Saudi Arabia.

Commission income

Commission income from time deposits is recognized on an effective yield basis.

Accounts payable, accrued expenses and other liabilities

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Statutory reserve

In accordance with its bylaws, the Company shall allocate 20% of its annual net income to the statutory reserve until it has built up a reserve equal to 100% of the share capital. This allocation has not been made taking into account the accumulated losses.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from past events, and the costs to settle the obligation are both probable and may be measured reliably. Provisions are not recognised for future operating losses.

Trade date

All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Company commits to purchase or sell the assets). Regular way purchases or sales of financial assets are transactions that require settlement of assets within the time frame generally established by regulation or convention in the market place.

Foreign currencies

Transactions in foreign currencies are recorded in Saudi riyals at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Saudi Riyals at the exchange rate prevailing at the statement of financial position date. All translation differences are taken to the statement of insurance operations and accumulated surplus / shareholders' operations.

Offsetting financial assets and liabilities

Financial assets and liabilities are offseted and the net amounts reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Revenues and expenses are not offseted in the statement of insurance operations and accumulated surplus / shareholders' operations unless required or permitted by any accounting standards their interpretations.

Premiums earned and commission income

Premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage.

The underwriting results represent premiums earned, fee and commission income less claims paid, other underwriting expenses and anticipated claims payable in respect of the year, net of amounts subject to reinsurance, less provision for any anticipated future losses of the effective policies.

Commission receivable on reinsurance contracts are deferred and amortised on a straight-line basis over the term of the reinsurance contracts.

Retained premiums and commission income, which relate to unexpired risks beyond the end of the financial year, are reported as unearned and deferred based on the following methods:

- Actual number of days for all other lines of business.
- Regarding marine cargo, the unearned premiums represent the gross premiums written during the last three months of the current financial year.

Premiums receivable

Premiums receivable are recognized when due and are measured on initial recognition at the fair value of the considerations received or receivable. The carrying value of premiums receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of insurance operations and accumulated surplus. Premiums receivable are derecognized when the derecognition criteria for financial assets have been met.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Gross outstanding claims

Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, and are charged to the statement of insurance operations and accumulated surplus as incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the date of the statement of financial position, whether reported or not. Provisions for reported claims not paid as at the date of statement of financial position are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported at date of the statement of financial position. The ultimate liability may be in excess of or less than the amount provided.

Any difference between the provisions at the date of the statement of financial position and settlements and provisions in the subsequent year is included in the underwriting account for that year. The Company does not discount its liabilities for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

Liability adequacy test

At each statement of financial position date, the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred policy acquisition costs) is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the statement of insurance operations and accumulated surplus and an unexpired risk provision is created.

Deferred policy acquisition costs

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contacts to which they relate, similar to unearned premiums. All other acquisition costs are recognised as an expense when incurred. Amortization is recorded in the statement of insurance operations and accumulated surplus.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. If the assumptions relating to future profitability of these policies are not realised, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of insurance operations and accumulated surplus. Deferred policy acquisition costs are also considered in the liability adequacy test for each financial reporting period.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reinsurance

The Company cedes insurance risks in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance agreement.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurers can be measured reliably. The impairment loss is recorded in the statement of insurance operations and accumulated surplus.

Reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Premiums and claims on reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered as a direct business, taking into account the classification of the reinsurance transactions.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contracts.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

Unearned reinsurance commission

Commission receivable on outwards reinsurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate. Amortisation is recorded in the statement of insurance operations and accumulated surplus.

Product classification

The Company issues insurance contracts that transfer insurance risks. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event.

Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Fair values

The Company measures financial instruments, such as investments in available for sale or derivatives if any, and non-financial assets, at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 17. 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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are 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 categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's management determines the policies and procedures for both recurring fair value measurement, such as investment properties, available for sale financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation, if any.

External valuers are involved for valuation of significant assets, such as investment properties, available for sale financial assets if any, and significant liabilities, such as contingent consideration. Involvement of external valuers is decided annually by investment committee after discussion with and approval by the Company's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. External valuers are changed every three years. The investment committee decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case. At each reporting date, the valuation committee analyses the movements in the fair values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the valuation committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The valuation committee, in conjunction with the Company's external valuers, also compares at each reporting date, changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. On an interim basis, the valuation committee and the Company's external valuers present the valuation results to the audit committee and the Company's independent auditors. This includes a discussion of the major assumptions used in the valuations.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Segmental reporting

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incurs expenses and about which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. For management purposes, the Company is organized into business units based on their products and services and has six reportable operating segments as follows:

- Medical insurance, which covers medical costs, medicines, and all other medical services and supplies.
- Motor Insurance, which provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Fire, provides coverage against fire and any other insurance included under this class of insurance.
- Engineering, provides coverage for builder's risks, construction mechanical, electrical, electronic work, and machinery breakdown and any other insurance included under this class of insurance.
- Marine, provides coverage for goods in transit and the vehicles of transportation on main roads, and any other
- insurance included under this class of insurance.
- Other insurance classes, which cover any other classes of insurance not mentioned above.

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from income or loss in the accompanying financial statements.

No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments which will then be eliminated at the level of the financial statements of the Company.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the financial reporting date. However, uncertainty about these estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of the statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are as follows.

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of the statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. Claims requiring court or arbitration decisions are estimated individually. Independent risk adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis. The Company is exposed to disputes with, and sometimes possibility of defaults by reinsurers companies. The Company monitors on a quarterly basis the development of disputes with and the financial position strength for its reinsurers.

6. Significant Accounting Estimates and Assumptions (continued)

Impairment losses of premiums receivable

The Company assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status being indicative of the ability to pay all amounts due as per contractual terms.

Deferred acquisition costs

Certain acquisition costs related to the sale of new policies are recorded as deferred acquisition costs and are amortized in the statement of insurance operations and accumulated surplus over the related period of insurance policy coverage. If the assumptions relating to future profitability of these insurance policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of insurance operations and accumulated surplus.

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalent consist of the following:

	2013		2012	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
	SR	SR	SR	SR
Cash on hand	198,944	-	39,636	-
Checks under deposit	3,982,573	-	6,161,557	-
Time deposits	-	33,460,425	4,079,266	-
Current accounts at banks	75,108,951	286,604	189,657,843	13,689,412
	79,290,468	33,747,029	199,938,302	13,689,412

In accordance with the Company's cash flows requirements, time deposits are placed for a period ranging from one day to three months and earn special commission at an average rate of 3.3% per annum (2012: 3.2%).

Current accounts and time deposits are placed with counterparties who have investment grade credit ratings. The carrying amounts disclosed above reasonably approximate the fair value at the statement of financial position date.

8. TIME DEPOSITS

Time deposits are placed with a maturity of more than three months from the date of original acquisition and earn special commission income at an average rate of 3.27% per annum (2012: 3.31%).

Time deposits are placed with counterparties who have investment grade credit ratings. The carrying amounts of these time deposit reasonably approximate the fair value at the statement of financial position date.

9. PREMIUMS AND REINSURANCE BALANCES RECEIVABLE, NET

	2013 SR	2012 SR
Premiums receivable	176,891,841	204,525,000
Less: Allowance for doubtful receivable	(35,143,538)	(40,375,238)
	141,748,303	164,149,762
Reinsurance balances receivable	43,154,091	125,749,738
Less: Allowance for doubtful receivable	(7,295,662)	(250,000)
	35,858,429	125,499,738
Total premiums and reinsurance balances receivable, net	177,606,732	289,649,500

The movement in the provision for doubtful receivable during the year for premiums and reinsurance balances is as follows:

	2013 SR	2012 SR
Provision at the beginning of the year	40,625,238	48,112,978
Charged / (reversal) for the year	1,813,962	(1,426,863)
Written off during the year	-	(6,060,877)
Provision at the end of the year	42,439,200	40,625,238

The ageing analysis of premiums and reinsurance balances receivable as at 31 December is as follows:

		Past due but not impaired		
	Total	Less than 30 days	31 to 90 days	Past due and impaired
	SR	SR	SR	SR
2013	220,045,932	64,935,747	34,892,239	120,217,946
2012	330,274,738	199,320,580	33,413,727	97,540,431

Premiums receivable comprise of a large number of customers mainly within the Kingdom of Saudi Arabia. Premiums receivable do not include due amounts in foreign currencies. The Company's terms of business generally require premiums to be settled within 90 days. No individual or corporate account is more than 13% of premiums receivable as at 31 December 2013 (31 December 2012: 16%). In addition, the ten largest customers accounts constitute 48% of premiums receivable as at 31 December 2013 (31 December 2012: 46%).

The Company, based on its past experience, expects to fully recover its past due but not impaired premiums and reinsurance balances receivable. It is not the policy of the Company to obtain collateral with respect to premiums receivable and the vast majority are, therefore, unsecured.

10. MOVEMENT IN UNEARNED PREMIUMS

	2013	2012
	SR	SR
Gross unearned premiums at the beginning of the year	322,248,101	286,352,264
Gross unearned premiums as at year end	295,283,222	322,248,101
Change in unearned premiums, gross	26,964,879	(35,895,837)
Reinsurers' share of unearned premiums at the beginning of the year	63,983,527	117,942,504
Reinsurers' share of unearned premiums as at year end	107,444,876	63,983,527
Change in reinsurers' share of unearned premiums	43,461,349	(53,958,977)
Change in unearned premiums, net	70,426,228	(89,854,814)

11. CLAIMS

	2013		
	Gross	Reinsurers' share	Net
	SR	SR	SR
Paid claims and other expenses	607,227,283	(147,141,063)	460,086,220
Provided claims during the year	(75,984,480)	62,783,107	(13,201,373)
IBNR claims provided during the year	22,080,741	(7,076,706)	15,004,035
Incurred claims during the year	553,323,544	(91,434,662)	461,888,882
Outstanding claims as at 1 January	360,346,712	(280,885,618)	79,461,094
IBNR claims as at 1 January	59,452,774	(30,556,853)	28,895,921
	419,799,486	(311,442,471)	108,357,015
Outstanding claims as at 31 December	284,362,233	(218,102,512)	66,259,721
IBNR as at 31 December	81,533,515	(37,633,559)	43,899,956
	365,895,748	(255,736,071)	110,159,677
Change in outstanding claims, net	53,903,738	(55,706,400)	(1,802,662)

	2012		
	Gross	Reinsurers' share	Net
	SR	SR	SR
Paid claims and other expenses	776,369,813	(478,981,467)	297,388,346
Provided claims during the year	(118,135,628)	131,252,255	13,116,627
IBNR claims provided during the year	2,773,264	2,174,204	4,947,468
Incurred claims during the year	661,007,449	(345,555,008)	315,452,441
Outstanding claims as at 1 January	478,482,340	(412,137,873)	66,344,467
IBNR as at 1 January	56,679,510	(32,731,057)	23,948,453
	535,161,850	(444,868,930)	90,292,920
Outstanding claims as at 31 December	360,346,712	(280,885,618)	79,461,094
IBNR as at 31 December	59,452,774	(30,556,853)	28,895,921
	419,799,486	(311,442,471)	108,357,015
Change in outstanding claims, net	115,362,364	(133,426,459)	(18,064,095)

12. CLAIMS DEVELOPMENT TABLE

The following table represents the cumulative incurred claims including both cumulative incurred claims and reported and incurred but not reported claims at each financial position date, in addition to the cumulative payments up to date.

The Company aims to maintain adequate reserves in respect of its insurance business in anticipation of future claims. As claims develop and the ultimate cost of claims becomes certain, the related reserves are to be amortized. The Company transfers the amortized reserves to current accident year reserves when the development of claims is incomplete and includes material uncertainty related to the ultimate cost of claims.

Claims analysis by accident year is as follows:

2013	2009 and earlier	2010	2011	2012	2013	Total
Accident Year	SR	SR	SR	SR	SR	SR
Estimate of ultimate claims cost:						
At the end of accident year	328,415,012	327,430,535	851,729,639	804,874,343	645,320,670	-
One year later	293,003,687	232,100,569	717,375,361	724,231,746	-	-
Two years later	281,008,262	229,003,322	708,455,786	-	-	-
Three years later	274,592,893	227,129,085	-	-	-	-
Four years later	274,032,177	-	-	-	-	-
Current cost of cumulative claims	274,032,177	227,129,085	708,455,786	724,231,746	645,320,670	2,579,169,464
Less: Cumulative payments to date	(271,056,738)	(226,442,385)	(703,362,319)	(567,773,065)	(444,639,209)	(2,213,273,716)
Liabilities recognised in the statement of financial position	2,975,439	686,700	5,093,467	156,458,681	200,681,461	365,895,748
Total liabilities recognised in the statement of financial position	**-**	**-**	**-**	**-**		**365,895,748**

13. DEFERRED POLICY ACQUISITION COSTS

	2013	2012
	SR	SR
Balance at 1 January	**25,501,193**	22,653,027
Acquisition costs incurred during the year	**43,467,635**	57,031,676
Acquisition costs amortised during the year	**(52,063,457)**	(54,183,510)
Balance at 31 December	**16,905,371**	**25,501,193**

14. PREPAID EXPENSES AND OTHER ASSETS

	2013		2012	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
	SR	SR	SR	SR
Prepaid expenses	**5,019,953**	**-**	4,952,364	-
Advances to suppliers	**2,236,198**	**-**	2,255,896	-
Due from employees	**545,520**	**-**	536,585	-
Accrued commission	**443,202**	**1,672,524**	695,530	1,764,738
Others	**2,082,543**	**-**	1,661,540	540,000
	10,327,416	**1,672,524**	**10,101,915**	**2,304,738**

15. PROPERTY AND EQUIPMENT, NET

Cost	Leasehold improvements	Furniture and fixtures	Motor vehicles	Computers and office equipment	Total
	SR	SR	SR	SR	SR
As at 31 December 2011	1,244,514	2,989,189	204,423	5,809,414	10,247,540
Additions during the year	-	781,121	82,567	1,346,663	2,210,351
Disposals during the year	-	(14,502)	-	(50,124)	(64,626)
As at 31 December 2012	1,244,514	3,755,808	286,990	7,105,953	12,393,265
Additions during the year	85,721	605,475	-	1,970,698	2,661,894
Disposals during the year	-	(5,414)	-	-	(5,414)
As at 31 December 2013	**1,330,235**	**4,355,869**	**286,990**	**9,076,651**	**15,049,745**
Accumulated depreciation					
As at 31 December 2011	96,964	869,378	91,239	2,702,733	3,760,314
Charge for the year	60,977	538,481	56,953	1,330,432	1,986,843
Disposals during the year	-	(418)	-	(183)	(601)
As at 31 December 2012	157,941	1,407,441	148,192	4,032,982	5,746,556
Charge for the year	65,712	582,099	42,135	1,759,030	2,448,976
Disposals during the year	-	(5,414)	-	-	(5,414)
As at 31 December 2013	**223,653**	**1,984,126**	**190,327**	**5,792,012**	**8,190,118**
Net book value					
As at 31 December 2013	**1,106,582**	**2,371,743**	**96,663**	**3,284,639**	**6,859,627**
As at 31 December 2012	**1,086,573**	**2,348,367**	**138,798**	**3,072,971**	**6,646,709**

16. ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

	2013		2012	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Due to suppliers and brokers	**17,482,388**	**-**	24,111,325	-
Accrued withholding tax	**6,312,549**	**-**	4,694,468	-
Accrued CCHI fees	**1,875,693**	**-**	2,055,054	-
Board of directors' remunerations	**-**	**536,543**	-	908,265
Others	**1,071,816**	**741,108**	751,685	489,219
	26,742,446	**1,277,651**	**31,612,532**	**1,397,484**

17. AVAILABLE FOR SALE INVESTMENTS

a) Insurance operations

	Investments in local investment funds (Quoted)	Investments in local equity portfolio (Quoted)	Total at 31 December
	SR	SR	SR
Balance as at 31 December 2011	46,177,000	-	46,177,000
Additions during the year	214,999,550	11,190,700	226,190,250
Disposals during the year	(145,387,837)	-	(145,387,837)
Realized gains during the year	953,232	-	953,232
Change in fair value	677,126	789,333	1,466,459
Balance as at 31 December 2012	**117,419,071**	**11,980,033**	**129,399,104**
Additions during the year	106,000,000	-	106,000,000
Disposals during the year	(223,306,775)	(15,485,212)	(238,791,987)
Realized gains during the year	777,959	4,294,512	5,072,471
Change in fair value	(890,255)	(789,333)	(1,679,588)
Balance as at 31 December 2013	**-**	**-**	**-**

All available for sale investments were sold as at 31 December 2013 therefore, there is no change in fair value of available for sale investment (31 December 2012: 1,679,588 SR) in the insurance operations surplus in the statement of financial position.

a.1) The investment analysis by counterparty is as follows:

	2013	2012
	SR	SR
Banks and financial institutions	**-**	**129,399,104**

a.2) The credit quality of the investment portfolio is as follows:

	2013	2012
	SR	SR
"A-" to "A+"	**-**	**129,399,104**

Credit ratings are based on Standard and Poor's rating methodology or the issuer in case of unrated investments.

17. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

a) Insurance operations (continued)

a.3) Following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at 31 December 2014:

	SR			
	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR
Available for sale investments				
Investment funds	-	-	-	-
Equity portfolio	-	-	-	-
Total available for sale investments	**-**	**-**	**-**	**-**

	SR 2012			
	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR
Available for sale investments				
Investment funds	117,419,071	-	-	117,419,071
Equity portfolio	11,980,033	-	-	11,980,033
Total available for sale investments	**129,399,104**	**-**	**-**	**129,399,104**

During the year ended 31 December 2012 and 2013, there were no transfers between level 1 and level 2 fair value measurements, and no transfer into or out of level 3 fair value measurements.

17. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

b) Shareholders' operations

	Investments in foreign investment funds (Unquoted)	Investments in local investment funds (Quoted)	Investments in local equity portfolio (Quoted)	Investments in local and foreign bonds (Quoted)	Investments in foreign bonds portfolio and others (Quoted)	Investments in equity of a local company (Unquoted)	Total at 31 December
	SR	SR	SR	SR	SR	SR	SR
Balance as at 31 December 2011	-	34,456,312	-	-	6,051,277	1,923,077	42,430,666
Additions during the year	-	33,010,703	13,345,571	3,217,406	5,618,453	-	55,192,133
Disposals during the year	-	(52,058,213)	(1,580,409)	-	(11,980,699)	-	(65,619,321)
Realized gains during the year	-	923,631	1,580,409	-	706,020	-	3,210,060
Change in fair value	-	87,248	-	-	(395,051)	-	(307,803)
Balance as at 31 December 2012	**-**	**16,419,681**	**13,345,571**	**3,217,406**	**-**	**1,923,077**	**34,905,735**
Additions during the year	11,250,000	85,078	23,699,888	7,770,625	-	-	42,805,591
Disposals during the year	-	(16,287,417)	(35,981,297)	(1,286,209)	-	-	(53,554,923)
Realized gains during the year	-	214,389	10,935,838	2,624	-	-	11,152,851
Change in fair value	-	(422,618)	936,750	(260,838)	-	-	253,294
Balance as at 31 December 2013	**11,250,000**	**9,113**	**12,936,750**	**9,443,608**	**-**	**1,923,077**	**35,562,548**

The accumulated change in fair value of available for sale investments amounting to SR 766,293 as at 31 December 2013 (31 December 2012: SR 512,999) is presented within the shareholder's equity in the statement of financial position.

17. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

b) Shareholder's operations (continued)

Investment in equity of a local company amounting to SR 1.9 million (31 December 2012: SR 1.9 million), represents an unquoted investment in the equity of Najm for Insurance Services representing 7.69% (2012: 7.69%) of the capital of the investee Company. As the fair value is not readily available, this investment is carried at cost after considering impairment if any.

b-1) The investment analysis by counterparty is as follows:

	2013	2012
	SR	SR
Government and quasi government	**2,000,000**	-
Banks and financial institutions	**31,639,471**	32,982,658
Corporate	**1,923,077**	1,923,077
Total	**35,562,548**	**34,905,735**

b-2) The credit quality of the investment portfolio is as follows:

	2013	2012
	SR	SR
"A-" to "A+"	**16,837,187**	31,682,439
"B+" to "B"	**3,552,284**	1,300,219
Unavailable credit rating	**15,173,077**	1,923,077
Total	**35,562,548**	**34,905,735**

Credit ratings are based on Standard and Poor's and Fitch rating methodology or the issuer in case of unrated investments.

17. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

b) Shareholder's operations (continued)

b-3) The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	2013			
	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR
Available for sale investments				
Investment funds	9,113	11,250,000	-	11,259,113
Equity portfolio	12,936,750	-	-	12,936,750
Bonds	9,443,608	-	-	9,443,608
Equity	-	-	1,923,077	1,923,077
Total available for sale investments	**22,389,471**	**11,250,000**	**1,923,077**	**35,562,548**

	2012			
	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR
Available for sale investments				
Investment funds	16,419,681	-	-	16,419,681
Equity portfolio	13,345,571	-	-	13,345,571
Bonds	3,217,406	-	-	3,217,406
Equity	-	-	1,923,077	1,923,077
Total available for sale investments	**32,982,658**	**-**	**1,923,077**	**34,905,735**

During the year ended 31 December 2012 and 2013, there were no transfers between level 1 and level 2 fair value measurements, and no transfer into or out of level 3 fair value measurements.

18. HELD TO MATURITY INVESTMENTS

a) Insurance operations

	2013	2012
	SR	SR
Financial institutions bonds	**15,078,098**	**15,078,098**

All the above bonds are listed and are BBB/AAA credit rated in accordance with Standard and Poor's agency or, Fitch, or Moody's except bonds with an amount of SR 2 million where its credit quality is not available. The average commission rate is 3.15% per annum (31 December 2012: 2.96%). The maturity date of these bonds is up to year 2017. These bonds are presented at amortized cost in the statement of the financial position. The fair value of held to maturity investments amounted to SR 15,566,353 as at 31 December 2013 (31 December 2012: SR 15,640,203) and classified within level 1 of the fair value hierarchy.

18. HELD TO MATURITY INVESTMENTS (continued)

b) Shareholders' operations

	2013	2012
	SR	SR
Financial institutions and governmental bonds	**19,645,388**	**19,645,388**

All the above bonds are listed and are BBB / AAA credit rated in accordance with Standard and Poor's agency or Fitch or Moody's. The average commission rate is 3.83% per annum (31 December 2012: 3.57%). The maturity date of these bonds is up to year 2022. These bonds are presented at amortized cost in the statement of the financial position. The fair value of held to maturity investments amounted to SR 20,.88,105 as at 31 December 2013 (31 December 2012: SR 21,660,774). It is classified within level 1 of the fair value hierarchy.

19. UNEARNED REINSURANCE COMMISSION

	2013	2012
	SR	SR
At 1 January	**11,992,255**	14,391,400
Commission received during the year	**29,980,749**	23,781,440
Commission earned during the year	**(29,368,823)**	(26,180,585)
At 31 December	**12,604,181**	**11,992,255**

20. GENERAL AND ADMINISTRATIVE EXPENSES

	2013		2012	
	Insurance operations	Shareholder's operations	Insurance operations	Shareholder's operations
	SR	SR	SR	SR
Employees' expenses	**47,153,331**	**-**	42,239,749	-
Supervision and inspection costs	**12,474,567**	**-**	18,532,260	-
Stationery and printing	**2,585,216**	**-**	3,537,238	-
Promotion and advertising	**1,226,243**	**-**	3,061,161	-
Legal and professional fees	**3,456,954**	**175,000**	2,650,466	86,500
Rent	**2,576,065**	**409,256**	2,239,675	409,256
Depreciation (Note 15)	**2,448,976**	**-**	1,986,843	-
Insurance expenses	**2,199,765**	**-**	1,956,363	-
Communications	**1,612,175**	**-**	1,531,001	-
Travelling and accommodation	**1,419,915**	**-**	1,180,632	-
Provision (reversal) for doubtful receivables / (Note 9)	**1,813,962**	**-**	(1,676,863)	-
Written off receivables	**4,586,586**	**-**		
Board of directors' remunerations and expenses	**-**	**423,184**	-	602,292
Bank charges	**-**	**339,380**	-	141,910
Others	**4,371,685**	**81,663**	5,487,298	43,862
	87,925,440	**1,428,483**	**82,725,823**	**1,283,820**

21. ZAKAT AND INCOME TAX PAYABLE

a) Zakat

The zakat base is composed of the following:

	2013	2012
	SR	SR
Share capital	**200,000,000**	200,000,000
Provisions	**30,992,329**	4,026,777
Property and equipment, net	**(6,859,627)**	(6,646,709)
Available for sale investments	**(14,859,827)**	(27,248,681)
Accumulated losses	**(33,394,676)**	(27,020,439)
	175,878,199	143,110,948
Adjusted loss for the year	**(97,926,003)**	(835,281)
Zakat base	**77,952,196**	**142,275,667**
Zakat for the year		

The zakat charged for the year includes the following:

	2013	2012
	SR	SR
Share of the Saudi founding shareholders and general public from the Zakat base at 68.6%	**53,475,206**	97,601,108
Zakat for the year at 2.5%	**1,336,880**	**2,440,028**

b) Income tax

Income tax charged for the year includes the following:

	2013	2012
	SR	SR
Share of the non-Saudi shareholders from the adjusted net income for the year at 31.40% (after computation of accumulated losses)	-	-
Income tax for the year at 20%	-	-
Zakat and income tax for the year	**-**	**2,440,028**

21. ZAKAT AND INCOME TAX PAYABLE (CONTINUED)

Movement of the provision during the year

The movement of the provision for Zakat and income tax for the year is as follows:

	2013	2012
	SR	SR
Provision at the beginning of the year	**2,750,009**	4,387,928
Charge for the year	**1,500,000**	2,440,028
Prior years adjustments	**-**	1,075,505
Paid during the year	**(2,391,477)**	(5,153,452)
Provision at the end of the year	**1,858,532**	**2,750,009**

During 2012, the Department of Zakat and Income Tax (DZIT) has issued the zakat assessment for the years from 2008 to 2011. DZIT demanded for an additional amount of SR 4.8 million and the Company has filed an appeal, noting that the Company has paid part of the amount mentioned by SR 3.9 million. The management believes that the result of the appeal will be in their favor. The Company has filed the zakat return for the year ended 31 December 2012 and has not received the zakat assessment yet.

22. RELATED PARTY TRANSACTIONS AND BALANCES

a) Insurance operations

The following are the details of major related party transactions during the year and the related balances as at the end of the year:

Related party	Nature of transaction	2013	2012
		SR	SR
Board of Directors and the companies they represent	Premiums	**8,506,254**	7,719,048
	Claims	**6,907,020**	2,725,385
Arabia Insurance Company – Lebanon (shareholder)	Expenses paid on behalf of Arabia Insurance Company	**910,534**	52,509
	Expenses paid by Arabia Insurance Company on behalf of the Company	**1,634,014**	2,661,479
	Reinsurance shares collected by Arabia Insurance Company	**-**	6,343,425
	Paid dues from Arabia Insurance Company to the Company	**14,423,156**	-
Jordan Insurance Company - (shareholder)	Expenses paid on behalf of Jordan Insurance Company	**10,425**	-
	Expenses paid by Jorden Insurance Company on behalf of the company	**-**	6,000
	Reinsurance operations, net	**156,988**	409,827

22. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

a) Insurance operations

The above transactions with the related parties resulted in the following balances as at 31 December:

	2013	2012
	SR	SR
Board of Directors and companies they represent	**3,121,273**	3,601,584
Arabia Insurance Company – Lebanon – Shareholder	**1,239,036**	16,385,672
Jordan Insurance Company – Shareholder	**999,589**	989,164
Reinsurance payable due to Jordan Insurance Company	**(923,572)**	(1,080,560)

b) Shareholders' operations

Compensation of key management personnel

The remunerations of directors and other key management personnel during the year were as follows:

	2013	2012
	SR	SR
Short-term benefits	**4,810,080**	4,561,383
End of service benefits	**163,545**	147,683
	4,973,625	**4,709,066**

23. 23 SHARE CAPITAL

The authorized and fully paid-up share capital of the Company is SR 200 million divided into 20 million shares of SR 10 each.

24. STATUTORY DEPOSIT

Statutory deposit represents 10% of the paid-up capital which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. This statutory deposit cannot be withdrawn without the consent of SAMA.

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets and liabilities include cash and cash equivalents, time deposits, available for sale investments, held to maturity investments, receivables, payables, and certain other assets and liabilities. The fair values of the financial assets and liabilities are not materially different from their carrying values except for unquoted financial instruments which are carried at cost.

26. BASIC AND DILUTED LOSS PER SHARE

Loss per share for the year have been calculated by dividing the net loss for the year by the average ordinary issued and outstanding shares during the year amounting to 20 million shares.

27. COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

As is the case for the majority of insurance companies, the Company is subject to legal proceedings in the normal course of business. Based on the advice of the legal advisors, the Company believes that the final result of such proceedings will not have a material effect on its results or financial position.

b) Operating lease commitments

The minimum future lease payments for the use of the Company office premises amounts to 2,528,350 SR (2012: SR 2,373,901) payable in one annual instalment for the next year.

c) Contingent Liabilities.

The Company has provided guarantees of SR 1 million (2012: SR 0.8 million).

28. SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, operating segments have been approved by Management in respect of the Company' s activities, assets and liabilities as set out below.

Segment results do not include allocation of general and administrative expenses, and other insurance income and other income to operating segments.

Segment assets do not include allocation of cash and cash equivalents, time deposits, available for sale investments, held to maturity investments, premiums and insurance balances receivable, reinsurance balances receivable, prepaid expenses and other assets, due from related parties, due from shareholders' operations, and property and equipment, net to operating segments.

Segment liabilities do not include allocation of accounts payable, reinsurance balances payable, accounts payable, accrued expenses and other liabilities, due to shareholders' operations, employees' end of service benefits and surplus distribution payable to operating segments.

28. SEGMENTAL INFORMATION (CONTINUED)

Operating segments

	For the year ended 31 December 2013						
	Medical SR	Motor SR	Fire SR	Engineering SR	Marine SR	Others SR	Total SR
Insurance operations results							
Gross premiums written	180,663,453	265,146,932	40,305,494	41,245,658	40,842,451	18,122,815	**586,326,803**
Less: Reinsurance premiums ceded	(82,534,126)	-	(38,158,978)	(37,019,676)	(30,683,198)	(11,384,228)	**(199,780,206)**
Excess of loss premiums	-	(7,807,615)	(885,432)	-	(228,940)	-	**(8,921,987)**
Net premiums written	**98,129,327**	**257,339,317**	**1,261,084**	**4,225,982**	**9,930,313**	**6,738,587**	**377,624,610**
Change in unearned premiums, net	12,817,222	61,092,343	(379,539)	(1,042,833)	(935,817)	(1,125,148)	**70,426,228**
Net premiums earned	**110,946,549**	**318,431,660**	**881,545**	**3,183,149**	**8,994,496**	**5,613,439**	**448,050,838**
Gross claims paid and other expenses	(169,123,029)	(335,898,192)	(72,590,589)	(11,820,110)	(14,051,089)	(3,744,274)	**(607,227,283)**
Reinsurers' share of gross claims paid	53,535,484	1,453,671	71,750,269	10,576,668	7,109,817	2,715,154	**147,141,063**
Change in outstanding claims, net	11,463,587	(15,370,929)	625,528	(211,509)	2,150,363	(459,702)	**(1,802,662)**
Net claims incurred	**(104,123,958)**	**(349,815,450)**	**(214,792)**	**(1,454,951)**	**(4,790,909)**	**(1,488,822)**	**(461,888,882)**
Policy acquisition costs	(16,752,406)	(29,650,173)	(1,484,512)	(638,479)	(2,829,046)	(708,841)	**(52,063,457)**
Reinsurance commission earned	-	-	7,026,942	11,756,170	8,336,551	2,249,160	**29,368,823**
Net underwriting results	**(9,929,815)**	**(61,033,963)**	**6,209,183**	**12,845,889**	**9,711,092**	**5,664,936**	**(36,532,678)**
General and administrative expenses							**(87,925,440)**
Other income							**7,691,483**
Insurance operations' deficit							**(116,766,635)**

28. SEGMENTAL INFORMATION (CONTINUED)

Operating segments (continued)

	For the year ended 31 December 2012						
	Medical SR	Motor SR	Fire SR	Engineering SR	Marine SR	Others SR	Total SR
Insurance operations results							
Gross premiums written	199,855,900	339,047,851	31,357,533	31,892,620	35,468,902	16,322,465	**653,945,271**
Less: Reinsurance premiums ceded	(54,141,890)	-	(29,951,349)	(27,148,817)	(26,827,102)	(10,536,871)	**(148,606,029)**
Excess of loss premium	-	(6,325,274)	(476,598)	-	(226,800)	-	**(7,028,672)**
Net premiums written	**145,714,010**	**332,722,577**	**929,586**	**4,743,803**	**8,415,000**	**5,785,594**	**498,310,570**
Change in unearned premiums, net	(7,394,713)	(83,073,463)	321,302	252,911	627,877	(588,728)	**(89,854,814)**
Net premiums earned	**138,319,297**	**249,649,114**	**1,250,888**	**4,996,714**	**9,042,877**	**5,196,866**	**408,455,756**
Gross claims paid and other expenses	(230,710,053)	(209,400,259)	(319,040,326)	(7,417,571)	(6,923,091)	(2,878,513)	**(776,369,813)**
Reinsurers' share of gross claims paid	148,358,100	2,306,615	316,517,538	6,485,880	3,597,143	1,716,191	**478,981,467**
Change in outstanding claims, net	(17,657,569)	1,074,265	1,740,637	(1,213,413)	(2,047,327)	39,312	**(18,064,095)**
Net claims incurred	**(100,009,522)**	**(206,019,379)**	**(782,151)**	**(2,145,104)**	**(5,373,275)**	**(1,123,010)**	**(315,452,441)**
Policy acquisition costs	(22,948,593)	(26,631,747)	(975,955)	(1,121,645)	(1,679,547)	(826,023)	**(54,183,510)**
Reinsurance commission earned	-	-	7,112,034	11,307,258	6,559,074	1,202,219	**26,180,585**
Net underwriting results	**15,361,182**	**16,997,988**	**6,604,816**	**13,037,223**	**8,549,129**	**4,450,052**	**65,000,390**
General and administrative expenses							**(82,725,823)**
Other insurance income							**6,343,425**
Other income							**3,028,434**
Insurance operations' deficit							**(8,353,574)**

28. SEGMENTAL INFORMATION (CONTINUED)

Operating segments (continued)

	As at 31 December 2013						
	Medical SR	Motor SR	Fire SR	Engineering SR	Marine SR	Others SR	Total SR
Insurance operations' assets							
Reinsurers' share of unearned premiums	43,536,279	-	21,465,047	28,185,912	8,290,541	5,967,097	**107,444,876**
Reinsurers' share of outstanding claims	36,115,994	5,873,478	149,338,829	41,731,875	11,980,977	10,694,918	**255,736,071**
Deferred policy acquisition costs	8,322,993	6,676,645	386,778	392,324	635,884	490,747	**16,905,371**
Unallocated assets							**449,959,990**
							830,046,308
Insurance operations' liabilities and surplus							
Unearned premiums	103,025,741	115,840,724	22,349,518	31,997,456	11,180,756	10,889,027	**295,283,222**
Unearned reinsurance commission	-	-	4,024,431	4,751,114	2,324,439	1,504,197	**12,604,181**
Outstanding claims	62,955,667	78,078,220	152,273,628	43,531,618	16,684,727	12,371,888	**365,895,748**
Unallocated liabilities							**156,263,157**
							830,046,308

	As at 31 December 2012						
	Medical SR	Motor SR	Fire SR	Engineering SR	Marine SR	Others SR	Total SR
Insurance operations' assets							
Reinsurers' share of unearned premiums	18,187,238	-	15,629,848	16,017,891	8,043,526	6,105,024	**63,983,527**
Reinsurers' share of outstanding claims	15,854,354	3,406,178	258,464,879	11,997,973	18,942,466	2,776,621	**311,442,471**
Deferred policy acquisition costs	8,137,429	15,395,570	418,469	550,295	590,820	408,610	**25,501,193**
Unallocated assets							**730,031,743**
							1,130,958,934
Insurance operations' liabilities and surplus							
Unearned premiums	90,493,922	176,933,066	16,134,780	18,786,601	9,997,927	9,901,805	**322,248,101**
Unearned reinsurance commission	-	-	3,277,058	5,450,297	2,037,996	1,226,904	**11,992,255**
Outstanding claims	54,157,615	60,239,991	262,025,207	13,586,207	25,796,579	3,993,887	**419,799,486**
Unallocated liabilities							**376,919,092**
							1,130,958,934

29. RISK MANAGEMENT

Risk governance

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organizational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and strategic plan approved by the Board. The Company is exposed to insurance, reinsurance, regulatory framework, credit, liquidity, foreign currency, commission rate, fund price risk, market price risk and capital management risks.

Risk management structure

A cohesive organizational structure is established within the Company in order to identify, assess, monitor, and control risks.

Board of Directors

The apex of risk governance is the centralized oversight of Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

Senior management

Senior management is responsible for the day to day operations towards achieving the strategic goals within the Company's pre-defined risk appetite.

Audit Committee and Internal Audit Department

Risk management processes throughout the Company are audited annually by the Internal Audit Department which examines both the adequacy of the procedures and the Company's compliance with such procedures. The Internal Audit Department discusses the results of all assessments with senior management, and reports its findings and recommendations directly to the Audit Committee.

The risks faced by the Company and the manner in which these risks are mitigated by management are set out below:

a) Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed the carrying amount of insurance liabilities. This could occur because the frequency or amounts of claims severity, actual benefits paid and subsequent development of long term claims are different than expected. Therefore the objective of the Company is to ensure that sufficient resources are available to cover these liabilities. The insurance risk arising from insurance contracts is mainly concentrated in the Kingdom of Saudi Arabia.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly motor and medical risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Motor

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The Company only grants comprehensive polices for owner/drivers over 18 years of age. Substantially all of the motor contracts relate to private individuals. The Company also has risk management procedures to control cost of claims. The Company has reinsurance cover to limit the losses for any individual claim to SR 468,750.

29. RISK MANAGEMENT (CONTINUED)

a) Insurance risk (continued)

Medical insurance

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across the industry sectors and geography to ensure that pricing takes account of current health conditions, regular view of actual claims experience and product pricing, as well as detailed claims handling procedures. The Company further enforces a policy of actively managing and promptly pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions such as the ultimate loss ratio, with all other assumptions held constant, showing the impact on net liabilities and net income as follows:

31 December 2013	Changes in assumptions	Effect on net liabilities	Effect on net Income
		SR	SR
Ultimate loss ratio	+10%	44,805,083	44,805,083
	-10%	(44,805,083)	(44,805,083)

31 December 2012	Changes in assumptions	Effect on net liabilities	Effect on net Income
		SR	SR
Ultimate loss ratio	+10%	(40,845,576)	(40,845,576)
	-10%	40,845,576	40,845,576

b) Reinsurance risk

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

To minimize its exposure to significant losses from reinsurance companies' insolvencies, the Company evaluates the financial condition of reinsurance companies and monitors the concentrations of credit risk arising from similar geographic regions, activities and economic characteristics of reinsurance companies.

Reinsurance contracts do not relieve the Company from its obligations to the policyholders and as a result the Company remains liable for a portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements. The credit exposure in this connection is:

	2013	2012
	SR	SR
Middle East	**82,641,751**	113,489,636
Europe	**173,094,320**	197,952,835
	255,736,071	**311,442,471**

29. RISK MANAGEMENT (CONTINUED)

c) Regulatory framework risk

The operations of the Company are subject to local regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise.

d) D) Credit risk

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

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

- The Company only enters into insurance and reinsurance contracts with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- Cash and cash equivalents, time deposits and the statutory deposit are placed at local banks being approved by the management. Accordingly and as prerequisite, banks with which cash and cash equivalents, time deposits and the statutory deposit are placed should have an acceptable credit rating that ensures the financial position strength.
- The Company's investment funds and portfolios are managed by the investment officer in accordance with the investment policy established by the investment committee.
- The Company, with respect to credit risk arising from other financial assets, is restricted to commercial banks having strong financial positions and good credit ratings.
- There are no significant concentrations of credit risk within the Company.

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

	2013		2012	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
	SR	SR	SR	SR
Cash and current accounts at banks	**78,995,986**	**286,604**	189,657,843	13,689,412
Time deposits	**45,866,938**	**102,701,156**	58,698,451	87,944,637
Prepaid expenses and other assets	**10,327,416**	**1,672,524**	10,101,915	2,304,738
Available for sale investments	**-**	**35,562,548**	129,399,104	34,905,735
Held to maturity investments	**15,078,098**	**19,645,388**	15,078,098	19,645,388
Premiums and reinsurance balances receivables	**177,606,732**	**-**	289,649,500	-
Reinsures' share of outstanding claims	**255,736,071**	**-**	311,442,471	-
Due from related parties	**2,238,625**	**-**	17,374,836	-
	585,849,866	**159,868,220**	**1,021,402,218**	**158,489,910**

29. RISK MANAGEMENT (CONTINUED)

e) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

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

All company's liabilities as disclosed in the statement of financial position, except for employees' end of service benefits, are due on demand.

Maturity dates

The table below summarizes the maturity profiles of the financial liabilities of the Company based on the remaining expected undiscounted contractual obligations: Maturity profiles are determined based on the estimated timing of net cash outflows from the recognized insurance liabilities. Unearned premiums and unearned reinsurance commission have been excluded from the analysis since they are not contractual obligation. There is no fixed maturity profile for the end of service benefit.

	2013			2012		
	Up to one year	More than one year	Total	Up to one year	More than one year	Total
	SR	SR	SR	SR	SR	SR
INSURANCE OPERATIONS' FINANCIAL LIABILITIES						
Insurance account payable	**54,451,677**	**-**	**54,451,677**	321,330,613	-	321,330,613
Financial liabilities arising from insurance and reinsurance contracts:						
Reinsurance balances payable	**69,663,004**	**-**	**69,663,004**	18,368,644	-	18,368,644
Outstanding claims	**365,895,748**	**-**	**365,895,748**	419,799,486	-	419,799,486
Accounts payable, accrued expenses and other liabilities	**23,297,312**	**-**	**23,297,312**	28,530,784	-	28,530,784
Employees' end of service benefits	**-**	**6,120,220**	**6,120,220**	-	4,278,518	4,278,518
	-	**-**	**-**	-	-	-
	513,307,741	**6,120,220**	**519,427,961**	**788,029,527**	**4,278,518**	**792,308,045**
SHAREHOLDERS' FINANCIAL LIABILITIES						
Accounts payable, accrued expenses and other liabilities	**1,277,651**	**-**	**1,277,651**	1,397,484	-	1,397,484
Zakat and income tax payable	**1,858,532**	**-**	**1,858,532**	2,750,009	-	2,750,009
	-	**-**	**-**	-	-	-
	3,136,183	**-**	**3,136,183**	4,147,493	-	4,147,493
	-	**-**	**-**	**-**	**-**	**-**
TOTAL FINANCIAL LIABILITIES	**516,443,924**	**6,120,220**	**522,564,144**	**792,177,020**	**4,278,518**	**796,455,538**

e) Liquidity risk (continued)

Maturity dates (continued)

Liquidity

None of the financial liabilities on the date of the statement of financial position are based on discounted cash flows and are all payable on a basis as set out above.

	SAR					
	2013					
	Insurance operations			Shareholders' operations		
	Current	Non-Current	Total	Current	Non-Current	Total
Assets						
Cash and cash equivalents	79,290,468	-	79,290,468	33,747,029	-	33,747,029
Time deposits	45,866,938	-	45,866,938	69,240,731	-	69,240,731
Premiums and reinsurance balances receivable, net	177,606,732	-	177,606,732	-	-	-
Available for sale investments	-	-	-	35,562,548	-	35,562,548
Due from related parties	2,238,625	-	2,238,625	-	-	-
Held to maturity investments	-	15,078,098	15,078,098	-	19,645,388	19,645,388
Prepaid expenses and other assets	10,327,416	-	10,327,416	-	-	-
Reinsurers' share of unearned premiums	100,223,195	7,221,681	107,444,876	1,672,524	-	1,672,524
Reinsurers' share of outstanding claims	255,736,071	-	255,736,071	-	-	-
Deferred policy acquisition costs	16,471,555	433,816	16,905,371	-	-	-
Due from shareholders' operations	112,692,086	-	112,692,086	-	-	-
Property and equipment, net	6,859,627	-	6,859,627	-	-	-
Statutory deposit	-	-	-	-	20,000,000	20,000,000
Total Assets	**807,312,713**	**22,733,595**	**830,046,308**	**140,222,832**	**39,645,388**	**179,868,220**
Liabilities						
Insurance account payable	51,006,542	-	51,006,542	-	-	-
Reinsurance balances payable	69,663,004	-	69,663,004	-	-	-
Outstanding claims	365,895,748	-	365,895,748	-	-	-
Accounts payable, accrued expenses, and other liabilities	26,742,446	-	26,742,446	1,277,651	-	1,277,651
Unearned premiums	285,179,645	10,103,577	295,283,222	-	-	-
Unearned reinsurance commission	11,376,521	1,227,660	12,604,181	-	-	-
Employees' end of service benefits	-	6,120,220	6,120,220	-	-	-
Due to insurance operations	-	-	-	112,692,086	-	112,692,086
Zakat and income tax payable	-	-	-	1,858,532	-	1,858,532
Total Financial Liability	**809,863,906**	**17,451,457**	**827,315,363**	**115,828,269**	**-**	**115,828,269**

Maturity analysis on expected maturity bases as follows:

e) Liquidity risk (continued)

Maturity dates (continued)

Liquidity

None of the financial liabilities on the date of the statement of financial position are based on discounted cash flows and are all payable on a basis as set out above.

	SAR					
	2012					
	Insurance operations			Shareholders' operations		
	Current	Non-Current	Total	Current	Non-Current	Total
Assets						
Cash and cash equivalents	199,938,302	-	199,938,302	13,689,412	-	13,689,412
Time deposits	54,619,185	-	54,619,185	87,944,637	-	87,944,637
Premiums and reinsurance balances receivable, net	289,649,500	-	289,649,500	-	-	-
Available for sale investments	129,399,104	-	129,399,104	34,905,735	-	34,905,735
Due from related parties	17,374,836	-	17,374,836	-	-	-
Held to maturity investments	-	15,078,098	15,078,098	-	19,645,388	19,645,388
Prepaid expenses and other assets	10,101,915	-	10,101,915	-	-	-
Reinsurers' share of unearned premiums	55,048,538	8,934,989	63,983,527	2,304,738	-	2,304,738
Reinsurers' share of outstanding claims	311,442,471	-	311,442,471	-	-	-
Deferred policy acquisition costs	25,007,925	493,268	25,501,193	-	-	-
Due from shareholders' operations	7,224,094	-	7,224,094	-	-	-
Property and equipment, net	6,646,709	-	6,646,709	-	-	-
Statutory deposit	-	-	-	-	20,000,000	20,000,000
Total Assets	**1,106,452,579**	**24,506,355**	**1,130,958,934**	**138,844,522**	**39,645,388**	**178,489,910**
Liabilities						
Insurance account payable	318,248,865	-	318,248,865	-	-	-
Reinsurance balances payable	18,368,644	-	18,368,644	-	-	-
Outstanding claims	419,799,486	-	419,799,486	-	-	-
Accounts payable, accrued expenses, and other liabilities	31,612,532	-	31,612,532	1,397,484	-	1,397,484
Unearned premiums	312,144,524	10,103,577	322,248,101	-	-	-
Unearned reinsurance commission	10,764,595	1,227,660	11,992,255	-	-	-
Employees' end of service benefits	-	4,278,518	4,278,518	-	-	-
Due to insurance operations	-	-	-	7,224,094	-	7,224,094
Zakat and income tax payable	-	-	-	2,750,009	-	2,750,009
Total Financial Liability	**1,110,938,646**	**15,609,755**	**1,126,548,401**	**11,371,587**	**-**	**11,371,587**

Maturity analysis on expected maturity bases as follows:

29. RISK MANAGEMENT (CONTINUED)

f) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's principal transactions are carried out in Saudi Riyal. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

The table below shows assets and liabilities of the Company dominated in major currency as follows:

	2013			2012		
	SR	US Dollar	Total	SR	US Dollar	Total
	SR	SR	SR	SR	SR	SR
INSURANCE OPERATIONS' ASSETS						
Cash and cash equivalents	**71,172,578**	**8,117,890**	**79,290,468**	171,166,271	28,772,031	199,938,302
Time deposit	**10,000,000**	**35,866,938**	**45,866,938**	12,000,000	42,619,185	54,619,185
Available for sale Investments	**-**	**-**	**-**	84,253,987	45,145,117	129,399,104
Held to maturity investments	**2,000,000**	**13,078,098**	**15,078,098**	2,000,000	13,078,098	15,078,098
Premiums and reinsurance balances receivables	**177,606,732**	**-**	**177,606,732**	289,649,500	-	289,649,500
Reinsurers' share of unearned premiums	**107,444,876**	**-**	**107,444,876**	63,983,527	-	63,983,527
Reinsurers' share of outstanding claims	**255,736,071**	**-**	**255,736,071**	311,442,471	-	311,442,471
Deferred policy acquisition costs	**16,905,371**	**-**	**16,905,371**	25,501,193	-	25,501,193
Prepaid expenses and other assets	**10,327,416**	**-**	**10,327,416**	10,101,915	-	10,101,915
Due from related parties	**2,238,625**	**-**	**2,238,625**	17,374,836	-	17,374,836
Due from shareholders' operations	**112,692,086**	**-**	**112,692,086**	7,224,094	-	7,224,094
Property and equipment, net	**6,859,627**	**-**	**6,859,627**	6,646,709	-	6,646,709
TOTAL INSURANCE OPERATIONS' ASSETS	**772,983,382**	**57,062,926**	**830,046,308**	**1,001,344,503**	**129,614,431**	**1,130,958,934**

29. RISK MANAGEMENT (CONTINUED)

F) Foreign currency risk (continued)

	2013			2012		
	SR	US Dollar	Total	SR	US Dollar	Total
	SR	SR	SR	SR	SR	SR
SHAREHOLDERS' ASSETS						
Cash and cash equivalents	-	33,747,029	33,747,029	-	13,689,412	13,689,412
Time deposits	20,000,000	49,240,731	69,240,731	-	87,944,637	87,944,637
Prepaid expenses and other assets	1,672,524	-	1,672,524	2,304,738	-	2,304,738
Available for sale investments	18,868,940	16,693,608	35,562,548	31,681,856	3,223,879	34,905,735
Held to maturity investments	5,000,000	14,645,388	19,645,388	5,000,000	14,645,388	19,645,388
Statutory deposit	20,000,000	-	20,000,000	20,000,000	-	20,000,000
TOTAL SHAREHOLDERS' ASSETS	65,541,464	114,326,756	179,868,220	58,986,594	119,503,316	178,489,910
TOTAL ASSETS	838,524,846	171,389,682	1,009,914,528	1,060,331,097	249,117,747	1,309,448,844

29. RISK MANAGEMENT (CONTINUED)

F) Foreign currency risk (continued)

	2013			2012		
	SR	US Dollar	Total	SR	US Dollar	Total
	SR	SR	SR	SR	SR	SR
INSURANCE OPERATIONS' LIABILITIES						
Insurance account payable	**51,006,542**	**-**	**51,006,542**	318,248,865	-	318,248,865
Reinsurance balances payable	**69,663,004**	**-**	**69,663,004**	18,368,644	-	18,368,644
Accounts payable, accrued expenses, and other liabilities	**26,742,446**	**-**	**26,742,446**	31,612,532	-	31,612,532
Unearned reinsurance commission	**12,604,181**	**-**	**12,604,181**	11,992,255	-	11,992,255
Unearned premiums	**295,283,222**	**-**	**295,283,222**	322,248,101	-	322,248,101
Outstanding claims	**365,895,748**	**-**	**365,895,748**	419,799,486	-	419,799,486
Employees' end of service benefits	**6,120,220**	**-**	**6,120,220**	4,278,518	-	4,278,518
TOTAL INSURANCE OPERATIONS' LIABILITIES	**827,315,363**	**-**	**827,315,363**	1,126,548,401	-	1,126,548,401
SHAREHOLDERS' LIABILITIES						
Accounts payable, accrued expenses and other liabilities	**1,277,651**	**-**	**1,277,651**	1,397,484	-	1,397,484
Due to insurance operations	**112,692,086**	**-**	**112,692,086**	7,224,094	-	7,224,094
Zakat and income tax payable	**1,858,532**	**-**	**1,858,532**	2,750,009	-	2,750,009
TOTAL SHAREHOLDERS' LIABILITIES	**115,828,269**	**-**	**115,828,269**	11,371,587	-	11,371,587
TOTAL LIABILITIES	**943,143,632**	**-**	**943,143,632**	**1,137,919,988**	**-**	**1,137,919,988**

29. RISK MANAGEMENT (CONTINUED)

g) Commission rate risk

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

The Company is exposed to special commission rate risk on some of its investments. The Company limits commission rate risk by monitoring changes in commission rates in the currencies in which its investments are denominated.

h) Fund price risk

Fund price risk is the risk that the fair value of future cash flows of a fund will fluctuate because of changes in the net asset value (NAV) being determined by fund managers.

The Company limits fund price risk by maintaining a diversified portfolio by having different types of funds and by monitoring the developments in fund markets.

A 5% change in the net asset value of funds, with all other variables held constant, would impact net income by increase / (decrease) of SR 562,956 (31 December 2012: SR 6,691,938).

i) Market price risk

Market price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from commission rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or other factors affecting all similar financial instruments traded in the market.

j) Capital management

Capital requirements are set and regulated by the Saudi Arabian Monetary Agency in order to ensure sufficient solvency margins in case of bankruptcy. Further objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares.

In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the financial statements year.

30. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 17 Rabi Thani 1435 H (corresponding to 17 February 2014).

ARABIA INSURANCE COOPERATIVE COMPANY

(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012

Deloitte & Touche
Bakr Abulkhair & Co.
Deloitte.

Al Bassam
Certified Public Accountants & Consultants

AUDITORS' REPORT

TO THE SHAREHOLDERS OF ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)

SCOPE OF AUDIT

We have audited the accompanying statement of financial position of **Arabia** Insurance Cooperative Company - A Saudi Joint Stock Company (the "Company") as at 31 December 2012, and the related statements of insurance operations and accumulated surplus, shareholders' operations, shareholders' comprehensive operations, changes in shareholders' equity, insurance operations and shareholders' cash flows for the year then ended, and the notes which form an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the International Financial Reporting Standards and the provisions of Article 123 of the Saudi Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

UNQUALIFIED OPINION

In our opinion, the financial statements taken as a whole:

- Present fairly, in all material respects, the financial position of the Company as at 31 December 2012, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.
- Comply with the requirements of the Regulation for Companies and the Company's by-laws with respect to the preparation and presentation of the financial statements.

EMPHASIS OF A MATTER

The management has prepared these financial statements in accordance with International Financial Reporting Standards and not in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia as adopted by the Saudi Organization for Certified Public Accountants.

Deloitte & Touche
Bakr Abulkhair & Co.
P. O. Box 213
Riyadh 11411
Kingdom of Saudi Arabia

Ehsan A. Makhdoum
Certified Public Accountant
License No. 358

10 Rabi Al Thani 1434 H
20 February 2013

Al Bassam Certified Public Accountants and Consultants
P.O.Box 69658
Riyadh 11557
Kingdom of Saudi Arabia

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

ARABIA INSURANCE COOPERATIVE COMPANY

(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As At 31 December 2012

Amounts in Saudi Riyal

	Notes	31 December 2012	31 December 2011
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	7	**199,938,302**	142,629,968
Time deposits	8	**54,619,185**	-
Available for sale investments	17 (a)	**129,399,104**	46,177,000
Held to maturity investments	18 (a)	**15,078,098**	11,703,098
Premiums and insurance balances receivable	9	**164,149,762**	162,952,960
Reinsurance balances receivables		**107,381,094**	-
Reinsurers' share of unearned premiums	10	**63,983,527**	117,942,504
Reinsurers' share of outstanding claims	11	**311,442,471**	444,868,930
Deferred policy acquisition costs	13	**25,501,193**	22,653,027
Prepaid expenses and other assets	14	**10,101,915**	12,759,331
Due from related parties	22	**17,374,836**	13,634,381
Due from shareholders' operations		**7,224,094**	-
Property and equipment, net	15	**6,646,709**	6,487,226
TOTAL INSURANCE OPERATIONS' ASSETS		**1,112,840,290**	**981,808,425**
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	7	**13,689,412**	98,654,131
Time deposits	8	**87,944,637**	-
Prepaid expenses and other assets	14	**2,304,738**	1,227,117
Available for sale investments	17 (b)	**34,905,735**	42,430,666
Held to maturity investments	18(b)	**19,645,388**	6,054,157
Due from insurance operations		**-**	12,008,622
Statutory deposit	24	**20,000,000**	20,000,000
TOTAL SHAREHOLDERS' ASSETS		**178,489,910**	**180,374,693**
TOTAL ASSETS		**1,291,330,200**	**1,162,183,118**

The accompanying notes 1 to 30 form an integral part of these financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY

(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION (Continued)

As At 31 December 2012

Amounts in Saudi Riyal

	Notes	31 December 2012	31 December 2011
INSURANCE OPERATIONS' LIABILITIES			
Accounts payable		**321,330,613**	29,037,919
Reinsurance balances payable		**-**	58,768,022
Accounts payable, accrued expenses and other liabilities	16	**28,780,784**	39,938,299
Unearned reinsurance commission	19	**11,992,255**	14,391,400
Unearned premiums	10	**322,248,101**	286,352,264
Outstanding claims	11	**419,799,486**	535,161,850
Employees' end of service benefits		**4,278,518**	3,205,975
Surplus distribution payable	3	**2,730,945**	2,730,945
Due to shareholders' operations		**-**	12,008,622
TOTAL INSURANCE OPERATIONS' LIABILITIES		**1,111,160,702**	**981,595,296**
INSURANCE OPERATIONS' SURPLUS			
Change in fair value of available for sale investments	17(a)	**1,679,588**	213,129
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS		**1,112,840,290**	**981,808,425**
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Accounts payable, accrued expenses and other liabilities	16	**1,397,484**	2,186,402
Due to insurance operations		**7,224,094**	-
Zakat and income tax payable	21	**2,750,009**	4,387,928
TOTAL SHAREHOLDERS' LIABILITIES		**11,371,587**	**6,574,330**
SHAREHOLDERS' EQUITY			
Share capital	23	**200,000,000**	200,000,000
Accumulated losses		**(33,394,676)**	(27,020,439)
Change in fair value of available for sale investments	17(b)	**512,999**	820,802
TOTAL SHAREHOLDERS' EQUITY		**167,118,323**	**173,800,363**
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		**178,489,910**	**180,374,693**
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS AND SHAREHOLDERS' LIABILITIES AND EQUITY		**1,291,330,200**	**1,162,183,118**

The accompanying notes 1 to 30 form an integral part of these financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY

(A Saudi Joint Stock Company)

STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS

For the Year Ended 31 December 2012

Amounts in Saudi Riyal

	Notes	31 December 2012	31 December 2011
Gross premiums written		**653,945,271**	565,058,948
Less: Reinsurance premiums ceded		**(148,606,029)**	(207,660,638)
Excess of loss premium		**(7,028,672)**	(6,104,822)
Net premiums written		**498,310,570**	**351,293,488**
Change in unearned premiums, net	10	**(89,854,814)**	(17,411,840)
Net premiums earned		**408,455,756**	**333,881,648**
Gross claims paid and other expenses	11	**(776,369,813)**	(398,863,164)
Reinsurers' share of gross claims paid	11	**478,981,467**	185,580,556
Change in outstanding claims, net	11	**(18,064,095)**	9,861,923
Net claims incurred		**(315,452,441)**	**(203,420,685)**
Policy acquisition costs	13	**(54,183,510)**	(48,090,945)
Reinsurance commission earned	19	**26,180,585**	24,663,505
Net underwriting results		**65,000,390**	**107,033,523**
General and administrative expenses	20	**(82,725,823)**	(92,248,828)
Other insurance income	22 (a)	**6,343,425**	-
Other income		**3,028,434**	2,823,593
Insurance operations' (deficit) / surplus		**(8,353,574)**	**17,608,288**
Shareholders' appropriation from insurance operations' deficit / (surplus)		**8,353,574**	(15,847,459)
Insurance operations' surplus after shareholders' appropriation		**-**	**1,760,829**
Distributable surplus		**-**	(1,760,829)
Accumulated surplus at the end of the year		**-**	**-**

The accompanying notes 1 to 30 form an integral part of these financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY

(A Saudi Joint Stock Company)

STATEMENT OF SHAREHOLDERS' OPERATIONS

For the Year Ended 31 December 2012

Amounts in Saudi Riyal

	Notes	31 December 2012	31 December 2011
Shareholders' appropriation from insurance operations' (deficit) / surplus		**(8,353,574)**	15,847,459
Gains on sale of available for sale investments	17 (b)	**3,210,060**	881,172
Commission income		**3,568,630**	3,225,265
General and administrative expenses	20	**(1,283,820)**	(2,663,454)
Net (loss) / income for the year		**(2,858,704)**	**17,290,442**
Basic and diluted (loss) / earnings per share for the year	**26**	**(0.14)**	**0.86**

The accompanying notes 1 to 30 form an integral part of these financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY

(A Saudi Joint Stock Company)

STATEMENT OF SHAREHOLDERS' COMPREHENSIVE OPERATIONS

For the Year Ended 31 December 2012

Amounts in Saudi Riyal

	Note	31 December 2012	31 December 2011
Net (loss) / income for the year		**(2,858,704)**	17,290,442
Other comprehensive (expenses) / income :			
Zakat and income tax	21	**(3,515,533)**	(4,679,464)
Change in fair value of available for sale investments		**1,998,504**	643,725
Total comprehensive (loss) / income for the year		**(4,375,733)**	**13,254,703**

The accompanying notes 1 to 30 form an integral part of these financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY

(A Saudi Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the Year Ended 31 December 2012

Amounts in Saudi Riyal

	Notes	Share capital	Accumulated losses	Change in fair value of available for sale investments	Total
Balance at 1 January 2011		200,000,000	(39,631,417)	1,089,115	161,457,698
Net income for the year		-	17,290,442	-	17,290,442
Zakat and income tax	21	-	(4,679,464)	-	(4,679,464)
Change in fair value of available for sale investments	17(b)	-	-	643,725	643,725
Transfers to statement of shareholders' operations	17(b)	-	-	(912,038)	(912,038)
Balance at 31 December 2011		**200,000,000**	**(27,020,439)**	**820,802**	**173,800,363**
Balance at 1 January 2012		200,000,000	(27,020,439)	820,802	173,800,363
Net loss for the year		-	(2,858,704)	-	(2,858,704)
Zakat and income tax	21	-	(3,515,533)	-	(3,515,533)
Change in fair value of available of sale investments	17(b)	-	-	1,998,504	1,998,504
Transfers to statement of shareholders' operations	17(b)	-	-	(2,306,307)	(2,306,307)
Balance at 31 December 2012		**200,000,000**	**(33,394,676)**	**512,999**	**167,118,323**

The accompanying notes 1 to 30 form an integral part of these financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY

(A Saudi Joint Stock Company)

STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For The Year Ended 31 December 2012

Amounts in Saudi Riyal

	Note	31 December 2012	31 December 2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Insurance operations' surplus after shareholders' appropriation		-	1,760,829
Adjustments to reconcile insurance operations' surplus after shareholders' appropriation to net cash from operating activities:			
Shareholders' appropriation from insurance operations' (deficit) / surplus		(8,353,574)	15,847,459
Gains from sale of available for sales investments		(953,232)	(1,199,641)
Depreciation		1,986,843	1,715,890
Losses from sale of property and equipment		49,215	15,720
(Reversal) / provision for doubtful debts		(1,676,863)	4,551,212
		(8,947,611)	22,691,469
Changes in operating assets and liabilities:			
Premiums and insurance balances receivable		480,061	50,697,127
Reinsurance balances receivables		(107,381,094)	-
Reinsurers' share of unearned premiums		53,958,977	(5,260,473)
Reinsurers' share of outstanding claims		133,426,459	(355,403,007)
Deferred policy acquisition costs		(2,848,166)	2,216,948
Prepaid expenses and other assets		2,657,416	4,475,348
Due from related parties		(3,740,455)	41,313,874
Due from / to shareholders' operations, net		(10,879,142)	(26,522,279)
Accounts payable		292,292,694	2,073,989
Reinsurance balances payable		(58,768,022)	(52,488,733)
Accounts payable, accrued expenses and other liabilities		(11,157,515)	1,578,181
Unearned reinsurance commission		(2,399,145)	4,650,631
Unearned premiums		35,895,837	22,672,313
Outstanding claims		(115,362,364)	345,541,084
Employees' end of service benefits, net		1,072,543	1,463,424
Net cash from operating activities		198,300,473	59,699,896
CASH FLOWS FROM INVESTING ACTIVITIES			
Time deposits, net		(54,619,185)	-
Available for sale investments		(226,190,250)	(54,034,471)
Held to maturity investments		(3,375,000)	(9,453,098)
Proceeds from sale of available for sale investments		145,387,837	66,970,241
Property and equipment		(2,210,351)	(2,306,922)
Proceeds from sale of property and equipment		14,810	22,000
Net cash (used in) / from investing activities		(140,992,139)	1,197,750
Change in cash and cash equivalents		57,308,334	60,897,646
Cash and cash equivalents at the beginning of the year		142,629,968	81,732,322
Cash and cash equivalents at the end of the year	7	199,938,302	142,629,968
Non-cash transactions:			
Change in fair value of available for sale investments		1,466,459	(542,590)

The accompanying notes 1 to 30 form an integral part of these financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY

(A Saudi Joint Stock Company)

STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the Year Ended 31 December 2012

Amounts in Saudi Riyal

	Note	31 December 2012	31 December 2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) / income for the year		**(2,858,704)**	17,290,442
Adjustments for:			
Shareholders' appropriation from insurance operations' deficit / (surplus)		**8,353,574**	(15,847,459)
Gains on sale of available for sale Investments		**(3,210,060)**	(881,172)
		2,284,810	**561,811**
Changes in operating assets and liabilities:			
Prepaid expenses and other assets		**(1,077,621)**	523,907
Accounts payable, accrued expenses and other liabilities		**(788,918)**	1,092,051
Due from / to insurance operations, net		**10,879,142**	26,522,279
Zakat and income tax paid		**(5,153,452)**	(4,878,712)
Net cash from operating activities		**6,143,961**	**23,821,336**
CASH FLOWS FROM INVESTING ACTIVITIES			
Available for sale investments		**(55,192,133)**	(51,187,171)
Time deposits, net		**(87,944,637)**	39,244,387
Proceeds from sale of available for sale investments		**65,619,321**	38,905,765
Held to maturity investments		**(13,591,231)**	-
Net cash (used in) / from investing activities		**(91,108,680)**	**26,962,981**
Change in cash and cash equivalents		**(84,964,719)**	50,784,317
Cash and cash equivalents at the beginning of the year		**98,654,131**	47,869,814
Cash and cash equivalents at the end of the year	**7**	**13,689,412**	**98,654,131**
Non-cash transactions:			
Change in fair value of available for sale investments		**1,998,504**	**643,725**

The accompanying notes 1 to 30 form an integral part of these financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Arabia Insurance Cooperative Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010243302 dated 18 Muhram 1429H (corresponding to 27 January 2008).The registered address of the Company is P.O. Box 28655, Riyadh 11323, Kingdom of Saudi Arabia.

The objectives of the Company are to transact cooperative insurance and reinsurance business and related activities in the Kingdom of Saudi Arabia. Its principal activity includes all classes of general insurance, medical insurance, savings and protection. The Company was listed on the Saudi Stock Exchange (Tadawul) on 26 Muhram 1429H (corresponding to 4 February 2008). The company started insurance and reinsurance operations on 4 Muhram 1430H (corresponding to 1 January 2009).

2. BASIS OF PREPARATION

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and not in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia as adopted by the Saudi Organization for Certified Public Accountants.

Basis of measurement

The financial statements are prepared under the historical cost basis except for the measurement at fair value of available for sale investments.

Statement of compliance

The financial statements of the Company have been prepared by the management in accordance with International Financial Reporting Standards (IFRS).

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for insurance operations and shareholders' operations. The physical custody of all assets related to the insurance operations and shareholders' operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of other revenue and expenses from joint operations is as determined by the Company's management and Board of Directors.

Functional and presentational currency

The financial statements are presented in Saudi Riyals being the functional currency of the Company.

3. SURPLUS DISTRIBUTION

The Company is required to distribute 10% of the net surplus from insurance operations to policyholders and the remaining 90% to be allocated to the shareholders of the Company in accordance with the Insurance Law and its Implementation Regulations issued by the Saudi Arabian Monetary Agency ("SAMA").

The insurance operations' deficit of the Company for the year ended 31 December 2012 amounted to SR 8.3 million (2011: surplus SR 17.6 million). Accordingly, 100% (2011: 90%) of the deficit was transferred amounting to SR 8.3 million (2011: surplus SR 17.6 million) amounting to SR 8.3 million (2011: surplus SR 15.8 million) to the shareholders' operations for the year, leaving a surplus payable to policyholders of SR 2.73 million as at 31 December 2012 (31 December 2011: SR 2.73 million). The Company is in the process of distributing this surplus to policyholders.

4. NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2011 except for the adoption of the following amendments to the existing standards mentioned below which has no significant financial impact on the financial statements of the Company:

a) Amendment to IFRS 7 - Financial instruments: Transfers of financial assets:

This amendment is effective from 1 July 2011 and requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities.

b) Amendment to IAS 12,'Income taxes' on deferred tax (effective 1 January 2012):

Currently IAS 12, 'Income taxes', requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes- recovery of revalued non-depreciable assets', would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which has been withdrawn.

The Company has chosen not to early adopt the amendments and revision to the International Financial Reporting Standards which have been published and are mandatory for compliance by the Company with effect from future dates.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed in preparation of these financial statements:

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, checks under deposit, time deposits and current accounts at banks with an original maturity of less than three months from the date of acquisition.

Property and equipment

Property and equipment are initially recorded at cost less accumulated depreciation and any impairment in value. Depreciation is charged to the statement of insurance operations and accumulated surplus on a straight line basis over the estimated useful lives of property and equipment.

The estimated useful life of property and equipment is as follows:

	Years
Leasehold improvements	4
Furniture and fixtures	10
Motor vehicles	5
Computers and office equipment	3-5

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Available for sale investments

Available for sale investments are stated at cost at the purchase date as part of the Company's investments and are subsequently stated at fair value unless the fair value cannot be measured. The change in fair value is presented directly in the insurance operation surplus / shareholders' equity and the realized gains and losses of available for sale investments are recognized in the statement of insurance operations and accumulated surplus / shareholders' operations.

Held to maturity Investments

Investments which have fixed or determinable payments that the Company has the positive intention and ability to hold till maturity are subsequently measured at amortized cost, less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on such investments is recognised in the statement of insurance operations and accumulated surplus / shareholders' operations when the investment is derecognized or impaired.

Impairment and uncollectibility of financial assets

An assessment is made at each statement of financial position date to determine whether there is an objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, any impairment loss is recognized in the statement of insurance operations and accumulated surplus / shareholders' operations. Impairment in value is determined as follows:

a. For assets carried at fair value, impairment is the difference between the cost and fair value, less any impairment loss previously recognized in the statement of insurance operations and accumulated surplus / shareholders' operations.
b. For assets carried at cost, impairment is the difference between the carrying book value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
c. For assets carried at amortized cost, impairment is determined based on the future cash flows that are discounted at the original effective special commission rate.

Zakat and income tax

Zakat and income tax are provided for in accordance with Saudi Arabian Zakat and Tax Regulations. Zakat is charged to equity accounts of Saudi founding shareholders and general public while income tax is charged to equity accounts of Non-Saudi founding shareholders.

Employees' end of service benefits

Employees' end of service benefits are provided and payable as a lump sum to all employees under the terms and conditions of Saudi Labor Regulations upon termination / end of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at the date of the statement of financial position. End of service payments are calculated based on employees' last salaries and allowances and their cumulative years of service, as defined by the conditions stated in the labor law in the Kingdom of Saudi Arabia.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Commission income

Commission income from time deposits is recognized on an effective yield basis.

Accounts payable, accrued expenses and other liabilities

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Statutory reserve

In accordance with its bylaws, the Company shall allocate 20% of its annual net income to the statutory reserve until it has built up a reserve equal to 100% of the share capital. This allocation has not been made taking into account the accumulated losses.

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from past events, and the costs to settle the obligation are both probable and may be measured reliably. Provisions are not recognised for future operating losses.

Trade date

All normal operations related to purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Company commits to purchase or sell the assets). Normal operations related to purchases or sales of financial assets are transactions that require settlement of assets within the time frame generally established by regulation or convention in the market place.

Foreign currencies

Transactions in foreign currencies are recorded in Saudi riyals at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Saudi Riyals at the exchange rate prevailing at the statement of financial position date. All translation differences are taken to the statement of insurance operations and accumulated surplus / shareholders' operations.

Offsetting financial assets and liabilities

Financial assets and liabilities are offseted and the net amounts reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Revenues and expenses are not offseted in the statement of insurance operations and accumulated surplus / shareholders' operations unless required or permitted by any accounting standards their interpretations.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Premiums earned and commission income

Premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage.

The underwriting results represent premiums earned and fee and commission income less claims paid, other underwriting expenses and anticipated claims payable in respect of the year, net of amounts subject to reinsurance, less provision for any anticipated future losses of the effective policies.

Commission receivable on reinsurance contracts are deferred and amortised on a straight-line basis over the term of the reinsurance contracts.

Retained premiums and commission income, which relate to unexpired risks beyond the end of the financial year, are reported as unearned and deferred based on the following methods:

- Actual number of days for all other lines of business.
- Regarding marine cargo, the unearned premiums represent the gross premiums written during the last three months of the current financial year.

Premiums receivable

Premiums receivable are recognized when due and are measured on initial recognition at the fair value of the considerations received or receivable. The carrying value of premiums receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of insurance operations and accumulated surplus. Premiums receivable are derecognized when the derecognition criteria for financial assets have been met.

Gross outstanding claims

Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, and are charged to the statement of insurance operations and accumulated surplus as incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the date of the statement of financial position, whether reported or not. Provisions for reported claims not paid as at the date of statement of financial position are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported at date of the statement of financial position. The ultimate liability may be in excess of or less than the amount provided.

Any difference between the provisions at the date of the statement of financial position and settlements and provisions in the subsequent year is included in the underwriting account for that year. The Company does not discount its liabilities for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

Liability adequacy test

At each statement of financial position date, the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred policy acquisition costs) is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the statement of insurance operations and accumulated surplus and an unexpired risk provision is created.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred policy acquisition costs

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contacts to which they relate, similar to unearned premiums. All other acquisition costs are recognised as an expense when incurred. Amortization is recorded in the statement of insurance operations and accumulated surplus.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. If the assumptions relating to future profitability of these policies are not realised, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of insurance operations and accumulated surplus. Deferred policy acquisition costs are also considered in the liability adequacy test for each financial reporting period.

Reinsurance

The Company cedes insurance risks in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance agreement.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurers can be measured reliably. The impairment loss is recorded in the statement of insurance operations and accumulated surplus.

Reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Premiums and claims on reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the classification of the reinsurance transactions.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contracts.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

Unearned reinsurance commission

Commission receivable on outwards reinsurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate. Amortisation is recorded in the statement of insurance operations and accumulated surplus.

Product classification

The Company issues insurance contracts that transfer insurance risks. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Fair values

The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the date of close of business of the statement of financial position date. If quoted market prices are not available, reference can also be made to broker or dealer price quotations in the financial market.

For financial assets where there is no active market, fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same and/or discounted cash flow analysis. For discounted cash flow technique, estimated future cash flows are based on Management's best estimates and the discount rate used is a market related rate for similar assets.

Segmental reporting

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incurs expenses and about which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. For management purposes, the Company is organized into business units based on their products and services and has six reportable operating segments as follows:

- Medical insurance, which covers medical costs, medicines, and all other medical services and supplies.
- Motor Insurance, which provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Fire, provides coverage against fire and any other insurance included under this class of insurance.
- Engineering, provides coverage for builder's risks, construction mechanical, electrical, electronic work, and machinery breakdown and any other insurance included under this class of insurance.
- Marine, provides coverage for goods in transit and the vehicles of transportation on main roads, and any other
- insurance included under this class of insurance.
- Other insurance classes, which cover any other classes of insurance not mentioned above.

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from income or loss in the accompanying financial statements.

No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments which will then be eliminated at the level of the financial statements of the Company.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the financial reporting date. However, uncertainty about these estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of the statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are as follows.

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of the statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions are estimated individually. Independent risk adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

The Company is exposed to disputes with, and sometimes possibility of defaults by reinsurers companies. The Company monitors on a quarterly basis the development of disputes with and the financial position strength for its reinsurers.

Impairment losses of premiums receivable

The Company assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status being indicative of the ability to pay all amounts due as per contractual terms.

Deferred acquisition costs

Certain acquisition costs related to the sale of new policies are recorded as deferred acquisition costs and are amortized in the statement of insurance operations and accumulated surplus over the related period of insurance policy coverage. If the assumptions relating to future profitability of these insurance policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of insurance operations and accumulated surplus.

7. CASH AND CASH EQUIVALENTS

This item is composed of the following:

	2012		2011	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
	SR	SR	SR	SR
Cash on hand	**39,636**	**-**	36,896	-
Checks under deposit	**6,161,557**	**-**	5,277,249	-
Time deposits	**4,079,266**	**-**	27,050,310	82,610,213
Current accounts at banks	**189,657,843**	**13,689,412**	110,265,513	16,043,918
	199,938,302	**13,689,412**	**142,629,968**	**98,654,131**

In accordance with the Company's cash flows requirements, time deposits are placed for a period ranging from one day to three months and earn special commission at an average rate of 3.2% per annum (2011: 3.21%).

Current accounts and time deposits are placed with counterparties who have good credit ratings. The carrying amounts disclosed above reasonably approximate the fair value at the statement of financial position date.

8. TIME DEPOSITS

Time deposits are placed with a maturity of more than three months from the date of original acquisition and earn special commission income at an average rate of 3.31% per annum (2011: nil).

Time deposits are placed with counterparties who have good credit ratings. The carrying amounts disclosed above reasonably approximate the fair value at the statement of financial position date.

9. PREMIUMS AND INSURANCE BALANCES RECEIVABLE

	2012	2011
	SR	SR
Premiums and insurance balances receivable	**204,525,000**	211,065,938
Less: Provision for doubtful debts	**(40,375,238)**	(48,112,978)
	164,149,762	**162,952,960**

The movement in the provision for doubtful debts during the year is as follows:

	2012 SR	2011 SR
Provision at the beginning of the year	**48,112,978**	43,561,766
(Reversal) / charged for the year	**(1,676,863)**	4,551,212
Written off during the year	**(6,060,877)**	-
Provision at the end of the year	**40,375,238**	48,112,978

The ageing analysis of premiums and insurance balances receivable as at 31 December is as follows:

	Past due but not impaired			Past due and impaired
	Total	Less than 30 days	31 to 90 days	
	SR	SR	SR	SR
2012	**204,525,000**	**73,570,842**	**33,413,727**	**97,540,431**
2011	211,065,938	47,141,806	27,877,413	136,046,719

9. PREMIUMS AND INSURANCE BALANCES RECEIVABLE (CONTINUED)

Premiums and insurance balances receivable comprise a large number of customers mainly within the Kingdom of Saudi Arabia. Premiums receivable do not include due amounts in foreign currencies. The Company's terms of business generally require premiums to be settled within 90 days. No individual or corporate account is more than 16% of premiums receivable as at 31 December 2012 (31 December 2011: 15%). In addition, the ten largest customers' accounts constitute 46% of premiums receivable as at 31 December 2012 (31 December 2011: 38%).

The Company, and based on its past experience, expects to fully recover its past due but not impaired premiums and insurance balances receivable. It is not the policy of the Company to obtain collateral with respect to premiums receivable and the vast majority are, therefore, unsecured.

10. MOVEMENT IN UNEARNED PREMIUMS

	2012	2011
	SR	SR
Gross unearned premiums at the beginning of the year	**286,352,264**	263,679,951
Gross unearned premiums as at 31 December	**322,248,101**	286,352,264
Change in unearned premiums, gross	**35,895,837**	22,672,313
Reinsurers' share of unearned premiums at the beginning of the year	**117,942,504**	112,682,031
Reinsurers' share of unearned premiums as at 31 December	**63,983,527**	117,942,504
Change in reinsurers' share of unearned premiums	**(53,958,977)**	5,260,473
Change in unearned premiums, net	**89,854,814**	**17,411,840**

11. CLAIMS

	2012		
	Gross	Reinsurers' share	Net
	SR	SR	SR
Paid claims and other expenses	**776,369,813**	(478,981,467)	297,388,346
Provided claims during the year	**(118,135,628)**	131,252,255	13,116,627
IBNR claims during the year	**2,773,264**	2,174,204	4,947,468
Incurred claims during the year	**661,007,449**	**(345,555,008)**	**315,452,441**
Outstanding claims as at 1 January	**478,482,340**	(412,137,873)	66,344,467
IBNR claims as at 1 January	**56,679,510**	(32,731,057)	23,948,453
	535,161,850	**(444,868,930)**	**90,292,920**
Outstanding claims as at 31 December	**360,346,712**	(280,885,618)	79,461,094
IBNR as at 31 December	**59,452,774**	(30,556,853)	28,895,921
	419,799,486	**(311,442,471)**	**108,357,015**
Change in outstanding claims , net	**(115,362,364)**	**133,426,459**	**18,064,095**

11. CLAIMS (CONTINUED)

	2011		
	Gross	Reinsurers' share	Net
	SR	SR	SR
Paid claims and other expenses	**398,863,164**	(185,580,556)	213,282,608
Provided claims during the year	**373,673,324**	(378,979,028)	(5,305,704)
IBNR claims during the year	**(28,132,240)**	23,576,021	(4,556,219)
Incurred claims during the year	**744,404,248**	(540,983,563)	203,420,685
Outstanding claims as at 1 January	**104,809,016**	(33,158,845)	71,650,171
IBNR as at 1 January	**84,811,750**	(56,307,078)	28,504,672
	189,620,766	**(89,465,923)**	**100,154,843**
Outstanding claims as at 31 December	**478,482,340**	(412,137,873)	66,344,467
IBNR as at 31 December	**56,679,510**	(32,731,057)	23,948,453
	535,161,850	**(444,868,930)**	**90,292,920**
Change in outstanding claims, net	**345,541,084**	**(355,403,007)**	**(9,861,923)**

12. CLAIMS DEVELOPMENT TABLE

The following table represents the cumulative incurred claims including both cumulative incurred claims and reported and incurred but not reported at each financial position date, in addition to the cumulative payments up to date.

The Company aims to maintain adequate reserves in respect of its insurance business in anticipation of future claims. As claims develop and the ultimate cost of claims becomes certain, the related reserves are to be amortized. The Company transfers the amortized reserves to current accident year reserves when the development of claims is incomplete and includes material uncertainty related to the ultimate cost of claims.

Claims analysis by accident year is as follows:

2012	2009 and earlier	2010	2011	2012	Total
Accident Year	SR	SR	SR	SR	SR
Estimate of ultimate claims cost:					
At the end of accident year	328,415,012	327,430,535	851,729,639	**804,874,343**	-
One year later	293,003,687	232,100,569	717,375,361	**-**	-
Two years later	281,008,262	229,003,322	-	**-**	-
Three years later	274,592,893	-	-	**-**	-
Current cost of cumulative claims	274,592,893	229,003,322	717,375,361	**804,874,343**	2,025,845,919
Less: Cumulative payments to date	(270,254,972)	(225,623,277)	(701,355,735)	**(408,812,449)**	(1,606,046,433)
Liabilities recognised in the statement of financial position	4,337,921	3,380,045	16,019,626	**396,061,894**	419,799,486
Total liabilities recognised in the statement of financial position	**-**	**-**	**-**	**-**	**419,799,486**

13. DEFERRED POLICY ACQUISITION COSTS

	2012	2011
	SR	SR
Balance at 1 January	**22,653,027**	24,869,975
Acquisition costs incurred during the year	**57,031,676**	45,873,997
Acquisition costs charged during the year	**(54,183,510)**	(48,090,945)
Balance at 31 December	**25,501,193**	**22,653,027**

14. PREPAID EXPENSES AND OTHER ASSETS

	2012		2011	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
	SR	SR	SR	SR
Prepaid third party administrator fees	**4,223,474**	**-**	8,054,474	-
Prepaid rent	**515,195**	**-**	440,404	-
Advance payment against purchase of computer software	**930,396**	**-**	1,204,922	-
Advances to suppliers	**1,325,500**	**-**	891,000	-
Due from employees	**536,585**	**-**	679,738	-
Accrued commission	**695,530**	**1,764,738**	198,749	687,117
Prepaid annual subscription fees	**213,698**	**-**	109,119	-
Prepaid expenses and other assets	**1,661,537**	**540,000**	1,180,925	540,000
	10,101,915	**2,304,738**	**12,759,331**	**1,227,117**

15. PROPERTY AND EQUIPMENT, NET

	Leasehold improvements	Furniture and fixtures	Motor vehicles	Computers and office equipment	Total
	SR	SR	SR	SR	SR
Cost					
As at 31 December 2010	802,175	2,447,099	193,503	4,608,590	8,051,367
Additions during the year	442,339	542,090	98,000	1,224,493	2,306,922
Disposals during the year	-	-	(87,080)	(23,669)	(110,749)
As at 31 December 2011	1,244,514	2,989,189	204,423	5,809,414	10,247,540
Additions during the year	-	781,121	82,567	1,346,663	2,210,351
Disposals during the year	-	(14,502)	-	(50,124)	(64,626)
As at 31 December 2012	**1,244,514**	**3,755,808**	**286,990**	**7,105,953**	**12,393,265**
Accumulated depreciation					
As at 31 December 2010	64,114	491,698	93,228	1,468,413	2,117,453
Charge for the year	32,850	377,680	48,260	1,257,100	1,715,890
Disposals during the year	-	-	(50,249)	(22,780)	(73,029)
As at 31 December 2011	96,964	869,378	91,239	2,702,733	3,760,314
Charge for the year	60,977	538,481	56,953	1,330,432	1,986,843
Disposals during the year	-	(418)	-	(183)	(601)
As at 31 December 2012	**157,941**	**1,407,441**	**148,192**	**4,032,982**	**5,746,556**
Net book value					
As at 31 December 2012	**1,086,573**	**2,348,367**	**138,798**	**3,072,971**	**6,646,709**
As at 31 December 2011	**1,147,550**	**2,119,811**	**113,184**	**3,106,681**	**6,487,226**

16. ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

	2012		2011	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
	SR	SR	SR	SR
Due to suppliers and brokers	**21,029,577**	**-**	28,999,211	-
Accrued withholding tax	**4,694,468**	**-**	8,129,247	-
Accrued CCHI fees	**2,055,054**	**-**	2,271,248	-
Employees' bonus	**-**	**-**	458,048	-
Board of directors' remunerations	**-**	**908,265**	-	1,734,564
Others	**1,001,685**	**489,219**	80,545	451,838
	28,780,784	**1,397,484**	**39,938,299**	**2,186,402**

17. AVAILABLE FOR SALE INVESTMENTS

a) Insurance operations

	Investments in local investment funds (Quoted)	Investments in local equity portfolio (Quoted)	Fair value as at 31 December
	SR	SR	SR
Balance as at 31 December 2010	**47,855,696**	**10,600,023**	**58,455,719**
Additions during the year	54,034,471	-	54,034,471
Change in fair value	57,433	(600,023)	(542,590)
Disposals during the year	(56,178,748)	(10,791,493)	(66,970,241)
Realized gains during the year	408,148	791,493	1,199,641
Balance as at 31 December 2011	**46,177,000**	**-**	**46,177,000**
Additions during the year	214,999,550	11,190,700	226,190,250
Change in fair value	677,126	789,333	1,466,459
Disposals during the year	(145,387,837)	-	(145,387,837)
Realized gains during the year	953,232	-	953,232
Balance as at 31 December 2012	**117,419,071**	**11,980,033**	**129,399,104**

The change in fair value of available for sale investments amounting to SR 1,679,588 as at 31 December 2012 (31 December 2011: SR 213,129) is presented within insurance operations' surplus in the statement of financial position.

A.1) The investment analysis by counterparty is as follows:

	2012	2011
	SR	SR
Banks and financial institutions	129,399,104	46,177,000
Total	**129,399,104**	**46,177,000**

A.2) The credit quality of the investment portfolio is as follows:

	2012	2011
	SR	SR
"A-" to "A+"	129,399,104	41,709,605
"B"	-	4,467,395
Total	**129,399,104**	**46,177,000**

Credit ratings are based on Standard and Poor's rating methodology or the issuer in case of unrated investments.

A.3) Determination of fair value and fair values hierarchy:

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: Quoted prices in active markets for the same instrument (i.e., without modification or repricing).
- Level 2: Quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data.
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

17. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

a) Insurance operations (continued)

A.3) Determination of fair value and fair values hierarchy (continued)

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

	2012			
	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR
Available for sale investments				
Investment Funds	117,419,071	-	-	117,419,071
Equity portfolio	11,980,033	-	-	11,980,033
Total available for sale investments	**129,399,104**	**-**	**-**	**129,399,104**

	2011			
	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR
Available for sale investments				
Investment Funds	46,177,000	-	-	46,177,000
Total available for sale investments	**46,177,000**	**-**	**-**	**46,177,000**

b) Shareholders' operations

	Investments in local investment funds (Quoted)	Investments in local equity portfolio (Quoted)	Investments in local and foreign bonds (Quoted)	Investments in foreign bonds portfolio and others (Quoted)	Investments in equity of a local company (Unquoted)	Fair value as at 31 December
	SR	SR	SR	SR	SR	SR
Balance as at 31 December 2010	**21,638,363**	**-**	**-**	**5,974,961**	**1,923,077**	**29,536,401**
Additions during the year	51,187,171	-	-	-	-	51,187,171
Change in fair value	(344,629)	-	-	76,316	-	(268,313)
Disposals during the year	(38,905,765)	-	-	-	-	(38,905,765)
Realized gains during the year	881,172	-	-	-	-	881,172
Balance as at 31 December 2011	**34,456,312**	**-**	**-**	**6,051,277**	**1,923,077**	**42,430,666**
Additions during the year	33,010,703	13,345,571	3,217,406	5,618,453	-	55,192,133
Change in fair value	87,248	-	-	(395,051)	-	(307,803)
Disposals during the year	(52,058,213)	(1,580,409)	-	(11,980,699)	-	(65,619,321)
Realized gains during the year	923,631	1,580,409	-	706,020	-	3,210,060
Balance as at 31 December 2012	**16,419,681**	**13,345,571**	**3,217,406**	**-**	**1,923,077**	**34,905,735**

The change in fair value of available for sale investments amounting to SR 512,999 as at 31 December 2012 (31 December 2011: SR 820,802) is presented within the shareholder's equity in the statement of financial position.

17. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

b) Shareholder's operations (continued)

Investment in equity of a local company amounting to SR 1.9 million (31 December 2011: SR 1.9 million), represents an unquoted investment in the equity of Najm for Insurance Services at a rate of 7.69% (31 December 2011: 7.69%). As the fair value is not readily available, this investment is carried at cost after management assurance for non existence of any impairment.

b-1) The investment analysis by counterparty is as follows:

	2012	2011
	SR	SR
Banks and financial institutions	**32,982,658**	40,507,589
Corporate	**1,923,077**	1,923,077
Total	**34,905,735**	**42,430,666**

b-2) The credit quality of the investment portfolio is as follows:

	2012	2011
	SR	SR
"AA-" to "AA"	**-**	6,051,277
"A-" to "A+"	**31,682,439**	15,461,620
"B"	**1,300,219**	18,994,692
Unavailable credit rating	**1,923,077**	1,923,077
Total	**34,905,735**	**42,430,666**

Credit ratings are based on Standard and Poor's and Fitch rating methodology or the issuer in case of unrated investments.

b-3) Determination of fair value and fair values hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: Quoted prices in active markets for the same instrument (i.e., without modification or repricing).
- Level 2: Quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data.
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

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

	2012			
	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR
Available for sale investments				
Investment Funds	16,419,681	-	-	**16,419,681**
Equity portfolio	13,345,571	-	-	**13,345,571**
Bonds	3,217,406	-	-	**3,217,406**
Equity	-	-	1,923,077	**1,923,077**
Total available for sale investments	**32,982,658**	**-**	**1,923,077**	**34,905,735**

17. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

b) Shareholder's operations (continued)

b-3) Determination of fair value and fair values hierarchy is as follows (continued):

	2011			
	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR
Available for sale investments				
Investment Funds	34,456,312	-	-	**34,456,312**
Bonds portfolio and others	6,051,277	-	-	**6,051,277**
Equity	-	-	1,923,077	**1,923,077**
Total available for sale investments	**40,507,589**	**-**	**1,923,077**	**42,430,666**

18. HELD TO MATURITY INVESTMENTS

a) Insurance operations

	2012	2011
	SR	SR
Financial institutions bonds	**15,078,098**	**11,703,098**

All the above bonds are listed and are A/AAA credit rated in accordance with Standard and Poor's agency except bonds with an amount of SR 1 million where its credit quality is not available. The average commission rate amounted to 2.96% per annum (31 December 2011: 3.02%). The maturity date of these bonds is up to year 2017. These bonds are presented at amortized cost in the statement of the financial position. The fair value of held to maturity investments amounted to SR 15,640,203 as at 31 December 2012 (31 December 2011: SR 11,804,406)

b) Shareholders' operations

	2012	2011
	SR	SR
Financial institutions and governmental bonds	**19,645,388**	**6,054,157**

All the above bonds are listed and are BBB / A+ credit rated in accordance with Standard and Poor's agency except bonds with an amount of SR 5 million where its credit quality is not available. The average commission rate amounted to 3.57% per annum (31 December 2011: 4.22%). The maturity date of these bonds is up to year 2022. These bonds are presented at amortized cost in the statement of the financial position. The fair value of held to maturity investments amounted to SR 21,660,774 as at 31 December 2012 (31 December 2011: SR 6,152,194).

19. UNEARNED REINSURANCE COMMISSION

	2012	2011
	SR	SR
At 1 January	**14,391,400**	9,740,769
Commission received during the year	**23,781,440**	29,314,136
Commission earned during the year	**(26,180,585)**	(24,663,505)
At 31 December	**11,992,255**	**14,391,400**

20. GENERAL AND ADMINISTRATIVE EXPENSES

	2012		2011	
	Insurance operations	Shareholder's operations	Insurance operations	Shareholder's operations
	SR	SR	SR	SR
Employees' expenses	**42,239,749**	**-**	40,262,920	-
Supervision and inspection costs	**18,532,260**	**-**	23,255,700	-
Stationery and printing	**3,537,238**	**-**	2,498,278	-
Promotion and advertising	**3,061,161**	**-**	3,592,206	-
Legal and professional fees	**2,650,466**	**86,500**	2,028,483	48,500
Rent	**2,239,675**	**409,256**	1,977,567	409,256
Depreciation (Note 15)	**1,986,843**	**-**	1,715,890	-
Insurance expenses	**1,956,363**	**-**	2,310,837	-
Communications	**1,531,001**	**-**	1,495,496	-
Travelling and accommodation	**1,180,632**	**-**	1,596,641	-
(Reversal) / provision for doubtful debts (Note 9)	**(1,676,863)**	**-**	4,551,212	-
Board of directors' remunerations and expenses	**-**	**602,292**	-	1,527,885
Bank charges	**-**	**141,910**	-	292,447
Others	**5,487,298**	**43,862**	6,963,598	385,366
	82,725,823	**1,283,820**	**92,248,828**	**2,663,454**

21. ZAKAT AND INCOME TAX PAYABLE

a) Zakat

The Zakat base is composed of the following:

	2012	2011
	SR	SR
Share capital	**200,000,000**	200,000,000
Provisions	**4,026,777**	2,505,000
Adjusted (loss) / income for the year	**(835,281)**	26,551,000
Property and equipment, net	**(6,646,709)**	(6,487,226)
Available for sale investments	**(27,248,681)**	-
Accumulated losses	**(27,020,439)**	(39,631,417)
Zakat base	**142,275,667**	**182,937,357**

Zakat for the year

The Zakat charged for the year includes the following:

	2012	2011
	SR	SR
Share of the Saudi founding shareholders and general public from the Zakat base at 68.6%	**97,601,108**	125,495,027
Zakat for the year at 2.5%	**2,440,028**	**3,137,376**

b) Income tax

Income tax charged for the year includes the following:

	2012	2011
	SR	SR
Share of the non-Saudi shareholders from the adjusted net income for the year at 31.40% (after computation of accumulated losses)	-	6,252,761
Income tax for the year at 20%	-	1,250,552
Zakat and income tax for the year	**2,440,028**	**4,387,928**

Movement of the provision during the year

The movement of the provision for Zakat and income tax for the year is as follows:

	2012	2011
	SR	SR
Provision at beginning of the year	**4,387,928**	4,587,176
Charge for the year	**2,440,028**	4,387,928
Shortage in prior years provision	**1,075,505**	291,536
Paid during the year	**(5,153,452)**	(4,878,712)
	2,750,009	**4,387,928**

The Company has filed its zakat returns for the years ended 31 December 2008 and 2009 for shareholders' operations and the year ended 31 December 2010 and 2011 for shareholders' operations and insurance operations with the Department of Zakat and Income Tax (DZIT) and has not yet received the final assessment.

22. RELATED PARTY TRANSACTIONS AND BALANCES

a) Insurance operations

The following are the details of major related party transactions during the year and the related balances as at the end of the year:

Related party	Nature of transaction	2012 SR	2011 SR
Companies represented by Board of Directors	Premiums	**7,719,048**	8,295,045
	Claims	**2,725,385**	5,980,925
Arabia Insurance Company	Expenses paid on behalf of Arabia Insurance Company	**52,509**	2,979,892
	Expenses paid by Arabia Insurance Company on behalf of the Company	**2,661,479**	1,091,251
	Reinsurance shares collected by Arabia Insurance Company	**6,343,425**	-
	Paid dues from Arabia Insurance Company to the Company	**-**	41,037,024
Jordan Insurance Company	Accruals paid by Jordan Insurance Company to the Company	**6,000**	1,688,415
	Receivables charged to Jordan Insurance Company	**-**	550,219
	Reinsurance operations, net	**409,827**	392,934
	Expenses paid by Jordan Insurance Company on behalf of the Company	**-**	1,027,294

The above transactions with the related parties resulted in the following balances as at 31 December:

	2012 SR	2011 SR
Companies represented by Board of Directors	**3,601,584**	1,003,064
Arabia Insurance Company	**16,385,672**	12,651,217
Jordan Insurance Company	**989,164**	983,164
Reinsurance payable due to Jordan Insurance Company	**(1,080,560)**	**(670,733)**

b) Shareholders' operations

Compensation of key management personnel

The remunerations of directors and other key management personnel during the year were as follows:

	2012 SR	2011 SR
Short-term benefits	**4,561,383**	3,827,769
End of service benefits	**147,683**	121,830
	4,709,066	**3,949,599**

23. SHARE CAPITAL

The authorized and fully paid-up share capital of the Company is SR 200 million divided into 20 million shares of SR 10 each. The founding shareholders of the Company have subscribed in the share capital and paid for 12 million shares with a nominal value of SR 10 for each share, (which represent 60% of the share capital) and the remaining 8 million shares with a nominal value of SR 10 for each have been subscribed by the public.

24. STATUTORY DEPOSIT

Statutory deposit represents 10% of the paid-up capital which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. This statutory deposit cannot be withdrawn without the consent of SAMA.

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets and liabilities include cash and cash equivalents, time deposits, available for sale investments, held to maturity investments, receivables, payables, and certain other assets and liabilities. The fair values of the financial assets and liabilities are not materially different from their carrying values except for unquoted financial instruments which are carried at cost.

26. BASIC AND DILUTED LOSS / EARNINGS PER SHARE

Earnings per share for the year have been calculated by dividing the net loss / income for the year by the average ordinary issued and outstanding shares during the year amounting to 20 million shares.

27. COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. Based on the advice of the legal advisors, the Company believes that the final result of such proceedings will not have a material effect on its results or financial position.

b) Operating lease commitments

The minimum future lease payments for the use of the Company office premises amounts to SR 2,373,901 (2011: SR 2,029,074) payable in one annual installment for the next year.

c) Capital commitments

The Company has no significant capital commitments as at 31 December 2012 and 2011.

28. SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, operating segments have been approved by Management in respect of the Company' s activities, assets and liabilities as set out below.

Segment results do not include allocation of general and administrative expenses, and other insurance income and other income to operating segments.

Segment assets do not include allocation of cash and cash equivalents, time deposits, available for sale investments, held to maturity investments, premiums and insurance balances receivable, reinsurance balances receivable, prepaid expenses and other assets, due from related parties, due from shareholders' operations, property and equipment, net to operating segments.

Segment liabilities do not include allocation of accounts payable, reinsurance balances payable, accounts payable, accrued expenses and other liabilities, due to shareholders' operations, employees' end of service benefits and surplus distribution payable to operating segments.

Business segments

	Medical SR	Motor SR	Fire SR	Engineering SR	Marine SR	Others SR	Total SR
For the year ended 31 December 2012							
Insurance operations results							
Gross premiums written	199,855,900	339,047,851	31,357,533	31,892,620	35,468,902	16,322,465	**653,945,271**
Less: Reinsurance premiums ceded	(54,141,890)	-	(29,951,349)	(27,148,817)	(26,827,102)	(10,536,871)	**(148,606,029)**
Excess of loss premiums	-	(6,325,274)	(476,598)	-	(226,800)	-	**(7,028,672)**
Net premiums written	**145,714,010**	**332,722,577**	**929,586**	**4,743,803**	**8,415,000**	**5,785,594**	**498,310,570**
Change in unearned premiums, net	(7,394,713)	(83,073,463)	321,302	252,911	627,877	(588,728)	**(89,854,814)**
Net premiums earned	**138,319,297**	**249,649,114**	**1,250,888**	**4,996,714**	**9,042,877**	**5,196,866**	**408,455,756**
Gross claims paid and other expenses	(230,710,053)	(209,400,259)	(319,040,326)	(7,417,571)	(6,923,091)	(2,878,513)	**(776,369,813)**
Reinsurers' share of gross claims paid	148,358,100	2,306,615	316,517,538	6,485,880	3,597,143	1,716,191	**478,981,467**
Change in outstanding claims, net	(17,657,569)	1,074,265	1,740,637	(1,213,413)	(2,047,327)	39,312	**(18,064,095)**
Net claims incurred	**(100,009,522)**	**(206,019,379)**	**(782,151)**	**(2,145,104)**	**(5,373,275)**	**(1,123,010)**	**(315,452,441)**
Policy acquisition costs	(22,948,593)	(26,631,747)	(975,955)	(1,121,645)	(1,679,547)	(826,023)	**(54,183,510)**
Reinsurance commission earned	-	-	7,112,034	11,307,258	6,559,074	1,202,219	**26,180,585**
Net underwriting results	**15,361,182**	**16,997,988**	**6,604,816**	**13,037,223**	**8,549,129**	**4,450,052**	**65,000,390**
General and administrative expenses							**(82,725,823)**
Other insurance income							**6,343,425**
Other income							**3,028,434**
Insurance operations' deficit							**(8,353,574)**

28. SEGMENTAL INFORMATION (CONTINUED)

Business segments (continued)

	Medical SR	Motor SR	Fire SR	Engineering SR	Marine SR	Others SR	Total SR
For the year ended 31 December 2011							
Insurance operations results							
Gross premiums written	227,124,784	231,194,552	29,338,891	35,897,322	26,962,036	14,541,363	**565,058,948**
Less: Reinsurance premiums ceded	(121,149,711)	-	(27,223,203)	(31,895,038)	(17,777,096)	(9,615,590)	**(207,660,638)**
Excess of loss premium	-	(5,654,422)	(277,800)	-	(172,600)	-	**(6,104,822)**
Net premiums written	**105,975,073**	**225,540,130**	**1,837,888**	**4,002,284**	**9,012,340**	**4,925,773**	**351,293,488**
Change in unearned premiums, net	19,416,806	(34,304,987)	286,598	(380,879)	(572,116)	(1,857,262)	**(17,411,840)**
Net premiums earned	**125,391,879**	**191,235,143**	**2,124,486**	**3,621,405**	**8,440,224**	**3,068,511**	**333,881,648**
Gross claims paid and other expenses	(190,849,179)	(160,238,727)	(27,870,520)	(7,173,484)	(11,166,435)	(1,564,819)	**(398,863,164)**
Reinsurers' share of gross claims paid	135,507,502	11,500,487	24,909,313	6,252,919	6,713,827	696,508	**185,580,556**
Change in outstanding claims, net	5,903,042	7,882,771	(4,110,346)	18,053	(444,483)	612,886	**9,861,923**
Net claims incurred	**(49,438,635)**	**(140,855,469)**	**(7,071,553)**	**(902,512)**	**(4,897,091)**	**(255,425)**	**(203,420,685)**
Policy acquisition costs	(26,499,097)	(18,123,531)	(1,219,042)	(632,933)	(985,943)	(630,399)	**(48,090,945)**
Reinsurance commission earned	-	-	8,783,150	7,664,689	6,063,427	2,152,239	**24,663,505**
Net underwriting results	**49,454,147**	**32,256,143**	**2,617,041**	**9,750,649**	**8,620,617**	**4,334,926**	**107,033,523**
General and administrative expenses							**(92,248,828)**
Other insurance income							**-**
Other income							**2,823,593**
Insurance operations' surplus							**17,608,288**

28. SEGMENTAL INFORMATION (CONTINUED)

Business segments (continued)

	Medical SR	Motor SR	Fire SR	Engineering SR	Marine SR	Others SR	Total SR
As at 31 December 2012							
Insurance operations' assets							
Reinsurers' share of unearned premiums	18,187,238	-	15,629,848	16,017,891	8,043,526	6,105,024	**63,983,527**
Reinsurers' share of outstanding claims	15,854,354	3,406,178	258,464,879	11,997,973	18,942,466	2,776,621	**311,442,471**
Deferred policy acquisition costs	8,137,429	15,395,570	418,469	550,295	590,820	408,610	**25,501,193**
Unallocated assets							**711,913,099**
							1,112,840,290
Insurance operations' liabilities							
Unearned premiums	90,493,922	176,933,066	16,134,780	18,786,601	9,997,927	9,901,805	**322,248,101**
Unearned reinsurance commission	-	-	3,277,058	5,450,297	2,037,996	1,226,904	**11,992,255**
Outstanding claims	54,157,615	60,239,991	262,025,207	13,586,207	25,796,579	3,993,887	**419,799,486**
Unallocated liabilities							**357,120,860**
							1,111,160,702

	Medical SR	Motor SR	Fire SR	Engineering SR	Marine SR	Others SR	Total SR
As at 31 December 2011							
Insurance operations' assets							
Reinsurers' share of unearned premiums	71,289,536	-	13,063,280	22,573,737	5,107,783	5,908,168	**117,942,504**
Reinsurers' share of outstanding claims	48,787,062	3,876,134	377,516,642	5,943,434	7,038,749	1,706,909	**444,868,930**
Deferred policy acquisition costs	12,926,775	7,987,193	449,951	873,157	150,773	265,178	**22,653,027**
Unallocated assets							**396,343,964**
							981,808,425
Insurance operations' liabilities							
Unearned premiums	136,201,507	93,859,605	13,889,514	25,595,358	7,690,061	9,116,219	**286,352,264**
Unearned reinsurance commission	-	-	3,697,475	7,652,965	1,997,410	1,043,550	**14,391,400**
Outstanding claims	69,432,754	61,784,212	382,817,610	6,318,255	11,845,535	2,963,484	**535,161,850**
Unallocated liabilities							**145,689,782**
							981,595,296

The results of insurance operations for the year ended 31 December 2011 and assets and liabilities of insurance operations as at 31 December 2011 were restated to include the business segments of fire, engineering and marine as their presentation requirements became available for the year ended and as at 31 December 2012, respectively for comparative purposes.

29. RISK MANAGEMENT

Risk governance

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organizational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and strategic plan approved by the Board. The Company is exposed to insurance, reinsurance, regulatory framework, credit, liquidity, foreign currency, commission rate, fund price risk, market price risk and capital management risks.

Risk management structure

A cohesive organizational structure is established within the Company in order to identify, assess, monitor, and control risks.

Board of Directors

The apex of risk governance is the centralized oversight of Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

Senior management

Senior management is responsible for the day to day operations towards achieving the strategic goals within the Company's pre-defined risk appetite.

Audit Committee and Internal Audit Department

Risk management processes throughout the Company are audited annually by the Internal Audit Department which examines both the adequacy of the procedures and the Company's compliance with such procedures. The Internal Audit Department discusses the results of all assessments with senior management, and reports its findings and recommendations directly to the Audit Committee.

The risks faced by the Company and the manner in which these risks are mitigated by management are set out below:

a) Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed the carrying amount of insurance liabilities. This could occur because the frequency or amounts of claims severity, actual benefits paid and subsequent development of long term claims are different than expected. Therefore the objective of the Company is to ensure that sufficient resources are available to cover these liabilities. The insurance risk arising from insurance contracts is mainly concentrated in the Kingdom of Saudi Arabia.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly motor and medical risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Motor

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The Company only grants comprehensive polices for owner/drivers over 18 years of age. Substantially all of the motor contracts relate to private individuals. The Company also has risk management procedures to control cost of claims. The Company has reinsurance cover to limit the losses for any individual claim to SR 375,000.

29. RISK MANAGEMENT (CONTINUED)

a) Insurance risk (continued)

Medical insurance

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across the industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions, regular view of actual claims experience and product pricing, as well as detailed claims handling procedures. The Company further enforces a policy of actively managing and promptly pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions such as the ultimate loss ratio, with all other assumptions held constant, showing the impact on net liabilities and net income as follows:

31 December 2012	Changes in assumptions	Effect on net liabilities	Effect on net Income
		SR	SR
Ultimate loss ratio	+10%	40,845,576	(40,845,576)
	-10%	**(40,845,576)**	**40,845,576**

31 December 2011	Changes in assumptions	Effect on net liabilities	Effect on net Income
		SR	SR
Ultimate loss ratio	+10%	33,388,165	(33,388,165)
	-10%	**(33,388,165)**	**33,388,165**

b) Reinsurance risk

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

To minimize its exposure to significant losses from reinsurance companies' insolvencies, the Company evaluates the financial condition of reinsurance companies and monitors the concentrations of credit risk arising from similar geographic regions, activities and economic characteristics of reinsurance companies.

Reinsurance contracts do not relieve the Company from its obligations to the policyholders and as a result the Company remains liable for a portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements. The credit exposure in this connection is:

	2012	2011
	SR	SR
Middle East	**113,489,636**	104,133,669
Europe	**197,952,835**	340,735,261
	311,442,471	**444,868,930**

29. RISK MANAGEMENT (CONTINUED)

c) Regulatory framework risk

The operations of the Company are subject to local regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise.

d) Credit risk

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

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

- The Company only enters into insurance and reinsurance contracts with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- Cash and cash equivalents, time deposits and the statutory deposit are placed at local banks being approved by the management. Accordingly and as prerequisite, banks with which cash and cash equivalents, time deposits and the statutory deposit are placed should have an acceptable credit rating that ensures the financial position strength.
- The Company's investment funds and portfolios are managed by the investment officer in accordance with the investment policy established by the investment committee.
- The Company, with respect to credit risk arising from other financial assets, is restricted to commercial banks having strong financial positions and good credit ratings.
- There are no significant concentrations of credit risk within the Company.

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

	2012		2011	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
	SR	SR	SR	SR
Current accounts at banks	**189,657,843**	**13,689,412**	110,265,513	16,043,918
Time deposits	**58,698,451**	**87,944,637**	27,050,310	82,610,213
Prepaid expenses and other assets	**10,101,915**	**2,304,738**	12,759,331	1,227,117
Available for sale investments	**129,399,104**	**34,905,735**	46,177,000	42,430,666
Held to maturity investments	**15,078,098**	**19,645,388**	11,703,098	6,054,157
Statutory deposit	**-**	**20,000,000**	-	20,000,000
Premiums and insurances balances receivable	**164,149,762**	**-**	162,952,960	-
Reinsurance balances receivable	**107,381,094**	**-**	-	-
Reinsures' share of outstanding claims	**311,442,471**	**-**	444,868,930	-
Due from related parties	**17,374,836**	**-**	13,634,381	-
	1,003,283,574	**178,489,910**	**829,411,523**	**168,366,071**

29. RISK MANAGEMENT (CONTINUED)

e) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

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

All company's liabilities as disclosed in the statement of financial position, except for employees' end of service benefits, are due on demand.

Maturity dates

The table below summarizes the maturity profiles of the financial liabilities of the Company based on the remaining expected undiscounted contractual obligations:

	2012			2011		
	Up to one year	More than one year	Total	Up to one year	More than one year	Total
	SR	SR	SR	SR	SR	SR
INSURANCE OPERATIONS' FINANCIAL LIABILITIES						
Accounts payable	**321,330,613**	**-**	**321,330,613**	29,037,919	-	29,037,919
Financial liabilities arising from insurance and reinsurance contracts:						
Reinsurance balances payable	**-**	**-**	**-**	58,768,022	-	58,768,022
Outstanding claims	**419,799,486**	**-**	**419,799,486**	535,161,850	-	535,161,850
Accounts payable, accrued expenses and other liabilities	**28,780,784**	**-**	**28,780,784**	39,938,299	-	39,938,299
Employees' end of service benefits	**-**	**4,278,518**	**4,278,518**	-	3,205,975	3,205,975
Surplus distribution payable	**2,730,945**	**-**	**2,730,945**	2,730,945	-	2,730,945
	-	**-**	**-**	-	-	-
	772,641,828	**4,278,518**	**776,920,346**	**665,637,035**	**3,205,975**	**668,843,010**
SHAREHOLDERS' FINANCIAL LIABILITIES						
Accounts payable, accrued expenses and other liabilities	**1,397,484**	**-**	**1,397,484**	2,186,402	-	2,186,402
Zakat and income tax payable	**2,750,009**	**-**	**2,750,009**	4,387,928	-	4,387,928
	-	**-**	**-**	-	-	-
	4,147,493	**-**	**4,147,493**	6,574,330	-	6,574,330
	-	**-**	**-**	**-**	**-**	**-**
TOTAL FINANCIAL LIABILITIES	**776,789,321**	**4,278,518**	**781,067,839**	**672,211,365**	**3,205,975**	**675,417,340**

Liquidity

None of the financial liabilities on the date of the statement of financial position are based on discounted cash flows and are all payable on a basis as set out above.

29. RISK MANAGEMENT (CONTINUED)

f) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's principal transactions are carried out in Saudi Riyal. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

The table below shows assets and liabilities of the Company dominated in major currency as follows:

	2012			2011		
	SR	US Dollar	Total	SR	US Dollar	Total
	SR	SR	SR	SR	SR	SR
INSURANCE OPERATIONS' ASSETS						
Cash and cash equivalents	**171,166,271**	**28,772,031**	**199,938,302**	99,512,928	43,117,040	142,629,968
Time deposit	**12,000,000**	**42,619,185**	**54,619,185**	-	-	-
Available for sale Investments	**84,253,987**	**45,145,117**	**129,399,104**	41,709,605	4,467,395	46,177,000
Held to maturity investments	**2,000,000**	**13,078,098**	**15,078,098**	2,000,000	9,703,098	11,703,098
Premiums and insurance balances receivables	**164,149,762**	**-**	**164,149,762**	162,952,960	-	162,952,960
Reinsurance balances receivable	**107,381,094**	**-**	**107,381,094**	-	-	-
Reinsurers' share of unearned premiums	**63,983,527**	**-**	**63,983,527**	117,942,504	-	117,942,504
Reinsurers' share of outstanding claims	**311,442,471**	**-**	**311,442,471**	444,868,930	-	444,868,930
Deferred policy acquisition costs	**25,501,193**	**-**	**25,501,193**	22,653,027	-	22,653,027
Prepaid expenses and other assets	**10,101,915**	**-**	**10,101,915**	12,759,331	-	12,759,331
Due from related parties	**17,374,836**	**-**	**17,374,836**	13,634,381	-	13,634,381
Due from shareholders' operations	**7,224,094**	**-**	**7,224,094**	-	-	-
Property and equipment, net	**6,646,709**	**-**	**6,646,709**	6,487,226	-	6,487,226
TOTAL INSURANCE OPERATIONS' ASSETS	**983,225,859**	**129,614,431**	**1,112,840,290**	**924,520,892**	**57,287,533**	**981,808,425**

29. RISK MANAGEMENT (CONTINUED)

f) Foreign currency risk (continued)

	2012			2011		
	SR	US Dollar	Total	SR	US Dollar	Total
	SR	SR	SR	SR	SR	SR
SHAREHOLDERS' ASSETS						
Cash and cash equivalents	**-**	**13,689,412**	**13,689,412**	11,008,406	87,645,725	98,654,131
Time deposits	**-**	**87,944,637**	**87,944,637**	-	-	-
Prepaid expenses and other assets	**2,304,738**	**-**	**2,304,738**	1,227,117	-	1,227,117
Available for sale investments	**31,681,856**	**3,223,879**	**34,905,735**	17,384,697	25,045,969	42,430,666
Held to maturity investments	**5,000,000**	**14,645,388**	**19,645,388**	-	6,054,157	6,054,157
Due from insurance operations	**-**	**-**	**-**	12,008,622	-	12,008,622
Statutory deposit	**20,000,000**	**-**	**20,000,000**	20,000,000	-	20,000,000
TOTAL SHAREHOLDERS' ASSETS	**58,986,594**	**119,503,316**	**178,489,910**	**61,628,842**	**118,745,851**	**180,374,693**
TOTAL ASSETS	**1,042,212,453**	**249,117,747**	**1,291,330,200**	**986,149,734**	**176,033,384**	**1,162,183,118**

29. RISK MANAGEMENT (CONTINUED)

f) Foreign currency risk (continued)

	2012			2011		
	SR	US Dollar	Total	SR	US Dollar	Total
	SR	SR	SR	SR	SR	SR
INSURANCE OPERATIONS' LIABILITIES						
Accounts payable	**321,330,613**	**-**	**321,330,613**	29,037,919	-	29,037,919
Reinsurance balances payable	**-**	**-**	**-**	54,412,001	4,356,021	58,768,022
Accounts payable, accrued expenses, and other liabilities	**28,780,784**	**-**	**28,780,784**	39,938,299	-	39,938,299
Unearned reinsurance commission	**11,992,255**	**-**	**11,992,255**	14,391,400	-	14,391,400
Unearned premiums	**322,248,101**	**-**	**322,248,101**	286,352,264	-	286,352,264
Outstanding claims	**419,799,486**	**-**	**419,799,486**	535,161,850	-	535,161,850
Employees' end of service benefits	**4,278,518**	**-**	**4,278,518**	3,205,975	-	3,205,975
Surplus distribution payable	**2,730,945**	**-**	**2,730,945**	2,730,945	-	2,730,945
Due to shareholders operations	**-**	**-**	**-**	12,008,622	-	12,008,622
TOTAL INSURANCE OPERATIONS' LIABILITIES	**1,111,160,702**	**-**	**1,111,160,702**	977,239,275	4,356,021	981,595,296
SHAREHOLDERS' LIABILITIES						
Accounts payable, accrued expenses and other liabilities	**1,397,484**	**-**	**1,397,484**	2,186,402	-	2,186,402
Due to insurance operations	**7,224,094**	**-**	**7,224,094**	-	-	-
Zakat and income tax payable	**2,750,009**	**-**	**2,750,009**	4,387,928	-	4,387,928
TOTAL SHAREHOLDERS' LIABILITIES	**11,371,587**	**-**	**11,371,587**	6,574,330	-	6,574,330
TOTAL LIABILITIES	**1,122,532,289**	**-**	**1,122,532,289**	**983,813,605**	**4,356,021**	**988,169,626**

29. RISK MANAGEMENT (CONTINUED)

g) Commission rate risk

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

The Company is exposed to special commission rate risk on some of its investments and its time deposits. The Company limits commission rate risk by monitoring changes in commission rates in the currencies in which its investments are denominated.

h) Fund price risk

Fund price risk is the risk that the fair value of future cash flows of a fund will fluctuate because of changes in the net asset value (NAV) being determined by fund managers.

The Company limits fund price risk by maintaining a diversified portfolio by having different types of funds and by monitoring the developments in fund markets.

A 5% change in the net asset value of funds, with all other variables held constant, would impact net income by increase / (decrease) of SR 6,691,938 (31 December 2011: SR 4,031,665).

i) Market price risk

Market price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from commission rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or other factors affecting all similar financial instruments traded in the market.

j) Capital management

Capital requirements are set and regulated by the Saudi Arabian Monetary Agency in order to ensure sufficient solvency margins in case of bankruptcy. Further objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares.

In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the financial statements year.

30. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 10 Rabi Al Thani 1434 H (corresponding to 20 February 2013).

ARABIA INSURANCE COOPERATIVE COMPANY

(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2011

Deloitte & Touche
Bakr Abulkhair & Co.
Deloitte.

Al Bassam
Certified Public Accountants & Consultants

AUDITORS' REPORT

TO THE SHAREHOLDERS OF ARABIA INSURANCE COOPERATIVE COMPANY (A SAUDI JOINT STOCK COMPANY)

SCOPE OF AUDIT

We have audited the accompanying statement of financial position of Arabia Insurance Cooperative Company - A Saudi Joint Stock Company (the "Company") as at 31 December 2011, and the related statements of insurance operations and accumulated surplus, shareholders' operations, shareholders' comprehensive operations, changes in shareholders' equity, insurance operations and shareholders' cash flows for the year then ended and the notes which form an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the International Financial Reporting Standards and the provisions of Article 123 of the Saudi Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

UNQUALIFIED OPINION

In our opinion, the financial statements taken as a whole:

- Present fairly, in all material respects, the financial position of the Company as at 31 December 2011 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and
- Comply with the requirements of the Regulation for Companies and the Company's by-laws with respect to the preparation and presentation of the financial statements.

EMPHASIS OF A MATTER

- The management has prepared these financial statements in accordance with International Financial Reporting Standards and not in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia as adopted by the Saudi Organization for Certified Public Accountants.

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22 Rabi Aawl 1433
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ARABIA INSURANCE COOPERATIVE COMPANY

(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION

As At 31 December 2011

Amounts in Saudi Riyal

	Notes	31 December 2011	31 December 2010
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	7	**142,629,968**	81,732,322
Available for sale investments	16(a)	**46,177,000**	58,455,719
Held to maturity investments	17(a)	**11,703,098**	2,250,000
Premiums and insurance balances receivable	9	**162,952,960**	218,201,299
Reinsurers' share of unearned premiums	10	**117,942,504**	112,682,031
Reinsurers' share of outstanding claims	11	**444,868,930**	89,465,923
Deferred policy acquisition costs	12	**22,653,027**	24,869,975
Prepaid expenses and other assets	13	**12,759,331**	17,234,679
Due from related parties	21	**13,634,381**	54,948,255
Property and equipment, net	14	**6,487,226**	5,933,914
TOTAL INSURANCE OPERATIONS' ASSETS		**981,808,425**	**665,774,117**
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	7	**98,654,131**	47,869,814
Time deposits	8	**-**	39,244,387
Prepaid expenses and other assets	13	**1,227,117**	1,751,024
Available for sale investments	16(b)	**42,430,666**	29,536,401
Held to maturity investments	17(b)	**6,054,157**	6,054,157
Due from insurance operations		**12,008,622**	22,683,442
Statutory deposit	23	**20,000,000**	20,000,000
TOTAL SHAREHOLDERS' ASSETS		**180,374,693**	**167,139,225**
TOTAL ASSETS		**1,162,183,118**	**832,913,342**

The accompanying notes 1 to 29 form an integral part of these financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY

(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION (Continued)

As At 31 December 2011

Amounts in Saudi Riyal

	Notes	31 December 2011	31 December 2010
INSURANCE OPERATIONS' LIABILITIES			
Accounts payable		**29,037,919**	26,963,930
Reinsurance balances payable		**58,768,022**	111,256,755
Accounts payable, accrued expenses and other liabilities	15	**39,938,299**	38,360,118
Unearned reinsurance commission	18	**14,391,400**	9,740,769
Unearned premiums	10	**286,352,264**	263,679,951
Outstanding claims	11	**535,161,850**	189,620,766
Employees' end of service benefits		**3,205,975**	1,742,551
Surplus distribution payable		**2,730,945**	970,116
Due to shareholders' operations		**12,008,622**	22,683,442
TOTAL INSURANCE OPERATIONS' LIABILITIES		**981,595,296**	**665,018,398**
INSURANCE OPERATIONS' SURPLUS			
Change in fair value of available for sale investments	16(a)	**213,129**	755,719
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS		**981,808,425**	**665,774,117**
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Accounts payable, accrued expenses and other liabilities	15	**2,186,402**	1,094,351
Zakat and income tax payable	20	**4,387,928**	4,587,176
TOTAL SHAREHOLDERS' LIABILITIES		**6,574,330**	**5,681,527**
SHAREHOLDERS' EQUITY			
Share capital	22	**200,000,000**	200,000,000
Accumulated losses		**(27,020,439)**	(39,631,417)
Change in fair value of available for sale investments	16(b)	**820,802**	1,089,115
TOTAL SHAREHOLDERS' EQUITY		**173,800,363**	**161,457,698**
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		**180,374,693**	**167,139,225**
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS AND SHAREHOLDERS' LIABILITIES AND EQUITY		**1,162,183,118**	**832,913,342**

The accompanying notes 1 to 29 form an integral part of these financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY

(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS

For the Year Ended 31 December 2011

Amounts in Saudi Riyal

	Notes	31 December 2011	31 December 2010
Gross premiums written		**565,058,948**	567,734,276
Less: Reinsurance premiums ceded		**(207,660,638)**	(215,646,801)
Excess of loss expenses		**(6,104,822)**	(3,252,583)
Net premiums written		**351,293,488**	**348,834,892**
Change in unearned premiums, net	10	**(17,411,840)**	(88,493,911)
Net premiums earned		**333,881,648**	**260,340,981**
Gross claims paid and other expenses	11	**(398,863,164)**	(256,932,696)
Reinsurers' share of gross claims paid	11	**185,580,556**	119,762,785
Change in outstanding claims, net	11	**9,861,923**	(11,278,712)
Net claims incurred		**(203,420,685)**	**(148,448,623)**
Policy acquisition costs	12	**(48,090,945)**	(32,567,771)
Reinsurance commission earned	18	**24,663,505**	13,042,268
Net underwriting results		**107,033,523**	**92,366,855**
General and administrative expenses	19	**(92,248,828)**	(82,931,988)
Other income		**2,823,593**	266,297
Insurance operations' surplus		**17,608,288**	**9,701,164**
Shareholders' appropriation from surplus		**(15,847,459)**	(8,731,048)
Insurance operations' surplus after shareholders' appropriation		**1,760,829**	**970,116**
Distributable surplus		**(1,760,829)**	(970,116)
Accumulated surplus at the end of the year		**-**	**-**

The accompanying notes 1 to 29 form an integral part of these financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY

(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF SHAREHOLDERS' OPERATIONS

For the Year Ended 31 December 2011

Amounts in Saudi Riyal

	Notes	31 December 2011	31 December 2010
Shareholders' appropriation from insurance operations' surplus		**15,847,459**	8,731,048
Gain on sale of available for sale investments	16 (b)	**881,172**	524,226
Commission income		**3,225,265**	3,649,606
General and administrative expenses	19	**(2,663,454)**	(1,475,612)
Net income for the year		**17,290,442**	**11,429,268**
Basic and diluted earnings per share for the year	**25**	**0.86**	**0.57**

The accompanying notes 1 to 29 form an integral part of these financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY

(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF SHAREHOLDERS' COMPREHENSIVE OPERATIONS

For the Year Ended 31 December 2011

Amounts in Saudi Riyal

	Note	31 December 2011	31 December 2010
Net Income for the year		**17,290,442**	11,429,268
Other comprehensive (expenses) / income :			
Zakat and income tax	20	**(4,679,464)**	(4,629,488)
Change in fair value of available for sale investments		**643,725**	1,390,635
Total comprehensive income for the year		**13,254,703**	**8,190,415**

The accompanying notes 1 to 29 form an integral part of these financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY

(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the Year Ended 31 December 2011

Amounts in Saudi Riyal

	Notes	Share capital	Accumulated losses	Change in fair value of available for sale investments	Total
Balance at 1 January 2010		200,000,000	(46,431,197)	165,473	153,734,276
Net income for the year		-	11,429,268	-	11,429,268
Zakat and income tax	20	-	(4,629,488)	-	(4,629,488)
Change in fair value of available for sale investments	16(b)	-	-	1,390,635	1,390,635
Transfers to statement of shareholders' operations	16(b)	-	-	(466,993)	(466,993)
Balance at 31 December 2010		**200,000,000**	**(39,631,417)**	**1,089,115**	**161,457,698**
Balance at 1 January 2011		200,000,000	(39,631,417)	1,089,115	161,457,698
Net income for the year		-	17,290,442	-	17,290,442
Zakat and income tax	20	-	(4,679,464)	-	(4,679,464)
Change in fair value of available of sale investments	16(b)	-	-	643,725	643,725
Transfers to statement of shareholders' operations	16(b)	-	-	(912,038)	(912,038)
Balance at 31 December 2011		**200,000,000**	**(27,020,439)**	**820,802**	**173,800,363**

The accompanying notes 1 to 29 form an integral part of these financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY

(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For The Year Ended 31 December 2011

Amounts in Saudi Riyal

	Note	31 December 2011	31 December 2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Insurance operations' surplus after shareholders' appropriation		**1,760,829**	970,116
Adjustments to reconcile insurance operations' surplus after shareholders' appropriation to net cash from operating activities:			
Shareholders' appropriation from insurance operations' surplus		**15,847,459**	8,731,048
Gain from sale of available for sales investments		**(1,199,641)**	-
Depreciation		**1,715,890**	1,274,499
Losses/ (Gains) from sale of property and equipment		**15,720**	(1,000)
Provision for doubtful debts		**4,551,212**	25,029,025
		22,691,469	**36,003,688**
Premiums and insurance balances receivable		**50,697,127**	(125,251,133)
Reinsurers' share of unearned premiums		**(5,260,473)**	(70,996,926)
Reinsurers' share of outstanding claims		**(355,403,007)**	(23,807,802)
Deferred policy acquisition costs		**2,216,948**	(19,144,431)
Prepaid expenses and other assets		**4,475,348**	(9,285,479)
Due from related parties		**41,313,874**	(868,269)
Due to / from shareholders' operations		**(26,522,279)**	53,891,268
Accounts payable		**2,073,989**	9,261,209
Reinsurance balances payable		**(52,488,733)**	63,802,401
Accounts payable, accrued expenses and other liabilities		**1,578,181**	24,335,283
Unearned reinsurance commission		**4,650,631**	6,012,465
Unearned premiums		**22,672,313**	159,490,837
Outstanding claims		**345,541,084**	35,086,514
Employees' end of service benefits, net		**1,463,424**	(641,302)
Net cash from operating activities		**59,699,896**	**137,888,323**
CASH FLOWS FROM INVESTING ACTIVITIES			
Available for sale investments		**(54,034,471)**	(57,700,000)
Held to maturity investments		**(9,453,098)**	(2,250,000)
Proceeds from sale of available for sale investments		**66,970,241**	-
Property and equipment		**(2,306,922)**	(3,855,017)
Proceeds from sale of property and equipment		**22,000**	9,319
Net cash from / (used in) investing activities		**1,197,750**	**(63,795,698)**
Change in cash and cash equivalents		**60,897,646**	74,092,625
Cash and cash equivalents at the beginning of the year		**81,732,322**	7,639,697
Cash and cash equivalents at the end of the year	**7**	**142,629,968**	**81,732,322**
Non-cash transactions:			
Change in fair value of available for sale investments		**(542,590)**	**755,719**

The accompanying notes 1 to 29 form an integral part of these financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY

(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the Year Ended 31 December 2011

Amounts in Saudi Riyal

	Note	31 December 2011	31 December 2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		**17,290,442**	11,429,268
Adjustments for:			
Shareholders' appropriation from insurance operations' surplus		**(15,847,459)**	(8,731,048)
Gain on sale of available for sale Investments		**(881,172)**	(524,226)
		561,811	**2,173,994**
Changes in operating assets and liabilities:			
Prepaid expenses and other assets		**523,907**	(316,139)
Accounts payable, accrued expenses and other liabilities		**1,092,051**	778,046
Due from / to insurance operations		**26,522,279**	(53,891,268)
Zakat and income tax paid		**(4,878,712)**	(2,713,393)
Net cash from /(used in) operating activities		**23,821,336**	**(53,968,760)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Available for sale investments		**(51,187,171)**	(22,500,000)
Time deposits, net		**39,244,387**	27,031,246
Proceeds from sale of available for sale investments		**38,905,765**	57,577,261
Held to maturity investments		**-**	(6,054,157)
Net cash from investing activities		**26,962,981**	**56,054,350**
Change in cash and cash equivalents		**50,784,317**	2,085,590
Cash and cash equivalents at the beginning of the year		**47,869,814**	45,784,224
Cash and cash equivalents at the end of the year	**7**	**98,654,131**	**47,869,814**
Non-cash transactions:			
Change in fair value of available for sale investments		**643,725**	**1,390,635**

The accompanying notes 1 to 29 form an integral part of these financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
31 December 2011

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Arabia Insurance Cooperative Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010243302 dated 18 Muhram 1429H (corresponding to 27 January 2008).The registered address of the Company is P.O. Box 28655, Riyadh 11323, Kingdom of Saudi Arabia.

The objectives of the Company are to transact cooperative insurance and reinsurance business and related activities in the Kingdom of Saudi Arabia. Its principal activity includes all classes of general insurance, medical insurance, savings and protection. The Company was listed on the Saudi Stock Exchange (Tadawul) on 26 Muhram 1429H (corresponding to 4 February 2008). The company started insurance and reinsurance operations on 4 Muhram 1430H (corresponding to 1 January 2009).

2. BASIS OF PREPARATION

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and not in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia as adopted by the Saudi Organization for Certified Public Accountants.

Basis of measurement

The financial statements are prepared under the historical cost basis except for the measurement at fair value of available for sale investments.

Statement of compliance

The financial statements of the Company have been prepared by the management in accordance with International Financial Reporting Standards (IFRS).

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations. The physical custody of all assets related to the Insurance Operations and Shareholders' Operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of other revenue and expenses from joint operations is as determined by the Company's management and Board of Directors.

Functional and presentational currency

The financial statements are presented in Saudi Riyals being the functional currency of the Company.

3. SURPLUS DISTRIBUTION

The Company is required to distribute 10% of the net surplus from insurance operations to policyholders and the remaining 90% to be allocated to the shareholders of the Company in accordance with the Insurance Law and its Implementation Regulations issued by the Saudi Arabian Monetary Agency ("SAMA").

The insurance operations' surplus of the Company for the year ended 31 December 2011 amounted to SR 17.6 million (2010: SR 9.7 million). Accordingly, 90% of SR 17.6 million (2010: SR 9.7 million) amounting to SR 15.8 million (2010: SR 8.7 million) has been transferred to the shareholders' operations for the year, leaving a surplus payable to policyholders of SR 2.73 million as at 31 December 2011 (31 December 2010 : 0.97 million). The Company is in the process of distributing this surplus to policyholders.

4. NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2010 except for the adoption of the following amendments and revisions to the existing standards mentioned below which has no significant financial impact on the financial statements of the Company.

a) IAS 24 ''Related party disclosures'':

The revised IAS 24 related party disclosures provides the amended definition of a related party and modifies certain related party disclosure requirements for government related entities.

b) IFRS 7 financial instruments : ''Disclosures''

The amendments classifies that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments . In addition, the IASB amended and removed disclosure requirements.

c) IAS 1 ''Presentation of financial statements''

IAS 1 is amended to clarify that disaggregation of changes in each component of shareholders' equity arising from transactions recognized in other comprehensive income also is required to be presented, but is permitted to be presented either in the statement of changes in shareholders' equity or in the notes.

d) IAS 34 ''Interim financial reporting''

The amendments to IAS 34 confirm that events and significant transactions during the interim periods must have impact on the related presented information in the last annual financial statements that also describe the adoption of the principles relating to financial instruments and its fair value. Moreover, the amendments provide examples for events or transactions that must be disclosed in accordance with IAS 34 whereby it removes the reference amendments to the relative importance in the minimum description of disclosures.

Other amendments resulting in improvements to the following standards also did not have any material impact on the accounting policies or financial position or performance of the Company

- IFRS 7 Financial instruments - Disclosures
- IAS 1 Presentation of financial statements
- IAS 32 Financial instruments – Presentations

New standards, amendments to standards and interpretations to international financial reporting standards that have to be adopted by the Company for the first time with respect to the financial year beginning on 1 January 2011, have not resulted in any significant adjustments to the presentation of the accompanying financial statements and its disclosures.

The Company has chosen not to early adopt the amendments and revision to the international financial reporting standards which have been published and are mandatory by compliance by the Company with effect from future dates.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed in preparation of these financial statements:

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, checks under deposit, time deposits and current accounts at banks with an original maturity of less than three months from the date of acquisition.

Property and equipment

Property and equipment are initially recorded at cost less accumulated depreciation and any impairment in value. Depreciation is charged to the statement of insurance operations and accumulated surplus on a straight line basis over the estimated useful lives of property and equipment.

The estimated useful life of property and equipment is as follows:

	Years
Leasehold improvements	4
Furniture and fixtures	10
Motor vehicles	5
Computers and office equipment	3-5

Available for sale investments

Available for sale investments are stated at cost at the purchase date as part of the Company's investments and are subsequently stated at fair value unless the fair value cannot be measured. The change in fair value is presented directly in the insurance operation surplus / shareholders' equity and the realized gains and losses of available for sale investments are recognized in the statement of insurance operations and accumulated surplus / shareholders' operations.

Held to maturity Investments

Investments which have fixed or determinable payments that the Company has the positive intention and ability to hold till maturity are subsequently measured at amortized cost, less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on such investments is recognised in the statement of insurance operations and accumulated surplus / shareholders' operations when the investment is derecognized or impaired.

Impairment and uncollectibility of financial assets

An assessment is made at each statement of financial position date to determine whether there is an objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, any impairment loss is recognized in the statement of insurance operations and accumulated surplus / shareholders' operations. Impairment in value is determined as follows:

a) For assets carried at fair value, impairment is the difference between the cost and fair value, less any impairment loss previously recognized in the statement of insurance operations and accumulated surplus / shareholders' operations.

b) For assets carried at cost, impairment is the difference between the carrying book value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

c) For assets carried at amortized cost, impairment is determined based on the future cash flows that are discounted at the original effective special commission rate.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Zakat and income tax

Zakat and income tax are provided for in accordance with Saudi Arabian Zakat and Tax Regulations. Zakat is charged to equity accounts of Saudi founding shareholders and general public while income tax is charged to equity accounts of Non-Saudi founding shareholders.

Employees' end of service benefits

Employees' end of service benefits are provided and payable as a lump sum to all employees under the terms and conditions of Saudi Labor Regulations upon termination / end of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at the date of the statement of financial position. End of service payments are calculated based on employees' last salaries and allowances and their cumulative years of service, as defined by the conditions stated in the labor law in the Kingdom of Saudi Arabia.

Commission income

Commission income from time deposits is recognized on an effective yield basis.

Accounts payable, accrued expenses and other liabilities

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Statutory reserve

In accordance with its bylaws, the Company shall allocate 20% of its annual net income to the statutory reserve until it has built up a reserve equal to 100% of the share capital. This allocation has not been made taking into account the accumulated losses.

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from past events, and the costs to settle the obligation are both probable and may be measured reliably. Provisions are not recognised for future operating losses.

Trade date

All normal operations related to purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Company commits to purchase or sell the assets). Normal operations related to purchases or sales of financial assets are transactions that require settlement of assets within the time frame generally established by regulation or convention in the market place.

Foreign currencies

Transactions in foreign currencies are recorded in Saudi riyals at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Saudi Riyals at the exchange rate prevailing at the statement of financial position date. All translation differences are taken to the statement of insurance operations and accumulated surplus / shareholders' operations.

Offsetting financial assets and liabilities

Financial assets and liabilities are offseted and the net amounts reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Revenues and expenses are not offseted in the tatement of insurance operations and accumulated surplus / shareholders' operations unless required or permitted by any accounting standards their interpretations.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Premiums earned and commission income

Premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage.

The underwriting results represent premiums earned and fee and commission income less claims paid, other underwriting expenses and anticipated claims payable in respect of the year, net of amounts subject to reinsurance, less provision for any anticipated future losses of the effective policies.

Commission receivable on reinsurance contracts are deferred and amortised on a straight-line basis over the term of the reinsurance contracts.

Retained premiums and commission income, which relate to unexpired risks beyond the end of the financial year, are reported as unearned and deferred based on the following methods:

- Actual number of days for all other lines of business.
- Regarding marine cargo, the unearned premiums represent the gross premiums written during the last three months of the current financial year.

Premiums receivable

Premiums receivable are recognized when due and are measured on initial recognition at the fair value of the considerations received or receivable. The carrying value of premiums receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of insurance operations and accumulated surplus. Premiums receivable are derecognized when the derecognition criteria for financial assets have been met.

Gross outstanding claims

Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, and are charged to statement of insurance operations and accumulated surplus as incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the date of the statement of financial position, whether reported or not. Provisions for reported claims not paid as at the date of statement of financial position are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported at date of the statement of financial position. The ultimate liability may be in excess of or less than the amount provided.

Any difference between the provisions at the date of the statement of financial position and settlements and provisions in the subsequent year is included in the underwriting account for that year. The Company does not discount its liabilities for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

Liability adequacy test

At each statement of financial position date, the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred policy acquisition costs) is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the statement of insurance operations and accumulated surplus and an unexpired risk provision is created.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred policy acquisition costs

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contacts to which they relate, similar to unearned premiums. All other acquisition costs are recognised as an expense when incurred. Amortization is recorded in the statement of insurance operations and accumulated surplus.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. If the assumptions relating to future profitability of these policies are not realised, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of insurance operations and accumulated surplus. Deferred policy acquisition costs are also considered in the liability adequacy test for each financial reporting period.

Reinsurance

The Company cedes insurance risks in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance agreement.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurers can be measured reliably. The impairment loss is recorded in the statement of insurance operations and accumulated surplus.

Reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Premiums and claims on reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the classification of the reinsurance transactions.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contracts.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

Unearned reinsurance commission

Commission receivable on outwards reinsurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate. Amortisation is recorded in the statement of insurance operations and accumulated surplus.

Product classification

The Company issues insurance contracts that transfer insurance risks. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Fair values

The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the date of close of business of the statement of financial position date. If quoted market prices are not available, reference can also be made to broker or dealer price quotations in the financial market.

For financial assets where there is no active market, fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same and/or discounted cash flow analysis. For discounted cash flow technique, estimated future cash flows are based on Management's best estimates and the discount rate used is a market related rate for similar assets.

Segmental reporting

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incurs expenses and about which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. For management purposes, the Company is organized into business units based on their products and services and has three reportable operating segments as follows:

- Medical insurance, which covers medical costs, medicines, and all other medical services and supplies.
- Motor Insurance, which provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Other insurance classes, which cover any other classes of insurance not mentioned above.

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from income or loss in the accompanying financial statements.

No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments which will then be eliminated at the level of the financial statements of the Company.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the financial reporting date. However, uncertainty about these estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of the statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are as follows.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of the statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions are estimated individually. Independent risk adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

The Company is exposed to disputes with, and sometimes possibility of defaults by reinsurers companies. The Company monitors on a quarterly basis the development of disputes with and the financial position strength for its reinsurers.

Impairment losses of premiums receivable

The Company assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status being indicative of the ability to pay all amounts due as per contractual terms.

Deferred acquisition costs

Certain acquisition costs related to the sale of new policies are recorded as deferred acquisition costs and are amortized in the statement of insurance operations and accumulated surplus over the related period of insurance policy coverage. If the assumptions relating to future profitability of these insurance policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of insurance operations and accumulated surplus.

7. CASH AND CASH EQUIVALENTS

This item is composed of the following:

	2011		2010	
	Insurance operations	Shareholders	Insurance operations	Shareholders
	SR	SR	SR	SR
Cash on hand	**36,896**	**-**	35,947	-
Checks under deposit	**5,277,249**	**-**	987,604	-
Current accounts at banks	**110,265,513**	**16,043,918**	46,586,816	-
Time deposits	**27,050,310**	**82,610,213**	34,121,955	47,869,814
	142,629,968	**98,654,131**	**81,732,322**	**47,869,814**

In accordance with the Company's cash flows requirements, time deposits are placed for a period ranging from one day to three months and earn special commission at an average rate of 3.21% per annum (2010: 3.06%).

Current accounts and time deposits are placed with counterparties who have good credit ratings. The carrying amounts disclosed above reasonably approximate the fair value at the statement of financial position date.

8. TIME DEPOSITS

Time deposits are placed with a maturity of more than three months from the date of original acquisition and earn special commission income at an average rate of nil% per annum (2010: 3.98%).

Time deposits are placed with counterparties who have good credit ratings. The carrying amounts disclosed above reasonably approximate the fair value at the statement of financial position date.

9. PREMIUMS AND INSURANCE BALANCES RECEIVABLE

	2011	2010
	SR	SR
Premiums and insurance balances receivable	**211,065,938**	261,763,065
Less: Provision for doubtful debts	**(48,112,978)**	(43,561,766)
	162,952,960	**218,201,299**

The ageing analysis of premiums and insurance balances receivable as at 31 December is as follows:

	Past due but not impaired			Past due and impaired
	Total	Less than 30 days	31 to 90 days	
	SR	SR	SR	SR
2011	**211,065,938**	**47,141,806**	**27,877,413**	**136,046,719**
2010	**261,763,065**	**68,016,162**	**28,719,858**	**165,027,045**

Premiums and insurance balances receivable comprise a large number of customers mainly within the Kingdom of Saudi Arabia. Premiums receivable do not include due amounts in foreign currencies. The Company's terms of business generally require premiums to be settled within 90 days. No individual or corporate account is more than 15% of premiums receivable as at 31 December 2011 (31 December 2010: 7%). In addition, the ten largest customers' accounts constitute 38% of premiums receivable as at 31 December 2011 (31 December 2010: 19%).

The Company, and based on its past experience, expects to fully recover its past due but not impaired premiums and insurance balances receivable. It is not the policy of the Company to obtain collateral with respect to premiums receivable and the vast majority are, therefore, unsecured.

10. MOVEMENT IN UNEARNED PREMIUMS

	2011	2010
	SR	SR
Gross unearned premiums at the beginning of the year	**263,679,951**	104,189,114
Gross unearned premiums as at 31 December	**286,352,264**	263,679,951
Change in unearned premiums, gross	**22,672,313**	**159,490,837**
Reinsurers' share of unearned premiums at the beginning of the year	**112,682,031**	41,685,105
Reinsurers' share of unearned premiums as at 31 December	**117,942,504**	112,682,031
Change in reinsurers' share of unearned premiums	**5,260,473**	70,996,926
Change in unearned premiums, net	**17,411,840**	**88,493,911**

11. CLAIMS

	2011		
	Gross	Reinsurers' share	Net
	SR	SR	SR
Paid claims and other expenses	398,863,164	(185,580,556)	213,282,608
Provided claims during the year	373,673,324	(378,979,028)	(5,305,704)
IBNR claims during the year	(28,132,240)	23,576,021	(4,556,219)
Incurred claims during the year	744,404,248	(540,983,563)	203,420,685
Outstanding claims as at 1 January	104,809,016	(33,158,845)	71,650,171
IBNR claims as at 1 January	84,811,750	(56,307,078)	28,504,672
	189,620,766	(89,465,923)	100,154,843
Outstanding claims as at 31 December	478,482,340	(412,137,873)	66,344,467
IBNR as at 31 December	56,679,510	(32,731,057)	23,948,453
	535,161,850	(444,868,930)	90,292,920
Change in outstanding claims , net	345,541,084	(355,403,007)	(9,861,923)

	2010		
	Gross	Reinsurers' share	Net
	SR	SR	SR
Paid claims and other expenses	256,932,696	(119,762,785)	137,169,911
Provided claims during the year	(41,992,332)	28,264,628	(13,727,704)
IBNR claims during the year	77,078,846	(52,072,430)	25,006,416
Incurred claims during the year	292,019,210	(143,570,587)	148,448,623
Outstanding claims as at 1 January	131,274,755	(51,909,083)	79,365,672
IBNR as at 1 January	23,259,497	(13,749,038)	9,510,459
	154,534,252	(65,658,121)	88,876,131
Outstanding claims as at 31 December	104,809,016	(33,158,845)	71,650,171
IBNR as at 31 December	84,811,750	(56,307,078)	28,504,672
	189,620,766	(89,465,923)	100,154,843
Change in outstanding claims, net	35,086,514	(23,807,802)	11,278,712

12. DEFERRED POLICY ACQUISITION COSTS

	2011	2010
	SR	SR
Balance at 1 January	**24,869,975**	5,725,544
Acquisition costs incurred during the year	**45,873,997**	51,712,202
Acquisition costs charged during the year	**(48,090,945)**	(32,567,771)
Balance at 31 December	**22,653,027**	**24,869,975**

13. PREPAID EXPENSES AND OTHER ASSETS

	2011		2010	
	Insurance operations	Shareholders	Insurance operations	Shareholders
	SR	SR	SR	SR
Prepaid TPA fees	**8,054,474**	**-**	12,244,310	-
Prepaid rent	**1,374,519**	**-**	1,086,935	-
Advance payment against purchase of computer software	**1,204,922**	**-**	1,055,382	-
Advances to suppliers	**891,000**	**-**	-	-
Due from employees	**679,738**	**-**	790,608	-
Accrued commission	**198,749**	**687,117**	222,545	1,211,024
Deferred CCHI fees	**-**	**-**	1,685,397	-
Prepaid expenses and others	**355,929**	**540,000**	149,502	540,000
	12,759,331	**1,227,117**	**17,234,679**	**1,751,024**

14. PROPERTY AND EQUIPMENT, NET

	Leasehold improvements	Furniture and fixtures	Motor vehicles	Computers and office equipment	Total
	SR	SR	SR	SR	SR
Cost					
As at 31 December 2009	795,175	1,826,316	193,503	1,389,675	4,204,669
Additions during the year	7,000	622,302	-	3,225,715	3,855,017
Disposals during the year	-	(1,519)	-	(6,800)	(8,319)
As at 31 December 2010	802,175	2,447,099	193,503	4,608,590	8,051,367
Additions during the year	442,339	542,090	98,000	1,224,493	2,306,922
Disposals during the year	-	-	(87,080)	(23,669)	(110,749)
As at 31 December 2011	**1,244,514**	**2,989,189**	**204,423**	**5,809,414**	**10,247,540**
Accumulated depreciation					
As at 31 December 2009	47,785	163,128	45,672	586,369	842,954
Charge for the year	16,329	328,570	47,556	882,044	1,274,499
As at 31 December 2010	64,114	491,698	93,228	1,468,413	2,117,453
Charge for the year	32,850	377,680	48,260	1,257,100	1,715,890
Disposals during the year	-	-	(50,249)	(22,780)	(73,029)
As at 31 December 2011	**96,964**	**869,378**	**91,239**	**2,702,733**	**3,760,314**
Net book value					
As at 31 December 2011	**1,147,550**	**2,119,811**	**113,184**	**3,106,681**	**6,487,226**
As at 31 December 2010	**738,061**	**1,955,401**	**100,275**	**3,140,177**	**5,933,914**

15. ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

	2011		2010	
	Insurance operations	Shareholders	Insurance operations	Shareholders
	SR	SR	SR	SR
Due to suppliers	**28,999,211**	**-**	29,499,097	-
Accrued withholding tax	**8,129,247**	**-**	2,455,823	-
Accrued CCHI fees	**2,271,248**	**-**	3,224,820	-
Employees' bonus	**458,048**	**-**	436,588	-
Board of directors' remunerations	**-**	**1,734,564**	-	601,540
Others	**80,545**	**451,838**	2,743,790	492,811
	39,938,299	**2,186,402**	**38,360,118**	**1,094,351**

16. AVAILABLE FOR SALE INVESTMENTS

a) Insurance operations

	Investments in local funds (Quoted)	Investments in local equity portfolio (Quoted)	Fair value as at 31 December
	SR	SR	SR
Balance as at 31 December 2009	-	-	-
Additions during the year	47,700,000	10,000,000	57,700,000
Change in fair value	155,696	600,023	755,719
Balance as at 31 December 2010	47,855,696	10,600,023	58,455,719
Additions during the year	54,034,471	-	54,034,471
Change in fair value	**57,433**	**(600,023)**	**(542,590)**
Disposals during the year	**(56,178,748)**	**(10,791,493)**	**(66,970,241)**
Realized gain during the year	**408,148**	**791,493**	**1,199,641**
Balance as at 31 December 2011	**46,177,000**	**-**	**46,177,000**

The change in fair value of available for sale investments amounting to SR 213,129 as at 31 December 2011 (31 December 2010: SR 755,719) is presented within insurance operations' surplus in the statement of financial position.

A.1) The investment analysis by counterparty is as follows:

	2011	2010
	SR	SR
Banks and financial institutions	**46,177,000**	47,855,696
Corporates	**-**	10,600,023
Total	**46,177,000**	**58,455,719**

A.2) The credit quality of the investment portfolio is as follows:

	2011	2010
	SR	SR
"A-" to "A+"	**41,709,605**	47,855,696
"B"	**4,467,395**	-
Unavailable credit rating	**-**	10,600,023
Total	**46,177,000**	**58,455,719**

Credit ratings are based on Standard and Poor's rating methodology or the issuer in case of unrated investments.

A.3) Determination of fair value and fair values hierarchy:

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: Quoted prices in active markets for the same instrument (i.e., without modification or repricing).
- Level 2: Quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data.
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

16. AVAILABLE FOR SALE INVESTMENTS (continued)

a) Insurance operations (continued)

A.3) Determination of fair value and fair values hierarchy (continued)

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

	2011			
	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR
Available for sale investments				
Investment Funds	46,177,000	-	-	46,177,000
Total available for sale investments	46,177,000	-	-	46,177,000

	2010			
	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR
Available for sale investments				
Investment Funds	47,855,696	-	-	47,855,696
Equity portfolio	10,600,023	-	-	10,600,023
Total available for sale investments	58,455,719	-	-	58,455,719

b) Shareholders' operations

	Investments in local funds (Quoted)	Investments in foreign bonds portfolio and others (Quoted)	Investments in equity of a local company (Unquoted)	Fair value as at 31 December
	SR	SR	SR	SR
Balance as at 31 December 2009	55,586,922	5,655,795	1,923,077	63,165,794
Additions during the year	22,500,000	-	-	22,500,000
Change in fair value	604,476	319,166	-	923,642
Disposals during the year	(57,577,261)	-	-	(57,577,261)
Realized gain during the year	524,226	-	-	524,226
Balance as at 31 December 2010	**21,638,363**	**5,974,961**	**1,923,077**	**29,536,401**
Additions during the year	**51,187,171**	**-**	**-**	**51,187,171**
Change in fair value	**(344,629)**	**76,316**	**-**	**(268,313)**
Disposals during the year	**(38,905,765)**	**-**	**-**	**(38,905,765)**
Realized gain during the year	**881,172**	**-**	**-**	**881,172**
Balance as at 31 December 2011	**34,456,312**	**6,051,277**	**1,923,077**	**42,430,666**

The change in fair value of available for sale investments amounting to SR 820,802 as at 31 December 2011 (31 December 2010: SR 1,089,115) is presented within the shareholder's equity in the statement of financial position.

16. AVAILABLE FOR SALE INVESTMENTS (continued)

b) Shareholder's operations (continued)

Investment in equity of a local company amounting to SR 1.9 million (31 December 2010: SR 1.9 million), represents an investment in the equity of Najm for Insurance Services at a rate of 7.69% (31 December 2010: 7.69%). As the fair value is not readily available, this investment is carried at cost after management assurance for non existence of any impairment.

b-1) The investment analysis by counterparty is as follows:

	2011	2010
	SR	SR
Banks and financial institutions	40,507,589	27,613,324
Corporate	1,923,077	1,923,077
Total	**42,430,666**	**29,536,401**

b-2) The credit quality of the investment portfolio is as follows:

	2011	2010
	SR	SR
"AA-" to "AA"	6,051,277	5,974,961
"A-" to "A+"	15,461,620	21,638,363
"B"	18,994,692	-
Unavailable credit rating	1,923,077	1,923,077
Total	**42,430,666**	**29,536,401**

Credit ratings are based on Standard and Poor's rating methodology or the issuer in case of unrated investments.

b-3) Determination of fair value and fair values hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: Quoted prices in active markets for the same instrument (i.e., without modification or repricing).
- Level 2: Quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data.
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

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

	2011			
	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR
Available for sale investments				
Investment Funds	**34,456,312**	**-**	**-**	**34,456,312**
Bonds portfolio and others	**6,051,277**	**-**	**-**	**6,051,277**
Shares	**-**	**-**	**1,923,077**	**1,923,077**
Total available for sale investments	**40,507,589**	**-**	**1,923,077**	**42,430,666**

16. AVAILABLE FOR SALE INVESTMENTS (continued)

b) Shareholder's operations (continued)

b-3) Determination of fair value and fair values hierarchy is as follows (continued):

	2010			
	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR
Available for sale investments				
Investment Funds	21,638,363	-	-	21,638,363
Bonds portfolio and others	5,974,961	-	-	5,974,961
Shares	-	-	1,923,077	1,923,077
Total available for sale investments	27,613,324	-	1,923,077	29,536,401

17. HELD TO MATURITY INVESTMENTS

a) Insurance operations

	2011	2010
	SR	SR
Corporate bonds	11,703,098	2,250,000

All the above bonds are A/AA credit rated in accordance with Standard and Poor's agency except bonds with an amount of SR 2 million where its credit quality is not available. The average commission rate amounted to 3.02% per annum (31 December 2010: 3%). The maturity date of these bonds is up to 2015. These bonds are presented at amortized cost in the statement of the financial position. The fair value of held to maturity investments amounted to SR 11,804,406 as at 31 December 2011 (31 December 2010: SR 2,244,092)

b) Shareholders' operations

	2011	2010
	SR	SR
Financial institutions and governmental bonds	6,054,157	6,054,157

All the above bonds are listed and are BB / A+ credit rated in accordance with Standard and Poor's agency whereby the average commission rate amounted to 4.22% per annum (31 December 2010 : 4.22%). The maturity date of these bonds is up to year 2015. These bonds are presented at amortized cost in the statement of the financial position. The fair value of held to maturity investments amounted to SR 6,152,194 as at 31 December 2011 (31 December 2010 : SR 6,206,723).

18. UNEARNED REINSURANCE COMMISSION

	2011	2010
	SR	SR
As at 1 January	9,740,769	3,728,304
Commission received during the year	29,314,136	19,054,733
Commission earned during the year	(24,663,505)	(13,042,268)
As at 31 December	**14,391,400**	**9,740,769**

19. GENERAL AND ADMINISTRATIVE EXPENSES

	2011		2010	
	Insurance operations	Shareholders	Insurance operations	Shareholders
	SR	SR	SR	SR
Employees' expenses	**40,262,920**	**-**	**28,390,751**	-
Supervision and inspection costs	**23,255,700**	**-**	**13,192,269**	-
Provision for doubtful debts	**4,551,212**	**-**	**25,029,025**	-
Promotion and advertising	**3,592,206**	**-**	**1,024,475**	-
Stationery and printing	**2,498,278**	**-**	**1,603,497**	-
Insurance expenses	**2,310,837**	**-**	**2,061,932**	-
Legal and professional fees	**2,028,483**	**48,500**	**908,715**	125,000
Rent	**1,977,567**	**409,256**	**1,603,222**	153,471
Depreciation (Note 14)	**1,715,890**	**-**	**1,274,499**	-
Communications	**1,495,496**	**-**	**1,073,616**	-
Travelling and accommodation	**1,596,641**	**-**	**1,189,623**	-
Board of directors' remunerations and expenses	**-**	**1,527,885**	**-**	1,005,453
Bank charges	**-**	**292,447**	**-**	126,274
Others	**6,963,598**	**385,366**	**5,580,364**	65,414
	92,248,828	**2,663,454**	**82,931,988**	**1,475,612**

20. ZAKAT AND INCOME TAX PAYABLE

a) Zakat

The Zakat base is composed of the following:

	2011	2010
	SR	SR
Share capital	**200,000,000**	200,000,000
Employees' end of service benefits	**2,505,000**	1,742,551
Adjusted income for the year	**26,551,000**	40,204,263
Property and equipment, net	**(6,487,226)**	(5,933,914)
Available for sale investments	**-**	(12,523,100)
Statutory deposit	**-**	(20,000,000)
Accumulated losses	**(39,631,417)**	(46,431,197)
Zakat base	**182,937,357**	157,058,603

Zakat for the year

The Zakat charged for the year includes the following:

	2011	2010
	SR	SR
Share of the Saudi founding shareholders and general public from the Zakat base (68.6%)	**125,495,027**	107,742,202
Zakat for the year (2.5%)	**3,137,376**	2,693,555

b) Income tax

Income tax charged for the year includes the following:

	2011	2010
	SR	SR
Share of the non-Saudi shareholders from the adjusted net income for the year (31.40%) (after accumulated losses)	**6,252,761**	9,468,104
Income tax for the year (20%)	**1,250,552**	1,893,621
Zakat and income tax for the year	**4,387,928**	4,587,176

Movement of the provision during the year

The movement of the provision for Zakat and income tax for the year is as follows:

	2011	2010
	SR	SR
Provision at beginning of the year	4,587,176	2,671,081
Charge for the year	4,387,928	4,587,176
Shortage in prior years provision	291,536	42,312
Paid during the year	(4,878,712)	(2,713,393)
	4,387,928	**4,587,176**

The Company has filed its zakat returns for the years ended 31 December 2008, 2009 for shareholders' operations and the year ended 31 December 2010 for shareholders' operations and insurance operations with the Department of Zakat and Income Tax (DZIT) and has not yet received the final assessment.

21. RELATED PARTY TRANSACTIONS AND BALANCES

a) Insurance operations

The following are the details of major related party transactions during the year and the related balances as at the end of the year:

Related party	Nature of transaction	2011	2010
		SR	SR
Companies represented by Board of Directors	Premiums written	**8,295,045**	4,186,142
	claims	**5,980,925**	1,856,056
Arabia Insurance Company	Expenses paid on behalf of Arabia Insurance Company	**2,979,892**	22,144,871
	Settlement against claims	**-**	(21,999,730)
	Expenses paid by Arabia insurance company on behalf of the Company	**1,091,251**	944,087
	Due paid from Arabia insurance to the company	**41,037,024**	-
Jordan Insurance Company	Expenses paid on behalf of Jordan Insurance Company	**-**	129,036
	Expenses paid by Jordan Insurance Company on behalf of the Company	**1,027,294**	16,359
	Due paid from Jordan insurance to the Company	**1,688,415**	-
	Receivable charged to Jordan Insurance Company	**550,219**	-
	Reinsurance operations, net	**392,934**	229,914

The above significant transactions with the related parties resulted in the following balances as at 31 December:

	2011	2010
	SR	SR
Companies represented by Board of Directors	**1,003,064**	1,978,502
Arabia Insurance Company	**12,651,217**	52,313,155
Jordan Insurance Company	**983,164**	2,635,100
Reinsurance payable due to Jordan Insurance Company	**(670,733)**	(277,799)

b) Shareholders' operations

Compensation of key management personnel

The remunerations of directors and other key management personnel during the year were as follows:

	2011	2010
	SR	SR
Short-term benefits	**3,827,769**	3,300,782
End of service benefits	**121,830**	118,489
	3,949,599	**3,419,271**

22. SHARE CAPITAL

The authorized and fully paid-up share capital of the Company is SR 200 million divided into 20 million shares of SR 10 each. The founding shareholders of the Company have subscribed and paid for 12 million shares with a nominal value of SR 10 for each share, (which represent 60% of the share capital) and the remaining 8 million shares with a nominal value of SR 10 for each have been subscribed by the public.

23. STATUTORY DEPOSIT

Statutory deposit represents 10% of the paid-up capital which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. This statutory deposit cannot be withdrawn without the consent of SAMA.

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets and liabilities include cash and cash equivalents, time deposits, available for sale investments, held to maturity investments, receivables, payables, and certain other assets and liabilities. The fair values of the financial assets and liabilities are not materially different from their carrying values except for unquoted financial instruments which are carried at cost.

25. BASIC AND DILUTED EARNINGS PEAR SHARE

Earnings per share for the year have been calculated by dividing the net income for the year by the average ordinary issued and outstanding shares during the year amounting to 20 million shares.

26. COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. Based on the advice of the legal advisors, the Company believes that the final result of such proceedings will not have a material effect on its results or financial position.

b) Operating lease commitments

The minimum future lease payments for the use of the Company office premises amounts to SR 2,029,074 (2010: SR 1,930,147) payable in one annual installment for the next year.

c) Capital commitments

The Company has no significant capital commitments as at 31 December 2011 and 2010.

27. SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, operating segments have been approved by Management in respect of the Company' s activities, assets and liabilities as set out below.

Segment results do not include allocation of general and administrative expenses, and other income to operating segments.

Segment assets do not include allocation of cash and cash equivalents, time deposits, available for sale investments, held to maturity investments, premiums and insurance balances receivable, prepaid expenses and other assets, due from related parties and property and equipment, net to operating segments.

Segment liabilities do not include allocation of accounts payable, reinsurance balances payable, accounts payable, accrued expenses and other liabilities, due to insurance operations, employees' end of service benefits and surplus distribution payable to operating segments.

Business segments

	Medical SR	Motor SR	Others SR	Total SR
For the year ended 31 December 2011				
Insurance operations				
Gross premiums written	227,124,784	231,194,552	106,739,612	565,058,948
Less: Reinsurance premiums ceded	(121,149,711)	-	(86,510,927)	(207,660,638)
Excess of loss expenses	-	(5,654,422)	(450,400)	(6,104,822)
Net premiums written	105,975,073	225,540,130	19,778,285	351,293,488
Change in unearned premiums, net	19,416,806	(34,304,987)	(2,523,659)	(17,411,840)
Net premiums earned	125,391,879	191,235,143	17,254,626	333,881,648
Gross claims paid and other expenses	(190,849,179)	(160,238,727)	(47,775,258)	(398,863,164)
Reinsurers' share of gross claims paid	135,507,502	11,500,487	38,572,567	185,580,556
Change in outstanding claims, net	5,903,042	7,882,771	(3,923,890)	9,861,923
Net claims incurred	(49,438,635)	(140,855,469)	(13,126,581)	(203,420,685)
Policy acquisition costs	(26,499,097)	(18,123,531)	(3,468,317)	(48,090,945)
Reinsurance commission earned	-	-	24,663,505	24,663,505
Net underwriting results	49,454,147	32,256,143	25,323,233	107,033,523
General and administrative expenses				(92,248,828)
Other income				2,823,593
Insurance operations' surplus				17,608,288

27. SEGMENTAL INFORMATION (continued)

Business segments (continued)

	Medical SR	Motor SR	Others SR	Total SR
For the year ended 31 December 2010				
Insurance operations				
Gross premiums written	311,527,565	185,376,001	70,830,710	567,734,276
Less: Reinsurance premiums ceded	(158,481,289)	(2,575,550)	(54,589,962)	(215,646,801)
Excess of loss expenses	-	(2,923,331)	(329,252)	(3,252,583)
Net premiums written	153,046,276	179,877,120	15,911,496	348,834,892
Change in unearned premiums, net	(63,665,422)	(21,646,589)	(3,181,900)	(88,493,911)
Net premiums earned	89,380,854	158,230,531	12,729,596	260,340,981
Gross claims paid and other expenses	(101,944,380)	(110,350,759)	(44,637,557)	(256,932,696)
Reinsurers' share of gross claims paid	72,424,550	6,442,433	40,895,802	119,762,785
Change in outstanding claims, net	(22,447,297)	12,641,164	(1,472,579)	(11,278,712)
Net claims incurred	(51,967,127)	(91,267,162)	(5,214,334)	(148,448,623)
Policy acquisition costs	(18,038,858)	(12,451,345)	(2,077,568)	(32,567,771)
Reinsurance commission earned	-	-	13,042,268	13,042,268
Net underwriting results	19,374,869	54,512,024	18,479,962	92,366,855
General and administrative expenses				(82,931,988)
Other income				266,297
Insurance operations' surplus				9,701,164

27. SEGMENTAL INFORMATION (continued)

Business segments (continued)

	Medical SR	Motor SR	Others SR	Total SR
As at 31 December 2011				
Insurance operations' assets				
Reinsurers' share of unearned premiums	71,289,536	-	46,652,968	117,942,504
Reinsurers' share of outstanding claims	48,787,062	3,876,134	392,205,734	444,868,930
Deferred policy acquisition costs	12,926,775	7,987,193	1,739,059	22,653,027
Unallocated assets				396,343,964
				981,808,425
Insurance operations' liabilities				
Unearned premiums	136,201,507	93,859,605	56,291,152	286,352,264
Unearned reinsurance commission	-	-	14,391,400	14,391,400
Outstanding claims	69,432,754	61,784,212	403,944,884	535,161,850
Unallocated liabilities				145,689,782
				981,595,296

	Medical SR	Motor SR	Others SR	Total SR
As at 31 December 2010				
Insurance operations' assets				
Reinsurers' share of unearned premiums	84,587,753	-	28,094,278	112,682,031
Reinsurers' share of outstanding claims	63,047,450	3,253,205	23,165,268	89,465,923
Deferred policy acquisition costs	17,862,515	5,554,036	1,453,424	24,869,975
Unallocated assets				438,756,188
				665,774,117
Insurance operations' liabilities				
Unearned premiums	168,916,530	59,554,618	35,208,803	263,679,951
Unearned reinsurance commission	-	-	9,740,769	9,740,769
Outstanding claims	89,596,184	69,044,054	30,980,528	189,620,766
Unallocated liabilities				201,976,912
				665,018,398

28. RISK MANAGEMENT

Risk governance

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organizational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and strategic plan approved by the Board. The Company is exposed to insurance, reinsurance, regulatory framework, credit, liquidity, foreign currency, commission rate, fund price risk, market price risk and capital management risks.

Risk management structure

A cohesive organizational structure is established within the Company in order to identify, assess, monitor, and control risks.

Board of Directors

The apex of risk governance is the centralized oversight of Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

Senior management

Senior management is responsible for the day to day operations towards achieving the strategic goals within the Company's pre-defined risk appetite.

Audit Committee and Internal Audit Department

Risk management processes throughout the Company are audited annually by the Internal Audit Department which examines both the adequacy of the procedures and the Company's compliance with such procedures. The Internal Audit Department discusses the results of all assessments with senior management, and reports its findings and recommendations directly to the Audit Committee.

The risks faced by the Company and the manner in which these risks are mitigated by management are set out below:

a) Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed the carrying amount of insurance liabilities. This could occur because the frequency or amounts of claims severity, actual benefits paid and subsequent development of long term claims are different than expected. Therefore the objective of the Company is to ensure that sufficient resources are available to cover these liabilities. The insurance risk arising from insurance contracts is mainly concentrated in the Kingdom of Saudi Arabia.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly motor and medical risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Motor

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The Company only grants comprehensive polices for owner/drivers over 18 years of age. Substantially all of the motor contracts relate to private individuals. The Company also has risk management procedures to control cost of claims. The Company has reinsurance cover to limit the losses for any individual claim to SR 375,000.

28. RISK MANAGEMENT (continued)

a) A) Insurance risk (continued)

Medical insurance

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across the industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions, regular view of actual claims experience and product pricing, as well as detailed claims handling procedures. The Company further enforces a policy of actively managing and promptly pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions such as the ultimate loss ratio, with all other assumptions held constant, showing the impact on net liabilities and net income as follows:

		Effect on net liabilities	Effect on net Income
31 December 2011	Changes in assumptions	SR	SR
Ultimate loss ratio	+10%	33,388,165	(33,388,165)
	-10%	(33,388,165)	33,388,165

		Effect on net liabilities	Effect on net Income
31 December 2010	Changes in assumptions	SR	SR
Ultimate loss ratio	+10%	26,034,098	(26,034,098)
	-10%	(26,034,098)	26,034,098

b) Reinsurance risk

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

To minimize its exposure to significant losses from reinsurance companies' insolvencies, the Company evaluates the financial condition of reinsurance companies and monitors the concentrations of credit risk arising from similar geographic regions, activities and economic characteristics of reinsurance companies.

Reinsurance contracts do not relieve the Company from its obligations to the policyholders and as a result the Company remains liable for a portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements. The credit exposure in this connection is:

	2011	2010
	SR	SR
Middle East	104,133,669	11,095,758
Europe	340,735,261	78,370,165
	444,868,930	89,465,923

28. RISK MANAGEMENT (continued)

c) Regulatory framework risk

The operations of the Company are subject to local regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise.

d) Credit risk

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

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

- The Company only enters into insurance and reinsurance contracts with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- Cash and cash equivalents, time deposits and the statutory deposit are placed at local banks being approved by the management. Accordingly and as prerequisite, banks with which cash and cash equivalents, time deposits and the statutory deposit are placed should have an acceptable credit rating that ensures the financial position strength.
- The Company's investment funds and portfolios are managed by the investment officer in accordance with the investment policy established by the investment committee.
- The Company, with respect to credit risk arising from other financial assets, is restricted to commercial banks having strong financial positions and good credit ratings.
- There are no significant concentrations of credit risk within the Company.

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

	2011		2010	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
	SR	SR	SR	SR
Current account at banks	**110,265,513**	**16,043,918**	46,586,816	-
Time deposits	**27,050,310**	**82,610,213**	34,121,955	87,114,201
Prepaid expenses and other assets	**12,759,331**	**1,227,117**	17,234,679	1,751,024
Available for sale investments	**46,177,000**	**42,430,666**	58,455,719	29,536,401
Held to maturity investments	**11,703,098**	**6,054,157**	2,250,000	6,054,157
Statutory deposit	**-**	**20,000,000**	-	20,000,000
Premiums and insurances balances receivable	**162,952,960**	**-**	218,201,299	-
Reinsurances share of outstanding claims	**444,868,930**	**-**	89,465,923	-
Due from related parties	**13,634,381**	**-**	54,948,255	-
	829,411,523	**168,366,071**	**521,264,646**	**144,455,783**

28. RISK MANAGEMENT (continued)

e) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

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

All company's liabilities as disclosed in the statement of financial position, except for employees' end of service benefits, are due on demand.

f) Maturity date

The table below summarizes the maturity profiles of the financial liabilities of the Company based on the remaining expected undiscounted contractual obligations:

	2011			2010		
	Up to one year	More than one year	Total	Up to one year	More than one year	Total
	SR	SR	SR	SR	SR	SR
INSURANCE OPERATIONS' FINANCIAL LIABILITIES						
Accounts payable	29,037,919	-	**29,037,919**	26,963,930	-	**26,963,930**
Financial liabilities arising from insurance and reinsurance contracts:						
Reinsurance balances payable	58,768,022	-	**58,768,022**	111,256,755	-	**111,256,755**
Outstanding claims	535,161,850	-	**535,161,850**	189,620,766	-	**189,620,766**
Accounts payable, accrued expenses and other liabilities	39,938,299	-	**39,938,299**	38,360,118	-	**38,360,118**
Employees' end of service benefits	-	3,205,975	**3,205,975**	-	1,742,551	**1,742,551**
Surplus distribution payable	2,730,945	-	**2,730,945**	970,116	-	**970,116**
	-	-	**-**	-	-	**-**
	665,637,035	3,205,975	**668,843,010**	367,171,685	1,742,551	**368,914,236**
	-	-	**-**	-	-	**-**
SHAREHOLDERS' FINANCIAL LIABILITIES						
Accounts payable, accrued expenses and other liabilities	2,186,402	-	**2,186,402**	1,094,351	-	**1,094,351**
Zakat and income tax payable	4,387,928	-	**4,387,928**	4,587,176	-	**4,587,176**
	-	-	**-**	-	-	**-**
	6,574,330	-	**6,574,330**	5,681,527	-	**5,681,527**
	-	-	**-**	-	-	**-**
TOTAL LIABILITIES	672,211,365	3,205,975	**675,417,340**	372,853,212	1,742,551	**374,595,763**

Liquidity

None of the financial liabilities on the date of the statement of financial position are based on discounted cash flows and are all payable on a basis as set out above.

28. RISK MANAGEMENT (continued)

g) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's principal transactions are carried out in Saudi Riyal. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

The table below shows assets and liabilities of the company dominated in major currency as follows:

	2011				2010			
	SR	US Dollar	Others	Total	SR	US Dollar	Others	Total
	SR	SR	SR	SR	SR	SR	SR	SR
INSURANCE OPERATIONS' ASSETS								
Cash and cash equivalents	99,512,928	43,117,040	-	**142,629,968**	81,732,322	-	-	**81,732,322**
Available for sale Investments	41,709,605	4,467,395	-	**46,177,000**	58,455,719	-	-	**58,455,719**
Held to maturity investments	2,000,000	9,703,098	-	**11,703,098**	2,250,000	-	-	**2,250,000**
Premium and insurance balances receivables	162,952,960	-	-	**162,952,960**	218,201,299	-	-	**218,201,299**
Reinsurers' share of unearned premiums	117,942,504	-	-	**117,942,504**	112,682,031	-	-	**112,682,031**
Reinsurers' share of outstanding claims	444,868,930	-	-	**444,868,930**	89,465,923	-	-	**89,465,923**
Deferred policy acquisition costs	22,653,027	-	-	**22,653,027**	24,869,975	-	-	**24,869,975**
Prepaid expenses and other assets	12,759,331	-	-	**12,759,331**	17,234,679	-	-	**17,234,679**
Due from related parties	13,634,381	-	-	**13,634,381**	54,948,255			**54,948,255**
Property and equipment, net	6,487,226	-	-	**6,487,226**	5,933,914	-	-	**5,933,914**
TOTAL INSURANCE OPERATIONS' ASSETS	924,520,892	57,287,533	-	**981,808,425**	665,774,117	-	-	**665,774,117**

28. RISK MANAGEMENT (continued)

g) Foreign currency risk (continued)

	2011				2010			
	SR	US Dollar	Other	Total	SR	US Dollar	Other	Total
	SR	SR	SR	SR	SR	SR	SR	SR
SHAREHOLDERS' ASSETS								
Cash and cash equivalents	11,008,406	87,645,725	-	**98,654,131**	-	37,026,912	10,842,902	**47,869,814**
Time deposits	-	-	-	**-**	-	39,244,387	-	**39,244,387**
Prepaid expenses and other assets	1,227,117	-	-	**1,227,117**	1,751,024	-	-	**1,751,024**
Available for sale investments	17,384,697	25,045,969	-	**42,430,666**	23,561,440	5,974,961	-	**29,536,401**
Held to maturity investments	6,054,157	-	-	**6,054,157**	-	6,054,157	-	**6,054,157**
Due from insurance operations	12,008,622	-	-	**12,008,622**	22,683,442	-	-	**22,683,442**
Statutory deposit	20,000,000	-	-	**20,000,000**	20,000,000	-	-	**20,000,000**
TOTAL SHAREHOLDERS' ASSETS	67,682,999	112,691,694	-	**180,374,693**	67,995,906	88,300,417	10,842,902	**167,139,225**
TOTAL ASSETS	992,203,891	169,979,227	-	**1,162,183,118**	733,770,023	88,300,417	10,842,902	**832,913,342**

28. RISK MANAGEMENT (continued)

g) Foreign currency risk (continued)

	2011				2010			
	SR	US Dollar	Others	Total	SR	US Dollar	Others	Total
	SR	SR	SR	SR	SR	SR	SR	SR
INSURANCE OPERATIONS' LIABILITIES								
Accounts payable	29,037,919	-	-	**29,037,919**	26,963,930	-	-	**26,963,930**
Reinsurance balances payable	54,412,001	4,356,021	-	**58,768,022**	94,634,217	14,010,975	2,611,563	**111,256,755**
Accounts payable, accrued expenses, and other liabilities	39,938,299	-	-	**39,938,299**	38,360,118	-	-	**38,360,118**
Unearned reinsurance commission	14,391,400	-	-	**14,391,400**	9,740,769	-	-	**9,740,769**
Unearned premiums	286,352,264	-	-	**286,352,264**	263,679,951	-	-	**263,679,951**
Outstanding claims	535,161,850	-	-	**535,161,850**	189,620,766	-	-	**189,620,766**
Employees' end of service benefits	3,205,975	-	-	**3,205,975**	1,742,551	-	-	**1,742,551**
Surplus distribution payable	2,730,945	-	-	**2,730,945**	970,116	-	-	**970,116**
Due to shareholders operations	12,008,622	-	-	**12,008,622**	22,683,442	-	-	**22,683,442**
TOTAL INSURANCE OPERATIONS' LIABILITIES	977,239,275	4,356,021	-	**981,595,296**	648,395,860	14,010,975	2,611,563	**665,018,398**
SHAREHOLDERS' LIABILITIES								
Accounts payable, accrued expenses and other liabilities	2,186,402	-	-	**2,186,402**	1,094,351	-	-	**1,094,351**
Zakat and income tax payable	4,387,928	-	-	**4,387,928**	4,587,176	-	-	**4,587,176**
TOTAL SHAREHOLDERS' LIABILITIES	6,574,330	-	-	**6,574,330**	5,681,527	-	-	**5,681,527**
TOTAL LIABILITIES	983,813,605	4,356,021	-	**988,169,626**	654,077,387	14,010,975	2,611,563	**670,699,925**

28. RISK MANAGEMENT (continued)

h) Special commission rate risk

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

The Company is exposed to special commission rate risk on some of its investments and its time deposits. The Company limits special commission rate risk by monitoring changes in special commission rates in the currencies in which its investments are denominated.

i) Fund price risk

Fund price risk is the risk that the fair value of future cash flows of a fund will fluctuate because of changes in the net asset value (NAV) being determined by fund managers.

The Company limits fund price risk by maintaining a diversified portfolio by having different types of funds and by monitoring the developments in fund markets.

A 5% change in the net asset value of funds, with all other variables held constant, would impact net income by increase / decrease of SR 4,031,665 (31 December 2010: SR 3,474,703).

j) Market price risk

Market price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from commission rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or other factors affecting all similar financial instruments traded in the market.

k) Capital management

Capital requirements are set and regulated by the Saudi Arabian Monetary Agency in order to ensure sufficient solvency margins in case of bankruptcy. Further objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares.

In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the financial statements year.

29. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 22 Rabi Awal 1433H (corresponding to 14 February 2012).

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