

Emirates Insurance Company P.J.S.C.

Financial Statements

31 December 2023

Principal business address:

Emirates Insurance Company P.J.S.C.

P.O. Box: 3856

Abu Dhabi

UAE

Emirates Insurance Company P.J.S.C.

Financial Statements

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BOARD OF DIRECTORS' ANNUAL REPORT 2023

Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present the annual report of Emirates Insurance Company P.S.C. ("EIC") detailing the progress we have made across our business for the fiscal year ended 31 December 2023.

2023 saw the 40th anniversary of Emirates Insurance Company commencing its underwriting activities. From humble beginnings in a small office in Hamdan Street we have grown to be an internationally recognized insurer and reinsurer with a strong record of profitability and professionalism. We had the opportunity to celebrate this notable landmark with many of our stakeholders during the year.

2023 is also marked by a very strong set of results in both our underwriting and investment businesses.

Macroeconomic picture

Encouraging increases in oil prices as well as welcome boosts to economic activity in the non-oil sectors contributed to a positive financial picture for the country's economy. The UAE recorded economic growth rates of 4.1% in 2023. Unfortunately, our region continues to be plagued by wars and violence. This, together with continuing conflicts in Europe, contribute to some economic instability globally.

Insurance Operations

In common with all insurance companies in the UAE as well as most of such institutions across the world, EIC presents its first full year results for 2023 under a new International Reporting standard, IFRS 17. The most obvious and noticeable change implemented this year is a comprehensive reorganization of the terminology and classification of our insurance results throughout the report. IFRS 17 does not affect the treatment of our investment portfolio results.

Under IAS8, the implementation of such a far-reaching new standard requires us- along with all other insurers in the UAE- to restate 2022 results using the IFRS17 methodology.

I am pleased to report that Insurance revenue increased to Aed1.134 billion, an increase of approximately 3% compared to 2022.

Our underwriting business returned an encouraging performance with strong underwriting results in nearly all areas of our business. Our total insurance income grew to Aed80m, an increase of 17% over 2022.

Investment Performance

EIC's investment activity generated a net income of AED 85.3m during FY 2023; 2.6x higher compared to AED 23.7m in FY 2022. Overall the compounded annual return on the total portfolio during FY 2023 was 10.2% outperforming our internal benchmark by 275bps.

The continued aim is to focus on preserving and growing shareholder value in the foreseeable future. Our investment performance in recent years serves as a testament to the resilience of our investment philosophy where we seek to capture higher market upsides during market uptrends and mitigate downside capture during periods of stress and dislocations.

Overall Performance

Our strong underwriting performance combined with our investment income outperformance generated a net profit for 2023 of Aed126.3m, a 126% increase from 2022, resulting in an Earnings per share of 0.84 fils.

Dividend Distribution

Based on the strong operating performance and considering our strong solvency margins, I am very pleased to confirm that the Board will be recommending a cash dividend of 55 fils per share, an increase of 10% over 2022. The company's ability to pay high dividends reflects our continuing financial strength and our commitment to shareholder returns.

Solvency Margin

Solvency margins are a measure of the financial strength of an insurance company and its ability to meet its commitments to policyholders. The Central Bank's regulations stipulate a common methodology for all insurers in the UAE to calculate this important indicator so that each company may be compared with its peers. I am pleased to report that EIC's solvency margin surplus (after proposed dividend of AED 82.5m) increased during the year and remains very strong at Aed 591m.

Description	(AED in 000's)	Values as of:		Annual Change	
	31/12/2022	31/12/2023	Amount	Percent	
Own funds eligible to meet the SCR	798,209	915,182	116,973	15%	
SCR Solvency Margin - Surplus / (Deficit)	494,695	591,317	96,622	20%	

EIC's Credit Ratings

EIC enjoys A- credit ratings with stable outlooks from the international credit rating agencies, AM Best and Standard and Poor's. I am pleased to say both ratings were confirmed again in 2023.

Transactions with related Parties

The financial statements disclose related party transactions and balances in note 21. All transactions are carried out as part of our normal course of business and in compliance with applicable laws and regulations.

Our Thanks

It gives me pleasure to express the appreciation of the Board of Directors towards our shareholders for their support and confidence. On behalf of our shareholders, I thank the management of EIC and its entire staff for their steadfast dedication and belief in EIC and its future.

My thanks are also due to EIC's many external stakeholders: customers, brokers, reinsurers and professional advisors who support us every day in our operations. We should also express our appreciation for the work of the UAE Central Bank in its regulation of the country's insurance industry.

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

Yours faithfully,



ABDULLAH MOHAMMED AL MAZRUI
CHAIRMAN
28 February 2024

CHIEF EXECUTIVE OFFICER'S REPORT

Dear Shareholders, Business Associates and Fellow Employees,

2023 saw the 40th anniversary of Emirates Insurance Company commencing its underwriting activities. A significant milestone in the history of our company and of the insurance industry in this country.

2023 was also a very significant year for the entire global insurance industry as it saw the introduction of the largest change in insurance accounting standards for a quarter century. I am proud that EIC was in full compliance with IFRS17 from Q1_2023 – a huge project skillfully managed by many colleagues across different departments but principally the Finance, Actuarial and IT teams. Today's annual report and accounts are the first full year reports we have published in IFRS17.

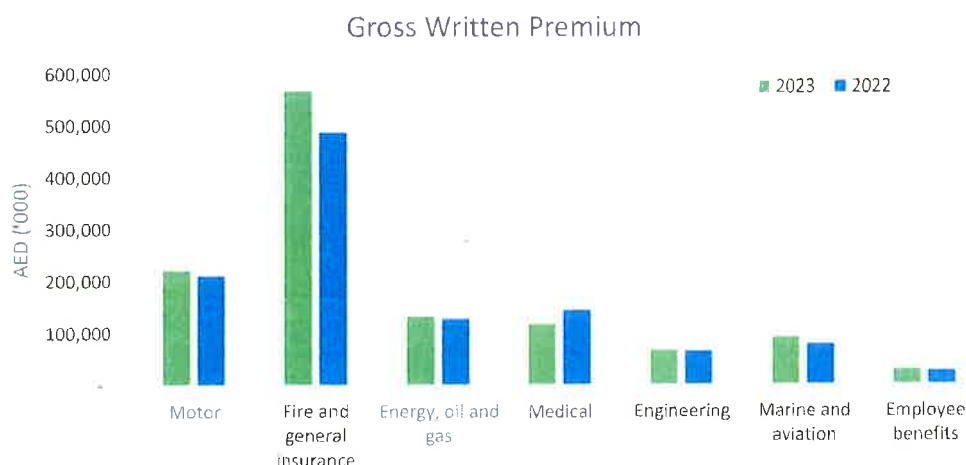
After all this, it is particularly pleasing to mark our 40th birthday with a set of very positive results in both our insurance and our investment businesses. Our Total Insurance Income increased by 17.5% to Aed80m. We also experienced an exceptionally strong investment performance, contributing Aed85m to the profit for the year.

Our net profit for 2023 has increased to Aed126.3 million resulting in earnings per share of 84 Fils, an increase of 126% over 2022.

Insurance Operations Report

Premium income

Although GWP is not reported under IFRS17, this remains an important metric for the company. Overall, EIC's Gross Premium Income increased by approximately 7% during the year to Aed1,221billion.



Insurance Service result before Reinsurance Contracts Held

Under IFRS17, our insurance revenue increased to Aed1,134b from Aed1,101b in 2022, while our insurance service expenses increased from 2022 by 64% to Aed686m.

In our domestic business, Motor continued to be a challenge for most of 2023 although in the last quarter we slowly began to see the effects of an improving market picture as the Central Bank's instructions regarding the motor tariff were reissued. I am pleased that the remedial underwriting steps taken to strengthen our profitability are showing encouraging signs of improving motor results in 2024.

In the medical class, the picture is already much more positive, as the action taken to reduce our exposure to this line, together with further pricing reviews, resulted in the medical portfolio returning to profitability in 2023.

Our domestic fire and general lines grew well although on a gross basis our fire account was affected by a large single fire loss, although most of that loss is recoverable from reinsurers.

Our international business performed well, especially in our property reinsurance business.

Net Expense from Reinsurance Contracts Held

The net expense from Reinsurance Contracts held dropped significantly by 42% from December 2022, mainly due to the recovery from reinsurers on the large fire claim mentioned above as well as some reorganization of our motor and medical segments.

Insurance service result

The Insurance service result increased by 44.6% from 2022 as the rest of our insurance business performed extremely well with particularly successful results in Fire and General Accident, Casualty, Engineering and International Property Fac. Indeed, all our commercial insurance and reinsurance segments performed well this year.

Insurance and Reinsurance finance (expenses)/income

Insurance and Reinsurance finance (expenses)/income relate to the effect of discounting of cash flows on insurance contract liabilities and reinsurance contract assets, driven by changes in market interest rates. The Net Insurance and reinsurance finance expenses decreased from a net income of Aed6.5m in 2022 to a net expense of Aed9.1m for the 2023 year due to the unwinding of the discounted interest from the prior year as well as changes in global interest rates.

Total Insurance income

Taking all these factors into account, our total insurance income (before unallocated expenses) improved by 17% from 2022 to Aed80m in 2023 with our loss ratio improving from 52.1 % to 48.9%. It is also very pleasing to see that the administrative cost containment efforts implemented by management continue paying dividends.

Investments

During 2023, EIC generated a total investment income of Aed165.5m. In retrospect, while cash seemed to be the obvious choice for low risk returns, EIC's dynamic investment management allowed us to target returns that proved to be much higher than cash on cash yields across money market instruments.

As such, during 2023, the main contributors to the portfolio's performance were Equities that added AED 116m to the total portfolio income translating to a Holding Period Return (HPR) of 16.7%. EIC's bond portfolio generated an HPR of 5.3%, reversing some unrealized losses from the Fed's aggressive rate hiking cycle in 2022. Other satellite holdings generated returns in the range of 6% to 8% while interest from money market funds jumped from AED 3.9m in 2022 to AED 7.9m.

Over the past 2 years, the key themes that drove market sentiments circulated around the world's major central bank's intervention on interest rates to balance out inflationary pressures as well as key developments across the geopolitical landscape. EIC closely monitored market sentiments across 16 broad asset class categories and dynamically rebalanced the portfolio to generate portfolio alpha. As such, EIC's investment portfolio has generated an annualized compounded return of 4.8% vs the benchmark's 2.0% since 2018 whilst targeting a risk of 7.2% as compared to the benchmark's 10.0%.

Emiratization and Corporate Social Responsibility

During 2023, EIC built further on the success of our e-team program that encourages the training and mentoring of UAE nationals working for the company. During 2023, and in line with priorities clearly identified by the Central Bank, we further increased our local citizens' staff contingent. Our excellent record in this field has been regularly commended by various government entities.

My Thanks

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

Once again, my colleagues at EIC have worked extremely diligently for the company during the year to produce an excellent result. I commend them for their professionalism and hard work.

2024

As always, my colleagues and I look forward to a new year of challenges and opportunities in 2024. 2024 will also witness the introduction and implementation of a corporate tax regime in the UAE for the first time.

As a progressive and modern insurer and reinsurer we will not shirk the challenges that the macroeconomic scene as well as the local market throw at us. Our own digitalization journey will continue to progress, still further improving our business analysis capabilities and our customer service.

I also reflect that the same values and professionalism which have brought us so much success in the last 40 years will stand us in very good stead in the next 40.



Jason Light
Chief Executive Officer
28 February 2024



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Independent auditors' report

To the Shareholders of Emirates Insurance Company PJSC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Emirates Insurance Company PJSC ("the Company"), which comprise the statement of financial position as at 31 December 2023, the statements of profit or loss, profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

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

Key Audit Matters

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



Key Audit Matters (continued)

Measurement of Insurance contract Liabilities

See note 2(d), 3 and 8 to the financial statements.

The key audit matter	How the matter was addressed in our audit
<p>Measurement of gross insurance contract liabilities is a key audit matter due to the financial significance to the financial statements, and the inherent complexity involved within the estimation process. The gross insurance contract liabilities comprise premium provisions (liability for remaining coverage – LRC) and claims provisions (liability for incurred claims – LIC).</p> <p>The Company has applied the Premium Allocation Approach ("PAA") for all groups of insurance contracts.</p> <p>The measurement process involves a number of actuarial estimation techniques. These techniques are reliant on historical data and a number of assumptions which are subjective in nature. Further, significant judgement is required in determining the appropriate measurement approach for distinct portfolios.</p> <p>Changes to estimation techniques and assumptions, can lead to a material impact on the measurement of insurance contract liabilities and a corresponding effect on the statement of profit or loss.</p> <p>Insurance contract liabilities measured using the PAA remain susceptible to a risk that an inappropriate amount of LIC is estimated due to the following elements:</p> <ul style="list-style-type: none"> • Methods to determine ultimate expected claims are inappropriately determined. 	<p>Our audit procedures, supported by our actuarial and accounting specialists, included:</p> <ul style="list-style-type: none"> • Performing walkthroughs to understand and assess the design effectiveness and implementation of the controls over the underwriting, claims payments and reserving (estimation of LIC and LRC) processes. • Testing operating effectiveness of key controls over underwriting, claims payments and reserving process, including IT general and application controls. • Holding discussions with finance and actuarial staff and management's actuarial specialists to obtain an understanding of the following: <ul style="list-style-type: none"> – LIC and LRC estimation methodology; – Key assumptions used and changes thereof; and – Transition approach and the process followed. • Assessing the appropriateness of management's assessment to determine the classification of groups of insurance contracts; and the selection of the appropriate measurement approaches. • Evaluating methods and assumptions to determine the appropriateness of ultimate expected claims including ultimate claim ratios, frequency and severity of claims, and claims payment patterns. This included evaluating management's methodology against market practice. • Performing an independent calculation of LIC for a sample of insurance contract groups to challenge management's assumptions used within the LIC calculation.

Key Audit Matters (continued)

Measurement of Insurance contract Liabilities

See note 2(d), 3 and 8 to the financial statements.

The key audit matter	How the matter was addressed in our audit
<ul style="list-style-type: none"> Assumptions used in estimating ultimate expected claims are inappropriately developed. The methods, assumptions and data are inappropriately applied. <p>The measurement of these liabilities depends on complete and accurate data. If the data used in calculating the above insurance contract liabilities is not complete and accurate, then material impacts on financial statements may arise.</p> <p>Specific audit and actuarial expertise is required to evaluate complex actuarial methodologies and assumptions.</p> <p>Transition to IFRS 17</p> <p>Transition to IFRS 17 Insurance Contracts ("IFRS 17") represents a material change to the recognition, measurement and presentation of insurance contracts. In accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8"), the Company has recognized the impact upon transition to the new standard within equity and has restated the comparative financial information.</p> <p>IFRS 17 also introduced disclosure requirements which require considerable management effort and interpretation in the preparation of the financial statements.</p>	<ul style="list-style-type: none"> Checking the mathematical accuracy of the methods, assumptions and data to measure the insurance contract liabilities. Evaluating management's method for determining expected premium receipts, including the methodology for allocation of expected premium receipts to the relevant accounting period. Assessing the competence, qualification, independence and integrity of the Company's external actuarial experts. Considering the terms of engagement between management specialists and the Company to understand the scope of work to be performed by management specialists, and evaluating whether the scope addresses the specific requirements of IFRS 17 implementation. Testing the completeness, accuracy and relevance of data used to determine LIC and LRC balances. Evaluating the new accounting policies adopted by the Company upon transition to IFRS 17. This involved challenging management on areas of judgement and methodology choices considering the IFRS 17 principles and market practice. Assessing the completeness and accuracy of disclosures within the financial statements in respect of the transition, LIC and LRC considering the disclosure requirements of IFRS 17.

Other Information

Management is responsible for the other information. The other information comprises the Board of Directors' annual report 2023 and Chief Executive Officer's report, which we obtained prior to the date of this auditors' report, and the remaining sections of the Company's Annual Report which are expected to be made available to us after that date.

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



Other Information (continued)

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021, UAE Federal Law No. 48 of 2023 and the Financial Regulations for Insurance Companies issued on 28 December 2014, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Decree Law No. (32) of 2021, we report that for the year ended 31 December 2023:

- i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021;
- iii) the Company has maintained proper books of account;
- iv) the financial information included in the Directors' report is consistent with the books of account of the Company;
- v) as disclosed in note 7 to the financial statements, the Company has purchased shares during the year ended 31 December 2023;



Report on Other Legal and Regulatory Requirements (continued)

- vi) note 21 to the financial statements discloses material related party transactions and the terms under which they were conducted;
- vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2023 any of the applicable provisions of the UAE Federal Decree Law No. (32) of 2021 or its Articles of Association, which would materially affect its activities or its financial position as at 31 December 2023; and
- viii) note 33 to the financial statements discloses the social contributions made during the year ended 31 December 2023.

Further, as required by the UAE Federal Law No. 48 of 2023 and the Financial Regulations for Insurance Companies issued on 28 December 2014, we report that we have obtained all the information and explanations we considered necessary for the purposes of our audit.

KPMG Lower Gulf Limited

Maher Alkatout
Registration No.: 5453
Abu Dhabi, United Arab Emirates

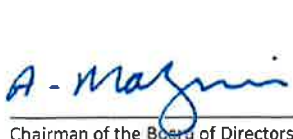
Date **28 FEB 2024**

Emirates Insurance Company P.J.S.C.

Statement of financial position as at

	Note	31 December 2023 AED'000	31 December 2022 AED'000 (Restated*)	01 January 2022 AED'000 (Restated*)
Assets				
Cash and cash equivalents	5	126,279	127,748	180,080
Term deposits	6	203,399	180,537	66,516
Financial assets at amortised cost	7	284,365	233,700	196,165
Financial assets at fair value through other comprehensive income ("FVTOCI")	7	797,208	763,372	799,932
Financial assets at fair value through other comprehensive income ("FVTPL")	7	309,523	335,669	410,736
Insurance contract assets	8	-	2,376	-
Reinsurance contract assets	9	626,566	457,788	675,715
Other receivables and prepayments	10	29,908	27,637	35,063
Investment properties	11	4,034	4,286	4,810
Statutory deposit	12	10,000	10,000	10,000
Property and equipment	13	8,615	10,415	11,156
Total assets		2,399,897	2,153,528	2,390,173
Equity and liabilities				
Equity				
Share capital	14	150,000	150,000	150,000
Statutory reserve	15	75,000	75,000	75,000
General reserve	16	600,000	600,000	600,000
Reinsurance risk reserve	17	11,712	7,630	3,767
Fair value reserve		252,078	212,795	227,240
Retained earnings		190,229	102,117	130,517
Total equity		1,279,019	1,147,542	1,186,524
Liabilities				
Employee's end of service obligation	18	20,725	18,111	20,960
Provisions and other payables	19	93,337	35,918	42,035
Insurance contract liabilities	8	990,671	910,134	1,130,868
Reinsurance contract liabilities	9	16,145	41,823	9,786
Total Liabilities		1,120,878	1,005,986	1,203,649
Total Equity and Liabilities		2,399,897	2,153,528	2,390,173

To the best of our knowledge, the financial statements fairly present, in all material respects, the financial position, results of operations and cash flows of the Company as of, and for, the year ended 31 December 2023.


Chairman of the Board of Directors


Chief Executive Officer


Chief Financial Officer

The notes set out on pages 17 to 73 form an integral part of these financial statements.
The independent auditors' report is set out on pages 6 to 11.

* Comparative information has been restated on account of first-time adoption of IFRS 17 Insurance Contracts (refer note 3)

Emirates Insurance Company P.J.S.C.

Statement of profit or loss for the year ended 31 December

	Note	2023 AED'000	2022 (Restated*) AED'000
Insurance revenue	8	1,133,944	1,101,487
Insurance service expenses	8	(685,995)	(417,415)
Insurance service result before reinsurance contracts held		447,949	684,072
Allocation of reinsurance premiums	9	(645,687)	(645,226)
Amounts recoverable from reinsurers	9	286,817	22,774
Net expense from reinsurance contracts held		(358,870)	(622,452)
Insurance service result		89,079	61,620
Insurance finance (expense)/income for insurance contracts issued	8	(30,256)	20,832
Reinsurance finance income/(expense) from reinsurance contracts issued	9	21,143	(14,370)
Net insurance finance (expenses)/income		(9,113)	6,462
Total Insurance Income		79,966	68,082
Net investment income**	24	83,920	22,543
Income from investment properties	25	1,364	1,173
Total Investment income		85,284	23,716
Other expenses - Net		(38,957)	(35,997)
Profit for the period		126,293	55,801
Basic and diluted earnings per share	26	0.84	0.37

The notes set out on pages 17 to 73 form an integral part of these financial statements.

The independent auditors' report is set out on pages 6 to 11.

*Comparative information has been restated on account of first-time adoption of IFRS 17 Insurance Contracts (refer note 3).

**This includes interest income calculated using effective interest rate amounting to AED 27.8 million (2022: AED 23.1 million).

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

	2023 AED'000	2022 (Restated*) AED'000
Profit for the period	126,293	55,801
<i>Items that will not be reclassified subsequently to statement of profit or loss:</i>		
Changes in fair value of equity instruments at fair value through other comprehensive income – net	79,439	(12,258)
<i>Items that are or may be reclassified subsequently to statement of profit or loss:</i>		
Changes in fair value of debt instruments at fair value through other comprehensive income – net	772	(7,521)
Reversal for impairment loss on debt instruments measured at fair value through other comprehensive income	(27)	(4)
Other comprehensive income / (loss) for the period	80,184	(19,783)
Total comprehensive income for the period	206,477	36,018

The notes set out on pages 17 to 73 form an integral part of these financial statements.

The independent auditors' report is set out on pages 6 to 11.

* Comparative information has been restated on account of first-time adoption of IFRS 17 Insurance Contracts (refer note 3)

Emirates Insurance Company P.J.S.C.

Statement of changes in shareholders' equity for the year ended 31 December 2023

	Share capital AED'000	Statutory reserve AED'000	General reserve AED'000	Reinsurance risk reserve AED'000	Fair value reserve AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2022, as previously reported (<i>Audited</i>)	150,000	75,000	600,000	3,767	227,240	116,748	1,172,755
Adjustment on initial application of IFRS 17 (Note 3)	-	-	-	-	-	13,769	13,769
Restated balance at 1 January 2022	150,000	75,000	600,000	3,767	227,240	130,517	1,186,524
<i>Total comprehensive income:</i>							
Profit for the period (<i>restated</i> *)	-	-	-	-	-	55,801	55,801
Other comprehensive loss for the period	-	-	-	-	(19,783)	-	(19,783)
Total comprehensive income / (loss) for the period (<i>restated</i> *)	-	-	-	-	(19,783)	55,801	36,018
<i>Transactions with owners of the Company:</i>							
Dividends	-	-	-	-	-	(75,000)	(75,000)
Total transactions with owners of the Company	-	-	-	-	-	(75,000)	(75,000)
Transfer to retained earnings on disposal of equity investments designated at FVOCI	-	-	-	-	-	(75,000)	(75,000)
Transfer from retained earnings to reinsurance risk reserve	-	-	-	-	5,338	(5,338)	-
Restated balance at 31 December 2022	150,000	75,000	600,000	7,630	212,795	102,117	1,147,542
Balance at 1 January 2023 as previously reported (<i>Audited</i>)	150,000	75,000	600,000	7,630	212,795	104,280	1,149,705
Adjustment on initial application of IFRS 17 (Note 3)	-	-	-	-	-	(2,163)	(2,163)
Restated balance at 1 January 2023	150,000	75,000	600,000	7,630	212,795	102,117	1,147,542
<i>Total comprehensive income:</i>							
Profit for the period	-	-	-	-	-	126,293	126,293
Other comprehensive income for the period	-	-	-	-	80,184	-	80,184
Total comprehensive income for the period	-	-	-	-	80,184	126,293	206,477
<i>Transactions with owners of the Company:</i>							
Dividends (<i>note 20</i>)	-	-	-	-	-	(75,000)	(75,000)
Total transactions with owners of the Company	-	-	-	-	-	(75,000)	(75,000)
Transfer to retained earnings on disposal of equity investments designated at FVTOCI	-	-	-	-	(40,901)	40,901	-
Transfer from retained earnings to reinsurance risk reserve	-	-	-	4,082	-	(4,082)	-
Balance at 31 December 2023	150,000	75,000	600,000	11,712	252,078	190,229	1,279,019

The notes set out on pages 17 to 73 form an integral part of these financial statements.

* Comparative information has been restated on account of first-time adoption of IFRS 17 Insurance Contracts (*refer note 3*)

Emirates Insurance Company P.J.S.C.

Statement of cash flows

for the year ended 31 December

		2023	2022
	Note	AED'000	(Restated*) AED'000
Cash flows from operating activities			
Profit for the period		126,293	55,801
Adjustments for:			
Depreciation of property and equipment	13	3,289	3,648
Depreciation of investment properties	11	252	524
Net gain on disposal of property and equipment		(82)	(42)
Net loss on disposal of investments in securities	24	8,540	719
Unrealised (gain) / loss on investments measured at FVTPL	24	(38,473)	27,497
Premium amortisation	7	(1,049)	238
Dividends from investments in securities	24	(28,268)	(29,819)
Reversal for expected credit losses on financial assets		(1,199)	(2,258)
Charge for employees' end of service benefit obligation	18	4,678	4,734
Interest income	24	(27,808)	(23,134)
Cash generated from operating activities		46,173	37,908
Decrease / (increase) in insurance contract assets		2,376	(2,376)
(Increase) / decrease in reinsurance contract assets		(168,778)	217,927
(Increase) / decrease in other receivables and prepayments		(2,218)	9,320
Increase / (decrease) in insurance contract liabilities		81,717	(218,530)
(Decrease) / increase in reinsurance contract liabilities		(25,678)	32,037
Increase/ (decrease) in provisions, reinsurance and other payables		57,451	(6,085)
Cash (used in) / generated from operating activities		(8,957)	70,201
Payment for employees' end of service benefit obligation	18	(2,064)	(7,583)
Net cash (used in) / generated from operating activities		(11,021)	62,618
Cash flows from investing activities			
Payments for purchase of property and equipment	13	(1,538)	(2,949)
Proceeds from disposal of property and equipment		131	84
Payments for purchase of financial assets		(160,750)	(140,527)
Proceeds from disposal of financial assets		213,580	166,470
Placement of term deposits		(263,821)	(154,854)
Maturities of term deposits		240,959	40,799
Dividends received		28,268	29,819
Interest income received		27,755	21,240
Net cash generated from / (used in) investing activities		84,584	(39,918)
Cash flows from financing activities			
Dividends paid		(75,000)	(75,000)
Repayment of lease liability		(32)	(32)
Net cash used in financing activities		(75,032)	(75,032)
Net decrease in cash and cash equivalents		(1,469)	(52,332)
Cash and cash equivalents at the beginning of the period		127,748	180,080
Cash and cash equivalents at the end of the period	5	126,279	127,748

The notes set out on pages 17 to 73 form an integral part of these financial statements.

The independent auditors' report is set out on pages 6 to 11.

* Comparative information has been restated on account of first-time adoption of IFRS 17 Insurance Contracts (refer note 3)

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

1 Legal status and activities

Emirates Insurance Company P.J.S.C. (the "Company") is a public joint stock company which was incorporated in Abu Dhabi, United Arab Emirates on 27 July 1982. The Company is registered in accordance with UAE Federal Law No.48 of 2023 concerning Insurance Companies and Agents and is governed by the provisions of the Federal Law No. (32) of 2021 concerning the commercial companies, Central bank of UAE Board decision No. (25) of 2014 pertinent to Financial Regulations for insurance companies and Insurance Authority's Board of Directors Decision No. (23) of 2019 concerning Instructions Organizing Reinsurance Operations, and is registered in the Insurance Companies Register of Central Bank of UAE under registration No. (2). The Company's principal activity is the writing of general insurance and reinsurance business of all classes. The Company operates through its head office in Abu Dhabi and branch offices in Dubai, Al Ain and Jebel Ali Freezone. The Company is domiciled in the United Arab Emirates and its registered office address is P.O. Box 3856, Abu Dhabi, United Arab Emirates.

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and comply with applicable requirements of the Federal Law No. (48) of 2023 concerning the Establishment of the Insurance Authority & Organisation of the Insurance Operations, the Federal Decree Law No. (32) of 2021 concerning the Commercial Companies, Insurance Authority Board of Directors' Decision No. (25) of 2014 pertinent to Financial Regulations for Insurance Companies and Insurance Authority's Board of Directors Decision No. (23) of 2019 Concerning Instructions Organizing Reinsurance Operations.

This is the first set of the Company's financial statements in which IFRS 17 Insurance Contracts have been applied. The related changes to material accounting policies are described in Note 3.

(b) Basis of measurement

The financial statements have been prepared under the historical cost convention except for the financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which are carried at fair values and insurance and reinsurance contracts which are measured at the estimated fulfilment cash flows that are expected to arise as the company fulfils its contractual obligations.

(c) Functional and reporting currency

These financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the Company's functional currency. Except as indicated, the financial information presented in AED has been rounded to the nearest thousand.

(d) Use of judgments and estimates

In preparing the financial statements, management has made certain judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The significant judgments and estimates made by management that have a significant

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

2 Basis of preparation *(continued)*

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

risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

Insurance and reinsurance contracts

With the introduction of IFRS 17, insurance and reinsurance contracts require several estimates and judgments to be made for recognition and measurement which are described in note 3.

Impairment of amounts for insurance receivables

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

Other estimates

Impairment of investment properties and building under property and equipment

Investment properties and buildings under property and equipment are assessed for impairment, when there are impairment indicators, using acceptable valuation techniques which are conducted by an independent third party valuator. The fair values are compared to the carrying amount, to assess any possible impairment. Management is satisfied that there are no impairment indicators present on 31 December 2023.

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

Classification and fair value of investments

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

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

- (a) its business model for managing the financial assets; and
- (b) the contractual cash flow characteristics of the financial asset.

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

2 Basis of preparation *(continued)*

(d) Use of estimates and judgment (continued)

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

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

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

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

3 Changes in material accounting policies

Material accounting policy information

The Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The Company has initially applied IFRS 17 from 1 January 2023. This standard has brought significant changes to the accounting for insurance and reinsurance contracts and financial instruments. As a result, the company has restated certain comparative amounts and presented a third statement of financial position as at 1 January 2022.

Except for the changes below, the company has consistently applied the accounting policies as set out in Note 4 to all periods presented in these financial statements. The nature and effects of the key changes in the company's accounting policies resulting from its adoption of IFRS 17 are summarized below.

IFRS17 - Insurance Contracts

IFRS 17, 'Insurance contracts' is applicable for annual reporting periods commencing on 1 January 2023. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with direct participation features ("DPF"). The key objectives of IFRS 17 are comparable recognition and measurement of contracts in the scope of the standard, the recognition of insurance service results based on the services provided to the policyholder and provision of disclosures that will enable the users of the financial statements to assess the impact of these contracts on the financial position, financial results and cash flows of the entity. The standard distinguishes between the sources of profit and quality of

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

3 Changes in material accounting policies (*continued*)

earnings between insurance service results and insurance finance income and expense (reflecting the time value of money and financial risk).

Insurance contracts

Definition and classification

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

Insurance contracts are contracts under which the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Company uses judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the Company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

In the normal course of business, the Company uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss. All references to insurance contracts in these financial statements apply to insurance contracts issued or acquired and reinsurance contracts held unless specifically stated otherwise.

The Company does not write any investment contracts with discretionary participation features or insurance contracts with direct participation features.

Changes to classification and measurement

For the Company, IFRS 17 has not resulted in a material change in the classification of insurance contracts relative to IFRS 4.

Previously, the Company measured contracts at the line of business level under IFRS 4. IFRS 17 has introduced a new unit of account at which insurance and reinsurance contracts are measured. Contracts are grouped into a unit of account based on the portfolio, cohort and profitability group to which the contract belongs.

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as the company fulfils the contracts, an explicit risk adjustment for non-financial risk and a contractual service margin.

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

3 Changes in material accounting policies (*continued*)

Measurement approach

Premium Allocation Approach

The Company applies the premium allocation approach (PAA) to simplify the measurement of contracts for all groups. When measuring liabilities for remaining coverage, the PAA is similar to the Company's previous accounting treatment. However, when measuring liabilities for incurred claims, the Company now discounts the future cash flows (unless they are expected to occur in one year or less from the date on which the claims are incurred) and includes an explicit risk adjustment for non-financial risk.

Contracts written by the Company that have a coverage period of one year or less are automatically eligible for the PAA. The Company does write some contracts that have a coverage period exceeding one year and which were not automatically eligible. These are the Property, Motor (non-Fleet), Casualty, Energy and Engineering portfolios. For all the groups of contracts within the portfolio, the LRC measured under the PAA and the Gross measurement model were projected over the lifetime of the contracts, considering different reasonable scenarios, to determine if the differences were significant. The Company has found that for all these contracts the PAA provided a reasonable approximation of the Gross measurement model and were thus eligible for measurement under the PAA.

As the premium allocation approach ("PAA") is an optional simplified approach for the measurement of the liability of remaining coverage, an entity may choose to use the premium allocation approach when the measurement is not materially different from that under the general measurement model or if the coverage period of each contract in the group of insurance contracts is one year or less.

Under the premium allocation approach, the liability for remaining coverage is measured as the amount of premiums received net of acquisition cash flows paid, less the net amount of premiums and acquisition cash flows that have been recognized in profit or loss over the expired portion of the coverage period based on the passage of time.

Insurance revenue and insurance service expenses are recognized in the income statement based on the concept of services provided during the period. The standard requires losses to be recognized immediately on contracts that are expected to be onerous. For insurance contracts measured under the PAA, it is assumed that contracts are not onerous at initial recognition, unless facts and circumstances indicate otherwise. The Company's focus is to grow a profitable and sustainable business and does not anticipate the recognition of onerous contracts except where the following have been identified:

- Relevant pricing decisions;
- Initial stages of a new business acquired where the underlying contracts are onerous; and
- Any other strategic decisions the management considers appropriate.

The Company applies the premium allocation approach to groups of insurance contracts that it issues and groups of reinsurance contracts that it holds where the coverage period is 12 months or less. The Company performed PAA eligibility assessment for the groups of contracts where the coverage period is more than 12 months. Based on the assessment performed, the Company expects all of its contracts to be eligible for PAA measurement model.

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

3 Changes in material accounting policies (continued)

Measurement approach (continued)

Premium Allocation Approach (continued)

The measurement of the liability for incurred claims is identical under all three measurement models, apart from the determination of locked-in interest rates used for discounting. An explicit risk adjustment for non-financial risk is estimated separately from the other estimates for the liability for incurred claims. This risk adjustment represents compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk. The risk adjustment forms part of the fulfilment cash flows for a group of insurance contracts.

Insurance revenue and insurance service expenses

As the Company provides insurance contract services under the group of insurance contracts, it reduces the Liability for Remaining Coverage and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the Company expects to be entitled to in exchange for those services.

For insurance contracts measured under the premium allocation approach, expected premium receipts are allocated to insurance revenue based on the passage of time. IFRS 17 requires losses to be recognised immediately on contracts that are expected to be onerous.

Insurance service expenses include incurred claims and benefits, other incurred directly attributable expenses, insurance acquisition cash flows amortisation, changes that relate to past service i.e., changes in the Fulfilment cash flows ("FCF") relating to the liability for incurred claims ("LIC"), changes that relate to future service (i.e., changes in the FCF that result in onerous contract losses or reversals of those losses) and insurance acquisition cash flows assets impairment.

Accounting policy choices

The following table sets out the accounting policy choices that the Company adopted:

	IFRS 17 options	Adopted approach
Insurance acquisition cash flows	Where the coverage period of each contract in the group at initial recognition is no more than one year, IFRS 17 allows an accounting policy choice of either expensing the insurance acquisition cash flows when incurred or amortising them over the contract's coverage period.	The Company adopted the policy choice of amortising the insurance acquisition cash flows over the contract's period regardless of the total coverage period of the contracts.
Liability for Remaining Coverage ("LRC") adjusted for financial risk and time value of money	Where there is no significant financing component in relation to the LRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LRC.	The Company has not accounted for an allowance for time value of money on the LRC for groups of contracts, since the contracts do not contain a significant financing component.

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

3 Changes in material accounting policies (continued)

Measurement approach (continued)

Accounting policy choices (continued)

Liability for Incurred Claims ("LIC") adjusted for time value of money	Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money.	The Company has decided to adjust LIC cash flows for the time value of money, as claims are not expected to be paid within 12 months from the date of loss.
Insurance finance income and expenses	IFRS 17 provides an accounting policy choice to recognise the impact of changes in discount rates and other financial variables in profit or loss or in OCI. The accounting policy choice (the PL or OCI option) is applied on a portfolio basis.	The Company has included changes in discount rates and other financial changes in profit or loss.
Disaggregation of risk adjustment	An insurer is not required to include the entire change in the risk adjustment for non-financial risk in the insurance service result. Instead, it can choose to split the amount between the insurance service result and insurance finance income or expenses.	The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and plans to include the entire change within the insurance service result.

The Gross measurement model has not been applied by the Company, as the contracts written / held are either auto PAA eligible or have passed the PAA eligibility test carried out by the Company.

Variable fee approach is also not being applied as the Company does not issue any unit linked insurance contracts.

Areas of significant judgements

The following are key judgements and estimates which the Company applied as a result of IFRS 17. The Company has elected to determine cumulative results for each interim reporting period, and estimates made by the Company in previous interim financial statements will not be considered when applying IFRS 17 in subsequent interim periods or in the annual financial statements.

Discount rates

The Company uses the bottom-up approach for groups of contracts. Under the bottom-up approach, the discount rate is determined as the risk-free yield, adjusted for territory risk premiums. The risk-free curve itself will either be derived by the Company from risk free assets in the market, or the Company may choose to apply a published risk-free curve.

The yield curves that were used to discount the estimates of future cash flows are as follows:

Financial year	1 Year	5 Year	10 Year	20 Year	30 Year
31 December 2023	4.55%	4.12%	4.27%	5.02%	3.37%
31 December 2022	4.78%	4.44%	4.37%	5.26%	3.60%

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

3 Changes in material accounting policies *(continued)*

Areas of significant judgements *(continued)*

Risk adjustment

The Company estimates the risk adjustment on a value at risk (bootstrapping) / confidence level approach as this method allows the disclosure of confidence level as per IFRS 17 requirements. The Company uses stochastic techniques to estimate the probability distribution of the future cash flows which forms the basis for determining the risk adjustment.

The risk adjustment for the all the portfolios corresponds to a 75% confidence interval.

Onerous contracts – loss component

EIC assume that no contracts in the portfolio are onerous at initial recognition, unless facts and circumstances indicate otherwise. EIC assesses whether contracts that are not onerous at initial recognition have no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances.

If at any time during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, EIC shall calculate the difference between:

- (a) the carrying amount of the liability for remaining coverage; and
- (b) the fulfilment cash flows that related to the remaining coverage of the group

A contract measured using the PAA is onerous if the fulfilment cash flows exceed the PAA Liability for remaining coverage. EIC will therefore use a combined ratio as a proxy for fulfilment cashflows, determined on the following basis (to ensure consistency with fulfilment cash flows):

- Based on expected claims and expenses rather than incurred amounts
- Includes the impact of the time value of money at locked-in rates
- Includes an allowance for the risk adjustment
- Includes an allowance for directly attributable expenses (which includes a portion of overheads) as required by IFRS 17
- Calculated at the most granular segmentation for which such assessments are available, which is currently at Actuarial Reserving class level

The key indicator EIC will use for the purpose of this assessment is the forward looking combined ratio derived as per the above points. Should this ratio exceed 100% for a given segment, this group shall be classified as onerous

Modification and derecognition

An insurance contract may be modified, either by agreement between the parties or as result of regulation. If the terms are modified, an entity must derecognise the original insurance contract and recognise the modified contract as a new contract, if and only if certain conditions as prescribed in IFRS 17 are satisfied. The exercise of a right included in the terms of a contract is not a modification. Any contract modification that changes the accounting model or the applicable standard for measuring the components of the insurance contract, is likely to result in derecognition.

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

3 Changes in material accounting policies *(continued)*

Areas of significant judgements *(continued)*

Modification and derecognition *(continued)*

If a contract modification meets none of the conditions for derecognition, any changes in cash flows caused by the modification are treated as changes in the estimates of the fulfilment cash flows. For contracts applying the premium allocation approach, any adjustments to premium receipts or insurance acquisition cash flows arising from a modification adjust the liability for remaining coverage and insurance revenue is allocated to the period for services provided (which would also require judgement in determining the period to which the modification applies).

Insurance revenue

Under IFRS 4, earned premiums are recognised as revenue proportionally over the period of coverage. Since PAA will be applicable for the portfolios, there will be no material change in the recognition of revenue under IFRS 17.

Contract boundaries

Under IFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundaries of each contract in a group. The period covered by the premiums within the contract boundary is the “coverage period”, which is relevant when applying IFRS 17 requirements.

For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligation that exist during the reporting period in which the Company can compel the policyholder to pay premium or has a substantive obligation to provide services. For reinsurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligation that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

Judgement might be required to assess the Company’s practical ability to reprice the entire contract to determine if related cash flows are within the contract boundary.

Measurement of expenses

The Company has defined acquisition expenses as the costs of selling, underwriting and starting issuing a group of insurance contracts as per IFRS 17 requirements. The Company had defined acquisition costs as attributable to a contract (or group of contracts) if the cost is incurred to acquire a specific contract or group of contracts (as opposed to new business in general).

The Company has defined all other expenses as maintenance expenses. The Company has defined maintenance costs as attributable if they could not have been avoided if the contract had not been entered into. Where this is unclear, the Company has determined that maintenance costs are attributable if that expense would continue in run-off. The Company has separated the outwards reinsurance costs from other expenses using a systematic allocation.

The Company defines such expenses as attributable to the reinsurance contracts in line with the principles for direct contracts. Cash flows that are not directly attributable to a portfolio of insurance contracts, such as some product development and training costs, are recognized in other operating expenses as incurred. The Company performs regular expense studies and uses judgement to determine the extent to which fixed and variable overheads are directly

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

3 Changes in material accounting policies *(continued)*

Areas of significant judgements *(continued)*

Measurement of expenses *(continued)*

attributable to fulfilling insurance and reinsurance contracts. Where estimates of expenses-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis. From a quantitative perspective, directly attributable expenses make up 78% of total expenses, leaving 22% of the expenses unallocated.

The Company allocates these using relevant proxies. Similar methods are consistently applied to allocate expenses of a similar nature. The Company does not pay (or recognise a liability, applying a standard other than IFRS 17) directly attributable acquisition costs before a group of insurance contracts is recognised. As such, no pre-recognition acquisition costs assets have been established.

Transition

On the date of initial application, 1 January 2023, the Company has applied IFRS 17 standard retrospectively (i.e. using the Full Retrospective Approach). Where the full retrospective approach is impracticable, IFRS 17 allows for alternative transition methods as follows.

- A modified retrospective approach that specifies modifications to full retrospective application. This approach allows insurers that lack limited information to achieve opening transition balances that are as close to the retrospective application as possible, depending on the amount of reasonable and supportable information available to that insurer.

Each modification would increase the difference between the modified retrospective approach and the outcome that would have been obtained if a fully retrospective approach had been applied.

- A fair value approach that uses the fair value of the contracts at the date of transition to determine a value for the contractual service margin ('CSM'). The fair value approach enables an entity to determine the opening transition balances, even if the entity does not have reasonable and supportable information about the contracts that exist at the transition date.

The Company applied the Full Retrospective Approach to calculate the transition impact.

Impact on transition to IFRS 17

Management understands that the adoption of IFRS 17 have an impact on the amounts reported and disclosures made in these financial statements in respect of its insurance contracts issued and reinsurance contracts held. Based on assessments undertaken, opening equity is impacted due to the following:

- risk adjustments assumptions
- impact of onerous contracts, if identified
- impact of discounting
- expected non-performance risk of reinsurers
- deferment of acquisition costs

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

3 Changes in material accounting policies (continued)

Areas of significant judgements (continued)

Impact on transition to IFRS 17 (continued)

The impact on the Company's financial information on adoption of IFRS 17 is summarised as below:

AED '000		
Equity	1 January 2023	1 January 2022
Balance under IFRS 4	1,149,705	1,172,755
Restated balance under IFRS 17	1,147,542	1,186,524
Transition Impact	(2,163)	13,769
- Margin release	(6,570)	23,229
- New risk adjustment	(12,212)	(16,769)
- Discounting	16,673	6,404
- Loss component adjustment	(54)	905
Transition impact (Percentage)	(0.19)%	1.17%

Impact on presentation and disclosures on transition to IFRS 17

In the statement of financial position, deferred acquisition costs and insurance related receivables are no longer presented separately but form part of the insurance contract liabilities. Reinsurance payables and unearned commission income are also no longer presented separately but form part of the reinsurance contract assets. This change in presentation will lead to a reduction in total assets, offset by a reduction in total liabilities.

4 Material accounting policies

Leases

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

(a) As a lessee

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

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

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

4 Material accounting policies (*continued*)

Leases (continued)

As a lessee (continued)

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

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

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

(b) As a lessor

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

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

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

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

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

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

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

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

4 Material accounting policies (*continued*)

Property and equipment

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

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

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

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

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

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

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

Capital work in progress

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

Investment properties

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

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

The gain or loss arising on the disposal or retirement of an investment property is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in statement of profit or loss. An investment property's carrying amount is written down

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

4 Material accounting policies (*continued*)

Investment properties (*continued*)

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

Impairment of non-financial assets

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

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

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

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

Provisions

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

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

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

4 Material accounting policies (*continued*)

Employees' end of service benefits

Defined benefit plan

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

Defined contribution plan

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

Financial assets

All financial assets are recognised and derecognised on trade date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time-frame established by the market concerned. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value.

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

Classification of financial assets

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

Financial assets at amortised cost and the effective interest method

Cash and cash equivalents

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

Other receivables

Other receivables that have fixed or determinable payments that are not quoted in an active market are classified as financial assets at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Investments at amortised cost

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

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

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

4 Material accounting policies (*continued*)

Financial assets (*continued*)

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

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

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

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

The Company may irrevocably elect at initial recognition to classify a debt instrument that meets the amortised cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortised cost.

Financial assets at FVTPL

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

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

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

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

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

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

4 Material accounting policies (*continued*)

Financial assets (*continued*)

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

A financial asset is held for trading if:

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

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

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

Impairment of financial assets

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

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

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

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

4 Material accounting policies *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

Definition of default:

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

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

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

Write-off policy

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

Measurement and recognition of expected credit losses:

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

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

Derecognition of financial assets

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

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

4 Material accounting policies (*continued*)

Financial assets (*continued*)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

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

Derecognition of financial liabilities

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

Derivative financial instruments

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

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

Dividend distribution

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

Revenue recognition

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

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

4 Material accounting policies (*continued*)

Insurance and reinsurance contracts

The company offers insurance contract services and reduces its liability for remaining coverage while recognizing insurance revenue. The amount of insurance revenue recognized reflects the exchange of services for an amount that the company expects to be entitled to. For detailed information on the recognition and measurement of income under insurance and reinsurance contracts, please refer to Note 3.

Dividend income

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

Interest income

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

Foreign currencies

For the purpose of these financial statements, UAE Dirhams (AED) is the functional and the presentation currency of the Company. Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair values are determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in the statement of profit or loss in the period in which they arise.

4.1 Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. The Company has not early adopted any of the forthcoming new or amended standards in preparing this condensed interim financial information.

Forthcoming requirements

Effective date

- | | |
|--|----------------|
| • Amendments to IAS 1 – Classification of Liabilities as Current or Non-current | 1 January 2024 |
| • Amendments to IAS 1 – Non-current Liabilities with Covenants | 1 January 2024 |
| • Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback | 1 January 2024 |
| • Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements | 1 January 2024 |
| • Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | N/a* |
| • Amendments to IAS 21 - Lack of Exchangeability | 1 January 2025 |

N/a* Available for optional adoption/ effective date deferred indefinitely.

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

4.1 Standards issued but not yet effective (continued)

The following new and amended standards do not have a significant impact on the Company's financial information except for IFRS 17 (refer note 3):

<i>New standards or amendments</i>	<i>Effective date</i>
• IFRS 17 Insurance contracts	1 January 2023
• Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies	1 January 2023
• Amendments to IAS 8 - Definition of Accounting Estimate	1 January 2023
• Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
• Amendments to IAS 12 - International Tax Reform—Pillar Two Model Rules	23 May 2023

5 Cash and cash equivalents

	31 December 2023 AED'000	31 December 2022 AED'000
Cash at banks inside UAE	125,881	126,823
Cash at banks outside UAE	400	919
Cash in hand	24	33
Cash and bank balances	126,305	127,775
Term deposits	203,453	180,591
	329,758	308,366
Less: deposits with original maturities of three months or more	(203,453)	(180,591)
Cash and cash equivalents	126,305	127,775
Less: allowance for expected credit losses	(26)	(27)
	126,279	127,748

6 Term deposits

Term deposits are fixed deposits with original maturity ranges between 12 months and two years (2022: 12 months and two years). Interest rate on term deposits ranges between 2.00% and 6.00% (2022: 0.72% and 6.00%) per annum. All term deposits are placed with banks and financial institutions within the UAE. Loss allowance of AED 54 thousand (2022: AED 54 thousand) is recognized for the deposits.

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

7 Investments in securities

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

	31 December 2023 AED'000	31 December 2022 AED'000
Financial assets at amortised cost		
Fixed income portfolio at amortised cost - UAE	147,759	179,701
Fixed income portfolio at amortised cost – Outside UAE	136,861	54,246
Less: allowance for expected credit losses	(255)	(247)
	<u>284,365</u>	<u>233,700</u>
Financial assets at fair value through other comprehensive income ("FVOCI")		
Quoted UAE equity securities	560,607	535,650
Unquoted UAE equity securities	3,092	3,075
Investment funds	176,911	167,803
Unquoted overseas equity securities	2,093	3,111
Investment in bond portfolio	54,505	53,733
	<u>797,208</u>	<u>763,372</u>
Financial assets at fair value through profit or loss		
Quoted UAE equity securities	42,978	32,149
Unquoted UAE equity securities	965	965
Investment funds	62,766	68,749
Unquoted overseas equity securities	31,136	27,967
Investment in bond portfolio	171,678	205,839
	<u>309,523</u>	<u>335,669</u>

The movement in investments during the year is as follows:

Financial assets at amortised cost		
Amortised cost at the beginning of the year	233,700	196,165
Purchases	79,701	79,176
Maturities	(30,077)	(41,487)
Premium amortisation	1,049	(238)
Allowance for expected credit losses	(8)	84
Amortised cost at the end of the year	<u>284,365</u>	<u>233,700</u>

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

7 Investments in securities (continued)

	31 December 2023 AED'000	31 December 2022 AED'000
Financial assets at fair value through other Comprehensive income		
Fair value at the beginning of the year	763,372	799,932
Purchases	3,834	24,175
Disposals	(50,209)	(40,956)
Change in fair values	80,211	(19,779)
Fair value at the end of the year	797,208	763,372
 Financial assets at fair value through profit or loss		
Fair value at the beginning of the year	335,669	410,736
Purchases	77,215	37,176
Disposals	(141,834)	(84,746)
Change in fair values	38,473	(27,497)
Fair value at the end of the year	309,523	335,669
 The geographical distribution of investments is as follows:		
Within UAE	820,177	580,074
Outside UAE	571,174	752,914
	1,391,351	1,332,988

Emirates Insurance Company P.J.S.C.

Notes to the condensed interim financial information

8 Insurance contract assets and insurance contract liabilities

At 31 December 2023

AED ('000')

	Liability for remaining coverage		Liability for incurred claims		Total Liability
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	
Insurance contract assets as at 31/12/2022	(12,464)	-	9,692	396	(2,376)
Insurance contract liabilities as at 31/12/2022	158,427	4,805	708,380	38,522	910,134
Net insurance contract liabilities as at 31/12/2022	145,963	4,805	718,072	38,918	907,758
Insurance revenue	(1,133,944)	-	-	-	(1,133,944)
Insurance service expenses					
Incurred claims and other expenses	-	(4,810)	393,361	6,287	394,838
Amortisation of insurance acquisition cash flows	130,795	-	-	-	130,795
Losses on onerous contracts and reversals of those losses	-	745	-	-	745
Changes to liabilities for incurred claims	-	-	161,834	(2,217)	159,617
Transfer of investment components	-	-	-	-	-
Insurance service expenses	130,795	(4,065)	555,195	4,070	685,995
Insurance service result before reinsurance contracts held	(1,003,149)	(4,065)	555,195	4,070	(447,949)
Interest accreted	-	-	27,873	-	27,873
Effect of changes in interest rates and other financial assumptions	-	-	2,383	-	2,383
Net foreign exchange income / (expenses)	-	-	-	-	-
Insurance finance expenses from insurance contracts issued	-	-	30,256	-	30,256
Total changes in the statement of comprehensive income	(1,003,149)	(4,065)	585,451	4,070	(417,693)
Cash flows					
Premiums received	1,170,600	-	-	-	1,170,600
Claims and other expenses paid	-	-	(535,319)	-	(535,319)
Insurance acquisition cash flows paid	(134,675)	-	-	-	(134,675)
Total cash flows	1,035,925	-	(535,319)	-	500,606
Net insurance contract liabilities as at 31/12/2023	178,739	740	768,204	42,988	990,671
Insurance contract assets as at 31/12/2023	-	-	-	-	-
Insurance contract liabilities as at 31/12/2023	178,739	740	768,204	42,988	990,671
Net insurance contract liabilities as at 31/12/2023	178,739	740	768,204	42,988	990,671

Emirates Insurance Company P.J.S.C.

Notes to the condensed interim financial information

8 Insurance contract assets and insurance contract liabilities (continued)

At 31 December 2022 (Restated)

AED ('000')

	<u>Liability for remaining coverage</u>		<u>Liability for incurred claims</u>		<u>Total Liability</u>
	<u>Excluding loss component</u>	<u>Loss component</u>	<u>Estimates of the present value of future cash flows</u>	<u>Risk adjustment</u>	
Insurance contract assets as at 31/12/2021	-	-	-	-	-
Insurance contract liabilities as at 31/12/2021	52,396	4,581	1,015,563	58,328	1,130,868
Net insurance contract liabilities as at 31/12/2021	52,396	4,581	1,015,563	58,328	1,130,868
Insurance revenue	(1,101,487)	-	-	-	(1,101,487)
Insurance service expenses	-	-	-	-	-
Incurred claims and other expenses	-	(4,572)	363,539	6,757	365,724
Amortisation of insurance acquisition cash flows	118,142	-	-	-	118,142
Losses on onerous contracts and reversals of those losses	-	4,796	-	-	4,796
Changes to liabilities for incurred claims	-	-	(45,081)	(26,166)	(71,247)
Transfer of investment components	-	-	-	-	-
Insurance service expenses	118,142	224	318,458	(19,409)	417,415
Insurance service result before reinsurance contracts held	(983,345)	224	318,458	(19,409)	(684,072)
Interest accreted	-	-	11,423	-	11,423
Effect of changes in interest rates and other financial assumptions	-	-	(32,255)	-	(32,255)
Net foreign exchange income / (expenses)	-	-	-	-	-
Insurance finance income from insurance contracts issued	-	-	(20,832)	-	(20,832)
Total changes in the statement of comprehensive income	(983,345)	224	297,626	(19,409)	(704,904)
Cash flows					
Premiums received	1,200,685	-	-	-	1,200,685
Claims and other expenses paid	-	-	(595,118)	-	(595,118)
Insurance acquisition cash flows paid	(123,773)	-	-	-	(123,773)
Total cash flows	1,076,912	-	(595,118)	-	481,794
Net insurance contract liabilities as at 31/12/2022	145,963	4,805	718,071	38,919	907,758
Insurance contract assets as at 31/12/2022	(12,464)	-	9,692	396	(2,376)
Insurance contract liabilities as at 31/12/2022	158,427	4,805	708,380	38,522	910,134
Net insurance contract liabilities as at 31/12/2022	145,963	4,805	718,071	38,919	907,758

Emirates Insurance Company P.J.S.C.

Notes to the condensed interim financial information

9 Reinsurance contract assets and reinsurance contract liabilities

At 31 December 2023

AED ('000')	Asset for remaining coverage		Amounts recoverable on incurred claims		Total Asset
	Non-loss-recovery component	Loss-recovery component	Estimates of the present value of future cash flows	Risk adjustment	
Reinsurance contract assets as at 31/12/2022	(128,445)	-	560,308	25,925	457,788
Reinsurance contract liabilities as at 31/12/2022	(68,415)	-	25,811	781	(41,823)
Net reinsurance contract assets as at 31/12/2022	(196,860)	-	586,119	26,706	415,965
Allocation of reinsurance premiums	(645,687)	-	-	-	(645,687)
Amounts recoverable from reinsurers					
Amounts recoverable for claims and other expenses incurred in the period	-	-	172,886	4,366	177,252
Adjustments for onerous underlying contracts	-	-	-	-	-
Changes in amounts recoverable arising from changes in liability for incurred claims	-	-	108,096	1,469	109,565
Transfer of pre-recognition cash flows	-	-	-	-	-
Transfer of reinsurance investment components	(35,691)	-	35,691	-	-
Amounts recoverable from reinsurers	(35,691)	-	316,673	5,835	286,817
Net (expense) / income from reinsurance contracts held	(681,378)	-	316,673	5,835	(358,870)
Interest accreted	-	-	19,864	-	19,864
Effect of changes in interest rates and other financial assumptions	-	-	1,279	-	1,279
Effect of changes in the risk of non-performance by reinsurers	-	-	-	-	-
Net foreign exchange income / (expenses)	-	-	-	-	-
Reinsurance finance income from reinsurance contracts held	(681,378)	-	21,143	-	21,143
Total changes in the statement of comprehensive income	(681,378)	-	337,816	5,835	(337,727)
Cash flows					
Premiums paid	735,864	-	-	-	735,864
Amounts received	-	-	(203,681)	-	(203,681)
Total cash flows	735,864	-	(203,681)	-	532,183
Net reinsurance contract assets as at 31/12/2023	(142,374)	-	720,254	32,541	610,421
Reinsurance contract assets as at 31/12/2023	(93,346)	-	688,428	31,484	626,566
Reinsurance contract liabilities as at 31/12/2023	(49,028)	-	31,826	1,057	(16,145)
Net reinsurance contract assets as at 31/12/2023	(142,374)	-	720,254	32,541	610,421

Emirates Insurance Company P.J.S.C.

Notes to the condensed interim financial information

9 Reinsurance contract assets and reinsurance contract liabilities (continued)

At 31 December 2022 (Restated)

AED ('000')

	Asset for remaining coverage		Amounts recoverable on incurred claims		Total Asset
	Non-loss-recovery component	Loss-recovery component	Estimates of the present value of future cash flows	Risk adjustment	
Reinsurance contract assets as at 31/12/2021	(112,868)	634	749,145	38,804	675,715
Reinsurance contract liabilities as at 31/12/2021	(40,589)	-	28,049	2,754	(9,786)
Net reinsurance contract assets as at 31/12/2021	(153,457)	634	777,194	41,558	665,929
Allocation of reinsurance premiums	(645,226)	-	-	-	(645,226)
Amounts recoverable from reinsurers	-	-	-	-	-
Amounts recoverable for claims and other expenses incurred in the period	-	-	122,303	3,820	126,123
Adjustments for onerous underlying contracts	-	(634)	-	-	(634)
Changes in amounts recoverable arising from changes in liability for incurred claims	-	-	(84,769)	(17,946)	(102,715)
Transfer of pre-recognition cash flows	-	-	-	-	-
Transfer of reinsurance investment components	(8,090)	-	8,090	-	-
Amounts recoverable from reinsurers	(8,090)	(634)	45,624	(14,126)	22,774
Net (expense) / income from reinsurance contracts held	(653,316)	(634)	45,624	(14,126)	(622,452)
Interest accreted	-	-	7,494	440	7,934
Effect of changes in interest rates and other financial assumptions	-	-	(21,137)	(1,167)	(22,304)
Effect of changes in the risk of non-performance by reinsurers	-	-	-	-	-
Net foreign exchange income / (expenses)	-	-	-	-	-
Reinsurance finance expense from reinsurance contracts held	-	-	(13,643)	(727)	(14,370)
Total changes in the statement of comprehensive income	(653,316)	(634)	31,981	(14,853)	(636,822)
Cash flows					
Premiums paid	609,914	-	-	-	609,914
Amounts received	-	-	(223,056)	-	(223,056)
Total cash flows	609,914	-	(223,056)	-	386,858
Net reinsurance contract assets as at 31/12/2022	(196,859)	-	586,119	26,705	415,965
Reinsurance contract assets as at 31/12/2022	(128,445)	-	560,308	25,925	457,788
Reinsurance contract liabilities as at 31/12/2022	(68,414)	-	25,810	781	(41,823)
Net reinsurance contract assets as at 31/12/2022	(196,859)	-	586,119	26,705	415,965

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

10 Other receivables and prepayments

	31 December 2023	31 December 2022 (Restated)
	AED '000	AED '000
Vat receivable in insurance and reinsurance contracts - net	12,906	10,400
Receivable from employees	2,600	1,945
Prepayments	1,489	1,208
Others	12,913	14,084
	<u>29,908</u>	<u>27,637</u>

11 Investment properties

	Abu Dhabi building AED'000	Al Ain building AED'000	Mussafah building AED'000	Right of Use leased assets AED'000	Total AED'000
Cost					
At 1 January 2022	24,737	7,833	2,588	644	35,802
At 1 January 2023	24,737	7,833	2,588	644	35,802
At 31 December 2023	24,737	7,833	2,588	644	35,802
Accumulated depreciation					
At 1 January 2022	21,446	7,027	2,519	-	30,992
Charge for the year	397	58	69	-	524
At 1 January 2023	21,843	7,085	2,588	-	31,516
Charge for the year	194	58	-	-	252
At 31 December 2023	22,037	7,143	2,588	-	31,768
Carrying amount					
At 31 December 2023	2,700	690	-	644	4,034
At 31 December 2022	2,894	748	-	644	4,286

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

11 Investment properties (continued)

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

	31 December 2023 AED '000	31 December 2022 AED '000
Rental income	2,891	3,000
Direct operating expenses	(1,527)	(1,827)
	<u>1,364</u>	<u>1,173</u>

The Company's investment properties comprise the following:

Abu Dhabi Head Office building

The construction of this building was completed in 1987. The Company occupies three floors of the building for its Head Office with the remaining twelve floors available for letting to third parties. As at 31 December 2023, the fair value of this property is estimated to be AED 43,700 thousand (31 December 2022: AED 41,500 thousand).

Al Ain building

The construction of this building was completed in 1992. The Company is utilising half of the second mezzanine floor for housing its Al Ain Branch office with the remaining space available for letting to third parties. As at 31 December 2023, the fair value of this property is estimated to be AED 9,550 thousand (31 December 2022: AED 10,493 thousand).

Mussafah building

The construction of this building was completed in 2008. The Company is utilising half of the warehouse area for storage purposes with the remaining warehouse area available for letting to third parties. The front side of the building is being used for Mussafah branch. As at 31 December 2023, the fair value of this property is estimated to be AED 6,350 thousand (31 December 2022 AED 6,050 thousand).

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

The disclosed fair value of the Company's investment properties as at 31 December 2023 and 31 December 2022 are based on the valuation carried out on the respective dates by independent valuers having the appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

11 Investment properties (continued)

The fair value was determined using the Capitalization Approach, Discounted Cash Flow Method and Direct Comparable Methodology. The main assumptions in the valuation model is the CAP rate ranging from 7% to 12% and the rental rates. Rental rates have been obtained based on capitalisation approach, market comparable approach, term and revision approach and tenancy information. In estimating the fair value of the properties, the highest and best use of the properties is considered as their current use. There has been no change in the valuation techniques used during the year. The inputs used in the valuation are not based on observable market data and thus the valuation techniques are considered as Level 3 fair value measurements.

12 Statutory deposit

In accordance with the requirements of UAE Federal Law No. (48) of 2023 concerning insurance companies and Agents, the Company maintains a bank deposit of AED 10,000,000 (31 December 2022: AED 10,000,000) which cannot be utilised without the consent of the Central Bank of UAE.

13 Property and equipment

	Building AED'000	Furniture, fixtures and office equipment AED'000	Motor vehicles AED'000	Computer equipment and accessories AED'000	Capital Work-in- progress AED'000	Total AED'000
Cost						
At 1 January 2022	26,075	4,650	769	22,557	917	54,968
Additions	214	34	64	736	1,901	2,949
Disposals	-	-	(54)	-	-	(54)
Transfers	-	-	-	1,783	(1,783)	-
At 1 January 2023	26,289	4,684	779	25,076	1,035	57,863
Additions	-	21	523	253	741	1,538
Disposals	-	(929)	(515)	(4,659)	-	(6,103)
Transfers	-	-	-	1,404	(1,404)	-
At 31 December 2023	26,289	3,776	787	22,074	372	53,298
Accumulated depreciation						
At 1 January 2022	19,858	4,191	656	19,107	-	43,812
Charge for the year	1,363	320	32	1,933	-	3,648
Disposals	-	-	(12)	-	-	(12)
At 1 January 2023	21,221	4,511	676	21,040	-	47,448
Charge for the year	1,187	172	71	1,859	-	3,289
Disposals	-	(930)	(465)	(4,659)	-	(6,054)
At 31 December 2023	22,408	3,753	282	18,240	-	44,683
Carrying amount						
At 31 December 2023	3,881	24	505	3,834	372	8,615
At 31 December 2022	5,068	173	103	4,036	1,035	10,415

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

13 Property and equipment *(continued)*

At 31 December 2023, based on the recent valuation reports, the carrying amount of the building is less than its fair value and therefore no impairment is recognised. Building represents Abu Dhabi Head Office Building as shown in note 11 and is located with-in UAE.

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

14 Issued and paid up share capital

	31 December 2023 AED'000	31 December 2022 AED'000
Authorised:		
150,000,000 (2022: 150,000,000) shares of AED 1 each	150,000	150,000
Allotted, issued and fully paid:		
150,000,000 (2022: 150,000,000) shares of AED 1 each	150,000	150,000

At 31 December 2023, a total of 17,719,999 shares were held by Al Maamoura Diversified Global Holding Company (2022 : 17,719,999 shares), 131,883,942 (31 December 2022 132,139,094) shares by UAE nationals, 127,750 (31 December 2022: 124,900) shares by Kuwaiti nationals, 6,059 (31 December 2022: 5,757) shares by Saudi nationals and 12,250 (31 December 2022: 10,250) shares by Bahraini national.

15 Statutory reserves

In accordance with the UAE Federal Law No. (32) of 2021 concerning Commercial Companies and the Company's Articles of Association, 10% of profit is to be transferred to a non-distributable reserve until the balance of the reserve equals 50% of the Company's paid up share capital. This reserve is not available for dividend distribution.

16 General reserve

Transfers to and from the general reserve are made at the discretion of the Board of Directors. This reserve may be used for such purposes as the Directors deem fit. The Company has not transferred any amount from retained earnings to general reserve during the year ended 31 December 2023 and 31 December 2022.

17 Reinsurance risk reserve

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

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

17 Reinsurance risk reserve *(continued)*

2020. Accordingly, an amount of AED 11,712 thousands (31 December 2022: AED 7,630 thousands) has been recorded in equity as a reinsurance default risk reserve as at 31 December 2023. During the period the Company has transferred AED 4.08 million from retained earnings to reinsurance risk reserve. (31 December 2022: AED 3.9 million).

18 Employees' end of service benefit obligation

	31 December 2023 AED '000	31 December 2022 AED '000
As at 1 January	18,111	20,960
Charge for the year	4,678	4,734
Paid during the year	(2,064)	(7,583)
As at 31 December	20,725	18,111

During the year, the Company paid pension contributions in respect of UAE national employees amounting to AED 1,550 thousand (31 December 2022: AED 1,431 thousand).

19 Provisions and other payables

	31 December 2023 AED'000	31 December 2022 Restated AED'000
Accruals and other liabilities	22,576	22,881
Deferred income	801	713
Other insurance payables	69,960	12,324
	93,337	35,918

20 Proposed cash dividends

In respect of the current year, the Board of Directors propose a cash dividend of AED 0.55 per share (31 December 2022: AED 0.50 per share) amounting to AED 82,500 thousand (31 December 2022: AED 75,000 thousand). The dividends proposed in 2022 were paid during the year.

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

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

21 Related parties

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

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

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

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

	31 December 2023 AED'000	31 December 2022 AED'000
Due from policy holders (Directors' affiliates) <i>(Included in insurance contract liabilities as part of presentation requirement of IFRS 17)</i>	30,375	18,742
Due to policy holders (Directors' affiliates) <i>(Included in insurance contract liabilities as part of presentation requirement of IFRS 17)</i>	2,228	3,080

During the period, the Company entered into the following transactions with related parties:

	31 December 2023 AED'000	31 December 2022 AED'000
Gross premiums written from Directors' affiliates	36,066	38,126
Gross claims paid to Directors' affiliates	2,272	1,147
Directors' remuneration for the year	2,550	2,458

The remuneration of the Board of Directors is subject to approval by the shareholders and as per limits set by the UAE Federal Law No. (32) of 2021 concerning Commercial Companies.

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

21 Related parties *(continued)*

Remuneration of key management personnel:

Short term benefits	16,168	15,744
Post-employment benefits	1,093	473
	<u>17,261</u>	<u>16,217</u>

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

22 Insurance contracts

	31 December 2023 AED'000	31 December 2022 AED'000
Insurance contract assets		
Motor	-	-
Domestic Non-motor	-	2,376
International	-	-
	<u>-</u>	<u>2,376</u>
	<u>-</u>	<u>2,376</u>
Insurance contract liabilities		
Motor	111,016	92,684
Domestic Non-motor	621,089	556,650
International	258,566	260,800
	<u>990,671</u>	<u>910,134</u>
	<u>990,671</u>	<u>910,134</u>
Net Insurance contract liabilities		
Motor	111,016	92,684
Domestic Non-motor	621,089	554,274
International	258,566	260,800
	<u>990,671</u>	<u>907,758</u>
	<u>990,671</u>	<u>907,758</u>

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

23 Re-insurance contracts

	31 December 2023 AED'000	31 December 2022 AED'000
Reinsurance contract assets		
Motor	20,790	12,610
Domestic Non-motor	443,493	344,268
International	162,283	100,910
	<u>626,566</u>	<u>457,788</u>
Reinsurance contract liabilities		
Motor	822	10,089
Domestic Non-motor	15,323	31,734
International	-	-
	<u>16,145</u>	<u>41,823</u>
Net Insurance contract assets		
Motor	19,968	2,521
Domestic Non-motor	428,170	312,534
International	162,283	100,910
	<u>610,421</u>	<u>415,965</u>

24 Net investment income

	31 December 2023 AED'000	31 December 2022 AED'000
Dividends from investments in securities	28,268	29,819
Unrealised gain / (loss) on investments measured at fair value through profit or loss – net	38,473	(27,497)
Net loss on disposal of investments	(8,540)	(719)
Interest on bonds	19,951	19,193
Interest on bank deposits	7,857	3,941
Investment expenses	(2,089)	(2,194)
	<u>83,920</u>	<u>22,543</u>

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

25 Income from investment properties

Rental income	2,891	3,000
Direct operating expenses including depreciation	(1,527)	(1,827)
	<u>1,364</u>	<u>1,173</u>

26 Basic and diluted earnings per share

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

Diluted earnings per share amounts are calculated by dividing the profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares used to calculate basic earnings per share, plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

The following reflects the profit and shares data used in the earnings per share computations:

	31 December 2023	31 December 2022 Restated
Profit for the year (AED '000)	<u>126,293</u>	<u>55,801</u>
Weighted average number of ordinary shares (shares in '000)	<u>150,000</u>	<u>150,000</u>
Earnings per share for the year – basic and diluted (AED)	<u>0.84</u>	<u>0.37</u>

27 Commitments and contingent liabilities

	31 December 2023 AED'000	31 December 2022 AED'000
Commitments in respect of investments	<u>10,113</u>	<u>18,536</u>
Bank guarantees	<u>4,185</u>	<u>7,855</u>

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

Legal proceedings

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

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

28 Segment information

The Company has adopted IFRS 8 *Operating Segments* with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to the segment and to assess its performance.

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

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

Primary segment information - Business segments

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

	Underwriting		Investments		Total	
	31 December 2023 AED'000	31 December 2022 AED'000	31 December 2023 AED'000	31 December 2022 AED'000	31 December 2023 AED'000	31 December 2022 AED'000
Segment revenue	<u>1,420,761</u>	<u>1,124,261</u>	<u>86,811</u>	<u>25,543</u>	<u>1,507,572</u>	<u>1,149,804</u>
Segment result	<u>79,966</u>	<u>68,082</u>	<u>85,284</u>	<u>23,716</u>	<u>165,250</u>	<u>91,798</u>
Unallocated expenses					<u>(38,957)</u>	<u>(35,997)</u>
Profit for the year					<u>126,293</u>	<u>55,801</u>

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

	Underwriting		Investments		Total	
	31 December 2023 AED'000	31 December 2022 AED'000	31 December 2023 AED'000	31 December 2022 AED'000	31 December 2023 AED'000	31 December 2022 AED'000
Segment assets	<u>658,977</u>	<u>492,159</u>	<u>1,604,641</u>	<u>1,523,621</u>	<u>2,263,618</u>	<u>2,015,780</u>
Unallocated assets					<u>136,279</u>	<u>137,748</u>
Total assets					<u>2,399,897</u>	<u>2,153,528</u>
Segment liabilities	<u>1,099,066</u>	<u>986,826</u>	<u>1,087</u>	<u>1,049</u>	<u>1,100,153</u>	<u>987,875</u>
Unallocated liabilities					<u>20,725</u>	<u>18,111</u>
Total liabilities					<u>1,120,878</u>	<u>1,005,986</u>

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

28 Segment information *(continued)*

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

Secondary segment information - Revenue by underwriting departments

Analysis of the Company's segment revenue (Insurance revenue) classified by major underwriting departments are as below:

	31 December 2023 AED'000	31 December 2022 AED'000
Insurance Revenue		
Motor	209,729	217,775
Domestic Non-motor	775,704	752,191
International	148,511	131,521
	<u>1,133,944</u>	<u>1,101,487</u>

Secondary segment information - Geographical segment

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

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

	Revenue		Total assets	
	2023 AED '000	2022 AED '000	2023 AED '000	2022 AED '000
UAE	1,269,159	931,439	1,770,981	1,371,234
USA	30,195	37,594	626,793	726,407
Europe	208,219	180,771	2,123	55,887
	<u>1,507,572</u>	<u>1,149,804</u>	<u>2,399,897</u>	<u>2,153,528</u>

29 Insurance risks

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable.

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

29 Insurance risks (continued)

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

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

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

Claims development process

The following schedules reflect the actual claim payments with previous estimates of the undiscounted amounts of the claim for the last five years on an accident year basis:

Motor – Gross:

Accident year	2019 and earlier AED'000	2020 AED'000	2021 AED'000	2022 AED'000	2023 AED'000	Total AED'000
At the end of the accident year	633,442	149,555	138,377	135,279	133,242	1,189,895
One year later	605,265	143,124	142,831	143,790	-	1,035,010
Two years later	600,533	143,231	142,291	-	-	886,055
Three years later	1,337,564	142,944	-	-	-	1,480,508
Four years later	1,329,806	-	-	-	-	1,329,806
Gross estimates of the undiscounted amount of the claims	1,329,806	142,944	142,291	143,790	133,242	1,892,073
Cumulative payments to date	(1,326,593)	(139,916)	(137,999)	(130,707)	(93,326)	(1,828,541)
Gross undiscounted liabilities for incurred claims	3,213	3,028	4,292	13,083	39,916	63,532
Effect of discounting						(1,389)
Effect of risk adjustment						2,892
Others*						16,814
Total gross liabilities for incurred claims						81,849

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

29 Insurance risks (continued)

Motor - net:

Accident year	2019 and earlier AED'000	2020 AED'000	2021 AED'000	2022 AED'000	2023 AED'000	Total AED'000
At the end of the accident year	542,805	134,208	127,151	105,972	111,241	1,021,377
One year later	535,771	130,378	130,884	113,634	-	910,667
Two years later	532,470	129,414	130,470	-	-	792,354
Three years later	1,210,056	128,593	-	-	-	1,338,649
Four years later	1,205,966	-	-	-	-	1,205,966
Net estimates of the undiscounted amount of the claims	1,205,966	128,593	130,470	113,634	111,241	1,689,904
Cumulative payments to date	(1,202,855)	(126,953)	(126,711)	(104,288)	(79,608)	(1,640,415)
Net undiscounted liabilities for incurred claims	3,111	1,640	3,759	9,346	31,633	49,489
Effect of discounting						(756)
Effect of risk adjustment						2,245
Others**						(6,554)
Total net liabilities for incurred claims						44,424

Non-Motor – gross:

Accident year	2019 and earlier AED'000	2020 AED'000	2021 AED'000	2022 AED'000	2023 AED'000	Total AED'000
At the end of the accident year	1,866,744	580,493	523,300	341,173	434,833	3,746,543
One year later	1,981,927	388,851	436,914	305,514	-	3,113,206
Two years later	1,753,214	368,843	428,467	-	-	2,550,524
Three years later	3,494,040	345,268	-	-	-	3,839,308
Four years later	3,388,958	-	-	-	-	3,388,958
Gross estimates of the undiscounted amount of the claims	3,388,958	345,268	428,467	305,514	434,833	4,903,040
Cumulative payments to date	(3,296,035)	(249,385)	(350,036)	(200,269)	(115,409)	(4,211,134)
Gross undiscounted liabilities for incurred claims	92,923	95,883	78,431	105,245	319,424	691,906
Effect of discounting						(42,290)
Effect of risk adjustment						40,096
Others*						39,631
Total gross liabilities for incurred claims						729,343

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

29 Insurance risks (continued)

Non-Motor - net:

Accident year	2019 and earlier AED'000	2020 AED'000	2021 AED'000	2022 AED'000	2023 AED'000	Total AED'000
At the end of the accident year	561,187	161,842	105,591	114,832	85,657	1,029,109
One year later	593,165	160,922	97,015	117,383	-	968,485
Two years later	618,041	161,170	93,092	-	-	872,303
Three years later	1,104,226	151,860	-	-	-	1,256,086
Four years later	1,068,997	-	-	-	-	1,068,997
Net estimates of the undiscounted amount of the claims	1,068,997	151,860	93,092	117,383	85,657	1,516,989
Cumulative payments to date	(1,022,598)	(123,758)	(78,750)	(97,734)	(44,756)	(1,367,596)
Net undiscounted liabilities for incurred claims	46,399	28,102	14,342	19,649	40,901	149,393
Effect of discounting						(9,936)
Effect of risk adjustment						8,201
Others**						(133,685)
Total net liabilities for incurred claims						13,973

* Others includes Gross Unallocated loss adjustment expenses reserve and Insurance claims payable.

* *Others includes Net Unallocated loss adjustment expenses reserve, and Net (re)insurance claims payable.

Frequency and severity of claims

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

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

Sources of uncertainty in the estimation of future claim payments

Claims on insurance contracts are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and an element of the claims provision includes incurred but not reported reserve (IBNR). The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

29 Insurance risks (continued)

claims already notified to the Company, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims. For some insurance contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities. In estimating the liability for the cost of reported claims not yet paid, the Company considers information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

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

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

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

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

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

Type of risk	31 December 2023		31 December 2022	
	Gross loss ratio	Net loss ratio	Gross loss ratio	Net loss ratio
Motor	68%	72%	63%	68%
Non-Motor	39%	30%	13%	41%

Process used to decide on assumptions

The risks associated with the insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. Internal data is derived mostly from the Company's quarterly claims reports and screening of the actual insurance contracts carried out at the end of the reporting period to derive data for the contracts held. The Company has reviewed the individual

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

29 Insurance risks (continued)

contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

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

Concentration of insurance risk

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

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

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

Type of risk	31 December 2023		31 December 2022	
	Gross AED'000	Net AED'000	Gross AED'000	Net AED'000
<i>Motor</i>				
UAE	8,852,160	8,002,498	8,419,909	5,739,137
<i>Non-Motor</i>				
UAE	433,400,422	43,158,657	362,923,114	37,262,623
GCC countries	6,844,428	1,940,989	6,442,623	2,156,351
Others	12,113,874	6,064,713	12,453,179	5,501,982
	452,358,724	51,164,359	381,818,916	44,920,956
Grand total	461,210,884	59,166,857	390,238,825	50,660,093

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

29 Insurance risks (continued)

Sensitivity of underwriting profit and losses

Sensitivity of insurance contracts (AED'000)

		2023			2022		
	LIC as at 31 December	Impact on LIC	Impact on profit	Impact on equity	LIC as at 31 December	Impact on LIC	Impact on equity
Insurance contract liabilities	811,192				756,990		
Reinsurance contract assets	(752,795)				(612,824)		
Net Insurance contract liabilities	58,397				144,166		
<u>Discount rate + 0.5%</u>							
Insurance contract liabilities		(220)	220	220		(218)	218
Reinsurance contract assets		164	(164)	(164)		139	(139)
Net Insurance contract liabilities		(56)	56	56		(79)	79
<u>Discount rate - 0.5%</u>							
Insurance contract liabilities		220	(220)	(220)		219	(219)
Reinsurance contract assets		(164)	164	164		140	(140)
Net Insurance contract liabilities		56	(56)	(56)		358	(358)
<u>Risk adjustment +5%</u>							
Insurance contract liabilities		2,149	(2,149)	(2,149)		1,946	(1,946)
Reinsurance contract assets		(1,627)	1,627	1,627		(1,335)	1,335
Net Insurance contract liabilities		522	(522)	(522)		611	(611)
<u>Risk adjustment -5%</u>							
Insurance contract liabilities		(2,149)	2,149	2,149		(1,946)	1,946
Reinsurance contract assets		1,627	(1,627)	(1,627)		1,335	(1,335)
Net Insurance contract liabilities		(522)	522	522		(611)	611

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

29 Insurance risks (*continued*)

The contribution by the insurance operations in the profit of the Company amounts to AED 79,966 thousand for the year ended 31 December 2023 (*31 December 2022: AED 68,082 thousand*). The Company does not foresee any major impact from insurance operations due to the following reasons:

The Company has an overall risk retention level of 33% (*31 December 2022: 32%*) and the same is mainly contributed by one class of business i.e., Motor line wherein the retention level is 88% (*31 December 2022: 65%*). However, in this class the liabilities are adequately covered by excess of loss reinsurance programs to guard against major financial impact.

The Company's 76% volume of business (*31 December 2022: 75%*) has low risk retention. The Company has limited exposure in high retention areas like Motor, and as a result the Company is comfortable to maintain a net loss ratio in the range of 50% - 60% and does not foresee any serious financial impact in the insurance net profit.

30 Financial instruments

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

Capital risk management

The Company's objectives when managing capital are:

- to comply with the insurance capital requirements required by UAE Federal Law No. (48) of 2023 concerning the formation of Insurance Authority of UAE and the Regulations;
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

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

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

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

30 Financial instruments (continued)

Capital risk management (continued)

	31 December 2023* AED '000	31 December 2022 AED '000
Minimum Capital Requirement (MCR)	100,000	100,000
Solvency Capital Requirement (SCR)	323,866	303,514
Minimum Guarantee Fund (MGF)	109,035	108,832
Own Funds		
- Basic Own Funds	997,682	798,209
- Ancillary Own Funds	-	-
Own funds eligible to meet the MCR	997,682	798,209
MCR Solvency Margin - Surplus	897,682	698,209
SCR Solvency Margin - Surplus	673,817	494,695
MGF Solvency Margin - Surplus	888,648	689,377

* The disclosed amounts do not include the proposed dividend of AED 82.5 million, as mentioned in Note 20.

Material accounting policies

Details of the material accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 4 to the financial statements.

Categories of financial instruments

	31 December 2023 AED '000	31 December 2022 (Restated) AED '000
Financial assets		
Statutory deposit	10,000	10,000
Financial assets at amortised cost	284,365	233,700
Financial assets measured at FVOCI	797,208	763,372
Financial assets measured at FVTPL	309,523	335,669
Other receivables	16,902	17,237
Term deposits	203,399	180,537
Cash and cash equivalents	126,279	127,748
	1,747,676	1,668,263

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

30 Financial instruments (*continued*)

	31 December 2023 AED '000	31 December 2022 (Restated) AED '000
Financial liabilities		
Other payables	65,138	7,411
Accruals and other liabilities	17,893	18,617
	<u>83,031</u>	<u>26,028</u>

Market price risk management

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

Sensitivity analysis

At 31 December 2023, if the equity prices are 5% higher/lower and all the other variables were held constant, the Company's:

- Profit for the year would increase/decrease by AED 11,510 thousand (2022: AED 12,975 thousand), as a result of the changes in fair value of investments designated at FVTPL; and
- Other comprehensive income for the year would increase/decrease by AED 38,488 thousand (2022: AED 36,746 thousand), as a result of the changes in fair value investments designated at FVOCI.

Credit risk management

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

Key areas where the Company is exposed to credit risk are:

- Insurance/reinsurance contract assets
- Other receivables
- Financial investments
- amounts due from banks for its bank balances and term deposits;

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

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

30 Financial instruments (continued)

Credit risk management (continued)

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

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

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

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

	Insurance contracts AED'000	Bank balances and term deposits AED'000	Financial assets at amortised cost AED'000	Financial assets at FVOCI AED'000	Total AED'000
Impairment losses as at 1 January 2022	21,570	60	331	31	21,992
Loss (reversal) / allowance for the year	(2,204)	21	(84)	(4)	(2,271)
Impairment losses as at 31 December 2022	19,366	81	247	27	19,721
Impairment losses as at 1 January 2023	19,366	81	247	27	19,721
Loss (reversal) / allowance for the year	(1,180)	(1)	8	(27)	(1,200)
Impairment losses as at 31 December 2023	18,186	80	255	-	18,521

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

The credit risk on liquid funds is limited because the counterparties are major banks operating in the UAE and are highly regulated by the Central Bank of UAE. The Company's exposure to bond portfolio

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

30 Financial instruments (continued)

Credit risk management (continued)

is monitored on a regular basis, and all investments are done in bonds which meet the minimum credit rating criteria set and approved by the Board of Directors, in addition to limiting the concentration in a single counterparty. A summary of the company's exposure to credit risk for financial assets at amortised cost, term deposits and bank balances, reinsurance contract assets and financial assets at FVTOCI are as below;

	31 December 2023 AED'000	31 December 2022 AED'000
Financial assets at amortised cost		
(Based on AM Best, S&P, Moody's & Fitch Ratings)		
AAA	1,205	-
AA	48,369	36,817
A	90,284	83,247
BBB	101,126	80,325
BB	27,094	18,334
B	16,542	15,224
	284,620	233,947
Bank balances and Term deposits		
(Based on AM Best, S&P, Moody's & Fitch Ratings)		
AA	3,898	-
A	266,073	207,393
BBB	68,617	109,509
	338,588	316,902
Reinsurance contract assets		
(Based on AM Best, S&P, Moody's & Fitch Ratings)		
AAA	17,165	31,410
AA	174,003	135,459
A	372,488	245,003
BBB	61,546	40,235
BB	1,364	5,681
	626,566	457,788

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

30 Financial instruments (continued)

Credit risk management (continued)

	31 December 2023 AED'000	31 December 2022 AED'000
Financial assets at FVTOCI		
(Based on AM Best, S&P, Moody's & Fitch Ratings)		
AAA	43,951	29,228
AA	191,851	188,079
A	334,322	331,117
BBB	160,148	150,530
BB	31,625	29,492
B	8,792	8,627
Unrated equity instruments	26,519	26,299
	797,208	763,372

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

Foreign currency risk management

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

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

	Assets		Liabilities	
	2023	2022	2023	2022
	AED '000	AED '000	AED '000	AED '000
US Dollars	148,733	157,656	68,050	132,338
Euro	12,260	8,161	8,899	1,933
British Pounds	3,461	2,153	1,520	821
Saudi Riyals	3,219	2,608	2,178	904
Indian Rupees	2,017	-	4	4
South Korean Won	3,029	435	-	-
Others	5,531	4,893	2,115	2,334
	178,250	175,906	82,766	138,334

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

30 Financial instruments (continued)

Foreign currency risk management(continued)

The Company is mainly exposed on the above foreign currency denominated balances, except for US Dollars denominated balances as AED is pegged to the US Dollar and other GCC currencies which are pegged to the US Dollar. At 31 December 2023, if the exchange rates of unpegged currencies increased/decreased by 5% against AED, with all variables held constant, the Company's profit and equity would have been higher / lower by AED 688 thousand (2022: AED 528 thousand) mainly as a result of foreign exchange gain / (loss) on translation of outstanding receivables, payables and bank balances denominated in these currencies.

Liquidity risk management

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

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

	Effective interest rate	0 - 180 days AED'000	181 - 365 Days AED'000	More than 1 year AED'000	Carrying Amount AED'000
At 31 December 2023					
Other payables		64,130	5,830	-	69,960
Accruals and other liabilities		9,524	-	-	9,524
Insurance contract liabilities*		-	-	-	990,671
Reinsurance contract liabilities*		-	-	-	16,145
Total		73,654	5,830	-	1,086,300

	Effective interest rate	0 - 180 days AED'000	181 - 365 Days AED'000	More than 1 year AED'000	Carrying Amount AED'000
At 31 December 2022 (Restated)					
Other payables		9,280	3,044	-	12,324
Accruals and other liabilities		12,323	-	-	12,323
Insurance contract liabilities*		-	-	-	910,134
Reinsurance contract* liabilities		-	-	-	41,823
Total		21,603	3,044	-	976,604

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

30 Financial instruments (*continued*)

Liquidity risk management (*continued*)

*As per IFRS-17 (132b), an entity is not required to include insurance and reinsurance contract liabilities measured under the premium allocation approach in the maturity profile, and accordingly these balances are excluded and only carrying amount are disclosed.

Interest rate risk management

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

Sensitivity analysis

At 31 December 2023, if market interest rates had been 50 basis points higher / lower and all the other variables were held constant, the Company's profit for the year would decrease / increase by AED 858 thousand (2022: AED 1,029 thousand), as a result of the changes in fair value of quoted bonds measured at FVTPL.

At 31 December 2023, if market interest rates had been 50 basis points higher / lower and all the other variables were held constant, the fair value of quoted bonds measured at amortised cost would decrease / increase by AED 1,423 thousand (2022: AED 1,170 thousand).

Operational risk management

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

The Risk committee at EIC is tasked with reviewing the overall risk profile of the Company for appropriateness and to monitor the risk management techniques employed within the divisions and at the corporate level. This task includes a comprehensive annual review of all operational risks to

which EIC are exposed to. All risks identified have been categorized according to impact, likelihood and the management controls in place to mitigate. A financial impact assessment was conducted to identify the twenty largest risks in terms of the monetary amount as per the maximum probable loss EIC could be exposed to.

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

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

30 Financial instruments (continued)

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

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

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At 31 December 2023				
<i>Financial assets measured at fair value through other comprehensive income</i>				
Quoted UAE equity securities	496,583	64,024	-	560,607
Unquoted UAE equity securities	-	-	3,092	3,092
Investment funds	99,253	67,384	10,274	176,911
Unquoted overseas equity securities	-	-	2,093	2,093
Investment in bond portfolio	8,700	32,506	13,299*	54,505
	604,536	163,914	28,758	797,208
<i>Financial assets measured at fair value through profit or loss</i>				
Quoted UAE equity securities	24,714	18,264	-	42,978
Unquoted UAE equity securities	-	-	965	965
Investment funds	36,596	22,895	3,275	62,766
Unquoted overseas equity securities	-	-	31,136	31,136
Investment in bond portfolio	132,996	15,691	22,991*	171,678
	194,306	56,850	58,367	309,523
Total	798,842	220,764	87,125	1,106,731

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

30 Financial instruments (continued)

Fair value of financial instruments (continued)

At 31 December 2022	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
<i>Financial assets measured at fair value through other comprehensive income</i>				
Quoted UAE equity securities	535,174	476	-	535,650
Unquoted UAE equity securities	-	-	3,075	3,075
Investment funds	159,132	-	8,671	167,803
Unquoted overseas equity securities	-	-	3,111	3,111
Investment in bond portfolio	40,609	-	13,124*	53,733
	<u>734,915</u>	<u>476</u>	<u>27,981</u>	<u>763,372</u>
<i>Financial assets measured at fair value through profit or loss</i>				
Quoted UAE equity securities	32,149	-	-	32,149
Unquoted UAE equity securities	-	-	965	965
Investment funds	53,395	7,227	8,127	68,749
Unquoted overseas equity securities	-	-	27,967	27,967
Investment in bond portfolio	173,965	15,288	16,586*	205,839
	<u>259,509</u>	<u>22,515</u>	<u>53,645</u>	<u>335,669</u>
Total	<u><u>994,424</u></u>	<u><u>22,991</u></u>	<u><u>81,626</u></u>	<u><u>1,099,041</u></u>

There were no transfers between Level 1 and Level 2 fair value measurements except for investment in five securities which are transferred to level 2 due to in-active market, and no transfers into or out of Level 3 fair value measurements during the period except for those as shown in the reconciliation in the below table.

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

*These investments are made through investment funds and are valued using the net assets value (NAV) of those funds.

For investments under Level 3, the fair values are based on Net Asset Values (NAV).

Sensitivity analysis for investments under Level 3

For the fair values of investments under level 3, reasonably possible changes at the reporting date to the unobservable inputs would have the following effects.

Total comprehensive income	Increase AED'000	Decrease AED'000
Equity securities 31 December 2023		
Adjusted net asset value (5% movement)	4,356	(4,356)
<i>31 December 2022</i>		
Adjusted net asset value (5% movement)	4,081	(4,081)

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

30 Financial instruments (continued)

Fair value of financial instruments (continued)

Reconciliation of Level 3 fair value measurements:

	Financial assets measured at fair value through profit or loss AED'000	Financial assets measured at fair value through other comprehensive income AED'000	Total AED'000
At 31 December 2023			
Opening balance	53,645	27,981	81,626
Purchases	5,300	3,834	9,134
Disposals	(4,792)	(1,308)	(6,100)
Transfers	-	-	-
Total gains or (losses):			
- in profit or loss	4,214	-	4,214
- in other comprehensive income	-	(1,749)	(1,749)
Closing balance	58,367	28,758	87,125
At 31 December 2022			
Opening balance	58,345	28,768	87,113
Purchases	9,139	3,697	12,836
Disposals	(3,312)	(2,730)	(6,042)
Transfers	(7,294)	-	(7,294)
Total gains or (losses):			
- in profit or loss	(3,233)	-	(3,233)
- in other comprehensive income	-	(1,754)	(1,754)
Closing balance	53,645	27,981	81,626

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

	31 December 2023		31 December 2022	
	Carrying amount AED'000	Fair value AED'000	Carrying amount AED'000	Fair value AED'000
Financial assets				
Investments at amortised cost	284,365	275,798	233,700	224,540

Investments at amortised cost comprise mainly of fixed income bonds and sukuk. The fair value of these bonds and sukuk are determined based on quoted prices in an active market and classified as Level 1 fair value measurement, except for investments having fair value of AED 52.05 million (31 December 2022: AED 3.25 million), classified at Level 2 based on observable prices as at 31 December 2023.

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

31 Corporate tax

On 9 December 2022, the UAE Ministry of Finance released the Federal Decree Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the Law) to enact a Federal Corporate Tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

The Cabinet of Ministers Decision No. 116/2022 effective from 2023, specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted. A rate of 9% will apply to taxable income exceeding AED 375,000, a rate of 0% will apply to taxable income not exceeding AED 375,000.

For the Company, current taxes shall be accounted for as appropriate in the financial statements for the period beginning 1 January 2024. In accordance with IAS 12 Income Taxes, the related deferred tax accounting impact has been considered for these annual financial statements.

Since the corporate tax was introduced only recently, this may create tax risks in UAE that are more significant than in other countries. The Company has assessed the deferred tax implications for the year and, after considering its interpretations of applicable tax law, official pronouncements, cabinet decisions and ministerial decisions (especially with regard to transition rules), it has been concluded that it is not expected to be material. The Company shall continue to monitor critical Cabinet Decisions to determine the impact on the Company, from deferred tax perspective.

32 Supervision Fees

In accordance with Article 6 of the Federal Law no 48 of 2023 regulating insurance companies, below supervision fees are payable to central bank of UAE for the year 2023.

Description	Medical Insurance AED'000	Property and Liability AED'000	Total AED'000
Direct written premiums	140,506	875,336	1,015,842
Assumed Business			
- Foreign		149,364	149,364
- Local		55,400	55,400
Total Assumed Business		204,764	204,764
Gross written premiums	140,506	1,080,100	1,220,606
Local Assumed business		55,400	55,400
Gross premiums excl. local assumed business	140,506	1,024,700	1,165,206
Ratio by Council of Ministers decision	0.40%	0.50%	
Total Fees to be paid for the year 2023	562	5,124	5,686

Emirates Insurance Company P.J.S.C.

Notes to the financial statements

33 Social contributions

The social contribution made during the year amount to AED Nil (*31 December 2022: AED Nil*).

34 Audit fees

The audit fees charged during the year amount to AED 345 thousand (*31 December 2022: AED 150 thousand*).

The audit related fees charged during the year amount to AED 465 thousand (*31 December 2022: AED 351.3 thousand*).

35 Approval of financial statements

These financial statements were approved by the Board of Directors and authorised for issue in their meeting on 28 FEB 2024