

## Saudi Arabian Cooperative Insurance Company

A Saudi Joint Stock Company established in accordance with Royal Decree No. 60/M dated 18/09/1427H (corresponding to 11/10/2006G) with Commercial Registration No. 1010237214 dated 07/08/1428H (corresponding to 20/08/2007G)

Offering of 15,000,000 Shares through a rights issue at an Offer Price of SAR 10 per New Share at nominal price resulting in an increase in Share Capital of SAR150,000,000 (150% of the existing share capital).

**First Offering Phase: 22/08/1436H (corresponding to 09/06/2015G)  
To 01/09/1436H (corresponding to 18/06/2015G)**

**Second Offering Phase: From 04/09/1436H (corresponding to 21/06/2015)  
To 06/09/1436H (corresponding to 23/06/2015G)**

Saudi Arabian Cooperative Insurance Company ("SAICO" or the "Company") is a Saudi Joint Stock Company established in accordance with Royal Decree No. 60/M dated 18/09/1427H (corresponding to 11/10/2006G) and registered in Riyadh, Saudi Arabia, with Commercial Registration No. 1010237214 dated 07/08/1428H (corresponding to 20/08/2007G). As of the date of this prospectus (this "Prospectus"), the share capital of the Company is SAR 100,000,000 consisting of 10,000,000 shares with a nominal value of SAR 10 each (the "Existing Shares"), all of which are fully paid.

The Board of Directors has recommended under its resolution No. 23 issued in its meeting held on 12/01/1432H (corresponding to 18/12/2010G) to increase the Company's share capital from SAR 100 million to SAR 250 million representing an increase of 150% in the existing share capital of the Company after obtaining the necessary regulatory approvals. The Board of Directors has once again recommended, in its meeting held on 25/08/1435H (Corresponding to 23/06/2014G), the pursuance of the increase of share capital. The Extraordinary General Assembly Meeting of Shareholders held on 13/08/1436H (corresponding to 31/05/2015G) (the "EGM") has approved the Board of Directors recommendation to increase the company's share capital.

The major shareholder in the company is Saudi Arabian Insurance Company BSC (C), Bahrain ("SAICO BSC", the "Substantial Shareholder" or the "Strategic Partner") which owns 30% of the Company's share capital.

The rights issue (the "Offering") consists of the issuance of 15,000,000 Ordinary Shares (the "Offer Shares", the "Rights Issue Shares" or the "New Shares") at an Offer Price of SAR 10 per share (the "Offer Price") representing an increase in the share capital from SAR 100,000,000 to SAR 250,000,000 representing an increase of 150% in the existing share capital of the Company.

The Offering is fully underwritten by the Underwriter (the "Underwriter") (see section titled "Underwriting" for details). The Company intends to use these proceeds to cover the solvency requirements (see section titled "Use of Proceeds" for details).

The Offering will be issued as tradable securities (referred to collectively as the "Rights" and each a "Right") to Shareholders registered in the Company as at the close of trading on the date of the EGM (such date referred to as the "Eligibility Date" or the "Record Date") (such Shareholders referred to collectively as the "Qualifying Shareholders" or Registered Shareholders" and each a "Qualifying Shareholder" or "Registered Shareholder"), provided that such Rights are deposited in the Registered Shareholders' accounts within two days after the Record Date in the ratio of 3 Rights for every 2 Existing Shares. Each Right grants its holder, the eligibility to subscribe to 1 New Ordinary Share at the Offer Price.

Registered Shareholders and all institutional and individual investors may trade the Rights on the Saudi Stock Exchange ("Tadawul" or the "Exchange") during the period from 22/08/1436H (corresponding to 09/06/2015G) until the close of Trading on 01/09/1436H (corresponding to 18/06/2015G) (the "Trading Period").

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

**First Offering Phase (Phase 1):** From 22/08/1436H (corresponding to 09/06/2015G) until the end of the day on 01/09/1436H (corresponding to 18/06/2015G) (the "First Offering Phase"), during which only Registered Shareholders may exercise their Rights to subscribe (in whole or in part) for the New Shares up to the number of Rights deposited in their accounts after the EGM. The subscription for the New Shares will be approved, subject to the number of Rights available in the relevant account at the end of the Trading Period (the "Trading Period"). The First Offering Phase coincides with the Trading Period during which Registered Shareholders and all institutional and individual investors may trade in the Rights. The Registered Shareholders may subscribe to additional shares after purchasing additional Rights during the Trading Period. These additional shares

that can be subscribed to as a result of the purchase of the new rights may only be subscribed to during the Second Offering Phase.

**Second Offering Phase (Phase 2):** From 04/09/1436H (corresponding to 21/06/2015) until the end of the day on 06/09/1436H (corresponding to 23/06/2015G) (the "Second Offering Phase"), during which all Rights holders, whether Registered Shareholders or purchasers of Rights during the Trading Period (referred to collectively as "Eligible Persons", and each an "Eligible Person"), may exercise their Rights to subscribe.

Subscription Application Forms may be submitted during both the First Offering Phase and Second Offering Phase at any of the branches of the Receiving Agents (the "Receiving Agents") listed in page (ix) of this Prospectus.

In the event that any New Shares remain unsubscribed for in the First Offering Phase and Second Offering Phase (the "Rump Shares"), they will be offered to a number of Institutional Investors (referred to as "Institutional Investors"), provided that such Institutional Investors shall submit offers to purchase the Rump Shares. Receipt of such offers will start at 10:00 AM on 11/09/1436H (corresponding to 28/06/2015G) until 10:00 AM on 12/09/1436H (corresponding to 29/06/2015G) (the "Rump Offering"). The Rump Shares will be allocated to Institutional Investors giving priority to the price of the offers until all of the Rump Shares have been allocated, with the Rump Shares being proportionally allocated among Institutional Investors that tendered offers at the same price. Fractional Shares will be added to the Rump Shares and treated in the same manner. All proceeds resulting from the sale of Rump Shares and Fractional Shares up to the paid Offer Price shall be distributed to the Company and any proceeds in excess of the paid Offer Price shall be distributed to the Eligible Persons on pro rata basis no later than 22/09/1436H (corresponding to 09/07/2015G).

In the event that the Rump Shares are not purchased by the Institutional Investors, such shares will be allocated to the Underwriter, who will purchase the same at the Offer Price (see section titled "Subscription Terms and Conditions" for details). After the completion of the Offering, the Company's share capital will become SAR 250,000,000 (Two Hundred Fifty Million Saudi Riyals) and the number of the Company's Shares will be 25,000,000 (Twenty Five Million). The net proceeds of the Offering will be utilized to meet the Company's financial solvency requirements (see section titled "Use of Proceeds" for details). The final allocation will be announced no later than 14/09/1436H (corresponding to 01/07/2015G) (the "Allocation Date") (see section titled "Subscription Terms and Conditions" for details).

The Company has only one class of Shares and no Shareholder has any preferential voting rights. The New Shares will be fully paid and will rank identically with the Existing Shares. Each Share entitles its holder to one vote and each shareholder with at least twenty (20) Shares has the right to attend and vote at the General Assembly Meetings ("General Assembly Meeting") of the Company. The New Shares will be entitled to receive their portion of any dividends declared by the Company, if any, effective the their date of issuance and following financial years (see section titled "Dividends Distribution Policy" and section titled "Risk Factors" for details).

The company listed 10,000,000 shares on 22/08/1428H (corresponding to 03/09/2007G) on the Saudi Stock Exchange (the "Exchange" or "Tadawul"). The Founding Shareholders subscribed for 60% of the Company's share capital while the remaining 40% had been offered to the Public.

Currently, the Company's Existing Shares are traded on Tadawul. The Company has made an application to the Capital Market Authority in the Kingdom of Saudi Arabia (the "Authority" or the "CMA") for the admission of the New Shares to the Official List. Approval of this Prospectus has been granted and all requirements have been met. Trading in the New Shares is expected to commence on the Exchange soon after the final allocation of the New Shares (see "Key Dates for Subscribers" for details). Following the commencement of trading in the New Shares, Saudi nationals and residents, GCC nationals, Saudi companies, banks and funds, GCC companies and establishments, foreign investors from outside the Kingdom (through swap agreements) will be allowed to trade in the Shares. The "Important Notice" and "Risk Factors" sections of this Prospectus should be read in whole and carefully by all eligible investors prior to making a decision to invest in the New Shares offered hereby.

## Financial Advisor, Lead Manager & Underwriter



## Receiving Agents



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

This Prospectus is dated 13/08/1436H (corresponding to 31/05/2015G)

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



## Important Notice

This Prospectus provides details of information relating to the Company and the Offered Rights Issue Shares. When applying for the Rights Issue Shares, investors will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which are available for collection from the Company, the Lead Manager and branches of the Receiving Agents or by visiting the CMA's website: [www.cma.org.sa](http://www.cma.org.sa) or the Lead Manager's website: [www.shc.com.sa](http://www.shc.com.sa).

The Company has appointed Saudi Hollandi Capital ("SHC") to act as the Financial Advisor, Lead Manager and sole Underwriter in relation to the Rights Issue of Offer Shares referred to herein.

This Prospectus includes information given in compliance with the Listing Rules of the Capital Market Authority of the Kingdom of Saudi Arabia (the "Authority" or the "CMA"). The Directors, whose names appear on page (iv), jointly and severally, accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading. The Authority and the Saudi Stock Exchange (the "Exchange" or "Tadawul") do not take any responsibility for the contents of this Prospectus, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

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

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

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

The Offering is directed at the rights-holders during the period from 22/08/1436H (corresponding to 09/06/2015G) until the end of the day on 06/09/1436H (corresponding to 23/06/2015G) provided that the subscription in the New Shares shall be carried out through two phases:

(a) First Offering Phase: from 22/08/1436H (corresponding to 09/06/2015G) until the end of the day on 01/09/1436H (corresponding to 18/06/2015G) during which only Registered Shareholders may exercise their Rights to subscribe (in whole or in part) for the New Shares up to the number of Rights deposited in their accounts after the EGM. The subscription for the New Shares will be approved, subject to the number of Rights available in the relevant account at the end of the Trading Period. The First Offering Phase coincides with the Trading Period during which Registered Shareholders and all institutional and individual investors may trade in the Rights. The Registered Shareholders may subscribe to additional shares after purchasing additional Rights during the Trading Period. These additional shares that can be subscribed to as a result of the purchase of the new rights may only be subscribed to during the Second Offering Phase.

(b) Second Offering Phase: from 04/09/1436H (corresponding to 21/06/2015G) until the end of the day on 06/09/1436H (corresponding to 23/06/2015G), during which all Eligible Persons, whether Registered Shareholders or purchasers of Rights during the Trading Period, may exercise their Rights to subscribe. No trading of Rights shall take place in this period.

In the event that any Shares remain unsubscribed for after the Second Offering Phase, they will be offered to a number of Institutional Investors, provided that such Institutional Investors shall submit offers to purchase the Rump Shares. Receipt of such offers will start at 10:00 AM on 11/09/1436H (corresponding to 28/06/2015G) until 10:00 AM on 12/09/1436H (corresponding to 29/06/2015G). The Rump Shares will be allocated to Institutional Investors giving priority to the price of the offers until all of the Rump Shares have been allocated, with the Rump Shares being proportionally allocated among Institutional Investors that tendered offers at the same price. Fractional Shares will be added to the Rump Shares and treated in the same manner. All proceeds resulting from the sale of Rump Shares and Fractional Shares up to the paid Offer Price shall be distributed to the Company and any proceeds in excess of the paid Offer Price shall be distributed to the Eligible Persons on a pro rata basis no later than 22/09/1436H (corresponding to 09/07/2015G).

## Industry and Market Data

In this Prospectus, information and data regarding economic figures and insurance industry have been obtained from different sources believed to be reliable and the Company has made all reasonable inquiries as to the accuracy of the information obtained from these sources. While neither the Company nor its Directors have a reason to believe that any of the market and industry information is materially inaccurate, such information has not been independently verified and no representation is made with respect to the accuracy or completeness of any of this information. The referenced sources include:

### Saudi Insurance Market Survey Report 2013G issued by SAMA

SAMA, the central bank of the Kingdom of Saudi Arabia, was established in 1952G. The main functions of SAMA include:

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

The information obtained from SAMA is publicly available and obtainable from the internet; therefore no consent has been pursued to use such information.

### Report of Swiss Reinsurance Company ("Swiss Re")

Swiss Re is one of the leading companies in the field of reinsurance. It was established in 1863G in Zurich, Switzerland. Swiss Re has a presence in more than twenty five (25) countries and publishes a range of reports on insurance markets worldwide. These reports are publicly available and obtainable from their website.

The information obtained from Swiss Re as used in this Prospectus is publicly available and can be obtained via the internet and therefore consent to use their reports in the Prospectus has not been sought. Neither Swiss Re, nor any of its subsidiaries, shareholders, directors or Relatives has any interest in the Company.

## Financial and Statistical Information

The audited financial statements for the financial years ending 31st December 2011G, 2012G, 2013G and the reviewed financial statements for the six months period ending 30th June 2014G and the notes thereto have been audited or reviewed in conformity with the standards issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). The Company publishes its financial statements in Saudi Arabian Riyals ("SAR"). The audit for 2011G had been conducted by Deloitte & Touche Bakr Abulkhair & Co. and Ernst & Young while the audit for 2012G had been conducted by Ernst & Young and Pricewaterhouse Coopers, Al-Juraid and the audit for 2013G and the review for the six months ended 30th June 2014G had been conducted by Deloitte & Touche Bakr Abulkhair & Co. and PricewaterhouseCoopers, Al-Juraid.

## Forecasts and Forward Looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of certain stated assumptions. Future operating conditions may differ from the assumptions used and consequently no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts.

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

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

## Corporate Directory

### Board of Directors

Name	Position	Date of Appointment	Nationality	Age	Shareholding*	Represented Entity	Directorship Status
HH Prince Ahmed Bin Khalid Bin Abdullah Al-Saud	Chairman	08/06/2013G	Saudi	54	None	SAICO BSC	Non Executive & Non Independent
Dr. George Shahin Medawar	Director	08/06/2013G	Lebanese	82	None	SAICO BSC	Non Executive & Non Independent
Abdulaziz Abussuud	Director	08/06/2013G	Saudi	74	1000 (0.01%)**	-	Non Executive & Non Independent
Abdullah Mohammed Al-Khenaifier	Director	08/06/2013G	Saudi	58	1000 (0.01%)**	-	Non Executive & Independent
Abdulmohsen Bakheet Saeed	Director	08/06/2013G	Saudi	58	1000 (0.01%)**	-	Non Executive & Independent

Source: The Company

\*The shareholdings are as of 20 November 2014G.

\*\*The 1,000 shares owned by each of the three directors not representing SAICO BSC represent the qualification shares required under Article 68 of the Companies Law.

## Company Address, Representatives and Board Secretary



Saudi Arabian Cooperative Insurance Company  
1st Floor, Platinum Center, Salahadeen Al-Ayoobi Street  
P.O. Box: 58073, Riyadh 11594  
Kingdom of Saudi Arabia  
Tel: +966 11 8749666  
Fax: +966 11 4751180  
Website: www.saico.com.sa  
Email: gmadmin@saico.com.sa

Secretary to Board of Directors:  
Abdulrahman Naser Al-Saad  
1st Floor, Platinum Center, Salahadeen Al-Ayoobi Street  
P.O. Box: 58073 Riyadh 11594  
Kingdom of Saudi Arabia  
Tel: +966 11 8749666  
Fax: +966 11 4751180  
Email: aalsaad@saico.com.sa

Company's Authorized Representative (1):  
Hassan Abdullah Al-Somali  
Chief Executive Officer  
1st Floor, Platinum Center, Salahadeen Al-Ayoobi Street  
P.O. Box: 58073, Riyadh 11594  
Kingdom of Saudi Arabia  
Tel: +966 11 8749666  
Fax: +966 11 4751180  
Email: haa@saico.com.sa

Company's Authorized Representative (2):  
Abdulaziz Abussuud  
Member of the Board of Directors  
Makeen Logistical Projects, Building No.1, 2nd Floor, Salahadeen  
Al-Ayoobi Street  
P.O. Box: 667 Riyadh 11421  
Kingdom of Saudi Arabia  
Tel: +966 11 4405410  
Fax: +966 11 4405412  
Email: aaa@ace-ins.com

### Share Registrar

Tadawul  
Tawuniya Towers  
700 King Fahd Road  
P.O. Box 60612, Riyadh 11555  
Kingdom of Saudi Arabia  
Tel: +966 11 218 9999  
Fax: +966 11 218 1260  
Customers' Care: +966 11 218 9090  
Email: info@tadawul.com.sa  
www.tadawul.com.sa

## Principal Bankers

Saudi Hollandi Bank  
Prince Abdulaziz Bin MUSAED Bin Jalawi Street  
P.O. Box: 1467, Riyadh 11431, Kingdom of Saudi Arabia  
Tel: +966 11 4010288  
Fax: +966 11 4031104  
Website: www.shb.com.sa  
Email: info@shb.com.sa

البنك السعودي الهولندي  
Saudi Hollandi Bank 

Bank Saudi Fransi  
King Abdulaziz Street  
P.O. Box 56006, Riyadh 11554, Kingdom of Saudi Arabia  
Tel: +966 11 404 2222  
Fax: +966 11 402 2311  
Website: www.alfransi.com.sa  
E-mail: communications@alfransi.com.sa

البنك السعودي الفرنسي  
Banque Saudi Fransi 

The Saudi British Bank  
Head Office  
Prince Abdulaziz Bin Massad Bin Jalawi Street  
P.O. Box 9084, Riyadh 11413, Kingdom of Saudi Arabia  
Tel: +966 11 4050677  
Fax: +966 11 4050660  
Website: www.sabb.com  
Email: sabb@sabb.com

SABB  ساب

Samba Financial Group  
Main Branch  
Kingdom Tower  
P.O. Box 833, Riyadh 11421, Kingdom of Saudi Arabia  
Tel: +966 11 4774770  
Fax: +966 11 4799402  
Website: www.samba.com  
Email: CustomerCare@samba.com

samba  سامبا

The National Commercial Bank  
P.O. Box 3555, Jeddah 21481, Kingdom of Saudi Arabia  
Tel: +966 12 649 3333  
Fax: +966 12 643 7426  
Website: www.alahli.com  
Email: PaymentOperations@alahli.com

NCB الأهلي 

BNP Paribas  
26th Floor, Al Faisal Tower  
King Fahd Road  
P.O. Box 56300  
Riyadh 11554, Kingdom of Saudi Arabia  
Tel: +966 11 273 9100  
Fax: +966 11 273 9191  
Website: www.mea.bnpparibas.com  
Email: csd.ksa@bnpparibas.com

 BNP PARIBAS  
CORPORATE & INVESTMENT BANKING

Al Inma Bank  
Platinum Centre  
P.O. Box 66674, Riyadh 11586, Kingdom of Saudi Arabia  
Tel: +966 11 2185555  
Fax: +966 11 2185699  
Website: www.alinma.com  
Email: info@alinma.com

مصرف الإنماء  
alinma bank 

Bank Al Bilad  
Southern Ring Branch  
P.O. Box 140, Riyadh 11411, Kingdom of Saudi Arabia  
Tel: +966 11 4798888  
Fax: +966 11 4798898  
Website: www.bankalbilad.com  
Email: MStatementsOfAccount@bankalbilad.com

بنك البلاد  
BANK ALBILAD 

## Advisors

Financial Advisor, Lead Manager and Underwriter

السعودي الهولندي المالية  
Saudi Hollandi Capital



Saudi Hollandi Capital  
Olaya Street  
P.O. Box: 1467, Riyadh 11431  
Tel: +966 11 416 3133  
Fax: +966 11 416 3133 Ext 5308  
Website: www.shc.com.sa  
E-mail: info@shc.com.sa

## Current Auditors\*



PricewaterhouseCoopers  
King Faisal Charity Building  
P.O. Box 8282, Riyadh 11482  
Kingdom of Saudi Arabia  
Tel: +966 11 4654240  
Fax: +966 11 4651663  
Website: www.pwc.com/me  
E-mail: Project.leader@sa.pwc.com



Aldar Audit Bureau  
Abdullah AlBasri & Co.

Aldar Audit Bureau  
Abdullah AlBasri & Co, Member firm of Grant Thornton  
International Certified Public Accountants  
Al Mousa Complex, Tower 4, 7th Floor, Olaya Main Street,  
P.O. Box 2195, Riyadh 11451,  
Kingdom of Saudi Arabia  
Tel: +966 11 4630680  
Fax: + 966 11 4645939  
Webste: www.aldaraudit.com  
Email: infor@aldaraudit.com

## Previous Auditors (2014G & 2013G)



PricewaterhouseCoopers  
King Faisal Charity Building  
P.O. Box 8282, Riyadh 11482  
Kingdom of Saudi Arabia  
Tel: +966 11 4654240  
Fax: +966 11 4651663  
Website: www.pwc.com/me  
E-mail: Project.leader@sa.pwc.com

**Deloitte.**

Deloitte & Touche Bakr Abulkhair & Co.  
Prince Abdullah Bin Turki Al-Saud, Sulaimanyah  
P.O. Box: 213 Riyadh 11411  
Kingdom of Saudi Arabia  
Tel: +966 11 2828400  
Fax: +966 11 2828428  
Website: www.deloitte.com  
Email: info@deloitte.com

## Previous Auditors (2012G)



PricewaterhouseCoopers  
King Faisal Charity Building  
P.O. Box: 8282, Riyadh 11482  
Kingdom of Saudi Arabia  
Tel: +966 11 4654240  
Fax: +966 11 4651663  
Website: www.pwc.com/me  
E-mail: Project.leader@sa.pwc.com



Ernst & Young  
Al-Faisaliah Tower  
King Fahad Road  
P.O. Box: 2732, Riyadh 11461  
Kingdom of Saudi Arabia  
Tel: +966 11 273 4740  
Fax: +966 11 273 4730  
Website: www.ey.com  
E-mail: riyadh@sa.ey.com

\* Appointed at the shareholders' meeting held on 13/08/1436H (corresponding to 31/05/2015G)

## Advisors

### Previous Auditors (2011G)



Deloitte & Touche Bakr Abulkhair & Co.  
Prince Abdullah Bin Turki Al-Saud, Sulaimanyah  
P.O. Box: 213 Riyadh 11411  
Kingdom of Saudi Arabia  
Tel: +966 11 2828400  
Fax: +966 11 2828428  
Website: www.deloitte.com  
E-mail: info@deloitte.com



Ernst & Young  
Al-Faisaliah Tower,  
King Fahad Road  
P.O. Box: 2732, Riyadh 11461  
Kingdom of Saudi Arabia  
Tel: +966 11 273 4740  
Fax: +966 11 273 4730  
Website: www.ey.com  
E-mail: riyyadh@sa.ey.com

### Legal Advisor to the Offering



Ibrahim Mohamed Al-Naseri Lawyers & Legal Advisors  
Al-Baja'a Building, Olaya  
P.O. Box: 8269, Riyadh 11492  
Kingdom of Saudi Arabia  
Tel: +966 11 464 1529  
Fax: +966 11 464 1267  
website: www.alnaseri.com  
Email: Ibrahim@alnaseri.com

### Financial Due Diligence Advisor



KPMG AlFozan & AlSadhan  
KPMG Tower  
Salahuddin Al Ayoubi Road  
P.O. Box 92876 Riyadh 11663  
Kingdom of Saudi Arabia  
Tel: +966 11 8758600  
Fax: +966 11 8758600  
Website: www.kpmg.com.sa  
Email: advsiorysa@kpmg.com

### Actuary Advisor



Lux Actuaries & Advisors  
22 Nuetel Building  
Amwaj Island  
P.O. Box: 50912 Al-Hidd, Muharraq  
Bahrain  
Office: +973 77 00 5464  
Fax: Not in use  
Website: www.luxactuaries.com.  
E-mail: ruan@luxactuaries.com

All the aforementioned parties have given and not withdrawn their written consent to the publication of their names and logos in the Prospectus; and do not themselves have any shareholding or interest of any kind in the Company, nor do any of their relatives or affiliates.

## Receiving Agents

البنك السعودي الهولندي  
Saudi Hollandi Bank 

Saudi Hollandi Bank  
Prince Abdulaziz bin Musa'ed bin Jalawi Street  
P.O. Box 1467, Riyadh 11431  
Kingdom of Saudi Arabia  
Tel: +966 11 401 0288  
Fax: +966 11 403 1104  
Website: www.shb.com.sa  
E-mail: info@shb.com.sa

NCB الأهلي 

The National Commercial Bank  
King Abdulaziz Road  
P.O. Box 3555, Jeddah 21481  
Kingdom of Saudi Arabia  
Tel: +966 12 649 3333  
Fax: +966 12 7437 426  
Website: www.alahli.com  
E-mail: PaymentOperations@alahli.com

بنك الرياض  
riyadh bank 

Riyadh Bank  
King Abdulaziz Road  
P.O. Box 22622, Riyadh 11614  
Kingdom of Saudi Arabia  
Tel: +966 11 401 3030  
Fax: +966 11 404 2618  
Website: www.riyadbank.com  
E-mail: customercare@riyadhbank.com

samba  سامبا

Samba Financial Group  
H.O, King Abdulaziz Road  
P.O. Box 833, Riyadh 11421  
Kingdom of Saudi Arabia  
Tel: +966 11 477 4770  
Fax: +966 11 479 9402  
Website: www.samba.com  
E-mail: customercare@samba.com

البنك  
السعودي  
الفرنسي  
Banque  
Saudi  
Fransi 

Banque Saudi Fransi  
Al Maathar Street, Riyadh  
P.O. Box 56006 Riyadh 11554  
Kingdom of Saudi Arabia  
Tel: +966 11 404 2222,  
Fax: +966 11 402 2311  
Website: www.alfransi.com.sa  
E-mail: Communications@alfransi.com.sa

بنك الجزيرة  
BANK ALJAZIRA   
مصرفية إسلامية حديثة INNOVATIVE ISLAMIC BANKING

Bank AlJazira  
King Abdulaziz Road  
P.O. Box 6277, Jeddah 21442  
Kingdom of Saudi Arabia  
Tel: +966 12 609 8888  
Fax: +966 12 609 8881  
Website: www.baj.com.sa  
E-mail: info@baj.com.sa

## Summary of the Offering

The Company	Saudi Arabian Cooperative Insurance Company, a Saudi joint stock company established in accordance with Royal Decree No. 60/M dated 18/09/1427H (corresponding to 11/10/2006G). The Company operates under Commercial Registration No. 1010237214 issued from Riyadh, Saudi Arabia.
Summary of Company's activities	The company is practicing, in compliance with the provisions of the Cooperative Insurance Companies Control Law, its executive by-laws and prevailing rules and regulations, insurance activities for all insurance businesses and related services including reinsurance, agencies, representation or brokerage. The Company may exercise all related activities necessary to achieve insurance and investment businesses objectives. The Company may also, solely or jointly with others, own and trade in fixed or current assets directly or indirectly through its wholly-owned subsidiaries or associated entities.
Substantial Shareholders	The Company has only one Substantial Shareholder, which is SAICO BSC (a Closed Joint Stock Company based in Kingdom of Bahrain) with an ownership percentage of 30% of the Company's share capital (3 Million Shares).
Strategic Partner	SAICO BSC
Nature of Offering	Increase of Capital through Rights Issue Offering
Offer Price	SAR 10 per New Share
Nominal Value	SAR 10 per New Share
Adjusted Price	The company's share price on Tadawul has been adjusted to SAR 23.90 per share by the end of the trading session on the Record Date and after approval of the Shareholders for the increase in capital. The share price has accordingly been reduced by SAR 20.84 per share.
Total number of Existing Shares issued prior to Offering	10,000,000 fully paid Shares
Company's capital prior to the Offering	SAR 100,000,000
Number of New Shares offered	15,000,000 ordinary Shares
Total number of Shares post-Offering	25,000,000 Shares
Percentage increase in share capital	The share capital of the Company will be increased by 150 per cent
Total Proceeds from the Offering before offering expenses	SAR 150,000,000
Offering expenses	Approximately SAR 6,000,000
Total Proceeds from the Offering after deduction of the offering expenses	Approximately SAR 144,000,000
Number of New Shares to be Underwritten	15,000,000
Total value of New Shares to be underwritten	SAR 150,000,000
Use of the Offering proceeds	The gross proceeds of the Offering are estimated to be SAR 150,000,000. The offering expenses, including the fees of the Financial Advisors, legal advisors to the offering, reporting accountants, and the media and public relations consultants, as well as the Underwriter fees, Receiving Agent's expenses, marketing expenses, printing and distribution expenses and other related expenses, of SAR 6,000,000 will be deducted from the gross proceeds. The net proceeds of the Offering will be used by the Company to maintain the minimum solvency requirements and the Company's capital as required by the provisions of the Cooperative Insurance Companies Control Law and its executive by-laws. Shareholders will not receive any part of these proceeds (see section titled "Use of Proceeds" for details).
Eligibility Date or Record Date	Close of trading on the day of the EGM held on 13/08/1436H (corresponding to 31/05/2015G).
Registered Shareholders	Shareholders registered in the Company's Register as at the close of trading on the day of the EGM held on 13/08/1436H (corresponding to 31/05/2015G).

Rights Issue	The Rights are issued as tradable securities giving their holders the right to subscribe for the New Shares at the Offer Price, upon approval of the capital increase. All shareholders registered in the Company's Register at the end of the day of the EGM will be entitled to receive Rights. Each Right grants its holder, the eligibility to subscribe for one (1) New Share at the Offer Price. The Rights will be deposited within two (2) days after the date of the EGM. The Rights will appear in the accounts of the Registered Shareholders under a new symbol specifying the Rights Issue. The Registered Shareholders will be informed of the deposit of the Rights in their accounts.
New Shares	The ordinary Shares offered for subscription by Registered Shareholders resulting from the Capital increase of the Company.
Rights Issue Ratio	1.5 Rights for every 1 Existing Share owned by a Registered Shareholder. This ratio is the outcome of dividing the number of New Shares by the number of the Company's Existing Shares.
Number of Issued Rights	15,000,000 Rights
First Offering Phase	The Period from 22/08/1436H (corresponding to 09/06/2015G) until the end of the day on 01/09/1436H (corresponding to 18/06/2015G) during which only Registered Shareholders may exercise their Rights to subscribe (in whole or in part) for the New Shares up to the number of Rights deposited in their accounts after the EGM. The subscription for the New Shares will be approved, subject to the number of Rights available in the relevant account at the end of the Trading Period. The First Offering Phase coincides with the Trading Period during which Registered Shareholders and all institutional and individual investors may trade in the Rights.
Trading Period	From 22/08/1436H (corresponding to 09/06/2015G) until the end of the day on 01/09/1436H (corresponding to 18/06/2015G) during which Registered Shareholders and all institutional and individual investors may trade the Rights.
Second Offering Phase	The period from 04/09/1436H (corresponding to 21/06/2015G) until the end of the day on 06/09/1436H (corresponding to 23/06/2015G) during which all Rights' holders whether Registered Shareholders or purchasers of Rights during the Trading Period, may exercise their Rights to subscribe in New Shares. No trading of Rights shall take place in this period.
Subscription Procedure	Eligible Persons who intend to subscribe for the New Shares shall complete the Subscription Application Form and submit it to the branches of the Receiving Agents during business hours of the First Offering Phase or the Second Offering Phase (as applicable). Subscription may also be made through internet, phone banking or ATM channels of the Receiving Agents that provide such services, provided that (1) Eligible Shareholders have a valid banking account with the Receiving Agent through which the subscription is made and (2) No amendment has been introduced to data related to the subscriber (by addition or deletion any of the family members) since the latest offering that was subscribed for, unless this amendment has been communicated to and approved by the Receiving Agent.
Rump Shares	The New Shares which were not subscribed for during the First Offering Phase and the Second Offering Phase.
Rump Offering	The Rump Shares will be offered to a number of Institutional Investors provided that such Institutional Investors shall submit offers to purchase the Rump Shares. Receipt of such offers will start at 10:00 AM on 11/09/1436H (corresponding to 28/06/2015G) until 10:00 AM on 12/09/1436H (corresponding to 29/06/2015G). The Rump Shares will be allocated to Institutional Investors giving priority to the price of the offers until all of the Rump Shares have been allocated, with the Rump Shares being proportionally allocated among Institutional Investors that tendered offers at the same price. Fractional Shares will be added to the Rump Shares and treated in the same manner.
Eligible Persons	All holders of Rights whether they are Registered Shareholders or purchasers of Rights during the Trading Period.

Listing of/Trading in the Rights Issue	<p>Tadawul is preparing mechanisms regulating the trading of the Rights in its system. A separate symbol will be given to SAICO's Rights Issue (separate from the SAICO's trading symbol for the existing Shares on the Tadawul screen). Registered Shareholders shall have the following options during the offering and trading period of the trading of the Rights:</p> <ol style="list-style-type: none"> <li>1. Keeping the Rights as at the Eligibility Date and exercising their Rights to subscribe for the New Shares;</li> <li>2. Selling the Rights or a part thereof through Tadawul;</li> <li>3. Purchasing additional Rights on Tadawul; or</li> <li>4. Refraining from taking any action relating to the Rights, whether selling the Rights or exercising the Right to subscribe for the same. The Rump Shares resulting from not exercising the Rights or selling the same will be offered in the Rump Offering.</li> </ol> <p>The registered shareholders and all institutional and individual investors may, during the Trading Period, purchase and sell Rights through Tadawul and (provided the Rights are held until the end of the Trading Period) may exercise such Rights to subscribe for New Shares, only during the Second Offering Phase. The Tadawul system will cancel the SAICO Rights symbol on the Tadawul screen after the end of the Trading Period. Therefore, the Rights trading will end with the end of the Trading Period.</p>
Indicative Value of the Right	<p>The indicative value of a Right reflects the difference between the market price of the Company's Share during the Trading Period and the Offer Price. Tadawul will continuously calculate and publish the indicative value of a Right during the Trading Period on its website with a 5 minute delay. The market information service providers will also publish this information. This will allow investors to be informed of the indicative value of a Right when entering the orders.</p>
Right Trading Price	<p>The price at which the Right is traded. This price is set through the market offer and demand mechanism; therefore, it may differ from the Indicative Value of the Right.</p>
Exercising the Issued Rights	<p>Eligible Persons may subscribe for New Shares by completing a Subscription Application Form and paying the relevant subscription amount at the Receiving Agent's branches or by subscribing electronically through the Receiving Agents offering such services to subscribers. Eligible Persons may exercise their Rights as follows:</p> <ol style="list-style-type: none"> <li>1. During the First Offering Phase, only Registered Shareholders may exercise their Rights to subscribe (in whole or in part) for the New Shares up to the number of Rights deposited in their accounts after the EGM. The subscription for the New Shares will be approved, subject to the number of Rights available in the relevant account at the end of the Trading Period. The First Offering Phase coincides with the Trading Period during which Registered Shareholders and all institutional and individual investors may trade in the Rights. The Registered Shareholders may subscribe to additional shares after purchasing additional Rights during the Trading Period. These additional shares that can be subscribed to as a result of the purchase of the new rights may only be subscribed to during the Second Offering Phase.</li> <li>2. During the Second Offering Phase, all Rights' holders, whether Registered Shareholders or purchasers of Rights during the Trading Period may exercise their Rights to subscribe. No trading of Rights shall take place in this period.</li> </ol> <p>In the event that Rights have not been exercised by Eligible Persons before the end of the Second Offering Phase, the Rump Shares resulting from the unexercised Rights or failure to sell the Rights will be offered in the Rump Offering.</p>
Shares Allocation	<p>New Shares will be allocated to each investor according to the number of Rights subscribed for in a complete and correct manner. (Fractional Shares will be collected and offered to Institutional Investors during the Rump Offering). All proceeds resulting from the sale of Rump Shares and Fractional Shares up to the paid Offer Price shall be distributed to the Company and any proceeds in excess of the paid Offer Price shall be distributed to the Eligible Persons on pro rata basis no later than 22/09/1436H (corresponding to 09/07/2015G) (see section titled "Subscription Terms and Conditions" for details).</p>
Payment of Compensation Amounts (if any)	<p>Cash compensation amounts will be paid to Eligible Persons who did not subscribe wholly or partially for New Shares, as well as to the holders of Fractional Shares no later than 22/09/1436H (corresponding to 09/07/2015G). (see section titled "Subscription Terms and Conditions" for details). Compensation amounts represent remaining sale proceeds resulting from the Rump Shares and Fractional Shares (in excess of the paid Offer Price).</p>
Shares' Dividends	<p>The Offer Shares will be entitled to receive their portion of any dividends declared by the Company from the date of shares issuance and for the following financial years (see section titled "Dividends Distribution Policy" for details).</p>

Voting rights	The Company has only one class of Shares. No Shareholder shall have any preferential rights. Each of the Shares entitles its holder to one vote. Each Shareholder with at least 20 (twenty) shares has the right to attend and vote at the General Assembly Meeting.
Shares trading	Trading in the New Shares on Tadawul is expected to start after completion of all formalities related to registration, allocation and listing of the Offer Shares.
Risk Factors	There are certain risks relating to an investment in the Offering. These risks can be generally categorized into (i) risks related to the Company; (ii) risks related to the insurance market and the legal and regulatory environment in the KSA; and (iii) risks related to the Rights Issue Shares. These risks should be considered carefully prior to making an investment decision in the Rights Issue Shares (see section titled "Risk Factors" for details)
Previously listed shares	The company had listed 10,000,000 ordinary shares on 21/08/1428H (corresponding to 03/09/2007G) on Tadawul. The Founding Shareholders subscribed for 60% of the Company's share capital while the remaining 40% were subscribed for by the public.
Restrictions for the shares	The Company's shares had been listed in Tadawul on 21/08/1428H (Corresponding to 03/09/2007G) and the lock-up period for the Founding Shareholders has elapsed and the Founding Shareholders' Shares are no longer under lock-up except for the restrictions imposed by SAMA on the Strategic Partner, SAICO BSC. Therefore, SAICO BSC is not allowed to sell its shares in the company until the Company meets the statutory solvency margin and realize quarterly profits for four (4) consecutive quarters. The Strategic Partner has provided to SAMA a commitment to subscribe to all the New Shares that they are eligible to subscribe for under this Offering.
Restrictions for the Rights	The Rights owned by SAICO BSC are under lock-up, therefore, it is not allowed to sell its shares in the Company until the Company meets the statutory solvency margin and realize quarterly profits for four (4) consecutive quarters.

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

### Key Dates for Eligible Persons

Date of EGM, setting the Eligibility Date and determination of Registered Shareholders	13/08/1436H (corresponding to 31/05/2015G)
Start of the First Offering Phase and the Trading Period	22/08/1436H (corresponding to 09/06/2015G)
End of First Offering Phase and the Trading Period	01/09/1436H (corresponding to 18/06/2015G)
Start of the Second Offering Phase	04/09/1436H (corresponding to 21/06/2015G)
End of the Offering Period and deadline for submitting Subscription Applications Forms	06/09/1436H (corresponding to 23/06/2015G)
Start of Rump Offering Period	11/09/1436H (corresponding to 28/06/2015G)
End of Rump Offering Period	12/09/1436H (corresponding to 29/06/2015G)
Final Allocation Notification for Institutional Investors	14/09/1436H (corresponding to 01/07/2015G)
Payment of Compensation Amounts (if any) for Eligible Persons who did not participate in the Offering and those entitled to Fractional Shares	22/09/1436H (corresponding to 09/07/2015G)
Expected Date for the commencement of trading in the Offer Shares	18/09/1436H (corresponding to 05/07/2015G)

The above timetable and all dates therein are indicative. Actual dates will be communicated through local newspapers published in KSA as well as on Tadawul's website [www.tadawul.com.sa](http://www.tadawul.com.sa)

## Key Announcement Dates

Announcement	Announcing Party	Announcement Date
Announcement regarding the EGM (Eligibility Date)	Company	14/08/1436H (corresponding to 01/06/2015G)
Announcement regarding the EGM outcome, including the approval of the Company's capital increase	Company	14/08/1436H (corresponding to 01/06/2015G)
Announcement regarding the change in Company's share price, Rights' deposit and announcement regarding the Indicative Value of the Right	Tadawul	14/08/1436H (corresponding to 01/06/2015G)
Announcement regarding the Offering Period and the Trading Period	Company	14/08/1436H (corresponding to 01/06/2015G)
Reminder announcement regarding the start of the First Offering Phase and the Trading Period	Company	22/08/1436H (corresponding to 09/06/2015G)
Reminder announcement on the last trading day for the Trading Period and the importance of selling Rights for those not willing to exercise such Rights	Tadawul	01/09/1436H (corresponding to 18/06/2015G)
Announcement regarding the commencement of the Second Offering Phase	Company	04/09/1436H (corresponding to 21/06/2015G)
Reminder announcement about the last day for submitting Subscription Application Forms for the Second Offering Phase	Company	06/09/1436H (corresponding to 23/06/2015G)
Announcement regarding: <ul style="list-style-type: none"> <li>• Outcome of the First Offering Phase and the Second Offering Phase</li> <li>• Details of the sale of unsubscribed Shares, if any, and commencement of the Rump Offering Period</li> </ul>	Company	08/09/1436H (corresponding to 25/06/2015G)
Announcement regarding the outcome of the Rump Offering and notification of the final allocation	Company	14/09/1436H (corresponding to 01/07/2015G)
Announcement regarding the deposit of New Shares in the investors' accounts	Tadawul	18/09/1436H (corresponding to 05/07/2015G)
Announcement regarding the payment of compensation amounts (if any) to Eligible Persons	Company	18/09/1436H (corresponding to 05/07/2015G)

The above timetable and all dates therein are indicative. Actual dates will be communicated through local newspapers published in KSA as well as on Tadawul's website [www.tadawul.com.sa](http://www.tadawul.com.sa).

## How to Apply

Subscribing for the New Shares shall initially be limited to Eligible Persons. In the event that Eligible Persons do not subscribe for the New Shares, the unsubscribed shares shall be offered to Institutional Investors through the Rump Offering.

Eligible Persons who intend to subscribe for the New Shares shall complete the Subscription Application Form available at branches of the Receiving Agents during business hours of the First Offering Phase or the Second Offering Phase (as applicable). Subscribers shall submit the completed forms to any of the Receiving Agents prior to the end of the Second Offering Phase (even if they do not have bank account thereat). Subscription may also be made through internet, phone banking or ATM channels of the Receiving Agents that provide such services provided that the eligible Shareholders have a valid banking account with the Receiving Agent through which the subscription is made and the subscriber's information is duly updated.

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

## Q & A about the Rights Issue Mechanism

### What is a Rights Issue?

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

### Who is granted the Rights?

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

### When are the Rights deposited?

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

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

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

### How many Rights can be acquired by a Registered Shareholder?

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

### What is the Rights Issue ratio?

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

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

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

### What is the value of the Right upon the trading commencement?

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

### Can Registered Shareholders subscribe for additional shares?

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

### How does the Offering take place?

The Offering will take place as it currently does by submitting Subscription Application Forms at any of the Receiving Agents' branches or other channels (subject to certain conditions as mentioned in this Prospectus) and only during the First Offering Phase and the Second Offering Phase.

### **Is it allowed to subscribe more than once through more than one receiving bank?**

Yes, provided that the number of shares subscribed to should not exceed the number of held rights at the end of the Trading Period otherwise the subscription application will be cancelled.

### **If the company's shareholder owns shares in more than one portfolio, in which portfolio the rights will be deposited?**

Rights will be deposited to the same portfolio where the related Shares exist i.e. if a shareholder owns 1000 shares in the company, 800 of them in portfolio A and 200 in portfolio B the total number of Rights to be deposited are 1500 Rights (1.5 Rights per Share). In this case 1,200 Rights will be deposited in portfolio A and 300 Rights will be deposited in portfolio B.

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

Shares will be deposited to the portfolio given under the first Subscription Application Form.

### **Are share certificate holders allowed to subscribe and trade?**

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

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

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

### **Are additional Rights purchasers entitled to trade them once again?**

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

### **Is it possible to sell a part of these Rights?**

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

### **Is it possible to subscribe during the weekend between the First Offering Phase and the Second Offering Phase?**

No, that is not possible.

### **When can the shareholder subscribe to the Shares he/she is eligible to subscribe for due to the Rights purchased during the Trading Period?**

Such shares can be subscribed only during the Second Offering Phase and after the end of Trading Period.

### **Can the Eligible Person sell the Rights after expiry of the Trading Period?**

No, that is not possible. After the expiry of the Trading Period, the Eligible Person may only exercise the right to subscribe for the capital increase. In case the Right is not exercised, the investor may be subject to loss or decrease in the value of his investment portfolio.

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

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

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

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

### **Summary of Key Information**

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

### **Company Background**

SAICO is a Saudi joint stock company established in accordance with Royal Decree No. 60/M dated 18/09/1427H (corresponding to 11/10/2006G) and registered in Riyadh, K.S.A. with Commercial Registration No. 1010237214 dated 07/08/1428H (corresponding to 20/08/2007G). As of the date of this Prospectus, the share capital of the Company is SAR 100,000,000 consisting of 10,000,000 shares with a nominal value of SAR 10 each, all of which are fully paid.

The Company is practicing, in compliance with the provisions of the Cooperative Insurance Companies Control Law, its executive by-laws and prevailing rules and regulations insurance activities for all insurance businesses including marine and hull, private and commercial motor, public liability workmen compensations, fire and burglary, general accidents, engineering, group and individual general accidents, group medical and life insurance.

### **The Company's Mission**

The Company's mission is to offer quality and competitive insurance products and services through successful partnership with the clients, agents, brokers and other insurance providers, as required, with assurance of achieving shareholders interests and objectives.

### **The Company's Strategy**

The Company intends to strengthen its technical capabilities and develop its human resources, use electronic applications and improve its infrastructure efficiency in order to achieve its strategy. The strategy results may be reflected in increase of the company's market share, geographical expansion and enhance performance in underwriting, claims, marketing and sales to ensure optimum results. SAICO plans to focus on its strengths, broaden its clients base and seize opportunities that arise from the positive trend of the insurance market in addition to continuing to recruit the best human resources in insurance industry, particularly, Saudi Nationals.

The Company's strategy will be based on:

- Continuing to hold a strong position in the small and medium sized enterprises sector and an adequate position in the large corporations, public institutions and personal line sectors.
- Continuing to develop its own distribution network.
- Gaining more geographical visibility and be strong in all regions in Saudi Arabia by adding new branches.
- Banking on market sector strength in motor, medical, marine and engineering businesses.

## Summary of Insurance Businesses

The total number of insurance products approved by SAMA for SAICO is 41 products. 16 out of these products are finally approved while the remaining 25 are approved under File & Use (see section titled “Legal Information” for details).

The insurance businesses practiced by the company can be categorized as follows:

- Property Insurance
- Marine Cargo and Hull Insurance
- Motor Insurance
- Property Insurance
- General Accident Insurance
- Engineering Insurance
- Group Life Insurance
- Medical Insurance

The business may also be commercially categorized as follows:

### Commercial Insurance

- 1- Property – Physical Damages
- 2- Property – Business Interruption
- 3- Construction Contracts- All Risks and third party insurance
- 4- Motor
- 5- Manpower compensation and owner’s liability
- 6- Public liability and products
- 7- Money
- 8- Fidelity Guarantee
- 9- Marine Cargo and Hull
- 10- Directors’ and Senior Executive liability
- 11- Group Life Insurance

### Personal Insurance

- 1- All House insurance
- 2- Private Motors
- 3- Personal Accidents

The product list is only preliminary and the Company may decide to amend or not to provide any of the listed products as deemed appropriate and in line with the market regulatory requirements. Particularly, the Company may re-position itself to provide further insurance products such as Takaful.

## Overview of the Saudi Economy<sup>1</sup>

The sustained high levels of oil prices that the world has witnessed over the last few years coupled with sustained high levels of oil output from Saudi Arabia have resulted in Saudi Arabia’s government revenues increasing from SAR 643 billion in 2007G to SAR 1,156 billion in 2013G. These robust revenues have driven government spending from SAR 466 billion in 2007G to SAR 976 billion in 2013G.

The Saudi Arabian government has strategically routed higher proportions of the increased spending into capital expenditure. While capital expenditure was SAR 119 billion in 2007G, accounting for 26% of government spending, it rose to SAR 312 billion in 2013G, accounting for 32% of the government spending.

The government’s sustained spending over the last seven years has resulted in a trickledown effect across the economy causing private consumption expenditure growth of 11.5% CAGR and government consumption expenditure growth of 11.6% CAGR. These have aided the Saudi economy in growing from a nominal Gross Domestic Product (“GDP”) of SAR 1.56 trillion in 2007G to SAR 2.81 trillion in 2013G representing a real GDP CAGR of 6% from 2007G to 2013G.

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<sup>1</sup> Source: SAMA

## Middle Eastern & North African Insurance Market Overview

The insurance industry in the MENA is still in its nascent stages, compared with other advanced world economies as it is characterized by low penetration & density rates and to some extent weakness of legislative regulations of the insurance sector compared to the more developed economies.

During the past five years, the insurance sector witnessed strong growth rates. Although these growth rates are important, the region still has a long way to go before becoming a mature insurance sector. It is expected that the movement of MENA countries economics, government's efforts to develop legislative regulations and increased investments will have a positive impact on the insurance sector and ensure continuous growth in the coming years.

## Saudi Insurance Market Overview<sup>2</sup>

There were 35 listed insurance companies operating in Saudi Arabia as of 30th June 2014G. The gross written premiums had increased by SAR 4.07 billion reaching SAR 25.24 billion in 2013G from SAR 21.17 billion in 2012G with a growth rate of 19.2%.

Health insurance ranked at the first place as the biggest insurance activity in 2013G, contributing more than 50% of the total gross written premiums during the last 5 years. The other general insurance activities contributed more than 40% of the total gross written premiums during the last 5 years.

Motor Insurance made the largest contribution to growth in gross underwritten premiums in 2013G accounting for SAR 1.67 billion of the total increase of SAR 4.07 billion, representing 41% of the increase witnessed by the gross underwritten premiums.

Protection & savings insurance was among the smallest insurance activities as it represented 3% of the total underwritten premiums 2013G, as underwritten premiums dropped by 5% in 2013G compared to 2012G.

## The Company's Strengths

- Size and Market Status
- Experience and track record of its Substantial Shareholder
- Relationship with ACE Agencies & Ace Brokerage
- Reputable name among major local players

## Capital Structure

The company's share capital is One Hundred Million Saudi Riyals (SAR 100,000,000) comprising Ten Million (10,000,000) Shares with a nominal value of SAR 10 per Share, all of which are fully paid. The Founding Shareholders had subscribed for 60% of the total Shares and the remaining 40% had been subscribed for by the public at SAR 10 per share with total offering amount of SAR 40,000,000 through an IPO that took place in 2007G. The Company has not granted any merits or preferential rights to the Founding Shareholders or others.

## Major Shareholders as of 30th June 2014G

Name	%	Number of Shares	Amount in SAR
SAICO BSC	30%	3,000,000	30,000,000

Source: The Company

<sup>2</sup> Source: SAMA

## Summary of Financial Performance and Indicators as of 30th June 2014G

The following summary of the financial statements is based on the audited financial statements for the twelve-month periods ended 31st December 2011G, 2012G and 2013G and the unaudited financial statements for the six-month period ended 30th June 2014G:

### Balance Sheets

SAR in 000's	As at 31 December			As at 30 June 2014G Unaudited	Increase/ (Decrease)		
	2011G Audited	2012G Audited	2013G Audited		2012G Audited	2013G Audited	June 2014G Unaudited
<b>Insurance Operations' Assets</b>							
Net Property & Equipment	7,242	7,229	7,792	6,771	-	8%	(13%)
Due from Shareholders' Operations	-	-	8,832	-	-	nm	(100%)
Reinsurer's Share of Outstanding Claims	153,104	256,766	265,097	327,792	68%	3%	24%
Reinsurer's Share of Unearned Premiums	100,712	93,069	67,085	109,010	(8%)	(28%)	62%
Deferred Policy Acquisition Costs	23,349	22,169	21,489	27,747	(5%)	(3%)	29%
Premiums & Insurance Balances Receivable	87,850	93,753	107,482	138,260	7%	15%	29%
Available for sale investment	-	-	1,923	1,923	-	nm	-
Prepayments & Other assets	6,947	8,490	7,608	22,761	22%	(10%)	199%
Due from related parties	94,817	117,418	51,803	50,310	24%	(56%)	(3%)
Time Deposits	25,051	50,257	82,000	112,000	101%	63%	37%
Cash & Cash Equivalents	32,421	42,371	95,744	92,001	31%	126%	(4%)
<b>Total insurance operations' assets</b>	<b>531,494</b>	<b>691,522</b>	<b>716,856</b>	<b>888,576</b>	<b>30%</b>	<b>4%</b>	<b>24%</b>
<b>Shareholders' Assets</b>							
Statutory Deposit	10,000	10,000	10,000	10,000	-	-	-
Due from Insurance Operations	439	4,912	-	5,894	1,019%	(100%)	nm
Prepayments & Other Assets	666	1,216	1,243	1,498	83%	2%	21%
Time Deposits	51,674	66,133	31,100	41,930	28%	(53%)	35%
Cash & Cash Equivalents	4,397	532	20,513	1,538	(88%)	3,755%	(93%)
<b>Total Shareholders' Assets</b>	<b>67,175</b>	<b>82,792</b>	<b>62,856</b>	<b>60,860</b>	<b>23%</b>	<b>(24%)</b>	<b>(3%)</b>
<b>Total Insurance Operations' &amp; Shareholders' Assets</b>	<b>598,669</b>	<b>774,314</b>	<b>779,712</b>	<b>949,436</b>	<b>29%</b>	<b>1%</b>	<b>22%</b>
<b>Insurance Operations' Liabilities</b>							
Employee End-of-Service Benefits	4,474	5,835	6,756	6,655	30%	16%	(1%)
Insurance Operations' Surplus Distribution Payable	-	1,901	1,901	1,901	nm	-	-
Due to Shareholders' Operations	439	4,912	-	5,894	1,019%	(100%)	nm
Gross Outstanding Claims	230,041	336,632	397,827	478,955	46%	18%	20%
Gross Unearned Premiums	210,817	221,951	219,476	315,239	5%	(1%)	44%
Unearned Commission Income	18,725	19,728	18,161	21,385	5%	(8%)	18%
Due to Related Parties	565	332	-	-	(41%)	(100%)	-

SAR in 000's	As at 31 December			As at 30 June 2014G Unaudited	Increase/ (Decrease)		
	2011G Audited	2012G Audited	2013G Audited		2012G Audited	2013G Audited	June 2014G Unaudited
Reinsurance Balances Payable	39,964	66,703	37,921	32,023	67%	(43%)	(16%)
Accrued Expenses and Other Liabilities	26,470	33,528	34,815	25,622	27%	4%	(26%)
Net Surplus from Insurance Operations & Shareholders' Appropriation	-	-	-	902	-	-	nm
<b>Total Insurance Operations' Liabilities</b>	<b>531,494</b>	<b>691,522</b>	<b>716,856</b>	<b>888,576</b>	<b>30%</b>	<b>4%</b>	<b>24%</b>
<b>Shareholders' Liabilities &amp; Equity</b>							
<b>Shareholders' Liabilities</b>							
Due to insurance Operations	-	-	8,832	-	-	nm	(100%)
Provision for Zakat	1,920	2,396	1,427	787	25%	(40%)	(45%)
Accounts Payable	858	1,703	859	1,302	98%	(50%)	52%
<b>Total Shareholders' Liabilities</b>	<b>2,777</b>	<b>4,100</b>	<b>11,118</b>	<b>2,089</b>	<b>48%</b>	<b>171%</b>	<b>(81%)</b>
<b>Shareholders' Equity</b>							
Share Capital	100,000	100,000	100,000	100,000	-	-	-
Accumulated Losses	(35,602)	(21,308)	(48,262)	(41,228)	(40%)	126%	(15%)
<b>Total Shareholders' Equity</b>	<b>64,398</b>	<b>78,692</b>	<b>51,738</b>	<b>58,772</b>	<b>22%</b>	<b>(34%)</b>	<b>14%</b>
<b>Total Shareholders' Liabilities &amp; Equity</b>	<b>67,175</b>	<b>82,792</b>	<b>62,856</b>	<b>60,860</b>	<b>23%</b>	<b>(24%)</b>	<b>(3%)</b>
<b>Total Insurance Operations' Liabilities &amp; Shareholders' Liabilities &amp; Equity</b>	<b>598,669</b>	<b>774,314</b>	<b>779,712</b>	<b>949,436</b>	<b>29%</b>	<b>1%</b>	<b>22%</b>

Source: The Company

## Income Statements

### Insurance Operations' Income Statements

SAR in 000's	Financial year ended 31 December			Six months period ended 30 June		Increase/ (Decrease)		
	2011G Audited	2012G Audited	2013G Audited	2013G Unaudited	2014G Unaudited	2012G Audited	2013G Audited	June 2014G Unaudited
<b>Revenue</b>								
Gross Written Premiums	548,444	567,917	623,950	383,790	422,077	4%	10%	10%
Reinsurance Premium Ceded	(234,268)	(254,550)	(230,768)	(163,235)	(150,772)	9%	(9%)	(8%)
Excess of Loss Premiums	(11,870)	(12,851)	(16,847)	(9,202)	(8,614)	8%	31%	(6%)
Net Written Premiums	302,306	300,516	376,335	211,353	262,691	(1%)	25%	24%
Movement in Unearned Premiums	20,400	(18,777)	(23,508)	(46,518)	(53,838)	(192%)	25%	16%
Net Premiums Earned	322,706	281,739	352,827	164,835	208,853	(13%)	25%	27%
Commission Income	48,978	57,790	54,493	33,499	20,973	18%	(6%)	(37%)
Other Income	5,940	3,080	2,754	1,149	3,993	(48%)	(11%)	248%

SAR in 000's	Financial year ended 31 December			Six months period ended 30 June		Increase/ (Decrease)		
	2011G Audited	2012G Audited	2013G Audited	2013G Unaudited	2014G Unaudited	2012G Audited	2013G Audited	June 2014G Unaudited
Special Commission Income	76	393	705	339	549	417%	79%	62%
<b>Total Insurance Revenues</b>	<b>377,700</b>	<b>343,002</b>	<b>410,778</b>	<b>199,822</b>	<b>234,368</b>	<b>(9%)</b>	<b>20%</b>	<b>17%</b>
<b>Costs &amp; Expenses</b>								
Gross Claims Paid	344,224	280,833	397,464	201,790	185,737	(18%)	42%	(8%)
Reinsurance Share of Claims Paid	(77,881)	(77,503)	(138,621)	(67,534)	(37,925)	-	79%	(44%)
Net Claims Paid	266,343	203,330	258,843	134,256	147,812	(24%)	27%	10%
Net Movement in Outstanding Claims	(8,470)	2,929	52,864	10,285	18,433	(135%)	1705%	79%
Net Claims Incurred	257,873	206,259	311,707	144,541	166,244	(20%)	51%	15%
Policy Acquisition Costs	62,680	56,302	54,554	28,210	28,007	(10%)	(3%)	(1%)
General & Administrative Expenses	48,212	52,527	67,787	35,480	29,171	9%	29%	(18%)
Provision/(Reversal) for Doubtful Receivables	9,231	3,687	(2,543)	(3,821)	(1,605)	(60%)	(169%)	(58%)
Inspection and Supervision Fees	5,004	5,221	5,233	2,917	3,531	4%	-	21%
<b>Total Costs &amp; Expenses</b>	<b>383,000</b>	<b>323,997</b>	<b>436,738</b>	<b>207,326</b>	<b>225,348</b>	<b>(15%)</b>	<b>35%</b>	<b>9%</b>
Net Surplus /(Deficit) from Insurance Operations	(5,300)	19,006	(25,960)	(7,504)	9,019	(459%)	(237%)	(220%)
Shareholders' appropriation from (Surplus)/deficit	5,300	(17,105)	25,960	7,504	(8,117)	(423%)	(252%)	(208%)
<b>Net Surplus from Insurance Operations after Shareholder Appropriation</b>	<b>-</b>	<b>1,901</b>	<b>-</b>	<b>-</b>	<b>902</b>	<b>nm</b>	<b>(100%)</b>	<b>nm</b>

Source: The Company

## Shareholders' Comprehensive Income Statements

SAR in 000's	Financial year ended 31 December			Six months period ended 30 June		Increase/ (Decrease)		
	2011G Audited	2012G Audited	2013G Audited	2013G Unaudited	2014G Unaudited	2012G Audited	2013G Audited	June 2014G Unaudited
Appropriation of Surplus/ (Deficit) from Insurance Operations	(5,300)	17,105	(25,960)	(7,504)	8,117	(423%)	(252%)	(208%)
Special Commission Income on Time Deposits	200	420	617	324	197	110%	47%	(39%)
General & Administration Expenses	(981)	(1,057)	(442)	(292)	(555)	8%	(58%)	90%
<b>Income/(Loss) before Zakat</b>	<b>(6,082)</b>	<b>16,468</b>	<b>(25,785)</b>	<b>(7,473)</b>	<b>7,759</b>	<b>(371%)</b>	<b>(257%)</b>	<b>(204%)</b>
Zakat	(1,678)	(2,173)	(1,170)	(917)	(726)	29%	(46%)	(21%)
<b>Net Income/(Loss) for the year</b>	<b>(7,759)</b>	<b>14,295</b>	<b>(26,954)</b>	<b>(8,389)</b>	<b>7,034</b>	<b>(284%)</b>	<b>(289%)</b>	<b>(184%)</b>
<b>Other Comprehensive Income / (Loss)</b>								
Change in Fair Value of available for sale Investments	-	-	-	-	-	-	-	-
<b>Total Comprehensive Income/ (Loss) for the year</b>	<b>(7,759)</b>	<b>14,295</b>	<b>(26,954)</b>	<b>(8,389)</b>	<b>7,034</b>	<b>(284%)</b>	<b>(289%)</b>	<b>(184%)</b>
<b>Earnings / (Losses) per share</b>								
Total Comprehensive Income/ (Loss) for the year per share	(0.78)	1.43	(2.70)	(0.84)	0.70	(284%)	(289%)	(184%)

Source: The Company

## Cash Flow Statements

### Cash Flow Statements of Insurance Operations

SAR in 000's	Financial year ended 31 December			Six months period ended 30 June	
	2011G Audited	2012G Audited	2013G Audited	2013G Unaudited	2014G Unaudited
<b>Operating Activities</b>					
Net Surplus from Insurance Operations after Shareholders' Appropriation	-	1,901	-	-	902
<b>Adjustments for:</b>					
Depreciation	2,890	3,776	4,703	2,271	2,337
Provision/(Reversal) for Doubtful Receivables	9,231	3,687	(2,543)	(3,821)	(1,605)
Net Employees' End-of-Service Benefits	1,325	1,361	921	1,167	(101)
Shareholders' Appropriation from Surplus/(Deficit)	(5,300)	17,105	(25,960)	(7,504)	8,117
Gain on Sale of Property & Equipment	-	-	-	-	-
Income before changes in Operating Assets & Liabilities	8,145	27,829	(22,879)	(7,888)	9,650
<b>Changes in Operating Assets &amp; Liabilities</b>					
Reinsurer's Share of Outstanding Claims	(26,623)	(103,662)	(8,330)	(3,204)	(62,695)

SAR in 000's	Financial year ended 31 December			Six months period ended 30 June	
	2011G Audited	2012G Audited	2013G Audited	2013G Unaudited	2014G Unaudited
Reinsurer's Share of Unearned Premiums	(10,498)	7,643	25,984	(20,731)	(41,925)
Deferred Policy Acquisition Costs	2,283	1,180	680	(4,074)	(6,258)
Premiums & Insurance Balances Receivable	31,750	(9,590)	(11,186)	2,126	(29,172)
Prepayments and Other Assets	(2,744)	(1,542)	882	(726)	(15,153)
Due from Related Parties	7,321	(22,601)	65,615	(15,555)	1,493
Gross Outstanding Claims	18,153	106,591	61,195	13,489	81,128
Gross Unearned Premiums	(9,902)	11,134	(2,476)	67,249	95,764
Unearned Commission Income	904	1,003	(1,567)	1,981	3,224
Due to Related Parties	(10,624)	(233)	(332)	(329)	-
Reinsurance Balances Payable	(3,904)	26,740	(28,782)	(25,069)	(5,897)
Accrued Expenses & Other Liabilities	3,478	7,059	1,286	7,772	(9,193)
Net Cash from Operating Activities	7,740	51,551	80,089	15,042	20,965
<b>Investing Activities</b>					
Net Time Deposits	(25,051)	(25,206)	(31,743)	(21,943)	(30,000)
Purchase of Property & Equipment	(5,519)	(3,762)	(5,266)	(3,576)	(1,316)
Purchase of Available for Sale investments	-	-	(1,923)	-	-
Proceeds from sale of Property & Equipment	2	-	-	-	-
Net Cash Used in Investing Activities	(30,567)	(28,969)	(38,932)	(25,519)	(31,316)
<b>Financing Activities</b>					
Net Due (to) / from Shareholders Operations	10,537	(12,632)	12,217	(3,907)	6,608
Net Cash (Used in)/from financing activity	10,537	(12,632)	12,217	(3,907)	6,608
Increase/(Decrease) in cash and cash Equivalents	(12,290)	9,950	53,374	(14,384)	(3,743)
Cash and Cash Equivalents at the beginning of the year	44,711	32,421	42,371	42,371	95,744
Cash and Cash Equivalents at the end of the year/period	32,421	42,371	95,744	27,987	92,001

Source: The Company

### Cash Flow Statements of Shareholders

SAR in 000's	Financial year ended 31 December			Six months period ended 30 June	
	2011G Audited	2012G Audited	2013G Audited	2013G Unaudited	2014G Unaudited
<b>Operating Activities</b>					
Income/(Loss) before zakat	(6,082)	16,468	(25,785)	(7,473)	7,759
<b>Adjustments for:</b>					
Appropriation of deficit from insurance operations	5,300	(17,105)	25,960	7,504	(8,117)
Income/(loss) before changes in operating assets and liabilities	(782)	(637)	176	32	(358)
<b>Changes in Operating Assets &amp; Liabilities</b>					
Prepayments and other assets	(62)	(550)	(27)	(66)	(255)
Accounts payable	157	846	(844)	(867)	443
Zakat paid	(1,507)	(1,696)	(2,139)	(2,139)	(1,366)

SAR in 000's	Financial year ended 31 December			Six months period ended 30 June	
	2011G Audited	2012G Audited	2013G Audited	2013G Unaudited	2014G Unaudited
Net Cash from Operating Activities	(2,193)	(2,038)	(2,835)	(3,040)	(1,537)
Investing activities					
Time deposits	12,792	(14,459)	35,033	(702)	(10,830)
Net cash used in investing activities	12,792	(14,459)	35,033	(702)	(10,830)
Financing activities					
Due from insurance operations	(10,537)	12,632	(12,217)	3,907	(6,608)
Net cash used in financing activities	(10,537)	12,632	(12,217)	3,907	(6,608)
Increase (Decrease) in cash & cash equivalents	61	(3,865)	19,981	165	(18,975)
Cash and Cash Equivalents at the beginning of the year	4,336	4,397	532	532	20,513
Cash and Cash Equivalents at the end of the year/period	4,397	532	20,513	697	1,538

Source: The Company

### Key Performance Indicators

SAR in 000's	Financial year ended 31 December			Six months period ended 30 June	
	2011G Audited	2012G Audited	2013G Audited	2013G Unaudited	2014G Unaudited
Paid loss ratio	62.8%	49.4%	63.7%	53%	44%
Combine ratio	101.6%	93.3%	107.4%	90%	88%
Reinsurance ratio (excluding XoL)	42.7%	44.8%	37.0%	42.5%	35.7%
Net loss ratio (including XoL)	79.9%	73.2%	88.3%	87.7%	79.6%
Ceding ratio (excluding XoL)	42.7%	44.8%	37.0%	42.5%	35.7%
Retention ratio (excluding XoL)	57.3%	55.2%	63.0%	57.5%	64.3%
Net OS Claims/Claims incurred	29.8%	38.7%	42.6%	62.4%	89.1%
RI share of OS claims/Gross OS claims	66.6%	76.3%	66.6%	79.3%	75.8%
RI Share of UEP/Gross UEP	47.8%	41.9%	30.6%	39.3%	34.8%

Source: The Company

### Summary of Risk Factors

Risk factors related to the Rights Issue Offering can be summarized as follows:

- Risks related to the Company's operations
- Risks related to the insurance sector and regulatory environment
- Risks related to the Offer Shares

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## 1. Definitions & Abbreviations

Term	Definition
ACE Agencies	ACE Insurance Agencies Company
ACE Brokerage	ACE Insurance Brokerage and Reinsurance Company
ACE Limited	ACE Limited
Actuary	A person who conducts various statistical and probability theories whereby insurance services are priced, liabilities are assessed and provisions are calculated
Adjusted Written Premium	Calculated by deducting the relevant reinsurance amount of each line of insurance provided that it is not less than 50% of gross written premium,
Advisors	The Company's advisors whose names appear on pages (vii) and (viii)
Audit Committee	The Audit Committee of the Company
Authorized Person	An entity authorized by CMA
Board or Board of Directors	The Company's board of directors
BHD	Bahraini Dinar
By-Laws or Bylaws	The Company's By-Laws
CAGR	Compounded Annual Growth Rate
CCHI	Council for Cooperative Health Insurance
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIGNA	Cigna Health and Life Insurance Company
CMA or the Authority	Capital Market Authority of Saudi Arabia
Companies Regulations or Companies Law	The Companies Regulations issued by Royal Decree No. M/6, dated 22/3/1385H, as amended
Corporate Governance Regulations	The corporate governance regulations in KSA issued by the CMA under resolution No 2006/212/1 dated 12/10/1427H corresponding to 13/11/2006G and subsequent amendments.
Claims Solvency Premium	Average total claims of the three recent years which is classified according to the different lines of insurance where a specified coefficient should be used for each line in accordance with SAMA's guidelines
Damana Holding	Damana Holding WLL, one of the indirect shareholders of the Company
DZIT	Department of Zakat & Income Tax
EGM	The Extraordinary General Assembly Meeting of the Company held on 13/08/1436H (corresponding to 31/05/2015G).
Eligibility Date or Record Date	13/08/1436H (corresponding to 31/05/2015G).being the date of the EGM
Eligible Person	Any holder of Rights as of the close of trading on the last day of the Trading Period
Existing Shares	Ten Million (10,000,000) ordinary shares of the Company with a nominal value of Ten Saudi Arabian Riyals (SAR 10) each
Exchange or Tadawul	The Saudi Arabian Stock Exchange
Executive Committee	The Executive Committee of the Company
Facultative Reinsurance	An optional case-by-case method of reinsurance. The reinsurer has the option to accept or reject the offered risks
First Offering Phase	The period from 22/08/1436H (corresponding to 09/06/2015G) to 01/09/1436H (corresponding to 18/06/2015G), during which the all Registered Shareholders can subscribe to the New Shares entitled by their Rights
Founding Shareholder	A founding shareholder of the Company

Term	Definition
Fractional Shares	Shares corresponding to any fractional Rights entitlement of a Registered Shareholder resulting from rounding down the Registered Shareholder's entitlement of Rights to the nearest whole number of Rights
General Assembly or General Assembly Meeting	General Assembly Meeting of Shareholders of the Company
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
Government	The Government of Saudi Arabia
Group	The Mawarid Group of Companies
GWP	Gross Written Premium
IBNR	Technical Reserves for Incurred But Not Reported claims
IFRS	International Financial Reporting Standards
Implementing Regulations	The Implementing Regulations for Law on Supervision of Cooperative Insurance Companies promulgated by the ministerial order No. 1/561 dated 01/03/1425H (corresponding to 20/04/2004G).
Institutional Investors	<ul style="list-style-type: none"> <li>i. Publicly offered Investment funds that are established in the Kingdom of Saudi Arabia in accordance with the Investment Fund regulations of the CMA, and whose terms &amp; conditions allow them to invest in securities listed on Tadawul;</li> <li>ii. Authorized Persons who are authorized by the CMA to carry on the business of dealing as principals, in accordance with the prudential rules of the CMA;</li> <li>iii. Insurance companies and commercial banks that are listed on Tadawul, provided that the participation by such companies in the Rump Offering is in compliance with the rules issued by the CMA and does not result in any conflict of interest; and</li> <li>iv. Companies that are listed on Tadawul, participating through their discretionary investment portfolios managed by an Authorized Person, provided that the participation by such companies in the Rump Offering is in compliance with the rules issued by the CMA and does not result in any conflict of interest.</li> </ul>
Insurance Law or Cooperative Insurance Companies Control Law	Law on Supervision of Cooperative Insurance Companies promulgated by Royal Decree No. M/32 dated 02/06/1424H (corresponding to 31/07/2003G)
Insurance Policy	A contract issued to the Insured by the Company setting out the terms of the contract to indemnify the Insured for loss and damages against a premium paid by the Insured
Insured	A natural person or legal entity, which has entered into an Insurance Policy
Insurer	An insurance company that accepts insurance contracts to assume the risk of the insured loss and to compensate for that loss directly to the insured
IPO	Initial Public Offering
KSA, Saudi Arabia, or the Kingdom	The Kingdom of Saudi Arabia
Listing Rules	The Listing Rules issued by the CMA pursuant to Article 6 of the Capital Market Regulations promulgated under Royal Decree No. M/30 dated 2/6/1424H (corresponding to 31/7/2003G) as amended by CMA's Board Resolution No.: 1-4-212 dated 28/02/1433H corresponding to 22/01/2012G.
Lead Manager	Saudi Hollandi Capital
Major Founding Shareholders	Founding Shareholders of the Company who own more than 5% of the share capital of the Company
Management	The management of the Company
Mawarid Group	The Mawarid Group of Companies
MHC	Mawarid Holding Company, one of the indirect shareholders of the Company
MIG Holding	MIG Holding SPC, one of the indirect shareholders of the Company
MIL	Mawarid Investments Limited, one of the indirect shareholders of the Company
Milli Re	An International Reinsurer to whom the Company is currently ceding Insurance Premiums

Term	Definition
Najm	Najm Insurance Company
Net Proceeds	The net proceeds of the Offering, after deducting the Offering expenses
New Shares, Offer Shares or Rights Issue Shares	The Fifteen Million (15,000,000) ordinary Shares of the Company offered in this Offering
Nomination Committee or Remuneration Committee	The Nominations & Remuneration Committee of the Company
Offer Price	Ten Saudi Arabian Riyals (SAR 10) per Offer Share
Official Gazette	Um Al Qurra, the official Gazette of the Government of Saudi Arabia
Official List	The list of securities maintained by the CMA in accordance with the Listing Rules
Offering Period or Subscription Period	The First Offering Phase and the Second offering Phase
OSN	The broadcasting network that operates under the brand name "OSN"
Person	A natural person
Prospectus	This document prepared by the Company in relation to the Offering
Policyholders	The persons who, according to the Company's records, are at any given time the holders of insurance policies issued, or acquired by the Company
Premium Solvency Margin	The solvency margin calculated by multiplying the specified coefficient for the specific insurance line (according to SAMA guidelines) by the Adjusted Written Premium for each line of insurance and aggregating the results
Public	Public means in the Listing Rules persons other than the following: <ol style="list-style-type: none"> <li>1. affiliates of the issuer (issuer is SAICO);</li> <li>2. substantial shareholders of the issuer;</li> <li>3. directors and senior executives of the issuer;</li> <li>4. directors and senior executives of affiliates of the issuer;</li> <li>5. directors and senior executives of substantial shareholders of the issuer;</li> <li>6. any relative of persons described at (1), (2), (3), (4) or (5) above;</li> <li>7. any company controlled by any persons described at (1), (2), (3), (4), (5) or (6) above; or</li> <li>8. persons acting in concert, with a collective shareholding of (5%) or more of the class of shares to be listed.</li> </ol>
Qualifying Shareholder or Registered Shareholder	Any registered holder of Existing Shares as at the end of trade on Tadawul on the Record Date
Receiving Agents	Saudi Hollandi Bank, National Commercial Bank, Riyad Bank, Banque Saudi Fransi, Samba Financial Group and Bank Al Jazira
Reinsurance	The process by which an insurer or reinsurer insures or reinsures another insurer or reinsurer (the ceding company) against all or a portion of the insurance or reinsurance risks underwritten by the ceding company under one or more policies
Reinsurer	A reinsurance company that accepts insurance contracts from another insurer for some or all the risks it has assumed
Rights or Subscription Rights	The fifteen million (15,000,000) Rights, each entitling the holder of such Right as of the close of trade on Tadawul on the last day of the Trading Period, the right to subscribe for one (1) New Share at the Offer Price during the Offering Period (in the case of Registered Shareholders) or the Second Offering Phase (in the case of other Eligible Persons)
Rights Trading Period or Trading Period	The period from 22/08/1436H (corresponding to 09/06/2015G) to 01/09/1436H (corresponding to 18/06/2015G) during which the Rights are expected to be traded on Tadawul
Rump Shares	New Shares which will be available for sale at the Rump Offering, if any
Rump Offering	Offering of some or all of the New Shares that have not been validly subscribed for by the Eligible Subscribers at the end of the Subscription Period
Rump Offering Period	The period from 11/09/1436H (Corresponding to 28/06/2015G) to 12/09/1436H (corresponding to 29/06/2015G), in which the Rump Shares are to be sold

Term	Definition
S&P	Standard and Poors, an American company specialized in rating and development of rating indicators for the financial markets performance in different world markets in addition to providing analysis and studies to many internationally listed companies.
SAGIA	Saudi Arabian General Investment Authority
SAICO BSC	Saudi Arabian Insurance Company B.S.C. of Bahrain
SAICO or The Company	Saudi Arabian Cooperative Insurance Company, a Saudi Joint Stock Company
SAMA	The Saudi Arabian Monetary Agency
SAR	Saudi Arabian Riyal
Saudi Re	Saudi Cooperative Reinsurance Co.
Second Offering Phase	The period from 04/09/1436H (corresponding to 21/06/2015G) to 06/09/1436H (corresponding to 23/06/2015G), during which the all Eligible Persons can subscribe to the New Shares entitled by their Rights
Shareholders	The holders of Shares as of any particular time
Shares	The shares in the capital of the Company
SHB	Saudi Hollandi Bank
SHC	Saudi Hollandi Capital, the Financial Advisor, Lead manager and sole Underwriter for the Offering
SOCPA	Saudi Organization for Certified Public Accountants
Strategic Partner	SAICO, BSC, the shareholder with insurance expertise, that was involved in SAICO's obtaining its license and its set up in the initial days of its incorporation
Subscription Application Form	The form (physical or its electronic equivalent) that should be used by Eligible Persons to subscribe for New Shares during the Offering Period
Subscription Monies	The full subscription amount due from an Eligible Person, being the number of New Shares subscribed for multiplied by the Offer Price
Subscription Terms and Conditions	The terms, conditions and instructions pertaining to the Offering as described in the section titled "Subscription Terms and Conditions" of this Prospectus
Substantial Shareholder	SAICO BSC, which owns more than 5% in the share capital of the Company
Surplus Distribution	Method by which profit of insurance and reinsurance companies is distributed among Policyholders
Swiss Re	Swiss Reinsurance Company
Technical Provisions or Technical Reserves	The value set aside to cover expected losses arising on a book of insurance policies and its financial obligations
Trading Period	The period during which the Rights are traded on Tadawul
Underwriter	Saudi Hollandi Capital
Underwriting Agreement	The underwriting agreement between the Company and the Underwriter
UAE	United Arab Emirates
USA	United States of America
USD	United States Dollar
XoL	Excess of Loss

## 2. Risk Factors

Prior to subscribing for the New Shares, prospective subscribers should carefully consider the risk factors related to the Company's business set out below together with all other information contained in this Prospectus and reach their own conclusions prior to making any investment decision.

The Company's Board and Management believes that the below mentioned risks are the material risks that the Company faces. However, these risks and uncertainties are not the only risks that the Company faces; additional risks and uncertainties not presently known to it or that it currently believes not to be material may also have a material adverse effect on the Company or its business. If any of these risks, which the management currently deems material, actually occurs, or if any other risks that the management has failed to identify or currently deems immaterial occurs, the Company's business, financial condition and results of operations could be adversely affected. If this occurs, the market price of the New Shares may decline and subscribers could lose part of or all of their investment. In addition, this Prospectus contains forward-looking statements that also involve risks and uncertainties.

This Prospectus contains forward-looking statements that also involve risks and uncertainties as a result of certain factors, including the risks faced by the Company as described below. Investment in shares is only suitable for shareholders who are able to assess the risks and benefits of that investment. A shareholder who would like to subscribe for the Rights but has any doubt about the action that should be taken should consult an authorised professional who specialises in giving advice on the acquisition of shares and other securities.

The risks set forth below are not provided in the order of their importance or expected effect on the Company and its subsidiaries.

### 2.1 Risks Relating to the Company's Operations

#### 2.1.1 Adequacy of Reserves

As per the Implementing Regulations of the Insurance Law, the Company shall maintain adequate provisions to meet and cover financial obligations under Article 69 of the Implementing Regulations which stipulate the following minimum provisions:

- 1- Unearned Premiums Provision
- 2- Outstanding Claims Provision
- 3- Claim Settlement Expenses Provision
- 4- Provision for IBNR claims
- 5- Risks Provisions
- 6- Catastrophic Provision
- 7- General Expenses Provision

The process of estimating reserve liabilities is a difficult and complex exercise and involves many variables and subjective assumptions. Due to the nature of the underlying risks and the high degree of uncertainty associated with the determination of the liabilities for unpaid Insurance Policy claims, the Company cannot determine precisely the amount, which would ultimately be paid to settle these liabilities. The assumptions upon which reserve calculations are based may also be revised as additional experience or data become available, as new or improved methodologies are developed, as loss trends and inflation claims impact future payments, or as current laws or interpretations thereof change. In addition, the relatively short history and the limited amount of data on the Saudi insurance industry in terms of claims experience may affect the Company's capability to establish actuarial assumptions for certain products, such as health care insurance products.

As a result, the reserves established for future insurance policy claims may prove to be insufficient and the Company then will need to increase reserves. An increase in loss reserves may reduce the net income and, if large enough, will have a material adverse effect on its business, financial condition and results of operations.

#### 2.1.2 Non-Satisfactory investment returns

The Implementing Regulations impose certain restrictions on the Company's investments that must vary to reduce the risk of volatility or loss of part of its value. Given the diversity in investments imposed by regulation in addition to the low returns on cash deposits, the company is not expected to achieve significant growth in its investment portfolio and therefore limits the Company's ability to cope with any unexpected increase in insurance claims that not covered by reserves.

If a company fails to succeed in the management of liquidity in the short term, it may have to liquidate its investments at some times and at unfavorable prices, which could have a material adverse effect on the financial position of the company and results of operations.

### 2.1.3 Protection of Trade Marks

As of date of this Prospectus, the Company has not registered any intellectual rights other than its trademark that has been registered at the Ministry of Commerce and Industry in the Kingdom of Saudi Arabia under Registration Certificate No. 1435021954. The Company's competitive position requires the use of its name and logo for its services in order to be marketed and sold. Although the Company's trademark is registered in KSA, the Company's inability to prevent the violation of its rights to use its logo and trademark in jurisdictions where the Company is engaged in the business can have a negative impact on the results of the Company's operations. The Company's business will be more affected if it has to compete with similar brands in key markets in which it operates and does not have the proprietary rights where it cannot legally claim its proprietary rights over the trademark.

### 2.1.4 Related Parties

The Company has engaged in a number of transactions with ACE Agencies and ACE Brokerage, which are related parties where its Chairman HH Prince Ahmed bin Khalid bin Abdullah Al-Saud has interests. These transactions are annually presented to the Company's General Assembly for approval. .

The transactions with these related parties represented 37.1%, 33.1%, 14.9% and 31.3% of total premiums written in 2011G, 2012G, 2013G and H1 of 2014G respectively. Given the large proportion of premiums written through these two parties, any negative impact on their activities or their contractual relationship with the Company or termination of the business relationship will have a significant impact on the company's operations and its financial conditions.

### 2.1.5 Litigations, Claims and Regulatory Action

There are some lawsuits related to claims raised by the Company's clients in the total amount of SAR 4,454,507. Some of these claims could result in the Company having to pay substantial damages. In case of payment of substantial damages this will adversely affect the Company's financial position or results of operation.

It is possible that insurers may be subject to future review at any time by the regulator. The Company cannot predict the scope or outcome of any such review, investigation, or proceeding (if it was to occur) and cannot assure that such review would not result in any change which would have adverse impact on the Company's results or financial condition.

### 2.1.6 Risks Related to the Company's Losses

The Company has reported accumulated losses of SAR 41.23 Million as of 30th June 2014G which amounts to 41% of its share capital.

These accumulated losses increased from SAR 27.84 Million on 31st December 2010G due to the losses of SAR 7.76 Million and SAR 26.95 Million suffered in 2011G and 2013G respectively. The losses suffered during these two periods were due to the insufficiency of the underwriting surplus to cover the expenses of the Company.

A significant factor that contributed to the insufficiency of the underwriting surplus was the under pricing in the medical insurance line of business. In addition to the under pricing in the medical line of business, high net loss ratios in the fire and burglary line of business in 2012G and 2013G and in the engineering line of business in 2013G also contributed to the insufficiency of the underwriting surplus.

The medical line of business led to an underwriting surplus of SAR 3.6 million and SAR 19.5 million in 2011G and 2012G respectively and an underwriting loss of SAR 9.5 million in 2013G. The total of around SAR 12.6 million underwriting surplus for the medical line of business for the three years was insufficient to cover the general and administrative expenses allocated for that line of business of around SAR 28 million in each of those years, resulting in an under recovery of expenses of around 71.4 million from the medical line of business, which was offset partially by the other lines of business.

There is no guarantee that the Company will not continue to suffer losses, and if that happens, the Company will be subject to a number of laws and regulations in the Kingdom.

If the Company's accumulated losses exceed 50% of its share capital, it would be subject to the CMA's rules and instructions for the listed companies whose losses reach 50% of its capital and above. These rules require that such companies must immediately announce on Tadawul's website when its accumulated losses reach 50% or more of its capital. Following the announcement, Tadawul would add a sign next to the company's name in Tadawul website indicating its level of losses as % of its share capital (yellow colour flag if the losses reach 50% or more but less than 75%, orange colour flag if the losses reach 75% or more but less than 100% and red colour flag if the losses reach 100% or more). Moreover, if the Company's accumulated losses exceed 75% of its share capital, Tadawul would suspend the trading of the Shares for one (1) trading session and if the Company's accumulated losses exceed 100% of its share capital, Tadawul would completely suspend the trading of the Shares. In the event of these developments occurring, it could adversely affect the prices of the Shares and prospective investors could lose all or part of their investment.

The Companies Regulations state that where a joint stock company has suffered losses amounting to 75% of its share capital, the Board of Directors must call for an extra-ordinary general assembly to decide whether the Company should continue or dissolve. Should the Company continue to suffer losses and if at such extra-ordinary general assembly, the shareholders decide to dissolve the Company, then prospective investors could lose all or part of their investment.

#### 2.1.7 Concentration on Two Segments of the Insurance Business

Insurance business undertaken by the Company focuses on the medical insurance and motor insurance, which represented more than 40% and 19% respectively of gross written premiums in 2013G. Due to the high risks in these two sectors, in the event of natural disasters and unpredictable occurrences, there is a risk that a single event may result in large claims that will have an adverse effect on the Company's financial performance and condition. The two sectors did not register profits in 2013G which adversely affected the company's profitability. Any further negative movement on the profitability of the two sectors will have a significant impact on the Company's financial condition and results of its operations.

#### 2.1.8 Risk Management Policies

The company relies on the Implementing Regulations and its risk management framework in drawing and measuring risk control policy. In accordance with its approved risk management policy, the Company follows up all threats to ensure rapid response in a timely manner. Non-implementation and non-updating of this policy and non-availability of adequate information to respond in a timely manner expose the company to a variety of risks, including non-compliance with regulations and a negative impact on the Company's performance..

#### 2.1.9 Unpredictable Catastrophic Events

As a property and casualty insurer, the Company is vulnerable to losses from catastrophes. Catastrophes can be caused by various natural and unnatural events, the incidence and severity of which are inherently unpredictable. The Company's property and casualty insurance operations expose it to claims arising out of, among other events, hailstorms, floods, wind, fires, explosions, industrial accidents and terrorist acts.

The extent of losses from a catastrophe is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. Catastrophes can cause losses in a variety of property and casualty lines. Although the Company attempts to manage exposure to catastrophic events through underwriting controls and reinsurance, catastrophic events are inherently unpredictable and the actual nature of such events when they occur could be more frequent and severe than contemplated in the Company's pricing and risk management expectations. Claims related to catastrophes could cause substantial volatility in financial results of the Company for any fiscal quarter or year and severe catastrophic events could have a material adverse effect on the Company's financial condition and results of operations.

#### 2.1.10 Renewals of Existing Policies

The Company's Insurance Policies are generally short term in nature. If actual renewals of the Company's existing contracts with policyholders do not meet expectations, the Company's premiums written in future years and its future results of operations could be materially adversely affected.

### 2.1.11 Information Technology, Operational Systems and Infrastructure

The business and future prospects of the Company are highly dependent on the ability of the operational systems and information technology function to process, store and transmit a large number of transactions in a timely and uninterrupted manner, especially in a time when transaction processing has become increasingly complex with the volume of such transactions growing at a considerable rate.

The proper functioning of all operational systems and their monitoring procedures is critical to its operations and the ability to compete successfully.

The inability of the Company's information systems to issue periodic financial reports to senior management of the Company or SAMA on time exposes the Company's business to the risk of non-compliance with rules and regulations. In addition, it may result in the lack of response in the form required for insurance business variables. These risks may in turn negatively affect the performance of the Company.

There can be no assurance that the Company's business activities would not be interrupted or materially impacted in the event of a partial or complete breakdown of any of the main information technology or communications systems. In addition any unauthorized access, computer viruses or other events with security consequences could affect the business of the Company and lead to reputational damage.

### 2.1.12 Multiple IT Systems

SAICO migrated data of treaty reinsurers to Premia Underwriting System in 2011G from Microsoft Excel based calculation. During the system implementation, data for the year was not fully migrated to the new system for 2011G. This results in system limitation while performing certain analysis for 2011G as a result of which policies could be mispriced which may in turn impact the Company's profitability.

In addition, the Company uses Premia underwriting system for non-medical segment of business while it uses PAMS for medical segment and Microsoft Excel for calculation of unearned premiums.. This exposes the calculation to errors and misstatements due to the incompatibility of the systems which may result.

The above system limitations expose the Company's business to the risk of non-compliance with rules and regulations. In addition, it may result in the lack of response in the form required for insurance business variables and thereby impact the Company's profitability.

### 2.1.13 Multiple Customer names

Using multiple names for the same client in SAICO's IT Systems resulted in absence of a system-based mechanism to determine client's profitability and such reports are manually generated which will be prone to error and omission and this will not assist the Company in not renewing the low-profitability or loss-making policies which may adversely affect the Company's profitability.

### 2.1.14 Employee Misconduct or Error

The Company cannot guarantee that it can always deter or prevent events of employee misconduct or error. As a result, employee misconduct or error could result in violation of law by the Company, regulatory sanctions, financial liability and/or serious damage of reputation to the Company. Hence, the Company cannot guarantee that employee misconduct or error will not materially and adversely affect its financial condition and results of operations.

### 2.1.15 Dependence on Key Personnel

Key personnel of the Company play an important role in the success of the Company's business and its success and future prospects will depend to a large extent on its ability to recruit and retain high quality personnel. There can be no assurance that the Company will be able to find, or find in a timely manner, qualified replacements for such individuals or to attract and retain additional qualified personnel as and when needed.

Furthermore, competition for personnel with relevant expertise is intense in the market due to the scarcity of qualified individuals. In order to retain skilled and qualified individuals, the Company may need to offer higher compensation and other benefits. The Company is not insured against the detrimental effects to its business resulting from the loss or dismissal of key personnel and it can provide no assurance that it will be

able to attract and retain key personnel that will help to achieve business objectives. The business of the Company may be adversely affected by the loss of services of one or more members of key personnel in the short to medium term which could lead to a disruption of the Company's operations and adversely impact the Company's business prospects, financial condition or results of operations.

Many of the Company's key personnel working in Saudi Arabia are not Saudi nationals and no assurance can be given for obtaining the approvals from the relevant authorities for issuance, or renewal, of work permits for these personnel. It is also possible that Saudi Arabia could change its laws or policies in a way that would make it more difficult for non-Saudis to obtain work permits.

#### 2.1.16 Vacancy of the Investment Manager Position

As of 30th June 2014G, the investment manager's position is vacant and the Company plans to fill this vacancy within a year after the completion of the rights issue transaction. The Company is required to hire an investment manager, outsource the function to authorized external investment managers or refrain from making investments in investment products other than the low yielding investment products stipulated by SAMA in such cases. Hence, if the Company fails to hire a suitable investment manager or outsource the investment management function, the returns on the Company's investment portfolio, including the returns from the investments made from the net proceeds of the Offering, might be adversely affected.

#### 2.1.17 Vacancy of the Information Security Officer

As of 30th June 2014G, the information security officer's position is vacant and the Company plans to fill this vacancy. The vacancy might affect the efficiency of the security procedures applied for the Company's data and may adversely affect the Company's financial condition and results of its operations..

#### 2.1.18 Saudization

The company's Saudization percentage has reached 50.24% of its total manpower as of 31st December 2013G which is slightly higher than the 50% required by the Ministry of Labor as minimum to meet the green zone requirements. If this percentage witnessed any drop to below 50%, it may result in a lower classification and the Company may be subject to a range of sanctions by various governmental authorities including suspension of applications for employment visas or the transfer of sponsorship for non-Saudi employees, or the exclusion of the Company from bidding for government tenders. This will adversely affect the company's ability to honor its commitments and its business and it will subsequently be reflected on its financial condition and results of operations.

In addition to the Saudization requirement of the Ministry of Labor, the Company was required by SAMA to meet the 55% Saudization by 31 December 2013G. Since the Company has not met this requirement, it may face penalties from SAMA. As of 30th September 2014G, the Company neither experienced any penalty by SAMA nor is it aware of any kind of penalty that SAMA may impose in such a case, however, there is no guarantee that SAMA will not impose any penalty in the future.

#### 2.1.19 Reinsurance Risk

The Company cedes a portion of its premiums to its reinsurers in exchange for their agreement to assume a portion of the Company's losses under the policies it writes. Reinsurance makes the assuming reinsurer liable to the Company to the extent of the risk ceded, but it does not relieve the Company of its primary liability to the Policyholders as the direct insurer. As a result, the Company is exposed to credit risk with respect to its reinsurers.

In addition, as per the Implementing Regulations, the Company must select a reinsurer with a minimum of BBB rating from Standard & Poor's or its equivalent rating from a recognized international rating organization. There is no guarantee that the Company will continue to be successful in finding reinsurers of such credit rating. There are two reinsurers, namely Saudi Re and Milli Re, that the company currently deals with that are rated at BBB. In the event that any of these two reinsurers or any of the other current reinsurers of the Company fall below BBB or equivalent rating, the Company may have to switch the relevant reinsurers, which may result in lower commissions earned from such reinsurers.

If the Company wishes to do business with a reinsurer that is not rated by any international rating company nor has a rating less than the minimum requirement mentioned above, the Company should obtain prior written approval from the SAMA, while there is no guarantee that such approval would be given by SAMA. Failure to comply with applicable requirements of Implementing Regulations could have a material adverse effect on the business, financial condition, results of operations and prospects of the Company.

There is also a risk that the Company may be unable to purchase reinsurance in the market in the future. The insolvency, inability or unwillingness of any of the Company's present or future reinsurers to make timely payments and to comply with the terms of their reinsurance agreements may also have an adverse effect.

#### 2.1.20 Reinsurance concentration counterparty Risk

The Company's insurance portfolio is reinsured by few reinsurers and it has high counterparty risk exposure with Hannover Re and Gulf Re which accounted for 55% of the total ceded premium (without XOL). There is no guarantee that these reinsurers would not become bankrupt or insolvent, in which event, financial contract terms between the Company and these reinsurers may not be met, resulting in a negative impact on the financial and operational performance of the Company.

#### 2.1.21 Additional Zakat Liability

The Company has been issued a final zakat certificate by DZIT for 2008G. While zakat has been paid to the DZIT for the years 2009G, 2010G, 2011G, 2012G and 2013G, DZIT has not finalized its assessment in respect of these years and the Company has been issued a temporary zakat certificate for the said years. Any additional zakat and/or tax liabilities over and above what has been paid and/or provided for by the Company will result in a negative impact on the financial performance or condition of the Company.

#### 2.1.22 Source of funds

The Company's ability to provide sources of finance for funding its operations is based on a number of factors, including its ability to underwrite adequate premiums that, together with its reserves, are sufficient to cover any real or potential losses. In the event that such premiums and reserves are inadequate to cover any real or potential losses, the Company may need to find additional sources of funding through borrowing, raising additional equity capital, reducing the level of growth or liquidating some of its assets. It is possible that these additional sources of funding through loans or equity may not be at terms favorable to the Company. In addition, in the case of financing through additional equity capital, it could lead to the reduction of the proportional ownership of the shareholders in the company. If the Company has not been able to obtain adequate sources of funding, this will adversely affect the Company's activities, its results of operations and financial position.

#### 2.1.23 Arrangements with other parties

The Company, in its due course of business, has entered into distribution agreements with agents and brokers for selling its products. In addition, the Company has contracts with some service providers such as hospitals, clinics and car maintenance workshops to provide services to its customers and meet their needs. In such agreements the company depends on the other party's ability to meet their contractual obligations. If any of these parties do not meet any of their contractual obligations it will adversely affect the Company's financial condition, prospects, cash flows and operational results.

The Company's transactions related to distribution channels are heavily dependent on ACE Agencies and ACE Brokerage who contributed 37.1%, 33.1%, 14.9% and 31.3% of gross written premium in 2011G, 2012G, 2013G and H1 2014G respectively. Given the high concentration of underwritten premium arising from two parties, any negative impact on these two parties or the Company's contracts with them may significantly impact the Company's financial conditions and/or operations.

#### 2.1.24 Competition, Development and Expansion

The Company finds itself operating in an increasingly competitive environment, which could adversely impact its operating margins. The number of licensed insurance companies in KSA had reached 35 as of 30th June 2014G and they are in a hot competition to increase their market share.

Competition in the insurance industry is based on many factors, including premiums charged, terms and conditions of coverage, services provided, financial ratings assigned by independent rating agencies, claims services, reputation, perceived financial strength and the experience of the insurance company. The CCHI has initiated an integrated regulation for medical insurance and all operating insurance companies are required to comply with it. This will consequently increase competition in the medical insurance sector..

The Company has increased its pricing in the medical and motor the segments of its business where the pricing needs to be based on actuarial calculations as per SAMA's recent guidelines issued on 2nd September 2012G. Such price increases may also adversely affect its ability to compete against its competitors.

There can be no assurance that the Company will be able to achieve or maintain any particular level of premiums in this competitive environment. The increased competitive pressures may materially and adversely affect the business of the Company, its prospects and financial condition by:

- Reducing market share
- Reducing margins and spreads
- Hindering the growth of the Company's customer base
- Increasing turnover of management and sales personnel
- Elevating operating expenses, such as sales and marketing expenses
- Increasing policy acquisition costs

#### 2.1.25 Competition, Development and Expansion

The company has a final approval for 16 products and an initial approval (file and use basis) for 25 products. Since most of the approvals obtained by the Company are temporary, the Company may face difficulty or delays in renewal of the approvals and may even not be able to obtain such renewals. Such difficulty, delays and/or inability may lead to discontinuation of the relevant products which may adversely affect the Company's financial results and operations.

## 2.2 Risks Relating to the Insurance Sector and Regulatory Environment

### 2.2.1 Insurance Underwriting Risks

Insurance underwriting is a matter of judgment, involving important assumptions about matters that are inherently unpredictable and beyond the Company's control, and for which historical experience and probability analysis may not provide sufficient guidance. In addition, there is limited access to historical market data on insurance products. These factors may lead to a miscalculation of net exposures which could have a material adverse effect on the financial condition and results of operations of the Company.

### 2.2.2 Cooperative Insurance Companies Control Law and Implementing Regulations

Insurance business in Saudi Arabia is subject to Cooperative Insurance Companies Control Law issued under the Royal Decree M/32 dated 02/06/1424H and the Implementing Regulations. The Company's operations must adhere to the provisions of the Insurance Regulations. These laws, rules and regulations may change from time to time which may limit the Company's ability to implement its business objectives/plans and respond to market conditions. There can be no assurance that applicable laws or the regulatory framework will not change further or be interpreted in a manner that could materially or adversely affect the Company's operations.

Under the Cooperative Insurance Companies Control Law and the Implementing Regulations, SAMA has broad powers that include amending, suspending, revoking or not renewing the insurance license or imposing penalties against the Company if the Company has failed to comply with the Implementing Regulations. Any such action against the Company or affecting the Company or imposition of penalties, could materially and adversely affect the Company's business and financial conditions, prospects or results of operations.

### 2.2.3 Withdrawal of Insurance License

SAICO has obtained SAMA's license to practice insurance activities on 29/08/1428H and has renewed this license up to 27/08/1437H.

Article 76 of the Implementing Regulations states that SAMA has the right to withdraw the license of the Company in the following cases:

- If the Company does not practice its licensed activities for a period of six months from the issuance date of the license;
- If the Company does not fulfill its requirements of the Implementing Regulations;
- If it is established that the Company has deliberately provided SAMA with false information in its licensing application;
- If the Company carries out the licensed activities in a manner that exposes the rights of the insured, the beneficiary or the Shareholders;
- If the Company becomes bankrupt;
- If the Company deliberately conducts business in a fraudulent manner;
- If the paid up capital of the Company falls below the prescribed minimum limit or the Company does not fulfill the solvency requirements under Article 68 of the Implementing Regulations;
- If the business or volume of the Company's activities in the classes of insurance falls to a limit that SAMA deems unviable for the Company to operate under;
- If the Company refuses or delays payments, due to beneficiaries, without just causes;
- If the Company refuses to be examined by the inspection team appointed by SAMA; and
- If the Company fails to pay a final settlement adjudicated against it in connection with any insurance dispute.

Should the license be withdrawn, the Company will not be able to continue to conduct its business in Saudi Arabia.

#### 2.2.4 Reporting Requirements

The Implementing Regulations require the Company to periodically file financial statements and annual reports, prepared on a statutory accounting basis, and other information with SAMA, including information concerning the Company's general business operations, capital structure, ownership, financial condition including, on an annual basis, the aggregate amount of contingent commissions paid. The Company could be subject to regulatory actions, sanctions, and fines if SAMA believes that the Company has failed to comply with any applicable law or regulation.

Any such failure to comply with applicable laws could result in the imposition of significant restrictions on the Company's ability to do business or significant penalties, which could adversely affect the Company's results of operations and financial condition.

#### 2.2.5 Solvency Requirements

According to Articles 66, 67 and 68 of the Implementing Regulations, the Company has to maintain certain solvency levels for different classes of businesses. The Company's solvency level is affected primarily by the technical reserve that it is required to maintain, which in turn is affected by the volume of insurance policies sold and incurred claims. The company's ability to effectively manage its risks and suitably price its products to maintain the solvency requirements is a big challenge.

SAMA imposes various remedial actions on the companies that fail to comply with the solvency requirements levels including the following:

- 1- Increase company's share capital;
- 2- Amend product prices;
- 3- Decrease costs;
- 4- Stop underwriting new policies;
- 5- Liquidate certain assets; and/or
- 6- Any other action deemed appropriate to the company and approved by SAMA.

SAMA may also frequently require addition or deletion to the solvency margin requirements that may adversely impact the Company's results of operation and financial condition due to maintaining additional provisions.

In case of the Company's failure to satisfy the solvency requirements within timeframe set by SAMA, and after taking aforementioned actions, SAMA may solicit appointment of a financial advisor to restructure the company or otherwise withdraw the license.

## 2.2.6 Restriction on Ownership of Insurance Companies

Insurance Law places certain restrictions on owning shares in insurance companies. According to Article 9 of the Cooperative Insurance Companies Control Law, Articles 38 and 39 of the Implementing Regulations, insurance or reinsurance companies may not merge with, own, control or purchase shares in other insurance or reinsurance companies without written approval from SAMA. The Company shall notify SAMA of the percentage ownership of any person who owns 5% or more of the Company through a quarterly report, and the person himself/herself/itself shall notify SAMA in writing of his percentage ownership and any changes thereof within 5 working days of the date of occurrence of such an event.

These restrictions may, in some cases, impede the Company's ability to attract financial and strategic investors if SAMA denies or delays timely approval, or places conditions that cannot be implemented, which may adversely affect the Company's operations.

## 2.2.7 Compliance with Cooperative Health Insurance Council Regulations

After being approved by SAMA, the medical insurance products offered by the company are subject to control by the CCHI. The CCHI's regulations require the Company to comply with the regulations for offering of medical products including provision of specialized medical staff to process the approvals within a time limit of 60 minutes. These regulations also direct the insurance companies to pay the medical service providers such as hospitals and clinics within a timeframe not exceeding 30 days. The Company's non-compliance with CCHI's regulations may entail penalties including withdrawal of the license to provide medical services products which may adversely affect the Company's operations.

## 2.2.8 Obtaining Approvals for Launching new Products

The Company complies with the Insurance Law and its Implementing Regulations with respect to launching of new products which require prior approval of SAMA. Any delay in obtaining these approvals will prevent the company from launching new products which will adversely affect the Company's financial conditions and results of its operations.

## 2.2.9 Economic and Industry Conditions

The financial performance of insurance companies depends significantly on economic conditions in Saudi Arabia and on global economic conditions that affect the economy of Saudi Arabia. Changes in the economic conditions can affect the financial results of insurers through their effect on market conditions and investment income and through changes in consumer demand for insurance products and services. In addition, premium and claim trends in insurance and reinsurance markets are cyclical in nature and unpredictable events such as the occurrence of natural disasters, inflationary pressures, competition and judicial decisions may affect the size of future claims and adversely impact the industry's profitability.

The Company cannot predict the impact that future economic and industry conditions will have on its business. Future economic and industry conditions may be unfavorable, and as a result there can be no assurance that future conditions will not materially adversely affect the Company's profitability.

## 2.2.10 Market growth

The impact on the Saudi Arabian insurance industry of certain trends and events, such as the pace of economic growth in Saudi Arabia, and ongoing reform of the social welfare system is generally prospective and is currently not clear. Consequently, the growth and development of the Saudi Arabian insurance market is subject to a number of uncertainties that are beyond the control of the Company and the Company's profitability will be adversely affected in case of unfavorable conditions.

## 2.2.11 Drop in Customers' Confidence

Customers' confidence in the international insurance sector is vital to enhance the sector's strength. Any drop in customers' confidence in the insurance sector in general may result in an increase in cancellation of insurance policies and refund of monies which may adversely affect the Company's sales and consequently the financial conditions and operation results of the Company.

### 2.2.12 Lack of and Importance of Insurance Cultural Awareness in KSA

Insurance plays a significant role in the human life and that of communities. However, there is a risk that society's perception of the insurance sector in general is negative as it sees that the sector does not play a key role or does not comply with the principles of solidarity and Shari'a. Hence, society may lose confidence in the sector and this may adversely affect the Company's business and the percentage of revenue.

## 2.3 Risks Relating to the Offer Shares

### 2.3.1 Potential Fluctuations in the Share Price

The market price of the Company's Rights during the Offering Period may not be indicative of the market price of the Company's Shares after the Offering. In addition, the Company's share price may not be stable and could be significantly affected by fluctuations resulting from a change of market trends in connection with the Rights or the Company's Existing Shares. These fluctuations may also result from several factors including, without limitation, market conditions for equity, any regulatory changes in the insurance sector or conditions and trends of the insurance sector, deterioration in the Company's performance, inability to implement future plans, entry of new competitors, announcements by the Company or its competitors concerning mergers, acquisitions, strategic alliances, joint ventures and sale of shares in the subsidiaries, changes made by experts and securities analysts concerning the financial performance estimates.

Selling substantial quantities of Shares by the Shareholders or the perception that such sale may take place, may adversely affect the share price in the market. In addition, the investors may be unable to sell their Shares in the secondary market without adversely affecting the price.

There is no guarantee that the market price of the Company's Shares will not be lower than the Offer Price. If this happens once the investors have subscribed for the New Shares, such subscription may not be cancelled nor amended; therefore, the investors may immediately suffer from realized and/or unrealized losses. Moreover, there is no guarantee that the investors will be able to sell their Shares at a price equal or higher than the Offer Price after subscribing for them.

### 2.3.2 Potential Fluctuations in the Price of the Rights

The market price of the Rights may be subject to significant fluctuations due to the change of market trends with regard to the Company's Shares. These fluctuations may be significant due to the difference between the authorized limits of price change for trading in the Rights, as compared to the authorized limits of price change for trading in the Shares. In addition, the trading price of the Rights depends on the trading price of the Company's Shares and the market perception of the potential price of the Rights. These factors and the factors mentioned under the "Potential Fluctuations in the Share Price" above may also affect the trading price of the Rights.

### 2.3.3 Lack of Historical Data on the Price of the Rights

Unlike the Shares of the Company, the Rights are a new instrument and were not in existence till they are issued subsequent to the EGM. As a result, there is no history of trading for the Rights and therefore no historical data on the price of these Rights. As a result, investors in the Rights will be subject to the uncertainty resulting from an absence of a base for comparison of the price level and/or price movements for the Rights.

### 2.3.4 Lack of Demand for the Company's Shares and Rights

There is no guarantee that there will be sufficient demand for the Company's Rights during the Trading Period, in order to enable the holder of such Rights (whether a Registered Shareholder or a new investor) to sell the Rights and realize a profit, or enable him/her/it to sell these Rights at all. There is also no guarantee that there will be sufficient demand for the Rump Shares by the Institutional Investors during the Rump Offering. In case the Institutional Investors do not subscribe for the Rump Shares at a high price, the compensation amount may not be sufficient in order to be distributed to the holders of unexercised Rights.

Moreover, there can be no assurance that there will be sufficient market demand for the New Shares purchased by an investor either (a) through exercise of the Rights, (b) during the Rump Offering or (c) in the open market.

### 2.3.5 Speculation Relating to the Rights

Speculation relating to the Rights Issue may cause material losses. The limits for price change allowed for the trading of the Rights (based on the Indicative Value of the Rights) exceeds the limits for price change allowed for the price of the Shares (10% upward or downward). There is also a direct correlation between the Company's share price and the Right's indicative value. Accordingly, the daily price limits for the trading of a Right will be affected by the daily price limits for share trading.

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

### 2.3.6 Potential dilution of ownership

Any Registered Shareholder who does not fully exercise his/her/its Rights with respect to the acquisition of New Shares in the Offering may suffer a reduction in shareholding percentage and voting rights. In case the Registered Shareholder wishes to sell his Rights during the Trading Period, there can be no assurance that the returns will be sufficient to fully compensate for the drop in shareholding percentage in the Company's capital resulting from the Company's capital increase.

### 2.3.7 Failure to Exercise the Rights in a Timely Manner

The Offering Period will start on 22/08/1436H (corresponding to 09/06/2015G) and end at the end of the day on 06/09/1436H (corresponding to 23/06/2015G). The Eligible Persons and financial intermediaries representing them should take the appropriate measures to comply with all required instructions and receive their receipts prior to the expiry of the Offering Period. If the holders of the Rights and the financial intermediaries are not able to properly follow the procedures for the trading of the Rights, the Subscription Application Form may be rejected (see section titled "Subscription Terms and Conditions"). If the Eligible Persons are not able to fully exercise their Rights by the end of the Second Offering Phase, there can be no assurance that a compensation amount will be distributed to them.

### 2.3.8 Dilution of Ownership Due to Future Capital Increases

In the event of the Company raising its share capital through the issue of equity instruments after the completion of this Offering, the proportionate ownership of a shareholder in the Company's share capital could be diluted if such shareholder does not participate in the capital increase to the extent of his/her/its pro-rata share in the Company's capital before the capital increase.

### 2.3.9 Effective Control by the Founding Shareholders

The Major Founding Shareholder, SAICO BSC owns 30% of the Company's Shares. Collusion of this Shareholder with any other Shareholders may entail influence on all matters requiring Shareholder approval, including significant corporate expenditures and the appointment of directors (except as prescribed by Articles 69 and 70 of the Companies Regulations, and Article 18 of the Corporate Governance Rules).

As a result, the Major Founding Shareholder may exercise its powers in a manner that could have a significant effect on the Company's business, financial condition, and results of operations including significant corporate transactions and capital adjustments.

### 2.3.10 Dividends

Future dividends will depend on, amongst other things, the future profit, financial position, capital requirements, distributable reserves and available credit of the Company, general economic conditions, and other factors that the Directors of the Company deem significant from time to time. Increase in capital may lead to dilution in the value of existing shares which may affect the company's share price.

The Company does not give any assurance that any dividends will actually be paid nor any assurance as to the amount, which will be paid in any given year. The distribution of dividends is subject to certain limitations contained in the By-Laws and is subject to SAMA's approval (see section "Summary of the Company's By-Laws" for details).

The company has never paid any dividends to its shareholder since its inception.

### 2.3.11 Risks Related to Expiry of Lock-up Period

Upon listing of the company's shares in Tadawul in 2007G, the Founding Shareholders whose aggregate shareholding was 60% of the Company's total shares were restricted from selling their Shares in the Company until the announcement of the financial results for three (3) full fiscal years since inception. This lock-up period has elapsed after announcement of the financial results for fiscal year 2010G and the Founding Shareholders can now dispose their Shares after obtaining the approval of the involved regulatory authorities. Any further selling or buying of the Shares by the Founding Shareholders may affect the Company's share price.

## 3. Market Overview

### 3.1 Source of Information

In this Prospectus, information and data regarding economic figures and the insurance industry have been obtained from different sources believed to be reliable and the Company has made all reasonable inquiries as to the accuracy of the information obtained from these sources. While neither the Company and its Directors nor any of its advisors whose names appear in pages (vii) and (viii) of this prospectus have a reason to believe that any of the market and industry information is materially inaccurate, such information has not been independently verified and no representation is made with respect to the accuracy or completeness of any of this information. The referenced sources include:

#### Saudi Insurance Market Survey Report 2013G issued by SAMA

SAMA, the central bank of the Kingdom of Saudi Arabia, was established in 1952G. The main functions of SAMA include:

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

The information obtained from SAMA is publicly available and obtainable from the internet; therefore no consent is required to use such information.

#### Report of Swiss Re

Swiss Re is one of the leading companies in the field of reinsurance. It was established in 1863G in Zurich, Switzerland. Swiss Re has a presence in more than twenty five (25) countries and publishes a range of reports on insurance markets worldwide. These reports are publicly available and obtainable from their website.

The information obtained from Swiss Re as used in this Prospectus is publicly available and can be obtained via the internet and therefore consent to use their reports in this Prospectus has not been sought.

Neither Swiss Re, nor any of its subsidiaries, shareholders, directors or Relatives has any interest in the Company.

### 3.2 Saudi Economy at a Glance

The sustained high levels of oil prices that the world has witnessed over the last few years coupled with sustained high levels of oil output from Saudi Arabia have resulted in Saudi Arabia's government revenues increasing from SAR 643 billion in 2007G to SAR 1,156 billion in 2013G<sup>3</sup>. These robust revenues have driven government spending from SAR 466 billion in 2007G to SAR 976.0 billion in 2013G<sup>4</sup>.

The Saudi Arabian government has strategically routed higher proportions of the increased spending into capital expenditure. While capital expenditure was SAR 119.0 billion in 2007G, accounting for 26% of government spending, it rose to SAR 312.0 billion in 2013G, accounting for 32% of the government spending<sup>5</sup>.

The Government's sustained spending over the last seven years has resulted in a trickledown effect across the economy causing private consumption expenditure growth of 11.5% CAGR and government consumption expenditure growth of 11.6% CAGR. These have aided the Saudi economy in growing from a nominal GDP of SAR 1.56 trillion in 2007G to SAR 2.81 trillion in 2013G<sup>6</sup> representing a real GDP CAGR of 6% from 2007G to 2013G.

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<sup>3</sup> Source: SAMA

<sup>4</sup> Source: SAMA

<sup>5</sup> Source: SAMA

<sup>6</sup> Source: SAMA

The following key indicators reflect the robust growth of the Saudi Economy during the last seven years:

### Exhibit 3.1: Key Economic Indicators

Economic Indicators	2007G	2008G	2009G	2010G	2011G	2012G	2013G
Nominal GDP (SAR billion)	1,558.8	1,949.2	1,609.1	1,975.5	2,510.6	2,752.3	2,806.7
Real GDP (SAR billion)	899.6	975.4	993.2	1,067.1	1,158.5	1,225.9	1,274.3
Real GDP Growth (%)	6.0	8.4	1.8	7.4	8.6	5.8	4.0
Estimated Population (in millions)	24.94	25.79	26.66	27.56	28.38	29.20	29.99
GDP per Capita (SAR)	62,502	75,879	60,356	71,680	88,464	94,257	93,588
Inflation rate (%)	5.00	6.11	4.1	3.88	3.77	2.99	3.55
Average Daily Saudi Oil Production (million barrels)	8.8	9.2	8.2	8.2	9.3	9.8	9.6
Average Price of Arabian Light Oil (USD per barrel)	68.75	95.16	61.38	77.82	107.82	110.22	106.53
Oil Sector Contribution to GDP (%)	50	55	41	45	51	50	47

Government Finances	2007G	2008G	2009G	2010G	2011G	2012G	2013G
Government Revenues (SAR billion)	642.8	1,101.0	509.8	741.6	1,117.8	1,247.4	1156.4
Government Expenditures (SAR billion)	466.2	520.1	596.4	653.9	826.7	873.3	976.0
Budget Deficit/Surplus (SAR billion)	176.6	580.9	-86.6	87.7	291.1	374.1	180.3
Budget surplus to GDP (%)	11.3	29.8	-5.4	4.4	11.6	13.6	6.4
Debt to GDP (%)	17.1	12.1	14.0	8.5	5.4	3.7	2.7

Source: SAMA

All GDP components except mining & quarrying witnessed a positive growth in 2013G. Sectors with the highest growth rates in 2013G included construction (8.8%), transportation, storage & communications (7.1%), wholesale, retail, restaurants & hotels (6.6%) and finance, insurance & real estate (6%)<sup>7</sup>.

### Exhibit 3.2: Trend of Real GDP by Economic Activity

(SAR million)	2007G	2008G	2009G	2010G	2011G	2012G	2013G
Agriculture, forestry & fishing	39,619	40,145	40,559	40,156	41,026	41,550	41,860
Mining & Quarrying	224,077	204,166	203,177	204,166	229,005	242,276	240,096
Manufacturing Industries	113,315	125,193	128,462	141,478	157,131	164,731	171,735
Electricity, Gas & Water	17,722	18,353	21,382	26,216	27,583	29,598	29,985
Construction	64,930	67,430	68,474	75,818	83,300	87,276	94,929
Wholesale, Retail, Restaurants & Hotels	97,371	112,681	114,347	133,658	143,184	152,307	162,410
Transport, Storage & Communication	61,236	78,238	87,247	96,460	109,768	116,378	124,623
Finance, Insurance, Real Estate & Business services	127,142	139,478	149,597	156,667	159,920	172,830	183,252
Community & Social & Personal services	30,658	31,720	33,265	35,114	37,019	38,569	40,160
Less: imputed bank service charges	(15,508)	(15,529)	(15,869)	(16,104)	(16,311)	(16,625)	(16,848)
<b>Sub-total</b>	<b>748,468</b>	<b>819,247</b>	<b>830,641</b>	<b>893,631</b>	<b>971,625</b>	<b>1,028,889</b>	<b>1,072,202</b>
Producers of Gov. Services	141,821	145,210	152,510	162,926	175,858	185,252	190,554
Import duties	9,312	10,955	10,104	10,539	11,063	11,750	11,557
<b>Gross Domestic Product</b>	<b>899,601</b>	<b>975,412</b>	<b>993,254</b>	<b>1,067,097</b>	<b>1,158,546</b>	<b>1,225,891</b>	<b>1,274,314</b>

Source: SAMA

<sup>7</sup> Source: SAMA

### 3.3 Middle Eastern & North African Insurance Market Overview

The insurance industry in the MENA is still in its nascent stages, compared with other advanced world economies as it is characterized by low penetration & density rates and to some extent weakness of legislative regulations of the insurance sector compared to the more developed economies.

During the past five years, the insurance sector witnessed strong growth rates. Although these growth rates are important, the region still has a long way to go before becoming a mature insurance sector. It is expected that the movement of MENA countries economics, government's efforts to develop legislative regulations and increased investments will have a positive impact on the insurance sector and ensure continuous growth in the coming years.

The table below shows the gross underwritten premiums (excluding life insurance) for the MENA countries in 2013G.

**Exhibit 3.3: Gross Underwritten Premiums in USD (Excluding Protection and Saving "P&S") for MENA in 2012G and 2013G:**

Countries	2012G		2013G	
	Written Premiums	% of Global Market	Written Premiums	% of Global Market
Algeria	1,285	0.071%	1,342	0.07%
Bahrain	476	0.02%	515	0.03%
Egypt	1,016	0.05%	1,051	0.05%
Jordan	595	0.03%	620	0.03%
Kuwait	731	0.04%	770	0.04%
Lebanon	930	0.05%	1,005	0.05%
Morocco	1,992	0.04%	2,157	0.11%
Oman	752	0.04%	859	0.04%
Qatar	1,281	0.07%	1,407	0.07%
Saudi Arabia	5,409	0.27%	6,105	0.30%
Tunisia	683	0.03%	699	0.03%
UAE	5,532	0.28%	6,026	0.30%
Other world Countries	1,947,995	98.95%	2,010,294	98.89%
<b>Total for all world Countries</b>	<b>1,968,677</b>	<b>100%</b>	<b>2,032,850</b>	<b>100%</b>

Source: Swiss Re

### 3.4 Development of Insurance Industry in Saudi Arabia

There were 35 listed insurance companies operating in Saudi Arabia as of 30th June 2014G. The Insurance sector witnessed a transitional period where existing companies that had not applied for a license had to obtain licenses in accordance with the Insurance Law or else exit the market as the grace period ended on 9th April 2008G. SAMA had allowed the companies whose files had already been studied or those who had already obtained Royal Decrees but had not yet been incorporated, to renew their existing clients' policies up to 17th February 2010G.

The following were the insurance companies listed in Tadawul as of 30th June 2014G:

1. National Company for Cooperative Insurance ("Tawuniya")
2. Mediterranean & Gulf Cooperative Insurance & Reinsurance ("Med Gulf")
3. Malath Cooperative Insurance & Reinsurance Company
4. SAICO
5. Al-Ahli Takaful Company ("ATC")
6. SABB Takaful Company

7. Arabian Shield Cooperative Insurance Company
8. Saudi IAIC for Cooperative Insurance ("SALAMA")
9. Gulf Union Cooperative Insurance Company
10. Saudi Fransi Cooperative Insurance Company ("Allianz SF")
11. Sanad Insurance & Reinsurance Cooperative Company ("SANAD")
12. Trade Union Cooperative Insurance Company
13. Al Sagr Company for Cooperative Insurance
14. Wafa Insurance
15. Saudi United Cooperative Insurance ("Wala'a")
16. Arabia Insurance Cooperative Company
17. BUPA Arabia for Cooperative Insurance
18. Saudi Re for Cooperative Reinsurance Company
19. Allied Cooperative Insurance Group ("ACIG")
20. Al-Ahlia for Cooperative Insurance Company
21. United Cooperative Assurance ("UCA")
22. Weqaya Takaful Insurance & Reinsurance Company
23. Al Rajhi Company for Cooperative Insurance
24. AXA Cooperative Insurance Company
25. Ace Arabia Cooperative Insurance Company
26. Buruj Cooperative Insurance Company
27. Al Alamiya for Cooperative Insurance
28. Gulf General Insurance Company
29. Solidarity Saudi Takaful Company
30. Wataniya Insurance Company
31. Amana Cooperative Insurance Co.
32. Saudi Enaya Insurance Co.
33. Tokyo Marine Saudi Arabia
34. Jazira Takaful Cooperation Co.
35. MetLife AIG ANB Cooperative Insurance Company

#### 3.4.1 Gross Written Premiums<sup>8</sup>

The gross written premiums had increased by SAR 4.07 billion reaching SAR 25.24 billion in 2013G from SAR 21.17 billion in 2012G with a growth rate of 19.2%.

Health insurance ranked at the first place as the biggest insurance activity in 2013G, contributing more than 50% of the total gross written premiums during the last 5 years. The other general insurance activities contributed more than 40% of the total gross written premiums during the last 5 years.

Motor Insurance made the largest contribution to growth in gross underwritten premiums in 2013G accounting for SAR 1.67 billion of the total increase of SAR 4.07 billion representing 41% of the increase witnessed by the gross underwritten premiums.

Protection & savings insurance was among the smallest insurance activities as it represented 3% of the total underwritten premiums 2013G, as underwritten premiums dropped by 5% in 2013G compared to 2012G.

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<sup>8</sup> Source: SAMA

The following table shows the total value of Gross Premiums by line of business for the period 2009G – 2013G:

**Exhibit 3.4: Total Value of Subscribed Premiums by line of business for the period 2009G-2013G:**

SAR million	2009G		2010G		2011G		2012G		2013G		Growth
	Gross Premiums	% of Gross									
Health	7,292	50%	8,690	53%	9,708	52%	11,825	53%	12,895	51%	14.3%
Motor	3,055	21%	3,239	20%	3,922	21%	4,689	21%	6,355	25%	35.5%
Property & Fire	905	6%	959	6%	1,157	6%	1,348	6%	1,665	7%	23.4%
Accident & Other Liability	544	4%	507	3%	632	3%	691	3%	941	4%	36.2%
Engineering	810	6%	869	5%	913	5%	1,077	5%	1,200	5%	11.4%
Marine	525	4%	518	3%	634	3%	743	3%	740	3%	-0.4%
Protection & Saving	1,003	7%	972	6%	905	4%	889	4%	845	3%	-5.0%
Energy	302	2%	329	2%	361	2%	385	2%	456	2%	18.5%
Aviation	174	1%	305	1%	272	1%	67	0%	144	1%	114.7%
<b>Total</b>	<b>14,610</b>	<b>100%</b>	<b>16,387</b>	<b>100%</b>	<b>18,504</b>	<b>100%</b>	<b>21,174</b>	<b>100%</b>	<b>25,239</b>	<b>100%</b>	<b>19.2%</b>

Source: SAMA's Saudi Insurance Market Survey Report 2013G

### 3.4.2 Retention Ratio<sup>9</sup>

A retention ratio is a measure of the written risks retained by an insurance company. It is calculated by expressing net written premiums as a percentage of gross written premiums. The overall retention ratio of insurance companies in the Saudi market was around 62.4% in 2009G and increased to 76.2% in 2013G. The retention ratios in 2013G for the two biggest lines of business – health and motor – were 88.8% and 93.9% respectively.

**Exhibit 3.5: Premium Retention by Lines of Business**

Line of Business	2009G	2010G	2011G	2012G	2013G	Change %
Health	76.2%	81.9%	84.7%	88.2%	88.8%	0.8%
Motor	96.4%	95.7%	94.6%	94.0%	93.9%	-0.1%
Property/Fire	11.6%	13.2%	11.7%	15.1%	16.9%	12.3%
Accident & Liability and Other	44.9%	54.4%	44.3%	47.7%	41.6%	-12.7%
Engineering	15.5%	13.1%	14.4%	15.4%	15.0%	-2.5%
Marine	34.9%	33.8%	32.3%	30.9%	32.6%	5.6%
Energy	1.7%	2.3%	2.05%	1.9%	1.7%	-13%
Aviation	0.6%	1.6%	0.5%	3.6%	2.5%	-29.4%
<b>Total</b>	<b>62.4%</b>	<b>72.0%</b>	<b>73.2%</b>	<b>75.9%</b>	<b>76.2%</b>	<b>0.5%</b>

Source: SAMA's Saudi Insurance Market Survey Report 2013G

### 3.4.3 Insurance Penetration and Density<sup>10</sup>

- Insurance penetration is defined as gross written premium as a percentage of GDP. The level of insurance penetration in Saudi Arabia was 0.90% in 2013G and decreased from 0.78% in 2012G.
- Insurance density is defined as gross written premium per capita. The insurance density in Saudi Arabia increased from SAR 725.2 in 2012G to SAR 864.5 in 2013G, an increase of 19.2%.
- The penetration and density of health insurance is much higher than that of general and protection and savings insurance.

<sup>9</sup> Source: SAMA

<sup>10</sup> Source: SAMA

### Exhibit 3.6: Insurance Penetration and Density by Lines of Business

Lines of Business	Penetration						Density					
	2009G	2010G	2011G	2012G	2013G	% Change	2009G	2010G	2011G	2012G	2013G	% Change
Total General Insurance	0.45%	0.40%	0.36%	0.33%	0.41%	24.7%	248.9	247.8	290.8	308.3	393.9	27.8%
Total Health Insurance	0.52%	0.51%	0.45%	0.41%	0.46%	11.5%	287.4	320.2	357.8	386.5	441.7	14.3%
Total P&S Insurance	0.07%	0.06%	0.04%	0.03%	0.03%	-7.2%	39.5	35.8	23.4	30.4	28.9	-5.0%
<b>Total Industry</b>	<b>1.03%</b>	<b>0.97%</b>	<b>0.86</b>	<b>0.78%</b>	<b>0.90%</b>	<b>16.3%</b>	<b>292.9</b>	<b>603.9</b>	<b>682.0</b>	<b>725.2</b>	<b>864.5</b>	<b>19.2%</b>

Source: SAMA's Saudi Insurance Market Survey Report 2013G

#### 3.4.4 The Insurance Law and the Implementing Regulations

The Cooperative Insurance Companies Control Law was approved by Royal Decree number M/32 dated 2/6/1424H (corresponding to 31/7/2003G) which set the stage for the legal framework and supervision of the insurance sector. SAMA was appointed to act as a regulator and responsible body for the supervision of the insurance sector.

Subsequently, Implementing Regulations were issued by Ministerial Decree No. 1/596 dated 1/3/1425H (corresponding to 20/4/2004G) to govern the insurance business in Saudi Arabia. Some of the salient features of Cooperative Insurance Companies Control Law and its Implementing Regulations are as follows:

- Insurance activities within Saudi Arabia must be carried out by insurance companies established and registered in Saudi Arabia and operated in a "Cooperative/Takaful" manner consistent with the principles of Islamic Law and Jurisprudence.
- Applicant insurer/reinsurer must be a joint stock company, established primarily to engage in insurance and/or reinsurance activities with direct insurers having a minimum capital of one hundred million Saudi Arabian Riyals (SAR 100,000,000) and reinsurers having a minimum capital of two hundred million Saudi Arabian Riyals (SAR 200,000,000).
- Gross premiums written should not exceed ten times the amount of the paid up capital of the company.
- Direct insurers must retain at least 30% of total gross written premiums within the Kingdom of Saudi Arabia.
- 90% of the net surplus must be transferred from insurance operations to the Shareholders' income statement and the balance of 10% must be distributed to the policyholders either directly or in the form of a future reduction in premiums.
- Direct insurers must reinsure a minimum of 30% of total gross written premiums within the Kingdom of Saudi Arabia.

## 4. The Company

### 4.1 Introduction

The Company has its registered Head Office Address at 1st Floor, Platinum Center, Salahudeen Al-Ayoubi Street, P.O. Box 58073, Malaz, Riyadh 11594 and is registered under the commercial registration number 1010237214 issued from Riyadh on 07/08/1428H (corresponding to 20/08/2007G) and is licensed to practice insurance business by SAMA under License No. MF 20079 dated 29/08/1428H (corresponding to 11/09/2007G). The company was established based on Royal Decree No. 60/M dated 18/09/1427H (corresponding to 11/10/2006G) and the Council of Ministers resolution No. 233 dated 16/09/426H (corresponding to 09/10/2006G). The Company started underwriting insurance business on 25th August 2009G and since then it provides various types of insurance business based on cooperative insurance principles and under supervision of SAMA. SAICO's main lines of business include all classes of general insurance: marine and hull, private and commercial motors, public liability workmen compensations, fire and burglary, general accidents, engineering, group and individual general accidents, group medical and life insurance. Aside from what is stated above, the Company has no intention to add any new products or introduce any material change to the Company's main business.

The Company's share capital is One Hundred Million Saudi Riyals (SAR 100,000,000) composed of Ten Million (10,000,000) Shares with a nominal value of SAR 10 per Share, all of which are fully paid up. The Founding Shareholders had subscribed to 60% of the total Shares and the remaining 40% had been subscribed to by the public through an IPO that took place in 2007G. SAICO had obtained SAMA's approval under letter No. 20/L dated 02/01/1432H (corresponding to 11/12/2010G) to increase its share capital by SAR 150,000,000 through a rights issue. Upon completion of the Offering, the Company's share capital will be SAR 250,000,000 composed of 25,000,000 Shares with a nominal value of SAR 10 per Share. The Company's Board has issued its resolution No. 23 dated 12/01/1432H (corresponding to 18/12/2010G) recommending increase of the Company's capital to meet its solvency requirements. The Board of Directors has re-recommended, in its meeting held on 25/08/1435H (Corresponding to 23/06/2014G), the pursuance of increase of share capital.

### 4.2 Key History

The following are the key milestones in the Company's history:

- The Founding Shareholders obtained the permit to establish the Company based on Royal Decree No. 60/M dated 18/09/1427H (corresponding to 11/10/2006G) and decision of the Council of Ministers No. 233 dated 16/09/426H (corresponding to 09/10/2006G).
- Listing after Initial Public Offering: 03 September 2007G.
- Licensed to practice insurance business by SAMA under License No. MF 20079 dated 29/08/1428H (corresponding to 11/09/2007G).
- SAICO started underwriting insurance business on 25th August 2009G.
- SAICO entered into an agreement to transfer insurance portfolio from SAICO BSC effective 1st January 2009G.
- Obtained SAMA's approval No. 2T/2282 dated 07/12/1431H (corresponding to 13/11/2010G) to open three branches in Jeddah, Buraidah and Khobar.
- Obtained approval to acquire Arabian Enterprises' shares in Najm in the General Assembly Meeting held on 07/06/2010G.
- Obtained SAMA's approval to increase the Company's capital share under letter No. 20/L dated 02/01/1432H (corresponding to 11/12/2010G).
- Obtained SAMA's approval No. 341000011728 dated 27/01/1434H (corresponding to 11/12/2012G) to open Riyadh branch.
- On 23rd June 2014G, SAICO BSC informed the Company that they will not pursue the transfer of the insurance business and related net assets of Saudi operations to the Company.

### 4.3 The Company's Mission

SAICO's objectives are summed up as offering insurance products and services that provide quality protection at reasonable prices through successful partnerships with its customers, agents, brokers and insurance companies in as much as is necessary and to make sure that the overall interests and objectives of all stakeholders is respected.

## 4.4 The Company's Current Ownership Structure

The below table shows the shareholding structure of the Company as of 30th June 2014G:

### Exhibit 4.1: The Company's ownership structure as at 30th June 2014G

S.No.	Shareholder	Ownership	Number of owned shares	Shares value in SAR
1	SAICO BSC*	30%	3,000,000	30,000,000
2	HRH Princess Jawhara Bint Abdulaziz Al-Saud*	2%	200,000	2,000,000
3	Public & Directors	68%	6,800,000	68,000,000
<b>Total</b>		<b>100%</b>	<b>10,000,000</b>	<b>100,000,000</b>

Source: The Company

\*Except for these two shareholders, there was no other founding shareholder holding shares in the Company

The Offering will be for SAR 150 million and will represent 60% of the share capital of the Company after increase. This increase in capital may change the ownership structure described hereinabove depending on the participation of shareholders in the offering.

#### 4.4.1 Direct Substantial Shareholders

The following are the Shareholders who own more than 5% directly in the share capital of the Company as of 30th June 2014G:

### Exhibit 4.2: Shareholding of Substantial Shareholders as of 30th June 2014G

S. No.	Shareholder	Ownership %	Number of owned shares	Shares value in SAR
1	SAICO BSC	30%	3,000,000	30,000,000

Source: The Company

SAICO BSC was founded and registered in Bahrain as an exempted company to practice insurance activities outside Bahrain under Commercial Registration No. 10316. The capital of the SAICO BSC is BHD 20 million (equivalent to SAR 200 million). SAICO BSC has been converted from an exempted company to a non-exempted closed joint stock company licensed by the Central Bank of Bahrain to exercise insurance activity inside and outside Bahrain. SAICO BSC's geographic coverage includes Dubai, Abu Dhabi, Kuwait, Oman and Bahrain. SAICO BSC's underwriting operations in KSA are conducted through the Company.

The following is the direct shareholding pattern of SAICO BSC as of 30th June 2014G:

### Exhibit 4.3: Direct shareholding of SAICO BSC

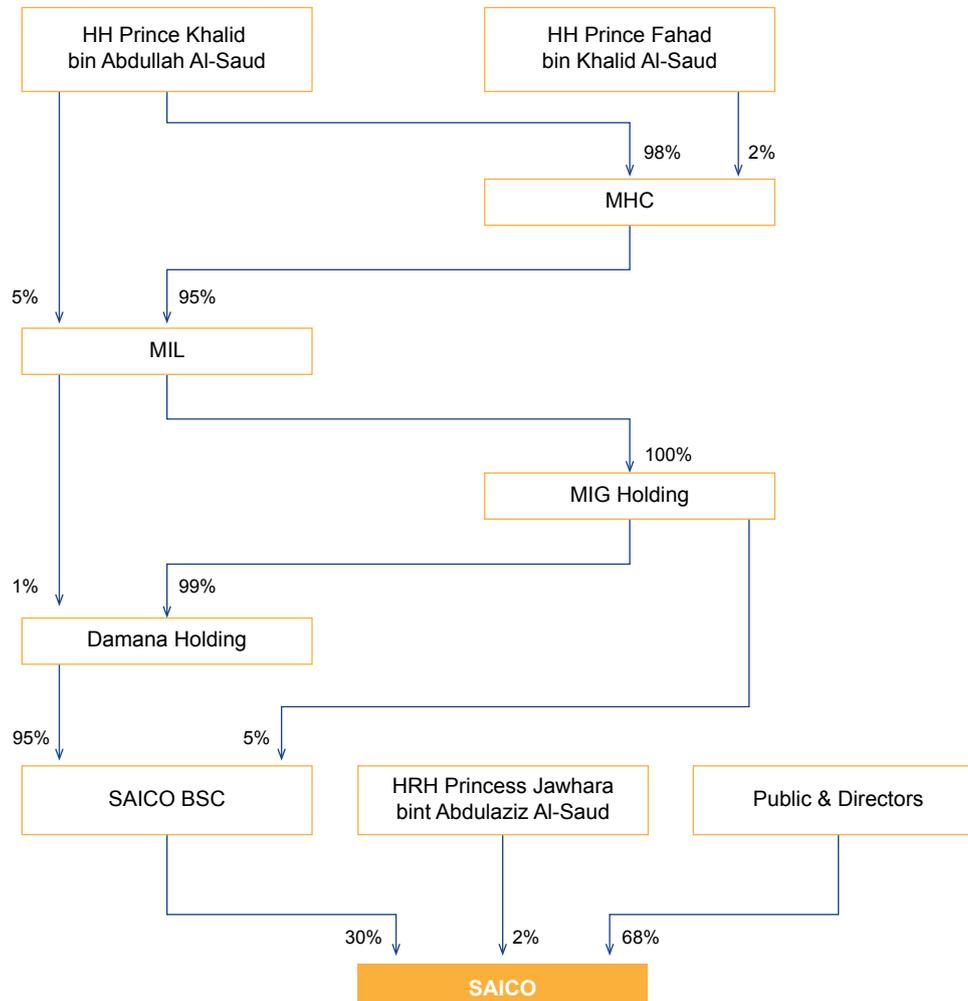
S. No.	Name of company	Direct shareholders	Ownership
1	SAICO BSC	Damana Holding	95%
		MIG Holding	5%
<b>Total</b>			<b>100%</b>

Source: The Company

#### 4.4.2 Indirect Substantial Shareholders

The following figure presents the complete ownership structure of SAICO BSC as of 30th June 2014G:

**Exhibit 4.4: Complete Ownership Structure of SAICO BSC**



Source: The Company

None of the above direct or indirect shareholders of the Company compete with the Company.

As a result of the above ownership structure, the following is the list of shareholders with a direct or indirect substantial shareholding in the Company:

**Exhibit 4.5: Direct & Indirect Substantial Shareholding in the Company**

Shareholder	Intermediate Entity/Entities	Direct	Indirect	Total
SAICO BSC	-	30.00%	-	30.00%
Damana Holding	SAICO BSC	-	28.50%	28.50%
MIG Holding	(i) SAICO BSC	-	1.50%	
	(ii) Damana Holding	-	28.22%	
	Total	-	29.72%	29.72%
MIL	(i) Damana Holding	-	0.29%	
	(ii) MIG Holding	-	29.72%	
	Total	-	30.00%	30.00%
MHC	MIL	-	28.50%	28.50%

Shareholder	Intermediate Entity/Entities	Direct	Indirect	Total
HH Prince Khalid bin Abdullah Al-Saud	(i) MIL		1.50%	
	(ii) MHC		27.93%	
	<b>Total</b>	-	<b>29.43%</b>	<b>29.43%</b>

Source: The Company

The profiles of the indirect substantial shareholders of the Company are discussed below.

#### 4.4.2.1 Damana Holding

Damana Holding was founded in the Kingdom of Bahrain as a holding company. It owns pioneering insurance companies with well established operations in all of the GCC countries and Lebanon. It has well established connections for complex and specialized risk placements in medical as well as all other lines of insurance and enjoys a good reputation in the GCC region.

#### 4.4.2.2 MIG Holding

MIG Holding, previously known as the ACE Holding Inc., was established in 1952G and is one of the holding companies for the Mawarid Group. It has grown to become the owner of the largest indigenous insurance and reinsurance organization in the Middle East. The Group's operational companies have operations and offices throughout the GCC, Yemen, Lebanon and Greece. In 1973G, it became associated with major players in the international insurance markets. This association has enhanced the capabilities of the Group's operational companies considerably and gave it greater access to the world insurance markets.

#### 4.4.2.3 MHC

MHC was founded in 1968G as a holding company for the Group. The business of MHC is diversified but with focus on the following 5 divisions:

- Investment and Financial Services Division: This division manages MHC's investments in real estate, equity investments in joint stock companies and investments in financial services such as Mawarid Insurance Group and American Express card services in the Middle East and North Africa.
- Projects Division: This division includes various types of activities focusing on construction, medical, security, catering, landscaping, pest control, cleaning and waste management.
- Distribution & Trading Division: This division has exclusive agency rights for leading cosmetic brands, operation of convenience stores, retail outlets, fast food restaurants, whole sale distribution, poultry farming and ancillary products.
- Media & Communication Division: This division is involved in Telecommunication, Media production and delivery, and integration of communication services.
- Energy & Natural Resources Division: This division is involved in Gas & Oil and exploration for mineral resources.

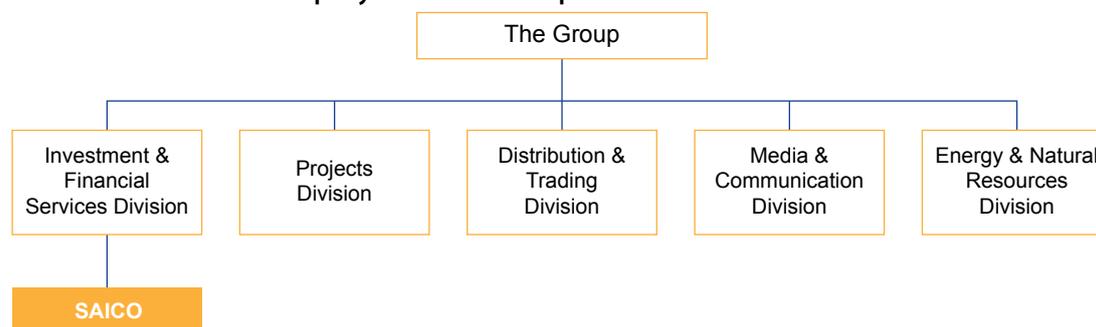
#### 4.4.2.4 MIL

MIL is a limited liability Co. founded in 1979G with its head office in Riyadh. It is 95% owned by MHC and 5% owned by HH Prince Khalid Bin Abdullah Al Saud. Being the investment arm of MHC, MIL is managing the group's short and long term investment portfolio. In this business, MIL has invested in numerous private and publicly listed companies.

#### 4.4.3 The Company's Position within Mawarid Group

The following figure presents the position of the Company within Mawarid Group as of 30th June 2014G:

**Exhibit 4.6: Position of the Company within the Group**



Source: The Company

### 4.5 The Company's Strategy

The Company intends to strengthen its technical capabilities and develop its human resources, use electronic applications and improve its infrastructure efficiency in order to achieve its strategy. The strategy results may be reflected in increase of the Company's market share, geographical expansion and enhance performance in underwriting, claims, marketing and sales to ensure optimum results. SAICO plans to focus on its strengths, broaden its client-base and seize opportunities that arise from the positive trend of insurance market in addition to continuing to recruit the best human resources in insurance industry, particularly, Saudi nationals.

The Company's strategy will be based on:

- 1- Continuing to hold strong position in the small and medium sized enterprises sector and an adequate position in the large corporations, public institutions and personal line sectors;
- 2- Continuing to develop its own distribution network;
- 3- Gaining more geographical visibility and be strong in all regions in Saudi Arabia by adding new branches; and
- 4- Banking on market sector strength in motor, medical, marine and engineering businesses.

#### 4.5.1 Products & Services

The following are the categories of insurance products offered by the Company:

##### 4.5.1.1 Property Insurance

- **Fire (specific risks):** It covers the losses and damages to property insurers which arise from specific risks such as fire, explosion, thunderbolt and damages caused by wind, earthquakes, volcanoes, storms & tempest, floods, bursting of pipes, overflowing of water reservoirs, aircraft damage, collision of vehicles, theft with violence and forcible acts, malicious acts and strikes, riots, civil commotion and terrorism acts.
- **Property against All Risks:** It covers all the dangers that cause material losses or damage to property insured. In comparison to fire (specific risks), this type of product also covers sudden collateral damage. The basic principle here is that all the risks covered except as specifically excluded.
- **Business Interruption:** It covers loss of profit and revenue generated by an incident covered under an insurance against fire or property damages. It covers costs incurred in the necessary work to reduce the decline in sales resulting from the incident insured.
- **Household against All Risks:** It covers all residential facilities against all risks identified under fire policies, accidental and sudden property such as buildings and contents housing. It can also extend coverage to include domestic property, providing alternative housing, public liability and the compensation for the death of insured because of the risk insured. It also expands coverage to secure the personal collections of precious belongings against all risks.

#### 4.5.1.2 Engineering Insurance

- **Contractor's All Risks:** It covers losses and physical damage of all materials related to the realization of the contract being executed and insured up to the date of completion. Coverage could be extended to include equipment and machinery used at the construction site and existing installations for the owner of the project. It includes coverage of legal responsibility of the contractor to third parties for personal injuries and property losses resulting from the implementation of the contract.
- **Erection All Risks:** It covers any sudden unexpected accident resulting in a material loss or damage to any equipments or machines assembled at the site due to any reason unless expressly excluded. Coverage can be extended to include civil works and property. It includes coverage of the legal responsibility of the contractor for personal injuries and property losses resulting from the risk.
- **Contractor's Plant and Equipment:** It covers loss or damage to insured items and equipment belonging to contractors for sudden and unforeseen accidents resulting in physical damage needing replacement or repair when items are at work, at rest as well as during the process of transit by land from one location to another.
- **Machinery Insurance Cover:** It covers losses and damage to machines resulting from external and accidental incidents which are not excluded in the policy. Coverage includes factory equipment and machines during work or rest periods.
- **Electronic Equipment Cover:** It covers specially designed fixtures and computer systems, records and any subsequent loss. The document covers all risks except those explicitly excluded.

#### 4.5.1.3 General Accidents Insurance

- **Money Insurance:** It covers losses on funds that occur because of detention or thefts during transport or during their stay in insured property during working hours or while in the safe outside working hours. It also includes infidelity by staff if the loss is discovered within the insurance period.
- **Product Liability and General Liability:** It covers legal responsibilities toward others for the amounts of compensation, costs and expenses resulting from the alleged accidental physical injuries or incidental damage to the property. It also includes professional liability of directors, engineers and doctors.
- **Personal Accident:** It covers the insured against accidental death or injury in the Kingdom of Saudi Arabia and abroad. It may also cover compensation for disability in accordance with specific scale of indemnity.
- **Travel Insurance:** This policy provides comprehensive coverage designed for travelers. Coverage includes death and disability resulting from accidental injury, emergency medical costs, medical care and emergency medical evacuation. It may also cover expenses resulting from the interruption or cancellation of the flight, the damage and loss of personal effects, purchases necessary due to the delay of luggage, the loss of cash and traveler's checks, airline tickets, coupons housing and passport during travel, in addition to the cash payment in the case of travel delays.
- **Workmen's Compensation:** It covers legal liability arising from compensation payable to workers for injuries suffered during the course of his/her employment.
- **Commercial Crime:** It provides comprehensive coverage designed for large corporations. Coverage includes dishonesty by employees, the loss of funds from secured facilities or during transportation, counterfeiting, forgery, theft of bonds, counterfeiting of currency, the damage and loss of offices and its contents following the theft or burglary or detention.
- **Bankers Blanket Bond:** It is an all risks policy that covers the operation of banks including loss or damage to the premises, theft and burglary, forfeited currency, all as specified in the policy except what is specifically excluded.

#### 4.5.1.4 General Liability Insurance

These products provide full coverage for general liability arising from compensation payable to employees for occupational hazards.

#### 4.5.1.5 Motor Insurance

- **Private Vehicles:** It provides comprehensive coverage against losses and damages to vehicles resulting from any cause (all risks), except what is specifically exempted. Coverage includes liability towards any third party. It may also include the coverage of deaths or disabilities that may occur as a result of accident to either/both the insured driver or passenger.
- **Commercial and Transportation Vehicles:** It provides comprehensive coverage against losses and damages to vehicles resulting from any cause (all risks), except what is specifically exempted. Coverage includes liability towards any third party. It may also include the coverage of deaths or disabilities that may occur as a result of accident to either/both the insured driver or passenger (subject to certain conditions different from insuring private vehicles).

#### 4.5.1.6 Protection & Saving

These products provide coverage against accidents for individuals and groups and life and saving insurance for groups.

#### 4.5.1.7 Health Insurance

These products provide medical treatment coverage based on criteria and practices using the standard insurance policy issued by CCHI.

#### 4.5.1.8 Marine Cargo and Hull Insurance

- **Hull Insurance:** It provides comprehensive coverage designed for yachts and boats in accordance with the international approved standards. It covers vessels body and equipment, expenses and the increase in prices, third-party claims and risk of war. It also includes coverage of the compensation required to be paid to crew and guests. It is governed by the laws applicable in the navy throughout the world.
- **Marine Insurance (open document):** Its coverage includes all kinds of cargo by air, sea or land, to and from anywhere in the world in accordance with the provisions and conditions in accordance with internationally accepted standards. Coverage may be inclusive of all risks or specific risks in accordance with the international standards used. Coverage includes the risks of war and the dangers of employees' strikes and riots. It is governed by the laws applicable in the navy throughout the world.
- **Marine insurance (Single shipment):** Subject to the same provisions of marine insurance open document, but for a single shipment.
- **Land Transit Insurance:** Its coverage includes all types of cargo shipped by land via roads or railroads from and to anywhere within the Kingdom and GCC states. Coverage may be against all risks or to cover full losses only by standard clauses.

#### 4.5.2 New Products

The Company plans to launch a new product after obtaining the approvals of the regulatory authorities. This product aims to provide a comprehensive insurance coverage to the sellers/agents of motor vehicles who provide buyers with an extended warranty similar to manufacturer's warranty after elapse of the latter's warranty with respect to maintenance and manufacturing defaults.

### 4.6 Reinsurance

The Company reinsures a portion of the risks it assumes under its insurance operations to reduce its exposure to losses, stabilize its earnings and protect its capital resources in compliance with the Implementing Regulations.

To reduce its reinsurance concentration risk, the Company has established reinsurance programs with various leading international reinsurers. The criteria for selecting its reinsurers include (i) financial strength (a minimum rating of 'BBB' or an equivalent rating from a recognized international rating organization); (ii) quality of service; (iii) claims settlement efficiency; (iv) terms of coverage; and (v) price.

The company deals with more than ten reinsurers rated by recognized credit rating agencies at BBB and above (see section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company" for details).

SAICO's risks are distributed among several stable and well rated reinsurers with a minimum rating of BBB+

which meets SAMA's requirements. Proportional, non-proportional and facultative insurance agreements have been arranged with this broad range of reinsurers in full compliance with SAMA's requirements related to the aforementioned minimum ratings.

The Company uses mix of treaty and facultative insurance depending on the type of business and nature of risks to be insured.

Facultative insurance represented 64.5% of insurance portfolio in 2013G while the proportional treaty insurance represented 28.7% and non-proportional treaty 6.8% in the same year.

The Company's reinsurance program aims to gradually increase the retention levels of the Company while duly considering risk probabilities, protection against catastrophic losses, adequacy of reserves and protection of Shareholders' and insurance operations' funds.

## **4.7 Technical Provisions (Technical Reserves)**

Technical Provisions have been calculated in accordance with SAMA requirements based upon acceptable accounting standards and have been approved by the Company's actuary reflecting the Company's obligations. Technical Provisions include the following:

### **4.7.1 Unearned Premium Reserves**

These are Technical Reserves on policies that are still valid after the financial year end and the reserves are computed for the period for which these policies are still in force.

### **4.7.2 Unpaid Claim Reserves**

These are Technical Reserves on claims incurred and declared to the insurance company but not settled yet, and these reserves are equal to the amount of losses claimed by the insured parties.

### **4.7.3 Claims Expense Reserves**

The claims expenses are the additional amount paid by the insurance companies for the surveyors and loss adjusters involved in the assessment of claims. A reserve for such expenses is taken for the unsettled claims.

### **4.7.4 IBNR Claims Reserves**

These Technical Reserves are known as IBNR and represent the insurance company's assumptions for past losses that have not yet been reported by the insured before the financial year end, but from the Company's experience they are claims incurred and will be declared at later stage, especially on medical and liability policies.

### **4.7.5 Catastrophe Risk Reserves**

These are additional reserves set aside by the insurance company and build up year after year in order to face any unexpected catastrophic event involving many losses at the same time and affecting the retention capacity of the insurance company.

### **4.7.6 General Expense Reserves**

It is a reserve for any general expenses that the company might incur after the financial year end but related to the previous year's operations.

## 4.8 The Company's Strengths

- **Size and Market Status:** The Company is among the top 10 insurance companies operating in KSA. It has a diversified product mix comprising both general insurance, medical insurance and life insurance products. The Company's brand is well recognized in the market and it has a presence in the form of branches in the major cities of KSA.
- **Experience and track record of its Substantial Shareholder:** It's major shareholder, SAICO BSC has been in the insurance industry in KSA and the GCC countries for several decades, writing general and medical insurance business. SAICO BSC currently has a presence in the major business centers in the GCC which is being leveraged by the Company to acquire and maintain customers in KSA, particularly in the medical line of business.
- **Relationship with ACE Agencies & Ace Brokerage:** The relationship of the Company with ACE Agencies and ACE Brokerage enables it to acquire and maintain several large accounts which have been historically serviced by ACE Agencies and ACE Brokerage.
- **Reputable name among major local players as a facultative reinsurance agent:** The Company has experience of writing several major accounts particularly in the fire, general accident and engineering classes of business and reinsuring them on a facultative basis to both foreign and domestic insurance companies. In the case of certain specialty lines of business, its name is well recognized both with the customers as well as reinsurers.

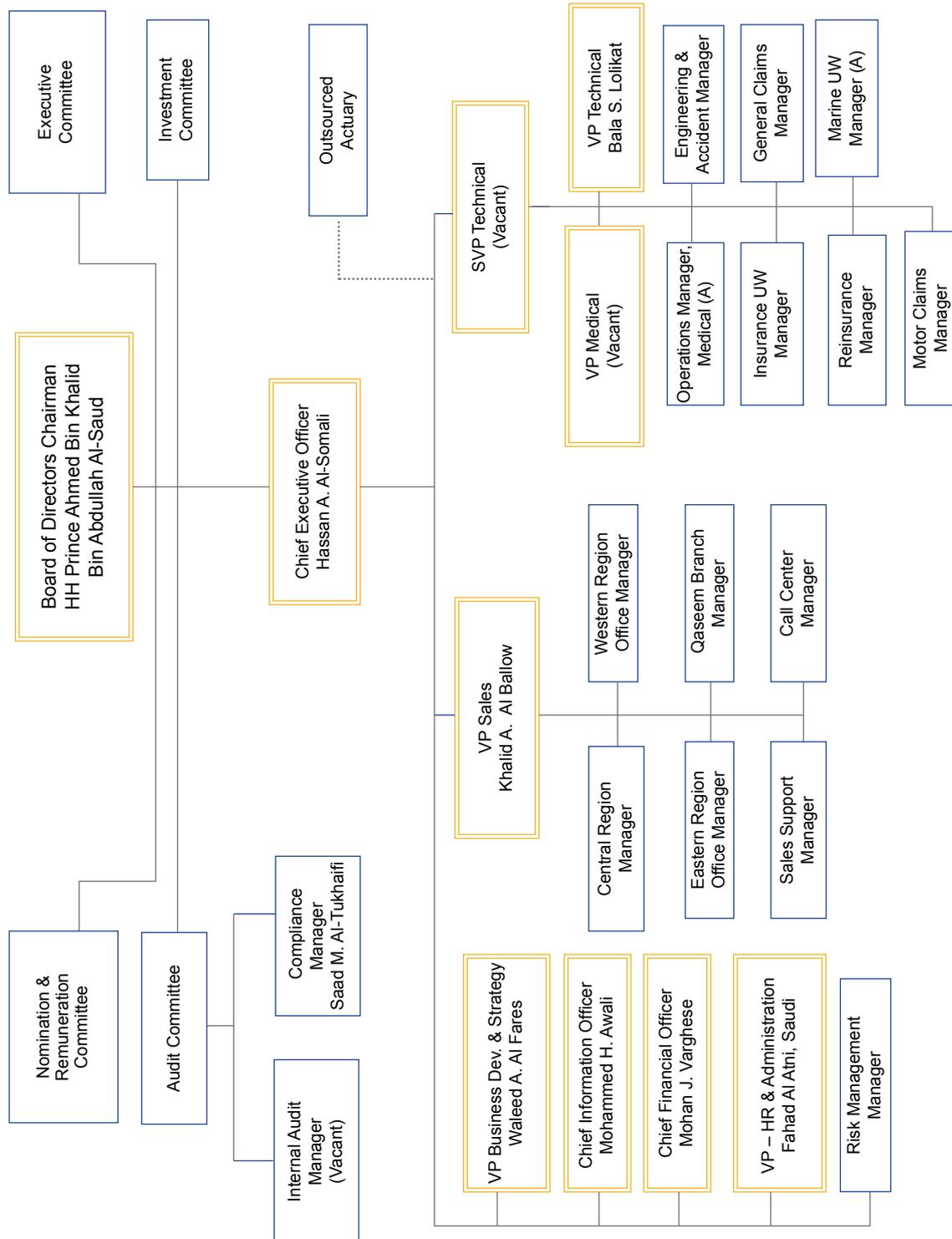
## 5. The Company's Organization

### 5.1 Organization Structure

The Company has a simple organization structure depicting the various functions such as sales, distribution and operations aiming to optimize performance standards.

Following is the Company's organization structure:

**Exhibit 5.1: The Company's Organization Chart**



Source: The Company

## 5.2 Board of Directors

Without prejudice to the powers conferred on the General Assembly, the Board of Directors shall have the broadest powers in managing the affairs and business of the Company. The Board may, within the limits of its jurisdiction, authorize and delegate one or more of its members or a third party to undertake a specific function or functions.

The Board of Directors comprises five (5) Directors appointed by the ordinary General Assembly. The Board of Directors has appointed sub-committees including an Executive Committee, an Investment Committee, an Audit Committee and a Remuneration Committee. These committees will extend the role of the Board of Directors in reviewing Company's activities and providing guidance to the Management. The committees will meet more regularly than the full Board of Directors and report back to the Board of Directors.

The primary responsibility of the Board of Directors is to ensure long-term success of the Company. This includes, among other things, the following:

- Reviewing and guiding corporate strategy, risk management policies, financial planning, annual budgets and business plans as recommended by the Management;
- Setting performance objectives;
- Overseeing major capital expenditure;
- Reviewing Remuneration Committee resolutions relating to senior management and members of the Board of Directors;
- Monitoring and managing potential conflicts of interest of senior management, members of the Board of Directors and Shareholders;
- Ensuring the adequacy of the Company's internal accounting and financial reporting systems, including to support the Company's independent audit functions and ensuring that appropriate systems of control are in place, particularly systems for monitoring risk, financial controls and compliance with relevant laws;
- Monitoring the effectiveness of corporate governance practices; and
- Overseeing the process of corporate public disclosure and communications.

The current Board of Directors comprises the following persons:

### Exhibit 5.2: Board of Directors

Name	Position	Date of Appointment	Nationality	Age	Shareholding*	Represented Entity	Directorship Status
HH Prince Ahmed Bin Khalid Bin Abdullah Al-Saud	Chairman	08/06/2013G	Saudi	54	None	SAICO BSC	Non Executive & Non Independent
Dr. George Shahin Medawar	Director	08/06/2013G	Lebanese	82	None	SAICO BSC	Non Executive & Non Independent
Abdulaziz Abussuud	Director	08/06/2013G	Saudi	74	1000 (0.01%)**	-	Non Executive & Non Independent
Abdullah Mohammed Al-Khenaifier	Director	08/06/2013G	Saudi	58	1000 (0.01%)**	-	Non Executive & Independent
Abdulmohsen Bakheet Saeed	Director	08/06/2013G	Saudi	58	1000 (0.01%)**	-	Non Executive & Independent

Source: The Company

\*The shareholdings are as of 20 November 2014G.

\*\*The 1,000 shares owned by each of the three directors not representing SAICO BSC represent the qualification shares required under Article 68 of the Companies Law.

Brief profiles of the members of the Board of Directors of SAICO are shown below:

<b>Name:</b>	<b>HH Prince Ahmed Bin Khalid Bin Abdullah Bin Abdulrahman Al-Saud, Saudi (54)</b>
<b>Date of Appointment:</b>	08/06/2013G (Current Round)
<b>Position:</b>	Chairman, Non-executive, Non-independent
<b>Education:</b>	He was awarded a LL.M in Law from Harvard University in 1990G, Juris Doctor in Law from School of Law, Peperdine, in 1988G and B.S in Business Administration from University of Southern California in 1985G.
<b>Work Experience:</b>	He has been the Chairman of Saudi Arabian Amiantit (a publicly listed company operating in the Pipes Industry) from 2008G till date, Saudi Chemicals Co. (a publicly listed company operating in manufacturing of civil and military explosives) form 2009G till date, SAICO (a publicly listed company operating in insurance) from 2009G till date, American Express Saudi Arabia (a limited liability company operating in credit cards) from 1999G till date, American Express Middle East (a limited liability company operating in credit cards) from 1992G till date and Arabian Trade Enterprises Company (a limited Liability Company operating in Insurance) form 1991G till date.
<b>Others:</b>	He has been a board member of ACE Agencies (a limited liability Company operating in insurance agencies) form 2007G till date, ACE Brokers (a limited liability Company operating in insurance brokerage) from 2007G till date and ACE Insurance Consultants (a limited liability company operating in insurance consultancy) from 2007G till date.
<b>Past Directorships</b>	None

<b>Name:</b>	<b>Dr. George S. Medawar, Lebanese (82)</b>
<b>Date of Appointment:</b>	08/06/2013G
<b>Position:</b>	Board Member, Non-executive, Non-independent
<b>Education:</b>	He was awarded a Bachelor's degree in Economics from American University, Beirut in 1955G, Master's degree in Economics from American University, Beirut in 1958G and Doctorate in Economics from Cornell University, U.S.A in 1963G.
<b>Work Experience:</b>	He is currently a Group Senior Advisor and Head of Mawarid Overseas Group Office in London (a limited liability holding Group) since 1987G. He has over 50 years of experience in academic and professional fields. He worked as Lecturer at the American University of Beirut from 1963G to 1971G. He was a consultant to the Lebanese Ministry of Finance and Planning from 1969G to 1970G and a consultant to the Saudi Ministry of Agriculture from 1965G to 1966G. He was the Secretary General of the Advisory Commission to the Central Bank of Lebanon from 1969G to 1976G.
<b>Others:</b>	He is a director of Ace Holding Co. (a limited liability holding company at British Islands) since 1978G till date, MIG Holding (a limited liability holding company) since 2011G till date, SAICO BSC (a Bahraini closed joint stock company operating in Insurance) since 2006G till date and Saudi Integrated Telecom Company (a publicly listed company operating in Telecom) since 2011G till date. He was an advisor to several international companies in monetary polices, financial advisory, agricultural and water management. He had been appointed to the United Nations, Beirut office for research and planning for the Saudi foreign trade sector.
<b>Past Directorships</b>	He was a director of Saudi Fisheries (a publicly listed company operating in fisheries) from 1979G to 1983G, Saudi Arabian Amiantit (a publicly listed company operating in pipe manufacturing) from 1983G to 1994G, Saudi Chemical Co. (a publicly listed company operating in Manufacturing of explosives) from 1976G to 1988G, Iridium Inc. (a publicly listed company operating in global satellite communications) from 1996G to 2000G, Integrated Telecommunications Co. (a limited liability company operating in telecommunications) from 2005G to 2009G, Halston Borghese International Ltd. (a limited liability company operating in fragrances, color & skin) from 1992G to 1994G, Orbit Communications Company (a limited liability company operating in satellite TV broadcasting) from 1993G to 2002G and Mawarid Investments Limited (a limited liability holding company operating in investments) from 1979G to 1986G.

Name:	Abdulaziz Bin Ali Abu Al-Saud, Saudi (74)
Date of Appointment:	08/06/2013G
Position:	Board Member, Non-executive, Non-independent
Education:	He was awarded a Bachelor degree in Commerce and Business Administration, American University, Beirut, 1971G. In addition, he has received several certificates in management and attended many training courses on insurance.
Work Experience:	Advisor to Arabian Trade Enterprises Company (a limited liability company operating in Insurance) since 2009G. He was the CEO of Arabian Trade Enterprises Company (a limited liability company operating in the insurance sector) from 1989G to 2008G. Prior to that he was working with the same company in different positions where he was the Senior Vice President from 1988G to 1989G, Vice President for the Gulf region from 1986G to 1988G, Regional Manager for Bahrain & UAE from 1978G to 1986G and Manager from 1973G To 1977G. Prior to that, he was working with the same company as Acting Manager at Abu Dhabi and Bahrain from 1971G to 1972G. From 1967G to 1971G he was on scholarship at the American University of Beirut. He was working with Arab Enterprises Co. at Eastern Region Office from 1961G till 1966G.
Others:	He is a director of Saudi Arabian Amiantit (a publicly listed company operating in the pipes industry) from 2008G till date, Saudi Chemicals Company (a publicly listed company operating in manufacturing of civil and military explosives) form 2009G till date, Ace Holding Company (a limited liability holding company at British Islands) since 1989G up to date, MIG Holding (a limited liability holding company operating in insurance and reinsurance sectors) since 2012G till date, SAICO BSC (a Bahraini closed joint stock company operating in Insurance) since 2009G till date, Al-Sowais International Nitrates Co. (a closed joint stock company based in Egypt and specialized in manufacturing of Nitrates) from 2012G up to date and Yamani General Insurance Co. (a closed joint stock company operating in insurance) from 1990G till date.
Past Directorships	None

Name:	Abdullah Mohammed Abdullah Al-Khenaifer, Saudi (58)
Date of Appointment:	08/06/2013G
Position:	Board Member, Non-executive, Independent
Education:	He was awarded a Bachelor's degree in Mechanical Engineering from Technological University of Daewoo, Japan 1982G.
Work Experience:	He is the Deputy CEO at Khalid Fahad Al-Boaiz Holding Group (a limited liability holding company) from 2011G till date. He was the CEO of Saudi Industrial Exports Company (a publicly listed company operating in industrial exports) from June 1996G up to 2010G and prior to that he was the Managing Director at the same company. He was the General Manager of Arabian Pipes Company (a publicly listed company operating in manufacturing of pipes) from 1986G to 1996G. During the period from 1985G up to 1986G he worked as Assistant Recruiting Manager at SAMBA (a publicly listed banking and financial services institution) and as Industrial Relation Representative in Saudi Methanol Company, US Office (a publicly listed company operating in petrochemical industries) during the period from 1983G to 1985G.
Others:	He is the Board Member of Exports Development Center, Chamber of Commerce Counsel from 1997G till date and Saudi Exports Development Authority from 2007G to 2010G. He is an Associate of International Businessmen Association since 2002G and member of Gulf Chemicals and Petrochemicals Association since 2006G. He is a Member of Saudi American Business Board since 1996G and a member of Arab Resources Management Association since 2006G. He was a member of the Saudi Algerian Business Association from 2004G to 2008G and Deputy head of Mining and Steel Industries Committee at the Chamber of Commerce in Riyadh from 1994G to 1997G. He was the head of Steel Technical Specification Committee from 1995G to 1996G. He is a member of the Saudi Chinese, Saudi Singapore and Saudi Qatari Business Boards.
Past Directorships	None

<b>Name:</b>	Abdulmohsen Bakheet Mohammed Saeed, Saudi (58)
<b>Date of Appointment:</b>	08/06/2013G
<b>Position:</b>	Board Member, Non-executive, Independent
<b>Education:</b>	He was awarded a Bachelor's degree in Business Administration from San Francisco University, USA in 1984G.
<b>Work Experience:</b>	He has been self-employed in Real Estate investments from 1996G till date. He was the General Manager of LABA Trading (a limited liability company operating in trading) from 1990G to 1996G.
<b>Others:</b>	None
<b>Past Directorships</b>	None

The profile of the Secretary to the Board is given below:

<b>Name:</b>	Abdulrahman Naser Al-Saad
<b>Date of Appointment:</b>	02/09/2014G
<b>Position:</b>	Secretary to the Board
<b>Education:</b>	Bachelor Degree in Accounting, Faculty of Business Studies, King Saud University, Riyadh, 1423H/1424H.
<b>Work Experience:</b>	He is the Secretary of the Board at SAICO (Publicly listed company operating in insurance) since 2014G. He worked in Arab National Bank (ANB) (Publicly listed Financial Institution) as Client Relation Officer from 2004G to 2005G and Client Services Supervisor from 2005G to 2006G. He was a member of the Committee for Development of ANB's Branches Staff in association with McKinsey during the period from 2006G to 2007G. He worked as Assistant Branch Manager at ANB from 2007G to 2007G. He was the Corporate Relations Officer for small and medium size clients at Al-Bilad Bank (Publicly listed Financial Institution) from 2007G to 2011G. During the period from 2011G to 2014G, he was taking English Language and Financial Courses in the USA.
<b>Others:</b>	None
<b>Past Directorships</b>	None

Following are the details of Directors' shareholdings as 31st July 2014G:

### Exhibit 5.3: Details of Directors' Shareholdings as 31st July 2014G

Member	Direct Shareholding (number of shares)	Indirect Shareholding (number of shares)	Total Shareholding (number of shares)
HH Prince Ahmed Bin Khalid Bin Abdullah Al-Saud	-	-	-
Dr. George Shahin Medawar	-	-	-
Abdulaziz Abussuud	1,000	-	1,000
Abdullah Mohammed Al-Khenaifer	1,000	-	1,000
Abdulmohsen Bakheet Saeed	1,000	-	1,000

Source: The Company

## 5.3 Remuneration of Directors and Management

Compensation of the executive officers and senior managers of the Company will be proposed by the Nomination and Remuneration Committee of the Board of Directors and will be approved by the ordinary General Assembly in accordance with the Company's By-Laws and within the limits and related provisions of the Companies Law, Insurance Law, and all other applicable laws and regulations.

Remuneration or compensation paid by the Company to the Company's directors by way of sitting fees and annual fees amounted to approximately SAR 0.2 million in 2011G, SAR 0.9 million in 2012G and SAR 0.2 million in 2013G. The total salaries and allowances for senior executives including the CEO and the CFO was SAR 3.4 million in 2011G, SAR 6.5 million in 2012G and SAR 8.8 million in 2013G, out of which SAR 2.8 million in 2011G, SAR 4.5 million in 2012G and SAR 5.7 million in 2013G was salaries and compensations and SAR 0.6 million in 2011G, SAR 2.0 million in 2012G and SAR 3.1 million in 2013G were incentives.

The Board of Directors declares that none of its member has a service contract of any type with the Company.

There is an agency agreement between the Company and ACE Agencies and ACE Brokers in which the Chairman of the Company owns 10%. This agreement has already been approved by the General Assembly.

On 06/02/1432H, the Company had signed a five-year agreement with ACE Agencies commencing on the date of signature. The purpose of the agreement is to provide business to the Company. ACE Agencies is paid a commission as per terms agreed in the contract which are in compliance with SAMA's regulations. Either party may terminate the agreement based on a six-month prior notice without disclosing the reasons. The agreement may also be terminated upon withdrawal or suspension of the SAICO's or ACE's operating license after 90 days from withdrawal/suspension date.

ACE Agencies is a related party of SAICO due to the fact that SAICO's Chairman, HH Prince Ahmed Bin Khalid, owns 10% of its shareholding and consequently has an interest therein. This agreement has been approved by the Ordinary General Assembly Meeting held on 23/06/2014G based on the Board of Directors recommendation.

On 11/07/2011G the company has signed an indefinite agreement with ACE Brokerage. The purpose of the agreement is to provide business to the Company. ACE Brokerage is paid a commission as per terms agreed in the contract which are in compliance with SAMA's regulations. Either party may terminate the agreement based on a six-month prior notice without disclosing the reasons. The agreement may immediately be terminated upon withdrawal or suspension of the SAICO's or ACE Brokerage's operating license.

This agreement has been approved by the ordinary General Assembly Meeting held on 23/06/2014G based on the Board of Directors recommendation as SAICO's Chairman, HH Prince Ahmed Bin Khalid, is a one of the shareholders of ACE Brokerage.

Except for what has been indicated under page (123) of the section titled "Legal Information", there is no other contract signed or intended to be signed as of the date of this Prospectus where any of the Company's directors or executive managers or any of their relatives has an interest therein.

## 5.4 Corporate Governance

The Company is committed to practicing and implementing the highest standards of corporate governance that are fully compliant with the Corporate Governance Regulations issued by CMA and amendments thereto. The Company's management believes that good governance is an ingredient for the Company's success and the Company's commitment to practicing good corporate governance takes form in its implementation of a clear framework for transparency and disclosure ensuring that the Board of Directors acts in the best interests of the Shareholders and presents a true and fair report of the Company's financial condition and results of operations.

The Company's Corporate Governance framework has been approved during the General Assembly Meeting convened in Riyadh on 15/04/1432H (corresponding to 20/03/2011G). The company has also (i) approved and adopted a policy for conflict of interests and criteria for appointment of directors and (ii) elaborated disclosure procedures.

Moreover, the Company is fully compliant in applying all relevant rules and regulations issued by the regulatory and supervisory authorities including all provisions of the Corporate Governance Regulations.

The following statement shows the Company's status with regard to compliance with the Corporate Governance Regulations:

Article	Compliance Status of the Company
Article (3) and Article (4/A) General Rights of Shareholders and Facilitation of Shareholders' Exercise of Rights and Access to information	Yes, Compliant with all Provisions and Requirements
Article (4/B) Facilitation of Shareholders' Exercise of Rights and Access to information	Yes, Compliant with all Provisions and Requirements
Shareholders' Rights Related to General Assembly	Yes, Compliant with all Provisions and Requirements

Article	Compliance Status of the Company
Article (6) Voting Rights	Yes, Compliant with all Provisions and Requirements except for sub-article (b) regarding the accumulative voting method as the Company's by-laws does not include the accumulative voting method and not been amended to cover this point and it will be adopted in the future if the by-laws are amended to include this method.
Article (7) Dividends Rights of Shareholders	Yes, Compliant with all Provisions and Requirements. Sub-article (b) regarding General Assembly approval to the dividends including distribution date is not applicable at the present since no dividends have been declared.
Article (8) Policies and Procedures Related Disclosure	Yes, Compliant with all Provisions and Requirements
Article (9) Disclosure in the Board of Directors' Report	Yes, Compliant with all Provisions and Requirements. Sub-article (f) regarding punishment and penalties is not applicable since there is no punishment or penalty
Article (10) Main Functions of the Board	Yes, Compliant with all Provisions and Requirements
Article (11) Responsibilities of the Board	Yes, Compliant with all Provisions and Requirements
Article (12) Formation of the Board	Yes, Compliant with all Provisions and Requirements. Sub-article (i) regarding nomination vote of other members of the board of directors is not applicable
Article (13) Committees of the Board	Yes, Compliant with all Provisions and Requirements
Article (14) Audit Committee	Yes, Compliant with all Provisions and Requirements
Article (15) Nomination and Remuneration Committee	Yes, Compliant with all Provisions and Requirements
Article (16) Meetings of the Board and Agenda	Yes, Compliant with all Provisions and Requirements. Sub-article 16/2 regarding unforeseen meetings and sub-article 16/3 regarding objection to the Agenda are not applicable
Article (17) Remuneration and indemnification of Board Members	Yes, Compliant with all Provisions and Requirements
Article (18) Conflict of Interest within the Board	Yes, Compliant with all Provisions and Requirements. Sub-article 18/A regarding general biddings and Sub-article 18/B regarding competing business are not applicable

The Company has a clear division of responsibilities between the Board of Directors and executive management of the Company and, in keeping with the Corporate Governance Regulations best practice, more than one third of the Company's directors are independent, non-executive directors.

The Company has efficient internal control systems. It has a professionally staffed internal audit body to undertake independent reviews of all functions of the enterprise. Moreover, the Company's external auditors are engaged to provide audit services and do not provide any services which are incompatible with such role. The Company's external auditors will provide annual reporting to the Company and an annual management letter.

The following is a summary of the Company's proposed corporate governance framework:

**Shareholders' General Assembly:** The Shareholders will be kept well informed of all major developments within the Company by way of periodic financial performance reports, publication of all material news and information concerning the Company and its operations and performance using commonly accessible and up to date means of communications, and through promotion of the participation of non-institutional Shareholders in the Company's General Assembly Meetings.

**Board of Directors:** The Board of Directors will have the ultimate responsibility of running the Company, providing leadership and maintaining a system of internal controls to safeguard the interests of the Shareholders. The third Board of Directors has been appointed on 08/06/2013G.

**Chairman and CEO:** Clear guidelines will be provided as to the responsibility sharing between the CEO and the Chairman of the Board, in order to ensure a balanced power-sharing and authority.

**Balance:** In order to provide objectivity and balance to the decision making process of the Board of Directors, the majority of its members will be non-executive.

**Presentation of Financial and Other Information:** The Board of Directors will be responsible for submitting to the Shareholders a fair and factual image of the Company's financial performance. Moreover, the Company will institute a mechanism to ensure the timely transfer and receipt by the Board of Directors of all relevant information necessary for the effective discharge of its obligations.

**Committees of the Board of Directors:** The Board of Directors will form committees to enable it to perform its duties in a more effective manner. In forming such committees, the Board of Directors will comply with corporate governance regulations in Saudi Arabia and all other applicable laws.

#### 5.4.1 Executive Committee

The Executive Committee will be in charge of the daily management of the Company's operations and business including implementation of Board resolutions and recommending and determining the targets and strategies of the Board and supervising operations and works progress. The Board of Directors will delegate all required powers to the Executive Committee that are necessary to perform its function in accordance with the Company's By-Laws and applicable law, provided, however, that the Executive Committee's exercise of such delegated powers conforms to the Company's overall policies and procedures and the specific instructions and guidelines imposed on the Executive Committee by the Board of Directors. The Executive Committee will submit to the Board of Directors, periodic reports on its management function and exercise of such delegated powers. The Executive Committee comprises the following:

- Dr. George Shahin Medawar, Member of the Board, Non-executive
- Abdulaziz Abussuud, Member of the Board, Non-executive
- Abdullah Mohammed Al-Khenaifer, Member of the Board, Non-executive, Independent

Please see sub-section titled "Board of Directors" for the profiles of the above members.

#### 5.4.2 Audit Committee

The main function of the Audit Committee is to assist the Board to effectively carry out its tasks particularly maintaining the integrity and completeness of financial statements and internal audit policies and establishing adequate procedures with the external auditors. The Audit Committee will consist of not less than three (3) members, including a specialist in financial and accounting matters. The Board of Directors will review and consider the Audit Committee's recommendations and evaluate its charter annually. The Audit Committee will be responsible, among other things, for:

- Supervising the Company's internal audit department to ensure its effectiveness in executing the activities and duties specified by the Board of Directors
- Reviewing the efficiency of internal controls and procedures executed by the Company's internal audit department and issuing a written report setting out the results of such review and its related recommendations
- Reviewing internal audit reports and ensuring implementation of corrective measures recommended therein
- Advising the Board of Directors regarding the appointment, dismissal, and remuneration of external auditors
- Supervising the activities of the external auditors and approving any activities beyond the scope of the audit work initially assigned to them during the performance of their duties
- Working with the external auditors to review and evaluate the annual audit and the framework and methodology of the audit plan
- Reviewing the external auditor's comments on the financial statements and following up on all recommendations concerning the same
- Reviewing the interim and annual financial statements prior to presentation to the Board of Directors and issuing recommendations with respect thereto
- Reviewing accounting policies in place and advising the Board of Directors on recommended updates or amendments

The members of the Audit Committee are:

- Imtiaz Ahmed, Chairman of the Committee (Please see below profile)

- Dr. Mohammed Bin Saud Al-Badr (Please see below profile)
- Abdulaziz Abussuud, Member of the Board, Non-executive (Please refer to sub-section titled “Board of Directors” for profile)

<b>Name:</b>	<b>Imtiaz Ahmed, Candian (57)</b>
<b>Date of Appointment:</b>	08/11/2010G
<b>Position:</b>	Chairman of the Audit Committee
<b>Education:</b>	He holds a Bachelor of Commerce, (Major in Accounting) from Concordia University, Montreal, Canada awarded in 1978G. He was awarded a Graduate Diploma in Public Accountancy from McGill University, Montreal, Canada in 1981G and a Master of Business Administration degree (Major in Accounting, Finance and International Business) from MCGil Unversity, Montreal, Canada in 1980G. He is a member of the Society Management Accounts of Quebec, Canada since 1986G and a member of the Institute of Chartered Accountants of Quebec, Canada since 1985G.
<b>Work Experience:</b>	He was the Assistant Group Treasurer at Mawarid Holding (a limited liability holding Co.) from 1992G to 2000G, then promoted to work as Group Treasurer, a position he holds till date. Prior to that he was working to Bank of Montreal where he worked as Account Manager from 1991G to 1992G and Associate Account Manager from 1990G to 1992G. During the period from 1983G to 1987G he worked for Deloitte & Touch, Canada as Assistant Auditor then Senior Auditor.
<b>Others:</b>	He is a Director of Amex Middle East (a Bahraini closed joint stock company operating in the credit cards business) since 2006G and a member of the Audit Committee of the same company since 2008G. He is a member of the Audit & Enterprise Risk Committee at Amex Saudi Arabia Limited (a Saudi limited liability company) since 2007G till date and a member of its executive committee since 2010G and a member of its board of directors since 2010G till date.

<b>Name:</b>	<b>Dr. Mohammed Saud AlBadr, Saudi (60)</b>
<b>Date of Appointment:</b>	08/06/2013G
<b>Position:</b>	Member of the Audit Committee
<b>Education:</b>	He was awarded a Ph.D. and a Master's Degree in Computer-based Education from Southern Illinois University, Carbondale, IL, USA in 1993G and 1988G respectively. He was awarded a Bachelor's degree in Education in 1980G and Diploma in Cobol Programming in 1982G from King Saud University in Riyadh.
<b>Work Experience:</b>	He is the General Manager of Saudi Chemical Company (a publicly listed company operating in manufacturing of civil and military explosives) since 2010G till date. Prior to that he was the CEO of Saudi Integrated Company (a limited liability Saudi Company operating in Telecommunications) during the period from 2008G to 2010G. From 1997G to 2007G he was the CEO of Alalmiah Company for Education and Training, Riyadh (a limited liability Company operating in computer education and training courses). From 1993G to 1997G he was the MIS Manager at the Shura Council. During the period from 1990G to 1993G, he was a Teaching Assistant in Southern Illinois University. From 1988G to 1990G, he was the Director of Computer Education Research Center at King Saud University. During the period from 1982G to 1984G, he worked as Cobol Programmer at King Saud University.
<b>Others:</b>	He is the Head of Private Training Centers Committee in Riyadh's Chambers of Commerce & Industry, Vice-Chair of National Private Training Centers Committee in the Saudi Council of Chambers of Commerce, a member of Saudi Management Society, KAHC Foundation for the Gifted, the Saudi Computer Society and Charitable Society for Orphans Care (Insan).

#### 5.4.3 Nomination and Remuneration Committee

The Nomination and Remuneration Committee aims to develop and retain the human resources and develop strategic plans to upgrade the Company's performance. It also aims to develop administrative programs such as job succession as well as attracting leaders. The committee will operate in accordance with the charter approved by the Board of Directors. The chairman and the other members of the Nomination and Remuneration Committee are appointed by the Board of Directors in accordance with rules of office, appointment procedure, and other related procedures to be issued by the General Assembly upon the Board of Directors' recommendations.

The Board of Directors will review and consider the Nomination and Remuneration Committee's recommendations and evaluate its charter annually. The Nomination and Remuneration Committee will be responsible, among other things, for:

- Recommending to the Board of Directors, appointments to membership of the Board in accordance with the approved policies and standards; the Committee shall ensure that no person who has previously been convicted of any offense affecting honor or honesty is nominated for such membership;
- Annual review of the requirement of suitable skills for membership of the Board of Directors and the preparation of a description of the required capabilities and qualifications for such membership, including, inter alia, the time that a Board member should reserve for the activities of the Board;
- Reviewing the structure of the Board of Directors and recommend changes;
- Determining the points of strength and weakness in the Board of Directors and recommend remedies that are compatible with the Company's interest;
- Ensuring on an annual basis the independence of the independent members and the absence of any conflict of interest in case a Board member also acts as a member of the Board of Directors of another company; and
- Drawing clear policies regarding the indemnities and remunerations of the Board members and top executives; in laying down such policies, the standards related to performance shall be followed.

Nomination and Remuneration Committee members include:

- HH Prince Ahmed Bin Khalid Al-Saud, Chairman of the Board, Non-executive
- Dr. George Shahin Medawar, Member of the Board, Non-executive
- Abdulmohsen Bakheet Saeed, Member of the Board, Independent, Non-executive

Please see sub-section titled "Board of Directors" for the profiles of the above members.

## 5.5 Conflict of Interests

In accordance with Article 69 of Company by-Laws and Article 18 of Corporate Governance Regulations, a Board Member has no right, unless the General Assembly approves on an annual basis, to have any interest, direct, or indirect, in business and contracts undertaken for the account of the Company, with the exception of business conducted by public competition, where the Board Member has bid the best offer. The Board Member must inform the Board of any personal interest he has in business and contracts undertaken for the account of the Company, and such a statement must be officially recorded in the Board's Minutes of Meeting, and the Board Member with such an interest cannot vote on the decision taken thereon. The Chairman of the Board will inform the General Assembly on business and contracts on which a Board Member has a personal interest therein, and the Chairman of the Board shall attach the External Auditor's special report thereon.

In accordance with Article 70 of Company's by-Laws and Article 18B of Corporate Governance Regulations, a Board Member has no right, unless the General Assembly approves on an annual basis, to participate in any act that may compete with the Company, or deal in any activity undertaken by the Company. If a Board Member is in violation of these Articles, the Company can demand compensation for such acts of the Board Member as if such acts were made for the Company's account.

In accordance with Article 71 of Company by-Laws and Article 18C of Corporate Governance Regulations, the Company cannot make a cash offer of any sort, to its Board Members, or guarantee any loans taken up by any of them. Moreover, the Chairman and members of the Board cannot vote on any decisions pertaining to their compensations and allowances.

The Company, its Board of Directors and its senior executives, hereby confirm their full compliance with the Provisions of Article 69, 70 and 71 of the Companies Law and Article 18 of the Corporate Governance Regulations.

## 5.6 Senior Executive Management

Under the leadership of its CEO, the Company will be functioning with a small yet strong senior management team and a commercial oriented organizational structure. These attributes and experiences are keys to offering innovative products and solutions to customers.

### Exhibit 5.4: Management Team

Name	Title	Date of Appointment	Nationality	Age
Hassan Al-Somali	CEO	21/08/2007G	Saudi	58
Mohan Joseph Varghese	CFO	15/04/2012G	Canadian	54
Bala Subramanian Lolikat	VP – Technical	06/12/2003G	Indian	49
Saad Mohammed Al-Tukhaifi	Compliance Manager	23/07/2012G	Saudi	36
Waleed Al Fares	VP – Strategy & Business Development	05/03/2011G	Saudi	40
Khalid Al Ballow	VP – Sales	01/06/2010G	Saudi	39
Fahad Al Atni	VP – HR & Administration	25/02/2012G	Saudi	40
Mohammed Hassan Awali	Chief Information Officer	13/12/2008G	Canadian	49

Source: The Company

Below is a summary of the Senior Management Team member's profiles.

<b>Name:</b>	Hassan Abdullah Durar Al-Somali, Saudi (58)
<b>Date of Appointment:</b>	21/08/2007G
<b>Position:</b>	CEO
<b>Education:</b>	He received a Masters degree in Business Administration (Insurance) from the American University of London in 2002G and a Bachelors degree of Economics from Becony University in Italy in 1977G.
<b>Work Experience:</b>	He is the CEO of SAICO (a publicly listed company operating in insurance) since 2007G. Prior to that he was the General Manager of SAICO, Bahrain (a closed joint stock company operating in insurance) during the period from 1988G to 2007G. He worked as General Manager at Al-Yamama Insurance, Saudi Arabia (an insurance company that is no longer in existence) during the period from 1982G to 1987G. During the period from 1978G to 1981G, he worked as Insurance Underwriting Officer at Wataniya Insurance Company in Jeddah (a Saudi listed joint stock company engaged in insurance activities).
<b>Others</b>	None

<b>Name:</b>	Mohan Joseph Varghese, Canadian (54)
<b>Date of Appointment:</b>	15/04/2012G
<b>Position:</b>	CFO
<b>Education:</b>	He received a Master's Degree in Executive Business Administration from Kellogg Business School in Northwestern University in United States of America in 2004G and a Bachelor's Degree in Commerce from University of Bombay, India in 1980G. He passed his Chartered Accountancy (CA) exams from India in 2004G and the Certified Public Exams (CPA) from USA in 1998G.
<b>Work Experience</b>	He is the CFO of SAICO (a publicly listed company operating in insurance) since 2012G. During the period from 2005G to 2012G he worked as Director for Accounting and reporting for Genworth Financial in USA (a US publicly listed company engaged in providing mortgage, life and health insurance in USA). During the period from 1999G to 2005G, he worked as Financial Analysis & Reporting Manager for the US Reinsurance Unit at Sunlife Financial Group in Canada (a Canadian listed public limited company engaged in providing Life and health insurance in Canada and USA). Prior to that he worked as Financial Controller at SAICO, Bahrain (a Bahraini closed joint stock company operating in insurance) from 1988G to 1998G. During the period from 1985G to 1988G, he worked as a Certified Accountant with Ernst & Young (a public accountancy firm) in Saudi Arabia.
<b>Others</b>	None

<b>Name:</b>	<b>Bala Subramanian, Indian (49)</b>
<b>Date of Appointment:</b>	06/12/2003G
<b>Position:</b>	VP – Technical
<b>Education:</b>	He received a Master’s Degree in Business Administration from University of Madras, India in 1996G and a Bachelor’s Degree in Commerce from University of Madras, India in 1985G. He has qualified himself academically as Fellow of Chartered Insurance Institute, UK (FCII) and, Fellow of Insurance Institute of India (FIII) since 2005G, and Member of Institute of Risk Management, UK (MIRM) since 2009G.
<b>Work Experience</b>	He is the Vice President – Technical of SAICO (a publicly listed company operating in insurance) since 2003G. During the period from 2000G to 2003G, he worked as Senior Manager for Reliance General Insurance Company (a publicly listed Indian company engaged in insurance activities) in Mumbai, India. During the period from 1988G to 2000G, he worked as Administrative Officer for United India Insurance Company Ltd (a publicly listed Indian company engaged in insurance activities) in Chennai, India. During the Period from 1985G to 1988G, he worked with State Bank of India (an Indian publicly listed company engaged in banking activities) in Chennai.
<b>Others</b>	None

<b>Name:</b>	<b>Saad Mohammed Al-Tekhaifi, Saudi (36)</b>
<b>Date of Appointment:</b>	23/07/2012G
<b>Position:</b>	Compliance Manager
<b>Education:</b>	He received a Bachelor degree in Law from King Saud University in 1999G.
<b>Work Experience:</b>	He is the Compliance Manager of SAICO (a publicly listed company operating in insurance) since 2012G. Prior to that, during the period from 2008G to 2012G, he worked as Quality Assurance Manager at Najm Insurance Services (a limited liability company engaged in providing insurance services related to motor vehicles). He worked at Compensations Department at Tawuniya (a Saudi publicly listed company engaged in insurance activities) from 2003G to 2008G.
<b>Others</b>	None

<b>Name:</b>	<b>Waleed Al Fares, Saudi (40)</b>
<b>Date of Appointment:</b>	05/03/2011G
<b>Position:</b>	VP – Strategy & Business Development
<b>Education:</b>	He received a Bachelor’s Degree in Business Administration from King Saud University, Saudi Arabia in 1997G. He received his Insurance Foundation Certificate (IFC) from the Chartered Insurance Institute (CII), United Kingdom.
<b>Work Experience:</b>	He is the VP – Strategy & Business Development of SAICO (a publicly listed company operating in insurance) since 2011G. During the period from 2007G to 2011G, he worked as Retail Manager for Malath Insurance Company (a Saudi listed joint stock company engaged in insurance activities). During the period from 1999G to 2007G, he worked as Business Development Manager for Tawuniya Insurance Company (a Saudi listed joint stock company engaged in insurance activities).
<b>Others</b>	None

<b>Name:</b>	<b>Khalid Ali Al Ballow, Saudi (39)</b>
<b>Date of Appointment:</b>	01/06/2010G
<b>Position:</b>	VP – Sales
<b>Education:</b>	He received a Master’s Degree in Business Administration from Arab Academy for Science, Technology and Maritime Transport, Egypt in 2008G and a Bachelor’s Degree in Business Administration from King Saud University, Riyadh in 1998G. He also received a Professional Marketing Diploma from Chamber of Commerce & Industry in 2003G.
<b>Work Experience:</b>	He is the VP – Sales of SAICO (a publicly listed company operating in the insurance industry) since 2010G. During the period from 1998G to 2010G he worked as Commercial Manager for Tawuniya Insurance Company (a publicly listed company operating in the insurance industry).
<b>Others</b>	None

<b>Name:</b>	<b>Fahad Khalid Al Atni, Saudi (40)</b>
<b>Date of Appointment:</b>	25/02/2012G
<b>Position:</b>	VP – HR & Administration
<b>Education:</b>	He received a Postgraduate Certificate in International Human Resources Management from Northampton University in United Kingdom in and a Certificate in Personnel Practice (CPP) from the Chartered Institute of Personnel and Development (CIPD), United Kingdom in 2005G, and a Diploma in Hospital Administration from Institute of Public Administration in 1997G.
<b>Work Experience:</b>	He is the VP – HR & Admin of SAICO (a publicly listed company operating in insurance) since 2012G. During the period from 2010G to 2012G, he worked as HR Manager for Middle East Propulsion Company Ltd. (a limited liability company engaged in manufacturing and trading). During the period from 2007G to 2010G, he worked as HR Manager for Malath Insurance Company (a Saudi Publicly listed company engaged in insurance activities). During the period from 2003G to 2007G, he worked as Head of Compensations and Benefits Unit for Tawuniya Insurance Company (a Saudi publicly listed company engaged in insurance activities). During the period from 2002G to 2003G, he worked as HR Assistant Manager for Kingdom Holding Company (a limited liability company engaged in investment trading and services). During the period from 1998G to 2002G, he worked as HR Specialist for Alsalam Aircraft Company( a limited liability company engaged in trading).
<b>Others</b>	None

<b>Name:</b>	<b>Mohammed Hassan Awali, Canadian (49)</b>
<b>Date of Appointment:</b>	13/12/2008G
<b>Position:</b>	Chief Information Officer
<b>Education:</b>	He received a Bachelor's degree in Computer Science from Montana State University, USA in 1989G.
<b>Work Experience:</b>	He is the Chief Information Officer of SAICO (a publicly listed company operating in insurance) since 2008G. During the period from 2000G to 2008G, he worked as Chief Systems Architect for SAS Institute, Inc. U.S.A. (a firm of consultants engaged in providing IT services). During the period from 1996G to 1999G, he worked as Development Manager for Turnkey Business Solutions, North York (a firm of consultants engaged in trading and services). During the period from 1993G to 1996G, he worked as Senior Software Engineer for InterTrans Logistic Solutions, Canada ( a firm of consultants engaged in providing logistics services).

## 5.7 Senior Executive Management's Service Contract

Certain members of senior management and senior executives have signed fixed - term service contracts with the Company identifying the conditions of their employment and their allowances.

Mr. Hassan Abdullah Dorar Ali has signed an employment contract with the Company dated 1/1/2010G under which he has been appointed as CEO of the Company. This contract became enforceable effective 1/1/2010G and is an annual renewable contract with a termination notice period of two months.

Under the terms of this contract, Hassan Ali receives constant annual financial compensation and varying bonus in addition to the usual allowances granted to the occupants of such job grade.

According to the provisions of this agreement, he is committed to keeping all confidential information relevant company's activities confidential and to not disclosing to any other person or entity.

Mr. Mohan J. Varghese has signed an employment contract with the Company on 4/1/2012G under which he has been appointed as CFO of the Company. This contract became enforceable effective 15/04/2012G and is an annual renewable contract and either party may express its desire to terminate the contract two months before the date of termination. Under the terms of this contract, he receives constant annual financial compensation and fixed bonus in addition to the usual allowances granted to the occupants of such job grade. He has committed himself not to take any other job throughout the term of this contract, whether paid for or not and regardless of whether it is carried out during his leave, on public holidays or outside official working hours of the Company.

According to the provisions of this agreement Mohan Varghese is committed to keeping all confidential information relevant company's activities confidential and to not disclosing to any other person or entity.

These agreements are subject to the Saudi Arabian Labor law and all disputes arising from it will be resolved by the competent judicial authorities in Saudi Arabia.

## 5.8 The Company's Departments

Each of the Company's departments will be directly responsible for various aspects of the Company's insurance business and will consist of the following:

- Insurance Operations
- Finance Department
- Information technology
- Actuarial services
- Human Resources and Administrative Affairs
- Internal audit
- Legal Affairs
- Compliance
- Sales & Marketing

### 5.8.1 Insurance Operations (Underwriting and Claims)

#### Underwriting Sub-department

The following are the responsibilities of the Underwriting sub-department of the Insurance Operations department:

- Develop reinsurance underwriting policies and procedures
- Prepare underwriting manuals and amend them as needed
- Secure appropriate evaluation systems for the various data bases
- Build and implement guidelines for retrocession
- Interact with regulators and conduct training of underwriters and other relevant personnel
- Gather and assess background information related to the risk in question
- Assess risk exposure with actuarial support
- Prepare quotations and compute premium levels using actuarial information, other statistics and own judgment
- Price the offered business, accept and administer the desirable and profitable risks
- Negotiate and draft contracts with clients
- Assist in development and implementation of insurance solutions for individual clients
- Manage timely and accurate preparation of client documentation
- Analyze and monitor the performance of the portfolio

#### Claims Sub-department

The claims service sub-department of the Insurance Operations department focuses on developing professional expertise to upgrade the level of services offered to claimants. The sub-department is equipped with professionally qualified competent staff on par with international standards, to ensure that policyholders' rights are protected whilst preserving the interests of the Company.

Claims services include risk improvement and loss control measures. This is done through statistical analysis of clients' experiences and the nature of losses, leading to the sustained growth of a profitable portfolio. One of the main objectives of the Company's claims sub-department is to effectively control costs and this is achieved through the following:

- Salvage management
- Recovery management
- Verification of Claims Soundness

In addition to managing reported claims and conferring with ceding companies on claims matters, the Company's claims sub-department will conduct periodical reviews on specific claims and will review the overall procedures of its claims sub-department.

The claims sub-department aims to provide speedy and equitable settlement negotiated with claimants presenting valid claims. In cases where claims are not covered, prompt and adequate explanations for claim rejections are provided to the claimant. Losses to the Company are expected to be minimized by prompt

recoveries from reinsurers, active pursuit of claims against those third parties who may be liable and the prudent sale of all salvage. The claims sub-department aims that all claim transactions are appropriately processed and documented.

The claims manager (a member of the facultative Business Unit specialized in a line of business) will be responsible for the following:

- Apply the claims procedure and suggest updates to senior management when appropriate
- Collect and process information related to claims
- Verify claims and related conditions
- Manage proper and timely preparation of claims documents
- Coordinate with respective departments to ensure timely payout of valid claims
- Evaluate impact on the global portfolio and quarterly/annual results
- Secure proper database structure to facilitate meaningful actuarial application for ultimate loss ratio calculation and appropriate evaluation for the pricing tools
- Secure recovery process from reinsurance companies to which transactions have been referred.

### 5.8.2 Finance Department

This department is responsible for verification of accuracy and soundness of the company's financial information, preparation of annual Budgets, management of cash flows and coordination with the external auditor on all matters related to preparation of the financial statements. Its responsibilities also include the following:

- Draw up financial statements, providing information about and monitoring compliance with the accounting standards adopted by the company as well as the accounting and financial procedures for the investment portfolio, general as well as technical accounting
- Ensure that appropriate financial policy framework and systems are in place so that the division can effectively participate in overall strategy development
- Prepare budgets, reports and estimated monthly / quarterly management figures
- Secure adequate development and application of an effective cost allocation system
- Supervise application of the investment strategy set up by the investment committee, monitor performance of asset managers
- Manage cash flows of the Company on weekly, monthly, quarterly and annual basis
- Zakat / tax communications, draft investment policy and manage external providers of financial services
- Advise the Company's management on major financial issues.

The department is also responsible for the supervision tasks of the Company's Investments. This responsibility includes the following:

- Setting investment policy: by identifying investment objectives in accordance with the investment rules and regulations published by SAMA, and the Company's stance towards the tradeoff between expected return and risks
- Performing security analysis: by re-evaluating securities in the current portfolio to identify those that have been undervalued
- Portfolio revision: by determining which securities in the current portfolio are to be sold and which securities are to be purchased
- Evaluating the performance of the portfolio: by determining the actual performance of the portfolio in terms of risk and return, and comparing the performance with that of an appropriate benchmark portfolio

### 5.8.3 Information Technology

This department undertakes responsibility for maintenance and improvement of IT systems. The department also takes care of archiving and management of the Company's operations information and set-up of internal controls using computer systems and networks. This department also coordinates printing of data for the company's departments and branches and set up the controls for using computer and software. The section is also oversees the service agreement planned to be implemented.

#### 5.8.4 Actuary

The Company has hired an independent actuary who carries out all actuarial functions required by the regulations in the Kingdom of Saudi Arabia.

#### 5.8.5 Human Resources and Administrative Affairs

This department handles personnel affairs, assignment and coordination of works, maintaining file for each employee including information, payroll, leaves etc. This department is also responsible for recruiting and providing required stationery in addition to any other governmental-related works.

#### 5.8.6 Internal Audit

The independent internal audit unit undertakes all internal oversight functions. Internal Audit takes all necessary measures to ensure handling of all audit reports observations. The internal audit activity is directed to the high-risk jobs and activities in order to increase efficiency, effectiveness and profitability of the company's operations. It is worth mentioning that the internal audit provides substantive independent services in order to assist the Board of Directors and the Audit Committee and executive management in carrying out their responsibilities to a high degree of efficiency and effectiveness and not influenced by the executive management and have full powers for full access to any records and property as required. The internal audit responsibilities are as follows:

- 1- Preparation of the strategic plan for the work of the internal audit;
- 2- Implementation of the inspections, according to the annual plan;
- 3- Report the results of the examination;
- 4- Determine the financial and operational risks and cooperation with the administration to provide appropriate supervisory and cost-effective tools to reduce and early detect the risks;
- 5- Coordination between the various departments of the company and foreign regulators, including the external auditor; and
- 6- Develop policies and procedures for the implementation of the audit in conformation with the professional practices and the utilize available resources in line with the budget.

#### 5.8.7 Legal Affairs

The following are the responsibilities of the Legal Affairs department:

- 1- Study and follow-up of legal affairs in concurrence with the involved departments.
- 2- Provide legal opinion on referred cases.
- 3- Follow-up conflicts and cases where the company is a party.

#### 5.8.8 Compliance Control

The function of the compliance control department is to ensure the protection of the company's reputation in order to perform its operations in an integrated, professional and specialized manner. The department is headed by the compliance officer and its tasks can be summarized as follows:

- 1- Provide effective support to the company's management in determining the risks of compliance and provide related internal reports.
- 2- Ensure compliance with the company's principles and values as well as compliance with laws, rules and regulations prevailing in the Kingdom of Saudi Arabia.
- 3- Propagation of compliance attitude and strengthen relationships with regulators.

#### 5.8.9 Sales and Marketing

This department is responsible for marketing and sales of the company's products through the implementation of the set strategy based on variety of products and adopting a sound pricing policy as well as increase of customer satisfaction to ensure retention. It relies on the wide distribution network and market segmentation with special emphasis of the following segments:

- Public and semi-government Institutions;
- Corporate Clients;
- Small Enterprises;
- Personal Insurance Services (individuals); and
- Inwards Facultative Insurance.

The company is continuously striving to develop its products in order to meet customers' needs, taking into account the requirements of legality and cultural background of the local community. In addition to direct sales through branches deployed throughout the Kingdom the company uses other distribution channels as agents and insurance brokers as well as other alternative channels. The company also organizes intensive advertising and public relations campaigns that will enable the company to properly position itself in the insurance market and provide quality, safe and competitive products.

## 5.9 Employees and Saudization

In year 2013G, the Company's manpower reached 203 employees comprising 102 Saudis and 101 non-Saudis with a Saudization percentage of 50.24%. In year 2012G, the manpower reached 243 employees comprising 96 Saudis and 147 non-Saudis with a Saudization percentage of 39.51%. In year 2011G, the manpower reached 207 employees comprising 76 Saudis and 131 non-Saudis with a Saudization percentage of 36.71% while as of 30th June 2014G, the manpower reached 223 employees comprising 116 Saudis and 107 non-Saudis with a Saudization percentage of 52.02%. SAICO will continuously work to increase its Saudi employees based on a proper recruiting, training, development, grading and compensation plan set to satisfactorily meet the Saudization Requirements.

The company observes all regulations and rules related to employment of non-Saudis and all its non-Saudi employees are legally employed and they under the company's sponsorship.

The following is the summary of the Company's employee strength as of 31<sup>st</sup> December of 2011G, 2012G, 2013G and 30<sup>th</sup> June 2014G:

### Exhibit 5.5: List of Company's Staff by Department

#### A. As at 31st December 2011G

Department	Saudis	Non-Saudis	Total	Saudization
Management	3	5	8	38%
Compliance	0	0	0	0%
Audit	1	2	3	33%
Collection	1	0	1	100%
Finance	2	15	17	12%
Human Resources	2	1	3	67%
Administration Affairs	2	4	6	33%
Information Technology	0	4	4	0%
Insurance Technical	11	13	24	46%
Western Regional Office	8	5	13	62%
Eastern Regional Office	5	4	9	56%
Qaseem Branch	3	1	4	75%
Medical	18	50	68	26%
Call Center	6	2	8	75%
Sales	1	6	7	14%
<b>Total</b>	<b>63</b>	<b>112</b>	<b>175</b>	<b>36.00%</b>

Source: The Company

B. As at 31st December 2012G:

Department	Saudis	Non-Saudis	Total	Saudization
Management	4	6	10	40%
Compliance	0	0	0	0%
Audit	0	1	1	0%
Collection	5	0	5	100%
Finance	3	14	17	18%
Human Resources	3	1	4	75%
Administration Affairs	3	4	7	43%
Information Technology	1	5	6	17%
Insurance Technical	18	13	31	58%
Western Regional Office	13	5	18	72%
Eastern Regional Office	9	3	12	75%
Qaseem Branch	6	1	7	86%
Medical	22	58	80	28%
Call Center	7	1	8	88%
Sales	2	9	11	18%
<b>Total</b>	<b>96</b>	<b>121</b>	<b>217</b>	<b>44.24%</b>

Source: The Company

C. As at 31st December 2013G:

Department	Saudis	Non-Saudis	Total	Saudization
Management	2	2	4	50%
Compliance	1	0	1	100%
Audit	0	1	1	0%
Collection	5	0	5	100%
Finance	2	10	12	17%
Human Resources	3	0	3	100%
Administration Affairs	3	4	7	43%
Information Technology	0	3	3	0%
Insurance Technical	21	16	37	57%
Western Regional Office	13	2	15	87%
Eastern Regional Office	9	3	12	75%
Qaseem Branch	6	1	7	86%
Medical	13	31	44	30%
Call Center	8	1	9	89%
Sales	16	27	43	37%
<b>Total</b>	<b>102</b>	<b>101</b>	<b>203</b>	<b>50.25%</b>

Source: The Company

#### D. As at 30th June 2014G:

Department	Saudis	Non-Saudis	Total	Saudization
Management	3	3	6	50%
Compliance	1	0	1	100%
Audit	0	1	1	0%
Collection	4	0	4	100%
Finance	4	15	19	21%
Human Resources	3	0	3	100%
Administration Affairs	3	4	7	43%
Information Technology	0	7	7	0%
Insurance Technical	24	14	38	63%
Western Regional Office	19	5	24	79%
Eastern Regional Office	9	3	12	75%
Qaseem Branch	6	1	7	86%
Medical	14	32	46	30%
Call Center	9	1	10	90%
Sales	17	21	38	45%
<b>Total</b>	<b>116</b>	<b>107</b>	<b>223</b>	<b>52.02%</b>

Source: The Company

The following is the summary of the Company's estimated additional employee strength for the next few years:

#### Exhibit 5.6: Staffing Plan for the Next Three Years by Position

S. No.	Department	Positions	2014G	2015G	2016G
1	Technical	Claims Officer	2	4	6
2	Technical	Underwriting Officer	2	4	4
3	Technical	Underwriting Supervisor	1	1	1
4	Technical	Reinsurance Supervisor	1	0	1
5	Technical	Policy Admin Supervisor	1	0	1
6	Finance	Accountant	1	2	1
7	Finance	Senior Accountant	1	2	2
8	Finance	Financial Analyst	1	1	1
9	Finance	Statistics Officer	0	1	1
10	Medical Insurance	Claims Review Manager	0	1	0
11	Medical Insurance	Claims Processing	2	4	4
12	Medical Insurance	Medial Network Officer	1	1	1
13	Medical Insurance	Policy Admin Officer	1	2	4
14	Medical Insurance	Medical Approval Officer	0	1	2
15	Regional Offices	Customer Relationship Officer	1	2	4
16	Regional Offices	Key Accounts Officer	1	2	2
17	Regional Offices	Policy Admin Officer	2	2	2

S. No.	Department	Positions	2014G	2015G	2016G
18	Regional Offices	Sales Representatives	4	8	16
19	HR & Admin	Organizational Deve. Officer	0	1	0
20	HR & Admin	Training Officer	0	1	0
21	Information Technology	Programmers	0	2	2
22	Information Technology	IT Business Analyst	0	1	1
23	Information Technology	Database Administrator	1	2	2
24	Call Center	CS SUPERVISOR	0	1	1
25	Call Center	Call Center Agents	1	2	2
26	Management	Business Dev. Officer	0	1	1
27	Management	PMO	0	1	1
28	Sales	Brokers Manager	1	1	0
29	Sales	Retail Manager	0	1	0
30	Sales	Customer Relationship Officers	0	2	4
<b>Total</b>			<b>25</b>	<b>54</b>	<b>67</b>

Source: The Company

## 6. Management's Discussion & Analysis of the Company's Financial Position and Result of Operations

The following management discussion and analysis section provides a review of the company's financial condition and operational performance and is based upon and should be read in conjunction with the Company's audited financial statements for 2011G, 2012G and 2013G; and the six months period ended 30 June 2014G; and the notes thereto. The company's financial statements for 2011G were audited by Ernst & Young and Deloitte & Touche Bakr Abulkhair while the financial statements for 2012G were audited by Ernst & Young and PricewaterhouseCoopers and the financial statements for 2013G were audited by PricewaterhouseCoopers and Deloitte & Touche Bakr Abulkhair. Financial statements for the six months period ended 30 June 2014G were reviewed by PricewaterhouseCoopers and Deloitte & Touche Bakr Abulkhair. These aforementioned financial statements are part of this Prospectus.

All amounts are in SAR thousand, unless stated otherwise. Please note that the figures in this section have been rounded to the nearest thousand and as such, if summed, the totals may differ to those which are stated in the audited and unaudited financial statements of SAICO. Further, percentages (except in relation to admissibility of assets), are presented as the nearest whole number.

The auditors do not themselves, nor do any of their relatives or affiliates have any shareholding or interest of any kind in the Company. They have furnished and not withdrawn their written consent to the reference in the Prospectus of their role as auditors of the Company for the financial years ended 31 December 2011G, 2012G and 2013G and six months period ended 30 June 2014G.

This section contains certain forward looking statements that involve risks and uncertainties. Actual results of the Company could differ materially from those expressed or implied in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in the Prospectus, particularly under the "Risk Factors" section of this Prospectus.

### 6.1 Directors' Declaration for Financial Information

The directors declare that the financial information presented in Prospectus was extracted without material change from the audited financial statements and that the audited financial statements were prepared in accordance with the IFRS and audited in accordance with the SOCPA accounting standards.

The Directors declare that there has been no material adverse change in the trading position of the company during the three years proceeding submission of Listing and Registration Application which end on 31st December 2011G, 2012G and 2013G and the period up to and including the date of this Prospectus. However, there has been a negative impact on the financial position due to the losses incurred in 2011G and 2013G.

The directors declare that the company will have sufficient funds to meet the working capital requirements for 12 months effective from the date of this prospectus.

The Board of Directors acknowledge that SAICO has not issued bond or any other debt instrument, moreover, the Board of directors acknowledges that there are no bonds or debt instruments issued but unauthorized as of the date of this Prospectus.

The Board of Directors declares that the financial information included in this prospectus are presented in conformation with the company's financial statements.

### 6.2 Main Factors Affecting the Results of Operations

A discussion about the most significant factors that have affected, or are expected to affect, the Company's financial condition and results of operations has been included in the section titled "Risk Factors".

### 6.3 Business Overview

The Company was established in 2007G as a Saudi joint stock company based on Royal Decree No. M/60 dated 18.09.1427H (11/10/2006G) and decision of the Council of Ministers No. 233 dated 16/09/1427H (09/10/2006G) and registered under the commercial registration number 1010237214 with a paid up capital of SAR100.0 million comprising 10 million shares (SAR 10 per share).

The Company's capital was not subject to any option as at 31 December 2011G, 2012G, 2013G or as at 30<sup>th</sup> June 2014G. In addition, no specific commissions, discounts, brokerages or other noncash compensation were granted (within the three years immediately preceding the application for registration and admission to listing) in connection with the issue nor was there an offer of any securities by the Company to any of the directors, proposed directors, senior executives, persons offering or placing the securities or any other experts.

The Company's shareholding structure as at 30<sup>th</sup> June 2014G was as follows:

**Exhibit 6.1: Shareholding structure as at 30th June 2014G**

Shareholder	Shareholding
SAICO BSC	30%
HRH Princess Johara bint Abdulaziz Al Saud	2%
Public + Directors	68%
<b>Total</b>	<b>100%</b>

Source: The Company

The Company's objective is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. The Company was listed on the Saudi Stock Exchange (Tadawul) on 3 September 2007G.

SAICO's main lines of business include all classes of general insurance: marine cargo, marine hull, motor private, motor commercial, public liability, workmen compensation, fire and burglary, general accidents, engineering, group and individual personal accidents and medical insurance.

SAICO's financial condition is not generally affected by any major seasonal or business cycles.

For information on government, economic, fiscal, monetary, political policies or other factors affecting the financial performance of the Company refer to section titled Risk Factors.

The Company does not own any holdings in contractually based securities or other assets whose value may be subject to fluctuations (such as shares, mutual funds or securities) or be difficult to ascertain with certainty or that might significantly affect the assessment of the Company's financial position.

**6.4 Summary of Significant Accounting Policies**

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The following is a summary of significant accounting policies applied by the Company:

**6.4.1 Accounting Convention**

The financial statements are prepared under the historical cost convention.

**6.4.2 Premiums Earned and Commission Income**

Premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis. Retained premiums and commission income, are reported as unearned and deferred based on one of the following methods:

- a) Last three months premium for marine cargo business
- b) Actual number of days for other lines of business

**6.4.3 Premiums Receivable**

Premiums receivable are recognized when due and measured on initial recognition at the fair value of the considerations received or receivable. The carrying value of premiums receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Any impairment loss is recorded in the statement of insurance operations.

#### 6.4.4 Provision for Doubtful Debts

In order to comply with SAMA's Implementing Regulations and requirements of SAMA, the Company changed its method for provisioning for doubtful debts based on the inception date of the insurance policy.

#### 6.4.5 Gross Outstanding Claims

Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to statement of insurance operations. Provisions for reported claims not paid as of the reporting date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported as of reporting date.

#### 6.4.6 Liability Adequacy Test

At the end of each reporting period, a liability adequacy test is performed to ensure the adequacy of the insurance contracts liabilities net of related deferred policy acquisition cost using current estimates of future cash flows under insurance contracts. Any deficiency is immediately charged to the statement of insurance operations initially by writing off related deferred policy acquisition costs and subsequently by establishing a provision for losses arising from liability adequacy tests.

#### 6.4.7 Reinsurance

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. Amounts recoverable from or due to reinsurers are recognised consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract. At each reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired.

#### 6.4.8 Deferred Policy Acquisition Costs

Commissions and other costs directly and indirectly related to the acquisition and renewal of insurance contracts are deferred and amortised over the terms of the insurance contracts to which they relate as premiums are earned. Amortisation is recorded in the statement of insurance operations. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in accounting estimate.

When the recoverable amounts are less than the carrying value, an impairment loss is recognised in the statement of insurance operations.

#### 6.4.9 Unearned Commission Income

Commission receivable on outwards reinsurance contracts are deferred and amortised over the terms of the insurance contracts to which they relate.

#### 6.4.10 Zakat

Zakat is provided for in according to Saudi Arabian fiscal regulations. Zakat is accrued and charged to the statement of shareholders' comprehensive operations.

#### 6.4.11 Provisions and Other Liabilities

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably. Due expenses and other liabilities for future amounts of goods or services will be recognized whether their invoices are issued or not.

#### 6.4.12 Employees' End of Service Benefits

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

### 6.4.13 Cash and Cash Equivalents

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

### 6.4.14 Foreign Currency Transactions

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting dates are retranslated at the rates of exchange ruling at that date. All differences are taken to the statement of operations.

### 6.4.15 Impairment and Un-collectability

Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the statement of operations
- For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset
- For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate

### 6.4.16 Impairment Losses on Receivables

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

### 6.4.17 Statutory Reserve

In accordance with its Articles of Association, the Company shall allocate 20% of its net income each year to statutory reserve until it has built up a reserve equal to the share capital.

### 6.4.18 Ultimate Liability Arising from Claims Made Under Insurance Contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported is an estimation of claims which are expected to be reported subsequent to the end of financial reporting period, for which the insured event has occurred prior to the end of financial reporting period.

## 6.5 Statement of Financial Position

The following table presents the summary of the Company's statement of financial position as at 31 December 2011G, 2012G, 2013G and 30 June 2014G.

### Exhibit 6.2: Statement of Financial Position

SAR in 000's	As at 31 December			As at 30 June	Increase/ (Decrease)		
	2011G Audited	2012G Audited	2013G Audited	2014G Unaudited	2012G Audited	2013G Audited	June 2014G Unaudited
<b>Insurance Operations' Assets</b>							
Net Property & Equipment	7,242	7,229	7,792	6,771	-	8%	(13%)
Due from Shareholders' Operations	-	-	8,832	-	-	nm	(100%)
Reinsurer's Share of Outstanding Claims	153,104	256,766	265,097	327,792	68%	3%	24%
Reinsurer's Share of Unearned Premiums	100,712	93,069	67,085	109,010	(8%)	(28%)	62%

SAR in 000's	As at 31 December			As at 30 June	Increase/ (Decrease)		
	2011G Audited	2012G Audited	2013G Audited	2014G Unaudited	2012G Audited	2013G Audited	June 2014G Unaudited
Deferred Policy Acquisition Costs	23,349	22,169	21,489	27,747	(5%)	(3%)	29%
Premiums & Insurance Balances Receivable	87,850	93,753	107,482	138,260	7%	15%	29%
Available for sale investment	-	-	1,923	1,923	-	nm	-
Prepayments & Other assets	6,947	8,490	7,608	22,761	22%	(10%)	199%
Due from related parties	94,817	117,418	51,803	50,310	24%	(56%)	(3%)
Time Deposits	25,051	50,257	82,000	112,000	101%	63%	37%
Cash & Cash Equivalents	32,421	42,371	95,744	92,001	31%	126%	(4%)
<b>Total insurance operations' assets</b>	<b>531,494</b>	<b>691,522</b>	<b>716,856</b>	<b>888,576</b>	<b>30%</b>	<b>4%</b>	<b>24%</b>
<b>Shareholders' Assets</b>							
Statutory Deposit	10,000	10,000	10,000	10,000	-	-	-
Due from Insurance Operations	439	4,912	-	5,894	1,019%	(100%)	nm
Prepayments & Other Assets	666	1,216	1,243	1,498	83%	2%	21%
Time Deposits	51,674	66,133	31,100	41,930	28%	(53%)	35%
Cash & Cash Equivalents	4,397	532	20,513	1,538	(88%)	3,755%	(93%)
<b>Total Shareholders' Assets</b>	<b>67,175</b>	<b>82,792</b>	<b>62,856</b>	<b>60,860</b>	<b>23%</b>	<b>(24%)</b>	<b>(3%)</b>
<b>Total Insurance Operations' &amp; Shareholders' Assets</b>	<b>598,669</b>	<b>774,314</b>	<b>779,712</b>	<b>949,436</b>	<b>29%</b>	<b>1%</b>	<b>22%</b>
<b>Insurance Operations' Liabilities</b>							
Employee End-of-Service Benefits	4,474	5,835	6,756	6,655	30%	16%	(1%)
Insurance Operations' Surplus Distribution Payable	-	1,901	1,901	1,901	nm	-	-
Due to Shareholders' Operations	439	4,912	-	5,894	1,019%	(100%)	nm
Gross Outstanding Claims	230,041	336,632	397,827	478,955	46%	18%	20%
Gross Unearned Premiums	210,817	221,951	219,476	315,239	5%	(1%)	44%
Unearned Commission Income	18,725	19,728	18,161	21,385	5%	(8%)	18%
Due to Related Parties	565	332	-	-	(41%)	(100%)	-
Reinsurance Balances Payable	39,964	66,703	37,921	32,023	67%	(43%)	(16%)
Accrued Expenses and Other Liabilities	26,470	33,528	34,815	25,622	27%	4%	(26%)
Net Surplus from Insurance Operations & Shareholders' Appropriation	-	-	-	902	-	-	nm
<b>Total Insurance Operations' Liabilities</b>	<b>531,494</b>	<b>691,522</b>	<b>716,856</b>	<b>888,576</b>	<b>30%</b>	<b>4%</b>	<b>24%</b>
<b>Shareholders' Liabilities &amp; Equity</b>							
<b>Shareholders' Liabilities</b>							
Due to insurance Operations	-	-	8,832	-	-	nm	(100%)
Provision for Zakat	1,920	2,396	1,427	787	25%	(40%)	(45%)
Accounts Payable	858	1,703	859	1,302	98%	(50%)	52%
<b>Total Shareholders' Liabilities</b>	<b>2,777</b>	<b>4,100</b>	<b>11,118</b>	<b>2,089</b>	<b>48%</b>	<b>171%</b>	<b>(81%)</b>
<b>Shareholders' Equity</b>							

SAR in 000's	As at 31 December			As at 30 June	Increase/ (Decrease)		
	2011G Audited	2012G Audited	2013G Audited	2014G Unaudited	2012G Audited	2013G Audited	June 2014G Unaudited
Share Capital	100,000	100,000	100,000	100,000	-	-	-
Accumulated Losses	(35,602)	(21,308)	(48,262)	(41,228)	(40%)	126%	(15%)
Total Shareholders' Equity	64,398	78,692	51,738	58,772	22%	(34%)	14%
<b>Total Shareholders' Liabilities &amp; Equity</b>	<b>67,175</b>	<b>82,792</b>	<b>62,856</b>	<b>60,860</b>	<b>23%</b>	<b>(24%)</b>	<b>(3%)</b>
<b>Total Insurance Operations' Liabilities &amp; Shareholders' Liabilities &amp; Equity</b>	<b>598,669</b>	<b>774,314</b>	<b>779,712</b>	<b>949,436</b>	<b>29%</b>	<b>1%</b>	<b>22%</b>

Source: The Company

Insurance operations' assets increased from SAR 531.5 million at 31 December 2011G to SAR 716.9 million at December 2013G, with a further increase to SAR 888.6 million at 30 June 2014G, principally as a result of increased reinsurance share of outstanding claims, premium receivable, time deposits and cash and cash equivalent.

The increase in premiums and insurance receivable from SAR 87.9 million in 2011G to SAR 138.3 million in June 2014G, was mainly driven by increased premium written during the corresponding period.

Due from related parties increased from SAR 94.8 million in 2011G to SAR 117.4 million in 2012G, decreased to SAR 51.8 million in 2013G and then decreased to SAR 50.3 million as at 30 June 2014G. The variation in due from related parties is mainly driven by the variation of recurring transactions with ACE Brokerage and agents, and SAICO Bahrain.

Shareholders' assets increased from SAR 67.2 million at 31 December 2011G to SAR 82.8 million at 31 December 2012G and then decreased to SAR 62.9 million at 31 December 2013G, with a further decrease to SAR 60.8 at 30 June 2014G. This variation was mainly driven by the variation of time deposits and cash and cash equivalents.

The balance of shareholders' time deposits has increased from SAR 51.7 million in 2011G to SAR 66.1 million in 2012G and decreased to SAR 31.1 million in 2013G and increased to SR 41.9 million in June 2014G. The variation was mainly driven by the surplus or deficit made by SAICO from insurance operations.

Insurance operations' liabilities increased from SAR 531.5 million in 2011G to SAR 716.9 million in 2013G, with a further increase to SAR 888.6 million as at 30 June 2014G driven mainly by the increase of gross outstanding claims and gross unearned premiums.

The gross outstanding claims increased from SAR 230.m in 2011G to SAR 479.0 million in June 2014G, but this increase was offset by increased reinsurance share of outstanding claims during the same period. Outstanding claims were mainly concentrated under fire and burglary, general accident, engineering and medical lines of business

Shareholders' liabilities increased from SAR 2.8 million in 2011G to SAR 11.1million in 2013G and decreased to SAR 2.1 million as at 30 June 2014G, driven mainly by the movement of due to insurance operations which are correlated to insurance operations income statement.

Shareholders' equity movement over the reporting period was mainly driven by accumulated losses.

### 6.5.1 Insurance Operations' Assets

The following table presents the Company's insurance operations' assets as at 31 December 2011G, 2012G, 2013G and the six months period ended 30 June 2014G.

#### Exhibit 6.3: Insurance Operations' Assets

SAR '000s	Financial year ended 31 December			Six months period ended 30 June	Increase/(Decrease)		
	2011G Audited	2012G Audited	2013G Audited	2014G Unaudited	2012G Audited	2013G Audited	June 2014G Unaudited
Net Property & Equipment	7,242	7,229	7,792	6,771	(0%)	8%	(13%)
Due from Shareholders' Operations	-	-	8,832	-	-	nm	(100%)
Reinsurer's Share of Outstanding Claims	153,104	256,766	265,097	327,792	68%	3%	24%
Reinsurer's Share of Unearned Premiums	100,712	93,069	67,085	109,010	(8%)	(28%)	62%
Deferred Policy Acquisition Costs	23,349	22,169	21,489	27,747	(5%)	(3%)	29%
Premiums & Insurance Balances Receivable	87,850	93,753	107,482	138,260	7%	15%	29%
Available for sale investment	-	-	1,923	1,923	-	nm	-
Prepayments & Other assets	6,947	8,490	7,608	22,761	22%	(10%)	199%
Due from related parties	94,817	117,418	51,803	50,310	24%	(56%)	(3%)
Time Deposits	25,051	50,257	82,000	112,000	101%	63%	37%
Cash & Cash Equivalents	32,421	42,371	95,744	92,001	31%	126%	(4%)
<b>Total insurance operations' assets</b>	<b>531,494</b>	<b>691,522</b>	<b>716,856</b>	<b>888,575</b>	<b>30%</b>	<b>4%</b>	<b>24%</b>

Source: The Company

The total insurance operations' assets increased from SAR 531.5 million in 2011G to SAR 716.9 million in 2013G with a further increase to SAR 888.6 million as at 30 June 2014G driven mainly by increased reinsurer's share of outstanding claims, premiums and insurance receivable, time deposits and cash and cash equivalents.

### 6.5.1.1 Premiums and Reinsurance Balances Receivable

The following table presents the Company's premiums and reinsurance balance receivable as at 31 December 2011G, 2012G, 2013G and 30 June 2013G and 2014G.

**Exhibit 6.4: Premiums and Reinsurance Balances Receivable**

SAR '000s	Financial year ended 31 December			Six months period ended 30 June	Increase/(Decrease)		
	2011G Audited	2012G Audited	2013G Audited	2014G Unaudited	2012G Audited	2013G Audited	June 2014G Unaudited
Premium receivables	95,780	106,026	114,901	144,203	11%	8%	26%
Provision for doubtful receivables	(13,773)	(17,321)	(14,756)	(13,130)	26%	(15%)	(11%)
<b>Total premiums and insurance balances receivables</b>	<b>82,007</b>	<b>88,704</b>	<b>100,145</b>	<b>131,073</b>	<b>8%</b>	<b>13%</b>	<b>31%</b>
Reinsurers and others	5,845	5,189	7,501	7,371	(11%)	16%	(2%)
Provisions for doubtful receivables	(2)	(141)	(164)	(184)	7,050%	16%	12%
<b>Subtotal</b>	<b>5,843</b>	<b>5,048</b>	<b>7,337</b>	<b>7,187</b>	<b>(14%)</b>	<b>45%</b>	<b>(2%)</b>
<b>Total</b>	<b>87,850</b>	<b>93,753</b>	<b>107,482</b>	<b>138,260</b>	<b>7%</b>	<b>15%</b>	<b>29%</b>
<b>Premium receivable KPIs</b>							
<b>Medical</b>							
GWP	196,134	250,056	249,979	166,981	27%	(0%)	Nm
Premium receivable (Gross)	40,906	57,336	54,946	86,638	40%	(4%)	58%
Receivable/GWP	21%	23%	22%	52%	2%	(1%)	Nm
Days premium outstanding	76	84	80	92	11%	(5%)	15%
<b>General</b>							
GWP	352,310	317,861	373,971	255,096	(10%)	18%	Nm
Premium receivable (Gross)	54,874	48,690	59,955	64,936	(11%)	23%	8%
Receivable/GWP	16%	15%	16%	25%	(1%)	1%	Nm
Days premium outstanding	57	56	59	47	(2%)	5%	(20%)
<b>Total</b>							
GWP	548,444	567,917	623,950	422,077	4%	10%	Nm
Premium receivable (Gross)	95,780	106,026	114,901	151,574	11%	8%	26%
Receivable/GWP	17%	19%	18%	34%	2%	(1%)	Nm
Days premium outstanding	64	68	67	65	6%	(1%)	(3%)

Source: The Company

Insurance receivables include mainly premium receivable and reinsurance receivables. The collection period of the total receivable was around 2 months during the reporting period. This is in line with the credit terms granted by the company, and requiring amounts to be settled within 30 to 90 days of the transaction date. Amounts receivable from reinsurers are usually settled on a quarterly basis.

Following SAMA's new declaration issued and effective 1 January 2011G, premiums receivable become fully due upon the policy inception date. In addition, the doubtful receivables provision should be calculated on the balances that are due for more than 90 days based on the percentages stated in SAMA's Implementing Regulations. To comply with these requirements, the company changed its method of provisioning for doubtful

debts based on the inception date of the insurance policy rather than the due date of the premium receivable. The change has been applied prospectively from 1 January 2011G as a change in accounting estimate and as a result, provision for doubtful debts increased from SAR 4.6million in 2010G to 13.8 million in 2011G and to SAR 17.4 million in 2012G.

Net premiums receivable increased from SAR 87.9 million in 2011G to SAR 93.8 million in 2012G, then to SAR 107.5 million in 2013G with a further increase to SAR 138.3 million in June 2014G. This increase is mainly driven by the growth in business. The new credit policy applied by the Company in 2011G also contributed to the increase in receivables.

#### 6.5.1.2 Deferred Policy Acquisition Costs

The following table presents the Company's deferred policy acquisition costs as at 31 December 2011G, 2012G, 2013G and 30 June 2014G.

#### Exhibit 6.5: Deferred Policy Acquisition Costs

SAR in 000's	Financial year ended 31 December						Six months ended 30 June	
	2011G Audited	%	2012G Audited	%	2013G Audited	%	2014G Unaudited	%
Marine cargo	987	4%	967	4%	714	3%	911	3%
Marine hull	460	2%	243	1%	147	1%	53	0%
Motor private	2,526	11%	1,137	5%	1,035	5%	1,107	4%
Motor commercial	4,708	20%	4,189	19%	5,020	23%	8,065	29%
Private liability	1,602	7%	952	4%	1,231	6%	791	3%
Workmen compensation	286	1%	255	1%	259	1%	234	1%
Fire & burglary	5,290	23%	3,060	14%	2,155	10%	4,701	17%
General accident	275	1%	284	1%	246	1%	526	2%
Engineering	2,025	9%	3,483	16%	4,636	22%	4,729	17%
Group PA	50	0%	69	0%	36	0%	18	0%
IPA	0	0%	0	0%	0	0%	1	0%
Group Life	15	0%	44	0%	44	0%	198	1%
Group Medical	5,124	22%	7,485	34%	5,966	28%	6,412	23%
<b>Total</b>	<b>23,349</b>	<b>100%</b>	<b>22,169</b>	<b>100%</b>	<b>21,489</b>	<b>100%</b>	<b>27,747</b>	<b>100%</b>

Source: The Company

Deferred policy acquisition cost represent the commissions paid to brokers and agents but are not related to the accounting period. These are recorded as deferred assets.

Deferred acquisition costs are computed according to the pro-rata temporis method based on commission paid for all lines of business except for marine cargo where the deferred acquisition cost is computed through applying a constant percentage (25%) to marine cargo commissions.

Group medical, fire & burglary, motor commercial and engineering are the major constituents of the deferred policy acquisition costs.

Deferred policy acquisition cost for group medical increased from SAR 5.1 million at 2011G to SAR 7.5 million at 2012G. The increase relates to increase in commission paid to brokers because of increase in medical business. Deferred policy acquisition cost for group medical decreased to SAR 6.0 million in 2013G driven by change commission rates. Increase in deferred policy acquisition cost in June 2014G relates to the timing of the policy acquisition cost paid.

Variation in policy acquisition cost in other major segments is driven by timing of the premium written during the reporting period.

### 6.5.1.3 Related Parties Transactions

The following table presents the Company's related party transactions as at 31 December 2011G, 2012G, 2013G and 30 June 2014G.

#### Exhibit 6.6: Related Party Transactions

SAR '000s	Nature of transaction	Financial year ended 31 December			Six months period ended 30 June	Increase/ (Decrease)		
		2011G Audited	2012G Audited	2013G Audited	2014G Unaudited	2012G Audited	2013G Audited	June 2014G Unaudited
SAICO BSC (Shareholder)	Amounts received /(paid) on behalf of SAICO BSC for insurance Operations	(4,996)	4,495	(59,163)	(2,628)	(190%)	(1416%)	nm
ACE Agencies (Affiliate)	Premiums received through Agent	56,292	33,439	23,444	8,640	(41%)	(30%)	nm
	Claims paid through Agent	41,599	31,427	186	25	(24%)	(99%)	nm
	Commission expense	12,393	4,552	3,267	1,193	(63%)	(28%)	nm
ACE Limited (Affiliate)	Premiums and claims	(695)	1,799	547	(716)	nm	(70%)	nm
ACE Brokerage (Affiliate)	Premiums received through Broker	146,962	154,628	69,505	123,443	5%	(55%)	nm
	Commission expense	20,658	22,348	12,482	11,687	8%	(44%)	nm
	Premiums ceded through Broker	58,131	32,281	74,692	68,184	(44%)	131%	nm
	Commission received	9,089	8,232	5,337	3,944	(9%)	(35%)	nm
Board members	Reimbursement of expenses to board members	101	-	-	-	(100%)	nm	nm

Source: The Company

The following table presents the Company's related party balances as at 31 December 2011G, 2012G, 2013G and 30 June 2014G.

#### Exhibit 6.7: Related Party Balances

SAR '000s	Nature of transaction	Financial year ended 31 December			Six months period ended 30 June	Increase/ (Decrease)		
		2011G Audited	2012G Audited	2013G Audited	2014G Unaudited	2012G Audited	2013G Audited	H1 2014G Unaudited
Due from balances								
SAICO BSC (Shareholder)	Insurance operations	59,054	63,549	4,386	1,757	8%	(93%)	(60%)
ACE Agencies (Affiliate)	Insurance operations	9,784	8,604	7,059	7,841	(12%)	(18%)	11%
ACE Brokerage (Affiliate)	Insurance operations	25,979	45,265	40,359	40,712	74%	(11%)	1%
<b>Total</b>		<b>94,817</b>	<b>117,418</b>	<b>51,803</b>	<b>50,310</b>	<b>24%</b>	<b>(56%)</b>	<b>(3%)</b>
Due to balances								

SAR '000s	Nature of transaction	Financial year ended 31 December			Six months period ended 30 June	Increase/ (Decrease)		
		2011G Audited	2012G Audited	2013G Audited	2014G Unaudited	2012G Audited	2013G Audited	H1 2014G Unaudited
ACE Limited (Affiliate)	Insurance operations	(565)	(332)	-	-	(41%)	(100%)	-
SAICO BSC (Shareholder)	Insurance operations	-	-	-	-	-	-	-
<b>Total</b>		<b>(565)</b>	<b>(232)</b>	<b>-</b>	<b>-</b>	<b>(41%)</b>	<b>(100%)</b>	<b>-</b>

Source: The Company

Due from related party balances represent mainly receivables due from SAICO BSC, ACE Agencies, ACE Brokerage and ACE Limited. Due from balances amounted to SAR 94.8 million in 2011G, SAR 117.4 million in 2012G, SAR 51.8 million in 2013G and SAR 50.2 million in June 2014G.

Due from SAICO BSC represent primarily suspense accounts or amounts received or paid in relation to SAICO BSC portfolio for KSA operations (e.g.: claims paid, commissions paid, premiums collected).

Balances due from and to ACE Agencies, ACE Brokerage and ACE Limited mainly represent transactions such as premiums, claims and commissions. The balances from the ACE Agencies and ACE Brokerage and ACE Limited are mainly less than 90 days due and should be paid in due course. Therefore, no provision for the doubtful receivables was recorded.

Following are the details for the less than 90 days due amounts:

#### Exhibit 6.8: Less than 90 days due amounts

SAR '000s	As at 31 December			As at 30 June
	2011G	2012G	2013G	2014G
Due from balances				
SAICO BSC (Shareholder)	45,533	50,259	4,386	1,758
ACE Agencies (Affiliate)	8,459	4,587	3,459	4,194
ACE Brokerage (Affiliate)	16,081	31,444	32,219	22,210
<b>Total</b>	<b>70,073</b>	<b>86,290</b>	<b>40,064</b>	<b>28,162</b>
Due to balances				
ACE Limited (Affiliate)	(564)	(332)	-	-
SAICO BSC (Shareholder)	-	-	-	-
<b>Total</b>	<b>(564)</b>	<b>(332)</b>	<b>-</b>	<b>-</b>

Source: The Company

All related party transactions are conducted on an arm's length basis.

#### 6.5.1.4 Available for sale investment

The following table presents the Company's available for sale investment as at 31 December 2011G, 2012G, 2013G and 30 June 2014G.

##### Exhibit 6.9: Available for Sale Investment

SAR in 000's	Financial year ended 31 December			Six months period ended
	2011G Audited	2012G Audited	2013G Audited	30 June 2014G Unaudited
Najm for Insurance services company	-	-	1,923	1,923
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,923</b>	<b>1,923</b>

Source: The Company

Available for sale investment comprises of SAR 1.9 million related to the to the company's investment in the capital of Najm for Insurance Services Company for Insurance Services Company. The investment represents 3.85% equity holding in Najm Company. Available for sale investment is stated at cost and is no impairment is recorded during the reporting period.

#### 6.5.1.5 Prepayments and other assets

The following table presents the Company's prepayments and other assets as at 31 December 2011G, 2012G, 2013G and 30 June 2014G.

##### Exhibit 6.10: Prepayments and Other Assets

SAR in 000's	Financial year ended 31 December			Six months period ended
	2011G Audited	2012G Audited	2013G Audited	June 2014G Unaudited
Prepaid excess of loss premium	2,501	3,389	1,639	1,290
Excess of loss recovery receivable	2,089	1,106	-	-
Advances to suppliers	557	-	1,320	13,287
Prepaid insurance	504	822	976	2,448
Advance for computer implementation	427	439	1,113	1,160
Prepaid rent	313	588	362	251
Employee receivables	175	307	1,030	1,217
Accrued special commission income	26	419	167	121
Guarantee deposits	-	1,232	970	2,988
Others	356	189	30	-
<b>Total</b>	<b>6,947</b>	<b>8,490</b>	<b>7,608</b>	<b>22,761</b>

Source: The Company

##### 6.5.1.5.1 Prepaid excess of loss (XoL) premium

Prepaid excess of loss premium represents amounts receivable in respect of excess of loss protection for underwriting results. This balance has increased by 36% in 2012G and decreased by 52% in 2013G. The decrease in 2013G is driven by replacement of a quota share agreement with a strategic Stop Loss Agreement with one of the reinsurers, CIGNA, under which agreement there is negligible or no prepayment of premium.

##### 6.5.1.5.2 Excess of loss recovery receivable

Excess of loss recovery receivable represents excess of loss protection for underwriting results. This balance has decreased by 47% in 2012G. The elimination of this account in 2013G and six months period ended 30 June 2014G is due to the change in the treatment of this account. Since 2013G, classification in the financial

statements was changed and any receivable in respect of excess of loss for a particular reinsurer is being shown in the financial statements as netted off with the amount of the related payable balances to them.

#### 6.5.1.5.3 Advances to suppliers

Advances to suppliers represent advances made to hospitals and clinics. This balance has increased significantly during the reporting period from SAR 0.6 million in 2011G to SAR 13.3 million as at 30 June 2014G. The increase during June 2014G was due to advance payments made to the hospitals for the expected claims that are not yet reported by them.

#### 6.5.1.5.4 Prepaid insurance

Prepaid insurance represents the Company's employees' and their dependents' medical insurance. This balance has increased by 63% in 2012G and by 19% in 2013G. This is due to the increase in the number of staff and dependents at SAICO and the increase in premium rates.

#### 6.5.1.5.5 Advance for computer implementation

Computer implementation advance balance represents normal computer repairs and maintenance service receivable. This balance has increased by 3% in 2012G and by 154% in 2013G. The increase in 2013G was due to payments made, as advances or otherwise, as agreed in a prior agreement made with a software support company to supply SAICO with updated software, IT equipment's and support services.

#### 6.5.1.5.6 Prepaid rent

Prepaid rent balance represents rent for the year. This balance has increased by 83% during 2012G and decreased by 38% during 2013G. The increase in 2012G was due to the opening of the new head office branch on Salahudeen Al Ayoubi street. The decrease in prepaid rent at 2013G relates to period of rent agreement paid in 2013G. Change in prepaid rent at 30 June 2014G relates to the period of the rent agreement resulting in a lower amount expensed in the period. The same pattern of payments is expected to continue in future also.

#### 6.5.1.5.7 Employees receivable

Employee receivable balance represents advances against employee salaries. This balance has increased by 76% in 2012G and increased by 235% in 2013G. The increase is driven by increased employee personal loan needs.

#### 6.5.1.5.8 Guarantee deposits

Guarantee deposits balance represents bidding deposits. This balance has decreased by 21% during 2013G. This is due to the company being reimbursed for an unsuccessful bid. Increased guarantee deposits at 30 June 2014G relates to increased number of bids at the quarter end.

#### 6.5.1.6 Time deposits

The following table presents the Company's time deposits as at 31 December 2011G, 2012G, 2013G and 30 June 2014G.

**Exhibit 6.11: Time Deposits**

SAR in 000's	Financial year ended 31 December			Six months period ended
	2011G Audited	2012G Audited	2013G Audited	30 June 2014G Unaudited
Time Deposits	25,051	50,257	82,000	112,000
<b>Total</b>	<b>25,051</b>	<b>50,257</b>	<b>82,000</b>	<b>112,000</b>

Source: The Company

Time deposits represent deposits with local banks. These deposits have good investment grade ratings and an original maturity of 3 months or more from the date of acquisition.

### 6.5.1.7 Property, plant and equipment

The following table presents the property, plant and equipment as at 31 December 2011G, 2012G, 2013G and 30 June 2014G.

#### Exhibit 6.12: Property and Equipment

SAR in 000's	Financial year ended 31 December			Six months period ended
	2011G Audited	2012G Audited	2013G Audited	30 June 2014G Unaudited
<b>Cost</b>				
Leasehold improvements	4,993	5,165	6,750	6,894
Furniture and fittings	1,952	1,963	1,975	2,140
Computer and office equipment	7,028	10,519	13,754	14,761
Vehicles	22	110	543	543
<b>Total</b>	<b>13,995</b>	<b>17,757</b>	<b>23,023</b>	<b>24,338</b>
<b>Net book value</b>				
Leasehold improvements	2,256	1,362	1,606	1,144
Furniture and fittings	1,301	1,116	932	974
Computer and office equipment	3,668	4,669	4,890	4,379
Vehicles	17	82	363	274
<b>Total</b>	<b>7,242</b>	<b>7,229</b>	<b>7,792</b>	<b>6,771</b>

Source: The Company

Property and equipment amounted to 1% of the total insurance operation's assets between 2011G and 2013G.

Fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to the statement of insurance operations on a straight line basis over the estimated useful lives of the assets. The company do not expect introduce of any change to the depreciation policy.

The company has not plans to purchase or lease any material fixed assets.

The additions made during the 2012G and 2013G were mainly related to the new branch of the company which started operating in 2013G.

The Company has planned expenditure of SAR 2.9 million for property and equipment additions mainly for the implementation of Oracle financial system according to the 2014G budget.

### 6.5.1.8 Admissible assets and solvency

The following table presents the Company's admissible assets as at 31 December 2011G, 2012G, 2013G and 30 June 2014G.

**Exhibit 6.13: Admissible Assets (%)**

Admissible assets (% of total admissible assets)		Admissibility factor	Financial year ended 31 December			Six months period ended 30 June
			2011G Audited	2012G Audited	2013G Audited	2014G Unaudited
Cash in hand		1%	0%	0%	0%	0%
Cash in banks		100%	7%	7%	17%	11%
Sub-total cash			7%	7%	17%	11%
Deposits at financial institutions	Statutory deposit	100%	2%	2%	1%	1%
	Term deposits at banks	100%	16%	18%	16%	17%
Shares (common, preferred)	Other	1%	0%	0%	0%	0%
Sub-total investments			18%	19%	18%	19%
Agents, Brokers, and TPAs	General and Health Insurance premiums due within 90 days	100%	7%	6%	7%	7%
Policyholders	General and Health Insurance premiums due within 90 days	100%	8%	7%	5%	6%
Reinsurers	General and Health Insurance premiums due within 90 days	100%	1%	1%	1%	0%
Sub-total receivables			16%	14%	13%	14%
Reinsurer's share of Unearned premium		100%	20%	14%	10%	12%
Other reinsurance recoverable		100%	31%	39%	38%	37%
Sub-total reinsurance recoverable			51%	54%	47%	49%
Accrued interest, rent, income	Other tangible assets	3%	0%	0%	0%	0%
Deferred acquisition cost		100%	5%	3%	3%	3%
Prepaid expenses		3%	1%	1%	1%	2%
Tangible assets		3%	1%	1%	1%	1%
Distribution due from ins. Operations		100%	0%	1%	0%	1%
<b>Total admissible assets</b>			<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: The Company

If the percentage out of total assets is less than the admissibility factor, then 100% of the asset is considered admissible.

#### Exhibit 6.14: Admissible Assets

SAR in 000's		Admissibility factor	Financial year ended 31 December			Six months ended 30 June 2014G Unaudited
			2011G Audited	2012G Audited	2013G Audited	
Cash in hand		1%	22	32	32	41
Cash in banks		100%	36,796	42,871	116,225	93,498
Sub-total cash			36,818	42,903	116,257	93,539
Deposits at financial institutions	Statutory deposit	100%	10,000	10,000	10,000	10,000
	Term deposits at banks	100%	76,725	116,390	113,100	153,930
Shares (common, preferred)	Other	1%	-	-	1,923	1,923
Sub-total investments			86,725	126,390	125,023	165,853
Agents, Brokers, and TPAs	General and Health Insurance premiums due within 90 days	100%	32,922	41,358	45,857	62,688
Policyholders	General and Health Insurance premiums due within 90 days	100%	40,545	42,462	37,913	56,369
Reinsurers	General and Health Insurance premiums due within 90 days	100%	5,696	4,323	6,248	4,194
Sub-total receivables			79,163	88,143	90,018	123,250
Unearned premium		100%	100,712	93,069	67,085	109,010
Other reinsurance recoverable		100%	153,104	256,766	265,097	327,792
Sub-total reinsurance recoverable			253,816	349,835	332,182	436,802
Accrued interest, rent, income	Other tangible assets	2.5%	26	419	167	121
Deferred acquisition cost		100%	23,349	22,170	21,489	27,747
Prepaid expenses		2.5%	6,922	8,070	7,441	23,736
Tangible assets		2.5%	7,242	7,229	7,792	6,771
Distribution due from ins. Operations		100%	-	4,912	-	5,894
<b>Total Assets</b>			<b>494,061</b>	<b>650,071</b>	<b>700,369</b>	<b>883,713</b>

Source: The Company

As per Article 65 (1) of the Implementing Regulations, the market value of the assets shall not be exceeded in the valuation process for the purpose of calculating the solvency margin.

Admitted assets amounted to SAR 494.1 million in 2011G, SAR 650.1 million in 2012G and SAR 700.4 million in 2013G representing 82.5%, 84.0% and 89.8% of the total assets in the three years respectively.

The high percentages that the admissible assets represented out of the total assets were mainly driven by the 100% admissibility factors mainly on the reinsurance assets and premiums receivable that are due within 90 days.

Receivables from SAICO BSC were subject to 0% admissibility factor.

### 6.5.1.9 Calculation of solvency margin

The following tables present the Company's admissible assets as at 31 December 2011G, 2012G and 2013G.

**Exhibit 6.15: Solvency Margin / Premium Basis**

SAR in 000's	Gross Written Premium (GWP) 2013G	Net Written Premium (NWP)	Retention Rate (Min NWP/ GWP = 50%)	Class Risk Factor	Required Solvency – FY13	Required Solvency – FY12	Required Solvency – FY11
Accident and liability	37,826	11,628	50.0%	30.0%	5,674	5,431	6,334
Motor	123,208	119,971	97.4%	20.0%	23,994	20,351	23,950
Property	119,130	4,607	50.0%	16.0%	9,530	6,103	8,137
Marine	26,814	2,074	50.0%	30.0%	4,022	5,436	5,106
Aviation	2,565	-	50.0%	30.0%	385	180	1,144
Energy	-	-	-	30.0%	-	-	-
Engineering	38,368	1,424	50.0%	30.0%	5,755	6,927	4,024
Other General	26,062	1,186	50.0%	16.0%	2,085	1,365	1,380
Health	249,977	235,445	94.2%	16.0%	37,671	28,503	24,797
<b>Total</b>	<b>623,950</b>	<b>376,335</b>			<b>89,117</b>	<b>74,296</b>	<b>74,873</b>

Source: The Company

**Exhibit 6.16: Solvency Margin / Claims Basis**

SAR in 000's	Gross Written Premium (GWP) 2013G	Net Written Premium (NWP)	Retention Rate (Min NWP/ GWP = 50%)	Class Risk Factor	Required Solvency – FY13	Required Solvency – FY12	Required Solvency – FY11
Accident and liability	17,649	1,307	50.0%	35.0%	3,089	4,088	2,679
Motor	80,755	79,336	98.2%	25.0%	19,834	17,991	12,067
Property	58,812	5,649	50.0%	20.0%	5,881	6,058	3,156
Marine	11,473	1,212	50.0%	30.0%	1,721	1,660	798
Aviation	-	-	-	30.0%	-	-	-
Energy	-	-	-	30.0%	-	-	-
Engineering	16,737	551	50.0%	30.0%	2,511	1,545	427
Other General	16,525	374	50.0%	20.0%	1,652	1,941	1,881
Health	200,869	170,184	84.7%	24.0%	40,844	30,616	20,914
<b>Total</b>	<b>402,820</b>	<b>258,613</b>			<b>75,532</b>	<b>63,899</b>	<b>41,921</b>

Source: The Company

According to SAMA's Implementing Regulations, the Company is required to maintain a margin of solvency equal to the highest of the following three amounts: minimum capital requirement, premium solvency margin and claims solvency margin.

The required solvency margin based on Premiums method is SAR 89.1m at 31 December 2013G, while the required solvency margin based on claims method amounts to SAR 75.5m at 31 December 2013G. The required minimum margin is the highest result of the results generated by the two methods amounting to SAR 100m at 31 December 2013G.

## 6.5.2 Insurance liabilities

The following table presents the Company's insurance operations' liabilities as at 31 December 2011G, 2012G, 2013G and 30 June 2013G and 2014G.

### Exhibit 6.17: Insurance liabilities

SAR in 000's	Financial year ended 31 December			Six months period ended	Increase/ (Decrease)		
	2011G Audited	2012G Audited	2013G Audited	30 June 2014G Unaudited	2012G Audited	2013G Audited	June 2014G Unaudited
Employee End-of-Service Benefits	4,474	5,835	6,756	6,655	30%	16%	(1%)
Insurance Operations' Surplus Distribution Payable	-	1,901	1,901	1,901	nm	-	-
Due to Shareholders' Operations	439	4,912	-	5,894	1,019%	(100%)	nm
Gross Outstanding Claims	230,041	336,632	397,827	478,954	46%	18%	20%
Gross Unearned Premiums	210,817	221,951	219,476	315,239	5%	(1%)	44%
Unearned Commission Income	18,725	19,728	18,161	21,385	5%	(8%)	18%
Due to Related Parties	565	332	-	-	(41%)	(100%)	-
Reinsurance Balances Payable	39,964	66,703	37,921	32,023	67%	(43%)	(16%)
Accrued Expenses and Other Liabilities	26,470	33,528	34,815	25,622	27%	4%	(26%)
Net Surplus from Insurance Operations & Shareholders' Appropriation	-	-	-	902	-	-	nm
<b>Total insurance operations' liabilities</b>	<b>531,494</b>	<b>691,522</b>	<b>716,856</b>	<b>888,575</b>	<b>30%</b>	<b>4%</b>	<b>24%</b>

Source: The Company

### 6.5.2.1 Gross outstanding claims and reinsurers' share of outstanding claims

The following table presents the gross outstanding claims (excluding IBNR) and reinsurers' share of outstanding claims at 31 December 2011G, 2012G, 2013G and 30 June 2014G.

### Exhibit 6.18: Gross outstanding claims and reinsurers' share of outstanding claims

SAR in 000's	Financial year ended 31 December									Six months period ended 30 June 2014G		
	2011G			2012G			2013G			Gross O/S claims (excl. IBNR)	RI share of O/S claims	%
	Gross O/S claims (excl. IBNR)	RI share of O/S claims	%	Gross O/S claims (excl. IBNR)	RI share of O/S claims	%	Gross O/S claims (excl. IBNR)	RI share of O/S claims	%			
Marine cargo	6,102	5,364	87.9%	17,796	15,647	87.9%	22,777	20,314	89.2%	26,708	23,871	89.4%
Marine hull	-	-	0.0%	253	249	98.6%	548	547	99.8%	35,879	35,879	100.0%
Motor private	5,973	16	0.3%	5,131	664	12.9%	1,231	722	58.7%	157	113	72%
Motor commercial	14,456	1	0.0%	14,596	1,233	8.4%	14,954	2,178	14.6%	15,573	1,143	7.3%
Public liability	542	28	5.2%	1,554	1,018	65.5%	914	845	92.5%	1,982	711	35.9%
Work compensation	370	5	1.4%	215	2	1.1%	511	184	36.1%	370	22	5.9%
Fire & burglary	68,818	64,472	93.7%	134,874	126,995	94.2%	129,153	120,248	93.1%	95,786	85,404	89.2%

SAR in 000's	Financial year ended 31 December									Six months period ended 30 June 2014G		
	2011G			2012G			2013G			Gross O/S claims (excl. IBNR)	RI share of O/S claims	%
	Gross O/S claims (excl. IBNR)	RI share of O/S claims	%	Gross O/S claims (excl. IBNR)	RI share of O/S claims	%	Gross O/S claims (excl. IBNR)	RI share of O/S claims	%			
General accident	68,588	68,209	99.4%	79,744	79,157	99.3%	82,222	80,922	98.4%	129,127	127,362	98.6%
Engineering	7,059	6,475	91.7%	24,691	23,769	96.3%	37,292	36,293	97.3%	51,709	50,239	97.2%
Group PA	-	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%
Individual PA	-	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%
Group life	4,114	3,485	84.7%	2,168	1,802	83.1%	1,330	1,079	81.1%	3,456	2,887	83.5%
Group medical	28,603	5,048	17.6%	31,432	6,229	19.8%	65,002	1,766	2.7%	74,698	162	0.2%
<b>Total</b>	<b>204,624</b>	<b>153,104</b>	<b>74.8%</b>	<b>312,453</b>	<b>256,766</b>	<b>82.2%</b>	<b>355,934</b>	<b>265,097</b>	<b>74.5%</b>	<b>435,445</b>	<b>327,792</b>	<b>75.3%</b>

Source: The Company

Gross outstanding claims increased from SAR 204.6 million in 2011G to SAR 432.3m in June 2014G. The increase was offset by increased reinsurance share of outstanding claims to SAR 327.8 million during the same period.

The outstanding claims were mainly concentrated under fire and burglary, general accident, engineering and medical line of business. High gross outstanding claims balance under fire and burglary and general accident is at par with the normal industry trends as claims under these lines of businesses take longer time to settle.

During the reporting period, gross outstanding claims increased from SAR 204.6 million at 31 December 2011G to SAR 312.5 million at 2012G. The increase is driven by increase in outstanding claims of marine cargo and fire and burglary which increased by SAR 11.7 million and SAR 66.1 million respective

Gross outstanding claims increased to SAR 355.9 million at 31 December 2013G driven by increase of SAR 33.6 million in outstanding claims of group medical segment, which was due to the late settlement of claims for a major hospital.

The overall ratio of reinsurance share of outstanding claims to gross outstanding claims increased from SAR 74.8% in 2011G to 82.2% in 2012G. The increase is driven by increased business in fire and burglary segment. Considering higher severity of claims of fire and burglary segment, the Company relies significantly on reinsurance arrangement for the segment. The ratio remained stable in 2013G and June 2014G since medical insurance, in which the cession ratio is relatively low, had witnessed a slight increase.

RI share of outstanding claims increased from SAR 153.1 million at 31 December 2011G to SAR 256.7 million and increased further to SAR 265.1 million at 2013G. The increase is driven by increased business of fire and burglary, general accident and engineering. Considering the severity of claims in fire and burglary, general accident and engineering segments, the Company reinsures its insurance risk significantly for these segments.

The highest ratio of RI share of outstanding claims to gross outstanding claims as at 30 June 2014G was recorded for motor private (129.6%), marine hull (100%), general accident (98.7%), engineering (97.2%) and fire & burglary (89.5%). High ratio of RI share of outstanding claims to gross outstanding for these segments relates to the high severity of the claims of these segments.

The following table presents the IBNR as at 31 December 2011G, 2012G, 2013G and 30 June 2014G.

**Exhibit 6.19: IBNR**

SAR in 000's	2011G Audited		2012G Audited		2013G Audited		June 2014G Unaudited	
	Amount	%	Amount	%	Amount	%	Amount	%
Marine cargo	523	2.1%	809	3.3%	148	0.4%	551	1.3%
Marine hull	-	0.0%	-	0.0%	3	0.0%	-	0.0%
Motor private	3,531	13.9%	2,435	10.1%	1,580	3.8%	1,580	3.6%
Motor commercial	6,120	24.1%	6,660	27.5%	9,628	23.0%	9,628	22.1%
Public liability	488	1.9%	107	0.4%	144	0.3%	254	0.6%
Work compensation	73	0.3%	43	0.2%	184	0.4%	70	0.2%
Fire & burglary	721	2.8%	1,182	4.9%	974	2.3%	1,511	3.5%
General accident	83	0.3%	88	0.4%	518	1.2%	256	0.6%
Engineering	283	1.1%	138	0.6%	372	0.9%	214	0.5%
Group PA	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Individual PA	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Group life	94	0.4%	55	0.2%	117	0.3%	117	0.3%
Group medical	13,500	53.1%	12,662	52.4%	28,225	67.4%	29,329	67.4%
<b>Total</b>	<b>25,417</b>	<b>100.0%</b>	<b>24,179</b>	<b>100.0%</b>	<b>41,894</b>	<b>100.0%</b>	<b>43,510</b>	<b>100.0%</b>

Source: The Company

As per Article 69 of SAMA's Implementing Regulations, incurred but not reported claims reserves shall be calculated from the total outstanding claims after deducting the reinsurance portion of claims proceeds and according to the following:

- 1- Fifteen percent (15%) of motor insurance, medical insurance, property insurance, engineering, energy and general accident insurance (excluding liability and personal injuries).
- 2- Twenty percent (20%) of liability and other insurance
- 3- Twenty-five percent (25%) of reinsurance accepted from other insurance companies

IBNR remained stable during 2011G and 2012G however increased to SAR 41.9 million driven by increased IBNR of group medical and motor commercial segment as prescribed by the actuary of the Company to meet the SAMA requirements.

The highest IBNR was recorded for group medical line of business which represented 67.4% of the total net IBNR as at 30 June 2014G. Further, motor commercial IBNR represented 22.1% of the total net IBNR.

**6.5.2.2 Gross unearned premiums and reinsurers share of unearned premium**

The following table presents the Company's gross unearned premiums as at 31 December 2011G, 2012G, 2013G and 30 June 2014G.

**Exhibit 6.20: Gross unearned premiums and reinsurers share of unearned premium**

SAR in 000's	2011G Audited			2012G Audited			2013G Audited			June 2014G Unaudited		
	Gross	Reins. Share	Net	Gross	Reins. Share	Net	Gross	Reins. Share	Net	Gross	Reins. Share	Net
Marine cargo	6,828	6,014	814	7,328	6,392	937	5,720	5,063	657	6,572	5,702	870
Marine hull	4,791	4,763	27	3,748	3,731	18	2,355	2,348	8	1,043	1,037	6
Motor private	13,260	68	13,192	8,550	77	8,473	7,971	60	7,911	8,672	115	8,557
Motor commercial	31,796	127	31,668	31,277	183	31,094	38,638	104	38,534	62,565	187	62,378

SAR in 000's	2011G Audited			2012G Audited			2013G Audited			June 2014G Unaudited		
	Gross	Reins. Share	Net	Gross	Reins. Share	Net	Gross	Reins. Share	Net	Gross	Reins. Share	Net
Public liability	9,115	3,873	5,242	5,996	2,191	3,805	5,583	2,811	2,772	6,818	2,760	4,058
Work compensation	1,568	152	1,416	1,664	263	1,402	1,281	232	1,049	1,747	418	1,329
Fire & burglary	44,707	42,035	2,673	22,108	19,749	2,359	15,546	14,010	1,536	58,329	55,582	2,747
General accident	7,056	6,671	386	9,167	8,581	585	9,543	8,830	713	8,364	7,649	715
Engineering	22,272	21,678	594	29,578	28,316	1,262	34,815	32,894	1,920	36,707	34,700	2,007
Group PA	695	626	68	716	572	144	554	444	110	155	110	45
Individual PA	2	1	0	2	2	0	4	3	1	6	5	1
Group life	205	174	30	455	370	85	342	287	56	1,393	746	647
Group medical	68,522	14,528	53,994	101,362	22,642	78,720	97,124	-	97,124	122,868	-	122,868
<b>Total</b>	<b>210,817</b>	<b>100,712</b>	<b>110,105</b>	<b>221,951</b>	<b>93,069</b>	<b>128,883</b>	<b>219,476</b>	<b>67,085</b>	<b>152,391</b>	<b>315,239</b>	<b>109,011</b>	<b>206,228</b>

Source: The Company

The Company recognizes unearned premium based on the following calculation:

For 2011G and 2012G:

- Marine cargo – 25% of trailing 12 months gross written premium/ RI Premium;
- Other Classes – 1/365 days basis

For 2013G and six months period ended 30 June 2014G:

- Marine cargo – Last 3 months gross written premium/ RI Premium
- Engineering – Based on SAMA requirement
- Other classes – 1/365 days basis

Gross unearned premium increased from SAR210.8 million at 31 December 2011G to SAR222.0 million at 31 December 2012G driven by increased unearned revenue of group medical. The increase in unearned premium is driven by the new business obtained through medical segment partner, CIGNA. Unearned gross premium remained stable during 2012G-2013G. It increased to SAR 315.2 million as of 30 June 2014G due to increase in group medical, fire & burglary and commercial motor segments.

RI share of unearned premium decreased to SR 67.1 million in 2013G driven by the change in reinsurance agreement from quota share to stop loss agreement with CIGNA for the medical business. As per stop loss agreement the Company retains all the premium and is reimbursed for the losses incurred by the Company in excess of the agreed upon percentages in the aggregate, while in case of the earlier quota share agreement, 100% of the premium was ceded to the reinsurer.

RI share of unearned premium increased to SAR 109.0 million in six months period ended 30 June 2014G due to a rise in the fire & burglary segment.

Ratio of reinsurers' share of unearned premium to unearned premium remained at 47.8%, 41.9%, 30.6% and 34.8% at 31 December 2011G, 2012G, 2013G and six months period ended 30 June 2014G respectively. The fluctuation in 2013G and June 2014G is driven by no reinsurer share of unearned premium at 2013G and H1 2014G for medical segment as discussed above.

### 6.5.2.3 Unearned commission income

The following table presents the Company's unearned commission income as at 31 December 2011G, 2012G, 2013G and 30 June 2014G.

**Exhibit 6.21: Unearned Commission Income**

SAR in 000's	Financial year ended 31 December			Six months period ended 30 June 2014G Unaudited
	2011G Audited	2012G Audited	2013G Audited	
Marine cargo	2,189	2,364	1,592	1,974
Marine hull	1,321	786	312	125
Motor private	20	22	17	33
Motor commercial	36	51	29	54
Private liability	687	395	1,252	686
Workmen compensation	64	101	120	143
Fire & burglary	7,744	4,791	3,277	7,422
General accident	1,408	2,372	2,433	2,055
Engineering	3,821	6,853	8,772	8,869
Group PA	144	168	217	18
IPA	1	1	2	2
General Life	56	131	139	4
Group Medical	1,235	1,694	-	-
<b>Total</b>	<b>18,725</b>	<b>19,728</b>	<b>18,161</b>	<b>21,385</b>

Source: The Company

Commission income is received on business covered by proportional treaties as well as facultative business on many policies including excess of loss policies.

For 2011G and 2012G:

- Marine cargo – 25% of trailing 12 months RI commission received
- Other Classes – 1/365 days basis

For 2013G and June 2014G:

- M. Cargo – Last 3 months RI commission received
- Engineering – Based on the SAMA guidelines and formula
- Other classes – 1/365 days basis

Unearned commission for fire and burglary decreased from SAR 7.7 million at 31 December 2011G to SAR 4.8 million due to decrease in the fire and burglary business. The decrease in unearned commission in fire and burglary was offset by increase in unearned commission of engineering segment in 2012G. Unearned commission relating to fire and burglary segment decreased further to SAR 3.3 million due to discontinuation of loss making policies where the value of claims is higher than the value of underwritten premiums (Net Commission and Expenses income). Unearned commission relating to engineering segment increased to SAR 8.8 million at 31 December 2013G compared to SAR 3.8 million and SAR 6.9 million at 2011G and 2012G respectively. The increase is driven by growth in the engineering segment business along with timing of the insurance policy written.

Unearned commission remained stable during the reporting period with the exception of the higher balance at 30 June 2014G. Increased unearned commission balance in the first half is primarily driven by increased reinsurance arrangements for fire and burglary and accounting for six months' commission as earned.

#### 6.5.2.4 Accrued expenses and liabilities

The following table presents the Company's accrued expenses and liabilities as at 31 December 2011G, 2012G, 2013G and 30 June 2014G.

##### Exhibit 6.22: Accrued Expenses and Liabilities

SAR in 000's	Financial year ended 31 December			Six months period ended 30 June 2014G Unaudited
	2011G Audited	2012G Audited	2013G Audited	
Commission payable	13,189	13,264	13,486	9,469
Policyholders' payable balances	4,849	7,889	7,399	4,570
Coop health insurance council fee	1,961	2,501	2,500	1,670
Claims agreed for settlement	1,507	2,365	2,230	1,278
Employees' benefits	1,481	1,918	2,565	1,961
Withholding tax payable	744	207	394	18
SAMA inspection fee	550	556	561	736
Accrued professional fees	344	200	413	240
Surveyors Payable	-	55	421	616
Garages payable	-	799	1,266	255
Others	1,845	3,775	3,581	4,810
<b>Total</b>	<b>26,470</b>	<b>33,528</b>	<b>34,815</b>	<b>25,622</b>

Source: The Company

Commission payable represents amount payable to agents and brokers and has remained constant over the reporting period as the Company settles its commission payable with brokers and agents on timely basis.

Policyholders' payable balance represents customers / client's credit balances. This balance has increased by 63% in 2012G and decreased by 6% and 38% in 2013G and H1 2014G respectively for an overall CAGR of -2.3% over the reporting period. The increase in 2012G is due to unallocated cheques amounting to SAR 1.2 million received from the customers close to the year end. The cheques were allocated after the year end. Policyholders' payable balances decreased to SAR 4.6 million at the end of H1 2014G as most of the unallocated cheques relate to the collections received from customers were reconciled and finalized in H1 2014G.

Cooperative health insurance fees represent fees paid to the Council for Cooperative Health Insurance. This balance has increased by 28% in 2012G and remained constant during 2013G and decreased by 33% in H1 2014G, for an overall CAGR of -6.2% over the reporting period. This fee is calculated based on 1% of the gross premium per year for health insurance and therefore the increase in 2012G was due to the increase in gross health insurance premiums sold. The amount payable in H1 2014G decreased to SAR 1.7 million as the amount is settled upon payment request received in April every year.

Claims agreed for settlement represent customers' claims payable. This balance has increased by 57% during 2012G and decreased by 6% and 43% in 2013G and H1 2014G. This increase in 2012G was due to delayed processing of claims initiated in 2011G. The decrease in 2013G and H1 2014G was due the timely settlement of claims.

Employee's benefits represents employees' leave encashment and air ticket allowance. This balance has increased by 30% in 2012G, 34% in 2013G and decreased by 24% in H1 2014G for an overall CAGR of 29.3% over the reporting period. This increase in 2012G and 2013G was due to increase in average annual salaries, increase in the number of staff and increase in airfare. The decrease in H1 2014G was due to some employees having left the Company during the period.

Accrued professional fees represents audit fee and legal services fees. This balance has decreased by 42% in 2012G and increased by 106% in 2013G. This volatility in accrued professional fees in 2013G was due to delay in payments made for the professional services.

### 6.5.2.5 Reinsurer's Balances Payable

Reinsurance balances payable relate to reinsurers' share of premium. Reinsurer's balances payable increased from SAR 40.0 million at 31 December 2011G to SAR 66.7 million at 2012G. The increase in 2012G primarily relates to reinsurance agreement with CIGNA and related amounts payable for its reinsurance. The payable amounts decreased to SAR 37.9 million in 2013G and to SAR 32 million in H1 2014G due to change in reinsurance agreement to the stop loss agreement with CIGNA and reinsurance agreement for fire and burglary segment.

### 6.5.3 Shareholders' assets

The following table presents the Company's shareholders' assets as at 31 December 2011G, 2012G, 2013G and 30 June 2014G.

**Exhibit 6.23: Shareholders' Assets**

SAR in 000's	Financial year ended 31 December			Six months period ended 30	Increase/ (Decrease)		
	2011G Audited	2012G Audited	2013G Audited	June 2014G Unaudited	2011G Audited	2012G Audited	June 2014G Unaudited
Statutory Deposit	10,000	10,000	10,000	10,000	-	-	-
Due from Insurance Operations	439	4,912	-	5,894	1,019%	(100%)	nm
Prepayments & Other Assets	666	1,216	1,243	1,498	83%	2%	21%
Time Deposits	51,674	66,133	31,100	41,930	28%	(53%)	35%
Cash & Cash Equivalents	4,397	532	20,513	1,538	(88%)	3,755%	(93%)
<b>Total shareholders' assets</b>	<b>67,175</b>	<b>82,792</b>	<b>62,856</b>	<b>60,860</b>	<b>23%</b>	<b>(24%)</b>	<b>(3%)</b>

Source: The Company

Shareholders' assets mainly comprised time deposits, which were the main drivers of the fluctuation during the reporting period. The variation of the time deposits balance was mainly driven by the transfer of balances to / from insurance operations on account of the income or loss made by the company at the insurance level.

The increase in due from insurance operation from 2011G to 2012G was because of profits recorded during the year 2012G. The decrease in due from insurance operation from 2012G to 2013G was due to the loss recorded during the year 2013G. The increase in due from insurance operation in H1 2014G was due to the profits recorded during the H1 2014G.

### 6.5.4 Shareholders' liabilities

The following table presents the Company's shareholders' liabilities as at 31 December 2011G, 2012G, 2013G and 30 June 2014G.

**Exhibit 6.24: Shareholders' Liabilities**

SAR in 000's	Financial year ended 31 December			Six months period ended 30	Increase/ (Decrease)		
	2011G Audited	2012G Audited	2013G Audited	June 2014G Unaudited	2012G Audited	2013G Audited	June 2014G Unaudited
Due to insurance operations	-	-	8,832	-	-	nm	(100%)
Provision for Zakat	1,920	2,396	1,427	787	25%	(40%)	(45%)
Accounts Payable	858	1,703	859	1,302	99%	(50%)	52%
<b>Total Shareholders' Liabilities</b>	<b>2,777</b>	<b>4,100</b>	<b>11,118</b>	<b>2,089</b>	<b>48%</b>	<b>171%</b>	<b>(81%)</b>

Source: The Company

In addition to provision for zakat, the shareholders' liabilities mainly included accounts payable which related to accrued expenses including payments to directors and shareholder meeting expenses as well as other normal business related accruals which are not related to the insurance operations.

The fluctuation of the accounts payable balances at the shareholder operations level of the company is driven by increased board level and executive committee meetings held in 2012G where less meetings took place in 2011G and 2013G.

The company is fully financed by equity and internal sources and there are no debt instrument issued by the company.

#### 6.5.5 Shareholders' equity

The following table presents the Company's statement of changes in shareholders' equity for the year ended 31 December 2011G, 2012G, 2013G and the six months period ended 30 June 2014G.

#### Exhibit 6.25: Statement of Changes in Shareholders' Equity

SAR in 000's	Share Capital	Accumulated Losses	Total
Balance at 1 January 2011G	100,000	(27,843)	72,157
Total Comprehensive Loss for the year	-	(7,759)	(7,759)
<b>Balance at 31 December 2011G</b>	<b>100,000</b>	<b>(35,602)</b>	<b>64,398</b>
Total Comprehensive Income for the year	-	14,295	14,295
<b>Balance at 31 December 2012G</b>	<b>100,000</b>	<b>(21,308)</b>	<b>78,692</b>
Total Comprehensive loss for the year	-	(26,954)	(26,954)
<b>Balance at 31 December 2013G</b>	<b>100,000</b>	<b>(48,262)</b>	<b>51,738</b>
Total Comprehensive income for the period	-	7,034	7,034
<b>Balance as at 30 June 2014G</b>	<b>100,000</b>	<b>(41,228)</b>	<b>58,772</b>

Source: Audited and Reviewed Financial Statements

The share capital of the company is SAR 100.0 million comprising of 10 million shares of SAR 10 each. The founding shareholders of the company had subscribed and paid for 6 million shares of nominal value of SAR 10 each, which represents 60% of the capital share. The remaining 4 million shares had been subscribed by the public.

There have been no alterations in the share capital of the Company since inception.

At 31 December 2011G, the company's equity amounted to SAR 64.4 million and then increased to SAR 78.7 million at 31 December 2012G driven by a net income of SAR 14.3 m. At 31 December 2013G, the company's equity reached SAR 51.7 million driven by a net loss of SAR 27.0 m.

The company intends to raise its capital through a Rights Issue in 2014G in amount of SAR150 million to cover the accumulated losses, enhance its solvency margin to cover at least 100% as required by SAMA's Implementing Regulations, increase its capacity to accept premiums.

## 6.6 Cash flow

The following tables present the Company's cash flow for the year ended 31 December 2011G, 2012G, 2013G and the six months period ended 30 June 2013G and 2014G

### Exhibit 6.26: Insurance Operations' Cash Flow Statement

SAR in 000's	Financial year ended 31 December			Six months period ended 30 June	
	2011G Audited	2012G Audited	2013G Audited	2013G Unaudited	2014G Unaudited
<b>Operating Activities</b>					
Net Surplus from Insurance Operations after Shareholders' Appropriation	-	1,901	-	-	902
<b>Adjustments for:</b>					
Depreciation	2,890	3,776	4,703	2,271	2,337
Provision/(Reversal) for Doubtful Receivables	9,231	3,687	(2,543)	(3,821)	(1,605)
Net Employees' End-of-Service Benefits	1,325	1,361	921	1,167	(101)
Shareholders' Appropriation from Surplus/(Deficit)	(5,300)	17,105	(25,960)	(7,504)	8,117
Gain on Sale of Property & Equipment	-	-	-	-	-
<b>Income before changes in Operating Assets &amp; Liabilities</b>	<b>8,145</b>	<b>27,829</b>	<b>(22,879)</b>	<b>(7,888)</b>	<b>9,650</b>
<b>Changes in Operating Assets &amp; Liabilities</b>					
Reinsurer's Share of Outstanding Claims	(26,623)	(103,662)	(8,330)	(3,204)	(62,695)
Reinsurer's Share of Unearned Premiums	(10,498)	7,643	25,984	(20,731)	(41,925)
Deferred Policy Acquisition Costs	2,283	1,180	680	(4,074)	(6,258)
Premiums & Insurance Balances Receivable	31,750	(9,590)	(11,186)	2,126	(29,172)
Prepayments and Other Assets	(2,744)	(1,542)	882	(726)	(15,153)
Due from Related Parties	7,321	(22,601)	65,615	(15,555)	1,493
Gross Outstanding Claims	18,153	106,591	61,195	13,489	81,128
Gross Unearned Premiums	(9,902)	11,134	(2,476)	67,249	95,764
Unearned Commission Income	904	1,003	(1,567)	1,981	3,224
Due to Related Parties	(10,624)	(233)	(332)	(329)	-
Reinsurance Balances Payable	(3,904)	26,740	(28,782)	(25,069)	(5,897)
Accrued Expenses & Other Liabilities	3,478	7,059	1,286	7,772	(9,193)
<b>Net Cash from Operating Activities</b>	<b>7,740</b>	<b>51,551</b>	<b>80,089</b>	<b>15,042</b>	<b>20,965</b>
<b>Investing Activities</b>					
Net Time Deposits	(25,051)	(25,206)	(31,743)	(21,943)	(30,000)
Purchase of Property & Equipment	(5,519)	(3,762)	(5,266)	(3,576)	(1,316)
Purchase of Available for Sale investments	-	-	(1,923)	-	-
Proceeds from sale of Property & Equipment	2	-	-	-	-
<b>Net Cash Used in Investing Activities</b>	<b>(30,567)</b>	<b>(28,969)</b>	<b>(38,932)</b>	<b>(25,519)</b>	<b>(31,316)</b>
<b>Financing Activities</b>					
<b>Net Due (to) / from Shareholders Operations</b>	<b>10,537</b>	<b>(12,632)</b>	<b>12,217</b>	<b>(3,907)</b>	<b>6,608</b>
Net Cash (Used in)/from financing activity	10,537	(12,632)	12,217	(3,907)	6,608
Increase/(Decrease) in cash and cash Equivalents	(12,290)	9,950	53,374	(14,384)	(3,743)
Cash and Cash Equivalents at the beginning of the year	44,711	32,421	42,371	42,371	95,744
<b>Cash and Cash Equivalents at the end of the year/period</b>	<b>32,421</b>	<b>42,371</b>	<b>95,744</b>	<b>27,987</b>	<b>92,001</b>

Source: The Company

### Exhibit 6.27: Shareholders' Cash Flow Statement

SAR in 000's	Financial year ended 31 December			Six months period ended 30 June	
	2011G Audited	2012G Audited	2013G Audited	2013G Unaudited	2014G Unaudited
<b>Operating Activities</b>					
Income/(Loss) before zakat	(6,082)	16,468	(25,785)	(7,473)	7,759
<b>Adjustments for:</b>					
Appropriation of deficit from insurance operations	5,300	(17,105)	25,960	7,504	(8,117)
Income/(loss) before changes in operating assets and liabilities	(782)	(637)	176	32	(358)
<b>Changes in Operating Assets &amp; Liabilities</b>					
Prepayments and other assets	(62)	(550)	(27)	(66)	(255)
Accounts payable	157	846	(844)	(867)	443
Zakat paid	(1,507)	(1,696)	(2,139)	(2,139)	(1,366)
<b>Net Cash from Operating Activities</b>	<b>(2,193)</b>	<b>(2,038)</b>	<b>(2,835)</b>	<b>(3,040)</b>	<b>(1,537)</b>
<b>Investing activities</b>					
Time deposits	12,792	(14,459)	35,033	(702)	(10,830)
<b>Net cash used in investing activities</b>	<b>12,792</b>	<b>(14,459)</b>	<b>35,033</b>	<b>(702)</b>	<b>(10,830)</b>
<b>Financing activities</b>					
Due from insurance operations	(10,537)	12,632	(12,217)	3,907	(6,608)
<b>Net cash used in financing activities</b>	<b>(10,537)</b>	<b>12,632</b>	<b>(12,217)</b>	<b>3,907</b>	<b>(6,608)</b>
<b>Increase (Decrease) in cash &amp; cash equivalents</b>	<b>61</b>	<b>(3,865)</b>	<b>19,981</b>	<b>165</b>	<b>(18,975)</b>
Cash and Cash Equivalents at the beginning of the year	4,336	4,397	532	532	20,513
<b>Cash and Cash Equivalents at the end of the year/period</b>	<b>4,397</b>	<b>532</b>	<b>20,513</b>	<b>697</b>	<b>1,538</b>

Source: The Company

The insurance operations' cash and cash equivalents amounted to SAR 32.4 million in 2011G. It increased to SAR 95.7 million in 2013G and then decreased to SAR 92 million in June 2014G mainly driven by the movement of operating cash flow.

Operating cash flow increased from SAR 7.7 million in 2011G to SAR 51.6 million in 2012G. The movement was mainly driven by an increase of SAR 106.6 million in gross outstanding claims and a decrease of SAR 9.6 million in premiums and insurance balances receivable, which was offset by an increase in reinsurance share of outstanding claims by SAR 103.7 million. Cash flow from operating activities increased to SAR 80.1 million in 2013G driven by cash inflow relating to amounts due to related parties and gross outstanding claims amounting to SAR 65.6 million and SAR 61.2 million respectively. The cash inflow was partially offset by cash outflow from reinsurance balances payable amounting to SAR 28.8 million. Operating cash flow in the first half of 2014G amounted to SAR 21 million driven by gross unearned premiums and gross outstanding claims which contributed SAR 96.0 million and SAR 81.1 million respectively.

Cash used in investing activities decreased from SAR 30.6 million in 2011G to SAR 29.0 million in 2012G driven mainly by the net increase in time deposits by SAR 25.0 million for policyholders' operations through transfer from cash to time deposits, and by the purchase of fixed assets amounting to SAR 3.7million.

The movement of shareholders' cash and cash equivalents was mainly driven by the movement in investing activities which primarily relates to movement in time deposits. The Company deposits its surplus cash as time deposits, considering cash requirement, to maximize return.

The increase in cash and cash equivalent in 2013G was due to release of time deposits on maturity and transfer to short term deposit account. The decrease in cash and cash equivalent during H1 2014G was due to transfer of surplus funds from shareholders' bank account to policy holders' bank account.

## 6.7 Statement of insurance and shareholders' operations

The following table presents the Company's statement of insurance and shareholders' operations for the year ended 31 December 2011G, 2012G, 2013G and the six months period ended 30 June 2013G and 2014G.

**Exhibit 6.28: Statement of Insurance Operations**

SAR in 000's	Financial year ended 31 December			Six months period ended 30 June		Increase/ (Decrease)		
	2011G Audited	2012G Audited	2013G Audited	2013G Unaudited	2014G Unaudited	2012G Audited	2013G Audited	June 2014G Unaudited
<b>Revenue</b>								
Gross Written Premiums	548,444	567,917	623,950	383,790	422,077	4%	10%	10%
Reinsurance Premium Ceded	(234,268)	(254,550)	(230,768)	(163,235)	(150,772)	9%	(9%)	(8%)
Excess of Loss Premiums	(11,870)	(12,851)	(16,847)	(9,202)	(8,614)	8%	31%	(6%)
<b>Net Written Premiums</b>	<b>302,306</b>	<b>300,516</b>	<b>376,335</b>	<b>211,353</b>	<b>262,691</b>	<b>(1%)</b>	<b>25%</b>	<b>24%</b>
Movement in Unearned Premiums	20,400	(18,777)	(23,508)	(46,518)	(53,838)	(192%)	25%	16%
<b>Net Premiums Earned</b>	<b>322,706</b>	<b>281,739</b>	<b>352,827</b>	<b>164,835</b>	<b>208,853</b>	<b>(13%)</b>	<b>25%</b>	<b>27%</b>
Commission Income	48,978	57,790	54,493	33,499	20,973	18%	(6%)	(37%)
Other Income	5,940	3,080	2,754	1,149	3,993	(48%)	(11%)	248%
Special Commission Income	76	393	705	339	549	417%	79%	62%
<b>Total Insurance Revenues</b>	<b>377,700</b>	<b>343,002</b>	<b>410,778</b>	<b>199,822</b>	<b>234,368</b>	<b>(9%)</b>	<b>20%</b>	<b>17%</b>
<b>Costs &amp; Expenses</b>								
Gross Claims Paid	344,224	280,833	397,464	201,790	185,737	(18%)	42%	(8%)
Reinsurance Share of Claims Paid	(77,881)	(77,503)	(138,621)	(67,534)	(37,925)	-	79%	(44%)
<b>Net Claims Paid</b>	<b>266,343</b>	<b>203,330</b>	<b>258,843</b>	<b>134,256</b>	<b>147,812</b>	<b>(24%)</b>	<b>27%</b>	<b>10%</b>
Net Movement in Outstanding Claims	(8,470)	2,929	52,864	10,285	18,433	(135%)	1705%	79%
Net Claims Incurred	257,873	206,259	311,707	144,541	166,244	(20%)	51%	15%
Policy Acquisition Costs	62,680	56,302	54,554	28,210	28,007	(10%)	(3%)	(1%)
General & Administrative Expenses	48,212	52,527	67,787	35,480	29,171	9%	29%	(18%)
Provision/(Reversal) for Doubtful Receivables	9,231	3,687	(2,543)	(3,821)	(1,605)	(60%)	(169%)	(58%)
Inspection and Supervision Fees	5,004	5,221	5,233	2,917	3,531	4%	-	21%
<b>Total Costs &amp; Expenses</b>	<b>383,000</b>	<b>323,997</b>	<b>436,738</b>	<b>207,326</b>	<b>225,348</b>	<b>(15%)</b>	<b>35%</b>	<b>9%</b>
<b>Net Surplus /(Deficit) from Insurance Operations</b>	<b>(5,300)</b>	<b>19,006</b>	<b>(25,960)</b>	<b>(7,504)</b>	<b>9,019</b>	<b>(459%)</b>	<b>(237%)</b>	<b>(220%)</b>
Shareholders' appropriation from (Surplus)/deficit	5,300	(17,105)	25,960	7,504	(8,117)	(423%)	(252%)	(208%)
<b>Net Surplus from Insurance Operations after Shareholder Appropriation</b>	<b>-</b>	<b>1,901</b>	<b>-</b>	<b>-</b>	<b>902</b>	<b>nm</b>	<b>(100%)</b>	<b>nm</b>

Source: The Company

The company's gross written premium is mainly driven by corporate and individual clients. The individual clients represent mainly the private motor segment of the company.

Gross written premium increased from SAR 548.4 million in 2011G to SAR 567.9 million in 2012G driven mainly by medical and engineering segments. During 2012G, gross written premium from medical segment increased to SAR 250.1 million recording an increase of 27.5% in the segment. The increase relates to new policies contributing SAR 28.3 m. Gross written premium from the engineering segment increased from SAR 26.8 million in 2011G to SAR 46.2 million in 2012G. Increase in medical and engineering segments were partially offset by decrease in fire and burglary segment which decreased from SAR 101.7 million in 2011G to SAR 76.3 m.

Gross written premium increased to SAR 623.9 million in 2013G due to an increase primarily in fire and burglary and commercial motor insurance. Fire and burglary segment increased from SAR 76.3 million in 2012G to SAR 119.1 million in 2013G while commercial motor segment increased from SAR 82.9 million in 2012G to SAR 102.3 million in 2013G.

Gross written premium increased to SR 422.1 million in six months period ended 30 June 2014G compared to GWP of SR 383.8 million in the comparable period in 2013G. The increase was primarily due to an increase in the medical and motor businesses.

Reinsurance premium ceded showed a variable trend during the reporting period, since the company reinsures its risk according to its reinsurance strategy manual to mitigate its insurance loss risk. During 2012G reinsurance premium ceded increased as most of the incremental gross written from medical was largely ceded. Decrease in reinsurance premium ceded in 2013G relates to the change in the reinsurance agreements to stop loss agreement in group medical segment.

Commission income represents the commission received from reinsurers. The percentage of reinsurance is mentioned in the signed agreements and is linked to the gross premium written through agents, brokers and producers.

Other income includes brokerage fee and policy acquisition fee. Other income decreased from SAR 5.9 million in 2011G to SAR 3.1 million in 2012G and SAR 2.8 million in 2013G driven by discontinuation of fronting fee received from a foreign entity (Gulf Warranty) to operate in the KSA against a fixed fee. The transaction was discontinued in 2012G as the entity has started its operations in KSA through their branch office. Increase in other income to SAR 4.0 million in H1 2014G relates to reimbursement of expenses from CIGNA.

The decrease in provision of doubtful receivable from 2011G to 1H 2014G is due to timely collection from clients. Provision of doubtful receivable is calculated as per the SAMA regulations and management believes that there is no risk factor involved to the closing client balances.

Special commission is mainly related to interest income on time deposits. The company accrues special commission income based on effective yield.

General and administrative expenses mainly include employees' salaries and benefits.

Inspections and supervision fees represent fees payable to SAMA as annual charges for the year that are mandatory for insurance firms in the Kingdom of Saudi Arabia.

#### Exhibit 6.29: Statement of Shareholders' Comprehensive Income

SAR in 000's	Financial year ended 31 December			Six months period ended 30 June		Increase/ (Decrease)		
	2011G Audited	2012G Audited	2013G Audited	2013G Unaudited	2014G Unaudited	2012G Audited	2013G Audited	June 2014G Unaudited
Appropriation of Surplus/(Deficit) from Insurance Operations	(5,300)	17,105	(25,960)	(7,504)	8,117	(423%)	(252%)	(208%)
Special Commission Income on Time Deposits	200	420	617	324	197	110%	47%	(39%)

SAR in 000's	Financial year ended 31 December			Six months period ended 30 June		Increase/ (Decrease)		
	2011G Audited	2012G Audited	2013G Audited	2013G Unaudited	2014G Unaudited	2012G Audited	2013G Audited	June 2014G Unaudited
General & Administration Expenses	(981)	(1,057)	(442)	(292)	(555)	8%	(58%)	90%
Income/(Loss) before Zakat	(6,082)	16,468	(25,785)	(7,473)	7,759	(371%)	(257%)	(204%)
Zakat	(1,678)	(2,173)	(1,170)	(917)	(726)	29%	(46%)	(21%)
Net Income/(Loss) for the year	(7,759)	14,295	(26,954)	(8,389)	7,034	(284%)	(289%)	(184%)
Other Comprehensive Income / (Loss)								
Change in Fair Value of available for sale Investments	-	-	-	-	-	-	-	-
Total Comprehensive Income/ (Loss) for the year	(7,759)	14,295	(26,954)	(8,389)	7,034	(284%)	(289%)	(184%)
Earnings / (Losses) per share								
Total Comprehensive Income/ (Loss) for the year per share	(0.78)	1.43	(2.70)	(0.84)	0.70	(284%)	(289%)	(184%)

Source: The Company

The main driver of the shareholder financial statements is the income or loss from the insurance operations income statement.

Special commission income on time deposits relates to interest income generated during each year from floating time deposits (under cash and cash equivalents) and short term time deposits.

Shareholders' general and administrative expenses increased marginally from SAR 1.0 million in 2011G to SAR 1.1 million in 2012G. General and administrative expenses decreased to SAR 0.4 million due to lower directors' allowances. Shareholders' general and administrative expenses increased in six months period ended 30 June 2014G compared to the comparable period in 2013G primarily due to increase in BoD meeting expenses and directors' sitting fees from SAR 241 thousand in 2Q 2013G to SAR 432 thousand in 2Q 2014G.

The Zakat expense amounted to SAR 0.7 million in six month period ended 30 June 2014G (30 June 2013G: SAR 0.9m), computed as 2.5% of the Zakat base. The Company has received a final zakat certificate for 2008G and temporary zakat certificates for 2009G – 2013G as the assessments for the said five years had not been finalized by DZIT as of June 2014G.

**Exhibit 6.30: Technical Income Statements**

		2011G												
SAR'000	Marine Cargo	Marine Hull	Motor Private	Motor Commercial	Private liability	Work. Comp.	Fire & Burglary	General Accident	Engg.	Group PA	IPA	General Life	Group Medical	Total
GWP	27,314	14,353	32,619	89,999	19,345	4,323	101,718	27,921	26,827	1,285	8	6,599	196,134	548,444
Net premiums earned	3,182	50	33,299	82,071	7,066	3,241	9,685	2,280	1,743	156	2	1,126	190,673	334,576
Commission income earned	8,467	2,753	54	120	1,430	315	18,722	4,813	7,079	333	4	1,816	3,072	48,978
Net claims incurred	917	(6)	29,014	55,190	1,121	381	1,841	496	66	-	-	398	168,456	257,873
Commission expense incurred	4,186	1,439	6,863	12,818	2,030	711	14,153	1,415	3,592	119	1	746	14,607	62,680
XoL premiums ceded	625	-	543	1,572	166	58	1,524	-	300	-	-	-	7,081	11,870
<b>Underwriting surplus</b>	<b>5,920</b>	<b>1,371</b>	<b>(3,066)</b>	<b>12,610</b>	<b>5,179</b>	<b>2,407</b>	<b>10,890</b>	<b>5,182</b>	<b>4,864</b>	<b>369</b>	<b>5</b>	<b>1,799</b>	<b>3,601</b>	<b>51,131</b>
<b>KPIs</b>														
Retention ratio	11.9%	0.3%	99.4%	99.4%	48.2%	80.2%	9.0%	8.1%	6.4%	9.4%	14.8%	13.9%	82.6%	57.3%
NEP as % of GWP	11.6%	0.4%	102.1%	91.2%	36.5%	75.0%	9.5%	8.2%	6.5%	12.1%	28.4%	17.1%	97.2%	61.0%
Net loss ratio	35.9%	-11.9%	88.6%	68.6%	16.3%	12.0%	22.6%	21.8%	4.5%	0.0%	0.0%	35.3%	91.8%	79.9%
Commission earned as % of ceded premiums	35.2%	19.2%	26.6%	21.8%	14.3%	36.8%	20.2%	18.8%	28.2%	28.6%	53.6%	32.0%	9.0%	20.9%
Commission expense as % of GWP	15.3%	10.0%	21.0%	14.2%	10.5%	16.4%	13.9%	5.1%	13.4%	9.3%	12.0%	11.3%	7.4%	11.4%
Underwriting surplus/deficit as % of GWP	21.7%	9.6%	-9.4%	14.0%	26.8%	55.7%	10.7%	18.6%	18.1%	28.7%	62.0%	27.3%	1.8%	9.3%

2012G														
SAR000	Marine Cargo	Marine Hull	Motor Private	Motor Commercial	Private liability	Work. Comp.	Fire & Burglary	General Accident	Engg.	Group PA	IPA	General Life	Group Medical	Total
GWP	29,300	8,140	21,812	82,882	10,307	4,888	76,289	28,966	46,177	2,301	5	6,793	250,056	567,917
Net premiums earned	3,622	48	26,327	82,909	6,043	3,494	7,748	2,011	1,671	359	1	919	159,439	294,590
Commission income earned	10,572	2,189	57	141	1,391	559	19,893	6,428	10,669	782	2	1,865	3,243	57,790
Net claims incurred	2,324	4	19,344	52,628	(158)	195	6,867	489	575	-	-	290	123,702	206,259
Commission expense incurred	3,883	666	4,296	11,575	1,613	711	13,074	1,262	4,770	262	-	703	13,489	56,302
XoL premiums ceded	793	-	459	1,724	107	73	3,007	-	678	-	-	-	6,010	12,851
<b>Underwriting surplus</b>	<b>7,194</b>	<b>1,568</b>	<b>2,284</b>	<b>17,123</b>	<b>5,872</b>	<b>3,075</b>	<b>4,693</b>	<b>6,689</b>	<b>6,317</b>	<b>879</b>	<b>3</b>	<b>1,791</b>	<b>19,481</b>	<b>76,968</b>
<b>KPIs</b>														
Retention ratio	12.8%	0.5%	99.1%	99.3%	44.7%	71.2%	9.7%	7.6%	5.1%	18.9%	20.0%	14.3%	73.6%	55.2%
NEP as % of GWP	12.4%	0.6%	120.7%	100.0%	58.6%	71.5%	10.2%	6.9%	3.6%	15.6%	17.8%	13.5%	63.8%	51.9%
Net loss ratio	82.1%	7.4%	74.8%	64.8%	-2.7%	5.7%	144.8%	24.3%	57.9%	0.0%	0.0%	31.5%	80.6%	73.2%
Commission earned as % of ceded premiums	41.4%	27.0%	27.7%	25.7%	24.4%	39.7%	28.9%	24.0%	24.3%	41.9%	54.4%	32.0%	4.9%	22.7%
Commission expense as % of GWP	13.3%	8.2%	19.7%	14.0%	15.6%	14.5%	17.1%	4.4%	10.3%	11.4%	2.7%	10.4%	5.4%	9.9%
Underwriting surplus/deficit as % of GWP	24.6%	19.3%	10.5%	20.7%	57.0%	62.9%	6.2%	23.1%	13.7%	38.2%	58.7%	26.4%	7.8%	13.6%

2013G														
SAR'000	Marine Cargo	Marine Hull	Motor Private	Motor Commercial	Private liability	Work. Comp.	Fire & Burglary	General Accident	Engg.	Group PA	IPA	General Life	Group Medical	Total
GWP	23,036	6,342	20,920	102,288	13,648	5,209	119,130	35,832	38,366	1,742	14	7,444	249,979	623,950
Net premiums earned	3,075	39	21,294	94,461	6,761	4,065	7,259	2,074	1,568	367	2	1,077	227,633	369,674
Commission income earned	8,242	1,598	59	132	985	582	17,140	6,222	8,586	607	6	2,861	7,473	54,493
Net claims incurred	414	1	13,912	67,918	(388)	397	8,240	1,515	1,006	20	-	280	218,391	311,707
Commission expense incurred	3,328	434	2,885	12,889	1,141	708	11,334	1,205	3,704	231	1	1,019	15,674	54,554
XoL premiums ceded	753	-	453	2,207	128	79	1,833	-	806	-	-	-	10,589	16,847
<b>Underwriting surplus</b>	<b>6,821</b>	<b>1,202</b>	<b>4,104</b>	<b>11,579</b>	<b>6,865</b>	<b>3,463</b>	<b>2,991</b>	<b>5,575</b>	<b>4,638</b>	<b>723</b>	<b>7</b>	<b>2,639</b>	<b>(9,548)</b>	<b>41,059</b>
<b>KPIs</b>														
Retention ratio	12.1%	0.5%	99.6%	99.6%	42.0%	71.3%	5.4%	6.1%	5.8%	19.1%	18.8%	14.1%	98.4%	63.0%
NEP as % of GWP	13.3%	0.6%	101.8%	92.3%	49.5%	78.0%	6.1%	5.8%	4.1%	21.1%	16.1%	14.5%	91.1%	59.2%
Net loss ratio	17.8%	3.7%	66.8%	73.6%	-5.9%	10.0%	151.9%	73.1%	132.0%	5.4%	0.0%	26.0%	100.6%	88.3%
Commission earned as % of ceded premiums	40.7%	25.3%	31.6%	34.1%	12.4%	38.9%	15.2%	18.5%	23.8%	43.1%	51.4%	44.7%	189.6%	23.6%
Commission expense as % of GWP	14.4%	6.8%	13.8%	12.6%	8.4%	13.6%	9.5%	3.4%	9.7%	13.3%	5.3%	13.7%	6.3%	8.7%
Underwriting surplus/deficit as % of GWP	29.6%	18.9%	19.6%	11.3%	50.3%	66.5%	2.5%	15.6%	12.1%	41.5%	52.5%	35.4%	-3.8%	6.6%

H1 2014G														
SAR'000	Marine Cargo	Marine Hull	Motor Private	Motor Commercial	Private Liability	Work. Comp.	Fire & Burglary	General Accident	Engg.	Group PA	IPA	General Life	Group Medical	Total
GWP	12,925	2,368	9,770	78,192	7,806	3,978	100,263	11,457	23,538	162	7	4,631	166,981	422,077
Net premiums earned	1,454	17	8,962	54,097	3,206	2,385	2,734	1,022	1,082	128	1	1,715	140,662	217,467
Commission income earned	4,077	629	31	48	1,179	560	7,079	2,782	4,220	209	-	135	25	20,973
Net claims incurred	1,074	(3)	5,469	36,585	1,430	522	3,110	679	556	9	-	436	116,377	166,244
Commission expense incurred	1,603	180	1,168	6,994	1,280	587	5,190	540	2,104	42	-	512	7,808	28,007
XoL premiums ceded	489	-	212	1,717	101	58	1,517	-	428	-	-	-	4,092	8,614
<b>Underwriting surplus</b>	<b>2,364</b>	<b>470</b>	<b>2,144</b>	<b>8,849</b>	<b>1,574</b>	<b>1,778</b>	<b>(3)</b>	<b>2,585</b>	<b>2,213</b>	<b>286</b>	<b>1</b>	<b>903</b>	<b>12,411</b>	<b>35,575</b>
<b>KPIs</b>														
Retention ratio	13%	1%	98%	100%	58%	67%	4%	9%	5%	39%	29%	50%	100%	64%
NEP as % of GWP	11%	1%	92%	69%	41%	60%	3%	9%	5%	79%	20%	37%	84%	52%
Net loss ratio	113%	-19%	63%	70%	46%	22%	256%	66%	85%	7%	0%	25%	83%	80%
Commission earned as % of ceded premiums	36%	27%	19%	19%	36%	43%	7%	27%	19%	212%	2%	6%	4%	14%
Commission expense as % of GWP	12%	8%	12%	9%	16%	15%	5%	5%	9%	26%	6%	11%	5%	7%
Underwriting surplus/deficit as % of GWP	18%	20%	22%	11%	20%	45%	0%	23%	9%	177%	16%	19%	7%	8%

Source: The Company

The retention ratio decreased from 57.3% in 2011G to 55.2% in 2012G and increased to 63.0% in 2013G. This fluctuation is mainly driven by the movement of the retention ratio of group medical segment due to the insurance agreement signed with CIGNA in 2012G. The stop loss agreement signed with CIGNA in 2012G resulted in decreased reinsurance premium ceded and increased retention ratio in 2013G. The increase in retention ratio in 2013G relates to increased retention ratio of medical segment to 98.4% in the same year.

The net earned premium as a percentage of gross written premium decreased from 61.0% in 2011G to 51.9% in 2012G due to a lower ratio of medical segment since the company decided to scale down unprofitable policies of medical segment in the same year. The decrease in 2012G was followed by an increase to 59.2% in 2013G due to the stop loss agreement with CIGNA which led to decreased reinsurance premium ceded and increased net earned premium as a percentage of gross written premium.

Underwriting surplus increased from 9.3% in 2011G to 13.6% in 2012G due to the improvement in the underwriting surplus of medical segment and then decreased back to 6.6% in 2013G due to increase in reserves by SAR6.3million in general division and SAR10.2million in medical driven by increased reserves as prescribed by the actuary of the Company.

### 6.7.1 Premiums

The following table presents the Company's gross written premiums for the year ended 31 December 2011G, 2012G, 2013G and the six months period ended 30 June 2014G.

#### Exhibit 6.31: Gross Written Premium by Segment

SAR in 000's	Financial year ended 31 December			Six months period ended 30 June	
	2011G Audited	2012G Audited	2013G Audited	2013G Unaudited	2014G Unaudited
Marine cargo	27,314	29,300	23,036	12,918	12,925
Marine hull	14,353	8,140	6,342	2,278	2,368
Motor private	32,619	21,812	20,920	13,147	9,770
Motor commercial	89,999	82,882	102,288	59,476	78,192
Private liability	19,345	10,307	13,648	8,043	7,806
Workmen compensation	4,323	4,888	5,209	4,282	3,978
Fire & burglary	101,718	76,289	119,130	102,583	100,263
General accident	27,921	28,966	35,832	21,184	11,457
Engineering	26,827	46,177	38,366	18,680	23,538
Group PA	1,285	2,301	1,742	859	162
IPA	8	5	14	9	7
General Life	6,599	6,793	7,444	4,113	4,631
Group Medical	196,134	250,056	249,979	136,218	166,980
<b>Total</b>	<b>548,444</b>	<b>567,917</b>	<b>623,950</b>	<b>383,790</b>	<b>422,077</b>

Source: The Company

### Exhibit 6.32: Gross Written Premium by Segment (%)

SAR in 000's	Financial year ended 31 December			Six months period ended 30 June	
	2011G Audited	2012G Audited	2013G Audited	2013G Unaudited	2014G Unaudited
Marine cargo	5%	5%	4%	3%	3%
Marine hull	3%	1%	1%	1%	1%
Motor private	6%	4%	3%	3%	2%
Motor commercial	16%	15%	16%	15%	19%
Private liability	4%	2%	2%	2%	2%
Workmen compensation	1%	1%	1%	1%	1%
Fire & burglary	19%	13%	19%	27%	24%
General accident	5%	5%	6%	6%	3%
Engineering	5%	8%	6%	5%	6%
Group PA	0%	0%	0%	0%	0%
IPA	0%	0%	0%	0%	0%
General Life	1%	1%	1%	1%	1%
Group Medical	36%	44%	40%	35%	40%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: The Company

Gross written premium amounted to SAR 624.0 million in 2013G from 18,994 policies compared to SAR 567.9 million generated from 22,792 policies in 2012G. Gross written premium amounted to SAR 548.4 million in 2011G generated from 36,621 policies. Gradual increase in gross written premium and decrease in number of policy during the reporting period is driven by the Company's focus on profitable policies and pruning out non profitable business. Gross written premium amounted to SAR 422.1 million in six months period ended 30 June 2014G, higher than the gross written premium of SAR 383.7 million for six months period ended 30 June 2013G.

Gross written premium is primarily concentrated in group medical, motor and fire & burglary segments. The three segments accounted for 76% of gross written premium in 2013G, 72% in 2012G and 71% in 2011G. Gross written premium from medical, motor and fire & burglary amounted to 85% in the six months period ended 30 June 2014G compared to 81% in the comparable period in 2013G.

Medical line business, contributed 40.0% of gross written premium and 57.9% of net earned premium between 2011G and 2013G. The gross written premium from private and commercial vehicle insurance represented 20% of the total premium between 2011G and 2013G.

During the reporting period, group medical segment was the largest contributor of the gross written premium and increased from SAR 196.1 million in 2011G to SAR 250.0 million in 2012G driven by new business from corporate customers and business referred by CIGNA. Gross written premium from group medical segment remained stable during 2013G. Gross written premium for group medical segment amounted to SAR 167 million in H1 2014G compared to SAR 136.2 million in H1 2013G. The increase is primarily driven by the achievement of new medical business policies from big clients.

Gross written premium from fire and burglary segment decreased from SAR 101.7 million to SAR 76.3 million driven by pruning out loss making policies in 2012G. Gross written premium from fire and burglary segment increased to SAR 119.1 million driven by increased business from certain customers in the Eastern Region of the KSA. Gross written premium from fire and burglary decreased marginally to SAR 100.3 million in H1 2014G compared to SAR 102.6 million in H1 2013G.

Motor commercial contributed SAR 82.9 million 2012G compared to SAR 90.0 million in 2011G. The decrease relates to non renewal of loss making policies to individuals and focus on corporate customers. Focus on corporate customer resulted in an increase in gross written premium to SAR 102.3 million in 2013G. Gross written premium from motor commercial segment increased to SAR 78.2 million in H1 2014G from SAR 59.5 million in H1 2013G.

Motor and group medical had a high percentage of net earned premium due to the high number of issued policies and lower premium ceded to reinsurers due to low value of individual claims.

Fire and burglary and marine recorded a low net earned premium to gross written premium percentages and high premium ceded to reinsurers since the claims of these segments are characterized by high amounts and low frequency.

The following table shows the contribution of different channels to the total gross premium written.

**Exhibit 6.33: Gross Written Premium by Channels**

SAR in 000's	Financial year ended 31 December			Six months period ended 30 June	
	2011G Audited	2012G Audited	2013G Audited	2013G Unaudited	2014G Unaudited
Direct Sales	283,322	285,040	325,218	125,477	134,666
Agents	56,706	33,719	23,445	20,091	8,804
Brokers	208,416	249,158	275,287	238,222	278,607
<b>Total</b>	<b>548,444</b>	<b>567,917</b>	<b>623,950</b>	<b>383,790</b>	<b>422,077</b>

Source: The Company

During the reporting period, direct sales remained the largest channel for overall gross written premiums accounting for 52%, 50% and 52% in 2011G, 2012G and 2013G respectively. Gross written premium from direct sales amounted to 32% in six months period ended 30 June 2014G compared to 33% in six months period ended 30 June 2013G. During the six months period ended 30 June 2014G, gross written premium through brokers amounted to 66% of total gross written premium.

SAICO operates from four geographical locations namely Central Region, Eastern Region, Western Region and Qassim Region. Historically central region is the largest contributor to the gross written premium for the Company.

The following table shows the contribution of different regions to the total gross premium written.

**Exhibit 6.34: Gross Written Premium by Region**

%	Financial year ended 31 December			Six months period ended 30 June
	2011G Audited	2012G Audited	2013G Audited	2014G Unaudited
Central Region	87%	82%	71%	66%
Eastern Region	8%	8%	23%	27%
Western Region	3%	9%	5%	6%
Qassim Region	2%	1%	1%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: The Company

Gross written premium contributed by the Central Region amounted to 87%, 82%, 71% in 2011G, 2012G and 2013G respectively. Contribution from the Central Region dropped to 66% in H1 2014G primarily due to expansion in higher premium written in Eastern Region mainly relating to the fire and burglary segment of the business.

## 6.7.2 Premium ceded by segment

The following tables present the Company's premium ceded (excluding XoL) by segment for the year ended 31 December 2011G, 2012G, 2013G and the six months period ended 30 June 2013G and 2014G.

**Exhibit 6.35: Premium Ceded by Segment (excluding XoL)**

SAR in 000's	Financial year ended 31 December			Six months period ended 30 June	
	2011G Audited	2012G Audited	2013G Audited	2013G Unaudited	2014G Unaudited
Marine cargo	24,057	25,556	20,240	11,286	11,258
Marine hull	14,307	8,102	6,313	2,255	2,353
Motor private	203	205	188	130	161
Motor commercial	550	548	387	328	250
Private liability	10,017	5,702	7,920	4,364	3,313
Workmen compensation	857	1,408	1,497	1,490	1,313
Fire & burglary	92,607	68,855	112,693	97,670	96,318
General accident	25,651	26,755	33,630	20,038	10,433
Engineering	25,097	43,837	36,140	17,893	22,369
Group PA	1,164	1,866	1,409	701	99
IPA	7	4	11	7	5
General Life	5,681	5,820	6,397	3,474	2,324
Group Medical	34,071	65,892	3,942	3,600	574
<b>Total</b>	<b>234,268</b>	<b>254,550</b>	<b>230,768</b>	<b>163,236</b>	<b>150,770</b>

Source: The Company

**Exhibit 6.36: Premium Ceded by Segment (excluding XoL) (%)**

SAR in 000's	Financial year ended 31 December			Six months period ended 30 June	
	2011G Audited	2012G Audited	2013G Audited	2013G Unaudited	2014G Unaudited
Marine cargo	10%	10%	9%	7%	7%
Marine hull	6%	3%	3%	1%	2%
Motor private	0%	0%	0%	0%	0%
Motor commercial	0%	0%	0%	-1%	-1%
Private liability	4%	2%	3%	3%	2%
Workmen compensation	0%	1%	1%	1%	1%
Fire & burglary	40%	27%	49%	63%	64%
General accident	11%	11%	15%	13%	7%
Engineering	11%	17%	16%	11%	15%
Group PA	0%	1%	1%	0%	0%
IPA	0%	0%	0%	0%	0%
General Life	2%	2%	3%	2%	2%
Group Medical	15%	26%	2%	-1%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: The Company

The Company's reinsurance program is a combination of proportional and non – proportional treaties complemented by facultative protection. Reinsurance arrangements are negotiated in May/June each year and arrangements made effective 1 July each year, to the following 30 June.

The executive committee is responsible of the decision related to the risk to be retained in each segment of business.

The following table presents the Cession ratio across the periods.

**Exhibit 6.37: Cession Ratio (excluding XoL)**

	Financial year ended 31 December			Six months period ended 30 June	
	2011G Audited	2012G Audited	2013G Audited	2013G Unaudited	2014G Unaudited
Marine cargo	88%	87%	88%	87%	87%
Marine hull	100%	100%	100%	99%	99%
Motor private	1%	1%	1%	1%	2%
Motor commercial	1%	1%	0%	1%	0%
Private liability	52%	55%	58%	54%	42%
Workmen compensation	20%	29%	29%	35%	33%
Fire & burglary	91%	90%	95%	95%	96%
General accident	92%	92%	94%	95%	91%
Engineering	94%	95%	94%	96%	95%
Group PA	91%	81%	81%	82%	61%
IPA	85%	80%	81%	81%	71%
General Life	86%	86%	86%	84%	50%
Group Medical	17%	26%	2%	3%	0%
<b>Total</b>	<b>43%</b>	<b>45%</b>	<b>37%</b>	<b>43%</b>	<b>36%</b>

Source: The Company

The cession ratio increased from 42.7% in 2011G to 44.8% in 2012G, driven by the increase of cession ratio of group medical segment of the business. During the reporting period, fire & burglary, marine, engineering and general accident are the main segments with high cession ratio due to the nature and frequency of potential claims. Fire & burglary, marine cargo, marine hull, engineering and general accident had a cession ratio of 95%, 88%, 100%, 94% and 96% cession ratio in 2013G.

Group medical had a cession ratio of 17%, 26%, 2% and 0% in 2011G, 2012G, 2013G and six months period ended 30 June 2014G. The decrease in the cession ratio is due to the change in reinsurance agreement for CIGNA referred business to stop loss agreement for the segment.

**Exhibit 6.38: XoL Premium Ceded by Segment**

SAR in 000's	Financial year ended 31 December			Six months period ended 30 June	
	2011G Audited	2012G Audited	2013G Audited	2013G Unaudited	2014G Unaudited
Marine cargo	625	793	753	490	489
Marine hull	-	-	-	-	-
Motor private	543	459	453	284	212
Motor commercial	1,572	1,724	2,207	1,273	1,717
Private liability	166	107	128	81	101
Workmen compensation	58	73	79	59	58

SAR in 000's	Financial year ended 31 December			Six months period ended 30 June	
	2011G Audited	2012G Audited	2013G Audited	2013G Unaudited	2014G Unaudited
Fire & burglary	1,524	3,007	1,833	1,290	1,517
General accident	-	-	-	-	-
Engineering	300	678	806	286	428
Group PA	-	-	-	-	-
IPA	-	-	-	-	-
General Life	-	-	-	-	-
Group Medical	7,081	6,010	10,589	5,440	4,091
<b>Total</b>	<b>11,870</b>	<b>12,851</b>	<b>16,847</b>	<b>9,203</b>	<b>8,613</b>

Source: The Company

Excess of loss premium mainly relates to the excess of loss reinsurance arrangements of group medical which decreased to SAR 6.0 million in 2012G from SAR 7.1 million in 2011G. Excess of loss premium for group medical segment increased to SAR 10.6 million during 2013G driven by increase in number of claims from 356,855 claims in 2012G to 418,064 claims in 2013G. Excess of loss premium ceded for medical segment decreased to SAR 4.1 million in H1 2014G compared to SAR 5.4 million in H1 2013G. The decrease relates to decrease in number of claims paid during the period to 174,504 compared to 66,798 in H1 2013G. Excess of loss premium was offset by recoveries of expenses from CIGNA's stop loss agreement amounting to SAR 4 million.

#### Exhibit 6.39: Net Earned Premium

SAR in 000's	Financial year ended 31 December			Six months period ended 30 June	
	2011G Audited	2012G Audited	2013G Audited	2013G Unaudited	2014G Unaudited
Marine Cargo	2,557	2,829	2,322	1,291	964
Marine Hull	50	48	39	20	17
Motor Private	32,756	25,868	20,841	10,350	8,750
Motor Commercial	80,499	81,185	92,253	42,943	52,380
Private Liability	6,900	5,935	6,633	3,169	3,105
Workmen Compensation	3,183	3,421	3,987	2,290	2,327
Fire & Burglary	8,161	4,741	5,425	2,216	1,218
General Accident	2,280	2,011	2,074	968	1,022
Engineering	1,443	993	762	662	654
Group PA	156	359	367	188	128
IPA	2	1	2	2	1
General Life	1,126	919	1,077	593	1,715
Group Medical	183,592	153,429	217,044	100,144	136,570
<b>Total</b>	<b>322,706</b>	<b>281,739</b>	<b>352,827</b>	<b>164,836</b>	<b>208,851</b>

Source: The Company

Net earned premium decreased to SAR 281.7 million in 2012G from SAR 322.7 million in 2011G driven by decrease in net earned premium of group medical segment from SAR 183.6 million to SAR 153.4 million driven by decreased business from major corporate customers.

Net earned premium increased to SAR 352.8 million in 2013G driven by increased net earned premium of group medical segment. The increase is driven by decrease in premium ceded for group medical segment pursuant to the stop loss agreement. Increase in motor commercial segment amounts to SAR 11.1 million driven by increased business from corporate customers as the Company focused on profitable corporate business.

In H1 2014G, net earned premium increased to SAR 208.9 million compared to SAR 164.8 million in H1 2013G. The increase is primarily driven by increase in group medical segment where the increase amounting to SAR 36.4 million was primarily driven by increased in medical business with low reinsurance costs pursuant to the stop loss agreement.

### 6.7.3 Reinsurers

SAICO's risks are diversified over a number of reinsurers, all of which seem to have good credit ratings and stable outlooks with a minimum of BBB+ ratings complying with SAMA regulations

Proportional and non-proportional treaties along with facultative business are placed with this wide range of reinsurers that comply with SAMA Regulations on minimum credit ratings as mentioned above.

#### Exhibit 6.40: Rating of Reinsurers

Name of reinsurer	Credit rating Agency	Issuer credit rating	Outlook
Hannover Re Takaful	S&P	A+	Stable
Swiss Re	S&P	AA-	Stable
Trust Re	A.M Best	A-	Stable
Generali	A.M Best	A-	Negative
GIC	A.M Best	A-	Stable
Gulf Re	A.M Best	A-	Stable
Saudi Re	S&P	BBB+	Stable
Echo Re	S&P	A-	Stable
Partner Re	A.M Best	A+	Stable
ACR Bahrain	A.M Best	A-	Stable
Milli Re	A.M Best	BBB	Stable
CIGNA	S&P	A-	Stable

Source: The Company

The Company has reinsurance treaties with various reinsurers managed by Willis reinsurance broker set out in the following tables.

#### Exhibit 6.41: Reinsurers' share of cover in 2013G-14G

Name of reinsurer	Fire & burglary	General accident	Engineering	Marine cargo	Marine hull	Motor XoL	Marine XoL	Fire XoL	Group Medical (Stop Loss)
Hannover Re Takaful	35.0%	35.0%	35.0%	35.0%	35.0%		50.0%	50.0%	
Swiss Re							40.0%	45.0%	
Trust Re	7.0%	7.0%	7.0%	7.0%	7.0%	15.0%	5.0%	5.0%	
Generali	5.0%	5.0%	5.0%	5.0%	5.0%		2.5%		
GIC	12.5%	12.5%	12.5%	12.5%	12.5%	42.5%	2.5%		
Gulf Re	20.0%	20.0%	20.0%	20.0%	20.0%				
Saudi Re	16.0%	16.0%	16.0%	16.0%	16.0%				
Echo Re	3.5%	3.5%	3.5%	3.5%	3.5%				
Partner Re						22.5%			
ACR Bahrain						20.0%			
Milli Re	1.0%	1.0%	1.0%	1.0%	1.0%				
CIGNA									100.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: The Company

During 2011G and 2012G, 7.3% and 8.9% respectively of the premiums ceded (including excess of loss) were ceded to reinsurers in KSA, which was less than the 30% required by the Implementing Regulations. However, in 2013G and H1 2014G, 30.2% and 40.0% respectively of the premiums ceded (including excess of loss) were ceded to reinsurers in KSA, which was above the minimum requirement.

#### 6.7.4 Commission received and earned

The following table presents the Company's commission received for the year ended 31 December 2011G, 2012G, 2013G and the six months period ended 30 June 2013G and 2014G.

##### Exhibit 6.42: Commission Received

SAR in 000's	Financial year ended 31 December			Six months period ended 30 June	
	2011G Audited	2012G Audited	2013G Audited	2013G Unaudited	2014G Unaudited
Marine Cargo	8,753	10,747	7,470	4,280	3,689
Marine Hull	2,822	1,654	1,124	614	380
Motor Private	59	60	54	38	47
Motor Commercial	147	156	110	95	73
Private Liability	1,793	1,100	1,842	918	613
Workmen Compensation	373	596	601	601	583
Fire & Burglary	17,883	16,940	15,627	12,067	11,224
General Accident	5,173	7,392	6,283	2,986	2,316
Engineering	6,735	13,701	10,505	4,844	4,048
Group PA	326	805	656	476	10
IPA	3	3	6	4	1
General Life	1,509	1,940	2,869	1,465	-
Group Medical	4,307	3,702	5,779	5,521	24
<b>Total</b>	<b>49,883</b>	<b>58,793</b>	<b>52,927</b>	<b>33,909</b>	<b>23,008</b>

Source: The Company

The following table presents the Company's commission earned as at 31 December 2011G, 2012G, 2013G and the six months period ended 30 June 2013G and 2014G.

##### Exhibit 6.43: Commission Earned

SAR in 000's	Financial year ended 31 December			Six months period ended 30 June	
	2011G Audited	2012G Audited	2013G Audited	2013G Unaudited	2014G Unaudited
Marine Cargo	8,467	10,572	8,242	4,697	4,077
Marine Hull	2,753	2,189	1,598	819	629
Motor Private	54	57	59	28	31
Motor Commercial	120	141	132	71	48
Private Liability	1,430	1,391	985	678	1,179
Workmen Compensation	315	559	582	484	560
Fire & Burglary	18,722	19,893	17,140	8,686	7,079
General Accident	4,813	6,428	6,222	3,033	2,782
Engineering	7,079	10,669	8,586	4,879	4,220
Group PA	333	782	607	346	209
IPA	4	2	6	4	-
General Life	1,816	1,865	2,861	1,414	135
Group Medical	3,072	3,243	7,473	8,361	24
<b>Total</b>	<b>48,978</b>	<b>57,790</b>	<b>54,493</b>	<b>33,500</b>	<b>20,973</b>

Source: The Company

Commission income is recorded on business covered by proportional treaties (i.e. fire, general accident,

engineering, marine cargo, marine hull, etc.). Moreover, commission income from reinsurers is also received from facultative business placed on many policies, including business such as public liability, workmen compensation, motor, etc.

Profit commission is calculated based on 25% of treaty results for the past three years in arrears for engineering, general accident and marine hull. In the case of marine cargo, profit commission is calculated on the basis of 30% of results for quota-share and 15% of results for surplus in each treaty year.

Commission income during the reporting period was primarily driven by fire and burglary, marine cargo & engineering due to the high cession ratio of the segment.

In 2013G, fire& burglary, marine cargo and engineering contributed to 31% (2012G: 34%, 2011G: 38%), 15% (2012G: 18%, 2011G: 17%) and 16% (2012G: 18%, 2011G: 14%) of total commission earned respectively. During the six months period ended 30 June 2014G, fire& burglary, marine cargo and engineering together contributed 73% of total commission earned compared to 55% in H1 2013G. The increase relates to decrease in overall commission earned driven by lower commission earned from reinsurance of medical segment in the quarter.

#### 6.7.5 Claims

The following tables present the Company's claims for the year ended 31 December 2011G, 2012G, 2013G and the six months period ended 30 June 2013G and 2014G.

#### Exhibit 6.44: Gross Claims Paid

SAR in 000's	Financial year ended 31 December			Six months period ended 30 June	
	2011G Audited	2012G Audited	2013G Audited	2013G Unaudited	2014G Unaudited
Marine cargo	6,527	5,244	6,050	4,455	2,715
Marine hull	338	-	86	86	-
Motor private	25,970	22,341	18,763	10,890	6,575
Motor commercial	49,567	54,226	65,255	34,126	36,033
Public liability	814	242	14	5	145
Work compensation	23	735	81	12	1,757
Fire & burglary	19,918	20,544	92,656	47,731	25,521
General accident	22,167	11,793	9,671	595	1,114
Engineering	1,060	4,891	10,409	2,232	5,646
Group PA	-	-	100	100	47
Individual PA	-	-	-	-	-
Group life	3,251	3,564	1,927	1,411	587
Group medical	214,589	157,252	192,452	100,148	105,596
<b>Total</b>	<b>344,224</b>	<b>280,833</b>	<b>397,464</b>	<b>201,791</b>	<b>185,736</b>

Source: The Company

### Exhibit 6.45: Net Claims Paid

SAR in 000's	Financial year ended 31 December			Six months period ended 30 June	
	2011G Audited	2012G Audited	2013G Audited	2013G Unaudited	2014G Unaudited
Marine cargo	844	626	741	554	298
Marine hull	7	-	1	1	-
Motor private	25,888	21,931	18,730	10,909	5,934
Motor commercial	49,487	53,180	65,531	34,406	34,931
Public liability	809	201	42	33	118
Work compensation	23	377	142	74	615
Fire & burglary	7,057	2,873	7,421	6,153	1,098
General accident	258	275	385	140	476
Engineering	169	381	703	333	244
Group PA	-	-	20	20	9
Individual PA	-	-	-	-	-
Group life	571	593	332	229	117
Group medical	181,231	122,893	164,794	81,405	103,971
<b>Total</b>	<b>266,343</b>	<b>203,330</b>	<b>258,843</b>	<b>134,257</b>	<b>147,811</b>

Source: The Company

### Exhibit 6.46: Net Claims Incurred

SAR in 000's	Financial year ended 31 December			Six months period ended 30 June	
	2011G Audited	2012G Audited	2013G Audited	2013G Unaudited	2014G Unaudited
Marine cargo	917	2,324	397	1,051	1,074
Marine hull	(6)	4	1	-2	-3
Motor private	29,014	19,344	13,912	7,305	5,469
Motor commercial	55,190	52,628	67,918	37,149	36,585
Public liability	1,121	(158)	(388)	3	1,430
Work compensation	381	195	397	124	522
Fire & burglary	1,841	6,867	8,240	1,910	3,110
General accident	496	489	1,523	763	679
Engineering	66	575	1,015	422	556
Group PA	-	-	20	20	9
Individual PA	-	-	-	-	-
Group life	398	290	280	196	436
Group medical	168,456	123,702	218,391	95,600	116,376
<b>Total</b>	<b>257,873</b>	<b>206,259</b>	<b>311,708</b>	<b>144,541</b>	<b>166,243</b>

Source: The Company

## Exhibit 6.47: Net Loss Ratio

	Financial year ended 31 December			Six months period ended	
	2011G Audited	2012G Audited	2013G Audited	June 2013G Unaudited	June 2014G Unaudited
Marine cargo	35.9%	82.1%	17.8%	81%	113%
Marine hull	(11.9%)	7.4%	3.7%	(10%)	(19%)
Motor private	88.6%	74.8%	66.8%	71%	63%
Motor commercial	68.6%	64.9%	73.6%	87%	70%
Public liability	16.3%	(2.7%)	(5.9%)	0%	46%
Work compensation	12.0%	5.7%	10.0%	5%	22%
Fire & burglary	22.6%	144.8%	151.9%	86%	256%
General accident	21.7%	24.3%	73.1%	79%	66%
Engineering	4.5%	57.9%	132.0%	64%	85%
Group PA	0.0%	0.0%	5.4%	11%	7%
Individual PA	0.0%	0.0%	0.0%	0%	0%
Group life	35.3%	31.5%	26.0%	33%	25%
Group medical	91.8%	80.6%	100.6%	95%	83%
<b>Total</b>	<b>79.9%</b>	<b>73.2%</b>	<b>88.3%</b>	<b>88%</b>	<b>80%</b>

Source: The Company

Note: For details of loss/Profit amounts of the sector please refer to the technical income statement included in this section.

Gross claims paid are mainly represented by claims under medical, motor and fire lines of business. The three lines of business represented in combination 92.4% of the total gross claims during the reporting period.

Net claims incurred grew at a CAGR 9.9% between 2011G and 2013G driven by increased claims under motor, medical and fire line of business.

Overall net loss ratio increased from 79.9% in 2011G to 88.3% in 2013G due to net claims incurred in medical, motor and fire lines of business.

Net loss ratio from fire and burglary line of business increased during the reporting period, reaching to 151.9% in 2013G, driven by increased claim payments, made against few loss making policies, amounting to SAR 8.2 million in 2013G compared to SAR 6.9 million in 2012G. However, net earned premium for the segment increased marginally from SAR 4.7 million in 2012G to SAR 5.4 million in 2013G. In H1 2014G, net loss ratio from fire and burglary amounted to 256% compared to 86% driven by timing of claims relating to the policy written.

The loss ratio for Engineering increased in 2013G and 1 H2014G because of a large engineering claim in excess of SR 8 million reported during this period which resulted in increase in loss ratio by that amount.

Net loss ratio from group medical decreased from 91.8% in 2011G to 80.6% in 2012G and increased to 100.6% in 2013G. The increase in 2013G is primarily driven by the loss making policies written in 4Q 2012G. The Company took active measures by increasing premium rates and pruning out loss making business.

Net loss ratio of motor commercial amounted to 68.6% in 2011G to 64.8% in 2012G and increased to 73.6% in 2013G. The increase in 2013G is attributable to increase in net claims from SAR 52.6 million in 2012G to SAR 67.9 million in 2013G. Net loss ratio of motor commercial amounted to 70% in H1 2014G driven by lower claims incurred during the period.

### 6.7.6 Policy acquisition cost

The following tables present the Company's commission expense for the year ended 31 December 2011G, 2012G, 2013G and the six months period ended 30 June 2013G and 2014G.

### Exhibit 6.48: Commission Amortized / Paid During the Year

SAR in 000's	Financial year ended 31 December			Six months period ended 30 June	
	2011G Audited	2012G Audited	2013G Audited	2013G Unaudited	2014G Unaudited
Marine cargo	3,949	3,863	3,076	1,736	1,800
Marine hull	1,301	449	338	155	86
Motor private	6,274	2,907	2,782	1,748	1,240
Motor commercial	13,628	11,056	13,719	7,948	10,039
Private liability	2,852	963	1,420	824	841
Workmen compensation	741	680	712	579	561
Fire & burglary	12,074	10,844	10,429	8,074	7,736
General accident	1,362	1,272	1,167	803	819
Engineering	3,678	6,227	4,857	2,484	2,198
Group PA	102	280	198	129	23
IPA	0	0	1	0	1
General Life	608	732	1,019	567	666
Group Medical	13,828	15,850	14,155	7,236	8,253
<b>Total</b>	<b>60,397</b>	<b>55,123</b>	<b>53,874</b>	<b>32,284</b>	<b>34,263</b>

Source: The Company

### Exhibit 6.49: Commission Incurred During the Year

SAR in 000's	Financial year ended 31 December			Six months period ended 30 June	
	2011G Audited	2012G Audited	2013G Audited	2013G Unaudited	2014G Unaudited
Marine cargo	4,186	3,883	3,328	1,843	1,603
Marine hull	1,439	666	434	241	180
Motor private	6,863	4,296	2,885	1,433	1,168
Motor commercial	12,818	11,575	12,889	5,963	6,994
Private liability	2,030	1,613	1,141	818	1,280
Workmen compensation	711	711	708	501	587
Fire & burglary	14,153	13,074	11,334	5,674	5,190
General accident	1,415	1,262	1,205	567	540
Engineering	3,592	4,770	3,704	2,423	2,104
Group PA	119	262	231	113	42
IPA	1	0	1	-	-
General Life	746	703	1,019	539	512
Group Medical	14,607	13,489	15,674	8,095	7,807
<b>Total</b>	<b>62,680</b>	<b>56,302</b>	<b>54,554</b>	<b>28,210</b>	<b>28,007</b>

Source: The Company

Commission rates for ACE Agencies and ACE Brokerage and other brokers are agreed on a case by case basis, provided they do not exceed 15% of premiums for all lines of business except for compulsory motor and compulsory health insurance where commissions should not exceed 8%, as per SAMA's requirements.

In 2011G, group medical & fire and burglary segments were the largest contributor to the commission expense accounting for SAR 14.6 million and SAR 14.2 million respectively.

In 2012G, group medical and fire and burglary were the largest constituents of the commission expenses contributing SAR 13.5 million and SAR 13.1 million respectively.

During 2013G, group medical and commercial motor segments were the two major segments for commission expenses with SAR 15.7 million and SAR 12.9 million respectively.

The Commission paid to various branches of ACE Brokerage and ACE Agencies amounted to SAR 12.8 million during H1 2014G and SAR 15.7 million in 2013G (Please see sub-section titled "Related parties transactions" for more details on commissions paid to related parties).

The commission ratio decreased from 11.0% in 2011G to 9.7% in 2012G. The decrease is primarily driven by increased business of group medical segment related to direct business and CIGNA referred business with no commission expense attached. The commission ratio decreased further to 8.6% in 2013G driven by decrease in commission ratio of motor commercial and fire & burglary segments. Incremental business from engineering segment is driven by decrease in the premium written for the engineering segment from SAR 46.2 million in 2012G to SAR 38.4 million. Commission ratio decreased marginally to 6.6% in H1 2014G compared to 7.3% in H1 2013G.

#### 6.7.7 General and administrative expenses

The following tables present the Company's general and administrative expenses for the year ended 31 December 2011G, 2012G, 2013G and the six months period ended 30 June 2013G and 2014G.

#### Exhibit 6.50: General and administrative expenses

SAR in 000's	Financial year ended 31 December			Six months period ended 30 June	
	2011G Audited	2012G Audited	2013G Audited	2013G Unaudited	2014G Unaudited
Employees cost	31,979	35,918	43,831	22,958	19,495
Depreciation	2,890	3,776	5,823	2,271	2,337
Withholding Tax	3,589	1,953	4,703	2,933	713
Rent	1,820	1,812	2,282	1,110	1,172
Computer implementation	2,022	1,666	1,850	87	978
Legal & professional fees	1,279	1,440	1,291	633	572
Postage, telephone, telex	1,231	1,210	1,194	313	316
Printing and stationery	727	725	877	615	337
Repairs and maintenance	542	690	680	317	346
Travel	361	565	411	275	244
Collector fees	250	120	291	122	82
Others	1,523	2,654	4,555	3,846	2,579
<b>Total</b>	<b>48,212</b>	<b>52,527</b>	<b>67,787</b>	<b>35,480</b>	<b>29,171</b>

Source: The Company

### Exhibit 6.51: General and administrative expenses as a %

	Financial year ended 31 December			Six months period ended 30 June	
	2011G Audited	2012G Audited	2013G Audited	2013G Unaudited	2014G Unaudited
Employees cost	66%	68%	65%	65%	67%
Depreciation	6%	7%	9%	6%	8%
Withholding Tax	7%	4%	7%	8%	2%
Rent	4%	3%	3%	3%	4%
Computer implementation	4%	3%	3%	0%	3%
Legal & professional fees	3%	3%	2%	2%	2%
Postage, telephone, telex	3%	2%	2%	1%	1%
Printing and stationery	2%	1%	1%	2%	1%
Repairs and maintenance	1%	1%	1%	1%	1%
Travel	1%	1%	1%	1%	1%
Collector fees	1%	0%	0%	0%	0%
Others	3%	5%	7%	11%	9%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: The Company

In 2012G, general and administrative expenses increased mainly due to an increase in man power cost which was due to hiring of new employees for branches and other miscellaneous expenses which include higher depreciation due to capital expenditures incurred on IT and leasehold improvements at the branches. General and administrative expenses increased to SAR 67.8 million in 2013G primarily driven by increase in employees' cost relating to bonuses pertaining to 2012G which was accrued and paid in 2013G.

The employee costs represent mainly the employees' salaries and benefits. They have increased in 2013G mainly driven by bonus for 2012G which was accrued and paid in 2013G and incentives in addition to increased number of staff and annual increments. Employee costs decreased in H1 2014G due to no bonus during the period.

Depreciation expenses related to depreciation on fixed assets and have increased at a CAGR of 42% from 2011G-2013G. This increase is due to fixed asset additions during the period.

Withholding taxes related to withholding taxes accrued on payments made outside the kingdom of Saudi Arabia and have increased at a CAGR of 14% during 2011G-2013G. The increase relates to the increase in business with parties outside the Kingdom including reinsurers.

Rent expenses related to the rentals of regional offices and have increased at a CAGR of 12% during 2011G-2013G. Increase in rent expense in 2013G relates to the new office for the central region branch.

Computer implementation expenses related to the maintenance of IT equipment and support services and decreased from SAR 2.0 million in 2011G to SAR 1.9 million in 2013G. This decrease is in line with the business needs of SAICO.

Legal and professional fees expenses related to legal services and audit fees. This expense was constant over the reporting period and in line with the business needs of SAICO.

Postage, telephone and telex expenses related to internet, phone and fax services. The expenses remained stable during the reporting period.

Printing and stationary expenses related to printing of SAICO brochures and business letter heads.

Repairs and maintenance expenses are related to office's repair work.

Other expenses related mainly to utilities expense, bank charges, sales and marketing expenses and Najm expenses.

### 6.7.8 Provision/(Reversal) for Doubtful Receivables

Bad debt expenses are calculated in accordance with article 69 (2) of the Implementing Regulations. According to the regulations, doubtful debt provision is created as follows:

- 1- Ten percent (10%) of the total amounts due from reinsurers exceeding 180 days.
- 2- Fifteen percent (15%) of the total amounts due from the insured exceeding 90 days.
- 3- Twenty-five percent (25%) of the total amounts due from the insured exceeding 180 days.
- 4- Seventy-five percent (75%) of the total amounts of uncollected receivables exceeding 360 days.
- 5- One hundred percent (100%) of any disputed and uncollected receivables.

### 6.7.9 Inspection and supervision fees

The following tables present the Company's Inspection and supervision fees for the year ended 31 December 2011G, 2012G, 2013G and the six months period ended 30 June 2013G and 2014G.

#### Exhibit 6.52: Inspection and Supervision Fees

SAR in 000's	Financial year ended 31 December			Six months period ended 30 June	
	2011G Audited	2012G Audited	2013G Audited	2013G Unaudited	2014G Unaudited
SAMA fee	2,652	2,720	2,733	1,555	1,861
CCHI Fee	2,351	2,501	2,500	1,362	1,670
<b>Total</b>	<b>5,004</b>	<b>5,221</b>	<b>5,233</b>	<b>2,917</b>	<b>3,531</b>

Source: The Company

Inspections and supervision fees are fees payable to SAMA as annual charges for the year that are mandatory for insurance firms in the Kingdom of Saudi Arabia. The supervision fees are based on 0.5% of annual gross written premiums written inside the KSA.

The Council for Cooperative Health Insurance (CCHI) fee is based on 1 % of total annual gross written premiums from medical insurance.

## 6.8 Key performance indicators

The table below summarizes the key performance indicators of the Company during the reporting period.

#### Exhibit 6.53: Key Performance Indicators

	Financial year ended 31 December			Six months period ended 30 June	
	2011G Audited	2012G Audited	2013G Audited	2013G Unaudited	2014G Unaudited
Paid loss ratio	62.8%	49.4%	63.7%	53%	44%
Combine ratio	101.6%	93.3%	107.4%	90%	88%
Reinsurance ratio (excluding XoL)	42.7%	44.8%	37.0%	42.5%	35.7%
Net loss ratio (including XoL)	79.9%	73.2%	88.3%	87.7%	79.6%
Ceding ratio (excluding XoL)	42.7%	44.8%	37.0%	42.5%	35.7%
Retention ratio (excluding XoL)	57.3%	55.2%	63.0%	57.5%	64.3%
Net OS Claims/Claims incurred	29.8%	38.7%	42.6%	62.4%	89.1%
RI share of OS claims/Gross OS claims	66.6%	76.3%	66.6%	79.3%	75.8%
RI Share of UEP/Gross UEP	47.8%	41.9%	30.6%	39.3%	34.8%

Source: The Company

Total cost and expenses exceeded net premium earned during the reporting period, which resulted in a combine ratio of 101.6%, 93.3%, 107.4%, 90% and 88% in 2011G, 2012G, 2013G, H1 2013G and H1 2014G respectively. Lower combined ratio in 2012G is driven by higher commission income while lower ceding ratio contributed to the lower combined ratio of H1 2014G.

## 7. Capitalization

The company's share capital is One Hundred Million Saudi Riyals (SAR 100,000,000) comprising Ten Million (10,000,000) Shares with a nominal value of SAR 10 per Share, all of which are fully paid up. The Founding Shareholders had subscribed to 60% of the total Shares and the remaining 40% had been subscribed to by the public through an IPO in 2007G.

### Exhibit 7.1: Capitalization & Indebtedness

SAR '000s	31 December 2013G Audited	30 June 2014G Unaudited
<b>Insurance Operations' Liabilities</b>		
Employee End-of-Service Benefits	6,756	6,655
Insurance Operations' Surplus Distribution Payable	1,901	1,901
Due to Shareholders' Operations	-	5,894
Gross Outstanding Claims	397,827	478,954
Gross Unearned Premiums	219,476	315,239
Unearned Commission Income	18,161	21,385
Due to Related Parties	-	-
Reinsurance Balances Payable	37,921	32,023
Accrued Expenses and Other Liabilities	34,815	25,622
Net Surplus from Insurance Operations & Shareholders' Appropriation	-	902
<b>Total insurance operations' liabilities</b>	<b>716,856</b>	<b>888,576</b>
<b>Shareholders' Liabilities &amp; Equity</b>		
<b>Shareholders' Liabilities</b>		
Due to insurance Operations	8,832	-
Provision for Zakat	1,427	786
Accounts Payable	859	1,302
<b>Total Shareholders' Liabilities</b>	<b>11,118</b>	<b>2,088</b>
<b>Shareholders' Equity</b>		
Share Capital	100,000	100,000
Accumulated Losses	(48,262)	(41,228)
<b>Total Shareholders' Equity</b>	<b>51,738</b>	<b>58,772</b>
<b>Total Shareholders' Liabilities &amp; Equity</b>	<b>62,856</b>	<b>60,860</b>
<b>Total Insurance Operations' Liabilities &amp; Shareholders' Liabilities &amp; Equity</b>	<b>779,712</b>	<b>949,436</b>

Source: Financial Statements

There are no debt instruments already issued by the Company or declared and not yet issued. There are no term loans borrowed by the Company and hence no term loan is covered by either a personal guarantee or a mortgage at the date of this Prospectus.

The Company has no loans or debts, including any overdrafts facilities, liabilities under acceptance, acceptance credit or lease purchase obligations, which are covered or not covered by either a personal guarantee or a mortgage as at the date of this Prospectus.

There are no mortgages, rights or encumbrances on the properties of the Company as at the date of this Prospectus.

The Company has no contingent liabilities or guarantees as at the date of this Prospectus.

The Company's capital is not under option as of the date of this prospectus.

The Company's capital has not been changed since its incorporation and has remained at SAR 100 million since inception.

## 8. Dividend Policy

Dividends may be distributed by the Company from its annual net profit after Zakat and tax, and will be calculated from the Company's net profit after providing for Policyholder's share of profit amounting to 10% of insurance and investment operations surplus which will be in form of returns or deduction from the policy renewal premium. The remaining net surplus of 90% will be transferred to the shareholders' income statement. However, prior to the payment of dividends, the Company is required to obtain SAMA's approval for any dividends proposed to be distributed from the net surplus and to deduct 20% of the net profit after Zakat and allocate such amount to statutory reserves. The Ordinary General Assembly may discontinue this deduction when the statutory reserves amount to the entire paid-up capital of the Company.

Any declaration of dividends will be dependent upon the Company's earnings, its financial condition, the condition of the markets, the general economic climate, and other factors, including analysis of investment opportunities and reinvestment needs, cash and capital requirements, business prospects, and the effect of such dividends on the Company's Zakat position, as well as other legal and regulatory considerations.

Although it is the intention of the Company to pay annual dividends to its Shareholders, the Company does not make any assurance that any dividend will actually be paid in any given year, or any assurance as to the amount which will be paid in any given year.

The distribution of dividends is subject to certain limitations contained in the Company's by-Laws (see section titled "Summary of the Company's By-Laws" for details). The Offer Shares will be entitled to receive dividends declared by the Company from their date of issuance and subsequent fiscal years.

The Board shall prepare at the end of each Fiscal Year an inventory of the value of the Company's assets and liabilities at that date. The Board shall also prepare the Company's financial statements and a report on the Company's activities and financial position for the preceding year. The report shall include the method proposed by the Board for the distribution of net profits within a period not exceeding 40 (forty) days after the end of the annual financial period to which they relate. The Board of Directors shall place such documents at the disposition of the auditor at least 55 (fifty-five) days prior to the date set for convening the Ordinary General Assembly. The Chairman of the Board shall sign the said documents and they shall be placed at the disposition of the Shareholders in the Company's head office at least 25 (twenty-five) days prior to the date set for the Ordinary General Assembly. The Chairman of the Board of Directors shall publish in a daily newspaper circulated in the city where the head office of the Company is located, the financial statements and a comprehensive summary of the Board of Directors' report and the full text of the auditors' Report and shall send a copy of such documents to the Companies Department and the CMA at least 25 (twenty-five) days prior to the date set for convening the Ordinary General Assembly.

The financial statements are composed of the balance sheet of insurance and shareholders' operations, statement of insurance operations surplus (deficit), income statements, shareholders' equity statement, insurance operations cash flow statement and shareholders' cash flow statement.

The insurance operations accounts shall be kept separate from the Shareholders' income statement, according to the following details:

### **A. Insurance Operations Accounts:**

- a) An independent account shall be dedicated to earned premiums, reinsurance commissions and other commissions;
- b) An independent account shall be dedicated to claims incurred by the Company;
- c) At the end of every year, the total surplus which represents the difference between total Premiums and claims minus the marketing, administrative and operational expenses and the necessary technical provisions in accordance with the directives in this regard shall be determined;
- d) Net surplus shall be determined by: adding to, or subtracting from, the total surplus in paragraph (c) above, the policyholders' investment return share after calculating the policyholders' earnings and deducting what they owe in expenses incurred; and
- e) Net surplus shall be distributed as follows: either 10% directly to the policyholders or reducing their premiums for the following year and carrying over the balance to the Shareholders' income statement.

**B. Shareholders' Income Statement:**

- a) The Shareholders' profits from their funds investment shall be in accordance with the rules set by the Board of Directors.
- b) The share of the Shareholders in the net surplus shall be as set forth in paragraph (1 - d & e) above.

The Shareholder's profits shall be distributed as follows:

- 1- Zakat and income tax allocations are to be held.
- 2- 20% of the net profits shall be withheld to form a statutory reserve. The Ordinary General Assembly may discontinue this withholding of the net profits when the said reserve reaches the entire paid-up capital.
- 3- The Ordinary General Assembly may, upon request of the Board of Directors, withhold an additional percentage of the annual net profits to form an additional reserve to be allocated for the purpose or specific purposes decided by the Ordinary General Assembly.
- 4- The balance shall be paid to the Shareholders as an initial payment of not less than 5% of the paid-up capital.
- 5- The balance shall be distributed among the Shareholders as a share in the profits or transferred to retained earnings account.
- 6- By resolution of the Board of Directors, periodic profits, deducted from the annual profits specified in subsection 4 above, may be distributed in accordance with applicable rules and regulations issued by competent authorities.

The Company shall notify the CMA without delay of any decisions to distribute profits or any recommendation to do so.

The company did not pay any dividends to the shareholder since commencement of its business on 25/08/2009G.

## 9. Capital Structure

The Company's share capital is One Hundred Million Saudi Riyals (SAR 100,000,000) comprising Ten Million (10,000,000) Shares with a nominal value of SAR 10 per Share, all of which are fully paid up. The Founding Shareholders had subscribed to 60% of the total Shares and the remaining 40% had been subscribed to by the public through an IPO in 2007G. The Company has not given any privileges or preferential rights to the founding shareholders or to any other person.

The Board of Directors represent that the Company's capital is not under any option and that the Company did not give any privileges or preferential rights to the Founding Shareholders or to any other person.

After receiving SAMA's approval under letter No. 20/L dated 2/11/1432H (corresponding to 11/12/2010G) to increase its share capital by SAR 150 million through a rights issue to increase the company's share capital to SAR 250 million comprising 25 million Shares with nominal value of SAR 10 per share, the Company's Board has issued its resolution No. (23) dated 12/01/1432H (corresponding to 18/12/2010G) recommending increase of the Company's share capital. The Board of Directors has re-recommended, in its meeting held on 25/08/1435H (Corresponding to 23/06/2014G), the pursuance of increase of share capital. The EGM held on 13/08/1436H (corresponding to 31/05/2015G) approved the Board's recommendation to increase the share capital of the Company.

SAICO BSC and HRH Princess Jawhara Bint Abdulaziz Al-Saud have confirmed that they will fully exercise their Rights based on the number of Shares they hold on the Record Date. If the shareholding of these two Shareholders remains exercise 100% of the Rights, it would result in their continuing to own 32% in the share capital of the Company after the Offering as shown below:

### Exhibit 9.1: Founding Shareholders who have confirmed that they will exercise their rights to Subscribe

S. No.	Shareholder	Ownership % prior to the Offering	Number of owned shares prior to the Offering	Number of owned shares post Offering	Ownership % post Offering
1.	SAICO BSC	30%	3,000,000	7,500,000	30%
2.	HRH Princess Jawhara Bint Abdulaziz Al-Saud	2%	200,000	500,000	2%

Source: The Company

## 10. Description of Shares

### 10.1 Share Capital

The share capital of the Company is SAR 100,000,000 consisting of 10,000,000 shares, at a nominal value of SAR 10 per Share, all of which are ordinary cash shares.

### 10.2 Increase of Capital

The Company's share capital has been fully subscribed to as the Founding Shareholders subscribed in 6,000,000 shares and paid their value in full. The remaining shares, i.e. 4,000,000 shares were offered for public subscription.

After verifying the feasibility and after obtaining the approval of the competent authorities including SAMA, the Extraordinary General Assembly may adopt a resolution to increase the Company's capital once or several times by issuing new shares of the same nominal value as the original shares, provided that the original shares have been paid in full, with due consideration to the requirements of the Companies Law and CMA Regulations. The said resolution shall specify the mode of increasing the capital, and the Shareholders shall have pre-emptive rights to subscribe for the new cash shares. The said shares shall be allotted to the original Shareholders who have expressed their desire to subscribe thereto, in proportion to the original shares owned by them, provided that the number of shares allotted to them shall not exceed the number of new shares they have applied for. The remaining new shares shall be allotted to the original shareholders who applied for more shares than held by them, provided that the number of shares allotted to them shall not exceed the number of new shares they have applied for. Any remaining new shares shall be offered for public subscription.

### 10.3 Decrease of Capital

The Company may reduce its capital if it proves to be in excess of the Company's needs or if the Company sustains losses. This decision must be made through a resolution adopted by the General Assembly in an Extraordinary General Assembly Meeting, and requires approval of the Minister of Commerce and Industry, CMA and SAMA. Such resolution shall be issued only after reading the auditor's report on the reasons calling for such reduction, the obligations to be fulfilled by the Company and the effect of the reduction on such obligations. The resolution shall provide for the manner in which the reduction shall be made. If the reduction of the capital is due to its being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

### 10.4 Shares Trading

The Company's shares are tradable in accordance with the rules and regulations issued by CMA. As exception to this the shares subscribed for by the founding shareholders will not be tradable prior to release the financial statements of two fiscal years with not less than 12 calendar months each from the date of incorporation. This will also be applicable to any shares subscribed for by the shareholders for increase of capital before the end of the restriction period. However, these shares may be transferred to any other founding shareholder or the Company's director in order to be granted as qualification shares or transfer from the owner heirs to others in case of death.

The Company's by-laws are silent about any recovery or repurchase rights regarding the Company's shares.

### 10.5 Rights of the Shareholders

Each Shareholder holding 20 shares or more will have the right to attend and vote at the General Assembly. The meetings of the General Constituent Assembly may be attended by any shareholder regardless of the number of share he holds. A Shareholder may delegate in writing another shareholder, other than members of the Board of Directors or officials of the Company, to attend the General Assembly on his/her behalf.

## 10.6 Voting Rights

Each Shareholder holding twenty (20) shares or more shall have the right to attend the General Assembly. A Shareholder may delegate another shareholder, other than the members of the Board of Directors or officials of the Company, to attend the General Assembly on his/her behalf. The votes in the Ordinary General Assembly as well as in the Extraordinary General Assembly shall be counted on the basis of one vote for every share.

Resolutions of the Constituent General Assembly and Ordinary General Assembly shall be made only by an absolute majority vote of the shares represented therein.

Resolutions of the Extraordinary General Assembly shall be made by a majority vote of two thirds (2/3) of the shares represented at the meeting, except for resolutions pertaining to the increase or the reduction of the capital, the extension of the duration of the Company before its term or the merger into another company or establishment. In such cases, the resolution shall not be considered as valid unless approved by the majority vote of three quarters (3/4) of the shares represented at the meeting.

## 10.7 General Assembly Meetings of Shareholders

A General Assembly duly convened shall be deemed to represent all the Shareholders, and shall be held in the city where the Company's head office is located.

The Shareholders General Assemblies are either Ordinary or Extra-Ordinary. Except for matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall be in charge of all matters concerning the Company. The Ordinary General Assembly shall be convened at least once a year, within six (6) months following the end of the Company's fiscal year. Additional Ordinary General Assembly meetings may be convened whenever needed.

The Extraordinary General Assembly shall have the power to amend the Company's Articles of Association, except for such provisions as may be impermissible to be amended under the Companies Regulations. Furthermore, the Extraordinary General Assembly may pass resolutions on matters falling within the competence of the Ordinary General Assembly under the same conditions applicable to the latter.

The meeting of the Ordinary General Assembly shall not have a quorum unless attended by Shareholders representing at least 50% of the Company's Capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened within the following thirty (30) days of the previous meeting. Such notice for the meeting shall be published in the same manner described above. The second meeting shall be deemed valid irrespective of the number of shares represented.

As for the Extraordinary General Assembly, it shall not be deemed valid unless attended by Shareholders representing at least fifty per cent (50%) of the Company's Capital. If such quorum is not met in the first meeting, a second meeting shall be convened within the following thirty (30) days. The second meeting shall be considered as valid if attended by a number of Shareholders representing at least one-quarter (1/4) of the Company's capital.

The General Assembly shall be presided over by the Chairman of the Board of Directors or, in his absence, the Director designated by him. The General Assembly shall appoint a secretary for the meeting and a vote canvasser. Minutes shall be prepared for the meeting showing the names of Shareholders present in person or represented by proxy, the number of the shares held by each, personally or on behalf of others, the number of votes attached to such shares, the resolutions adopted at the meeting, the number of votes assenting or dissenting to such resolutions and a comprehensive summary of the discussions that took place at the meeting. Such minutes shall be regularly recorded after each meeting in a special register to be signed by the Chairman of the Assembly, the secretary and the vote canvasser.

## 10.8 Rights in Dividends

The Shareholder's profits shall be distributed as follows:

- 1- Zakat and income tax allocations are to be held.
- 2- 20% of the net profits shall be withheld to form a statutory reserve. The Ordinary General Assembly may discontinue this withholding of the net profits when the said reserve reaches the entire paid-up capital.
- 3- The Ordinary General Assembly may, upon request of the Board of Directors, withhold an additional percentage of the annual net profits to form an additional reserve to be allocated for the purpose or specific purposes decided by the Ordinary General Assembly.
- 4- The balance shall be paid to the Shareholders as an initial payment of not less than 5% of the paid-up capital.
- 5- The balance shall be distributed among the Shareholders as a share in the profits or transferred to retained earnings account.
- 6- By resolution of the Board of Directors, periodic profits, deducted from the annual profits specified in subsection 4 above, may be distributed in accordance with applicable rules and regulations issued by competent authorities.

## 10.9 Rights in Surplus of Assets upon Dissolution or Liquidation

The Company may be dissolved upon expiry of its statutory term or if a resolution is issued on its dissolution prior to the time set for the expiry of such duration, the Extraordinary General Assembly shall, based on a proposal by the Board of Directors, decide the method of liquidation, appoint one or more liquidator(s) and specify their powers and remuneration. The powers of the Board of Directors shall cease upon the expiration of the Company. However, the Board shall continue the management of the Company until the liquidators are appointed. The Company's administrative departments shall retain their respective powers to the extent that they do not conflict with the powers of the liquidators.

Upon liquidation, shareholders' rights in insurance operation surplus and reserves shall be considered as stated by the Company's by-laws.

## 11. Use of Proceeds

### 11.1 Net Proceeds

The total gross proceeds from the Offering are estimated to be SAR 150 million, of which approximately SAR 6 million is expected to be the expenses relating to the Offering, including fees of each of the financial advisor, legal advisor and reporting accountants, in addition to the Receiving Banks, Lead Manager, Underwriter, the marketing expenses, printing and distribution expenses and other Offering related expenses.

The net proceeds of the Offering are hence expected to be approximately SAR 144 million, after deducting all the expenses related to the Offering. The Company intends to use these proceeds to cover the solvency requirements based on current and future requirements. The Company's Shareholders will not receive any proceeds resulting from the Offering.

### 11.2 Use of Net Proceeds

Insurance companies in the Kingdom of Saudi Arabia practice their business in accordance with the Insurance Law and its Implementing Regulations as amended by SAMA from time to time.

The above law and regulations stipulate that an insurance company shall maintain a Minimum Solvency Margin that is no less than the following three amounts:

- Minimum Capital Requirement
- Premium Solvency Margin
- Claims Solvency Margin

An insurance company needs to maintain Net Admissible Assets at a minimum of the above mentioned solvency margin. This requirement translates into a necessity to maintain a minimum Solvency Margin Cover (Net Admissible Assets divided by Minimum Solvency Margin) of 100%.

The Company targets to maintain a higher Solvency Margin Cover of between 150% to 180% to provide for operational contingencies.

As of 31st December 2013G, the Company's Solvency Margin Cover position was as follows:

#### Exhibit 11.1: Solvency Margin Cover as at 31st December 2013G

Particulars	SAR Millions
Minimum Capital Requirement	100.00
Premium Solvency Margin	89.1
Claims Solvency Margin	75.5
Minimum Solvency Margin	100.00
Net Admissible Assets	(27.60)
Solvency Margin Cover (%)	(27.60%)

Source: The Company

The company hence currently needs to inject additional share capital not only to maintain its minimum Solvency Margin Cover of 100% but also achieve the target solvency cover of 150% to 180%. Moreover, the Company expects the Minimum Solvency Margin requirement to increase in the following years due to the expected growth in business volume.

The net proceeds of the Offering of approximately SAR 144 million is proposed to be used to shore up the Net Admissible Assets and Solvency Margin Cover of the Company based on current and future requirements. The table below shows the expected contribution of the net proceeds in maintaining the Solvency Margin Cover at the targeted range of 150% to 180% over the next few years:

## Exhibit 11.2: Expected Solvency Margin Cover

SAR Millions	2012G	2013G	2014G	2015G	2016G	2017G
Minimum Capital Requirement	100.00	100.00	100.00	100.00	100.00	100.00
Premium Solvency Margin	74.2	89.1	102.4	109.2	116.5	124.3
Claims Solvency Margin	63.9	75.5	77.3	81.7	101.8	108
Minimum Solvency Margin	100.00	100.0	102.4	109.2	116.5	124.3
Before Offering:						
Net Admissible Assets	(43.6)	(27.6)	10.9	30.9	54.1	79.5
Solvency Margin Cover (%)	(43.6%)	(27.6%)	11%	28%	46%	64%
After Offering:						
Net Admissible Assets	N/A	N/A	154.9	174.3	196.9	221.9
Solvency Margin Cover (%)	N/A	N/A	151%	160%	169%	178%

Source: The Company

In compliance with Article (30), paragraph (C) of the Listing Rules, the Company will provide a quarterly report on details of use of proceeds and such report will be disclosed to the public.

### 11.2.1 Proposed Investment Plan

In compliance with the Insurance Law, the statutory deposit should represent 10% of the paid up capital. Hence and the Company will deploy SAR 15 million from the net proceeds of the Offering as a statutory deposit taking the total statutory deposit value to SAR 25 million.

The Company intends to use the net proceeds (after deducting the statutory deposit and offering expenses) for investments as allowed by the regulations. The investment amount is estimated to be SAR 129 Million and the investment portfolio will include short-term investments, securities and long-term Investments.

### Exhibit 11.3: Investment Structure

Nature of Investment	Amount in SAR Million	% of the Total
Investments in Short Term Portfolios	114	88%
Investment in Long Term Instruments and Investments	15	12%
<b>Total Net Offering Proceeds After Statutory Deposit</b>	<b>129</b>	<b>100%</b>

Source: The Company

## 12. Declarations Related to Directors, Senior Management Executives and the Secretary of the Board of Directors

### 12.1 Declarations Related to Financial Information

The Directors of the Company declare that the financial information presented in this Prospectus is extracted from the Audited Financial Statements for period ended 31st December 2011G, 2012G and 2013G and the six months period ended on 30/06/2014G without any material change. These Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and audited in accordance with the standards of SOCPA.

The Directors, the senior executives and the Secretary of the Board declare that:

- a) They have not at any time been declared bankrupt or been subject to bankruptcy or insolvency proceedings;
- b) Except for what has been disclosed under page (36) of this Prospectus, neither the directors themselves nor any of their relatives has any direct or indirect interest in the Company's Shares or debt instruments;
- c) Except for what has been disclosed under page (36) of this Prospectus, neither the directors themselves nor any of their relatives has any interest or Shares in the Company.
- d) Except for what has been disclosed under page (81) of this Prospectus regarding losses incurred in year 2011G and year 2013G, there was no material negative change in the company's financial or commercial status during the last three years preceding the date of listing application and the reporting period up to the date of approval of this Prospectus;
- e) The Company has no activities outside the Kingdom of Saudi Arabia;
- f) The company does not grant any cash loan or collaterals to loan for any of its directors in compliance with Article 71 of the Companies Law;
- g) The financial information presented in the Prospectus is extracted from the Audited Financial Statements without any material change and these Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and audited in accordance with the standards of SOCPA;
- h) There is no intention to make any fundamental change in the nature of the activity of the Company;
- i) No commissions, discounts, brokerages or other non-cash compensation in relation to issuance or offering of securities were granted by the Company in the last three years immediately preceding the date of submitting the listing application and the period covered by the Auditor's report up to the date of approval of this prospectus;
- j) There has been no interruption in the Company's business that may affect or have a significant impact on its financial situation during the twelve months preceding the date of this Prospectus;
- k) The Company strictly complies with Article 69 & Article 70 of the Companies Law and Article 18 of Corporate Governance regulations;
- l) The Board has reviewed the expected cash flow requirements and believes the Company will have sufficient working capital for at least twelve months from the date of this Prospectus;
- m) There is no any debt instrument or term loan as of to the date of this Prospectus and none of the company's assets is under option.
- n) There is no company where any of the directors, senior executives or the secretary of the board has/ had been appointed therein in a supervisory or administrative position has faced insolvency during the last five years.

## 12.2 Other Declarations

In accordance with the Company's by-Laws and other constitutional documents, the Board of Directors declares that:

- a) No power grants any of Members of the Board of Directors or the CEO the right to vote on any decision pertaining to approval of contract or proposal where he has material interest.
- b) No power grants any of Members of the Board of Directors or the CEO the right to vote on any decision pertaining to approval of remunerations to be paid to him.
- c) No power grants any of Members of the Board of Directors, senior executives or the CEO the right to borrow from the Company.

The Board of Directors declares its compliance with the provisions of Article 18 of the Corporate Governance issued by the Capital Market Authority.

The Board of Directors declares its compliance with the provisions of Article 69 and Article 70 of the Companies Law.

The Company and its Board of Directors declare that the Company's performance will not be affected in the event of exit of the Strategic Partner or sale of its stake therein.

## **13. Summary of the Company's Bylaws**

### **13.1 Incorporation of the Company**

The Company was incorporated in accordance with the provisions of cooperative insurance companies law and its implementing regulations, The Companies Law and By-laws as a Saudi joint stock company.

### **13.2 Name of Company**

The name of the company is Saudi Arabian Cooperative Insurance Company (a Saudi Joint stock company).

### **13.3 Objectives of the Company**

The objective of the Company is to engage in cooperative insurance operations and all related activities, such as reinsurance, agencies, representations, correspondence and brokerage, all in accordance with the provisions of the Insurance Law, its Implementing Regulations and the rules and regulations in force in the Kingdom.

The Company may undertake all activities as may be required for achieving its objectives whether in respect of insurance or to investing its funds or to own, dispose of, transfer, lease or replace moveable and fixed assets whether directly or indirectly through companies to be established by the Company or acquired by it or in participating in other entities.

### **13.4 The Company's Head Office**

The Company's head office is located in the city of Riyadh.

### **13.5 Duration of the Company**

The term of the Company shall be 99 (ninety nine) Gregorian years, commencing on the date of issuance of the Ministerial resolution of the Ministry of Commerce and Industry declaring its incorporation. The term of the Company may be extended by a resolution adopted by the Extraordinary General Assembly at least one year prior to the expiration of the term of the Company.

### **13.6 Company's Investments**

The company invests the funds obtained from insurance operations and shareholders in accordance with the Board of Directors' controls.

### **13.7 Share Capital**

The share capital of the Company is SAR 100,000,000 (One Hundred Million Saudi Riyals), divided into 10,000,000 (Ten Million) equal Shares, each with a nominal value of SAR 10 (Ten Saudi Riyals).

### **13.8 Decrease of Share Capital**

The Extraordinary General Assembly may, after obtaining the approval of the competent authorities, resolve to decrease the Company's capital if it proves to be in excess of the Company's needs or if the Company sustains losses.

### **13.9 Transfer of Shares**

The shares shall be transferable in accordance with the rules, regulations and directives issued by the Capital Market Authority. As an exception to the foregoing, the cash shares subscribed to by the Founding Shareholders shall not be transferable before publishing the balance sheet and the profit and loss statement for two full fiscal years, each consisting of 12 months from the date of incorporation of the Company. Such provisions shall apply to any shares subscribed for by the Founding Shareholders in case of increasing the Company's capital before the lapse of the prohibition period. However, cash share may be transferred during the prohibition period in compliance with the Rights Selling provisions from one founder to another or to any board member to serve as qualification shares or from the heirs of any Founding Shareholders to any third party in case of death.

### **13.10 Directors' Shares**

Each Director shall provide the Company (upon his election) with a guarantee equivalent to no less than 5,000 (Five Thousand) Shares against any contracts arising between him and the Company, which have been approved by the Ordinary General Assembly. Such right of attachment shall include dividends due on the attached Shares.

### **13.11 Board of Directors**

The Company shall be managed by a Board of Directors consisting of 5 (Five) members appointed by the Ordinary General Assembly for a term not exceeding three years. As an exception to the foregoing, the constituent general assembly shall appoint the first Board for a term of 3 (Three) years starting from the date of the Company's incorporation as declared by the Ministerial resolution.

### **13.12 Technical Services Management Agreement**

After obtaining SAMA's approval, the Company shall enter into a technical services agreement with one or more companies qualified in the insurance field for a term of 5 (five) years, renewable for such term or terms as determined by the Board of Directors.

### **13.13 End of Board Membership**

Membership of the Board shall end upon the expiry of its term, resignation, death, or in if it becomes evident to the board that he is not preserving the Company's interest provided that Ordinary General Assembly approval be obtained in this regard or deprivation of the member of his rights in accordance with any applicable laws or regulations or for his absence from more than three consecutive board meetings without acceptable excuse or in case of bankruptcy or insolvency or in case of mental disorder or unconsciousness or if committed an act in breach of honesty and morality or convicted of fraud.

### **13.14 Board's Authorities**

Without prejudice to the powers reserved for the General Assembly, the Board shall have the widest powers to manage the Company's affairs and businesses.

No power grants any of Members of the Board of Directors or the Chief Executive Officer the right to vote on any decision pertaining to approval of contract or proposal where he has a material interest.

No power grants any of Members of the Board of Directors or the Chief Executive Officer the right to vote on any decision pertaining to approval of remunerations to be paid to him.

No power grants any of Members of the Board of Directors, Senior Executives or the Chief Executive Officer the right to borrow from the Company.

### **13.15 Board's Remuneration**

The remuneration of the Chairman of the Board for performing his duties shall be SAR 180,000 (One Hundred Eighty Thousand Saudi Riyals) per annum. The remuneration for each Director for performing their respective duties shall be SAR 120,000 (One Hundred Twenty Thousand Saudi Riyals) per annum.

The Chairman and each Director shall be paid SAR 3,000 (Three Thousand Saudi Riyals) for attending each Board meeting and an amount of SAR 1,500 (One Thousand Five Hundred Saudi Riyals) for attending each meeting of the Board's sub committees. In any event, the remuneration of the Chairman and the Directors may not exceed 5% of the net profits.

### **13.16 Chairman and Managing Director**

The Board of Directors shall appoint one of its members as Chairman and the Board shall appoint a Managing Director for the Company from the members of the Board. The Chairman and the Managing Director shall severally or jointly have the power to represent the Company before judicial bodies and with third parties. The Chairman and the Managing Director individually, shall have the authority to sign on behalf of the Company, implement the Board resolutions and delegate their duties to others. The Managing Director shall be responsible for the executive management of the Company.

### **13.17 Audit Committee**

The Board of Directors shall form an Audit Committee consisting of a minimum of 3 (Three) members and a maximum of 5 (Five) members who are non-executive managers with a majority of non-Directors as the SAMA, the Ministry of Commerce and Industry and the CMA may decide in this regard.

### **13.18 Executive Committee**

The Board of Directors shall form an Executive Committee constituted of a minimum of 3 (Three) members and a maximum of 5 (Five) members. The members of the Executive Committee shall choose amongst themselves a chairman.

In accordance with any instructions issued by SAMA or by the Board of Directors, the Executive Committee shall assume all powers vested therein by SAMA or the Board of Directors. The Executive Committee shall assist the Managing Director within its designated powers.

The Executive Committee's meeting shall not be valid unless attended by at least two of its members, in person or by proxy, as long as the number of members present in person is not less than two.

### **13.19 Board Meetings**

The Board of Directors shall meet in the Company's head office upon being convened by its Chairman and whenever it is requested by 2 (two) of its members. The convening shall be documented in a manner deemed appropriate by the Board. Board meetings may be held outside the head office, provided that the Board shall meet at least 4 (four) times during each Fiscal Year and provided that the interval between the meetings does not exceed 4 (four) months.

The Board meeting shall not be valid unless attended by two-thirds of its members, in person or by proxy, provided that the number of members attending in person is not less than 4 (four) members.

### **13.20 Board Resolutions**

The Board resolutions shall be issued unanimously. In case of disagreement, these resolutions shall be issued by at least a two third majority votes of the members present in person or by proxy. The minutes and resolutions of the board shall be kept in special record to be signed by the Board's Chairman and Secretary.

### **13.21 Board Member Transactions with the Company**

Directors shall not enter into agreements with the Company in which they have interest except after obtaining the approval of SAMA.

### **13.22 Liability**

Each of the Company's Chairman, Managing Director or Board of Directors members shall be liable, within the limits of their respective powers and mandates for the breach of the provisions of the Bylaws.

### **13.23 Shareholders' General Assemblies**

The General Assembly, which is duly formed represents all the Shareholders and shall be held in the city where the head office of the Company is located. Each Shareholder owning at least 20 (twenty) Shares shall have the right to attend the Ordinary or Extraordinary General Assembly meetings and each Shareholder may authorize another Shareholder, other than the members of the Board of Directors to attend the Shareholders' General Assembly Meetings on his/her behalf.

### **13.24 Competence of Extraordinary General Assembly**

The Extraordinary General Assembly shall be competent to modify the Company's Bylaws, except where the Bylaws contain provisions expressly prohibiting it from doing so. The Extraordinary General Assembly may adopt resolutions in respect of matters falling within the jurisdiction of the Ordinary General Assembly under the same terms and conditions required for the latter.

### **13.25 Competence of Ordinary General Assembly**

Apart from all the matters falling within the Extraordinary General Assembly's jurisdiction, the Ordinary General Assembly shall be competent to handle all matters related to the Company. The Ordinary General Assembly shall convene at least once per year within the six month following the end of the Company's financial year, or whenever necessary.

### **13.26 Quorum of Ordinary General Assembly**

A meeting of the Ordinary General Assembly shall not be considered valid unless attended by Shareholders representing a minimum of 50% of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened within 30 (thirty) days following the date of the first meeting. The second meeting shall be deemed valid irrespective of the number of shares represented.

### **13.27 Quorum of Extraordinary General Assembly**

A meeting of the Extraordinary General Assembly shall not be considered valid unless attended by Shareholders representing a minimum of 50% of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened within 30 (thirty) days of the date of the first meeting. The second meeting shall be valid if attended by a number of Shareholders representing one-quarter of the Company's capital.

### **13.28 Shareholders' Assemblies Resolutions**

Resolutions of the constituent assembly and Ordinary General Assembly shall be adopted by an absolute majority vote of the Shares represented thereat.

Resolutions of the Extraordinary General Assembly shall be adopted by a majority vote of two thirds of the Shares represented at the meeting. However, if the resolution to be adopted is related to increasing or reducing the capital, extending the Company's term, dissolving the Company prior to the expiry of the period specified therefore in its By-laws or merging the Company with another company or institution, then such resolution shall be valid only if adopted by a majority of three-quarters of the Shares represented at the meeting.

### **13.29 Shareholders' Assemblies**

Shareholders' General Assemblies will be presided by the Chairman or his representative in case of absence.

### **13.30 Auditor**

The general assembly shall appoint 2 (two) auditors annually from among the auditors licensed to work in the Kingdom. The auditors' remuneration shall be fixed by the General Assembly. The General Assembly may further reappoint the same auditors.

### **13.31 Auditor's Competence**

Auditors shall have the right to access, at any time, company's records, books and other documents and request any information deemed necessary to be obtained in addition to verification of the Company's assets and liabilities.

### **13.32 Auditor's Obligations**

The auditor must submit a report to the annual Ordinary General Assembly setting forth the opinion of the Company's management in enabling him to obtain the information and clarifications requested by him, any violations he may reveal of the Insurance Law, the Company's Bylaws and his opinion as to the extent in which the Company's accounts are in conformity with the facts.

### **13.33 Fiscal Year**

The Fiscal Year of the Company shall start on January 1 and end on December 31 of the same year. However, the first Fiscal Year of the Company shall commence on the date of the ministerial resolution declaring its incorporation and shall end on December 31 of the following year.

### 13.34 Annual Accounts

The Board shall prepare at the end of each Fiscal Year an inventory of the value of the Company's assets and liabilities at that date. The Board shall also prepare the Company's financial statements and a report on the Company's activities and financial position for the preceding year. The report shall include the method proposed by the Board for the distribution of net profits within a period not exceeding 40 (forty) days after the end of the annual financial period to which they relate. The Board of Directors shall place such documents at the disposition of the auditor at least 55 (fifty-five) days prior to the date set for convening the Ordinary General Assembly. The Chairman of the Board shall sign the said documents and they shall be placed at the disposition of the Shareholders in the Company's head office at least 25 (twenty-five) days prior to the date set for the Ordinary General Assembly. The Chairman of the Board of Directors shall publish in a daily newspaper circulated in the city where the head office of the Company is located, the financial statements and a comprehensive summary of the Board of Directors' report and the full text of the auditors' Report and shall send a copy of such documents to the Companies Department and the CMA at least 25 (twenty-five) days prior to the date set for convening the Ordinary General Assembly.

### 13.35 Financial Statements

The financial statements are composed of the balance sheet of insurance and shareholders' operations, statement of insurance operations surplus (deficit), income statements, shareholders' equity statement, insurance operations cash flow statement and shareholders' cash flow statement.

### 13.36 Insurance Accounts

The insurance operations accounts shall be kept separate from the Shareholders' income statement, according to the following details:

#### 1. Insurance Operations Accounts:

- a) An independent account shall be dedicated to earned premiums, reinsurance commissions and other commissions;
- b) An independent account shall be dedicated to claims incurred by the Company;
- c) At the end of every year, the total surplus which represents the difference between total Premiums and claims minus the marketing, administrative and operational expenses and the necessary technical provisions in accordance with the directives in this regard shall be determined;
- d) Net surplus shall be determined by: adding to, or subtracting from, the total surplus in paragraph (c) above, the policyholders' investment return share after calculating the policyholders' earnings and deducting what they owe in expenses incurred; and
- e) Net surplus shall be distributed as follows: either 10% directly to the policyholders or reducing their premiums for the following year and carrying over the balance to the Shareholders' income statement.

#### 2. Shareholders' Income Statement:

- a) The Shareholders' profits from their funds investment shall be in accordance with the rules set by the Board of Directors.
- b) The share of the Shareholders in the net surplus shall be as set forth in paragraph (1 d & e) above.

### 13.37 Distribution of Profits

The Shareholder's profits shall be distributed as follows:

- 1- Zakat and income tax allocations are to be held.
- 2- 20% of the net profits shall be withheld to form a statutory reserve. The Ordinary General Assembly may discontinue this withholding of the net profits when the said reserve reaches the entire paid-up capital.
- 3- The Ordinary General Assembly may, upon request of the Board of Directors, withhold an additional percentage of the annual net profits to form an additional reserve to be allocated for the purpose or specific purposes decided by the Ordinary General Assembly.
- 4- The balance shall be paid to the Shareholders as an initial payment of not less than 5% of the paid-up capital.
- 5- The balance shall be distributed among the Shareholders as a share in the profits or transferred to retained earnings account.
- 6- By resolution of the Board of Directors, periodic profits, deducted from the annual profits specified in subsection 4 above, may be distributed in accordance with applicable rules and regulations issued by competent authorities.

### **13.38 Notification to CMA on Distribution of Profits Resolutions**

The Company shall notify the CMA without delay of any decisions to distribute profits or any recommendation to do so.

### **13.39 The Company's Losses**

If the total of the Company's losses amount to three-quarters of its capital, the Directors shall call for an Extraordinary General Assembly Meeting to consider whether the Company shall continue to exist or dissolve prior to the expiry of its period. In all cases, the assembly's resolution shall be published in the Official Gazette.

### **13.40 Dissolution and Winding up of the Company**

If the Company's term expires or a resolution is issued on its dissolution prior to the time set for the expiry of such duration, the Extraordinary General Assembly shall, based on a proposal by the Board of Directors, decide the method of liquidation, appoint one or more liquidator(s) and specify their powers and remuneration. The powers of the Board of Directors shall cease upon the expiration of the Company. However, the Board shall continue the management of the Company until the liquidators are appointed. The Company's administrative departments shall retain their respective powers to the extent that they do not conflict with the powers of the liquidators.

Upon liquidation shareholders' rights in insurance operation surplus and reserves shall be considered.

### **13.41 Final Provisions**

The provisions of the Insurance Law and its Implementing Regulations, the Companies Regulations and the Capital Market Law and its implementing regulations shall apply to all matters not provided for in the Company's Bylaws.

## 14. Legal Information

### 14.1 Incorporation Information

The Company was established based on Royal Decree No. 60/M dated 18/09/1427H (corresponding to 11/10/2006G) and decision of the Council of Ministers No. 233 dated 16/09/426H (corresponding to 09/10/2006G). The Company is registered under the commercial registration number 1010237214 issued from Riyadh on 0710811428H (corresponding to 20/08/2007G) and licensed to practice insurance business by SAMA under License No. MF 20079 dated 29/08/1428H.

### 14.2 Objectives

As per its commercial registration, the Company has been established to exercise insurance activities for all insurance businesses and related services including reinsurance, agencies, representation, or brokerage. The company may exercise all related activities necessary to achieve insurance and investment businesses objectives. The Company may also, solely or jointly with others, own and trade in fixed or current assets directly or indirectly through its wholly-owned subsidiaries or associated entities.

### 14.3 The Company's Head Office

The Company's head office is located at:

1st Floor, Platinum Center

Salahadeen Al-Ayoobi Street

Malaz

P.O. Box: 58073

Riyadh 11594

Kingdom of Saudi Arabia

Tel: +966 11 8749666

Fax: +966 11 4751180

Website: [www.saico.com.sa](http://www.saico.com.sa)

### 14.4 The Company's Branch Offices

The Company has obtained SAMA's approval No. 2T/2282 dated 07/12/1431H to open Jeddah, Buraidah and Khobar branches and SAMA's approval No. 341000011728 dated 27/01/1434H (corresponding to 11/12/2012G) to open the Riyadh branch.

Details of the four (4) branch offices are as follows:

#### Exhibit 14.1: The Company's Branch Offices

S. No.	Location	CR No.	CR Issue Date	CR Expiry Date
1.	Jeddah, Royal Mall	4030208674	25/02/1432H	25/02/1437H
2.	Buraidah, Owedah Buliding	1131034133	25/02/1432H	25/02/1437H
3.	Khobar, Hail Mall	2051044793	25/02/1432H	25/02/1437H
4.	Riyadh, Platinum Center, Salauhuddin Ayoubi Road	1010361123	02/03/1434H	02/03/1439H

Source: The Company

Opening of new branches must meet the following requirements:

- 1- Meet the Saudization requirements stipulated in the Implementing Regulations in each branch.
- 2- Complete all regulatory licenses, records, and certifications required to open a new branch, e.g., license from the municipality, the Ministry of Commerce and Industry and any other licenses required.
- 3- Have an information system at the branch that is connected to the intermediary's IT system.
- 4- Have an adequate and secure system to retain money at the branch.

- 5- Have a system to document and maintain data related to the insurance policies underwritten by the branch, e.g., policyholders' names, addresses, as well as, insurance policies' dates, durations, premium rates and conditions.
- 6- Ensure that branch employees possess adequate qualifications to deal with, combat, and report financial crimes.
- 7- Ensure that the branch customer service employees apply the required customer due diligence in knowing their clients.
- 8- Comply with the working hours to be set by SAMA.

## 14.5 The Company's Capital Structure

The Company's share capital is One Hundred Million Saudi Riyals (SAR100,000,000) comprising Ten Million (10,000,000) Shares with a nominal value of SAR 10 per Share, all of which are fully paid up. The Founding Shareholders had subscribed to 60% of the total Shares and the remaining 40% had been subscribed to by the public through an IPO in 2007G.

### Exhibit 14.2: The Company's Capital Current Ownership Structure

S. No.	Shareholder	Ownership	Number of owned shares	Shares Nominal value in SAR
1	SAICO BSC	30%	3,000,000	30,000,000
2	Princess Jawhara Bint Abdulaziz Al-Saud	2%	200,000	2,000,000
3	Public + Directors	68%	6,800,000	68,000,000
<b>Total</b>		<b>100%</b>	<b>10,000,000</b>	<b>100,000,000</b>

Source: The Company

The secondary market trading restriction to the Founding Shareholders' Shares has been lifted in accordance with the Companies Law and after obtaining SAMA's and CMA's approvals.

## 14.6 Increase of Company's Capital through Rights Issue Offering

SAICO had recently received SAMA's approval under letter No. 20/L dated 2/01/1432H (corresponding to 11/12/2010G) to increase its share capital by SAR 150 million through a rights issue to increase the Company's share capital to SAR 250 million comprising 25 million Shares with nominal value of SAR 10 per Share. After completion of the Offering the Company's share capital will be SAR 250,000,000 divided in to 25,000,000 shares with nominal value of SAR 10 each.

The Company's Board has issued its resolution No. (23) dated 12/01/1432H (corresponding to 18/12/2010G) recommending increase of the Company's share capital. The board of directors has renewed its recommendation to pursue increase of the share capital in its meeting held on 25/08/1435H (corresponding to 23/06/2014G). The EGM held on 13/08/1436H (corresponding to 31/05/2015G).approved the Board's recommendation to increase the share capital of the Company.

## 14.7 Key Licenses and Permits

The following are the key licenses and permits under which the Company operates:

### Exhibit 14.3: Key Licenses and Permits

License / Permit	Purpose	Number	Date	Issuing Authority	Expiry
Royal Decree	Authorization granted for the establishment of cooperative insurance company	(M/60)	18/09/1427H	Royal Diwan	N/A
Ministerial Resolution	Authorization granted for the establishment of cooperative insurance company	233	16/09/1427H	Council of Ministers	N/A
Commercial Registration	Incorporation and Registration of the Company	1010237214	07/08/1428H	Ministry of Commerce and Industry	07/08/1437H

License / Permit	Purpose	Number	Date	Issuing Authority	Expiry
Insurance License	Exercise Insurance in General & Medical Businesses	MF 20079	29/08/1428H	SAMA	27/08/1437H
Chamber of Commerce Membership Certificate	Membership in Chamber of Commerce & Industry	185851	31/12/2013G	Riyadh's Chamber of Commerce & Industry	31/12/2014G
Restricted Zakat Certificate	Certificate of Zakat Assessment	7863	12/07/1435H	Zakat & Income Department	30/04/2015G
GOSI Certificate	Fulfillment of GOSI's Commitment	16883823	04.08.1435H	GOSI, Riyadh	04/02/1436H
Qualification Letter	Letter of Qualification to Cooperative Health Insurance Council	TD/376/35/3	05/05/1435H	Cooperative Health Insurance Council	29/05/1438H

Source: The Company

## 14.8 The Company's Board of Directors

The Board of Directors for the 3-year round started on 08/06/2013G and has been formed as follows:

### Exhibit 14.4: Board of Directors

Name	Position	Date of Appointment	Nationality	Age	Shareholding*	Represented Entity	Directorship Status
HH Prince Ahmed Bin Khalid Bin Abdullah Al-Saud	Chairman	08/06/2013G	Saudi	54	None	SAICO BSC	Non Executive & Non Independent
Dr. George Shahin Medawar	Director	08/06/2013G	Lebanese	82	None	SAICO BSC	Non Executive & Non Independent
Abdulaziz Abussuud	Director	08/06/2013G	Saudi	74	1000 (0.01%)**	-	Non Executive & Non Independent
Abdullah Mohammed Al-Khenaifia	Director	08/06/2013G	Saudi	58	1000 (0.01%)**	-	Non Executive & Independent
Abdulmohsen Bakheet Saeed	Director	08/06/2013G	Saudi	58	1000 (0.01%)**	-	Non Executive & Independent

Source: The Company

\*The shareholdings are as of 20 November 2014G.

\*\*The 1,000 shares owned by each of the three directors not representing SAICO BSC represent the qualification shares required under Article 68 of the Companies Law.

### Exhibit 14.5: Chairman and Directors' participation in other listed companies' boards as of 30th June 2014G

Name	Position	Company's Name
HH Prince Ahmed Bin Khalid Bin Abdullah Al-Saud	Chairman	Amiantit Saudi Arabia Saudi Chemicals Co.
George Shahin Medawar	Director	Saudi Integrated Telecom Co.
Abdulaziz Abussuud	Director	Amiantit Saudi Arabia Saudi Chemicals Co.
Abdullah Mohammed Al-Khenaifia	Director	-
Abdulmohsen Bakheet Saeed	Director	-

Source: The Company

## 14.9 Board Committees

### 14.9.1 Audit Committee

In compliance with Article 34 (Paragraph 1) of the Implementing Regulations and based on Article 19 of the Company's By-laws, the Board of Directors shall form an Audit Committee consisting of at least three members and not more than five members who should be non-executive and the majority shall not be Board of Directors' members (as SAMA, the Ministry of Commerce and Industry and CMA may decide in this regard).

Based on its resolution No. 21 dated 07/08/1431H (corresponding to 19/07/2010G), the Board of Directors formed an Audit Committee consisting of three non-executive members and the majority are not Board of Directors' members. Members of the Audit Committee include:

- Imtiaz Ahmed, Chairman
- Dr. Mohammed Bin Saeed Al-Badr
- Abdulaziz Abussuud, Member, (Board Member)

### 14.9.2 Executive Committee

Based on Article 20 of the Company's By-laws, the Board of Directors shall form an Executive Committee consisting of at least three members and not more than five members. The period of membership in the Executive Committee will be same as the period of membership in the Board of Directors. The Executive Committee comprises the following:

- George Shahin Medawer, Member, Non-executive
- Abdulaziz Abussuud, Member, Non-executive
- Abdullah Al-Khenaifier, Member, Non-executive

## 14.10 Litigation & Disputes

As of 30th August 2014G there are 16 lawsuits with a total amount of SAR 4,454,507 has been raised by some of the Company's clients in its due course of business. Except for the aforementioned, the Company is not party to any other legal dispute and has no any mechanism to know any threatening lawsuits.

## 14.11 Intangible Assets

The Company's trademark has been registered at the Ministry of Commerce and Industry in the Kingdom of Saudi Arabia under Registration Certificate No. 1435021954. The Company confirms that it has no any other intangible assets related to its business or profitability.

## 14.12 Insurance Products Approved by SAMA

The table below is the summary status of the product approvals from SAMA related to SAICO as of 30th June 2014G. The total numbers of approved products are 41 out of them 16 are finally approved and 25 are under file & use.

### A. Finally Approved Products

- 1) Motor : (Commercial & Private Motor Policy-( 26.05.2009))
- 2) Medical: CCHI Group Medical Product-(30.06.2009)
- 3) Airport Owners & Operators Liability-(25.09.2010)
- 4) Fidelity Guarantee-(19.10.2010)
- 5) Burglary Insurance-(22.11.2010)
- 6) package Policy for Desalination Barges -(30.11.2010)
- 7) Terminal Operators Liability Insurance-(30.11.2010)
- 8) Marine Special Insurance Products-Haulers Liability-(30.11.2010)
- 9) Marine Special Insurance Products-Hull & Cargo-(30.11.2010)
- 10) Marine Hull & Cargo Products -(04.12.2010 )

#### A. Finally Approved Products

11) Money Insurance Product-(29.12.2010)

12) Glass Breakage

13) All Bank Operations

14) Medical Mal-practice

15) Group Life Insurance

16) Equipment (All Risks)

#### B. File & Use Products

SAMA has approved to sell 25 products under file & use. This approval is valid for six months and will require further extension

1. property All Risks

2. Personal Accident-Individual

3.Fire

4.Fire and Allied Perils

5.Personal Accident-Group

6.Public Liability

7.Products Liability

8.Dishonesty, Disappearance & Destruction Bond / Crime Bond;

9. Armored Vehicle insurance ;

10.Bankers Blanket Bond (BBB);

11.Comprehensive General Liability

12.Employers Blanket Policy

13.Professional Indemnity (Liability);

14.Business Interruption /CL/ LOP ;

15.Variety Insurance Policy ( VIP);

16. Householders Comprehensive;

17.Contractors All Risks;

18.Erection All Risks;

19.Contractors Plant & Machinery;

20.Boiler & Pressure Vessels Insurance;

21.Machinery Insurance (Machinery Breakdown );

22.Deterioration of Stock in Cold Storage;

23.Electronic Equipment Insurance;

24.Personal Accident& Sickness Insurance-Life;

25.Enhanced Cover for P.A.- Life

## 14.13 Summary of Material Contract Agreements

The Company's Management declares that this section contains summary of all material agreements.

The Company provides medical insurance for its employees as per standard terms stipulated by CCHI.

### 14.13.1 Agency Agreement with ACE Agencies

On 06/02/1432H the company had signed a Five-Year agreement with ACE Agencies commencing on the date of signature. The purpose of the agreement is to provide business to the Company. ACE Agencies is paid a commission as per terms agreed in the contract which are in compliance with SAMA's regulations. Either party may terminate the agreement based on a six-month pre-notice without disclosing the reasons. The agreement may also be terminated upon withdrawal or suspension of the SAICO's/ACE's operating license after elapse of 90 days from suspension/withdrawal date.

ACE Agencies is a related party of SAICO due to the fact that SAICO's Chairman, Prince Ahmed Bin Khalid, owns 10% of its shareholding and consequently has an interest therein. This agreement has been approved by the Ordinary General Assembly Meeting held on 23/06/2014G based on the Board of Directors recommendation.

### 14.13.2 Brokerage Agreement with ACE Brokerage

On 11/07/2011G the company has signed an indefinite agreement with ACE Brokerage. The purpose of the agreement is to provide business to the Company. ACE Brokerage is paid a commission as per terms agreed in the contract which are in compliance with SAMA's regulations. Either party may terminate the agreement based on a six-month pre-notice without disclosing the reasons. The agreement may immediately be terminated upon withdrawal or suspension of the SAICO's/ACE Brokerage's operating license.

This agreement has been approved by the ordinary General Assembly Meeting held on 23/06/2014G based on the Board of Directors recommendation as SAICO's Chairman, Prince Ahmed Bin Khalid, is a one of ACE Brokerage's shareholders.

Below are the details of the Company's transactions with ACE Agencies and Ace Brokerage. The Company's Management declares that the transactions with these related parties are executed on arm length basis.

#### Exhibit 14.6: Details of ACE Agencies and ACE Brokerage Transactions

Six months ending 30-Jun-14	Total Transactions '000 SAR	ACE Agencies Transactions '000 SAR	% to the Total	ACE Brokerage Transactions '000 SAR	Percentage to Total %
Premium received	422,077	8,640	2.0%	123,442	29.2%
Premium ceded	159,386	-	0.0%	68,184	42.8%
Claims Paid	185,737	25	0.0%	-	0.0%
Commission Expense	34,263	1,193	3.5%	11,687	34.1%
Commission received	23,008	-	0.0%	3,944	17.1%

Year ending 31-Dec-13	Total Transactions '000 SAR	ACE Agencies Transactions '000 SAR	% to the Total	ACE Brokerage Transactions '000 SAR	Percentage to Total %
Premium received	623,950	23,444	3.8%	69,505	11.1%
Premium ceded	247,615	-	0.0%	74,692	30.2%
Claims Paid	397,464	186	0.0%	-	0.0%
Commission paid	53,874	3,267	6.1%	12,482	23.2%
Commission received	52,927	-	0.0%	5,337	10.1%

Year ending 31-Dec-12	Total Transactions '000 SAR	ACE Agencies Transactions '000 SAR	% to the Total	ACE Brokerage Transactions '000 SAR	Percentage to Total %
Premium received	567,917	33,439	5.9%	154,628	27.2%
Premium ceded	267,401	-	0.0%	32,281	12.1%
Claims Paid	280,833	31,427	11.2%	-	0.0%

Six months ending 30-Jun-14	Total Transactions '000 SAR	ACE Agencies Transactions '000 SAR	% to the Total	ACE Brokerage Transactions '000 SAR	Percentage to Total %
Commission paid	55,123	4,552	8.3%	22,348	40.5%
Commission received	58,793	-	0.0%	8,232	14.0%

Year ending 31-Dec-11	Total Transactions '000 SAR	ACE Agencies Transactions '000 SAR	% to the Total	ACE Brokerage Transactions '000 SAR	Percentage to Total %
Premium received	548,444	56,292	10.3%	146,962	26.8%
Premium ceded	246,138	-	0.0%	58,131	23.6%
Claims Paid	344,224	41,599	12.1%	--	0.0%
Commission paid	60,397	12,393	20.5%	20,658	34.2%
Commission received	49,883	-	0.0%	9,089	18.2%

Source: The Company

### 14.13.3 Agreement regarding the acquisition of SAICO BSC's Saudi Portfolio

In 2009G, the Company entered into an asset purchase agreement, pursuant to which it was expected to offer to purchase the insurance business and related net assets of SAICO BSC's operations in the Kingdom of Saudi Arabia at a valuation to be approved by SAMA. The transfer of portfolio was to take effect when all required legal formalities have been completed.

On 23rd June 2014G, SAICO BSC informed the Company that they will not pursue the transfer of the insurance business and related net assets of Saudi operations to the Company. Consequently, in the meeting held on 23rd June 2014G, the Board of Directors of the Company resolved to formalize the cancellation of the above agreement and agreed to commence with obtaining necessary approvals from the Company's Shareholders, the SAMA and other regulatory authorities to proceed with all the required legal formalities in respect of the cancellation of the said agreement. The formalities include a valuation of reserves by the actuary and the preparation of a detailed run-off of the portfolio which has to be submitted to SAMA.

Pursuant to the Board of Director's resolution regarding the measures for cancellation of the above agreement, the Company is running SAICO SBC's insurance operations portfolio under operation agreement where the Company is compensated for all portfolio related expenses.

### 14.13.4 Reinsurance Agreements

As part of the Company's risk management strategy, it has entered into several reinsurance agreements with leading reinsurance companies to cede risks, both on a proportional and non-proportional basis. These reinsurance agreements are entered into individually with a panel of reinsurers and are led by a lead reinsurer in each case. A summary of the reinsurance agreements with the lead reinsurers for various classes of business are given below:

#### Reinsurance Agreement with Hannover Re with respect to Engineering Accidents Risks

On 01/07/2014G the company has signed a 12-month agreement with Hannover Reinsurance Co. (Hannover Re). None of the parties is allowed to terminate the agreement without a prior notice to the other party 90 days prior to its actual expiry date of 30/06/2015G.

The agreement covers the insurance policies related to Contractor's All Risks and Erection All Risks including Associated Third Party Liabilities; Machinery Breakdown and Boiler Explosion with subsequent loss of Profits; Deterioration of Stock; Electronic Equipment; Contractors' Plant and Machinery. The territory jurisdiction of this agreement is limited to Saudi Arabia and any interest abroad with exception of USA, Canada and Australia.

There are no guarantees other than those been stipulated under the contractual details. The agreement has outlined the risks that are not covered by the agreement such as those arising from political crisis, terrorist attacks and nuclear reactors affects.

The agreement may immediately be terminated for reason such as transfer of ownership, partial/total loss of other party's capital, inability to pay dues, legal abstracts and security issues. Termination for outlined reasons

shall be communicated under a 30- day written notice. Any amendment to the policies will only be effected with consent of Hannover Re.

Any dispute arising from this agreement will be subject to Saudi Arabian law and arbitration.

#### **Reinsurance Agreement with Hannover Re with respect to Fire, Accidents and Natural Risks**

On 01/07/2014G the company has signed a 12-month agreement with Hannover Reinsurance Co. (Hannover Re). None of the parties is allowed to terminate the agreement without a prior notice to the other party 90 days prior to its actual expiry date of 30/06/2015G.

The agreement covers the insurance policies related to fire, accidents and damages by rainstorms, volcano , floods, sandstorms and like as detailed under the contract. The territory jurisdiction of this agreement is limited to Saudi Arabia and interests abroad with exception USA, Canada and Australia.

There are no guarantees other than those been stipulated under the contractual details. The agreement has outlined the risks that are not covered by the agreement such as those arising from political crisis, terrorist attacks and nuclear reactors affects.

The agreement may immediately be terminated for reason such as transfer of ownership, partial/total loss of other party's capital, inability to pay dues, legal abstracts and security issues. Termination for outlined reasons shall be communicated under a 30- day written notice. Any amendment to the policies will only be effected with consent of Hannover Re.

Any dispute arising from this agreement will be subject to Saudi Arabian law and arbitration.

#### **Reinsurance Agreement with Hannover Re with respect to General Accident Risks**

On 01/07/2014G the company has signed a 12-month agreement with Hannover Reinsurance Co. (Hannover Re). None of the parties is allowed to terminate the agreement without a prior notice to the other party 90 days prior to its actual expiry date of 30/06/2015G.

The agreement covers the insurance policies accepted directly or by way of co-insurance in the Re-insured's General Accident Department and classified as Personal Accident (excluding illness), Aviation Personal Accident Coupons, Fidelity Guarantee, Plate Glass, Cash in Transit, Cash in Premises, Cash in Safe (including prepaid telephone cards and jewellery in safe), Bankers' Blanket Bonds and All Risks Personal. The territorial scope of this agreement is limited to Saudi Arabia and interests abroad with exception of USA, Canada and Australia.

There are no guarantees other than those been stipulated under the contractual details. The agreement has outlined the risks that are not covered by the agreement such as those arising from political crisis, terrorist attacks and nuclear reactors affects.

The agreement may immediately be terminated for reason such as transfer of ownership, partial/total loss of other party's capital, inability to pay dues, legal abstracts and security issues. Termination for outlined reasons shall be communicated under a 30- day written notice. Any amendment to the policies will only be effected with consent of Hannover Re.

Any dispute arising from this agreement will be subject to Saudi Arabian law and arbitration.

#### **Reinsurance Agreement with Hannover Re with respect to Marine Cargo Risks**

On 01/07/2014G the company has signed a 12-month agreement with Hannover Reinsurance Co. (Hannover Re). None of the parties is allowed to terminate the agreement without a prior notice to the other party 90 days prior to its actual expiry date of 30/06/2015G.

The agreement covers insurance policies related to Cargo and/or Merchandise of every description and/or Spices and/or bullion and/or Notes and/or Cargo Liabilities and/or all interest entered in Re-insured's Cargo Account and transported by Liners and/or Steamers and/or Power Vessels and/or Air and/or Road and/or Rail and/or Conveyances and/or Barges and/or Craft, including Crude Oil and/or Refined Oil and/or Gas Oil and/or similar interest valued as per original policy and/or policies transported by Tankers and/or Conveyances as original excluding Jeddah Oil Refinery Account. The territorial scope of this agreement is worldwide for voyages to or from Arab countries and incidental interests abroad.

There are no guarantees other than those been stipulated under the contractual details. The agreement has outlined the risks that are not covered by the agreement such as those arising from political crisis, terrorist attacks and nuclear reactors affects.

The agreement may immediately be terminated for reason such as transfer of ownership, partial/total loss of other party's capital, inability to pay dues, legal abstracts and security issues. Termination for outlined reasons shall be communicated under a 30- day written notice. Any amendment to the policies will only be effected with consent of Hannover Re.

Any dispute arising from this agreement will be subject to Saudi Arabian law and arbitration.

#### **Reinsurance Agreement with Hannover Re with respect to Marine Hull Risks**

On 01/07/2014G the company has signed a 12-month agreement with Hannover Reinsurance Co. (Hannover Re). None of the parties is allowed to terminate the agreement without a prior notice to the other party 90 days prior to its actual expiry date of 30/06/2015G.

The agreement covers the insurance policies relating to all types Hulls insured for Hull and Machinery and Allied interests, of Arab flag and/or management and/or interest.

There are no guarantees other than those been stipulated under the contractual details. The agreement has outlined the risks that are not covered by the agreement such as those arising from political crisis, terrorist attacks and nuclear reactors affects.

The agreement may immediately be terminated for reason such as transfer of ownership, partial/total loss of other party's capital, inability to pay dues, legal abstracts and security issues. Termination for outlined reasons shall be communicated under a 30- day written notice. Any amendment to the policies will only be effected with consent of Hannover Re.

Any dispute arising from this agreement will be subject to Saudi Arabian law and arbitration.

#### **Reinsurance Agreement with GIC with respect to Motor and Liability Excess of Loss Reinsurance**

On 01/07/2014G the company has signed a 12-month agreement with GIC. None of the parties is allowed to terminate the agreement without a prior notice to the other party 90 days prior to its actual expiry date of 30/06/2015G.

The agreement covers the insurance policies related to Motor (All sections including Personal Accidents Benefits) Contractors' Plant and Equipment, General Third Party Liability, Professional Indemnity, Workmen's Compensation, Employers Liability as per legislation in the location of the risks or per legislation of the country of the laborer or per legislation of the country of hire. It includes risks written and located in the Arab world or incidental extensions to include training of laborers and employees abroad as per legislation of the country where training takes place if required.

There are no guarantees other than those been stipulated under the contractual details. The agreement has outlined the risks that are not covered by the agreement such as those arising from political crisis, terrorist attacks and nuclear reactors affects.

The agreement may immediately be terminated for reason such as transfer of ownership, partial/total loss of other party's capital, inability to pay dues, legal abstracts and security issues. Termination for outlined reasons shall be communicated under a 30-day written notice. Any amendment to the policies will only be effected with consent of GIC.

Any dispute arising from this agreement will be subject to Saudi Arabian law and arbitration.

#### **14.13.5 Stop Loss Agreement with CIGNA**

On 06/04/2013G, the Company signed a three year Stop Loss Agreement with CIGNA. The Agreement provides stop loss cover to the Company in excess on an agreed upon percentage of losses in the aggregate for certain medical policies that provide regional and global coverage to its customers. The Company also entered into an Administration Services Agreement with CIGNA for the same period in which CIGNA has agreed to provide claims and other administrative services to the Company outside the Kingdom of Saudi Arabia.

## 14.14 Summary of Rental Agreements

### Exhibit 14.7: Details of Rental Contracts

Location	Landlord	Annual Rent	Rental period
Riyadh – HO	Ali Abdulrahman Albarghash	1315133	01/08/2014G – 30/07/2015G
Jeddah – WRO	Walid Aldera for real estate develop.invest.co	358750	25/01/2014G – 24/01/2015G
Khobar – ERO	Abdullah & Abdulaziz alarefi	200000	31/10/2013G – 30/10/2014G
Gassim	Yousef & Ahmad & Owaidha & Niaf Alowaidha	45000	28/06/2014G – 27/06/2015G
Riyadh – CRO & motor claims	Ali Abdulrahman Albarghash	515100	17/08/2014G – 16/08/2015G

Source: The Company

## 15. Underwriting

### 15.1 Underwriter

Saudi Hollandi Capital will be the sole underwriter for the Offering. The details of the Underwriter are as follows:

The Underwriter:	
 <b>السعودي الهولندي المالية</b> <b>Saudi Hollandi Capital</b>	Saudi Hollandi Capital P.O.Box: 1467, Riyadh 11431 Olaya Street Tel: +966 1 416 3133 Fax: +966 1 416 3133 Ext 5308 Website: www.shc.com.sa Email: info@shc.com.sa

The Company has entered into the Underwriting Agreement with the Underwriter in connection with the Offering. The principal terms of the Underwriting Agreement are set forth below under the Sale and Underwriting of the Offer Shares.

### 15.2 Summary of the Underwriting Agreement

The following are the terms of the Underwriting Agreement:

- The Company undertakes to the Underwriter that, on the allocation Date, it will allocate and issue to the Underwriter all shares that have not been subscribed to by the eligible shareholders as additional shares at the Offer Price.
- The Underwriter undertakes to the Company that it will, on the allocation date, purchase the number of Offer Shares not subscribed for, at the Offer Price.
- The Underwriter receives financial consideration for acting an underwriter and it will represent a specified percentage of the total offering proceeds.

The number of RI shares	15,000,000 ordinary shares
Offer Price	SAR 10

## 16. Offering Expenses

SAR 6,000,000 (Six Million Saudi Riyals) of the offering proceeds will be used to cover the offering expenses which include the fees of the Legal Advisor, Financial Advisors, Reporting Accountant and Public Relations Advisor in addition to underwriting fees, Receiving Agents fees, marketing fees and printing and distribution fees and any other related fees. These estimations are subject to final confirmation. The offering expenses will be deducted from the Company's account after completion of the Offering.

## 17. Subscription Terms and Conditions

The application for Admission of the New Shares has been submitted pursuant to the Listing Rules. All Eligible Persons must carefully read the Subscription Terms and Conditions prior to completing the Subscription Application Form. Signing the Subscription Application Form and delivering it to the Receiving Agent constitutes acceptance of, and agreement to, the Subscription Terms and Conditions and is considered a binding agreement between the Company and the Eligible Person.

Eligible Persons may obtain this Prospectus and Subscription Application Form from the following Receiving Agents:



البنك السعودي الهولندي  
Saudi Hollandi Bank

Saudi Hollandi Bank  
Prince Abdulaziz bin MUSAED bin Jalawi Street  
P.O. Box 1467, Riyadh 11431  
Kingdom of Saudi Arabia  
Tel: +966 11 401 0288  
Fax: +966 11 403 1104  
Website: www.shb.com.sa  
E-mail: info@shb.com.sa



NCB الأهلي

The National Commercial Bank  
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P.O. Box 3555, Jeddah 21481  
Kingdom of Saudi Arabia  
Tel: +966 12 649 3333  
Fax: +966 12 7437 426  
Website: www.alahli.com  
E-mail: PaymentOperations@alahli.com



Riyad Bank  
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P.O. Box 22622, Riyadh 11614  
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Tel: +966 11 401 3030  
Fax: +966 11 404 2618  
Website: www.riyadbank.com  
E-mail: customercare@riyadhbank.com



Samba Financial Group  
H.O, King Abdulaziz Road  
P.O. Box 833, Riyadh 11421  
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Tel: +966 11 477 4770  
Fax: +966 11 479 9402  
Website: www.samba.com  
E-mail: customercare@samba.com



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Website: www.alfransi.com.sa  
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P.O. Box 6277, Jeddah 21442  
Kingdom of Saudi Arabia  
Tel: +966 12 609 8888  
Fax: +966 12 609 8881  
Website: www.baj.com.sa  
E-mail: info@baj.com.sa

## 17.1 Subscription for the New Shares

On 13/08/1436H (corresponding to 31/05/2015G), the EGM approved the Board of Directors' recommendation to increase the share capital through the Rights Issue. In accordance with this Prospectus, 15,000,000 New Shares with a nominal amount of SAR 10 per Share will be offered for subscription through the Rights Issue at an Offer Price of SAR 10 per Share.

The Rights shall be issued to the Registered Shareholders as at the Eligibility Date in a ratio of two (2) Rights for every three (3) Existing Shares. Each Right grants its holder the right to subscribe in one New Share at the Offer Price.

The subscription for the New Shares will be as follows:

### 17.1.1 First Offering Phase and the Rights Issue Trading Period

#### 17.1.1.1 First Offering Phase

First Offering Phase: During the phase from Tuesday 22/08/1436H (corresponding to 09/06/2015G) until Thursday 01/09/1436H (corresponding to 18/06/2015G), only Registered Shareholders may subscribe (in whole or in part) for the New Shares through the exercise of the Rights provided in the First Offering Phase. The subscription for the New Shares shall be approved, provided that Registered Shareholders continue to have sufficient Rights available in their relevant account at the end of the Trading Period. The First Offering Phase coincides with the Trading Period during which Registered Shareholders and the Public may trade in the Rights.

Subscription in New Shares shall take place through submission of a Subscription Application Form to any branch of a Receiving Agent, or by ATM, telephone, or electronically, with Receiving Agents that offer such services to subscribers. It should be noted that at the end of the Trading Period, if an Eligible Person owns a lower number of Rights than the number of Rights required, his Subscription Application Form will be rejected in whole or in part. The Subscriber will be informed of this rejection and a refund of the relevant subscription amount will be issued by the Receiving Agent.

#### 17.1.1.2 Trading Period

Trading Period: The period from 22/08/1436H (corresponding to 09/06/2015G) until the close of trading on 01/09/1436H (corresponding to 18/06/2015G). Tadawul has a system in place to regulate the trading of Rights. A separate symbol will be assigned to the Rights issued that is separate from trading symbol for the Existing Shares. The trading system will cancel the symbol once the Trading Period expires.

A. Registered Shareholders have the following options in the First Offering Phase and Trading Period:

- 1- Keep their allocation of Rights and exercise these Rights to subscribe for the New Shares;
- 2- Sell their allocation of Rights or a part thereof through Tadawul;
- 3- Purchase additional Rights on Tadawul. The subscription for additional New Shares is only possible during the Second Offering Phase, by completing a Subscription Application Form or through an ATM machine or through the telephone or subscribing electronically with one of the Receiving Agents that provide such services to their customers; or
- 4- Refrain from taking any action in relation to the Rights Issue, whether selling the Rights or exercising the right to subscribe for New Shares. The Rump Shares resulting from Registered Shareholders not exercising the Rights or selling the same will be offered during the Rump Offering.

B. Those who purchased Rights during this period may trade them either by selling part or all of these Rights. If they purchased and held on to their Rights during this period, they may exercise these Rights and subscribe for New Shares only in the Second Offering Phase.

SAICO BSC is not allowed to sell its shares in the company until the Company meets the statutory solvency margin and realizes quarterly profits for four consecutive quarters.

## 17.1.2 Second Offering Phase and Rump Offering

### 17.1.2.1 Second Offering Phase

Second Offering Phase: In the phase from 04/09/1436H (corresponding to 21/06/2015G) until 06/09/1436H (corresponding to 23/06/2015G), all holders of Rights, whether Registered Shareholders or purchasers of Rights during the Trading Period, may exercise their Rights to subscribe for New Shares by completing a Subscription Application Form or through an ATM machine or through the telephone or through subscribing electronically with one of the Receiving Agents that provide such services to their customers.

Registered Shareholders who did not subscribe for New Shares in the Company either in whole or in part during the First Offering Phase may still exercise their Rights during this phase. In addition, if they purchased additional Rights during the Trading Period, they may exercise their Rights and subscribe for New Shares during the Second Offering Phase. No trading of Rights shall take place in this phase.

### 17.1.2.2 Rump Offering

Rump Offering: In the event that any New Shares remain unsubscribed after the First Offering Phase and Second Offering Phase, Institutional Investors will be asked to submit offers to purchase the Rump Shares. Institutional Investors may make such offers from 10:00 AM on 11/09/1436H (corresponding to 28/06/2015G) until 10:00 AM on 12/09/1436H (corresponding to 29/06/2015G). The Rump Shares shall be allocated to Institutional Investors in the order of the bid price for the New Shares received from such Institutional Investors, with the Rump Shares allocated first to the Institutional Investor who offered the highest bid price, until all of the Rump Shares have been allocated. Rump Shares will be proportionally divided among Institutional Investors that tendered at the same price. All fractional entitlements to New Shares will be combined and offered to Institutional Investors during the Rump Offering. All proceeds resulting from the sale of Rump Shares and Fractional Shares up to the paid Offer Price shall be distributed to the Company, and any proceeds in excess of the paid Offer Price shall be distributed to the Eligible Persons on a pro rata basis no later than 22/09/1436H (corresponding to 09/07/2015G).

Trading in the New Shares on the Exchange is expected to commence once all related formalities pertaining to their registration and allocation have been completed.

The Company has filed a request with the CMA for registration of the New Shares and their inclusion in the Exchange. The Company will be submitting a request to the CMA to allow trading of the New Shares after the completion of the Offering.

## 17.2 Eligible Persons who do not subscribe for the New Shares

Tadawul will modify the Company's share price at the close of the trading day on the date which the EGM was held on 13/08/1436H (corresponding to 31/05/2015G), based on the value of the subscription and the number of New Shares issued under this Prospectus, in addition to the market value of listed shares at closing time. Registered Shareholders who do not participate in whole or in part in the New Shares subscription will be subject to a decrease in their percentage of ownership in the Company and the value of the Shares they currently hold. Eligible Persons who did not subscribe to and did not sell their Rights will be vulnerable to losses. Eligible Persons who do not subscribe for New Shares will not get any benefit from their eligible Rights, except to receive proportional cash compensation from the proceeds of the sale of the Rump Shares on a prorata basis (if any). Registered Shareholders will retain the same number of Shares that they owned before the capital increase.

If Institutional Investors wish to buy the Rump Shares at the Offer Price only, or if they do not wish to subscribe and the Underwriter therefore covers the Rump Shares at the Offer Price, then the non-participating Eligible Persons will not receive any compensation as a result of them not subscribing for the New Shares by exercising their Rights.

Compensation amounts (if any) will be paid to the Eligible Persons who did not subscribe wholly or partially for the New Shares and Shareholders entitled to Fractional Shares by dividing the compensation amount by the total of the number of Shares not subscribed for by Eligible Persons and the number of Fractional Shares. The compensation per share will thus be determined and paid to the Eligible Persons who did not subscribe for all or part of the Shares they were entitled to, as well as those entitled to Fractional Shares.

## 17.3 Filling the Subscription Application Form

Eligible Persons wishing to exercise their full right and subscribe for all the Rights to which they are entitled, must fill and submit a completed Subscription Application Form, together with the subscription monies for their full entitlement and the required accompanying documents, to one of the Receiving Agents during the offering phases.

The number of Shares that the Eligible Person is entitled to will be calculated based on the existing Rights owned prior to the closing of the Second Offering Phase. The subscription monies that the Subscriber must pay are calculated by multiplying the number of existing Rights owned prior to closing of the Second Offering Phase by the Offer Price.

By completing and presenting the Subscription Application form, the Subscriber:

- Agrees to subscribe for the number of New Shares as stated in the Subscription Application Form;
- Warrants that he/she has carefully read the Prospectus and understood all its contents;
- Accepts the By-Laws of the Company and the terms and conditions mentioned in the Prospectus;
- Does not waive his/her right to claim any damages directly arising from any incorrect or inadequate significant information in the Prospectus, or for any material information missing there from, which would directly impact the Subscriber's acceptance to subscribe had it been contained in the Prospectus;
- Accepts the number of shares allocated to him/her and all other subscription instructions and terms mentioned in the Prospectus and the Subscription Application Form; and
- Warrants not cancelling or amending the Subscription Application Form after submitting it to the Receiving Agent.

### 17.3.1 Documents required to be submitted with the Subscription Application Forms

The Subscription Application Form must be submitted together with the following documents, as applicable to each case, and the Receiving Agents shall match the copy of each document with the original document and then return the original documents to the Subscriber:

- Original and copy of the personal identification card (in case of an individual subscriber)
- Original and copy of the family identification card (for family members)
- Original and copy of the power of attorney (in case of authorizing another person for the subscription)
- Original and copy of the custody deed (for orphans) (for individual subscribers)
- Original and copy of the residence permit (Iqama) for non-Saudis, whenever applicable (for individual subscribers)
- Original and copy of the commercial registration (in case of entities)

The subscription amount shall be paid in full, upon submission of the Subscription Application Form to a branch of one of the Receiving Agents, by authorizing the Receiving Agent to debit the account of the Subscriber at the Receiving Agent with the required amount, or through a banker's check drawn at one of the local banks and in favour of the Company.

Power of attorney will be restricted to first class relatives (children, parents, wife, husband). In case of applying on behalf of another person, the attorney shall write his name and sign the Subscription Application Form. He shall attach the original and a copy of a valid power of attorney issued by a notary public for those who are living in Saudi Arabia or legalized through a Saudi embassy or consulate in the relevant country for those residing outside Saudi Arabia.

## 17.4 Submission of the Subscription Application Form

Receiving Agents shall start receiving Subscription Application Forms in their branches in the KSA during the First Offering Phase and the Second Offering Phase. Subscription Application Forms can be submitted by Institutional Investors for any Rump Shares only during the Rump Offering. Subscription Application Forms can be delivered during either of the offering periods either through a branch of the Receiving Agents or the tele-banking services section or ATMs or internet banking of any of the Receiving Agents providing such services. The Subscription Application Form includes further information which is to be strictly followed. Upon completing, signing and submitting the Subscription Application Form, the Receiving Agent shall stamp it and provide the Subscriber with a copy thereof. If the information filled in the form turns out to be incomplete

or incorrect or the form is not stamped by the Receiving Agent, the Subscription Application Form will be considered void. The Eligible Person shall accept the subscription terms and conditions and fill all sections of the Subscription Application Form. In case the form completed by an applicant does not meet any of the subscription terms and conditions, the Company shall have the right to reject that application in part or whole. Any application providing incomplete or incorrect information or not stamped by a Receiving Agent will be considered void. The application form may not be amended or withdrawn after submission to the Receiving Agents, and shall be considered a binding contract between the Subscriber and the Company, once approved by the Company.

The Subscriber from among Eligible Persons is deemed to have bought the number of New Shares allocated to him when the following terms are fulfilled:

- Delivery by the Eligible Persons of the Subscription Application Form to any of the Receiving Agents' branches;
- Payment in full by the Eligible Person to the Receiving Agents of the total Offer Price (as specified above) of the Shares subscribed for; and
- Delivery to the Eligible Person by the Receiving Agents of the allocation letter specifying the number of Shares allocated to him/her.

Eligible Persons will not be allocated New Shares exceeding the number of New Shares that they subscribed for.

## **17.5 Allocation**

The Company and Lead Manager shall open an escrow account called "SAICO RI Escrow Account", in which the subscription proceeds shall be deposited. The New Shares shall be allocated to each investor based upon the number of Rights that he/she properly exercised. As for Shareholders entitled to Fractional Shares, these shall be accumulated and offered to Institutional Investors during the Rump Offering. All proceeds resulting from the sale of Rump Shares and Fractional Shares up to the paid Offer Price shall be distributed to the Company and any proceeds in excess of the paid Offer Price shall be distributed to the Eligible Persons on pro rata basis no later than 22/09/1436H (corresponding to 09/07/2015G). Excess unsubscribed for Shares shall be purchased by and allocated to the Underwriter.

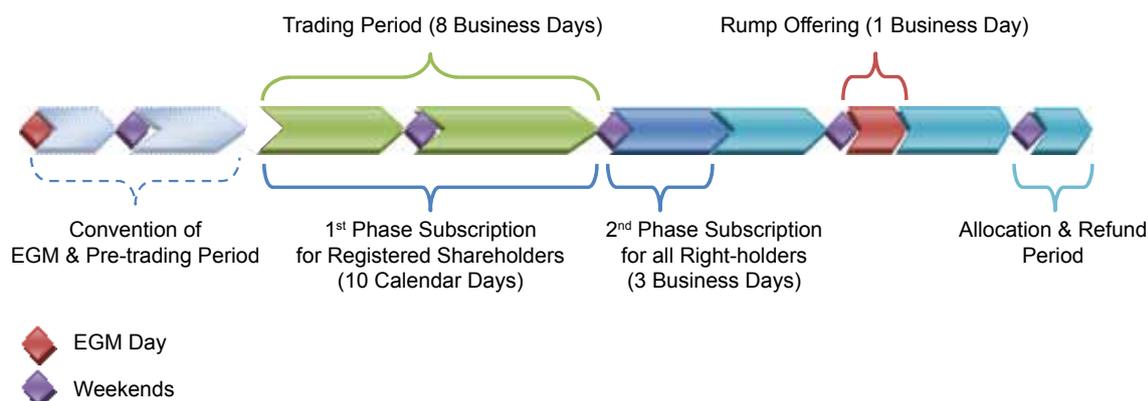
Final notice for the number of Shares allocated to each Eligible Person without any charges or withholdings by the Lead Manager or Receiving Agents is expected to take place by depositing the shares into the accounts of Subscribers. Eligible Persons shall contact the branch of the Receiving Agent where they have submitted the Subscription Application Form to obtain any further information. The announcement regarding the allocation shall be made no later than 14/09/1436H (corresponding to 01/07/2015G).

As for Shareholders entitled to Fractional Shares, these shall be accumulated and offered to Institutional Investors during the Rump Offering. Compensation from the sale proceeds of Fractional Shares shall be distributed to the Eligible Persons on a pro rata basis no later than 22/09/1436H (corresponding to 09/07/2015G).

## **17.6 Compensation Payment**

The compensation to Eligible Persons who do not subscribe for all or part of the Rights Issue, if any, shall be paid no later than 22/09/1436H (corresponding to 09/07/2015G).

## 17.7 Illustration of the new rights issue mechanism



### FAQs about the Rights Issue Mechanism

#### What is a Rights Issue?

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

#### Who is granted the Rights?

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

#### When are the Rights deposited?

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

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

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

#### How many Rights can be acquired by a Registered Shareholder?

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

#### What is the Rights Issue ratio?

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

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

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

#### What is the Right value upon the trading commencement?

The Right opening price is the difference between the share closing price on the day preceding such Right listing, and the Offer Price. For example, if the closing price of a share on the preceding day is SAR 35 (thirty-five

Saudi Riyals) and the Offer Price is SAR 10 (ten Saudi Riyals), the opening price of the Rights will be 35 minus 10, i.e. SAR 25 (twenty-five Saudi Riyals).

#### **Can Registered Shareholders subscribe for additional shares?**

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

#### **How does the Offering take place?**

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

#### **Is it allowed to subscribe more than once through more than one receiving agent?**

Yes, provided that the number of shares subscribed to does not exceed the number of rights held at the end of the trading period, otherwise the subscription application will be cancelled.

#### **If the company's shareholder owns shares at more than one portfolio, in which portfolio the rights will be deposited?**

Rights will be deposited to the same portfolio where the related shares exist i.e. if a shareholder owns 1,000 shares in the company, 800 out of them in portfolio A and 200 at portfolio Band the total number of rights to be deposited is 1,500 (1.5 Rights per share), 1,200 rights will be deposited in portfolio A and 300 rights will be deposited in portfolio B.

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

Shares will be deposited to the portfolio given under the first subscription application form.

#### **Are share certificate holders allowed to subscribe and trade?**

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

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

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

#### **Are additional Rights purchasers entitled to trade them once again?**

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

#### **Is it possible to sell a part of these Rights?**

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

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

No, that is not possible.

#### **When does the shareholder subscribe to the shares he purchased during the trading period?**

Only during the second offering phase and after the end of trading period.

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

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

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

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

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

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

## **17.8 Trading of New Shares**

Trading of the New Shares will take place upon completion of all relevant procedures. This is expected to take place after the allocation of New Shares, in coordination with the CMA, and will be announced at a later date.

## **17.9 The Saudi Arabian Stock Exchange or Tadawul**

Tadawul was founded in 2001G as the successor to the Electronic Securities Information System. Electronic trading in securities commenced in the Kingdom in 1989G.

Trading on Tadawul occurs through a fully integrated trading system covering the entire process from trade order through settlement. Trading occurs each business day between 11:00 a.m. and 3:30 p.m., from Sunday until Thursday of each week. After close of exchange trading, orders can be entered, amended or deleted from 10:00 a.m. until 11:00 a.m. New entries and inquiries can be made from 10:00 a.m. of the opening session (starting at 11:00 a.m.). These times are subject to change during the Holy month of Ramadan, and are announced by Tadawul's management.

Tadawul's system works on matching orders by price and orders are received and prioritized based on price. In general, market orders are executed first, and if several instructions are entered at the same price level, they are executed at a first come first serve basis according to their entry time.

Tadawul distributes a comprehensive range of information through various channels, including in particular the Tadawul website and Tadawul Information Link. The Tadawul Information Link supplies trading data in real time to information providers such as Reuters.

Transactions are settled automatically on a T+0 bases, meaning that ownership transfer takes place immediately after the trade is executed.

Issuers are required to report all material announcements via Tadawul for onward dissemination to the public. Surveillance and monitoring is the responsibility of Tadawul as the operator of the market. The aim of supervision is to ensure fair trading and an orderly market.

### **17.10 Registration on the Official List**

The application for admission and listing of the New Shares in the Saudi Stock Exchange Official List has been submitted by the Company to CMA. . The Prospectus has been approved and all requirements have been duly satisfied. The registration is expected to be approved and trading to commence on the Exchange once the final allocation of the New Shares has been concluded. An announcement will be made on the Tadawul website in due course. The dates and times stated in this prospectus are only provisional and may be changed or extended at any time subject to approval of the CMA.

Although the Existing Shares are registered on the Official List, it will only be possible to trade in the New Shares once the allocation of the New Shares to successful Subscribers and Rump Offering Participants has been approved and these have been placed in their Tadawul accounts. It is absolutely forbidden to trade in the New Shares until the allocation has been approved. Subscribers who engage in any forward trading activity shall be acting at their own risk. The Company shall have no legal responsibility in such an event.

## 17.11 Resolutions and Approvals under which shares are offered

SAICO had recently received SAMA's approval under letter No. 20/L dated 2/11/1432H (corresponding to 11/12/2010G) to increase its share capital by SAR 150 million through a rights issue to increase the company's share capital to SAR 250 million comprising 25 million Shares with nominal value of SAR 10 per Share. The Company's Board has issued its resolution No. (23) dated 12/01/1432H (corresponding to 18/12/2010G) recommending increase of the Company's share capital. The Board of Directors has re-recommended in its meeting held on 25/08/1435H (Corresponding to 23/06/2014G), the pursuance of increase of share capital. The EGM held on 13/08/1436H (corresponding to 31/05/2015G). approved the Board's recommendation to increase the share capital of the Company.

All requirements have been satisfied and this Prospectus have been approved by publishing on CMA's website on 13/08/1436H (corresponding to 31/05/2015G).

## 17.12 Miscellaneous Notices

The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs; provided that, except as specifically contemplated herein, neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.

The terms and conditions set here and any receipt of the Subscription Application Forms or any related Agreements are subject to the regulations of the Kingdom, and shall be interpreted and executed according to such regulations. This Prospectus may be distributed in Arabic and English. The Arabic text shall take precedence in the event of any conflict between the Arabic and English versions of this Prospectus.

Although the CMA has approved this Prospectus, it may suspend this subscription offer if the Company, at any time after the adoption of this Prospectus by the CMA and before approving the listing of Shares in the market, becomes aware of (1) a significant change that has occurred in any of the key information contained in this Prospectus, or any of the documents required to be included under the Listing Rules, or (2) any additional issues that should have been included in this Prospectus. In these cases it is incumbent on the Company to submit to the CMA a supplementary prospectus, according to the requirements of the Listing Rules. The supplementary Prospectus will therefore be published and an announcement made about applicable subscription dates. It is also possible that this subscription be suspended in the event of non-approval of the EGM on any of its details.

The shares owned by SAICO BSC, being the Strategic Partner, is under lock-up, therefore, SAICO BSC is not allowed to sell its shares in the Company until the Company meets the statutory solvency margin and realize quarterly profits for four consecutive quarters.

## 17.13 Change in the share price as a result of the capital increase

The closing price of the Company's share on the day of the EGM was SAR 44.74 and is expected to be reset to SAR 23.90 in the opening session the next day. The change represents a decrease of 47%.

The method of calculating the share price as a result of the capital increase is as follows:

### First: Calculate the market value of the Company at the close of trading on the day of the EGM:

Number of shares issue by the Company at the end of the day of the EGM multiplied by the closing price for the Company's share on the day of the EGM = market value of the Company at the close of trade on the day of the EGM.

### Second: Calculate the price of share in the opening session on the day following the day the EGM:

(The market value of the Company at the close on the day of the EGM + the value of the Offer Shares) / (Number of shares issued by the Company at the end of the day the EGM + the number of Offer Shares offered in this Offering) = share price reset for the opening session on the day following the day the EGM.

## 18. Documents Available for Inspection

The following documents will be available for inspection at the Head Office of the Company in Riyadh city, Siteen Street, Malaz, Platinum Center, during official working hours, from 8:30 a.m. to 4:00 p.m., 3 weeks before commencement of the Offering Period and during the term of the Offering Period:

- Company's Commercial Registration Certificate.
- Company's By-laws.
- CMA approval on the RI offering.
- SAMA's approval to the increase of capital.
- Recommendation of the Board of Directors.
- Resolution of the Extraordinary General Assembly approving the increase in the Company's Capital.
- Reporting Accountant's written consent to the publication in the Prospectus of their Accountant's Report.
- Legal Advisor's written consent for the inclusion of their name as legal advisors to the Offering in the Prospectus.
- Market advisors' written consent for inclusion of their names and using their reports in the prospectus.
- Audited Financial Statements for the financial years ended 31 December 2011G ,2012G, 2013G and the six months period ended on 30 June 2014G.
- Material Contracts.
- Real Estate Agreement (Dammam, Riyadh and Jeddah Offices rental agreements).
- Contracts required to be declared under clause 13(1)(i) of Annex (4) of the Listing Rules (if any).
- Market Report.

## 19. Accountants Report

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI joint stock company)**  
**UNAUDITED INTERIM CONDENSED**  
**Financial Statements AND INDEPENDENT AUDITORS'**  
**LIMITED REVIEW REPORT**  
**For the SIX MONTH PERIOD ENDED**  
**30 JUNE 2014**



**Deloitte.**

Deloitte & Touche  
Bakr Abulkhair & Co.

**INDEPENDENT AUDITORS' LIMITED REVIEW REPORT  
TO THE SHAREHOLDERS OF SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**SCOPE OF REVIEW:**

We have reviewed the accompanying interim statement of financial position of Saudi Arabian Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as at 30 June 2014 and the related interim statements of insurance income and shareholders' comprehensive income for the three-month and six-month periods then ended and the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the six-month period then ended and the related notes which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard - 34 "Interim Financial Reporting" ("IAS 34") and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

**CONCLUSION:**

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with IAS 34.

**EMPHASES OF MATTERS:**

We draw attention to the following:

- These interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA.
- Note 2 to these interim condensed financial statements in relation to the Company's Board of Directors' resolution to formalize the cancellation of the Asset Purchase Agreement (the "Agreement") between the Company and Saudi Arabian Insurance Company B.S.C. (C), a shareholder, and to commence with obtaining the necessary approvals from the Company's shareholders, the Saudi Arabian Monetary Agency and other regulatory authorities in order to proceed with all required legal formalities in respect of the cancellation of the said Agreement.
- Note 11 to these interim condensed financial statements discloses the Company's Board of Directors recommendation in their meeting held on 23 June 2014 to increase the authorized share capital from Saudi Riyals 100 million to Saudi Riyals 250 million through a rights issue of Saudi Riyals 150 million.

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Certified Public Accountant  
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23 Ramadan, 1435 H  
(20 July 2014)

**Saudi Arabian Cooperative Insurance Company**  
**(A Saudi Joint Stock Company)**  
**INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS at 30 JUNE 2014**

	Notes	30 June 2014 (Unaudited) SR	31 December 2013 (Audited) SR
<b>INSURANCE OPERATIONS' ASSETS</b>			
Property and equipment, net		6,770,611	7,791,588
Due from shareholders' operations		-	8,831,970
Reinsurers' share of outstanding claims		327,792,065	265,096,871
Reinsurers' share of unearned premiums		109,010,256	67,085,081
Deferred policy acquisition costs		27,747,157	21,489,351
Premiums and reinsurance balances receivable	7	138,259,849	107,482,046
Available for sale investment	8	1,923,080	1,923,080
Prepayments and other assets		22,761,200	7,608,009
Due from related parties	9	50,310,483	51,803,212
Time deposits	6	112,000,000	82,000,000
Cash and cash equivalents	5	92,001,263	95,744,470
<b>TOTAL INSURANCE OPERATIONS' ASSETS</b>		<b>888,575,964</b>	<b>716,855,678</b>
<b>SHAREHOLDERS' ASSETS</b>			
Statutory deposit		10,000,000	10,000,000
Due from insurance operations		5,893,573	-
Prepayments and other assets		1,498,464	1,243,094
Time deposits	6	41,930,000	31,100,000
Cash and cash equivalents	5	1,538,365	20,513,348
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>60,860,402</b>	<b>62,856,442</b>
<b>TOTAL INSURANCE OPERATIONS' AND SHAREHOLDERS' ASSETS</b>		<b>949,436,366</b>	<b>779,712,120</b>

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

**Saudi Arabian Cooperative Insurance Company**  
**(A Saudi Joint Stock Company)**  
**INTERIM STATEMENT OF FINANCIAL POSITION (Continued)**  
**AS at 30 JUNE 2014**

	Note	30 June 2014 (Unaudited) SR	31 December 2013 (Audited) SR
<b>INSURANCE OPERATIONS' LIABILITIES</b>			
Employees' end-of-service benefits		6,654,986	6,755,639
Insurance operations' surplus distribution payable		1,900,554	1,900,554
Due to shareholders' operations		5,893,573	-
Gross outstanding claims		478,954,764	397,826,663
Gross unearned premiums		315,239,347	219,475,708
Unearned commission income		21,385,010	18,161,317
Reinsurance balances payable		32,023,786	37,921,002
Accrued expenses and other liabilities		25,622,000	34,814,795
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES</b>		<b>887,674,020</b>	<b>716,855,678</b>
<b>INSURANCE OPERATIONS' SURPLUS</b>			
Net surplus from insurance operations after shareholders' appropriation		901,944	-
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES &amp; SURPLUS</b>		<b>888,575,964</b>	<b>716,855,678</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>SHAREHOLDERS' LIABILITIES</b>			
Due to insurance operations		-	8,831,970
Provision for zakat		786,784	1,426,951
Accounts payable		1,301,973	859,385
<b>TOTAL SHAREHOLDERS' LIABILITIES</b>		<b>2,088,757</b>	<b>11,118,306</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	11	100,000,000	100,000,000
Accumulated losses		(41,228,355)	(48,261,864)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>58,771,645</b>	<b>51,738,136</b>
<b>TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>60,860,402</b>	<b>62,856,442</b>
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS AND SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>949,436,366</b>	<b>779,712,120</b>

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

**Saudi Arabian Cooperative Insurance Company**

(A Saudi Joint Stock Company)

**INTERIM STATEMENT OF INSURANCE INCOME**

**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014**

	Note	Three month period ended 30 June 2014 (Unaudited) SR	Three month period ended 30 June 2013 (Unaudited) SR	Six month period ended 30 June 2014 (Unaudited) SR	Six month period ended 30 June 2013 (Unaudited) SR
<b>REVENUE</b>					
Gross written premiums		150,199,705	114,184,517	422,076,924	383,789,602
Reinsurance premiums ceded		(33,356,273)	(27,512,444)	(150,771,923)	(163,234,826)
Excess of loss / stop loss premiums		(7,543,393)	(2,739,928)	(8,613,622)	(9,202,125)
<b>NET WRITTEN PREMIUMS</b>		<b>109,300,039</b>	<b>83,932,145</b>	<b>262,691,379</b>	<b>211,352,651</b>
Movement in unearned premiums, net		(3,355,250)	2,027,186	(53,838,469)	(46,518,042)
<b>NET EARNED PREMIUMS</b>		<b>105,944,789</b>	<b>85,959,331</b>	<b>208,852,910</b>	<b>164,834,609</b>
Commission income		9,700,034	14,148,613	20,972,991	33,499,116
Other income		2,023,985	998,885	3,992,681	1,148,933
Special commission income		222,776	175,801	549,098	339,122
<b>TOTAL INSURANCE REVENUES</b>		<b>117,891,584</b>	<b>101,282,630</b>	<b>234,367,680</b>	<b>199,821,780</b>
<b>COST AND EXPENSES</b>					
Gross claims paid		105,457,412	87,215,743	185,737,030	201,789,780
Reinsurers' share of claims paid		(20,079,971)	(24,939,167)	(37,925,449)	(67,534,120)
<b>NET CLAIMS PAID</b>		<b>85,377,441</b>	<b>62,276,576</b>	<b>147,811,581</b>	<b>134,255,660</b>
Movement in outstanding claims, net		(2,673,027)	15,504,582	18,432,910	10,285,495
<b>NET CLAIMS INCURRED</b>		<b>82,704,414</b>	<b>77,781,158</b>	<b>166,244,491</b>	<b>144,541,155</b>
Policy acquisition costs		13,837,526	14,107,184	28,006,898	28,209,611
General and administration expenses		14,564,955	15,716,377	29,171,324	35,479,671
Reversal of provision for doubtful receivables	7	(34,253)	(512,373)	(1,605,337)	(3,821,438)
Inspection and supervision fees		1,457,654	1,133,431	3,530,865	2,916,947
<b>TOTAL COSTS AND EXPENSES</b>		<b>112,530,296</b>	<b>108,225,777</b>	<b>225,348,241</b>	<b>207,325,946</b>
<b>NET SURPLUS / (DEFICIT) FOR THE PERIOD FROM INSURANCE OPERATIONS</b>		<b>5,361,288</b>	<b>(6,943,147)</b>	<b>9,019,439</b>	<b>(7,504,166)</b>
Shareholders' appropriation from (surplus) / deficit		(4,825,159)	6,943,147	(8,117,495)	7,504,166
Net surplus for the period from insurance operations after shareholders' appropriation		536,129	-	901,944	-

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

**Saudi Arabian Cooperative Insurance Company**  
**(A Saudi Joint Stock Company)**  
**INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014**

	Note	Three month ended 30 June 2014 (Unaudited) SR	Three month ended 30 June 2013 (Unaudited) SR	Six month ended 30 June 2014 (Unaudited) SR	Six month ended 30 June 2013 (Unaudited) SR
Appropriation of surplus / (deficit) from insurance operations		4,825,159	(6,943,147)	8,117,495	(7,504,166)
Special commission income		76,356	150,681	196,743	323,567
General and administration expenses		(333,980)	(6,089)	(555,064)	(292,007)
INCOME / (LOSS) BEFORE ZAKAT		4,567,535	(6,798,555)	7,759,174	(7,472,606)
Zakat		(363,165)	(408,492)	(725,665)	(916,608)
NET INCOME / (LOSS) FOR THE PERIOD		4,204,370	(7,207,047)	7,033,509	(8,389,214)
OTHER COMPREHENSIVE INCOME					
Change in fair value of available for sale ..investment		-	-	-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD		4,204,370	(7,207,047)	7,033,509	(8,389,214)
EARNINGS / (LOSS) / PER SHARE					
Basic and diluted earnings / (loss) per share (in SR)	12	0.42	(0.72)	0.70	(0.84)
Weighted average number of shares in issue throughout the period (in thousands)		10,000	10,000	10,000	10,000

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

**Saudi Arabian Cooperative Insurance Company**  
**(A Saudi Joint Stock Company)**  
**INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014**

	Share Capital	Accumulated losses	Total
	SR	SR	SR
Unaudited			
Balance as at 1 January 2013	100,000,000	(21,307,501)	78,692,499
Total comprehensive loss for the period	-	(8,389,214)	(8,389,214)
Balance as at 30 June 2013	100,000,000	(29,696,715)	(70,303,285)
Unaudited			
Balance as at 1 January 2014	100,000,000	(48,261,864)	51,738,136
Total comprehensive income for the period	-	7,033,509	7,033,509
Balance as at 30 June 2014	100,000,000	(41,228,355)	58,771,645

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

**Saudi Arabian Cooperative Insurance Company**  
**(A Saudi Joint Stock Company)**  
**INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014**

	Note	Six month period ended 30 June 2014 (Unaudited) SR	Six month period ended 30 June 2013 (Unaudited) SR
<b>OPERATING ACTIVITIES</b>			
Net surplus from insurance operations after shareholders' appropriation		901,944	-
Adjustments for:			
Depreciation		2,336,834	2,271,407
Reversal of provision for doubtful receivables		(1,605,337)	(3,821,438)
Employees' end-of-service benefits, net		(100,653)	1,166,650
Shareholders' appropriation from surplus / (deficit)		8,117,495	(7,504,166)
Income / (Loss) before changes in operating assets and liabilities		9,650,283	(7,887,547)
Changes in operating assets and liabilities:			
Reinsurers' share of outstanding claims		(62,695,194)	(3,203,931)
Reinsurers' share of unearned premiums		(41,925,175)	(20,731,304)
Deferred policy acquisition costs		(6,257,806)	(4,074,061)
Premiums and insurance balances receivable		(29,172,466)	2,126,117
Prepayments and other assets		(15,153,191)	(726,480)
Due from related parties		1,492,729	(15,554,578)
Gross outstanding claims		81,128,101	13,489,426
Gross unearned premiums		95,763,639	67,249,346
Unearned commission income		3,223,693	1,980,531
Due to a related party		-	(328,695)
Reinsurance balances payable		(5,897,216)	(25,068,987)
Accrued expenses and other liabilities		(9,192,795)	7,772,201
Net cash from operating activities		20,964,602	15,042,038
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(1,315,857)	(3,576,061)
Time deposits, net		(30,000,000)	(21,942,769)
Net cash used in investing activities		(31,315,857)	(25,518,830)
<b>FINANCING ACTIVITY</b>			
Due to shareholders' operations, net		6,608,048	(3,907,022)
Net cash from / (used in) financing activity		6,608,048	(3,907,022)
DECREASE IN CASH AND CASH EQUIVALENTS		(3,743,207)	(14,383,814)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		95,744,470	42,370,837
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	92,001,263	27,987,023
<b>NON CASH TRANSACTIONS:</b>			
Available for sale investment		-	1,923,080
Loan to Najm		-	500,000

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

**Saudi Arabian Cooperative Insurance Company**  
**(A Saudi Joint Stock Company)**  
**INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014**

	Note	Six month period ended 30 June 2014 (Unaudited) SR	Six month period ended 30 June 2013 (Unaudited) SR
OPERATING ACTIVITIES			
Income / (loss) before zakat		7,759,174	(7,472,606)
Adjustment for:			
Appropriation of (surplus) / deficit from insurance operations		(8,117,495)	7,504,166
(loss) / Income before changes in operating assets and liabilities		(358,321)	31,560
Changes in operating assets and liabilities:			
Prepayments and other assets		(255,370)	(65,894)
Accounts payable		442,588	(866,544)
Cash used in operations		(171,103)	(900,878)
Zakat paid		(1,365,832)	(2,139,266)
Net cash used in operating activities		(1,536,935)	(3,040,144)
INVESTING ACTIVITY			
Time deposits		(10,830,000)	(702,356)
Net cash used in investing activity		(10,830,000)	(702,356)
FINANCING ACTIVITY			
Due from insurance operations, net		(6,608,048)	3,907,022
Net cash (used in) / from financing activity		(6,608,048)	3,907,022
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(18,974,983)	164,522
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		20,513,348	532,174
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	1,538,365	696,696

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

## **Saudi Arabian Cooperative Insurance Company**

**(A Saudi Joint Stock Company)**

### **NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**30 JUNE 2014**

## **1 ORGANISATION AND PRINCIPAL ACTIVITIES**

Saudi Arabian Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration No. 1010237214 dated 7 Shaban 1428H, (corresponding to 20 August 2007). The registered office address of the Company is P.O. Box 58073, Riyadh 11594, Kingdom of Saudi Arabia. The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. Its principal lines of business include all classes of general insurance. The Company was listed on the Saudi Stock Exchange (Tadawul) on 3 September 2007.

The Company has been licensed to conduct insurance business in Saudi Arabia under co-operative principles in accordance with Royal Decree numbered 60/M dated 18 Ramadan 1427H (corresponding to 11 October 2006), pursuant to the Council of Ministers resolution number 233 dated 16 Ramadan 1427H (corresponding to 9 October 2006).

Following the completion of the public offering on 28 May 2007, the Ministry of Commerce and Industry ("MOCI") issued a resolution declaring the incorporation of the Company on 21 Rajab 1428H (corresponding to 5 August 2007).

On 29 Shaban 1428H (corresponding to 11 September 2007), the Saudi Arabian Monetary Agency ("SAMA") issued a formal approval to transact insurance business, thus authorising the Company to commence operations as soon as product approval and related formalities are completed.

## **2 ASSET PURCHASE AGREEMENT AND TRANSFER OF INSURANCE PORTFOLIO**

In 2009, the Company entered into an Asset Purchase Agreement (the "Agreement") with Saudi Arabian Insurance Company B.S.C. (C), a shareholder, for the purchase of the insurance portfolio and related net assets of the Saudi Operations of the latter. The related assets and liabilities were to be determined and valued in accordance with the valuation program issued by the Saudi Arabian Monetary Agency ("SAMA"). The transfer of the portfolio was to take effect when all required legal formalities have been completed.

On 23 June 2014, the Saudi Arabian Insurance Company B.S.C. (C) informed the Company that they will not pursue the transfer of the insurance portfolio and related net assets of Saudi operations to the Company. Consequently, in the meeting held on 23 June 2014, the Board of Directors of the Company resolved to formalize the cancellation of the Agreement and agreed to commence with obtaining the necessary approvals from the Company's shareholders, the SAMA and other regulatory authorities to proceed with all required legal formalities in respect of the cancellation of the said Agreement.

## **3 BASIS OF PREPARATION**

The interim condensed financial statements for the six month period ended 30 June 2014 have been prepared in accordance with International Accounting Standard – 34 "Interim Financial Reporting" (IAS – 34). Accordingly, these interim condensed financial statements are not intended to be a presentation in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia, i.e., in accordance with the Standard of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2013. In addition to the policies disclosed in the Company's annual financial statements for the year ended 31 December 2013, available for sale investment is carried at cost as the fair value is not readily available.

In management's opinion, the interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim periods presented. The Company's interim results may not be indicative of its annual results.

**Saudi Arabian Cooperative Insurance Company**

**(A Saudi Joint Stock Company)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

**30 JUNE 2014**

**4 NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS**

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the Company's annual financial statements for the year ended 31 December 2013, except for the adoption of new standards and amendments to existing standards effective for the annual period beginning 1 January 2014.

The nature and the impact of each new standard/amendment is summarized as follows:

**Amendment to IAS 32, 'Financial instruments: Presentation', on offsetting financial assets and financial liabilities**

The amendments do not change the current offsetting model in IAS 32, which requires an entity to offset a financial asset and financial liability in the statement of financial position only when the entity currently has a legally enforceable right of set-off and intends either to settle the asset and liability on a net basis or to realize the asset and settle the liability simultaneously. The amendments clarify that the right of set-off must be available today – that is, it is not contingent on a future event. It also must be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendments also clarify that gross settlement mechanisms (such as through a clearing house) with features that both (i) eliminate credit and liquidity risk and (ii) process receivables and payables in a single settlement process, are effectively equivalent to net settlement; they would therefore satisfy the IAS 32 criterion in these instances.

**Amendments to IAS 36, 'Impairment of assets'**

The IASB has amended IAS 36 as follows:

- (a) to remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or indefinite lived intangible assets but there has been no impairment;
- (b) to require disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognised or reversed; and
- (c) to require detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed.

In addition to the above, the Company has chosen not to early adopt IFRS 9 (2010) – Financial instruments which will not be effective until January 1, 2018.

**Saudi Arabian Cooperative Insurance Company**

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

**30 JUNE 2014**

## 5 CASH AND CASH EQUIVALENTS

For the purpose of the interim statements of insurance operations' cash flows and shareholders' cash flows, cash and cash equivalents comprise of the following:

	30 June 2014 (Unaudited)		31 December 2013 (Audited)	
	Insurance Operations	Shareholders' Operations	Insurance Operations	Shareholders' Operations
	SR	SR	SR	SR
Cash at banks	46,960,464	1,538,365	55,712,170	1,121,151
Cash in hand	40,799	-	32,300	-
Short term deposits	45,000,000	-	40,000,000	19,392,197
	92,001,263	1,538,365	95,744,470	20,513,348

Cash at banks are placed with counterparties who have investment grade credit ratings. The short-term deposits, which are denominated in Saudi Riyals, are made for varying periods of between one day and three month depending on the immediate cash requirements of the Company.

The Company holds an amount of SR 158,812 (31 December 2013 – SR 1,485,227) in a fiduciary capacity, in respect of claims to be settled for a third party insurer. Accordingly, such amount is not accounted for in these interim condensed financial statements.

## 6 TIME DEPOSITS

Time deposits represent deposits with local banks that have investment grade credit ratings and have an original maturity of more than three months from the date of acquisition.

## 7 PREMIUMS AND REINSURANCE BALANCES RECEIVABLE

Insurance operations receivables are comprised of net amounts due from the following:

	30 June 2014 (Unaudited) SR	31 December 2013 (Audited) SR
Premiums receivable	144,203,018	114,900,530
Reinsurers and others	7,370,870	7,500,892
Total premiums and reinsurance balances receivable	151,573,888	122,401,422
Provision for doubtful receivables	(13,314,039)	(14,919,376)
	138,259,849	107,482,046

The movement in the provision for doubtful receivables is as follows:

	30 June 2014 (Unaudited) SR	31 December 2013 (Audited) SR
Beginning balance	14,919,376	17,462,377
Reversal made during the period / year	(1,605,337)	(2,543,001)
Ending balance	13,314,039	14,919,376

## Saudi Arabian Cooperative Insurance Company

(A Saudi Joint Stock Company)

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

30 JUNE 2014

## 8 AVAILABLE FOR SALE INVESTMENT

Available for sale investment comprises of SR 1,923,080 in respect of the Company's share in the capital of Najm for Insurance Services Company ("Najm") which represents a 3.85 % equity holding in Najm. In assessing the relationship of unobservable inputs to fair value, management considered the Company's long-term revenue growth rates. As at 30 June 2014, management believes that the carrying amount of the available for sale investment is a reasonable estimate of its fair value (Note 13).

## 9 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, key management personnel of the Company and companies where they are principal owners and other entities significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management.

### a) Transactions with related parties

The following are the details of major related parties transactions during the period:

Related parties	Nature of transactions	Six month period ended 30 June 2014 (Unaudited) SR	Six month period ended 30 June 2013 (Unaudited) SR
Saudi Arabian Insurance Company B.S.C (C) (Shareholder)	- Amounts (paid) / received on behalf of SAICO B.S.C (C), net	(2,628,138)	512,423
ACE Insurance Agents Limited ("Agent") (Affiliate)	- Premiums received through Agent	8,640,461	10,478,610
	- Claims paid through Agent	24,565	107,622
	- Commission expense	1,193,085	1,481,185
ACE Limited (Affiliate)	- Premiums and claims, net	(715,550)	938,168
ACE Insurance and Reinsurance Brokers Limited ("Broker") (Affiliate)	- Premiums received through Broker, net	123,442,935	110,184,563
	- Commission expense	11,686,599	11,041,599
	- Premiums ceded through Broker	68,183,954	66,340,038
	- Commission received	3,944,113	3,780,874

### b) Balances with related parties

The above transactions with the related parties resulted in the following balances as at the interim statement of financial position date:

Due from related parties:		30 June 2014 (Unaudited) SR	31 December 2013 (Audited) SR
ACE Insurance and Reinsurance Brokers Limited ("Broker") (Affiliate)	Insurance operations	40,711,764	40,358,517
ACE Insurance Agents Limited ("Agent") (Affiliate)	Insurance operations	7,841,062	7,058,900
Saudi Arabian Insurance Company B.S.C (C) (Shareholder)	Insurance operations	1,757,657	4,385,795
		50,310,483	51,803,212

Outstanding balances at the interim financial reporting date are unsecured and special commission rate free. Settlement will take place in cash. No provision for impairment was made at the financial reporting date. This assessment is undertaken at the interim financial reporting date through examining the financial position of the related party and the market in which the related party operates.

**Saudi Arabian Cooperative Insurance Company**

**(A Saudi Joint Stock Company)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

**30 JUNE 2014**

**9 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

**c) Compensation of key management personnel**

Key management personnel of the Company include all directors (executives and non-executives) and senior management. The summary of compensation of key management personnel for the period is as follows:

	<b>Six month period ended 30 June 2014 (Unaudited) SR</b>	<b>Six month period ended 30 June 2013 (Unaudited) SR</b>
Short-term benefits	1,981,668	4,407,783
Employees' end-of-service benefits	134,370	249,519
Bonus	-	583,730
	<b>2,116,038</b>	<b>5,241,032</b>

**10 SEGMENT INFORMATION**

Consistent with the Company's internal reporting process, operating segments have been approved by Management in respect of the Company's activities, assets and liabilities as stated below. Segment results do not include general and administration expenses, provision for doubtful receivables, inspection and supervision fees and other income.

Segment assets do not include insurance operations' property and equipment, prepayments and other assets, due from related parties, premiums and insurance balances receivable, time deposits and cash and cash equivalents. Accordingly, they are included in unallocated assets.

Segment liabilities do not include insurance operations' due to shareholders' operations, due to related parties, employees' end-of-service benefits, reinsurance balances payable and accrued expense and other liabilities. Accordingly, they are included in unallocated liabilities.

All of the Company's operating assets and principal activities are located in the Kingdom of Saudi Arabia.

**Saudi Arabian Cooperative Insurance Company**

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

**30 JUNE 2014**

**10 SEGMENT INFORMATION (continued)**

Three month period ended

30 June 2014 (Unaudited)

OPERATING SEGMENTS									
REVENUE	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Gross written premiums	71,913	37,657	12,480	8,336	11,895	3,516	1,696	2,706	150,199
Reinsurance premiums ceded	-	(190)	(11,165)	(7,454)	(11,458)	(828)	(1,347)	(914)	(33,356)
Excess of loss/stop loss premiums	(5,683)	(826)	(483)	(311)	(164)	(60)	-	(16)	(7,543)
Net written premiums	66,230	36,641	832	571	273	2,628	349	1,776	109,300
Movement in unearned premiums, net	692	(3,926)	137	(75)	(61)	(662)	171	369	(3,355)
Net earned premiums	66,922	32,715	969	496	212	1,966	520	2,145	105,945
Commission income	-	33	3,813	2,876	1,066	313	1,468	131	9,700
Total allocated revenue	66,922	32,748	4,782	3,372	1,278	2,279	1,988	2,276	115,645
Unallocated revenue									2,247
Total revenue									117,892
<b>COSTS AND EXPENSES</b>									
Gross claims paid	63,630	21,873	14,225	1,618	626	145	1,016	2,324	105,457
Reinsurers' share of claims	(203)	(1,706)	(13,939)	(1,464)	(599)	(27)	(545)	(1,597)	(20,080)
Paid									
Net claims paid	63,427	20,167	286	154	27	118	471	727	85,377
Movement in outstanding claims, net	(6,991)	2,696	2,105	304	(1,123)	257	20	59	(2,673)
Net claims incurred	56,436	22,863	2,391	458	(1,096)	375	491	786	82,704
Policy acquisition costs	3,880	4,412	2,851	990	549	400	274	482	13,838
Total allocated costs and expenses	60,316	27,275	5,242	1,448	(547)	775	765	1,268	96,542
Unallocated expenses									15,989
Total costs and expenses									112,531
Net surplus from insurance operations									5,361

**Saudi Arabian Cooperative Insurance Company**

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

**30 JUNE 2014**

**10 SEGMENT INFORMATION (continued)**

Three month period ended 30 June 2013 (Unaudited)

OPERATING SEGMENTS									
REVENUE	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Gross written premiums	59,143	24,338	11,984	7,574	4,852	2,359	1,218	2,716	114,184
Reinsurance premiums ceded	(1,896)	(294)	(10,691)	(6,776)	(4,535)	(846)	(875)	(1,599)	(27,512)
Excess of loss premiums	(1,273)	(668)	(258)	(325)	(152)	(39)	-	(25)	(2,740)
Net written premiums	55,974	23,376	1,035	473	165	1,474	343	1,092	83,932
Movement in unearned premiums, net	(3,172)	3,854	769	21	166	163	161	65	2,027
Net earned premiums	52,802	27,230	1,804	494	331	1,637	504	1,157	85,959
Commission income	651	49	4,471	2,723	3,535	326	1,497	897	14,149
Total allocated revenue	53,453	27,279	6,275	3,217	3,866	1,963	2,001	2,054	100,108
Unallocated revenue									1,175
Total revenue									101,283
<b>COSTS AND EXPENSES</b>									
Gross claims paid	48,144	22,224	11,908	2,633	683	3	411	1,210	87,216
Reinsurers' share of claims	(8,593)	322	(12,522)	(2,304)	(577)	28	(339)	(954)	(24,939)
Paid									
Net claims paid	39,551	22,546	(614)	329	106	31	72	256	62,277
Movement in outstanding claims, net	10,973	(704)	4,769	(79)	265	(26)	371	(65)	15,504
Net claims incurred	50,524	21,842	4,155	250	371	5	443	191	77,781
Policy acquisition costs	4,160	3,766	2,886	1,018	1,153	405	281	438	14,107
Total allocated costs and expenses	54,684	25,608	7,041	1,268	1,524	410	724	629	91,888
Unallocated expenses									16,338
Total costs and expenses									108,226
Net deficit from insurance Operations									(6,943)

**Saudi Arabian Cooperative Insurance Company**

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

**30 JUNE 2014**

**10 SEGMENT INFORMATION (continued)**

Six month period ended 30 June 2014 (Unaudited)

OPERATING SEGMENTS									
REVENUE	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Gross written premiums	166,981	87,961	100,263	15,293	23,538	7,806	11,457	8,778	422,077
Reinsurance premiums ceded	(575)	(411)	(96,318)	(13,611)	(22,369)	(3,313)	(10,433)	(3,742)	(150,772)
Excess of loss premiums	(4,092)	(1,929)	(1,517)	(489)	(428)	(101)	-	(58)	(8,614)
Net written premiums	162,314	85,621	2,428	1,193	741	4,392	1,024	4,978	262,691
Movement in unearned premiums, net	(25,744)	(24,491)	(1,211)	(211)	(87)	(1,286)	(2)	(806)	(53,838)
Net earned premiums	136,570	61,130	1,217	982	654	3,106	1,022	4,172	208,853
Commission income	25	79	7,079	4,705	4,220	1,179	2,782	904	20,973
Total allocated revenue	136,595	61,209	8,296	5,687	4,874	4,285	3,804	5,076	229,826
Unallocated revenue									4,541
Total revenue									234,367
<b>COSTS AND EXPENSES</b>									
Gross claims paid	105,597	42,608	25,521	2,715	5,646	145	1,114	2,391	185,737
Reinsurers' share of claims paid	(1,625)	(1,743)	(24,423)	(2,417)	(5,402)	(27)	(638)	(1,650)	(37,925)
Net claims paid	103,972	40,865	1,098	298	244	118	476	741	147,812
Movement in outstanding claims, net	12,405	1,190	2,013	773	312	1,312	201	227	18,433
Net claims incurred	116,377	42,055	3,111	1,071	556	1,430	677	968	166,245
Policy acquisition cost	7,808	8,162	5,190	1,782	2,104	1,280	540	1,141	28,007
Total allocated costs and expenses	124,185	50,217	8,301	2,853	2,660	2,710	1,217	2,109	194,252
Unallocated expenses									31,096
Total costs and expenses									225,348
Net surplus from insurance operations									9,019

**Saudi Arabian Cooperative Insurance Company**

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

**30 JUNE 2014**

**10 SEGMENT INFORMATION (continued)**

Six month period ended 30 June 2013 (Unaudited)

OPERATING SEGMENTS									
REVENUE	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Gross written premiums	136,217	72,623	102,583	15,196	18,680	8,043	21,184	9,264	383,790
Reinsurance premiums ceded	(3,599)	(457)	(97,670)	(13,541)	(17,893)	(4,364)	(20,038)	(5,673)	(163,235)
Excess of loss premiums	(5,439)	(1,557)	(1,290)	(490)	(286)	(81)	-	(59)	(9,202)
Net written premiums	127,179	70,609	3,623	1,165	501	3,598	1,146	3,532	211,353
Movement in unearned premiums, ..net	(27,036)	(17,316)	(1,407)	146	161	(429)	(178)	(459)	(46,518)
Net earned premiums	100,143	53,293	2,216	1,311	662	3,169	968	3,073	164,835
Commission income	6,936	99	8,686	5,627	6,088	678	3,138	2,247	33,499
Total allocated revenue	107,079	53,392	10,902	6,938	6,750	3,847	4,106	5,320	198,334
Unallocated revenue									1,488
Total revenue									199,822
COSTS AND EXPENSES									
Gross claims paid	100,147	45,015	47,731	4,541	2,232	5	595	1,524	201,790
Reinsurers' share of claims paid	(18,743)	299	(41,578)	(3,985)	(1,899)	28	(456)	(1,200)	(67,534)
Net claims paid	81,404	45,314	6,153	556	333	33	139	324	134,256
Movement in outstanding claims, net	14,195	(859)	(4,243)	493	89	(29)	624	15	10,285
Net claims incurred	95,599	44,455	1,910	1,049	422	4	763	339	144,541
Policy acquisition cost	8,095	7,396	5,674	2,084	2,423	818	567	1,153	28,210
Total allocated costs and expenses	103,694	51,851	7,584	3,133	2,845	822	1,330	1,492	172,751
Unallocated expenses									34,575
Total costs and expenses									207,326
Net deficit from insurance operations									(7,504)

**Saudi Arabian Cooperative Insurance Company**

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

**30 JUNE 2014**

**10 SEGMENT INFORMATION (Continued)**

As at 30 June 2014 (Unaudited)									
OPERATING SEGMENTS	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
<b>ASSETS</b>									
Reinsurers' share of outstanding claims	162	1,256	85,404	59,749	50,239	711	127,362	2,909	327,792
Reinsurers' share of unearned premiums	-	301	55,582	6,739	34,700	2,760	7,649	1,279	109,010
Deferred policy acquisition costs	6,412	9,172	4,701	964	4,729	791	526	452	27,747
<b>SEGMENT ASSETS</b>	<b>6,574</b>	<b>10,729</b>	<b>145,687</b>	<b>67,452</b>	<b>89,668</b>	<b>4,262</b>	<b>135,537</b>	<b>4,640</b>	<b>464,549</b>
Unallocated assets									424,027
<b>TOTAL ASSETS</b>									<b>888,576</b>
<b>LIABILITIES</b>									
Gross outstanding claims	104,028	26,938	97,296	63,138	51,923	2,236	129,383	4,013	478,955
Gross unearned premium	122,867	71,237	58,329	7,615	36,707	6,818	8,364	3,302	315,239
Unearned commission income	-	87	7,422	2,099	8,869	686	2,055	167	21,385
<b>SEGMENT LIABILITIES</b>	<b>226,895</b>	<b>98,262</b>	<b>163,047</b>	<b>72,852</b>	<b>97,499</b>	<b>9,740</b>	<b>139,802</b>	<b>7,482</b>	<b>815,579</b>
Unallocated liabilities									72,997
<b>TOTAL LIABILITIES</b>									<b>888,576</b>

Unallocated assets at 30 June 2014 consist mainly of premiums and insurance receivables of SR 138.3 million, due from related parties of SR 50.3 million, cash and cash equivalents of SR 92 million, time deposit of SR 112 million and other assets of SR 31.4 million.

**Saudi Arabian Cooperative Insurance Company**

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

**30 JUNE 2014**

**10 SEGMENT INFORMATION (Continued)**

As at 31 December 2013 (Audited)									
OPERATING SEGMENTS	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
<b>ASSETS</b>									
Reinsurers' share of outstanding claims	1,766	2,900	120,248	20,861	36,293	845	80,922	1,262	265,097
Reinsurers' share of unearned premiums	-	164	14,010	7,410	32,894	2,811	8,830	966	67,085
Deferred policy acquisition costs	5,966	6,055	2,155	861	4,636	1,231	246	339	21,489
<b>SEGMENT ASSETS</b>	<b>7,732</b>	<b>9,119</b>	<b>136,413</b>	<b>29,132</b>	<b>73,823</b>	<b>4,887</b>	<b>89,998</b>	<b>2,567</b>	<b>353,671</b>
Unallocated assets									363,185
<b>TOTAL ASSETS</b>									<b>716,856</b>
<b>LIABILITIES</b>									
Gross outstanding claims	93,227	27,393	130,129	23,496	37,656	1,058	82,727	2,141	397,827
Gross unearned premium	97,124	46,609	15,546	8,075	34,815	5,583	9,543	2,181	219,476
Unearned commission income	-	46	3,277	1,904	8,772	1,252	2,433	477	18,161
<b>SEGMENT LIABILITIES</b>	<b>190,351</b>	<b>74,048</b>	<b>148,952</b>	<b>33,475</b>	<b>81,243</b>	<b>7,893</b>	<b>94,703</b>	<b>4,799</b>	<b>635,464</b>
Unallocated liabilities									81,392
<b>TOTAL LIABILITIES</b>									<b>716,856</b>

Unallocated assets at 31 December 2013 consists mainly of premiums and insurance receivables of SR 107.5 million, due from related parties of SR 51.8 million, cash and cash equivalents of SR 95.7 million, time deposit of SR 82 million and other assets of SR 26.2 million.

## Saudi Arabian Cooperative Insurance Company

(A Saudi Joint Stock Company)

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

30 JUNE 2014

#### 11 SHARE CAPITAL

The authorised, issued and paid up share capital of the Company is SR 100 million divided into 10 million shares of SR 10 each (31 December 2012: SR 100 million divided into 10 million shares of SR 10 each). The founding shareholders of the Company have subscribed and paid for 6 million shares with a nominal value of SR 10 each, which represents 60% of the shares of the Company's capital and the remaining 4 million shares with a nominal value of SR 10 each have been subscribed by the public.

The Company's Board of Directors recommended in their meeting held on 23 June 2014 (corresponding to 25 Shaaban 1435 H) to increase the authorized share capital of the Company from SR 100 million to SR 250 million through a rights issue of SR 150 million.

#### 12 BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE

Basic and diluted earnings / (loss) per share for the period have been calculated by dividing the total comprehensive income / (loss) for the period by the weighted average number of shares in issue throughout the period of 10 million shares.

#### 13 FAIR VALUES 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 in the principal (or the most advantageous) market between market participants at the measurement date, under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

The fair values of the Company's recognised financial instruments are not significantly different from the carrying values included in the interim condensed financial statements.

Determination of fair value and fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities,

Level 2: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable), and

Level 3: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

During the six month period ended 30 June 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

The following table summarizes the financial assets recorded at fair value by level of the fair value hierarchy.

At 30 June 2014 and 31 December 2013	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial investments available for sale	-	-	1,923,080	1,923,080
Total	-	-	1,923,080	1,923,080

## Saudi Arabian Cooperative Insurance Company

(A Saudi Joint Stock Company)

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

30 JUNE 2014

## 14 CONTINGENCIES AND COMMITMENTS

### a) Legal proceedings and regulations

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 litigations) will have a material effect on its results and financial position.

### b) Operating lease commitments

Rental expenses under operating leases pertained to leases of office spaces in various locations amounted to SR 1.2 million for the six month period ended 30 June 2014 ( Six month period ended 30 June 2013: SR 1.1 million) are recognised in the interim statement of insurance income.

Future minimum lease payments under the operating lease arrangements as at the interim statement of financial position date are as follows:

Years	30 June 2014 (Unaudited) SR	31 December 2013 (Audited) SR
2014	1,319,891	2,043,764
2015	1,996,209	1,996,209
2016	1,929,542	1,948,959
2017	618,116	613,207
	5,863,758	6,602,139

## 15 NET UNDERWRITING SURPLUS

Net underwriting surplus as defined by the management of the Company for the period is as follows:

	Three month ended 30 June 2014 (Unaudited) SR	Three month ended 30 June 2013 (Unaudited) SR	Six month Ended 30 June 2014 (Unaudited) SR	Six month ended 30 June 2013 (Unaudited) SR
Net earned premiums	105,944,789	85,959,331	208,852,910	164,834,609
Commission income	9,700,034	14,148,613	20,972,991	33,499,116
Policy acquisition costs	(13,837,526)	(14,107,184)	(28,006,898)	(28,209,611)
Net claims incurred	(82,704,414)	(77,781,158)	(166,244,491)	(144,541,155)
Net underwriting surplus	19,102,883	8,219,602	35,574,512	25,582,959

## 16 APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were authorised for issue in accordance with a resolution of the Board of Directors on Ramadan 23, 1435 H (corresponding to July 20, 2014).

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI joint stock company)**  
**FINANCIAL STATEMENTS**  
**AND INDEPENDENT AUDITORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**  
**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT**



**INDEPENDENT AUDITORS' REPORT  
TO THE SHAREHOLDERS OF SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**SCOPE OF AUDIT:**

We have audited the accompanying statement of financial position of Saudi Arabian Cooperative Insurance Company - A Saudi Joint Stock Company (the "Company") as at 31 December 2013 and the related statements of insurance operations, shareholders' comprehensive operations, changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the year then ended and the notes which form part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards and the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

**Unqualified opinion:**

In our opinion, the financial statements taken as a whole:

- i) present fairly, in all material respects, the financial position of the Company as at 31 December 2013 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and
- ii) comply with the requirements of the Regulations for Companies and the Company's By-laws in so far as they affect the preparation and presentation of the financial statements.

**Emphasis of matters:**

We draw attention to the following:

- These financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia as issued by the Saudi Organization for Certified Public Accountants.
- Note 2 to the accompanying financial statements in relation to the insurance portfolio and related net assets of the Saudi operations of an affiliate insurance company.

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23 Rabi Al-Thani 1435 H  
(23 February 2014)

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2013**

	Notes	2013 SR	2012 SR
<b>INSURANCE OPERATIONS' ASSETS</b>			
Property and equipment, net	8	7,791,588	7,228,790
Due from shareholders' operations		8,831,970	-
Reinsurers' share of outstanding claims	9 (a)	265,096,871	256,766,443
Reinsurers' share of unearned premiums	9 (b)	67,085,081	93,068,705
Deferred policy acquisition costs	9 (d)	21,489,351	22,169,402
Premiums and insurance balances receivable	10	107,482,046	93,752,665
Available for sale investment	11	1,923,080	-
Prepayments and other assets	12	7,608,009	8,489,545
Due from related parties	13	51,803,212	117,418,062
Time deposits	14	82,000,000	50,257,231
Cash and cash equivalents	15	95,744,470	42,370,837
<b>TOTAL INSURANCE OPERATIONS' ASSETS</b>		<b>716,855,678</b>	<b>691,521,680</b>
<b>SHAREHOLDERS' ASSETS</b>			
Statutory deposit	16	10,000,000	10,000,000
Due from insurance operations		-	4,911,642
Prepayments and other assets	12	1,243,094	1,215,881
Time deposits	14	31,100,000	66,132,644
Cash and cash equivalents	15	20,513,348	532,174
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>62,856,442</b>	<b>82,792,341</b>
<b>TOTAL INSURANCE OPERATIONS' AND SHAREHOLDERS' ASSETS</b>		<b>779,712,120</b>	<b>774,314,021</b>

The accompanying notes 1 to 28 form part of these financial statements.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF FINANCIAL POSITION (Continued)**  
**AT 31 DECEMBER 2013**

	Notes	2013 SR	2012 SR
<b>INSURANCE OPERATIONS' LIABILITIES</b>			
Employees' end-of-service benefits		6,755,639	5,834,597
Insurance operations' surplus distribution payable		1,900,554	1,900,554
Due to shareholders' operations		-	4,911,642
Gross outstanding claims	9 (a)	397,826,663	336,631,993
Gross unearned premiums	9 (b)	219,475,708	221,951,363
Unearned commission income	9 (c)	18,161,317	19,728,071
Due to a related party	13	-	331,890
Reinsurance balances payable	18	37,921,002	66,703,152
Accrued expenses and other liabilities	19	34,814,795	33,528,418
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES</b>		<b>716,855,678</b>	<b>691,521,680</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>SHAREHOLDERS' LIABILITIES</b>			
Due to insurance operations		8,831,970	-
Provision for zakat	20	1,426,951	2,396,433
Accounts payable		859,385	1,703,409
<b>TOTAL SHAREHOLDERS' LIABILITIES</b>		<b>11,118,306</b>	<b>4,099,842</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	21	100,000,000	100,000,000
Accumulated losses		(48,261,864)	(21,307,501)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>51,738,136</b>	<b>78,692,499</b>
<b>TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>62,856,442</b>	<b>82,792,341</b>
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES AND SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>779,712,120</b>	<b>774,314,021</b>

The accompanying notes 1 to 28 form part of these financial statements.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF INSURANCE OPERATIONS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	31 December 2013 SR	31 December 2012 SR
<b>REVENUE</b>			
Gross written premiums	9 (b)	623,949,964	567,917,057
Reinsurance premium ceded	9 (b)	(230,767,702)	(254,549,760)
Excess of loss premiums		(16,847,483)	(12,851,303)
<b>NET WRITTEN PREMIUMS</b>		<b>376,334,779</b>	<b>300,515,994</b>
Movement in unearned premiums		(23,507,969)	(18,777,253)
<b>NET PREMIUMS EARNED</b>		<b>352,826,810</b>	<b>281,738,741</b>
Commission income	9 (c)	54,493,329	57,790,383
Other income		2,753,566	3,079,859
Special commission income		704,595	393,300
<b>TOTAL INSURANCE REVENUE</b>		<b>410,778,300</b>	<b>343,002,283</b>
<b>COSTS AND EXPENSES</b>			
Gross claims paid	9 (a)	397,463,757	280,832,963
Reinsurers' share of claims paid	9 (a)	(138,620,628)	(77,502,803)
<b>NET CLAIMS PAID</b>		<b>258,843,129</b>	<b>203,330,160</b>
Movement in outstanding claims, net		52,864,242	2,928,618
<b>NET CLAIMS INCURRED</b>	9 (a)	<b>311,707,371</b>	<b>206,258,778</b>
Policy acquisition costs	9 (d)	54,553,992	56,302,343
General and administration expenses	22	67,787,149	52,527,306
(Reversal) / Provision for doubtful receivables	10	(2,543,001)	3,687,267
Inspection and supervision fees		5,232,987	5,221,051
<b>TOTAL COSTS AND EXPENSES</b>		<b>436,738,498</b>	<b>323,996,745</b>
<b>NET (DEFICIT) / SURPLUS FROM INSURANCE OPERATIONS</b>		<b>(25,960,198)</b>	<b>19,005,538</b>
Shareholders' appropriation from deficit / (surplus)		25,960,198	(17,104,984)
Net surplus from insurance operations after shareholders' appropriation		-	1,900,554

The accompanying notes 1 to 28 form part of these financial statements.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF SHAREHOLDERS' COMPREHENSIVE OPERATIONS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	31 December 2013 SR	31 December 2012 SR
Appropriation of (deficit) /surplus from insurance operations		(25,960,198)	17,104,984
Special commission income		617,447	420,011
General and administration expenses	22	(441,828)	(1,056,706)
(LOSS) / INCOME BEFORE ZAKAT		(25,784,579)	16,468,289
Zakat	20	(1,169,784)	(2,173,351)
NET (LOSS) / INCOME FOR THE YEAR		(26,954,363)	14,294,938
OTHER COMPREHENSIVE (LOSS) / INCOME			
Change in fair value of available for sale investments		-	-
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		(26,954,363)	14,294,938
(LOSS) / EARNINGS PER SHARE	21, 27	(2.70)	1.43
Basic and diluted (loss) / earnings per share for the year			
Weighted average number of shares in issue throughout the year (in thousands)	21, 27	10,000	10,000

The accompanying notes 1 to 28 form part of these financial statements.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

	Share capital	Accumulated losses	Total
	SR	SR	SR
Balance as at 1 January 2012	100,000,000	(35,602,439)	64,397,561
Total comprehensive income for the year	-	14,294,938	14,294,938
Balance as at 31 December 2012	100,000,000	(21,307,501)	78,692,499
Total comprehensive loss for the year	-	(26,954,363)	(26,954,363)
Balance as at 31 December 2013	100,000,000	(48,261,864)	51,738,136

The accompanying notes 1 to 28 form part of these financial statements.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	2013 SR	2012 SR
<b>OPERATING ACTIVITIES</b>			
Net surplus from insurance operations after shareholders' appropriation		-	1,900,554
Adjustments for:			
Depreciation	22	4,703,484	3,775,746
(Reversal) /Provision for doubtful receivables	10	(2,543,001)	3,687,267
Employees' end-of-service benefits, net		921,042	1,360,786
Shareholders' appropriation from (deficit) / surplus		(25,960,198)	17,104,984
(Loss) / Income before changes in operating assets and liabilities		(22,878,673)	27,829,337
Changes in operating assets and liabilities:			
Reinsurers' share of outstanding claims		(8,330,428)	(103,662,241)
Reinsurers' share of unearned premiums		25,983,624	7,643,300
Deferred policy acquisition costs		680,051	1,179,526
Premiums and insurance balances receivable		(11,186,380)	(9,589,632)
Prepayments and other assets		881,536	(1,542,267)
Due from related parties		65,614,850	(22,600,663)
Gross outstanding claims		61,194,670	106,590,859
Gross unearned premiums		(2,475,655)	11,133,953
Unearned commission income		(1,566,754)	1,003,107
Due to a related party		(331,890)	(233,181)
Reinsurance balances payable		(28,782,150)	26,739,644
Accrued expenses and other liabilities		1,286,377	7,058,808
Net cash from operating activities		80,089,178	51,550,550
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(5,266,282)	(3,762,154)
Purchase of available for sale investment		(1,923,080)	-
Time deposits, net		(31,742,769)	(25,206,398)
Net cash used in investing activities		(38,932,131)	(28,968,552)
<b>FINANCING ACTIVITY</b>			
Due to shareholders' operations, net		12,216,586	(12,631,878)
Net cash from / (used in) financing activity		12,216,586	(12,631,878)
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>53,373,633</b>	<b>9,950,120</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>42,370,837</b>	<b>32,420,717</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>15</b>	<b>95,744,470</b>	<b>42,370,837</b>

The accompanying notes 1 to 28 form part of these financial statements.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF SHAREHOLDERS' CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	2013 SR	2012 SR
<b>OPERATING ACTIVITIES</b>			
(Loss) / Income before zakat		(25,784,579)	16,468,289
Adjustment for:			
Appropriation of deficit / (surplus) from insurance operations		25,960,198	(17,104,984)
Loss / (income) before changes in operating assets and liabilities		175,619	(636,695)
Changes in operating assets and liabilities:			
Prepayments and other assets		(27,213)	(550,066)
Accounts payable		(844,024)	845,601
Cash used in operations		(695,618)	(341,160)
Zakat paid	20	(2,139,266)	(1,696,469)
Net cash used in operating activities		(2,834,884)	(2,037,629)
<b>INVESTING ACTIVITY</b>			
Time deposits, net		35,032,644	(14,458,963)
Net cash from / (used in) investing activity		35,032,644	(14,458,963)
<b>FINANCING ACTIVITY</b>			
Due from insurance operations, net		(12,216,586)	12,631,878
Net cash (used in) / from financing activity		(12,216,586)	12,631,878
<b>INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>19,981,174</b>	<b>(3,864,714)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>532,174</b>	<b>4,396,888</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>15</b>	<b>20,513,348</b>	<b>532,174</b>

The accompanying notes 1 to 28 form part of these financial statements.

## SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

### NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

## 1 ORGANISATION AND PRINCIPAL ACTIVITIES

Saudi Arabian Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010237214 dated 7 Shaban 1428H, corresponding to 20 August 2007. The registered office address of the Company is at P.O. Box 58073, Riyadh 11594, Kingdom of Saudi Arabia. The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. Its principal lines of business include all classes of general insurance. The Company was listed on the Saudi Stock Exchange (Tadawul) on 3 September 2007.

## 2 ASSET PURCHASE AGREEMENT AND TRANSFER OF INSURANCE PORTFOLIO

The Company has been licensed to conduct insurance business in Saudi Arabia under co-operative principles in accordance with Royal Decree numbered 60/M dated 18 Ramadan 1427H (corresponding to 11 October 2006), pursuant to the Council of Ministers resolution number 233 dated 16 Ramadan 1427H (corresponding to 9 October 2006).

Following the completion of the public offering on 28 May 2007, the Ministry of Commerce and Industry ("MOCI") issued a resolution declaring the incorporation of the Company on 21 Rajab 1428H corresponding to 5 August 2007.

On 29 Shaban 1428H, corresponding to 11 September 2007, the Saudi Arabian Monetary Agency ("SAMA") issued a formal approval to transact insurance business, thus authorising the Company to commence operations as soon as product approval and related formalities are completed.

The Company entered into an asset purchase agreement (the "Agreement"), pursuant to which it is expected to offer to purchase the insurance business and related net assets of Saudi Arabian Insurance Company B.S.C (C)'s (a shareholder of the Company) operations in the Kingdom of Saudi Arabia (the Saudi operations) at a valuation to be approved by SAMA.

The Company convened a general assembly meeting on 26 August 2009 and approved the purchase of the insurance portfolio and related net assets of the Saudi operations. The related assets and liabilities to be acquired will be determined and valued in accordance with the valuation program issued by SAMA in May 2007. The Company is planning to transfer the assets and liabilities with effect from 1 January 2009. Accordingly, the net results related to such portfolio subsequent to 1 January 2009 will also be transferred to the Company. The transfer will take effect when all required formalities have been completed.

## 3 BASIS OF PREPARATION

### Basis of measurement

The financial statements have been prepared on the historical cost basis.

### Statement of compliance

The financial statements of the Company for the year ended 31 December 2013 have been prepared by the management in accordance with International Financial Reporting Standards (IFRS). Accordingly these financial statements are not intended to be a presentation in conformity with the accounting standards generally accepted in the Kingdom of Saudi Arabia, as issued by the Saudi Organization for Certified Public Accountants (SOCPA).

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations. The physical custody of all assets related to the Insurance Operations and Shareholders' Operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of other revenue and expenses from joint operations is determined by the management and Board of Directors.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**31 DECEMBER 2013**

### **3 BASIS OF PREPARATION (continued)**

#### **Functional and presentational currency**

The functional and presentational currency of the Company is Saudi Riyal.

### **4 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amendment to IFRS effective for the annual period beginning of 1 January 2013:

The nature and the impact of each new standard/amendment is summarized as follows:

#### **IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1**

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment neither affected the presentation nor impacted the Company's financial position or performance.

#### **IAS 1 Clarification of the requirement for comparative information (Amendment)**

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under IAS 34, the minimum items required for interim condensed financial statements do not include a third balance sheet.

#### **IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7**

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**31 DECEMBER 2013**

#### **4 NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS (continued)**

##### **IFRS 13 Fair Value Measurement**

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed financial statements period. The Company provides these disclosures in Note 24.

In addition to the above-mentioned amendments and new standards, IFRS 1 First-time Adoption of International Financial Reporting Standards was amended with effect for reporting periods starting on or after 1 January 2013. The Company is not a first-time adopter of IFRS, therefore, this amendment is not relevant to the Company. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### **5 STANDARD AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE**

The Company has chosen not to early adopt IFRS 9 (2010) – Financial instruments, and the amendment to IAS 32 - Financial instruments: Presentation on offsetting financial assets and financial liabilities, which will not be effective until January 1, 2015 and January 1, 2014, respectively.

#### **6 SIGNIFICANT ACCOUNTING POLICIES**

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

##### **Product classification**

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event.

##### **Gross premiums**

Gross written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written. Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

##### **Reinsurance premiums**

Gross reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incept. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**31 DECEMBER 2013**

## **6 SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Premiums earned and commission income**

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

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

- Last three months premium for marine cargo business
- Actual number of days for other lines of business

### **Premiums receivable**

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

Any difference between the provisions at the end of financial reporting period and settlements and provisions in the following period is included in the general and administration expenses for that period.

### **Gross outstanding claims**

Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to statement of insurance operations. Gross outstanding claims comprise gross estimated cost of claims incurred but not settled at the reporting date, whether reported or not. Provisions for reported claims not paid as of the financial reporting date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported as of financial reporting date. The ultimate liability may be in excess of or less than the amount provided.

Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the statement of insurance operations for that year. The Company does not discount its liabilities for unpaid claims as substantially all claims are expected to be paid within one year of the financial reporting date.

### **Liability adequacy test**

At the end of each reporting period, a liability adequacy test is performed to ensure the adequacy of the insurance contracts liabilities net of related deferred policy acquisition cost using current estimates of future cash flows under insurance contracts. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to the statement of insurance operations initially by writing off related deferred policy acquisition costs and subsequently by establishing a provision for losses arising from liability adequacy tests.

### **Reinsurance**

Reinsurance contracts are contracts entered into by the Company with reinsurers during the normal course of business under which the Company is compensated for losses on insurance contracts issued.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers on settlement of claims and other receivables such as profit commissions and reinsurers' share of outstanding claims that are dependent on the expected claims and benefits arising under the related reinsured insurance contract. Amounts recoverable from or due to reinsurers are recognised consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract.

At each financial reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**31 DECEMBER 2013**

## **6 SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Reinsurance (continued)**

Where the carrying amount of a reinsurance asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment is recognised in the statement of insurance operations.

### **Expense Recognition**

Expenses are recognized in statements of insurance operations and shareholders' comprehensive operations when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in statements of insurance operations and shareholders' comprehensive operations on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over the accounting period. Expenses in the statements of insurance operations and shareholders' comprehensive operations are presented using the nature of expense method.

### **Deferred policy acquisition costs**

Commissions and other costs directly and indirectly related to the acquisition and renewal of insurance contracts are deferred and amortised over the terms of the insurance contracts to which they relate as premiums are earned. Amortisation is recorded in the statement of insurance operations.

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

An impairment review is performed at each financial reporting date or more frequently when an indication of impairment arises. When the recoverable amounts are less than the carrying value, an impairment loss is recognised in the statement of insurance operations. Deferred policy acquisition cost is also considered in the liability adequacy test for each financial reporting period.

### **Unearned commission income**

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

### **Prepayments**

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to statements of insurance operations and shareholders' comprehensive operations as they are consumed or expire with the passage of time.

### **Property and equipment**

Property and equipment are measured at cost less accumulated depreciation. Depreciation is charged to the statement of insurance operations on a straight line basis over the estimated useful lives of the assets.

### **Zakat**

In accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"), the Company is subject to zakat attributable to the Saudi shareholder. Provisions for zakat charged to shareholders' accounts of the Saudi shareholders. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

### **Provisions**

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably.

## 6 SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leases

Operating lease payments are recognised as an expense in the statements of insurance operations and shareholders' comprehensive operations on a straight-line basis over the lease term except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### Employees' end - of - service benefits

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

### Cash and cash equivalents

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

### Time Deposits

Time deposits comprise of time deposits at banks with original maturity of less than one year at the date of acquisition.

### Special commission income on time deposits

Special commission income on time deposits is accrued on an effective yield basis.

### Segment reporting

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

- Medical provides health care cover to policyholders.
- Motor Insurance provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Fire and burglary provides coverage against fire, and any other insurance included under this class of insurance.
- Marine Insurance provides cover for Marine Cargo in transit and ships against marine perils.
- Engineering Insurance provides coverage for loss or damage to construction works or erection and installation of plant & machinery.
- Public liability provides cover for legal liability of the insured against third parties arising out of premises, business operations or projects handled.
- Shareholders' Funds is a non-operating segment. Income earned from time deposits is its only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The deficit or surplus from the insurance operations' is allocated to this segment on an appropriate basis.
- General accident provides coverage against accidental death to individual and group of parties under Personal Accident Insurance.
- Others provides coverage for workmen compensation

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**31 DECEMBER 2013**

## **6 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

### **Foreign currencies**

Transactions in foreign currencies are recorded at the exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the financial reporting date are retranslated at the rates of exchange prevailing at that date. All differences are taken to the statement of insurance operations.

### **Financial Assets**

#### **Initial recognition**

Financial assets are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of the Company's financial assets.

#### **Classification and Subsequent Measurement**

Financial assets are classified into the following specified categories: available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

a. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables market. After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment and are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

b. Available for Sale financial assets ("AFS") are non-derivative financial assets that are not classified as loans and receivables, Held to maturity investments or financial assets at Fair value through Profit or loss. Changes in the carrying amount of the AFS financial asset are recognized in other comprehensive income in the shareholders' comprehensive operations. AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**31 DECEMBER 2013**

## **6 SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Financial Liabilities**

#### **Initial recognition**

Financial liabilities are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of the Company's financial liabilities.

#### **Classification and Subsequent Measurement**

Since the Company does not have financial liabilities classified at Fair value through Profit or loss, all financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

#### **Derecognition of financial instruments**

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

#### **Offsetting**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the statement of insurance operations or statement of shareholders' comprehensive operations unless required or permitted by an accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

#### **Fair values**

The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the financial reporting date. If quoted market prices are not available, reference is made to broker or dealer price quotations.

For financial assets where there is not an active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same and/or discounted cash flow analysis. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for similar assets.

#### **Impairment and uncollectibility of financial assets**

An assessment is made at each financial reporting date to determine whether there is objective evidence that a specific financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the statements of insurance operations and shareholders' comprehensive operations.

When a financial asset is uncollectible, it is written off against the related provision for impairment. Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted, and the amount of the loss has been determined.

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## **6 SIGNIFICANT ACCOUNTING POLICIES (continued)**

Impairment is determined as follows:

- a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statements of insurance operations and shareholders' comprehensive operations;
- b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
- c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

### **Accrued expenses and other liabilities**

Accrued expenses and other liabilities are recognised for amounts to be paid in the future for goods and services, whether billed by the supplier or not.

### **Statutory reserve**

In accordance with its by-laws, the Company shall allocate 20% of its net income each year to a statutory reserve until it has built up a reserve equal to the share capital. Due to accumulated losses, no such transfer has been made for the year ended December 31, 2013.

## **7 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS**

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### **Ultimate liability arising from claims made under insurance contracts**

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported is an estimation of claims which are expected to be reported subsequent to the end of the financial reporting period, for which the insured event has occurred prior to the end of financial reporting period.

### **Impairment losses on receivables**

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

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**31 DECEMBER 2013**

## **7 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)**

### **Deferred policy acquisition costs**

Certain acquisition costs related to sale of policies are recorded as deferred acquisition costs and are amortised over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realised, the amortisation of these costs could be accelerated and this may also require additional impairment.

### **Going concern**

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Additionally, the management is not aware of any material uncertainties that, may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

## **8 PROPERTY AND EQUIPMENT, NET**

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Leasehold improvements	3 years
Furniture and fittings	10 years
Computer and office equipment	3- 5 years
Vehicles	3 years

	Leasehold improvements SR	Furniture and fittings SR	Computer and office equipment SR	Vehicles SR	Total SR
Cost:					
1 January 2012	4,992,923	1,952,238	7,028,079	21,719	13,994,959
Additions	171,635	10,458	3,490,561	89,500	3,762,154
31 December 2012	5,164,558	1,962,696	10,518,640	111,219	17,757,113
Additions	1,585,869	12,781	3,235,632	432,000	5,266,282
31 December 2013	6,750,427	1,975,477	13,754,272	543,219	23,023,395
Accumulated depreciation:					
1 January 2012	2,736,882	651,012	3,360,121	4,562	6,752,577
Charge for the year	1,066,128	195,878	2,489,094	24,646	3,775,746
31 December 2012	3,803,010	846,890	5,849,215	29,208	10,528,323
Charge for the year	1,341,213	196,315	3,015,276	150,680	4,703,484
31 December 2013	5,144,223	1,043,205	8,864,491	179,888	15,231,807
Net book value:					
31 December 2013	1,606,204	932,272	4,889,781	363,331	7,791,588
31 December 2012	1,361,548	1,115,806	4,669,425	82,011	7,228,790

The depreciation charge for the year has been included in general and administration expenses (Note 22).

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## 9 MOVEMENT IN OUTSTANDING CLAIMS, UNEARNED PREMIUMS, UNEARNED COMMISSION INCOME AND DEFERRED POLICY ACQUISITION COSTS

### (a) Outstanding claims

	2013			2012		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	SR	SR	SR	SR	SR	SR
Outstanding at end of the year	352,826,410	(265,096,871)	87,729,539	312,453,402	(256,766,443)	55,686,959
IBNR and other reserves	45,000,253	-	45,000,253	24,178,591	-	24,178,591
	397,826,663	(265,096,871)	132,729,792	336,631,993	(256,766,443)	79,865,550
Insurance claims paid during the year	397,463,757	(138,620,628)	258,843,129	280,832,963	(77,502,803)	203,330,160
Outstanding at beginning of the year	(312,453,402)	256,766,443	(55,686,959)	(204,624,401)	153,104,202	(51,520,199)
IBNR and other reserves	(24,178,591)	-	(24,178,591)	(25,416,733)	-	(25,416,733)
	(336,631,993)	256,766,443	(79,865,550)	(230,041,134)	153,104,202	(76,936,932)
Net claims incurred	458,658,427	(146,951,056)	311,707,371	387,423,822	(181,165,044)	206,258,778

### (b) Unearned premiums

	2013			2012		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	SR	SR	SR	SR	SR	SR
Unearned premiums at beginning of the year	221,951,363	(93,068,705)	128,882,658	210,817,410	(100,712,005)	110,105,405
Premiums written during the year	623,949,964	(230,767,702)	393,182,262	567,917,057	(254,549,760)	313,367,297
Premiums earned during the year	(626,425,619)	256,751,326	(369,674,293)	(556,783,104)	262,193,060	(294,590,044)
Unearned premiums at end of the year	219,475,708	(67,085,081)	152,390,627	221,951,363	(93,068,705)	128,882,658

### (c) Unearned commission income

	2013 SR	2012 SR
Unearned commission income at beginning of the year	19,728,071	18,724,964
Commission received during the year	52,926,575	58,793,490
Commission earned during the year	(54,493,329)	(57,790,383)
Unearned commission income at end of the year	18,161,317	19,728,071

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**9 MOVEMENT IN OUTSTANDING CLAIMS, UNEARNED PREMIUMS, UNEARNED COMMISSION INCOME AND DEFERRED POLICY ACQUISITION COSTS (continued)**

(d) Deferred policy acquisition costs

	2013 SR	2012 SR
Deferred policy acquisition costs at beginning of the year	22,169,402	23,348,928
Incurred during the year	53,873,941	55,122,817
Amortised during the year	(54,553,992)	(56,302,343)
Deferred policy acquisition costs at end of the year	21,489,351	22,169,402

**10 PREMIUMS AND INSURANCE BALANCES RECEIVABLE**

	2013 SR	2012 SR
Premiums receivables	114,900,530	106,025,739
Reinsurers and others	7,500,892	5,189,303
Total premiums and insurance balances receivable	122,401,422	111,215,042
Provision for doubtful receivables	(14,919,376)	(17,462,377)
	107,482,046	93,752,665

The Company's terms of business require amounts to be settled within 30 to 90 days from the date of the transaction. Amounts due from reinsurers are normally settled on a quarterly basis.

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

	Total	Less than 30 days	31 to 60 days	61 to 90 days	91 to 180 Days	181 to 365 Days	Above 365 days
	SR	SR	SR	SR	SR	SR	SR
2013	122,401,422	22,776,565	15,909,286	15,655,316	34,752,214	23,344,966	9,963,075
2012	111,215,042	19,966,011	12,847,810	13,970,817	33,367,799	21,453,180	9,609,425

The Company classifies client balances as 'past due and impaired' on a case by case basis. An impairment adjustment is recorded in the statement of insurance operations. It is not the practice of the Company to obtain collateral over receivables and they are, therefore, unsecured. The credit quality of these financial assets that are neither past due nor impaired can be assessed by reference to policyholders with appropriate and strong credit history, with minimal account defaults and where the receivables are fully recovered in the past.

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**10 PREMIUMS AND INSURANCE BALANCES RECEIVABLE (continued)**

The movement in the provision for doubtful receivables is as follows:

	2013 SR	2012 SR
Beginning balance	17,462,377	13,775,110
(Reversal)/ provision made during the year	(2,543,001)	3,687,267
Ending balance	14,919,376	17,462,377

**11 AVAILABLE FOR SALE INVESTMENT**

Available for sale investment comprises of SR 1,923,080 in respect of the Company's share in the capital of Najm for Insurance Services Company ("Najm") which represents a 3.85 % equity holding in Najm. In assessing the relationship of unobservable inputs to fair value, management considered the Company's long-term revenue growth rates. At December 31, 2013, management believes that the carrying amount of the available for sale investment approximates its fair value. See also Note 24.

**12 PREPAYMENTS AND OTHER ASSETS**

	2013		2012	
	Insurance Operations	Shareholders' Operations	Insurance Operations	Shareholders' Operations
	SR	SR	SR	SR
Prepaid excess of loss premium	1,639,094	-	3,388,555	-
Advances to suppliers	1,320,469	-	-	-
Advance for computer implementation	1,112,909	-	438,560	-
Employee receivables	1,030,125	-	307,392	-
Prepaid insurance	976,397	-	821,580	-
Guarantee deposits	969,672	-	1,232,381	-
Prepaid rent	362,111	-	587,597	-
Accrued special commission income	166,761	865,594	419,338	838,381
Excess of loss recovery receivable	-	-	1,105,613	-
Others	30,471	377,500	188,529	377,500
	7,608,009	1,243,094	8,489,545	1,215,881

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### 13 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, key management personnel of the Company, and companies where they are principal owners and other entities significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management.

#### a) Transactions with related parties

The following are the details of major related parties transactions during the year:

Related parties	Nature of transactions	2013 SR	2012 SR
Saudi Arabian Insurance Company B.S.C (C) (Shareholder)	Amounts (paid) / received and paid on behalf of SAICO BSC (C) for insurance operations	(59,163,314)	4,494,988
ACE Insurance Agents Limited ("Agent") (Affiliate)	Premiums received through Agent	23,443,797	33,438,696
	Claims paid through Agent	186,397	31,426,660
	Commission expense-	3,267,450	4,551,813
ACE Limited (Affiliate)	Premiums and claims, net	547,350	1,799,422
ACE Insurance and Reinsurance			
Brokers Limited			
("Broker") (Affiliate)	Premiums received through brokers, net	69,505,163	154,628,028
	Commission expense	12,482,313	22,347,752
	Premiums ceded through Broker	74,691,683	32,280,724
	Commission received	5,337,495	8,231,939

#### b) Balances with related parties

The above transactions with the related parties resulted in the following related party balance as at the statement of financial position date:

		2013 SR	2012 SR
Due from related parties:	Insurance operations	4,385,795	63,549,109
Saudi Arabian Insurance Company B.S.C (C) (SAICO BSC (C)) (Shareholder)			
ACE Insurance and Reinsurance Brokers Limited ("Broker") (Affiliate)	Insurance operations	40,358,517	45,264,689
ACE Insurance Agents limited ("Agent") (Affiliate)	Insurance operations	7,058,900	8,604,264
		51,803,212	117,418,062
Due to a related party:			
ACE Limited (Affiliate)	Insurance operations	-	(331,890)

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**13 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

Outstanding balances at the financial reporting date are unsecured and special commission rate free. Settlement will take place in cash. No provision for impairment of related party balances was made at the financial reporting date.

This assessment is undertaken at the financial reporting date through examining the financial position of the related party and the market in which the related party operates.

**c) Compensation of key management personnel**

Key management personnel of the Company include all directors (executive and non-executive) and senior management. The summary of compensation of key management personnel for the year is as follows:

	2013 SR	2012 SR
Short-term benefits	4,959,518	4,913,426
Bonus	420,750	-
Employees' end-of-service benefits	252,031	182,698
	5,632,299	5,096,124

**14 TIME DEPOSITS**

Time deposits represent deposits with local banks which have good investment grade credit ratings and have an original maturity of more than three months from date of acquisition. The Company earns commission at an effective commission rate of 1.05 % per annum (31 December 2012: 0.90 % per annum).

**15 CASH AND CASH EQUIVALENTS**

	2013		2012	
	Insurance operations'	Shareholders' operations	Insurance operations'	Shareholders' operations
	SR	SR	SR	SR
Short term deposits	40,000,000	19,392,197	-	-
Cash at banks	55,712,170	1,121,151	42,338,837	532,174
Cash on hand	32,300	-	32,000	-
	95,744,470	20,513,348	42,370,837	532,174

Cash at banks are placed with counterparties who have investment grade credit ratings. The short-term deposits, which are denominated in Saudi Riyals, are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company and earn commission at an effective commission rate of 0.82% per annum (31 December 2012: 0.11% per annum)

The Company holds an amount of SR 1,485,227 (31 December 2012 – SR 3,140,140) in a fiduciary capacity, in respect of claims to be settled for a third party insurer. Accordingly, such amount is not accounted for in these financial statements.

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## 16 STATUTORY DEPOSIT

Statutory deposit represents 10% of the paid up capital which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. This statutory deposit cannot be withdrawn without the consent of SAMA. This statutory deposit is placed with a counterparty which has an investment grade credit rating.

## 17 CLAIMS DEVELOPMENT TABLE

The following table shows the estimates of cumulative incurred claims, including both claims notified and incurred but not reported for each successive accident year at each financial reporting date, together with cumulative payments to date.

Gross insurance contract outstanding claims provision (without IBNR and other reserves) for 2013:

Accident year	2009	2010	2011	2012	2013	
At end of accident year	2,926,659	289,459,675	381,035,209	346,192,089	358,966,669	
One year later	4,368,043	267,450,397	414,494,773	415,892,377	-	
Two years later	3,990,444	273,056,039	411,335,528	-	-	
Three years later	6,760,694	286,031,791	-	-	-	
Four years later	6,748,414	-	-	-	-	Total
Current estimate of cumulative claims incurred	6,748,414	286,031,791	411,335,528	415,892,377	358,966,669	1,478,974,779
Cumulative payments to date	(591,339)	(103,025,228)	(344,235,082)	(280,832,964)	(397,463,756)	(1,126,148,369)
Total gross insurance outstanding claims provision per the statement of financial position	6,157,075	183,006,563	67,100,446	135,059,413	(38,497,087)	352,826,410

Gross insurance contract outstanding claims provision (without IBNR and other reserves) for 2012:

Accident year	2009	2010	2011	2012	
At end of accident year	2,926,659	289,459,675	381,035,209	346,192,089	
One year later	4,368,043	267,450,397	414,494,773	-	
Two years later	3,990,444	273,056,039	-	-	
Three years later	6,760,694	-	-	-	Total
Current estimate of cumulative claims incurred	6,760,694	273,056,039	414,494,773	346,192,089	1,040,503,595
Cumulative payments to date	(591,339)	(103,025,228)	(344,235,082)	(280,198,544)	(728,050,193)
Total gross insurance outstanding claims provision per the statement of financial position	6,169,355	170,030,811	70,259,691	65,993,545	312,453,402

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## 18 REINSURANCE BALANCES PAYABLE

	2013 SR	2012 SR
Insurance underwriters	37,921,002	65,895,014
Premiums payable	-	808,138
	37,921,002	66,703,152

## 19 ACCRUED EXPENSES AND OTHER LIABILITIES

	2013 SR	2012 SR
Commission payable	13,486,189	13,264,198
Policyholders' payable balances	7,398,862	7,888,639
Employees' benefits	2,564,775	1,918,099
Council for Cooperative Health Insurance fees ("CCHI")	2,499,785	2,500,560
Claims agreed for settlement	2,229,693	2,364,914
Garages payable	1,266,010	798,740
SAMA inspection & supervision fees	560,576	556,185
Surveyors payable	421,103	54,755
Accrued professional fees	412,999	200,000
Withholding tax payable	394,107	207,473
Others	3,580,696	3,774,855
	34,814,795	33,528,418

## 20 PROVISION FOR ZAKAT

The provision for the year of SR 1,169,784 (2012: SR 2,173,351) is based on the following:

	2013 SR	2012 SR
Shareholders' equity and opening provisions	101,989,473	82,646,482
Book value of long term assets and statutory deposit	(17,791,588)	(17,228,789)
	84,197,885	65,417,693
Adjusted (loss) / income for the year	(27,406,538)	21,516,342
Zakat base	56,791,347	86,934,035

The movement in the provision for zakat during the year follows:

	2013 SR	2012 SR
Beginning balance	2,396,433	1,919,551
Provision made during the year	1,169,784	2,173,351
Payments during the year	(2,139,266)	(1,696,469)
Ending balance	1,426,951	2,396,433

The differences between the financial and zakatable results are mainly due to provisions which are not allowed in the calculation of zakatable income / (loss).

### Status of assessments

The Company obtained from DZIT the final assessment for the year ended 31 December 2008 with no additional zakat liability. The Company has filed its zakat declaration for the years ended 31 December 2009, 2010, 2011 and 2012 with the DZIT. However, the assessments have not yet been finalized and are under review by DZIT.

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## 21 SHARE CAPITAL

The authorised, issued and paid up share capital of the Company is SR 100 million divided into 10 million shares of SR 10 each (31 December 2012: SR 100 million divided into 10 million shares of SR 10 each). The founding shareholders of the Company have subscribed and paid for 6 million shares with a nominal value of SR 10 each, which represents 60% of the shares of the Company's capital and the remaining 4 million shares with a nominal value of SR 10 each have been subscribed by the public.

## 22 GENERAL AND ADMINISTRATION EXPENSES

	2013		2012	
	Insurance operations'	Shareholders' operations	Insurance operations'	Shareholders' operations
	SR	SR	SR	SR
Employees cost	43,830,556	-	35,917,513	-
Withholding tax	5,822,858	-	1,952,930	-
Depreciation (Note 8)	4,703,484	-	3,775,746	-
Rent (Note 25)	2,282,362	-	1,812,245	-
Computer implementation	1,849,852	-	1,665,713	-
Postage, telephone and telex	1,290,751	-	1,209,741	-
Legal and professional fees	1,193,821	-	1,439,552	-
Printing and stationery	876,505	-	725,466	-
Repairs and maintenance	679,809	-	689,512	-
Travel	410,912	-	564,830	-
Collector fees	290,958	-	120,026	-
Tadawul subscription fee	-	180,000	-	180,000
Others	4,555,281	261,828	2,654,032	876,706
	67,787,149	441,828	52,527,306	1,056,706

## 23 SEGMENT INFORMATION

Consistent with the Company's internal reporting process, operating segments have been approved by Management in respect of the Company's activities, assets and liabilities.

Segment results do not include general and administration expenses, provision for doubtful receivables, inspection and supervision fees and other income.

Segment assets do not include insurance operations' property and equipment, prepayments and other assets, due from related parties, premiums and insurance balances receivable, due from shareholders' operations, time deposits and cash and cash equivalents. Accordingly, they are included in unallocated assets.

Segment liabilities do not include due to shareholders' operations, due to related parties, employees' end of service benefits, reinsurance balances payable and accrued expenses and other liabilities. Accordingly, they are included in unallocated liabilities.

All the Company's operating assets and principal activities are located in the Kingdom of Saudi Arabia.

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**23 SEGMENT INFORMATION (continued)**

For the year ended 31 December 2013

REVENUE	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Gross written premiums	249,979	123,208	119,130	29,378	38,366	13,648	35,832	14,409	623,950
Reinsurance premiums ceded	(3,942)	(575)	(112,693)	(26,553)	(36,140)	(7,920)	(33,630)	(9,315)	(230,768)
Excess of loss premiums	(10,589)	(2,660)	(1,833)	(753)	(806)	(128)	-	(78)	(16,847)
Net written premiums	235,448	119,973	4,604	2,072	1,420	5,600	2,202	5,016	376,335
Movement in unearned premiums	(18,404)	(6,878)	822	289	(658)	1,032	(128)	417	(23,508)
Net earned premiums	217,044	113,095	5,426	2,361	762	6,632	2,074	5,433	352,827
Commission income	7,473	192	17,140	9,839	8,586	985	6,222	4,056	54,493
Total allocated revenue	224,517	113,287	22,566	12,200	9,348	7,617	8,296	9,489	407,320
Unallocated revenue									3,458
Total revenue									410,778
COSTS AND EXPENSES									
Gross claims paid	192,452	84,018	92,656	6,136	10,409	14	9,671	2,108	397,464
Reinsurers' share of claims paid	(27,658)	243	(85,235)	(5,393)	(9,706)	28	(9,286)	(1,614)	(138,621)
Net claims paid	164,794	84,261	7,421	743	703	42	385	494	258,843
Movement in outstanding claims, net	53,597	(2,431)	819	(346)	311	(430)	1,141	203	52,864
Net claims incurred	218,391	81,830	8,240	397	1,014	(388)	1,526	697	311,707
Policy acquisition costs	15,674	15,773	11,334	3,762	3,704	1,141	1,205	1,961	54,554
Total allocated costs and expenses	234,065	97,603	19,574	4,159	4,718	753	2,731	2,658	366,261
Unallocated expenses									70,477
Total costs and expenses									436,738
Net deficit from insurance operations									(25,960)

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**31 DECEMBER 2013**

**23 SEGMENT INFORMATION (continued)**

REVENUE	For the year ended 31 December 2012								
	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Gross written premiums	250,056	104,694	76,289	37,440	46,177	10,307	28,966	13,988	567,917
Reinsurance premium ceded	(65,892)	(753)	(68,855)	(33,658)	(43,837)	(5,702)	(26,755)	(9,098)	(254,550)
Excess of loss premiums	(6,010)	(2,183)	(3,007)	(793)	(678)	(107)	-	(73)	(12,851)
Net written premiums	178,154	101,758	4,427	2,989	1,662	4,498	2,211	4,817	300,516
Movement in unearned premiums	(24,726)	5,294	314	(113)	(668)	1,437	(200)	(115)	(18,777)
Net premiums earned	153,428	107,052	4,741	2,876	994	5,935	2,011	4,702	281,739
Commission income	3,243	198	19,893	12,761	10,669	1,391	6,428	3,207	57,790
Total allocated revenue	156,671	107,250	24,634	15,637	11,663	7,326	8,439	7,909	339,529
Unallocated revenue									3,473
Total revenue									343,002
COSTS AND EXPENSES									
Gross claims paid	128,284	76,567	20,544	5,244	4,891	242	11,793	33,268	280,833
Reinsurers' share of claims paid	(5,391)	(1,456)	(17,672)	(4,618)	(4,510)	(41)	(11,518)	(32,297)	(77,503)
Net claims paid	122,893	75,111	2,872	626	381	201	275	971	203,330
Movement in outstanding claims	809	(3,138)	3,995	1,701	194	(360)	213	(485)	2,929
Net claims incurred	123,702	71,973	6,867	2,327	575	(159)	488	486	206,259
Policy acquisition costs	10,245	15,871	13,074	4,549	4,770	1,613	1,262	4,918	56,302
Total allocated costs and expenses	133,947	87,844	19,941	6,876	5,345	1,454	1,750	5,404	262,561
Unallocated expenses									61,436
Total costs and expenses									323,997
Net surplus from insurance operations									19,005

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**31 DECEMBER 2013**

**23 SEGMENT INFORMATION (continued)**

As at 31 December 2013

	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
<b>ASSETS</b>									
Reinsurers' share of outstanding claims	1,766	2,900	120,248	20,861	36,293	845	80,922	1,262	265,097
Reinsurers' share of unearned premiums	-	164	14,010	7,410	32,894	2,811	8,830	966	67,085
Deferred policy acquisition costs	5,966	6,055	2,155	861	4,636	1,231	246	339	21,489
<b>SEGMENT ASSETS</b>	<b>7,732</b>	<b>9,119</b>	<b>136,413</b>	<b>29,132</b>	<b>73,823</b>	<b>4,887</b>	<b>89,998</b>	<b>2,567</b>	<b>353,671</b>
Unallocated assets									363,185
<b>TOTAL ASSETS</b>									<b>716,856</b>
<b>LIABILITIES</b>									
Gross outstanding claims	93,227	27,393	130,129	23,496	37,656	1,058	82,727	2,141	397,827
Gross unearned premium	97,124	46,609	15,546	8,075	34,815	5,583	9,543	2,181	219,476
Unearned commission income	-	46	3,277	1,904	8,772	1,252	2,433	477	18,161
<b>SEGMENT LIABILITIES</b>	<b>190,351</b>	<b>74,048</b>	<b>148,952</b>	<b>33,475</b>	<b>81,243</b>	<b>7,893</b>	<b>94,703</b>	<b>4,799</b>	<b>635,464</b>
Unallocated liabilities									81,392
<b>TOTAL LIABILITIES</b>									<b>716,856</b>

Unallocated assets at 31 December 2013 consists mainly of premiums and insurance receivables of SR 107.5 million, due from related parties of SR 51.8 million, cash and cash equivalents of SR 95.7 million and other assets of SR 108.2 million.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**31 DECEMBER 2013**

**23 SEGMENT INFORMATION (continued)**

As at 31 December 2012

	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
<b>ASSETS</b>									
Reinsurers' share of outstanding claims	6,229	1,897	126,995	15,896	23,769	1,018	79,157	1,805	256,766
Reinsurers' share of unearned premiums	22,642	261	19,749	10,123	28,316	2,191	8,581	1,206	93,069
Deferred policy acquisition costs	7,485	5,326	3,060	1,209	3,483	952	284	370	22,169
<b>SEGMENT ASSETS</b>	<b>36,356</b>	<b>7,484</b>	<b>149,804</b>	<b>27,228</b>	<b>55,568</b>	<b>4,161</b>	<b>88,022</b>	<b>3,381</b>	<b>372,004</b>
Unallocated assets									319,518
<b>TOTAL ASSETS</b>									<b>691,522</b>
<b>LIABILITIES</b>									
Gross outstanding claims	44,094	28,822	136,056	18,857	24,829	1,661	79,832	2,481	336,632
Gross unearned premiums	101,362	39,827	22,108	11,077	29,578	5,996	9,167	2,836	221,951
Unearned commission income	1,694	74	4,791	3,150	6,853	395	2,372	399	19,728
<b>SEGMENT LIABILITIES</b>	<b>147,150</b>	<b>68,723</b>	<b>162,955</b>	<b>33,084</b>	<b>61,260</b>	<b>8,052</b>	<b>91,371</b>	<b>5,716</b>	<b>578,311</b>
Unallocated liabilities									113,211
<b>TOTAL LIABILITIES</b>									<b>691,522</b>

Unallocated assets at 31 December 2012 consists mainly of premiums and insurance receivables of SR 93.8 million, due from related parties of SR 117.4 million, cash and cash equivalents of SR 42.4 million and other assets of SR 65.9 million.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**31 DECEMBER 2013**

## **24 RISK MANAGEMENT**

The risks faced by the Company and the way these risks are mitigated by management are summarised below:

### **Risk Governance**

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organisational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and strategic plan approved by the Board of Directors. The Company is exposed to insurance, reinsurance, special commission rate, credit, and liquidity and currency risks.

### **Risk management structure**

A cohesive organisational structure is established within the Company in order to identify, assess, monitor and control risks.

### **Board of directors**

The apex of risk governance is the centralised oversight of the Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

### **Senior management**

Senior management is responsible for the day to day operations towards achieving the strategic goals within the Company's pre-defined risk appetite.

#### **a) Insurance risk**

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed expectations. This could occur because the frequency or amounts of claims are more than expected. Insurance risk is monitored regularly by the Company to make sure the levels are within the projected frequency bands. The Company underwrites mainly medical, motor, fire and burglary, marine, engineering and public liability risks.

The Company issues short term insurance policies in connection with medical, motor, fire and burglary, marine, engineering and public liability risks and they are expected to produce only short tail claims, therefore it is unlikely to have significant reserve movements. This helps to mitigate insurance risk. The insurance risks arising from the above insurance contracts are mainly concentrated in the Kingdom of Saudi Arabia.

### **Frequency and amounts of claims**

The frequency and amounts of claims can be affected by several factors. The Company underwrites medical, motor, fire and burglary, marine, engineering and public liability risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

### **Medical**

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risks and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular view of actual claims experience and product pricing, as well as detailed claims handling procedures. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company. The Company has reinsurance cover to limit the losses for any individual claim.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**31 DECEMBER 2013**

## **24 RISK MANAGEMENT (continued)**

### **a) Insurance risk (continued)**

#### **Motor**

For motor contracts, the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The Company only underwrites comprehensive policies for owner/drivers over 21 years of age.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims. The Company also has risk management procedures to control cost of claims. The Company has reinsurance cover for such damage to limit the losses for any individual claim.

#### **Fire and burglary**

For property insurance contracts the main risk is fire. The Company only underwrites policies for properties containing fire detection equipment.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has reinsurance cover for such damage to limit losses for any individual claim.

#### **Marine**

For marine insurance, the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of cargo, vessels and shipping routes covered. The Company has reinsurance cover to limit losses for any individual claim.

#### **Engineering**

For engineering insurance, main risks are loss or damage to the construction/erection works caused by fire, explosion, natural perils like flood, earthquake, hailstorm, etc. The Company has reinsurance cover for such risks to limit losses for any individual claim.

#### **Public liability**

For public liability insurance, main risks are legal liabilities of the insured towards third party death, bodily injury or property damage arising out of insured premises, business operations or projects handled by the insured.

This insurance policy is underwritten based on the turnover of the Company or the value of the contract, nature / occupation of the premises, nature of contracts handled. The Company has reinsurance cover to limit the losses for any individual claim.

#### **Sensitivity analysis**

The general insurance claims provision is sensitive to the above key assumptions. A hypothetical 5% change in the claims ratio would impact (loss) / income for the year by approximately SR 17,641,341 (31 December 2012: SR 14,086,937) in aggregate.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**31 DECEMBER 2013**

## **24 RISK MANAGEMENT (continued)**

### **b) Reinsurance risk**

In order to minimise its financial exposure to potential losses arising from large claims, the Company enters into agreements with other parties for reinsurance purpose. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess-of-loss reinsurance contracts.

In line with the objective to provide first-class security to clients and continued profitability to shareholders, the Company adopts a conservative philosophy on underwriting of risks and in arranging its reinsurance programs.

### **c) Special commission rate risk**

Special commission rate risk arises from the possibility that changes in special commission rates will affect future profitability or the fair values of financial instruments. The Company is exposed to special commission rate risk on its time deposits and cash and cash equivalents.

The sensitivity of the income is the effect of assumed changes in special commission rates, with all other variables held constant, on the Company's profit for one year, based on the floating rate financial assets held at 31 December 2013. A hypothetical 10 basis points change in the weighted average special commission rates of the floating rate financial assets balances at 31 December 2013 would impact special commission income on time deposits by approximately SR 12,911 (31 December 2012: SR 18,992) over the remaining period of maturity.

### **d) Credit risk**

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

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

- To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers. Accordingly, as a pre-requisite, the parties with whom reinsurance is effected are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.
- Cash and cash equivalents are maintained with local banks approved by the management. Accordingly, as a pre-requisite, the bank with whom cash and cash equivalents are maintained is required to have a minimum acceptable security rating level affirming its financial strength.

The Company does not have an internal credit ratings assessment process and accordingly, amounts which are neither past due nor impaired, in respect of client balances, are from individuals and unrated corporate counter parties. Balances due from reinsurers are with counterparties who have investment grade credit ratings issued by external rating agencies.

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

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**31 DECEMBER 2013**

**24 RISK MANAGEMENT (continued)**

	31 December 2013		31 December 2012	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
	SR	SR	SR	SR
FINANCIAL ASSETS				
Reinsurers' share of outstanding claims	265,096,871	-	256,766,443	-
Premiums and insurance balances receivable	107,482,046	-	93,752,665	-
Due from related parties	51,803,212	-	117,418,062	-
Time deposits	82,000,000	31,100,000	50,257,231	66,132,644
Cash equivalents	95,712,170	20,513,348	42,338,837	532,174
Available for sale investment	1,923,080	-	-	-
Statutory deposit	-	10,000,000	-	10,000,000
Other assets	2,456,902	-	2,757,332	-
	606,474,281	61,613,348	563,290,570	76,664,818

**e) Liquidity risk**

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

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

**Maturity Profiles**

The table below summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining contractual obligations. For insurance contract liabilities maturity profiles are determined based on the estimated timing of net cash outflows from the recognised insurance liabilities. The amount disclosed are the contractual undiscounted cash flows which equal their carrying balances as the impact of discounting is not significant.

	31 December 2013					
	Insurance operations			Shareholders' operations		
	Less than one year SR	No term SR	Total SR	Less than one year SR	No term SR	Total SR
FINANCIAL ASSETS						
Reinsurers' share of outstanding claims	265,096,871	-	265,096,871	-	-	-
Premiums and insurance balances receivable	107,482,046	-	107,482,046	-	-	-
Other assets	2,456,902	-	2,456,902	1,243,094	-	1,243,094
Due from related parties	51,803,212	-	51,803,212	-	-	-
Statutory deposit	-	-	-	-	10,000,000	10,000,000
Time deposits	82,000,000	-	82,000,000	31,100,000	-	31,100,000
Cash equivalents	95,712,170	-	95,712,170	20,513,348	-	20,513,348
Available for sale investment	-	1,923,080	1,923,080	-	-	-
TOTAL	604,551,201	1,923,080	606,474,281	52,856,442	10,000,000	62,856,442

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**31 DECEMBER 2013**

**24 RISK MANAGEMENT (continued)**

	31 December 2013					
	Insurance operations			Shareholders' operations		
	Less than one year SR	No term SR	Total SR	Less than one year SR	No term SR	Total SR
FINANCIAL LIABILITIES						
Gross outstanding claims	397,826,663	-	397,826,663	-	-	-
Employees' end of service benefits	-	6,755,639	6,755,639	-	-	-
Reinsurance balances payable	37,921,002	-	37,921,002	-	-	-
Accrued expenses and other liabilities	34,814,795	-	34,814,795	-	-	-
Provision for zakat	-	-	-	1,426,951	-	1,426,951
Accounts payable	-	-	-	859,385	-	859,385
<b>TOTAL</b>	<b>470,562,460</b>	<b>6,755,639</b>	<b>477,318,099</b>	<b>2,286,336</b>	<b>-</b>	<b>2,286,336</b>

**e) Liquidity risk (continued)**

	31 December 2012					
	Insurance operations			Shareholders' operations		
	Less than one year SR	No term SR	Total SR	Less than one year SR	No term SR	Total SR
FINANCIAL ASSETS						
Reinsurers' share of outstanding claims	256,766,443	-	256,766,443	-	-	-
Premiums and insurance balances receivable	93,752,665	-	93,752,665	-	-	-
Other assets	2,757,332	-	2,757,332	1,215,881	-	1,215,881
Due from related parties	117,418,062	-	117,418,062	-	-	-
Due from insurance operations	-	-	-	4,911,642	-	4,911,642
Statutory deposit	-	-	-	-	10,000,000	10,000,000
Time deposits	50,257,231	-	50,257,231	66,132,644	-	66,132,644
Cash equivalents	42,338,837	-	42,338,837	532,174	-	532,174
<b>TOTAL</b>	<b>563,240,590</b>	<b>-</b>	<b>563,240,590</b>	<b>72,792,341</b>	<b>10,000,000</b>	<b>82,792,341</b>

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**31 DECEMBER 2013**

**24 RISK MANAGEMENT (continued)**

	31 December 2012					
	Insurance operations			Shareholders' operations		
	Less than one year SR	No term SR	Total SR	Less than one year SR	No term SR	Total SR
FINANCIAL LIABILITIES						
Gross outstanding claims	336,631,993	-	336,631,993	-	-	-
Due to a related party	331,890	-	331,890	-	-	-
Employees' end of service benefits	-	5,834,597	5,834,597	-	-	-
Reinsurance balances payable	66,703,152	-	66,703,152	-	-	-
Accrued expenses and other liabilities	33,528,418	-	33,528,418	-	-	-
Provision for zakat	-	-	-	2,396,433	-	2,396,433
Accounts payable	-	-	-	1,703,409	-	1,703,409
<b>TOTAL</b>	<b>437,195,453</b>	<b>5,834,597</b>	<b>443,030,050</b>	<b>4,099,842</b>	<b>-</b>	<b>4,099,842</b>

**Liquidity profile**

None of the liabilities on the statement of financial position are based on discounted cash flows and except employees' end of service benefits, all are contractually payable on a current basis within 1 year.

**f) Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of significant losses due to exchange rate fluctuation, as the majority of monetary assets and liabilities are in currencies linked to the Saudi Riyal.

**g) Capital management**

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximise shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

**h) Regulatory framework risk**

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

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**31 DECEMBER 2013**

**24 RISK MANAGEMENT (continued)**

i) **Determination of fair value and fair value hierarchy**

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities,

Level 2: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable), and

Level 3: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

During the year ended 31 December 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

The following table summarizes the financial assets recorded at fair value as of December 31, 2013 by level of the fair value hierarchy.

December 31, 2013	Level 1	Level 2	Level 3	Total
Financial assets:				
Available for sale investment	-	-	1,923,080	1,923,080
Total	-	-	1,923,080	1,923,080

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**31 DECEMBER 2013**

## **25 CONTINGENCIES AND COMMITMENTS**

### **a) Legal proceedings and regulations**

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 litigations) will have a material effect on its results and financial position.

### **b) Bank Guarantee**

At 31 December 31, 2013, the Company had contingent liability in the form of bank guarantee amounting to SR 994,272 (31 December 2012: SR 1,042,381).

### **c) Operating lease commitments**

Rental expenses under operating leases pertained to leases of office spaces in various locations amounted to SR 2.3 million for the year ended 31 December 2013 (2012: SR 1.8 million) are recognised in the statement of insurance operations.

Future minimum lease payments under the operating lease arrangements as at 31 December are as follows:

Years	31 December 2013 SR	31 December 2012 SR
2013	-	2,308,268
2014	2,043,764	1,993,836
2015	1,996,209	1,801,905
2016	1,948,959	1,531,478
2017	613,207	630,525
	6,602,139	8,266,012

## **26 NET UNDERWRITING SURPLUS**

Net underwriting surplus for the year is as follows:

	31 December 2013 SR	31 December 2012 SR
Net premiums earned	352,826,810	281,738,741
Commission income	54,493,329	57,790,383
Policy acquisition costs	(54,553,992)	(56,302,343)
Net claims incurred	(311,707,371)	(206,258,778)
Net underwriting surplus	41,058,776	76,968,003

## **27 BASIC AND DILUTED (LOSS) /EARNINGS PER SHARE**

Basic and diluted (loss) / earnings per share for the year has been calculated by dividing the net (loss) / income for the year by the ordinary authorised, issued and outstanding shares at the year ended 31 December 2013 of 10 million shares (31 December 2012: 10 million shares) of SR 10 each.

## **28 APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements have been approved by the Board of Directors on 23 Rabi Al-Thani 1435H (corresponding to 23 February, 2014).

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI joint stock company)**  
**FINANCIAL STATEMENTS**  
**AND INDEPENDENT AUDITORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**



**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**Scope of audit:**

We have audited the accompanying statement of financial position of Saudi Arabian Cooperative Insurance Company - A Saudi Joint Stock Company (the "Company") as at 31 December 2012 and the related statements of insurance comprehensive operations, shareholders' comprehensive operations, changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the year then ended and the notes which form part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards and the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

**Unqualified opinion:**

In our opinion, the financial statements taken as a whole:

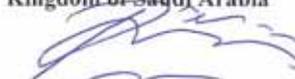
- i) present fairly, in all material respects, the financial position of the Company as at 31 December 2012 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and
- ii) comply with the requirements of the Regulations for Companies and the Company's By-laws in so far as they affect the preparation and presentation of the financial statements.

**Emphasis of matters:**

We draw attention to the following:

- These financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia as issued by the Saudi Organization for Certified Public Accountants.
- Note 2 to the accompanying financial statements in relation to the insurance portfolio and related net assets of the Saudi operations of an affiliate insurance company.

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23 February 2013

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**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2012**

	Notes	31 December 2012 SR	31 December 2011 SR
<b>INSURANCE OPERATIONS' ASSETS</b>			
Property and equipment	8	7,228,790	7,242,382
Reinsurers' share of outstanding claims	9 (a)	256,766,443	153,104,202
Reinsurers' share of unearned premiums	9 (b)	93,068,705	100,712,005
Deferred policy acquisition costs	9 (d)	22,169,402	23,348,928
Premiums and insurance balances receivable	10	93,752,665	87,850,300
Prepayments and other assets	11	8,489,545	6,947,278
Due from related parties	12	117,418,062	94,817,399
Time deposits	13	50,257,231	25,050,833
Cash and cash equivalents	14	42,370,837	32,420,717
<b>TOTAL INSURANCE OPERATIONS' ASSETS</b>		<b>691,521,680</b>	<b>531,494,044</b>
<b>SHAREHOLDERS' ASSETS</b>			
Statutory deposit	15	10,000,000	10,000,000
Due from insurance operations		4,911,642	438,536
Prepayments and other assets	11	1,215,881	665,815
Time deposits	13	66,132,644	51,673,681
Cash and cash equivalents	14	532,174	4,396,888
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>82,792,341</b>	<b>67,174,920</b>
<b>TOTAL ASSETS</b>		<b>774,314,021</b>	<b>598,668,964</b>

The accompanying notes 1 to 27 form part of these financial statements.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF FINANCIAL POSITION (Continued)**  
**AT 31 DECEMBER 2012**

	Notes	31 December 2012 SR	31 December 2011 SR
<b>INSURANCE OPERATIONS' LIABILITIES</b>			
Gross outstanding claims	9 (a)	336,631,993	230,041,134
Gross unearned premiums	9 (b)	221,951,363	210,817,410
Unearned commission income	9 (c)	19,728,071	18,724,964
Due to related parties	12	331,890	565,071
Employees' end-of-service benefits		5,834,597	4,473,811
Reinsurance balances payable	17	66,703,152	39,963,508
Accrued expenses and other liabilities	18	33,528,418	26,469,610
Due to shareholders' operations		4,911,642	438,536
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES</b>		<b>689,621,126</b>	<b>531,494,044</b>
<b>INSURANCE OPERATIONS' SURPLUS</b>			
Net surplus from insurance operations after shareholders' appropriation		1,900,554	-
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>		<b>691,521,680</b>	<b>531,494,044</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>SHAREHOLDERS' LIABILITIES</b>			
Provision for Zakat	20	2,396,433	1,919,551
Accounts payable		1,703,409	857,808
<b>TOTAL SHAREHOLDERS' LIABILITIES</b>		<b>4,099,842</b>	<b>2,777,359</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	19	100,000,000	100,000,000
Accumulated losses		(21,307,501)	(35,602,439)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>78,692,499</b>	<b>64,397,561</b>
<b>TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>82,792,341</b>	<b>67,174,920</b>
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS AND SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>774,314,021</b>	<b>598,668,964</b>

The accompanying notes 1 to 27 form part of these financial statements.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF INSURANCE COMPREHENSIVE OPERATIONS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

	Notes	31 December 2012 SR	31 December 2011 SR
<b>REVENUE</b>			
Gross written premiums	9 (b)	567,917,057	548,443,798
Reinsurance premium ceded	9 (b)	(254,549,760)	(234,268,307)
Excess of loss premiums		(12,851,303)	(11,869,718)
<b>NET WRITTEN PREMIUMS</b>		<b>300,515,994</b>	<b>302,305,773</b>
Movement in unearned premiums		(18,777,253)	20,400,031
<b>NET PREMIUMS EARNED</b>		<b>281,738,741</b>	<b>322,705,804</b>
Commission income	9 (c)	57,790,383	48,978,378
Other income		3,079,859	5,939,639
Special commission income on time deposits		393,300	76,476
<b>TOTAL REVENUE</b>		<b>343,002,283</b>	<b>377,700,297</b>
<b>COSTS AND EXPENSES</b>			
Gross claims paid	9 (a)	280,832,963	344,224,337
Reinsurers' share of claims paid	9 (a)	(77,502,803)	(77,880,927)
<b>NET CLAIMS PAID</b>		<b>203,330,160</b>	<b>266,343,410</b>
Movement in outstanding claims		2,928,618	(8,470,138)
<b>NET CLAIMS INCURRED</b>	9 (a)	<b>206,258,778</b>	<b>257,873,272</b>
Policy acquisition costs	9 (d)	56,302,343	62,680,254
General and administration expenses	21	52,527,306	48,212,203
Provision for doubtful receivables	10	3,687,267	9,230,964
Inspection and supervision fees		5,221,051	5,003,528
<b>TOTAL COSTS AND EXPENSES</b>		<b>323,996,745</b>	<b>383,000,221</b>
<b>NET SURPLUS/(DEFICIT) FROM INSURANCE OPERATIONS</b>		<b>19,005,538</b>	<b>(5,299,924)</b>
Shareholders' appropriation from (surplus)/deficit		(17,104,984)	5,299,924
<b>Net surplus from insurance operations after shareholders' appropriation</b>		<b>1,900,554</b>	<b>-</b>

The accompanying notes 1 to 27 form part of these financial statements.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF SHAREHOLDERS' COMPREHENSIVE OPERATIONS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

	Notes	31 December 2012 SR	31 December 2011 SR
Appropriation of surplus/(deficit) from insurance operations		17,104,984	(5,299,924)
Special commission income on time deposits		420,011	199,734
General and administration expenses	21	(1,056,706)	(981,418)
INCOME/(LOSS) BEFORE ZAKAT		16,468,289	(6,081,608)
Zakat	20	(2,173,351)	(1,677,621)
NET INCOME / (LOSS) FOR THE YEAR		14,294,938	(7,759,229)
OTHER COMPREHENSIVE INCOME / (LOSS)			
Change in fair value of available for sale investments		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		14,294,938	(7,759,229)
EARNINGS/(LOSSES) PER SHARE Basic and diluted earnings/( losses) per share for the year	26	1.43	(0.78)

The accompanying notes 1 to 27 form part of these financial statements.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

	Share capital	Accumulated losses	Total
	SR	SR	SR
Balance at 1 January 2011	100,000,000	(27,843,210)	72,156,790
Total comprehensive loss for the year	-	(7,759,229)	(7,759,229)
Balance at 31 December 2011	100,000,000	(35,602,439)	64,397,561
Total comprehensive income for the year	-	14,294,938	14,294,938
Balance at 31 December 2012	100,000,000	(21,307,501)	78,692,499

The accompanying notes 1 to 27 form part of these financial statements.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	31 December 2012 SR	31 December 2011 SR
<b>OPERATING ACTIVITIES</b>			
Net surplus from insurance operations after shareholders' appropriation		1,900,554	-
Adjustments for:			
Depreciation		3,775,746	2,889,683
Provision for doubtful receivables		3,687,267	9,230,964
Employees' end-of-service benefits, net		1,360,786	1,324,825
Shareholders' appropriation from surplus/(deficit)		17,104,984	(5,299,924)
Gain on sale of property and equipment		-	(414)
Income before changes in operating assets and liabilities		27,829,337	8,145,134
Changes in operating assets and liabilities:			
Reinsurers' share of outstanding claims		(103,662,241)	(26,622,826)
Reinsurer' share of unearned premiums		7,643,300	(10,497,885)
Deferred policy acquisition costs		1,179,526	2,282,959
Premiums and insurance balances receivable		(9,589,632)	31,750,489
Prepayments and other assets		(1,542,267)	(2,743,975)
Due from related parties		(22,600,663)	7,321,113
Gross outstanding claims		106,590,859	18,152,688
Gross unearned premiums		11,133,953	(9,902,146)
Unearned commission income		1,003,107	904,284
Due to related parties		(233,181)	(10,623,694)
Reinsurance balances payable		26,739,644	(3,904,032)
Accrued expenses and other liabilities		7,058,808	3,478,064
Net cash from operating activities		51,550,550	7,740,173
<b>INVESTING ACTIVITIES</b>			
Time deposits, net		(25,206,398)	(25,050,833)
Purchase of property and equipment		(3,762,154)	(5,518,523)
Proceeds from sale of property and equipment		-	2,025
Net cash used in investing activities		(28,968,552)	(30,567,331)
<b>FINANCING ACTIVITY</b>			
Due (to) / from shareholders operations, net		(12,631,878)	10,537,234
Net cash (used in) / from financing activity		(12,631,878)	10,537,234
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>9,950,120</b>	<b>(12,289,924)</b>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		32,420,717	44,710,641
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	14	42,370,837	32,420,717

The accompanying notes 1 to 27 form part of these financial statements.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF SHAREHOLDERS' CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	31 December 2012 SR	31 December 2011 SR
OPERATING ACTIVITIES			
Income/(loss) before zakat		16,468,289	(6,081,608)
Adjustment for:			
Appropriation of (surplus) / deficit from insurance operations		(17,104,984)	5,299,924
Loss before changes in operating assets and liabilities		(636,695)	(781,684)
Changes in operating assets and liabilities:			
Prepayments and other assets		(550,066)	(62,461)
Accounts payable		845,601	157,331
Cash used in operations		(341,160)	(686,814)
Zakat paid		(1,696,469)	(1,506,510)
Net cash used in operating activities		(2,037,629)	(2,193,324)
INVESTING ACTIVITY			
Time deposits, net		(14,458,963)	12,791,548
Net cash (used in)/from investing activity		(14,458,963)	12,791,548
FINANCING ACTIVITY			
Due from/(to) insurance operations		12,631,878	(10,537,234)
Net cash from/(used in) financing activity		12,631,878	(10,537,234)
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(3,864,714)	60,990
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		4,396,888	4,335,898
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	14	532,174	4,396,888

The accompanying notes 1 to 27 form part of these financial statements.

## SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

### NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

## 1 ORGANISATION AND PRINCIPAL ACTIVITIES

Saudi Arabian Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010237214 dated 7 Shaban 1428H, corresponding to 20 August 2007. The registered office address of the Company is at P.O. Box 58073, Riyadh 11594, Kingdom of Saudi Arabia. The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. Its principal lines of business include all classes of general insurance. The Company was listed on the Saudi Stock Exchange (Tadawul) on 3 September 2007.

## 2 ASSET PURCHASE AGREEMENT AND TRANSFER OF INSURANCE PORTFOLIO

The Company has been licensed to conduct insurance business in Saudi Arabia under co-operative principles in accordance with Royal Decree numbered 60/M dated 18 Ramadan 1427H (corresponding to 11 October 2006), pursuant to the Council of Ministers resolution number 233 dated 16 Ramadan 1427H (corresponding to 9 October 2006).

Following the completion of the public offering on 28 May 2007, the Ministry of Commerce and Industry ("MOCI") issued a resolution declaring the incorporation of the Company on 21 Rajab 1428H corresponding to 5 August 2007.

On 29 Shaban 1428H, corresponding to 11 September 2007, the Saudi Arabian Monetary Agency ("SAMA") issued a formal approval to transact insurance business, thus authorising the Company to commence operations as soon as product approval and related formalities are completed.

The Company entered into an asset purchase agreement (the "Agreement"), pursuant to which it is expected to offer to purchase the insurance business and related net assets of Saudi Arabian Insurance Company B.S.C (C)'s (a shareholder of the Company) operations in the Kingdom of Saudi Arabia (the Saudi operations) at a valuation to be approved by SAMA.

The Company convened a general assembly meeting on 26 August 2009 and approved the purchase of the insurance portfolio and related net assets of the Saudi operations. The related assets and liabilities to be acquired will be determined and valued in accordance with the valuation program issued by SAMA in May 2007. The Company is planning to transfer the assets and liabilities with effect from 1 January 2009. Accordingly, the net results related to such portfolio subsequent to 1 January 2009 will also be transferred to the Company. The Company is dependent on the final approval from SAMA to determine and account for the net results which would be transferred from the Saudi operations. The transfer will take effect when all required formalities have been completed.

## 3 BASIS OF PREPARATION

### Basis of measurement

The financial statements have been prepared on the historical cost basis.

### Statement of compliance

The financial statements of the Company for the year ended 31 December 2012 have been prepared by the management in accordance with International Financial Reporting Standards (IFRS). Accordingly these financial statements are not intended to be a presentation in conformity with the accounting standards generally accepted in the Kingdom of Saudi Arabia, as issued by the Saudi Organization for Certified Public Accountants (SOCPA).

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**31 DECEMBER 2012**

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations. The physical custody of all assets related to the Insurance Operations and Shareholders' Operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of other revenue and expenses from joint operations is determined by the management and Board of Directors.

### **3 BASIS OF PREPARATION (continued)**

#### **Functional and presentational currency**

The functional and presentational currency of the Company is Saudi Riyal.

### **4 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amendment to IFRS effective for the annual period beginning as of 1 January 2012:

#### **Amendment to IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements**

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the

nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Company does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

### **5 STANDARD AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE**

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

- **IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1**

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified to income or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Company's first annual report after becoming effective.

- **IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32**

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**31 DECEMBER 2012**

- IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation.

The disclosures also apply to recognised financial instruments that are subject to enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

- IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets.

## **5 STANDARD AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE (continued)**

The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

## **6 SIGNIFICANT ACCOUNTING POLICIES**

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

### **Product classification**

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event.

### **Gross premiums**

Gross written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written. Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

## SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

### NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2012

#### Reinsurance premiums

Gross reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date.

#### Premiums earned and commission income

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

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

- 25% of premiums for marine cargo business
- Actual number of days for other lines of business

#### Premiums receivable

Premiums receivable are recognised when due and measured on initial recognition at the fair value of the considerations received or receivable. The carrying value of premiums receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Any impairment loss is recorded in the statement of insurance comprehensive operations. Premiums receivable are derecognised when the derecognition criteria for financial assets have been met.

Any difference between the provisions at the end of financial reporting period and settlements and provisions in the following period is included in the general and administration expenses for that period.

## 6 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Gross outstanding claims

Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to statement of insurance comprehensive operations. Gross outstanding claims comprise gross estimated cost of claims incurred but not settled at the reporting date, whether reported or not. Provisions for reported claims not paid as of the financial reporting date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported as of financial reporting date. The ultimate liability may be in excess of or less than the amount provided.

Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the statement of insurance comprehensive operations for that year. The Company does not discount its liabilities for unpaid claims as substantially all claims are expected to be paid within one year of the financial reporting date.

#### Liability adequacy test

At the end of each reporting period, a liability adequacy test is performed to ensure the adequacy of the insurance contracts liabilities net of related deferred policy acquisition cost using current estimates of future cash flows under insurance contracts. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to the statement of insurance comprehensive operations initially by writing off related deferred policy acquisition costs and subsequently by establishing a provision for losses arising from liability adequacy tests.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**31 DECEMBER 2012**

#### Reinsurance

Reinsurance contracts are contracts entered into by the Company with reinsurers during the normal course of business under which the Company is compensated for losses on insurance contracts issued.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers on settlement of claims and other receivables such as profit commissions and reinsurers' share of outstanding claims that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are recognised consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract.

At each financial reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount.

Where the carrying amount of a reinsurance asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment is recognised in the statement of insurance comprehensive operations.

#### Expense Recognition

Expenses are recognized in statements of insurance comprehensive operations and shareholders' comprehensive operations when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in statements of insurance comprehensive operations and shareholders' comprehensive operations on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over the accounting period. Expenses in the statements of insurance comprehensive operations and shareholders' comprehensive operations are presented using the function of expense method.

## 6 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Deferred policy acquisition costs

Commissions and other costs directly and indirectly related to the acquisition and renewal of insurance contracts are deferred and amortised over the terms of the insurance contracts to which they relate as premiums are earned. Amortisation is recorded in the statement of insurance comprehensive operations.

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

An impairment review is performed at each financial reporting date or more frequently when an indication of impairment arises. When the recoverable amounts are less than the carrying value, an impairment loss is recognised in the statement of insurance comprehensive operations. Deferred policy acquisition cost is also considered in the liability adequacy test for each financial reporting period.

#### Unearned commission income

Commission receivable on outwards reinsurance contracts are deferred and amortised over the terms of the insurance contracts to which they relate. Amortisation is recorded in the statement of insurance comprehensive operations.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**31 DECEMBER 2012**

**Prepayments**

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to statements of insurance comprehensive operations and shareholders' comprehensive operations as they are consumed or expire with the passage of time.

**Property and equipment**

Property and equipment are measured at cost less accumulated depreciation. Depreciation is charged to the statement of insurance comprehensive operations on a straight line basis over the estimated useful lives of the assets.

**Zakat**

In accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"), the Company is subject to zakat attributable to the Saudi shareholder. Provisions for zakat charged to shareholders' accounts of the Saudi shareholders. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

**Provisions**

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably.

**Leases**

Operating lease payments are recognised as an expense in the statements of insurance comprehensive operations and shareholders' comprehensive operations on a straight-line basis over the lease term except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**Employees' end of service benefits**

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

**6 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Cash and cash equivalents**

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

**Special commission income on time deposits**

Special commission income on time deposits is accrued on an effective yield basis.

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### Segment reporting

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

- Medical provides health care cover to policyholders.
- Motor Insurance provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Fire and burglary provides coverage against fire, and any other insurance included under this class of insurance.
- Marine Insurance provides cover for Marine Cargo in transit and ships against marine perils.
- Engineering Insurance provides coverage for loss or damage to construction works or erection and installation of plant & machinery.
- Public liability provides cover for legal liability of the insured against third parties arising out of premises, business operations or projects handled.
- Shareholders' Funds is a non-operating segment. Income earned from time deposits is its only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The deficit or surplus from the insurance operations' is allocated to this segment on an appropriate basis.

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

No inter-segment transactions occurred during the period. If any transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments which will then be eliminated at the level of financial statements of the Company. As the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by operating segments only.

### Foreign currencies

Transactions in foreign currencies are recorded at the exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the financial reporting date are retranslated at the rates of exchange prevailing at that date. All differences are taken to the statement of insurance comprehensive operations.

### Derecognition of financial instruments

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

## **6 SIGNIFICANT ACCOUNTING POLICIES (continued)**

### Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the statement of insurance comprehensive operations or statement of shareholders' comprehensive operations unless required or permitted by an accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

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**Fair values**

The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the financial reporting date. If quoted market prices are not available, reference is made to broker or dealer price quotations.

For financial assets where there is not an active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same and/or discounted cash flow analysis. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for similar assets.

**Impairment and uncollectibility of financial assets**

An assessment is made at each financial reporting date to determine whether there is objective evidence that a specific financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the statements of insurance comprehensive operations and shareholders' comprehensive operations.

When a financial asset is uncollectible, it is written off against the related provision for impairment. Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted, and the amount of the loss has been determined.

Impairment is determined as follows:

- a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statements of insurance comprehensive operations and shareholders' comprehensive operations;
- b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

**Accrued expenses and other liabilities**

Accrued expenses and other liabilities are recognised for amounts to be paid in the future for goods and services, whether billed by the supplier or not.

**Statutory reserve**

In accordance with its by-laws, the Company shall allocate 20% of its net income each year to a statutory reserve until it has built up a reserve equal to the share capital. In view of the accumulated losses, no such transfer has been made for the year ended 31 December 2012.

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## **7 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS**

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### **Ultimate liability arising from claims made under insurance contracts**

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported is an estimation of claims which are expected to be reported subsequent to the end of financial reporting period, for which the insured event has occurred prior to the end of financial reporting period.

### **Impairment losses on receivables**

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

### **Deferred policy acquisition costs**

Certain acquisition costs related to sale of policies are recorded as deferred acquisition costs and are amortised over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realised, the amortisation of these costs could be accelerated and this may also require additional impairment.

### **Going concern**

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Additionally, the management is not aware of any material uncertainties that, may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

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## 8 PROPERTY AND EQUIPMENT

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Leasehold improvements	3 years
Furniture and fittings	10 years
Computer and office equipment	3- 5 years
Vehicles	3 years

	Leasehold improvements SR	Furniture and fittings SR	Computer and office equipment SR	Vehicles SR	Total SR
Cost:					
1 January 2011	2,767,717	1,462,614	4,249,105	-	8,479,436
Additions	2,225,206	489,624	2,781,974	21,719	5,518,523
Disposals	-	-	(3,000)	-	(3,000)
31 December 2011	4,992,923	1,952,238	7,028,079	21,719	13,994,959
Additions	171,635	10,458	3,490,561	89,500	3,762,154
31 December 2012	5,164,558	1,962,696	10,518,640	111,219	17,757,113
Accumulated depreciation:					
1 January 2011	1,864,705	478,176	1,521,402	-	3,864,283
Charge for the year	872,177	172,836	1,840,108	4,562	2,889,683
Disposals	-	-	(1,389)	-	(1,389)
31 December 2011	2,736,882	651,012	3,360,121	4,562	6,752,577
Charge for the year	1,066,128	195,878	2,489,094	24,646	3,775,746
31 December 2012	3,803,010	846,890	5,849,215	29,208	10,528,323
Net book value:					
31 December 2012	1,361,548	1,115,806	4,669,425	82,011	7,228,790
31 December 2011	2,256,041	1,301,226	3,667,958	17,157	7,242,382

The depreciation charge for the year has been included in general and administration expenses (Note 21).

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**9 MOVEMENT IN OUTSTANDING CLAIMS, UNEARNED PREMIUMS, UNEARNED COMMISSION INCOME AND DEFERRED POLICY ACQUISITION COSTS**

**(a) Outstanding claims**

	2012			2011		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	SR	SR	SR	SR	SR	SR
Outstanding at end of the year	312,453,402	(256,766,443)	55,686,959	204,624,401	(153,104,202)	51,520,199
IBNR	24,178,591	-	24,178,591	25,416,733	-	25,416,733
	336,631,993	(256,766,443)	79,865,550	230,041,134	(153,104,202)	76,936,932
Insurance claims paid during the year	280,832,963	(77,502,803)	203,330,160	344,224,337	(77,880,927)	266,343,410
Outstanding at beginning of the year	(204,624,401)	153,104,202	(51,520,199)	(190,211,150)	126,481,376	(63,729,774)
IBNR	(25,416,733)	-	(25,416,733)	(21,677,296)	-	(21,677,296)
	(230,041,134)	153,104,202	(76,936,932)	(211,888,446)	126,481,376	(85,407,070)
Net claims incurred	387,423,822	(181,165,044)	206,258,778	362,377,025	(104,503,753)	257,873,272

**(b) Unearned premiums**

	2012			2011		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	SR	SR	SR	SR	SR	SR
Unearned premiums at beginning of the year	210,817,410	(100,712,005)	110,105,405	220,719,556	(90,214,120)	130,505,436
Premiums written during the year	567,917,057	(254,549,760)	313,367,297	548,443,798	(234,268,307)	314,175,491
Premiums earned during the year	(556,783,104)	262,193,060	(294,590,044)	(558,345,944)	223,770,422	(334,575,522)
Unearned premiums at end of the year	221,951,363	(93,068,705)	128,882,658	210,817,410	(100,712,005)	110,105,405

**(c) Unearned commission income**

	2012 SR	2011 SR
Unearned commission income at beginning of the year	18,724,964	17,820,680
Commission received during the year	58,793,490	49,882,662
Commission earned during the year	(57,790,383)	(48,978,378)
Unearned commission income at end of the year	19,728,071	18,724,964

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**9 MOVEMENT IN OUTSTANDING CLAIMS, UNEARNED PREMIUMS, UNEARNED COMMISSION INCOME AND DEFERRED POLICY ACQUISITION COSTS (continued)**

(d) Deferred policy acquisition costs

	2012 SR	2011 SR
Deferred policy acquisition costs at beginning of the year	23,348,928	25,631,887
Incurred during the year	55,122,817	60,397,295
Amortised during the year	(56,302,343)	(62,680,254)
Deferred policy acquisition costs at end of the year	22,169,402	23,348,928

**10 PREMIUMS AND INSURANCE BALANCES RECEIVABLE**

	2012 SR	2011 SR
Premium receivables	106,025,739	95,780,205
Reinsurers and others	5,189,303	5,845,205
Total premiums and insurance balances receivable	111,215,042	101,625,410
Provision for doubtful receivables	(17,462,377)	(13,775,110)
	93,752,665	87,850,300

The Company's terms of business require amounts to be settled within 30 to 90 days from the date of the transaction. Amounts due from reinsurers are normally settled on a quarterly basis.

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

	Total	Less than 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days	Above 365 days
	SR	SR	SR	SR	SR	SR	SR
2012	111,215,042	19,966,011	12,847,810	13,970,817	33,367,799	21,453,180	9,609,425
2011	101,625,410	19,542,739	12,818,352	13,880,034	28,792,641	20,931,017	5,660,627

The Company classifies client balances as 'past due and impaired' on a case by case basis. An impairment adjustment is recorded in the statement of insurance comprehensive operations. It is not the practice of the Company to obtain collateral over receivables and they are, therefore, unsecured. The Company does not have an internal credit ratings assessment process and accordingly, amounts which are neither past due nor impaired, in respect of client balances, are from individuals and unrated corporate counter parties. Balances due from reinsurers are with counterparties who have investment grade credit ratings issued by external rating agencies.

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**10 PREMIUMS AND INSURANCE BALANCES RECEIVABLE (continued)**

The movement in the provision for doubtful receivables is as follows:

	2012 SR	2011 SR
Beginning balance	13,775,110	4,567,283
Provision made during the year	3,687,267	9,230,964
Written off	-	(23,137)
Ending balance	17,462,377	13,775,110

**11 PREPAYMENTS AND OTHER ASSETS**

	2012		2011	
	Insurance Operations	Shareholders' Operations	Insurance Operations	Shareholders' Operations
	SR	SR	SR	SR
Prepaid excess of loss premium	3,388,555	-	2,500,776	-
Excess of loss recovery receivable	1,105,613	-	2,088,903	-
Prepaid insurance	821,580	-	503,513	-
Prepaid rent	587,597	-	313,499	-
Advance for computer implementation	438,560	-	426,716	-
Accrued special commission income	419,338	838,381	25,642	665,815
Employee receivables	307,392	-	175,077	-
Advances to suppliers	-	-	556,718	-
Others	1,420,910	377,500	356,434	-
	8,489,545	1,215,881	6,947,278	665,815

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## 12 RELATED PARTY TRANSACTIONS AND BALANCES

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

### a) Transactions with related parties

The following are the details of major related party transactions during the year:

Related party	Nature of transactions	2012 SR	2011 SR
Saudi Arabian Insurance Company B.S.C (C) (Shareholder)	Amounts received and paid on behalf of SAICO BSC (C)	4,494,988	(4,995,972)
ACE Insurance Agents Limited("Agent") (Affiliate)	Premiums received through Agent	33,438,696	56,291,638
	Claims paid through Agent	31,426,660	41,598,690
	Commission expense-	4,551,813	12,392,611
ACE Limited (Common ownership)	Premiums and claims, net	1,799,422	(694,836)
ACE Insurance and Reinsurance			
Brokers Limited ("Broker") (Affiliate)	Premiums received through brokers	154,628,028	146,961,845
	Commission expense	22,347,752	20,658,324
	Premiums ceded through Broker	32,280,724	58,130,671
	Commission earned	8,231,939	9,088,905
Board members	Reimbursement of expenses to board members	-	100,571

### b) Balances with related parties

The above transactions with the related parties resulted in the following related party balance as at the statement of financial position date:

		2012 SR	2011 SR
Due from related parties:	Insurance operations	63,549,109	59,054,121
Saudi Arabian Insurance Company B.S.C (C) (SAICO BSC (C))(Shareholder)			
ACE Insurance and Reinsurance Brokers Limited (Affiliate)	Insurance operations	45,264,689	25,979,290
ACE Insurance Agents limited (Affiliate)	Insurance operations	8,604,264	9,783,988
		117,418,062	94,817,399
Due to a related party:			
ACE Limited (Common ownership)	Insurance operations	(331,890)	(565,071)

Outstanding balances at the financial reporting date are unsecured and special commission rate free. Settlement will take place in cash. No provision for impairment of related party balances was made at the financial reporting date.

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**12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

This assessment is undertaken at the financial reporting date through examining the financial position of the related party and the market in which the related party operates.

**c) Compensation of key management personnel**

Key management personnel of the Company include all directors (executive and non-executive) and senior management. The summary of compensation of key management personnel for the year is as follows:

	2012 SR	2011 SR
Short-term benefits	4,913,426	1,742,070
Bonus	-	1,675,000
Employees' end-of-service benefits	182,698	347,895
	5,096,124	3,764,965

**13 TIME DEPOSITS**

Time deposits represent deposits with local banks which have good investment grade credit ratings and have an original maturity of more than three months from date of acquisition. The company earns commission at an effective commission rate of 0.90 % per annum (2011: 0.43% per annum).

**14 CASH AND CASH EQUIVALENTS**

	2012		2011	
	Insurance operations'	Shareholders' operations	Insurance operations'	Shareholders' operations
	SR	SR	SR	SR
Time deposits	-	-	-	4,032,179
Cash at banks	42,338,837	532,174	32,398,717	364,709
Cash on hand	32,000	-	22,000	-
	42,370,837	532,174	32,420,717	4,396,888

Cash at banks and time deposits are placed with counterparties who have investment grade credit ratings. The time deposits, which are denominated in Saudi Riyals, are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company and earn commission at an effective commission rate of 0.11% per annum (2011: 0.12% per annum).

The Company holds an amount of SR 3,140,140 (31 December 2011 - Nil) in a fiduciary capacity, in respect of claims to be settled for a third party insurer. Accordingly such amount is not accounted for in these financial statements.

**15 STATUTORY DEPOSIT**

Statutory deposit represents 10% of the paid up capital which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. This statutory deposit cannot be withdrawn without the consent of SAMA. This statutory deposit is placed with a counterparty which has an investment grade credit rating.

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## 16 CLAIMS DEVELOPMENT TABLE

The following table shows the estimates of cumulative incurred claims, including both claims notified and incurred but not reported for each successive accident year at each financial reporting date, together with cumulative payments to date.

Gross insurance contract outstanding claims provision (without IBNR) for 2012:

Accident year	2009	2010	2011	2012	Total
At end of accident year	2,926,659	289,459,675	381,035,209	346,192,089	
One year later	4,368,043	267,450,397	414,494,773	-	-
Two years later	3,990,444	273,056,039	-	-	-
Three years later	6,760,694	-	-	-	-
Current estimate of cumulative claims incurred	6,760,694	273,056,039	414,494,773	346,192,089	1,040,503,595
Cumulative payments to date	(591,339)	(103,025,228)	(344,235,082)	(280,198,544)	(728,050,193)
Total gross insurance outstanding claims provision per the statement of financial position	6,169,355	170,030,811	70,259,691	65,993,545	312,453,402

## 17 REINSURANCE BALANCES PAYABLE

	2012 SR	2011 SR
Insurance underwriters	65,895,014	39,963,508
Premiums payable	808,138	-
	66,703,152	39,963,508

## 18 ACCRUED EXPENSES AND OTHER LIABILITIES

	2012 SR	2011 SR
Commission payable	13,264,198	13,189,362
Policyholders' payable balances	7,888,639	4,848,590
Council for Cooperative Health Insurance fees	2,500,560	1,961,337
Claims agreed for settlement	2,364,914	1,507,414
Employees' benefits	1,918,099	1,480,671
Withholding tax payable	207,473	743,966
SAMA inspection & supervision fees	556,185	549,780
Accrued professional fees	200,000	343,750
Others	4,628,350	1,844,740
	33,528,418	26,469,610

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## 19 SHARE CAPITAL

The authorised, issued and paid up share capital of the Company is SR 100 million divided into 10 million shares of SR 10 each (2011: SR 100 million divided into 10 million shares of SR 10 each). The founding shareholders of the Company have subscribed and paid for 6 million shares with a nominal value of SR 10 each, which represents 60% of the shares of the Company's capital and the remaining 4 million shares with a nominal value of SR 10 each have been subscribed by the public.

## 20 PROVISION FOR ZAKAT

The provision for the year of SR 2,173,351 (2011: SR 1,677,621) is based on the following:

	2012 SR	2011 SR
Shareholders' equity and opening provisions	82,646,482	79,873,059
Book value of long term assets and statutory deposit	(17,228,789)	(17,242,382)
	65,417,693	62,630,677
Adjusted income for the year	21,516,342	4,474,181
Zakat base	86,934,035	67,104,858

The movement in the provision for zakat during the year follows:

	2012 SR	2011 SR
Beginning balance	1,919,551	1,748,440
Provision made during the year	2,173,351	1,677,621
Payments during the year	(1,696,469)	(1,506,510)
Ending balance	2,396,433	1,919,551

The differences between the financial and zakatable results are mainly due to provisions which are not allowed in the calculation of zakatable income / (loss).

### Status of assessments

The Company obtained from DZIT the final assessment for the year ended 31 December 2008 with no additional zakat liability. The Company has filed its zakat declaration for the years ended 31 December 2009, 2010 and 2011 with the DZIT. However, the assessments have not yet been finalized and are under review by DZIT.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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**21 GENERAL AND ADMINISTRATION EXPENSES**

	2012		2011	
	Insurance operations'	Shareholders' operations	Insurance operations'	Shareholders' operations
	SR	SR	SR	SR
Employees cost	35,917,513	-	31,978,647	-
Depreciation (Note 8)	3,775,746	-	2,889,683	-
Withholding Tax	1,952,930	-	3,589,199	-
Rent	1,812,245	-	1,820,042	-
Computer implementation	1,665,713	-	2,021,533	-
Legal and professional fees	1,439,552	-	1,278,644	-
Postage, telephone and telex	1,209,741	-	1,230,876	-
Printing and stationery	725,466	-	726,977	-
Repairs and maintenance	689,512	-	541,983	-
Travel	564,830	-	360,937	-
Collector fees	120,026	-	250,381	-
Tadawul subscription	-	180,000	-	180,000
Others	2,654,032	876,706	1,523,301	801,418
	52,527,306	1,056,706	48,212,203	981,418

**22 SEGMENT INFORMATION**

Consistent with the Company's internal reporting process, operating segments have been approved by Management in respect of the Company's activities, assets and liabilities.

Segment results do not include general and administration expenses, provision for doubtful debts, inspection and supervision fees and other income.

Segment assets do not include insurance operations' property and equipment, prepayments and other assets, due from related parties, premiums and insurance balances receivable, due from shareholders' operations, time deposits and cash and cash equivalents. Accordingly, they are included in unallocated assets.

Segment liabilities do not include due to shareholders' operations, due to related parties, employees' end of service benefits, reinsurance balances payable and accrued expense and other liabilities. Accordingly, they are included in unallocated liabilities.

All the Company's operating assets and principal activities are located in the Kingdom of Saudi Arabia.

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**22 SEGMENT INFORMATION (continued)**

For the year ended 31 December 2012

REVENUE	Medical	Motor	Fire & burglary	Marine	Engi- neering	Public liability	Others	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Gross written premiums	250,056	104,694	76,289	37,440	46,177	10,307	42,954	567,917
Reinsurance premium ceded	(65,892)	(753)	(68,855)	(33,658)	(43,837)	(5,702)	(35,853)	(254,550)
Excess of loss premiums	(6,010)	(2,183)	(3,007)	(793)	(678)	(107)	(73)	(12,851)
Net written premiums	178,154	101,758	4,427	2,989	1,662	4,498	7,028	300,516
Movement in unearned premiums	(24,726)	5,294	314	(113)	(668)	1,437	(315)	(18,777)
Net premiums earned	153,428	107,052	4,741	2,876	994	5,935	6,713	281,739
Commission income	3,243	198	19,893	12,761	10,669	1,391	9,635	57,790
Total allocated revenue	156,671	107,250	24,634	15,637	11,663	7,326	16,348	339,529
Unallocated revenue								3,473
Total revenue								343,002
COSTS AND EXPENSES								
Gross claims paid	128,284	76,567	20,544	5,244	4,891	242	45,061	280,833
Reinsurers' share of claims paid	(5,391)	(1,456)	(17,672)	(4,618)	(4,510)	(41)	(43,815)	(77,503)
Net claims paid	122,893	75,111	2,872	626	381	201	1,246	203,330
Movement in outstanding claims	809	(3,138)	3,995	1,701	194	(360)	(272)	2,929
Net claims incurred	123,702	71,973	6,867	2,327	575	(159)	974	206,259
Policy acquisition cost	10,245	15,871	13,074	4,549	4,770	1,613	6,180	56,302
Total allocated costs and expenses	133,947	87,844	19,941	6,876	5,345	1,454	7,154	262,561
Unallocated expenses								61,436
Total costs and expenses								323,997
Net surplus from insurance operations								19,005

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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**22 SEGMENT INFORMATION (continued)**

REVENUE	For the year ended 31 December 2011							
	Medical	Motor	Fire & burglary	Marine	Engi- neering	Public liability	Others	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Gross written premiums	196,134	122,618	101,718	41,667	26,827	19,345	40,135	548,444
Reinsurance premium ceded	(34,071)	(753)	(92,607)	(38,364)	(25,097)	(10,017)	(33,359)	(234,268)
Excess of loss premiums	(7,081)	(2,115)	(1,524)	(625)	(300)	(166)	(59)	(11,870)
Net written premiums	154,982	119,750	7,587	2,678	1,430	9,162	6,717	302,306
Movement in unearned premiums	28,610	(6,495)	574	(71)	14	(2,262)	30	20,400
Net premiums earned	183,592	113,255	8,161	2,607	1,444	6,900	6,747	322,706
Commission income								
	3,072	174	18,722	11,220	7,079	1,430	7,281	48,978
Total allocated revenue								
	186,664	113,429	26,883	13,827	8,523	8,330	14,028	371,684
Unallocated revenue								6,016
Total revenue								377,700
COSTS AND EXPENSES								
Gross claims paid	214,589	75,537	19,918	6,865	1,060	814	25,441	344,224
Reinsurers' share of claims paid	(33,358)	(162)	(12,862)	(6,014)	(891)	(5)	(24,589)	(77,881)
Net claims paid	181,231	75,375	7,056	851	169	809	852	266,343
Movement in outstanding claims	(12,775)	8,830	(5,216)	60	(103)	313	421	(8,470)
Net claims incurred	168,456	84,205	1,840	911	66	1,122	1,273	257,873
Policy acquisition cost	14,607	19,681	14,153	5,625	3,592	2,030	2,992	62,680
Total allocated costs and expenses	183,063	103,886	15,993	6,536	3,658	3,152	4,265	320,553
Unallocated expenses								62,447
Total costs and expenses								383,000
Net deficit from insurance operations								(5,300)

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
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**22 SEGMENT INFORMATION (continued)**

31 December 2012

SR'000	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	Others	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	
<b>ASSETS</b>								
Reinsurers' share of outstanding claims	6,229	1,897	126,995	15,896	23,769	1,018	80,961	256,766
Reinsurers' share of unearned premiums	22,642	261	19,749	10,123	28,316	2,191	9,787	93,069
Deferred policy acquisition costs	7,485	5,326	3,060	1,209	3,483	952	654	22,169
<b>SEGMENT ASSETS</b>	<b>36,356</b>	<b>7,484</b>	<b>149,804</b>	<b>27,228</b>	<b>55,568</b>	<b>4,161</b>	<b>91,402</b>	<b>372,004</b>
Unallocated assets								319,518
<b>TOTAL ASSETS</b>								<b>691,522</b>
<b>LIABILITIES</b>								
Gross outstanding claims	44,094	28,822	136,056	18,857	24,829	1,661	82,313	336,632
Gross unearned premiums	101,362	39,827	22,108	11,077	29,578	5,996	12,003	221,951
Unearned commission income	1,694	74	4,791	3,150	6,853	395	2,771	19,728
<b>SEGMENT LIABILITIES</b>	<b>147,150</b>	<b>68,723</b>	<b>162,955</b>	<b>33,084</b>	<b>61,260</b>	<b>8,052</b>	<b>97,087</b>	<b>578,311</b>
Unallocated liabilities								111,310
<b>TOTAL LIABILITIES</b>								<b>689,621</b>
Insurance operations' surplus								1,901
<b>TOTAL LIABILITIES AND INSURANCE OPERATIONS' SURPLUS</b>								<b>691,522</b>

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 DECEMBER 2012

## 22 SEGMENT INFORMATION (continued)

31 December 2011

	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	Others	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
<b>ASSETS</b>								
Reinsurers' share of outstanding claims	5,048	18	64,472	5,364	6,475	28	71,699	153,104
Reinsurers' share of unearned premiums	14,528	195	42,035	10,778	21,678	3,873	7,625	100,712
Deferred policy acquisition costs	5,124	7,234	5,290	1,447	2,025	1,602	627	23,349
<b>SEGMENT ASSETS</b>	<b>24,700</b>	<b>7,447</b>	<b>111,797</b>	<b>17,589</b>	<b>30,178</b>	<b>5,503</b>	<b>79,951</b>	<b>277,165</b>
Unallocated assets								254,329
<b>TOTAL ASSETS</b>								<b>531,494</b>
<b>LIABILITIES</b>								
Gross outstanding claims	42,103	30,080	69,539	6,624	7,342	1,030	73,323	230,041
Gross unearned premiums	68,522	45,056	44,707	11,619	22,272	9,115	9,526	210,817
Unearned commission income	1,235	56	7,744	3,509	3,821	687	1,673	18,725
<b>SEGMENT LIABILITIES</b>	<b>111,860</b>	<b>75,192</b>	<b>121,990</b>	<b>21,752</b>	<b>33,435</b>	<b>10,832</b>	<b>84,522</b>	<b>459,583</b>
Unallocated liabilities								71,911
<b>TOTAL LIABILITIES</b>								<b>531,494</b>

## 23 RISK MANAGEMENT

The risks faced by the Company and the way these risks are mitigated by management are summarised below:

### Risk Governance

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organisational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and strategic plan approved by the Board of Directors. The Company is exposed to insurance, reinsurance, special commission rate, credit, and liquidity and currency risks.

### Risk management structure

A cohesive organisational structure is established within the Company in order to identify, assess, monitor and control risks.

### Board of directors

The apex of risk governance is the centralised oversight of the Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
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**Senior management**

Senior management is responsible for the day to day operations towards achieving the strategic goals within the Company's pre-defined risk appetite.

**a) Insurance risk**

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed expectations. This could occur because the frequency or amounts of claims are more than expected. Insurance risk is monitored regularly by the Company to make sure the levels are within the projected frequency bands. The Company underwrites mainly medical, motor, fire and burglary, marine, engineering and public liability risks.

The Company issues short term insurance policies in connection with medical, motor, fire and burglary, marine, engineering and public liability risks and they are expected to produce only short tail claims, therefore it is unlikely to have significant reserve movements. This helps to mitigate insurance risk. The insurance risks arising from the above insurance contracts are mainly concentrated in the Kingdom of Saudi Arabia.

**Frequency and amounts of claims**

The frequency and amounts of claims can be affected by several factors. The Company underwrites medical, motor, fire and burglary, marine, engineering and public liability risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

**Medical**

The Company' underwriting strategy is designed to ensure that risks are well diversified in terms of type of risks and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular view of actual claims experience and product pricing, as well as detailed claims handling procedures. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company. The Company has reinsurance cover to limit the losses for any individual claim.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
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## **23 RISK MANAGEMENT (continued)**

### **a) Insurance risk (continued)**

#### **Motor**

For motor contracts, the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The Company only underwrites comprehensive policies for owner/drivers over 21 years of age.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims. The Company also has risk management procedures to control cost of claims. The Company has reinsurance cover for such damage to limit the losses for any individual claim.

#### **Fire and burglary**

For property insurance contracts the main risk is fire. The Company only underwrites policies for properties containing fire detection equipment.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has reinsurance cover for such damage to limit losses for any individual claim.

#### **Marine**

For marine insurance, the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of cargo, vessels and shipping routes covered. The Company has reinsurance cover to limit losses for any individual claim.

#### **Engineering**

For engineering insurance, main risks are loss or damage to the construction/erection works caused by fire, explosion, natural perils like flood, earthquake, hailstorm, etc. The Company has reinsurance cover for such risks to limit losses for any individual claim.

#### **Public liability**

For public liability insurance, main risks are legal liabilities of the insured towards third party death, bodily injury or property damage arising out of Insured Premises, business operations or projects handled by the insured.

This insurance policy is underwritten based on the turnover of the Company or the value of the contract, nature / occupation of the premises, nature of contracts handled. The Company has reinsurance cover to limit the losses for any individual claim.

#### **Sensitivity analysis**

The general insurance claims provision is sensitive to the above key assumptions. A hypothetical 5% change in the claims ratio would impact income by approximately SR 14,086,937 (2011: SR 16,135,291) annually in aggregate.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
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## **23 RISK MANAGEMENT (continued)**

### **b) Reinsurance risk**

In order to minimise its financial exposure to potential losses arising from large claims, the Company enters into agreements with other parties for reinsurance purpose. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess-of-loss reinsurance contracts.

In line with the objective to provide first-class security to clients and continued profitability to shareholders, the Company adopts a conservative philosophy on underwriting of risks and in arranging its reinsurance programs.

### **c) Special commission rate risk**

Special commission rate risk arises from the possibility that changes in special commission rates will affect future profitability or the fair values of financial instruments. The Company is exposed to special commission rate risk on its time deposits and cash and cash equivalents.

The sensitivity of the income is the effect of assumed changes in special commission rates, with all other variables held constant, on the Company's profit for one year, based on the floating rate financial assets held at 31 December 2012. A hypothetical 10 basis points change in the weighted average special commission rates of the floating rate financial assets balances at 31 December 2012 would impact special commission income on time deposits by approximately SR 18,992 (2011: SR 10,581) over the remaining period of maturity.

### **d) Credit risk**

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

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

- To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers. Accordingly, as a pre-requisite, the parties with whom reinsurance is effected are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.
- Cash and cash equivalents are maintained with local banks approved by the management. Accordingly, as a pre-requisite, the bank with whom cash and cash equivalents are maintained is required to have a minimum acceptable security rating level affirming its financial strength.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**31 DECEMBER 2012**

**23 RISK MANAGEMENT (continued)**

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

	31 December 2012		31 December 2011	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
	SR	SR	SR	SR
FINANCIAL ASSETS				
Reinsurers' share of outstanding claims	256,766,443	-	153,104,202	-
Premiums and insurance balances receivable	93,752,665	-	87,850,300	-
Due from related parties	117,418,062	-	94,817,399	-
Time deposits	50,257,231	66,132,644	25,050,833	51,673,681
Cash equivalents	42,338,837	532,174	32,398,717	4,396,888
Statutory deposit	-	10,000,000	-	10,000,000
	560,533,238	76,664,818	393,221,451	66,070,569

**e) Liquidity risk**

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

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

**Maturity Profiles**

The table below summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining expected obligations. For insurance contract liabilities maturity profiles are determined based on the estimated timing of net cash outflows from the recognised insurance liabilities. The amount disclosed are the contractual undiscounted cash flows which equal their carrying balances as the impact of discounting is not significant.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**31 DECEMBER 2012**

**23 RISK MANAGEMENT (continued)**

	31 December 2012					
	Insurance operations			Shareholders' operations		
	Less than one year SR	No term SR	Total SR	Less than one year SR	No term SR	Total SR
FINANCIAL ASSETS						
Reinsurers' share of outstanding claims	256,766,443	-	256,766,443	-	-	-
Premiums and insurance balances receivable	93,752,665	-	93,752,665	-	-	-
Prepayments and other assets	8,489,545	-	8,489,545	1,215,881	-	1,215,881
Due from related parties	117,418,062	-	117,418,062	-	-	-
Due from insurance operations	-	-	-	4,911,642	-	4,911,642
Statutory deposit	-	-	-	-	10,000,000	10,000,000
Time deposits	50,257,231	-	50,257,231	66,132,644	-	66,132,644
Cash and cash equivalents	42,370,837	-	42,370,837	532,174	-	532,174
<b>TOTAL</b>	<b>569,054,783</b>	<b>-</b>	<b>569,054,783</b>	<b>72,792,341</b>	<b>10,000,000</b>	<b>82,792,341</b>

	31 December 2012					
	Insurance operations			Shareholders' operations		
	Less than one year SR	No term SR	Total SR	Less than one year SR	No term SR	Total SR
FINANCIAL LIABILITIES						
Gross outstanding claims	336,631,993	-	336,631,993	-	-	-
Unearned commission income	19,728,071	-	19,728,071	-	-	-
Due to related parties	331,890	-	331,890	-	-	-
Employees' end of service benefits	-	5,834,597	5,834,597	-	-	-
Reinsurance balances payable	66,703,152	-	66,703,152	-	-	-
Accrued expenses and other liabilities	33,528,418	-	33,528,418	-	-	-
Provision for zakat	-	-	-	2,396,433	-	2,396,433
Accounts payable	-	-	-	1,703,409	-	1,703,409
<b>TOTAL</b>	<b>456,923,524</b>	<b>5,834,597</b>	<b>462,758,121</b>	<b>4,099,842</b>	<b>-</b>	<b>4,099,842</b>

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**23 RISK MANAGEMENT (continued)**

e) Liquidity risk (continued)

	31 December 2011					
	Insurance operations			Shareholders' operations		
	Less than one year SR	No term SR	Total SR	Less than one year SR	No term SR	Total SR
FINANCIAL ASSETS						
Reinsurers' share of outstanding claims	153,104,202	-	153,104,202	-	-	-
Premiums and insurance balances Receivable	87,850,300	-	87,850,300	-	-	-
Prepayments and other assets	6,947,278	-	6,947,278	665,815	-	665,815
Due from related parties	94,817,399	-	94,817,399	-	-	-
Time deposits	25,050,833	-	25,050,833	51,673,681	-	51,673,681
Cash and cash equivalents	32,420,717	-	32,420,717	4,396,888	-	4,396,888
Statutory deposit	-	-	-	-	10,000,000	10,000,000
Due from insurance operations	-	-	-	438,536	-	438,536
<b>TOTAL</b>	<b>400,190,729</b>	<b>-</b>	<b>400,190,729</b>	<b>57,174,920</b>	<b>10,000,000</b>	<b>67,174,920</b>

	31 December 2011					
	Insurance operations			Shareholders' operations		
	Less than one year SR	No term SR	Total SR	Less than one year SR	No term SR	Total SR
FINANCIAL LIABILITIES						
Gross outstanding claims	230,041,134	-	230,041,134	-	-	-
Unearned commission income	18,724,964	-	18,724,964	-	-	-
Due to related parties	565,071	-	565,071	-	-	-
Employees' end of service benefits	-	4,473,811	4,473,811	-	-	-
Reinsurance balances payable	39,963,508	-	39,963,508	-	-	-
Accrued expenses and other liabilities	26,469,610	-	26,469,610	-	-	-
Provision for zakat	-	-	-	1,919,551	-	1,919,551
Accounts payable	-	-	-	857,808	-	857,808
Due to shareholders' operations	438,536	-	438,536	-	-	-
<b>TOTAL</b>	<b>316,202,823</b>	<b>4,473,811</b>	<b>320,676,634</b>	<b>2,777,359</b>	<b>-</b>	<b>2,777,359</b>

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
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## **23 RISK MANAGEMENT (continued)**

### **Liquidity profile**

None of the liabilities on the statement of financial position are based on discounted cash flows and except employees end of service benefits, all are contractually payable on a current basis within 1 year.

#### **f) Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of significant losses due to exchange rate fluctuation, as the majority of monetary assets and liabilities are in currencies linked to the Saudi Riyal.

#### **g) Capital management**

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximise shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

#### **h) Regulatory framework risk**

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

#### **i) Fair values estimation of financial assets and liabilities**

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The amendment to IFRS 7 for financial instruments that are measured in the statement of financial position at fair value requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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**23 RISK MANAGEMENT (continued)**

The carrying values of the Company's financial assets and financial liabilities are not materially different from their fair values at 31 December 2012:

	2012		2011	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
	SR	SR	SR	SR
Financial Assets				
Reinsurers' share of outstanding claims	256,766,443	-	153,104,202	-
Premiums and insurance balances receivable	93,752,665	-	87,850,300	-
Prepayments and other assets	8,489,545	1,215,881	6,947,278	665,815
Due from related parties	117,418,062	-	94,817,399	-
Due from insurance operations	-	4,911,642	-	438,536
Statutory deposit	-	10,000,000	-	10,000,000
Time deposits	50,257,231	66,132,644	25,050,833	51,673,681
Cash and cash equivalents	42,370,837	532,174	32,420,717	4,396,888
	569,054,783	82,792,341	400,190,729	67,174,920

**i) Fair values estimation of financial assets and liabilities**

Financial Liabilities	2012		2011	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
	SR	SR	SR	SR
Gross outstanding claims	336,631,993	-	230,041,134	-
Unearned commission income	19,728,071	-	18,724,964	-
Due to related parties	331,890	-	565,071	-
Employees' end of service benefits	5,834,597	-	4,473,811	-
Reinsurance balances payable	66,703,152	-	39,963,508	-
Accrued expenses and other liabilities	33,528,418	-	26,469,610	-
Provision for zakat	-	2,396,433	-	1,919,551
Accounts payable	-	1,703,409	-	857,808
Due to shareholder operations	-	-	438,536	-
	462,758,121	4,099,842	320,676,634	2,777,359

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**31 DECEMBER 2012**

## 24 CONTINGENCIES AND COMMITMENTS

### a) Legal proceedings and regulations

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 litigations) will have a material effect on its results and financial position.

### b) Operating lease commitments

Rental expenses under operating leases pertained to leases of office spaces I various locations amounted to SR 1.8 million for the year ended 31 December 2012 (2011: SR 1.8 million) are recognised in the statement of insurance comprehensive operations.

Future minimum lease payments under the operating lease arrangements as at 31 December 2012 are as follows:

Years	31 December 2012 SR	31 December 2011 SR
2012	-	1,323,424
2013	2,308,268	-
2014	1,993,836	-
2015	1,801,905	-
2016	1,531,478	-
2017	630,525	-
	8,266,012	1,323,424

## 25 NET UNDERWRITING SURPLUS

Net underwriting surplus for the year is as follows:

	31 December 2012 SR	31 December 2011 SR
Net premiums earned	281,738,741	322,705,804
Commission income	57,790,383	48,978,378
Policy acquisition costs	(56,302,343)	(62,680,254)
Net claims incurred	(206,258,778)	(257,873,272)
Net underwriting surplus	76,968,003	51,130,656

## 26 BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE

Basic and diluted earnings / (loss) per share for the year has been calculated by dividing the net income / (loss) for the year by the ordinary authorised, issued and outstanding shares at the year end of 10 million shares (2011:10 million shares).

## 27 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 13 Rabi-Althani- 1434H (corresponding to 23 February 2013).

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI joint stock company)**  
**FINANCIAL STATEMENTS**  
**AND INDEPENDENT AUDITORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**Scope of audit:**

We have audited the accompanying statement of financial position of Saudi Arabian Cooperative Insurance Company - A Saudi Joint Stock Company ( the "Company") as at 31 December 2011 and the related statements of insurance operations, shareholders' comprehensive operations, changes in shareholders' equity, insurance operations cash flows and shareholders' cash flows for the year then ended and the notes which form part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards and the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

**Unqualified opinion:**

In our opinion, the financial statements taken as a whole:

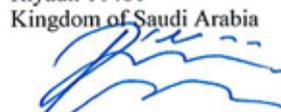
- i) present fairly, in all material respects, the financial position of the Company as at 31 December 2011 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and
- ii) comply with the requirements of the Regulations for Companies and the Company's bye-laws in so far as they affect the preparation and presentation of the financial statements.

**Emphasis of matters:**

We draw attention to the following:

- These financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia as issued by the Saudi Organization for Certified Public Accountants.
- Note 2 to the accompanying financial statements in relation to the asset purchase agreement and transfer of insurance portfolio.

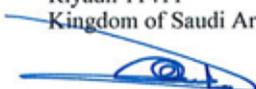
Ernst & Young  
P. O. Box 2732  
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Rashid S. Al Rashoud  
Certified Public Accountant  
Registration No. 366



30 Rabi Awal 1433H  
22 February 2012

Deloitte & Touche  
Bakr Abulkhair & Co.  
P. O. Box 213  
Riyadh 11411  
Kingdom of Saudi Arabia

  
Bakr A. Abulkhair  
Certified Public Accountant  
Registration No. 101



**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2011**

	Notes	31 December 2011 SR	31 December 2010 SR
<b>INSURANCE OPERATIONS' ASSETS</b>			
Property and equipment	7	7,242,382	4,615,153
Reinsurers' share of outstanding claims	8 (a)	153,104,202	126,481,376
Reinsurers' share of unearned premiums	8 (b)	100,712,005	90,214,120
Deferred policy acquisition costs	8 (d)	23,348,928	25,631,887
Premiums and insurance balances receivable	9	87,850,300	128,831,753
Prepayments and other assets	10	6,947,278	4,203,303
Due from related parties	11	94,817,399	102,138,512
Time deposits	13	25,050,833	-
Cash and cash equivalents	12	32,420,717	44,710,641
Due from shareholders operations		-	4,798,774
<b>TOTAL INSURANCE OPERATIONS' ASSETS</b>		<b>531,494,044</b>	<b>531,625,519</b>
<b>SHAREHOLDERS' ASSETS</b>			
Statutory deposit	14	10,000,000	10,000,000
Due from insurance operations		438,536	-
Prepayments and other assets	10	665,815	603,354
Time deposits	13	51,673,681	64,465,229
Cash and cash equivalents	12	4,396,888	4,335,898
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>67,174,920</b>	<b>79,404,481</b>
<b>TOTAL ASSETS</b>		<b>598,668,964</b>	<b>611,030,000</b>

The accompanying notes 1 to 26 form part of these financial statements.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF FINANCIAL POSITION (Continued)**  
**AT 31 DECEMBER 2011**

	Notes	31 December 2011 SR	31 December 2010 SR
<b>INSURANCE OPERATIONS' LIABILITIES</b>			
Gross outstanding claims	8 (a)	230,041,134	211,888,446
Gross unearned premiums	8 (b)	210,817,410	220,719,556
Unearned commission income	8 (c)	18,724,964	17,820,680
Due to related parties	11	565,071	11,188,765
Employees' end-of-service benefits		4,473,811	3,148,986
Reinsurance balances payable	15	39,963,508	43,867,540
Accrued expenses and other liabilities	16	26,469,610	22,991,546
Due to shareholders operations		438,536	-
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES</b>		<b>531,494,044</b>	<b>531,625,519</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>SHAREHOLDERS' LIABILITIES</b>			
Zakat payable	18	1,919,551	1,748,440
Accounts payable		857,808	700,477
Due to insurance operations		-	4,798,774
<b>TOTAL SHAREHOLDERS' LIABILITIES</b>		<b>2,777,359</b>	<b>7,247,691</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	17	100,000,000	100,000,000
Accumulated losses		(35,602,439)	(27,843,210)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>64,397,561</b>	<b>72,156,790</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>67,174,920</b>	<b>79,404,481</b>
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES, SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>598,668,964</b>	<b>611,030,000</b>

The accompanying notes 1 to 26 form part of these financial statements.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF INSURANCE OPERATIONS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	Notes	31 December 2011 SR	31 December 2010 SR
<b>REVENUE</b>			
Gross written premiums	8 (b)	548,443,798	552,693,700
Reinsurance premium ceded	8 (b)	(234,268,307)	(231,886,924)
Excess of loss premiums		(11,869,718)	(9,093,661)
<b>NET WRITTEN PREMIUMS</b>		<b>302,305,773</b>	<b>311,713,115</b>
Movement in unearned premiums		20,400,031	(95,031,094)
<b>NET PREMIUMS EARNED</b>		<b>322,705,804</b>	<b>216,682,021</b>
Commission income	8 (c)	48,978,378	34,023,406
Other income		5,939,639	5,577,578
Special commission income		76,476	-
<b>TOTAL REVENUE</b>		<b>377,700,297</b>	<b>256,283,005</b>
<b>COSTS AND EXPENSES</b>			
Gross claims paid	8 (a)	344,224,337	102,388,354
Reinsurance share of claims paid	8 (a)	(77,880,927)	(17,888,649)
<b>NET CLAIMS PAID</b>		<b>266,343,410</b>	<b>84,499,705</b>
Movement in outstanding claims		(8,470,138)	82,631,425
<b>NET CLAIMS INCURRED</b>	8 (a)	<b>257,873,272</b>	<b>167,131,130</b>
Policy acquisition costs	8 (d)	62,680,254	51,558,086
General and administration expenses	19	48,212,203	35,414,565
Provision for doubtful debts		9,230,964	4,447,356
Inspection and supervision fees		5,003,528	4,828,515
<b>TOTAL COSTS AND EXPENSES</b>		<b>383,000,221</b>	<b>263,379,652</b>
<b>NET DEFICIT FROM INSURANCE OPERATIONS</b>		<b>(5,299,924)</b>	<b>(7,096,647)</b>
Shareholders' appropriation from deficit		5,299,924	7,096,647
<b>Net results for the year</b>		<b>-</b>	<b>-</b>

The accompanying notes 1 to 26 form part of these financial statements.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF SHAREHOLDERS' COMPREHENSIVE OPERATIONS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	Notes	31 December 2011 SR	31 December 2010 SR
Appropriation of deficit from insurance operations		(5,299,924)	(7,096,647)
Special commission income		199,734	228,433
General and administration expenses	19	(981,418)	(844,766)
LOSS BEFORE ZAKAT		(6,081,608)	(7,712,980)
Zakat	18	(1,677,621)	(1,672,000)
NET LOSS FOR THE YEAR		(7,759,229)	(9,384,980)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Change in fair value of available for sale investments		-	-
NET COMPREHENSIVE LOSS FOR THE YEAR		(7,759,229)	(9,384,980)
Basic and diluted loss per share for the year	24	(0.78)	(0.94)

The accompanying notes 1 to 26 form part of these financial statements.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	Share capital	Accumulated losses	Total
	SR	SR	SR
Balance at 1 January 2010	100,000,000	(18,458,230)	81,541,770
Net loss and total comprehensive loss for the year	-	(9,384,980)	(9,384,980)
Balance at 31 December 2010	100,000,000	(27,843,210)	72,156,790
Net loss and total comprehensive loss for the year	-	(7,759,229)	(7,759,229)
Balance at 31 December 2011	100,000,000	(35,602,439)	64,397,561

The accompanying notes 1 to 26 form part of these financial statements.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	31 December 2011 SR	31 December 2010 SR
<b>OPERATING ACTIVITIES</b>			
Net deficit from insurance operations		(5,299,924)	(7,096,647)
Adjustments for:			
Depreciation		2,889,683	1,961,089
Provision for doubtful receivables		9,230,964	4,447,356
Employees' end-of-service benefits, net		1,324,825	2,591,029
Gain on sale of property and equipment		(414)	-
Income before changes in operating assets and liabilities		8,145,134	1,902,827
Changes in operating assets and liabilities:			
Reinsurers' share of outstanding claims		(26,622,826)	(126,308,760)
Reinsurer' share of unearned premiums		(10,497,885)	(69,099,530)
Deferred policy acquisition costs		2,282,959	(20,165,971)
Premiums and insurance balances receivable		31,750,489	(102,283,195)
Prepayments and other assets		(2,743,975)	1,141,037
Due from related parties		7,321,113	(69,688,176)
Gross outstanding claims		18,152,688	208,940,185
Gross unearned premiums		(9,902,146)	164,130,624
Unearned commission income		904,284	13,803,558
Due to related parties		(10,623,694)	5,049,376
Reinsurance balances payable		(3,904,032)	21,904,145
Accrued expenses and other liabilities		3,478,064	10,353,357
Net cash from operating activities		7,740,173	39,679,477
<b>INVESTING ACTIVITIES</b>			
Time deposits, net		(25,050,833)	-
Purchase of property and equipment		(5,518,523)	(2,998,036)
Proceeds from sale of property and equipment		2,025	-
Net cash used in investing activity		(30,567,331)	(2,998,036)
<b>FINANCING ACTIVITY</b>			
Due from (to) shareholders operations		10,537,234	(12,493,757)
Net cash from (used in) financing activity		10,537,234	(12,493,757)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(12,289,924)	24,187,684
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		44,710,641	20,522,957
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	32,420,717	44,710,641

The accompanying notes 1 to 26 form part of these financial statements.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF SHAREHOLDERS' CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	31 December 2011 SR	31 December 2010 SR
OPERATING ACTIVITIES			
Loss before zakat		(6,081,608)	(7,712,980)
Adjustment for:			
Appropriation of deficit from insurance operations		5,299,924	7,096,647
Loss before changes in operating assets and liabilities		(781,684)	(616,333)
Changes in operating assets and liabilities:			
Prepayments and other assets		(62,461)	(112,938)
Accounts payable		157,331	151,883
Cash used in operations		(686,814)	(577,388)
Zakat paid		(1,506,510)	(1,756,602)
Net cash used in operating activities		(2,193,324)	(2,333,990)
INVESTING ACTIVITY			
Time deposits, net		12,791,548	(64,465,229)
Net cash from (used in) investing activity		12,791,548	(64,465,229)
FINANCING ACTIVITY			
Due from (to) insurance operations		(10,537,234)	12,493,757
Net cash (used in) from financing activity		(10,537,234)	12,493,757
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		60,990	(54,305,462)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		4,335,898	58,641,360
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	4,396,888	4,335,898

The accompanying notes 1 to 26 form part of these financial statements.

## SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

### NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

## 1 ORGANISATION AND PRINCIPAL ACTIVITIES

Saudi Arabian Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010237214 dated 7 Shaban 1428H, corresponding to 20 August 2007. The registered office address of the Company is at P.O. Box 58073, Riyadh 11594, Kingdom of Saudi Arabia. The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. Its principal lines of business include all classes of general insurance. The Company was listed on the Saudi Stock Exchange (Tadawul) on 3 September 2007.

## 2 ASSET PURCHASE AGREEMENT AND TRANSFER OF INSURANCE PORTFOLIO

The Company has been licensed to conduct insurance business in Saudi Arabia under co-operative principles in accordance with Royal Decree numbered 60/M dated 18 Ramadan 1427H (corresponding to 11 October 2006), pursuant to the Council of Ministers resolution number 233 dated 16 Ramadan 1427H (corresponding to 9 October 2006).

Following the completion of the public offering on 28 May 2007, the Ministry of Commerce and Industry (MOCI) issued a resolution declaring the incorporation of the Company on 21 Rajab 1428H corresponding to 5 August 2007.

On 29 Shaban 1428H, corresponding to 11 September 2007, the Saudi Arabian Monetary Agency issued a formal approval to transact insurance business, thus authorising the Company to commence operations as soon as product approval and related formalities are completed.

The Company intends to enter into an asset purchase agreement (the Agreement), pursuant to which it is expected to offer to purchase the insurance business and related net assets of Saudi Arabian Insurance Company B.S.C (C)'s operations in the Kingdom of Saudi Arabia (the Saudi operations) at a valuation to be approved by the Saudi Arabian Monetary Agency.

The Company convened a general assembly meeting on 26 August 2009 and approved the purchase of the insurance portfolio and related net assets of the Saudi operations. The related assets and liabilities to be acquired will be determined and valued in accordance with the valuation program issued by SAMA in May 2007. The Company is planning to transfer the assets and liabilities with effect from 1 January 2009. Accordingly, the net results related to such portfolio subsequent to 1 January 2009 will also be transferred to the Company. The transfer will be effected when all required formalities have been completed.

## 3 BASIS OF PREPARATION

### Basis of measurement

The financial statements have been prepared on the historical cost basis.

### Statement of compliance

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

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations. The physical custody of all assets related to the Insurance Operations and Shareholders' Operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of other revenue and expenses from joint operations is as determined by the management and Board of Directors.

### Functional and presentational currency

The functional and presentational currency of the Company is Saudi Riyals.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**31 December 2011**

#### **4 NEW STANDARDS, AMMENDMENTS TO STANDARDS AND INTREPREATATIONS**

The accounting policies used in the preparation of the financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended 31 December 2010 except that the Company has adopted the following new and amended IASB Standards and International Financial Reporting Interpretations Committee (IFRIC) Interpretations which became effective in 2011

##### **IAS 24 Related Party Disclosures (Amendment)**

The IASB has issued an amendment to IAS 24 that clarifies the identification of related party relationships, particularly in relation to significant influence or joint control. The new definitions emphasise a symmetrical view on related party relationship as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the operations of the Company.

##### **IFRS 7 Financial instruments: Disclosures (Amendment)**

These amendments introduced new disclosure requirements for transfers of financial assets, including disclosures for:

- financial assets that are not derecognised in their entirety; and
- financial assets that are derecognised in their entirety but for which the entity retains continuing involvement.

The amendments were intended to simplify the disclosures provided, by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The amendments also add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments.

The amendment has had no significant effect on the Company.

##### **Improvements to IFRSs**

In May 2010, the Board issued its third omnibus amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Company:

##### **IAS 1 Presentation of Financial Statements**

The amendment clarifies that an analysis of each component of other comprehensive income may be presented either in the statement of changes in equity or in the notes to the financial statements.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Company:

- IAS 27 Consolidated and Separate Financial Statements and
- IAS 34 Interim Financial Statements

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**31 December 2011**

## **5 SIGNIFICANT ACCOUNTING POLICIES**

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

### **Product classification**

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event.

### **Premiums earned and commission income**

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

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

- 25% of premiums for marine cargo business
- Actual number of days for other lines of business

### **Premiums receivable**

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

Any difference between the provisions at the end of reporting period and settlements and provisions in the following period is included in the general and administration expenses for that period.

### **Gross outstanding claims**

Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to statement of insurance operations. Gross outstanding claims comprise of gross estimated cost of claims incurred but not settled at the date of statement of financial position, whether reported or not. Provisions for reported claims not paid as of the reporting date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported as of reporting date. The ultimate liability may be in excess of or less than the amount provided.

Any difference between the provisions at the date of statement of financial position and settlements and provisions in the following year is included in the statement of insurance operations for that year. The Company does not discount its liabilities for unpaid claims as substantially all claims are expected to be paid within one year of the reporting date.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**31 December 2011**

## **5 SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Liability adequacy test**

At the end of each reporting period, a liability adequacy test is performed to ensure the adequacy of the insurance contracts liabilities net of related deferred policy acquisition cost using current estimates of future cash flows under insurance contracts. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to the statement of insurance operations initially by writing off related deferred policy acquisition costs and subsequently by establishing a provision for losses arising from liability adequacy tests.

### **Reinsurance**

Reinsurance contracts are contracts entered into by the Company with reinsurers under which the Company is compensated for losses on insurance contracts issued.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers on settlement of claims and other receivables such as profit commissions and reinsurers' share of outstanding claims that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are recognised consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract.

At each reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount.

Where the carrying amount of a reinsurance asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment is recognised in the statement of insurance operations.

### **Deferred policy acquisition costs**

Commissions and other costs directly and indirectly related to the acquisition and renewal of insurance contracts are deferred and amortised over the terms of the insurance contracts to which they relate as premiums are earned. Amortisation is recorded in the statement of insurance operations.

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

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amounts are less than the carrying value, an impairment loss is recognised in the statement of insurance operations. Deferred policy acquisition cost is also considered in the liability adequacy test for each reporting period.

### **Unearned commission income**

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

### **Property and equipment**

Property and equipment are measured at cost less accumulated depreciation. Depreciation is charged to the statement of insurance operations on a straight line basis over the estimated useful lives of the assets.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
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## **5 SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Zakat**

The Company is subject to Zakat in accordance with the Regulation of the Directorate of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat is accrued and charged to the statement of shareholders' comprehensive operations.

### **Provisions**

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably.

### **Leases**

Operating lease payments are recognised as an expense in the statements of insurance operations and shareholders' comprehensive operations on a straight-line basis over the lease term.

### **Employees' end of service benefits**

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

### **Cash and cash equivalents**

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

### **Special commission income on time deposits**

Special commission income on time deposits is accrued on an effective yield basis.

### **Segmental reporting**

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

- Medical provides health care cover to policyholders.
- Motor Insurance provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Fire and burglary provides coverage against fire, and any other insurance included under this class of insurance.
- Marine Insurance provides cover for Marine Cargo in transit and ships against marine perils.
- Engineering Insurance provides coverage for loss or damage to construction works or erection and installation of plant & machinery.
- Public liability provides cover for legal liability of the insured against third parties arising out of premises, business operations or projects handled.
- Shareholders' Funds is a non-operating segment. Income earned from time deposits is its only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The deficit or surplus from the insurance operations' is allocated to this segment on an appropriate basis.

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**31 December 2011**

## **5 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

No inter-segment transactions occurred during the period. If any transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments which will then be eliminated at the level of financial statements of the Company. As the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by operating segments only.

### **Foreign currencies**

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the rates of exchange ruling at that date. All differences are taken to the statement of insurance operations.

### **Derecognition of financial instruments**

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

### **Offsetting**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the statement of insurance operations or statement of shareholders' comprehensive operations unless required or permitted by an accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

### **Fair values**

The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the reporting date. If quoted market prices are not available, reference is made to broker or dealer price quotations.

For financial assets where there is not an active market, fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same and/or discounted cash flow analysis. For discounted cash flow techniques, estimated future cash flows are based on Management's best estimates and the discount rate used is a market related rate for similar assets.

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## **5 SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Impairment and uncollectibility of financial assets**

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or group of financial assets may be impaired. If such evidence exists, an impairment loss is recognised in the statements of insurance operations and shareholders' comprehensive operations. Impairment is determined as follows:

- a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statements of insurance operations and shareholders' comprehensive operations;
- b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

### **Accrued expenses and other liabilities**

Accrued expenses and other liabilities are recognised for amounts to be paid in the future for goods and services, whether billed by the supplier or not.

### **Statutory reserve**

In accordance with its by-laws, the Company shall allocate 20% of its net income each year to a statutory reserve until it has built up a reserve equal to the share capital. In view of the accumulated losses, no such transfer has been made for the year ended 31 December 2011.

## **6 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS**

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### **Ultimate liability arising from claims made under insurance contracts**

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported is an estimation of claims which are expected to be reported subsequent to the end of reporting period, for which the insured event has occurred prior to the end of reporting period.

### **Impairment losses on receivables**

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

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In order to comply with the 'Implementing Regulations' and requirements of the Saudi Arabian Monetary Agency, the Company changed its method of provisioning for doubtful debts in the current year based on the inception date of the insurance policy rather than due date of the premium receivable.

**Deferred policy acquisition costs**

Certain acquisition costs related to sale of policies are recorded as deferred acquisition costs and are amortised over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realised, the amortisation of these costs could be accelerated and this may also require additional impairment.

**Going concern**

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Additionally, the management is not aware of any material uncertainties that, may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

**7 PROPERTY AND EQUIPMENT**

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Leasehold improvements	3 years
Furniture and fittings	10 years
Computer and office equipment	3- 5 years
Vehicles	3 years

	Leasehold improvements SR	Furniture and fittings SR	Computer and office equipment SR	Vehicles SR	Total SR
Cost:					
1 January 2010	1,862,597	1,461,990	2,156,813	-	5,124,641
Additions	905,120	624	2,092,292	-	2,998,036
31 December 2010	2,767,717	1,462,614	4,249,105	-	8,479,436
Additions	2,225,206	489,624	2,781,974	21,719	5,518,523
Disposals	-	-	(3,000)	-	(3,000)
31 December 2011	4,992,923	1,952,238	7,028,079	21,719	13,994,959
Accumulated depreciation:					
1 January 2010	1,085,505	331,923	485,766	-	1,903,194
Charge for the year	779,200	146,253	1,035,636	-	1,961,089
31 December 2010	1,864,705	478,176	1,521,402	-	3,864,283
Charge for the year	872,177	172,836	1,840,108	4,562	2,889,683
Disposals	-	-	(1,389)	-	(1,389)
31 December 2011	2,736,882	651,012	3,360,121	4,562	6,752,577
Net book value:					
31 December 2011	2,256,041	1,301,226	3,667,958	17,157	7,242,382
31 December 2010	903,012	984,438	2,727,703	-	4,615,153

The depreciation charge for the year has been included in general and administration expenses.

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31 December 2011

**8 MOVEMENT IN OUTSTANDING CLAIMS, UNEARNED PREMIUMS, UNEARNED COMMISSION INCOME AND DEFERRED POLICY ACQUISITION COSTS**

(a) Outstanding claims

	2011			2010		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	SR	SR	SR	SR	SR	SR
Outstanding at end of the year	204,624,401	(153,104,202)	51,520,199	190,211,150	(126,481,376)	63,729,774
IBNR	25,416,733	-	25,416,733	21,677,296	-	21,677,296
	230,041,134	(153,104,202)	76,936,932	211,888,446	(126,481,376)	85,407,070
Insurance claims paid during the year	344,224,337	(77,880,927)	266,343,410	102,388,354	(17,888,649)	84,499,705
Outstanding at beginning of the year	(190,211,150)	126,481,376	(63,729,774)	(2,335,297)	172,616	(2,162,681)
IBNR	(21,677,296)	-	(21,677,296)	(612,964)	-	(612,964)
	(211,888,446)	126,481,376	(85,407,070)	(2,948,261)	172,616	(2,775,645)
Claims incurred	362,377,025	(104,503,753)	257,873,272	311,328,539	(144,197,409)	167,131,130

The Company commenced its insurance operations on 25 August 2009. Accordingly the management believes that the disclosure of a claims development table would not be meaningful.

(b) Unearned premiums

	2011			2010		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	SR	SR	SR	SR	SR	SR
Unearned premiums at beginning of the year	220,719,556	(90,214,120)	130,505,436	56,588,932	(21,114,590)	35,474,342
Premiums written during the year	548,443,798	(234,268,307)	314,175,491	552,693,700	(231,886,924)	320,806,776
Premiums earned during the year	(558,345,944)	223,770,422	(334,575,522)	(388,563,076)	162,787,394	(225,775,682)
Unearned premiums at end of the year	210,817,410	(100,712,005)	110,105,405	220,719,556	(90,214,120)	130,505,436

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**(c) Unearned commission income**

	<b>2011 SR</b>	<b>2010 SR</b>
Unearned commission income at beginning of the year	17,820,680	4,017,122
Commission received during the year	49,882,662	47,826,964
Commission earned during the year	(48,978,378)	(34,023,406)
Unearned commission income at end of the year	18,724,964	17,820,680

**8 MOVEMENT IN OUTSTANDING CLAIMS, UNEARNED PREMIUMS, UNEARNED COMMISSION INCOME AND DEFERRED POLICY ACQUISITION COSTS (continued)**

**(d) Deferred policy acquisition costs**

	<b>2011 SR</b>	<b>2010 SR</b>
Deferred policy acquisition costs at beginning of the year	25,631,887	5,465,916
Incurred during the year	60,397,295	71,724,057
Amortized during the year	(62,680,254)	(51,558,086)
Deferred policy acquisition costs at end of the year	23,348,928	25,631,887

**9 PREMIUMS AND INSURANCE BALANCES RECEIVABLE**

	<b>2011 SR</b>	<b>2010 SR</b>
Premium receivables	95,780,205	131,173,991
Reinsurers and others	5,845,205	2,225,045
Total premiums and insurance balances receivable	101,625,410	133,399,036
Provision for doubtful receivables	(13,775,110)	(4,567,283)
	87,850,300	128,831,753

The Company's terms of business require amounts to be settled within 30 to 90 days of the date of the transaction. Amounts due from reinsurers are normally settled on a quarterly basis.

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

			Past due but not impaired				Past due and impaired
	Total	Neither past due nor impaired	Less than 30 days	31 to 60 days	61 to 90 days	Above 90 days	
	SR	SR	SR	SR	SR	SR	
2011	101,625,410	30,615,396	18,889,595	7,220,973	8,389,027	30,982,678	5,527,741
2010	133,399,036	67,316,386	27,014,176	8,335,990	7,979,819	21,816,991	935,674

The Company classifies client balances as 'past due and impaired' on a case by case basis. An impairment adjustment is recorded in the statement of insurance operations. It is not the practice of the Company to obtain collateral over receivables and they are, therefore, unsecured. The Company does not have an internal credit ratings assessment process and accordingly, amounts which are neither past due nor impaired, in respect of client balances, are from individuals and unrated corporate. Balances due from reinsurers are with counterparties who have investment grade credit ratings issued by external rating agencies.

## 9 PREMIUMS AND INSURANCE BALANCES RECEIVABLE (continued)

The movement in the provision for doubtful receivables is as follows:

	2011 SR	2010 SR
Opening balance	4,567,283	119,927
Provision made during the year	9,230,964	4,447,356
Written off	(23,137)	-
	13,775,110	4,567,283

## 10 PREPAYMENTS AND OTHER ASSETS

	2011		2010	
	Insurance Operations	Shareholders' Operations	Insurance Operations	Shareholders' Operations
	SR	SR	SR	SR
Prepaid excess of loss expenses	2,500,776	-	713,443	-
Excess of loss recovery receivable	2,088,903	-	1,074,609	-
Advances to suppliers	556,718	-	420,808	-
Prepaid insurance	503,513	-	442,690	-
Advance for computer implementation	426,716	-	128,189	-
Prepaid rent	313,499	-	527,349	-
Employee receivables	175,077	-	367,215	-
Accrued special commission income	25,642	665,815	-	603,354
Advance payment to hospitals	-	-	276,493	-
Others	356,434	-	252,507	-
	6,947,278	665,815	4,203,303	603,354

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
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**31 December 2011**

## 11 RELATED PARTY TRANSACTIONS AND BALANCES

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

### a) Transactions with related parties

The following are the details of major related party transactions during the year:

Related party	Nature of transactions	2011 SR	2010 SR
Saudi Arabian Insurance Company B.S.C (C) (Shareholder)	Amounts received and paid on behalf of SAICO BSC (C)	(4,995,972)	59,454,043
ACE Insurance Agents Limited ("Agent") (Affiliate)	Premiums received through Agent	56,291,638	211,125,645
	Claims paid through Agent	41,598,690	29,707,185
	Commission expense-	12,392,611	45,729,206
ACE Limited (Common ownership)	Premiums and claims	(694,836)	548,866
ACE Insurance and Reinsurance Brokers Limited ("Broker") (Affiliate)	Premiums received through Broker	146,961,845	48,843,676
	Commission expense	20,658,324	3,339,317
	Premiums ceded through Broker	58,130,671	93,725,071
	Commission received	9,088,905	16,224,663
Board members	Reimbursement of expenses to board members	100,571	60,268

### b) Balances with related parties

The above transactions with the related parties resulted in the following balance as at the statement of financial position date:

		2011 SR	2010 SR
Saudi Arabian Insurance Company B.S.C (C) (SAICO BSC (C))(Shareholder)	Insurance operations	59,054,121	64,050,093
ACE Insurance Agents limited	Insurance operations	9,783,988	28,905,727
ACE Limited	Insurance operations	(565,071)	(11,188,765)
ACE Insurance and Reinsurance Brokers Limited	Insurance operations	25,979,290	9,182,692

Outstanding balances at the reporting date are unsecured and special commission rate free. Settlement will take place in cash. No provision for impairment was made at the reporting date. This assessment is undertaken at the reporting date through examining the financial position of the related party and the market in which the related party operates.

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## 11. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

### c) Compensation of key management personnel

Key management personnel of the Company include all directors (executive and non-executive) and senior management. The summary of compensation of key management personnel for the year is as follows.

	2011 SR	2010 SR
Short-term benefits	1,742,070	1,610,600
Bonus	1,675,000	1,500,000
Employees' end-of-service benefits	347,895	839,190
	3,764,965	3,949,790

## 12 CASH AND CASH EQUIVALENTS

	2011		2010	
	Insurance Operations'	Shareholders' Operations	Insurance Operations'	Shareholders' Operations
	SR	SR	SR	SR
Time deposits	-	4,032,179	-	4,027,197
Cash at banks	32,398,717	364,709	44,699,641	308,701
Cash on hand	22,000	-	11,000	-
	32,420,717	4,396,888	44,710,641	4,335,898

Cash at banks and time deposits are placed with counterparties who have investment grade credit ratings. The time deposits, which are denominated in Saudi Riyals, are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company and earn commission at an effective commission rate of 0.12% (2010: 0.12%).

## 13 TIME DEPOSITS

Time deposits represent deposits with local banks which have investment grade credit ratings and have an original maturity of more than three months from date of acquisition. The company earns commission at an effective commission rate of 0.43% (2010: 0.45%)

## 14 STATUTORY DEPOSIT

Statutory deposit represents 10% of the paid up capital which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. This statutory deposit cannot be withdrawn without the consent of the Saudi Arabian Monetary Agency. This statutory deposit is placed with a counterparty which has an investment grade credit rating

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**15 REINSURANCE BALANCES PAYABLE**

	<b>2011 SR</b>	<b>2010 SR</b>
Insurance underwriters	39,963,508	43,777,920
Premiums payable	-	89,620
	39,963,508	43,867,540

**16 ACCRUED EXPENSES AND OTHER LIABILITIES**

	<b>2011 SR</b>	<b>2010 SR</b>
Commission payable	13,189,362	9,975,942
Policyholders' payable balances	4,848,590	3,994,494
Council for Cooperative Health Insurance fees	1,961,337	2,105,457
Claims agreed for settlement	1,507,414	805,904
Employees' benefits	1,480,671	1,114,036
Withholding tax payable	743,966	-
SAMA inspection & supervision fees	549,780	582,856
Accrued professional fees	343,750	275,000
Payable to health care providers	-	86,670
Premium received in advance	-	1,591,664
Accrued bonus	-	1,500,000
Others	1,844,740	959,523
	26,469,610	22,991,546

**17 SHARE CAPITAL**

The authorised, issued and paid up share capital of the Company is SR 100 million divided into 10 million shares of SR 10 each. The founding shareholders of the Company have subscribed and paid for 6 million shares with a nominal value of SR 10 each, which represents 60% of the shares of the Company's capital and the remaining 4 million shares with a nominal value of SR 10 each have been subscribed by the public.

**18 ZAKAT**

The provision for the year of SR 1,677,621 (2010: SR 1,672,000) is based on the following:

	<b>2011 SR</b>	<b>2010 SR</b>
Shareholders' equity and opening provisions	79,873,059	82,176,000
Book value of long term assets and statutory deposit	(17,242,382)	(14,615,153)
	62,630,677	67,560,847
Adjusted profit / (loss) for the year	4,474,181	(675,000)
Zakat base	67,104,858	66,885,847

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Movements in the provision during the year

The movement in the zakat provision for the year was as follows:

	2011 SR	2010 SR
At the beginning of the year	1,748,440	1,833,042
Provided during the year	1,677,621	1,672,000
Payments during the year	(1,506,510)	(1,756,602)
At the end of the year	1,919,551	1,748,440

The differences between the financial and zakatable results are mainly due to provisions which are not allowed in the calculation of zakatable adjusted income (loss).

**Status of assessments**

The Company has filed zakat declaration for 2008, 2009 and 2010 with the Department of Zakat and Income Tax (DZIT). However, the assessments have not yet been finalized.

**19 GENERAL AND ADMINISTRATION EXPENSES**

	2011		2010	
	Insurance Operations'	Shareholders' Operations	Insurance Operations'	Shareholders' Operations
	SR	SR	SR	SR
Employees cost	31,978,647	-	25,849,001	91,001
Withholding Tax	3,589,199	-	1,042,035	-
Depreciation	2,889,683	-	1,961,089	-
Computer implementation	2,021,533	-	269,850	-
Rent	1,820,042	-	1,313,239	-
Legal and professional fees	1,278,644	-	1,509,779	-
Postage, telephone, telex	1,230,876	-	690,340	-
Printing and stationery	726,977	-	882,388	-
Repairs and maintenance	541,983	-	427,621	-
Travel	360,937	-	258,540	-
Collector fees	250,381	-	212,187	-
Tadawul subscription	-	180,000	-	180,000
Others	1,523,301	801,418	998,496	573,765
	48,212,203	981,418	35,414,565	844,766

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
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## 20 SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, operating segments have been approved by Management in respect of the Company's activities, assets and liabilities.

Segment results do not include general and administration expenses, provision for doubtful debts, inspection and supervision fees and other income.

Segment assets do not include insurance operations' property and equipment, prepayments and other assets, due from related parties, premiums and insurance balances receivable, due from shareholders operations, time deposits and cash and cash equivalents. Accordingly they are included in unallocated assets.

Segment liabilities do not include due to shareholders' operations, due to related parties, employees' end of service benefits, reinsurance balances payable and accrued expense and other liabilities. Accordingly they are included in unallocated liabilities.

All the Company's operating assets and principal activities are located in the Kingdom of Saudi Arabia.

## 20 SEGMENTAL INFORMATION (continued)

For the year ended 31 December 2011

REVENUE	Medical	Motor	Fire & burglary	Marine	Engineer- ing	Public liability	Others	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Gross written premiums	196,134	122,618	101,718	41,667	26,827	19,345	40,135	548,444
Reinsurance premium ceded	(34,071)	(753)	(92,607)	(38,364)	(25,097)	(10,017)	(33,359)	(234,268)
Excess of loss premiums	(7,081)	(2,115)	(1,524)	(625)	(300)	(166)	(59)	(11,870)
Net written premiums	154,982	119,750	7,587	2,678	1,430	9,162	6,717	302,306
Movement in unearned premiums	28,610	(6,495)	574	(71)	14	(2,262)	30	20,400
Net premiums earned	183,592	113,255	8,161	2,607	1,444	6,900	6,747	322,706
Commission income	3,072	174	18,722	11,220	7,079	1,430	7,281	48,978
Total allocated revenues	186,664	113,429	26,883	13,827	8,523	8,330	14,028	371,684
Unallocated revenues								6,016
Total revenues								377,700
COST AND EXPENSES								
Gross claims paid	214,589	75,537	19,918	6,865	1,060	814	25,441	344,224
Reinsurance share of claims paid	(33,358)	(162)	(12,862)	(6,014)	(891)	(5)	(24,589)	(77,881)
Net claims paid	181,231	75,375	7,056	851	169	809	852	266,343
Movement in outstanding claims	(12,775)	8,830	(5,216)	60	(103)	313	421	(8,470)
Net claims incurred	168,456	84,205	1,840	911	66	1,122	1,273	257,873
Policy acquisition cost	14,607	19,681	14,153	5,625	3,592	2,030	2,992	62,680
Total allocated costs and expenses	183,063	103,886	15,993	6,536	3,658	3,152	4,265	320,553
Unallocated expenses								62,447
Total costs and expenses								383,000
Net deficit from insurance operations								(5,300)

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**31 December 2011**

**20 SEGMENTAL INFORMATION (continued)**

REVENUE	For the year ended 31 December 2010							
	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	Others	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Gross written premiums	210,546	105,596	101,938	40,077	49,536	14,717	30,284	552,694
Reinsurance premium ceded	(29,244)	(443)	(91,126)	(37,048)	(47,177)	(4,842)	(22,007)	(231,887)
Excess of loss premiums	(3,477)	(2,310)	(1,950)	(602)	(424)	(224)	(107)	(9,094)
Net written premiums	177,825	102,843	8,862	2,427	1,935	9,651	8,170	311,713
Movement in unearned premiums	(61,360)	(26,392)	(2,151)	(705)	(535)	(2,333)	(1,555)	(95,031)
Net premiums earned	116,465	76,451	6,711	1,722	1,400	7,318	6,615	216,682
Commission income	-	109	14,440	8,338	5,789	668	4,679	34,023
Total allocated revenues	116,465	76,560	21,151	10,060	7,189	7,986	11,294	250,705
Unallocated revenues								5,578
Total revenues								256,283
COST AND EXPENSES								
Gross claims paid	53,933	38,936	5,222	2,428	190	284	1,395	102,388
Reinsurance share of claims paid	(10,844)	(81)	(3,637)	(2,141)	(123)	-	(1,062)	(17,888)
Net claims paid	43,089	38,855	1,585	287	67	284	333	84,500
Movement in outstanding claims	47,453	20,852	10,283	1,182	970	690	1,201	82,631
Net claims incurred	90,542	59,707	11,868	1,469	1,037	974	1,534	167,131
Policy acquisition cost	9,833	15,183	12,371	5,028	4,542	1,929	2,672	51,558
Total allocated costs and expenses	100,375	74,890	24,239	6,497	5,579	2,903	4,206	218,689
Unallocated expenses								44,691
Total costs and expenses								263,380
Net deficit from insurance operations								(7,097)

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 December 2011

**20 SEGMENTAL INFORMATION (continued)**

	31 December 2011							
	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	Others	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
<b>ASSETS</b>								
Reinsurers' share of outstanding claims	5,048	18	64,472	5,364	6,475	28	71,699	153,104
Reinsurers' share of unearned premiums	14,528	195	42,035	10,778	21,678	3,873	7,625	100,712
Deferred policy acquisition costs	5,124	7,234	5,290	1,447	2,025	1,602	627	23,349
SEGMENT ASSETS	24,700	7,447	111,797	17,589	30,178	5,503	79,951	277,165
Unallocated assets								254,329
<b>TOTAL ASSETS</b>								<b>531,494</b>
<b>LIABILITIES</b>								
Gross outstanding claims	42,103	30,080	69,539	6,624	7,342	1,030	73,323	230,041
Gross unearned premiums	68,522	45,056	44,707	11,619	22,272	9,115	9,526	210,817
Unearned commission income	1,235	56	7,744	3,509	3,821	687	1,673	18,725
SEGMENT LIABILITIES	111,860	75,192	121,990	21,752	33,435	10,832	84,522	459,583
Unallocated liabilities								71,911
<b>TOTAL LIABILITIES</b>								<b>531,494</b>

31 December 2010

	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	Others	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
<b>ASSETS</b>								
Reinsurers' share of outstanding claims	5,084	16	76,526	6,102	2,844	7	35,902	126,481
Reinsurers' share of unearned premiums	11,916	143	36,790	10,068	22,995	1,843	6,459	90,214
Deferred policy acquisition costs	5,903	7,013	7,369	1,821	1,940	781	805	25,632
SEGMENT ASSETS	22,903	7,172	120,685	17,991	27,779	2,631	43,166	242,327
Unallocated assets								289,299
<b>TOTAL ASSETS</b>								<b>531,626</b>
<b>LIABILITIES</b>								
Gross outstanding claims	54,915	21,249	86,810	7,303	3,814	697	37,100	211,888
Gross unearned premiums	94,521	38,508	40,037	10,838	23,603	4,823	8,390	220,720
Unearned commission income	-	25	8,583	3,154	4,164	325	1,570	17,821
SEGMENT LIABILITIES	149,436	59,782	135,430	21,295	31,581	5,845	47,060	450,429
Unallocated liabilities								81,197
<b>TOTAL LIABILITIES</b>								<b>531,626</b>

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**31 December 2011**

## **21 RISK MANAGEMENT**

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

### **Risk Governance**

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organisational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and strategic plan approved by the Board. The Company is exposed to insurance, reinsurance, special commission rate, credit, and liquidity and currency risks.

### **Risk management structure**

A cohesive organisational structure is established within the Company in order to identify, assess, monitor and control risks.

### **Board of directors**

The apex of risk governance is the centralised oversight of the Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

### **Senior management**

Senior management is responsible for the day to day operations towards achieving the strategic goals within the Company's pre-defined risk appetite.

#### **a) Insurance risk**

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed expectations. This could occur because the frequency or amounts of claims are more than expected. Insurance risk is monitored regularly by the Company to make sure the levels are within the projected frequency bands. The Company underwrites mainly medical, motor, fire and burglary, marine, engineering and public liability risks.

The Company issues short term insurance policies in connection with medical, motor, fire and burglary, marine, engineering and public liability risks and they are expected to produce only short tail claims, therefore it is unlikely to have significant reserve movements. This helps to mitigate insurance risk. The insurance risks arising from the above insurance contracts are mainly concentrated in the Kingdom of Saudi Arabia.

### **Frequency and amounts of claims**

The frequency and amounts of claims can be affected by several factors. The Company underwrites medical, motor, fire and burglary, marine, engineering and public liability risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

### **Medical**

The Company' underwriting strategy is designed to ensure that risks are well diversified in terms of type of risks and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular view of actual claims experience and product pricing, as well as detailed claims handling procedures. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company. The Company has reinsurance cover to limit the losses for any individual claim.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**31 December 2011**

## **21 RISK MANAGEMENT (continued)**

### **a) Insurance risk (continued)**

#### **Motor**

For motor contracts, the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The Company only underwrites comprehensive policies for owner/drivers over 21 years of age.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims. The Company also has risk management procedures to control cost of claims. The Company has reinsurance cover for such damage to limit the losses for any individual claim.

#### **Fire and burglary**

For property insurance contracts the main risk is fire. The Company only underwrites policies for properties containing fire detection equipment.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has reinsurance cover for such damage to limit losses for any individual claim.

#### **Marine**

For marine insurance, the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of cargo, vessels and shipping routes covered. The Company has reinsurance cover to limit losses for any individual claim.

#### **Engineering**

For engineering insurance, main risks are loss or damage to the construction/erection works caused by fire, explosion, natural perils like flood, earthquake, hailstorm, etc.

The company has reinsurance cover for such risks to limit losses for any individual claim.

#### **Public liability**

For public liability insurance, main risks are legal liabilities of the Insured towards third party death, bodily injury or property damage arising out of Insured Premises, business operations or projects handled by the Insured.

This insurance policy is underwritten based on the turnover of the company or the value of the contract, nature / occupation of the premises, nature of contracts handled. The company has reinsurance cover to limit the losses for any individual claim.

#### **Sensitivity analysis**

The general insurance claims provision is sensitive to the above key assumptions. A hypothetical 10% change in the claims ratio would impact income by approximately SR 32,270,581 (2010: SR 21,668,202) annually in aggregate.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**31 December 2011**

## **21 RISK MANAGEMENT (continued)**

### **b) Reinsurance risk**

In order to minimise its financial exposure to potential losses arising from large claims, the Company enters into agreements with other parties for reinsurance purpose. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess-of-loss reinsurance contracts.

In line with the objective to provide first-class security to clients and continued profitability to shareholders, the Company adopts a conservative philosophy on underwriting of risks and in arranging its reinsurance programs.

### **c) Special commission rate risk**

Special commission rate risk arises from the possibility that changes in special commission rates will affect future profitability or the fair values of financial instruments. The Company is exposed to special commission rate risk on its time deposits and cash and cash equivalents.

The sensitivity of the income is the effect of assumed changes in special commission rates, with all other variables held constant, on the Company's profit for one year, based on the floating rate financial assets held at 31 December 2011. A hypothetical 10 basis points change in the weighted average special commission rates of the floating rate financial assets balances at 31 December 2011 would impact special commission income by approximately SR 10,581 (2010: SR 10,484) over the remaining period of maturity.

### **d) Credit risk**

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

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

- To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers. Accordingly, as a pre-requisite, the parties with whom reinsurance is effected are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.
- Cash and cash equivalents are maintained with local banks approved by the management. Accordingly, as a pre-requisite, the bank with whom Cash and cash equivalents are maintained is required to have a minimum acceptable security rating level affirming its financial strength.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 December 2011

**21 RISK MANAGEMENT (continued)**

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

	31 December 2011		31 December 2010	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
	SR	SR	SR	SR
Assets				
Reinsurers' share of outstanding claims	153,104,202	-	126,481,376	-
Premiums and insurance balances receivable	87,850,300	-	128,831,753	-
Due from related parties	94,817,399	-	102,138,512	-
Time deposits	25,050,833	51,673,681	-	64,465,229
Cash equivalents	32,398,717	4,396,888	44,699,641	4,335,898
Statutory deposit	-	10,000,000	-	10,000,000
	393,221,451	66,070,569	402,151,282	78,801,127

**e) Liquidity risk**

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

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

**Maturity Profiles**

The table below summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining expected obligations. For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums and the reinsurance share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

	31 December 2011					
	Insurance operations			Shareholders' operations		
	Less than one year SR	No term SR	Total SR	Less than one year SR	No term SR	Total SR
Reinsurers' share of outstanding claims	153,104,202	-	153,104,202	-	-	-
Premiums and insurance balances receivable	87,850,300	-	87,850,300	-	-	-
Prepayments and other assets	6,947,278	-	6,947,278	665,815	-	665,815
Due from related parties	94,817,399	-	94,817,399	-	-	-
Due from insurance operations	-	-	-	438,536	-	438,536
Statutory deposit	-	-	-	-	10,000,000	10,000,000
Time deposits	25,050,833	-	25,050,833	51,673,681	-	51,673,681
Cash and cash equivalents	32,420,717	-	32,420,717	4,396,888	-	4,396,888
<b>TOTAL ASSETS</b>	<b>400,190,729</b>	<b>-</b>	<b>400,190,729</b>	<b>57,174,920</b>	<b>10,000,000</b>	<b>67,174,920</b>

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**31 December 2011**

**21 RISK MANAGEMENT (continued)**

	31 December 2011					
	Insurance operations			Shareholders' operations		
	Less than one year SR	No term SR	Total SR	Less than one year SR	No term SR	Total SR
<b>LIABILITIES</b>						
Gross outstanding claims	230,041,134	-	230,041,134	-	-	-
Unearned commission income	18,724,964	-	18,724,964	-	-	-
Due to related parties	565,071	-	565,071	-	-	-
Employees' end of service benefits	-	4,473,811	4,473,811	-	-	-
Reinsurance balances payable	39,963,508	-	39,963,508	-	-	-
Accrued expenses and other liabilities	26,469,610	-	26,469,610	-	-	-
Zakat payable	-	-	-	1,919,551	-	1,919,551
Accounts payable	-	-	-	857,808	-	857,808
Due to shareholder operations	438,536	-	438,536	-	-	-
<b>TOTAL LIABILITIES</b>	<b>316,202,823</b>	<b>4,473,811</b>	<b>320,676,634</b>	<b>2,777,359</b>	<b>-</b>	<b>2,777,359</b>

**e) Liquidity risk (continued)**

	31 December 2010					
	Insurance operations			Shareholders' operations		
	Less than one year SR	No term SR	Total SR	Less than one year SR	No term SR	Total SR
<b>ASSETS</b>						
Reinsurers' share of outstanding claims	126,481,376	-	126,481,376	-	-	-
Premiums and insurance balances receivable	128,831,753	-	128,831,753	-	-	-
Prepayments and other assets	4,203,303	-	4,203,303	603,354	-	603,354
Due from related parties	102,138,512	-	102,138,512	-	-	-
Time deposits	-	-	-	64,465,229	-	64,465,229
Cash and cash equivalents	44,710,641	-	44,710,641	4,335,898	-	4,335,898
Statutory deposit	-	-	-	-	10,000,000	10,000,000
Due from shareholders operations	4,798,774	-	4,798,774	-	-	-
<b>TOTAL ASSETS</b>	<b>411,164,359</b>	<b>-</b>	<b>411,164,359</b>	<b>69,404,481</b>	<b>10,000,000</b>	<b>79,404,481</b>

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 December 2011

**21 RISK MANAGEMENT (continued)**

	31 December 2010					
	Insurance operations			Shareholders' operations		
	Less than one year SR	No term SR	Total SR	Less than one year SR	No term SR	Total SR
<b>LIABILITIES</b>						
Gross outstanding claims	211,888,446	-	211,888,446	-	-	-
Unearned commission income	17,820,680	-	17,820,680	-	-	-
Due to related parties	11,188,765	-	11,188,765	-	-	-
Employees' end of service benefits	-	3,148,986	3,148,986	-	-	-
Reinsurance balances payable	43,867,540	-	43,867,540	-	-	-
Accrued expenses and other liabilities	22,991,546	-	22,991,546	-	-	-
Zakat payable	-	-	-	1,748,440	-	1,748,440
Accounts payable	-	-	-	700,477	-	700,477
Due to insurance operations	-	-	-	4,798,774	-	4,798,774
<b>TOTAL LIABILITIES</b>	<b>307,756,977</b>	<b>3,148,986</b>	<b>310,905,963</b>	<b>7,247,691</b>		<b>7,247,691</b>

**Liquidity profile**

None of the liabilities on the statement of financial position are based on discounted cash flows and except employees end of service benefits, all are contractually payable on a current basis within 1 year.

**f) Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of significant losses due to exchange rate fluctuation, as the majority of monetary assets and liabilities are in currencies linked to the Saudi Riyal.

**g) Capital management**

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximise shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial period.

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**31 December 2011**

## **21 RISK MANAGEMENT (continued)**

### **h) Regulatory framework risk**

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

### **i) Fair values of financial instruments**

Financial instruments consist of financial assets and financial liabilities.

Financial assets of the Company include Cash and cash equivalents, statutory deposit, due from related parties; its financial liabilities consist of gross outstanding claims and payables. Accounting policies for financial assets and liabilities are set out in note 5.

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. The fair value of the Company's statutory deposit, receivables, due from related parties, cash and cash equivalents, and payables are not materially different from their carrying values. There are no assets or liabilities carried at fair value in these financial statements.

## **22 CONTINGENCIES AND COMMITMENTS**

### **a) Legal proceedings and regulations**

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 litigations) will have a material effect on its results and financial position.

### **b) Operating lease commitments**

The minimum future lease payments for the use of the Company's premises total SR 1,323,424 payable during 2012 and after (2010: 1,803,570, payable during 2011 and after).

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
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**23 NET UNDERWRITING SURPLUS**

Net underwriting surplus for the year is as follows:

	<b>31 December 2011 SR</b>	<b>31 December 2010 SR</b>
Net premiums earned	322,705,804	216,682,021
Commission income	48,978,378	34,023,406
Policy acquisition costs	(62,680,254)	(51,558,086)
Net claims incurred	(257,873,272)	(167,131,130)
Net underwriting surplus	51,130,656	32,016,211

**24 BASIC AND DILUTED LOSS PER SHARE**

Basic and diluted loss per share for the year has been calculated by dividing the net loss for the year by the ordinary authorised, issued and outstanding shares at the year end of 10 million shares (2010:10 million shares).

**25 COMPARATIVE INFORMATION**

Certain of the prior year numbers have been reclassified to conform to the presentation in the current year.

**26 APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements have been approved by the Board of Directors on 30 Rabi Al-Awal 1433 corresponding to 22 February 2012.

