

**Dubai Insurance Company (P.S.C.)
and its subsidiary**

Consolidated financial statements

For the year ended 31 December 2022

Independent Auditor's Report To the Shareholders of Dubai Insurance Company (P.S.C.) and its subsidiary

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Dubai Insurance Company (P.S.C.) (the "Company") and its subsidiary (the "Group"), which comprise the consolidated income statement, and the consolidated statement of financial position as at 31 December 2022, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter on the next page, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters on the next page, provide the basis for our audit opinion on the accompanying consolidated financial statements.



Independent Auditor's Report

**To the Shareholders of Dubai Insurance Company (P.S.C.) and its subsidiary
(continued)**

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

i) Valuation of technical provisions

The estimation of liabilities arising from insurance contracts such as unearned premium reserve, outstanding claims reserve, incurred but not reported reserve and unallocated loss adjustment expense reserve as disclosed in note 22 to these consolidated financial statements, involves a significant degree of judgement. These liabilities are based on the pattern of risk distributions over coverage period, the best-estimated ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs, mortality and persistency (including consideration of policyholder behaviour). Actuarial computations have been used to determine these provisions. Underlying these computations are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. Since the determination of such a provision requires the expertise of an external valuation expert who incorporates significant assumptions, judgements and estimations, the valuation of these liabilities was significant to our audit.

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

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

ii) Impairment losses on insurance receivables including third party recoveries

The Group has insurance receivables that are overdue and not impaired (as disclosed in note 13 to these consolidated financial statements). The key associated risk is the recoverability of receivables. Management's related allowance for expected credit losses (ECL) is subjective and is influenced by assumptions concerning the probability of default and probable losses in the event of default.

The work that we performed to address this key audit matter included the following procedures:

- Obtained an understanding of the Group's process for estimating ECL and assessed the appropriateness of ECL methodology against the requirements of IFRS 9;
- Assessed the reasonableness of managements' key assumptions and judgements made in determining the allowance for ECL, segmenting of receivables and macroeconomic factors; and
- We tested the key inputs of model such as those used to calculate the likelihood of default and the subsequent loss on default, by comparing to historical data. We also assessed reasonableness of forward-looking factors used by the Group by corroborating with publicly available information.

Independent Auditor's Report

**To the Shareholders of Dubai Insurance Company (P.S.C.) and its subsidiary
(continued)**

Report on the Audit of the Consolidated Financial Statements (continued)**Responsibilities of Management and Those Charged with Governance for The Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and in compliance with the applicable provisions of the Group's Articles of Association and of the UAE Federal Law No. (32) of 2021 (as amended) and the UAE Federal Law No. (6) of 2007 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for The Audit of The Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Independent Auditor's Report

**To the Shareholders of Dubai Insurance Company (P.S.C.) and its subsidiary
(continued)**

Report on the Audit of the Consolidated Financial Statements (continued)

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (32) of 2021, we report that:

- i) the Group has maintained proper books of account;
- ii) we have obtained all the information we considered necessary for the purposes of our audit;
- iii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Articles of Association of the Company and the UAE Federal Law No. (32) of 2021;
- iv) investments in shares and stocks during the year ended 31 December 2022, are disclosed in note 11 to these consolidated financial statements;
- v) notes 24 and 25 reflect material related party transactions and the terms under which they were conducted;
- vi) note 7 to the consolidated financial statements reflects the social contributions made during the year; and



Independent Auditor's Report

To the Shareholders of Dubai Insurance Company (P.S.C.) and its subsidiary (continued)

Report on other legal and regulatory requirements (continued)

- vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2022 any of the applicable provisions of the UAE Federal Law No. (32) of 2021 or its Articles of Association which would have a material impact on its activities or its consolidated financial position. Further, as required by the UAE Federal Law No. (6) of 2007, we report that we have obtained all the information and explanation we considered necessary for the purpose of our audit.

GRANT THORNTON

Dr. Osama El-Bakry
Registration No. 935
Dubai, United Arab Emirates



Dubai, 7 February 2023

Dubai Insurance Company (P.S.C.) and its subsidiary

Consolidated income statement

For the year ended 31 December 2022

		2022	2021
	Notes	AED'000	AED'000
UNDERWRITING INCOME			
Gross premium	3	1,469,142	1,226,465
Movement in unearned premium	3	(172,128)	(154,688)
Insurance premium revenue	3	1,297,014	1,071,777
Reinsurance share of premium	3	(1,043,154)	(928,028)
Movement in reinsurance share of unearned premium	3	156,531	114,622
Reinsurance premium revenue	3	(886,623)	(813,406)
Net insurance premium revenue	3	410,391	258,371
Reinsurance commission income		94,130	80,418
Other underwriting income		19,420	17,532
Total underwriting income		523,941	356,321
UNDERWRITING EXPENSES			
Claims incurred	4	(518,663)	(511,552)
Reinsurers' share of claims incurred	4	423,143	457,155
Net claims incurred	4	(95,520)	(54,397)
Commission expenses		(88,857)	(61,827)
Other direct expenses		(212,004)	(126,711)
General and administration expenses relating to underwriting activities		(49,437)	(38,320)
Total underwriting expenses		(445,818)	(281,255)
NET UNDERWRITING INCOME		78,123	75,066
INVESTMENT INCOME			
Realised loss on disposal of investments in debt instruments at amortised cost		(3)	(103)
Fair value (loss) / gain on financial assets at fair value through profit or loss		(117)	241
Other investment income	6	27,779	18,799
Other investment costs		(406)	(111)
		27,253	18,826
OTHER INCOME AND EXPENSES			
General and administration expenses not allocated		(13,274)	(12,961)
Other income/(expense)		57	(358)
		(13,217)	(13,319)
PROFIT FOR THE YEAR		92,159	80,573
Basic and diluted earnings per share (AED)	8	0.87	0.77

The attached explanatory notes 1 to 28 form part of these consolidated financial statements.

Dubai Insurance Company (P.S.C.) and its subsidiary

Consolidated statement of comprehensive income
For the year ended 31 December 2022

	Note	2022 AED'000	2021 AED'000
Profit for the year		92,159	80,573
OTHER COMPREHENSIVE INCOME			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Gain on sale of investments designated at fair value through other comprehensive income		481	3,128
Net unrealised gain on financial assets at FVTOCI	11 (b)	6,207	63,633
Other comprehensive income for the year		6,688	66,761
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		98,847	147,334

The attached explanatory notes 1 to 28 form part of these consolidated financial statements.

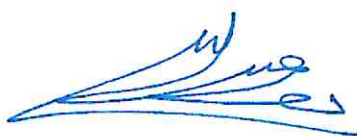
Dubai Insurance Company (P.S.C.) and its subsidiary

Consolidated statement of financial position

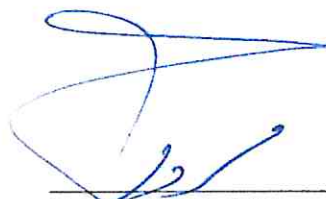
As at 31 December 2022

	Notes	2022 AED'000	2021 AED'000
ASSETS			
Property and equipment	9	48,898	49,015
Investment properties	10	64,273	65,016
Financial instruments	11	705,640	566,415
Reinsurance assets	22	1,152,114	943,982
Insurance receivables	13	364,353	267,332
Prepayments and other receivables	14	29,954	28,422
Statutory deposits	15	10,000	10,000
Cash and cash equivalents	16	311,725	178,066
TOTAL ASSETS		2,686,957	2,108,248
EQUITY AND LIABILITIES			
Equity			
Share capital	17	100,000	100,000
Statutory reserve	18	50,000	50,000
General reserve	18	50,000	50,000
Reinsurance reserve	18	13,812	8,596
Retained earnings		245,253	203,039
Cumulative changes in fair value of investments	18	225,062	218,855
Total equity		684,127	630,490
Liabilities			
Bank loan	20	-	11,039
Employees' end of service benefits	21	5,809	5,537
Insurance contract liabilities	22	1,292,238	1,060,013
Amounts held under reinsurance treaties		41,133	27,284
Reinsurance balances payable	23 (a)	177,277	136,255
Insurance and other payables	23 (b)	486,373	237,630
Total liabilities		2,002,830	1,477,758
TOTAL EQUITY AND LIABILITIES		2,686,957	2,108,248

The consolidated financial statements were authorised for issue in accordance with a resolution of the directors on 7 February 2023.



Buti Obaid Almulla
Chairman



Marwan Abdulla Al Rostamani
Vice Chairman

The attached explanatory notes 1 to 28 form part of these consolidated financial statements.

Dubai Insurance Company (P.S.C.) and its subsidiary

Consolidated statement of changes in equity

For the year ended 31 December 2022

	Share capital AED'000	Statutory reserve AED'000	General reserve AED'000	Reinsurance reserve AED'000	Retained earnings AED'000	Cumulative changes in fair value of investments AED'000	Total equity AED'000
Balance at 1 January 2022	100,000	50,000	50,000	8,596	203,039	218,855	630,490
Profit for the year	-	-	-	-	92,159	-	92,159
Other comprehensive income	-	-	-	-	-	6,688	6,688
Total comprehensive income for the year	-	-	-	-	92,159	6,688	98,847
Transfer to retained earnings on sale of investments at FVTOCI	-	-	-	-	481	(481)	-
Directors' fees (note 25)	-	-	-	-	(5,210)	-	(5,210)
Cash dividend paid (note 19)	-	-	-	-	(40,000)	-	(40,000)
Transfer to reinsurance reserve (note 18)	-	-	-	5,216	(5,216)	-	-
Balance at 31 December 2022	100,000	50,000	50,000	13,812	245,253	225,062	684,127
Balance at 1 January 2021	100,000	50,000	50,000	3,956	162,790	155,222	521,968
Profit for the year	-	-	-	-	80,573	-	80,573
Other comprehensive income	-	-	-	-	-	66,761	66,761
Total comprehensive income for the year	-	-	-	-	80,573	66,761	147,334
Transfer to retained earnings on sale of investments at FVTOCI	-	-	-	-	3,128	(3,128)	-
Directors' fees (note 25)	-	-	-	-	(3,812)	-	(3,812)
Cash dividend paid (note 19)	-	-	-	-	(35,000)	-	(35,000)
Transfer to reinsurance reserve (note 18)	-	-	-	4,640	(4,640)	-	-
Balance at 31 December 2021	100,000	50,000	50,000	8,596	203,039	218,855	630,490

The attached explanatory notes 1 to 28 form part of these consolidated financial statements.

Dubai Insurance Company (P.S.C.) and its subsidiary

Consolidated statement of cash flows
For the year ended 31 December 2022

	Notes	2022 AED'000	2021 AED'000
OPERATING ACTIVITIES			
Profit for the year		92,159	80,573
Adjustments for:			
Depreciation on property and equipment	9	2,037	1,531
Depreciation on investment property	10	743	372
Provision for employees' end of service benefits	21	927	675
Investment income	6	(27,779)	(18,799)
Change in fair value of investments at FVTPL		117	(241)
Expected credit losses	13	741	1,726
Loss on sale of investments in debt instruments at amortised cost		3	103
		<u>68,948</u>	<u>65,940</u>
Changes in operating assets and liabilities:			
Reinsurance assets		(208,132)	(115,577)
Insurance receivables		(97,762)	(89,823)
Prepayments and other assets		(1,453)	(3,067)
Insurance contract liabilities		232,224	158,385
Amounts held under reinsurance treaties		13,852	(8,578)
Reinsurance balances payable		41,022	49,726
Insurance and other payables		<u>248,742</u>	<u>76,720</u>
Cash generated from operations		297,441	133,726
Employees' end of service benefits paid	21	(655)	(347)
Net cash generated from operating activities		<u>296,786</u>	<u>133,379</u>
INVESTING ACTIVITIES			
Interest received	6	5,783	3,617
Dividend income received	6	22,103	15,915
Expenses on investment property – net	6	(107)	(733)
Proceeds from maturity of investments at FVTPL		-	69,788
Proceeds from disposal of investments at amortised cost		-	3,572
Proceeds from sales of investment at FVTOCI		481	9,022
Purchase of investment at FVTOCI		(34,355)	(101,320)
Purchase of investment at FVTPL		(107,985)	-
Purchase/(disposal) of investments held at amortised cost		(9,124)	5,566
Purchase of investment property	10	-	(15,260)
Purchase of property and equipment	9	(1,920)	(1,956)
Net cash used in investing activities		<u>(106,876)</u>	<u>(22,921)</u>
FINANCING ACTIVITIES			
Dividends paid	19	(40,000)	(35,000)
Net repayment of bank loan		(11,039)	9,827
Directors' fees paid		(5,212)	(3,812)
Net cash used in financing activities		<u>(56,251)</u>	<u>(28,985)</u>
INCREASE IN CASH AND CASH EQUIVALENTS		<u>133,659</u>	<u>81,473</u>
Cash and cash equivalents at 1 January		<u>178,066</u>	<u>96,593</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	16	<u>311,725</u>	<u>178,066</u>

The attached explanatory notes 1 to 28 form part of these consolidated financial statements.

Dubai Insurance Company (P.S.C.) and its subsidiary

Notes to the consolidated financial statements

For the year ended 31 December 2022

1 CORPORATE INFORMATION

Dubai Insurance Company (P.S.C.) (the "Company") is a public shareholding Company registered under the UAE Federal Law No. (32) of 2021 and the UAE Federal Law No. (6) of 2007 relating to commercial companies in the UAE. The Company mainly issues short term insurance contracts in connection with worker protection fund, motor, marine, fire, engineering and general accident (collectively known as general insurance) and group life and medical risks (collectively referred to as medical and life insurance). The Company also invests its funds in investment securities and properties. The registered address of the Company is P.O. Box 3027, Dubai, United Arab Emirates. The Company operates in the United Arab Emirates and most of the insurance policies are issued in the United Arab Emirates. The shares of the Company are listed on the Dubai Financial Market.

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

The Company established a new subsidiary for communication and consultation purposes. These consolidated financial statements incorporate the financial statements of the Company and its subsidiary (collectively referred to as the "Group").

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

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) promulgated by International Accounting Standards Board (IASB) and interpretations thereof issued by the International Financial Reporting Interpretation Committee and in compliance with the applicable requirements of U.A.E Federal Law No. (32) of 2021 relating to commercial companies, and of UAE Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organisation of the Insurance Operations, concerning insurance companies and agents. These consolidated financial statements are prepared in UAE Dirhams ("AED").

2.2 BASIS OF CONSOLIDATION

The Group comprises of the Company and the under-mentioned subsidiary company.

Subsidiary	Principal activity	Country of incorporation	Ownership
Insurance Pool For Communication And Consulting Services L.L.C	Human Resources Consultancy	United Arab Emirates	100%

The consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 31 December 2022.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

- the contractual arrangement with the other vote holders of the investee
- rights arising from other contractual arrangements
- the Group's voting rights and potential voting rights

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3 BASIS OF PREPARATION

The consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of financial assets carried at fair value.

The Group presents its consolidated statement of financial position broadly in order of liquidity, with a distinction based on expectations regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current), presented in the notes.

2.4 STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE FROM 1 JANUARY 2022

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

Standard number	Title	Effective date
IFRS 3	Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
IAS 16	Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
IAS 37	Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements to IFRS Standards 2018–2020	1 January 2022

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

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

IFRS 17 Insurance Contracts (1 January 2023): Once effective IFRS 17 will replace IFRS 4 the current insurance contracts standard and it is expected to significantly change the way the Group measures and reports its insurance contracts. The overall objective of the new standard is to provide an accounting model for insurance contracts that is more useful and consistent for users. IFRS 17 applies to insurance contracts (including reinsurance contracts) an entity issues, reinsurance contracts an entity holds and investment contracts with discretionary participation features an entity issues provided it also issues insurance contracts.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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

The scope of IFRS 17 for the Group is materially consistent with that of IFRS 4. Investment contracts will be measured under IFRS 9. IFRS 17 requires that contracts are divided into groups for the purposes of recognition and measurement. Portfolios of contracts are identified by grouping together contracts which have similar risks and are managed together. These groups are then further divided into groups based on their expected profitability.

Contracts which are onerous at inception cannot be grouped with contracts which are profitable at inception. Contracts which are issued more than one year apart are not permitted to be included within the same group, although there is some relief from this requirement for business in-force at the date of transition under the transitional arrangements.

The standard introduces three measurement approaches, of which one, the general model and the premium allocation approach, are applicable to the Group's business. The main features of these models are the measurement of an insurance contract as the present value of expected future cash flows including acquisition costs, plus an explicit risk adjustment, remeasured at each reporting period using current assumptions, and a contractual service margin ("CSM").

The risk adjustment represents the compensation the Group requires for bearing the uncertainty about the amount and timing of cash flows that arise from non-financial risk as the obligations under the insurance contract are fulfilled.

The CSM represents the unearned profit of a group of insurance contracts and is recognised in profit or loss as the insurance service is provided to the customer using coverage units. Coverage units are a measurement of the quantum of service provided across the life of the contract and are used to measure the service provided in the reporting period and release a corresponding amount of profit to the income statement. If a group of contracts becomes loss-making after inception the loss is recognised immediately in the income statement. This treatment of profits and losses in respect of services is broadly consistent with the principles of IFRS 15 and IAS 37 applicable to other industries.

Under the general model the CSM is adjusted for non-economic assumption changes relating to future periods. For certain contracts with participating features the variable fee approach is applied, this allows changes in economic assumptions and experience to adjust the CSM as well as non-economic assumptions, reflecting the variable nature of the entity's earnings driven by investment returns. IFRS 17 requires the standard to be applied retrospectively. Where this is assessed as impracticable the standard allows the application of a simplified retrospective approach or a fair value approach to determine the contractual service margin. The measurement principles set out in IFRS 17 will significantly change the way in which the Group/company measures its insurance contracts and associated reinsurance contracts.

These changes will impact the pattern in which profit emerges when compared to IFRS 4 and add complexity to valuation processes, data requirements and assumption setting. The introduction of IFRS 17 will simplify the presentation of the statement of financial position. It requires the presentation of groups of insurance (or reinsurance) contracts that are in an asset position separately from those in a liability position. The presentation of the income statement will change more significantly with IFRS 17 setting out how components of the profitability of contracts are disaggregated into an insurance service result and insurance finance income/expenses. IFRS 17 also requires extensive disclosures on the amounts recognised from insurance contracts and the nature and extent of risks arising from them.

Premium allocation approach: The Premium allocation approach is an optional simplified measurement model in IFRS 17 that is available for insurance and reinsurance contracts that meet the eligibility criteria.

Dubai Insurance Company (P.S.C.) and its subsidiary

Notes to the consolidated financial statements

For the year ended 31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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

The Group expects that it will apply the PAA to all contracts in the Non-life segment because the following criteria are expected to be met at inception.

- Insurance contracts and loss-occurring reinsurance contracts: The coverage period of each contract in the Group is one year or less.

Risk-attaching reinsurance contracts: The Group reasonably expects that the resulting measurement of the asset for remaining coverage would not differ materially from the result of applying the accounting policies described above.

Under IFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. Compared with the current accounting, the Group expects that for certain contracts the IFRS 17 contract boundary requirements will change the scope of cash flows to be included in the measurement of existing recognised contracts, as opposed to future unrecognised contracts. The period covered by the premiums within the contract boundary is the 'coverage period', which is relevant when applying a number of requirements in IFRS 17.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Under IFRS 17 insurance acquisition cash flows are allocated to groups of contracts using systematic and rational methods based on the total premiums for each group.

Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and tested for recoverability, whereas other insurance acquisition cash flows are included in the estimates of the present value of future cash flows as part of the measurement of the related insurance contracts.

Impact assessment – Non-Life Insurance

Although the PAA is similar to the Group's current accounting treatment when measuring liabilities for remaining coverage, the following changes are expected in the accounting for Non-life contracts.

Changes from IFRS 4	Impact on equity on transition to IFRS 17
Under IFRS 17, the Group will discount the future cash flows when measuring liabilities for incurred claims, unless they are expected to occur in one year or less from the date on which the claims are incurred. The Group does not currently discount such future cash flows.	Increase
IFRS 17 requires the fulfilment cash flows to include a risk adjustment for non-financial risk. This is not explicitly allowed for currently.	Decrease
The Group's accounting policy under IFRS 17 to expense eligible insurance acquisition cash flows when they are incurred differs from the current practice under which these amounts are recognised separately as deferred acquisition costs.	Decrease

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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

The group implementation project continued through 2022 with a focus on finalising methodologies and developing the operational capabilities required to implement the standard including data, systems and business processes. The current focus is on embedding the operational capabilities and determining the transition balance sheet and comparatives required for 2023 reporting.

Since the implementation project is currently ongoing, management believes that it is impractical to determine the amount of the effect of IFRS 17 in the current period.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

Revenue recognition

Gross premiums

Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences. Gross premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written. Premiums on insurance policies are accounted for on the date of writing of policies except premium income on marine cargo policies which is accounted for on the expected date of voyage. Premiums are adjusted for unearned premium.

Reinsurance premiums

Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into during 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. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

Gross reinsurance premiums on life are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective.

Commissions earned

Commissions earned are recognised at the time policies are written.

Other investment income

- (i) Interest income is recognised on a time proportion basis.
- (ii) Dividend income is accounted for when the right to receive payment is established.
- (iii) Rental income is recognised as income over the period to which it relates.

Claims and expenses recognition

Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to income as incurred.

The Group generally estimates its claims based on previous experience. Independent loss adjusters normally estimate property claims. Any difference between the provisions at the reporting date and settlements and provisions for the following year is included in the underwriting account for that year.

Dubai Insurance Company (P.S.C.) and its subsidiary

Notes to the consolidated financial statements

For the year ended 31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Finance cost

Interest paid is recognised in the consolidated statement of income as it accrues and is calculated by using the effective interest rate method. Accrued interest is included within the carrying value of the interest bearing financial liability.

Policy acquisition costs

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are charged to the consolidated statement of income when incurred.

General and administration expenses

Direct expenses of general insurance business are charged to respective departmental revenue accounts. Indirect expenses of the general insurance business are allocated to departmental revenue accounts on the basis of gross retained premiums of each department. Other administration expenses are charged to the consolidated statement of income.

Leases

The Group has no finance leases. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Liability adequacy test

At each consolidated statement of financial position date the Group assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in light of estimated future cash flows, the entire deficiency is immediately recognised in income and an unexpired risk provision is created.

The Group does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the consolidated statement of financial position date.

Foreign currency translation

The presentation currency is UAE Dirhams (AED). This is also the functional currency of the Group. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the consolidated statement of income, except when it relates to items when gains or losses are recognised directly in equity, the gain or loss is then recognised net of the exchange component in the consolidated statement of comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- a) The medical and life insurance segment offers short term group health and life insurance. Revenue from this segment is derived primarily from insurance premium, fees and commission income.
- b) The general insurance segment comprises insurance to individuals and businesses. General insurance products offered include motor, marine, fire, engineering, general accident and miscellaneous. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of policyholder's accident, e.g., employee liability claims and asbestos. Revenue in this segment is derived primarily from insurance premiums.
- c) The investment segment includes investment in equity, fixed income securities such as bonds and fixed deposits and net rental income from investment properties. Income from this segment is primarily from investment income and fair value gains and losses on investments.

No operating segments have been aggregated to form the above reportable operating segments. Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the consolidated financial statements. Unallocated administrative expenses are managed on a group basis and are not allocated to individual operating segments.

No inter-segment transactions occurred in 2021 and 20. If any transaction were to occur, transfer prices between operating segments would be set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expenses and results will include those transfers between business segments which will then be eliminated on consolidation.

Product classification

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can however be reclassified as insurance contracts after inception, if insurance risk becomes significant.

The Group does not have any investment contracts or any insurance contracts with Discretionary Participation Features (DPF).

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of property and equipment as follows:

Furniture and equipment	4 – 10 years
Motor vehicles	4 years

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

No depreciation is charged on land.

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income in the year the asset is derecognised.

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

Investment properties

The Group has elected to adopt the cost model for investment properties. Accordingly, investment properties are carried at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Building	40 years
----------	----------

No depreciation is charged on freehold land.

Fair value measurement

The Group measures financial instruments, such as, equity instruments, and non-financial assets such as investment properties (for disclosure purposes), at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in note 11.

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described in note 12, based on the lowest level input that is significant to the fair value measurement as a whole.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

Financial instruments

Recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

A financial asset and financial liability is offset and the net amount is reported in the financial statements only when there is legally enforceable right to set off the recognised amount and the Group intends either to settle on a net basis or realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

Financial assets

All financial assets are recognised and derecognised on trade date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. Financial assets are initially measured at fair value, plus transaction costs. All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

Classification and initial measurement of financial assets

For the purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer (under IAS 32 Financial Instruments: Presentation) except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are 'debt instruments'.

Financial assets at amortised cost and the effective interest method

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

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

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group may irrevocably elect at initial recognition to classify a debt instrument that meets the amortised cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents, which include cash on hand and current accounts with banks, are classified as financial assets at amortised cost.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Insurance and other receivables, deposits and statutory deposits

Insurance and other receivables (excluding prepayments), deposits and statutory deposits are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial assets at fair value through other comprehensive income (FVTOCI)

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading. The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is “hold to collect” the associated cash flows and sell, and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

Dividends on these investments in equity instruments at FVTOCI are recognised in income statement when the Group’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than ‘hold to collect’ or ‘hold to collect and sell’ are categorised at FVTPL. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

The fair value is determined in line with the requirements of IFRS 9 ‘Financial Instruments’, which does not allow for measurement at cost. Fair value is determined in the manner described in note 12. Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Impairment of financial assets

IFRS 9’s impairment requirements use forward looking information under Expected credit loss (ECL) model for the financial assets measured at amortised cost which consist of insurance and other receivables (excluding prepayments), cash and cash equivalents, investments at amortised cost and due from related parties.

Measurement of ECLs

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (“Stage 1”); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (“Stage 2”).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Measurement of ECLs (continued)

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of "investment grade".

'12-month expected credit losses' are recognised for the first category (i.e. Stage 1) while 'lifetime expected credit losses' are recognised for the second category (i.e. Stage 2). Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Insurance and other receivables

The Group makes use of a simplified approach in accounting for insurance and other and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of insurance receivables on a collective basis as they possess shared credit risk characteristics, they have been grouped based on the days past due. Refer to note 26B for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

Financial liabilities

Group's financial liabilities include bank loan and insurance and reinsurance payables.

Classification and initial measurement of financial liabilities

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

Derecognition of financial instruments

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement
- The Group has transferred its rights to receive cash flows from the asset and either:
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using discount rates that reflect current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses are recognised in the statement of profit or loss.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

Reinsurance contracts held

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the consolidated statement of income. Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for life insurance and general insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party. Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the consolidated statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated statement of income.

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less in the consolidated statement of financial position.

Insurance contract liabilities

(i) Unearned premium reserve

At the end of each year a proportion of net retained premiums of the general insurance, medical and group life business is provided to cover portions of risks which have not expired at the reporting date. The reserves are calculated in accordance with the requirements of the Insurance Law relating to insurance companies at 1/365 of annual premiums earned net of reinsurance for all classes of insurance, except marine which is calculated at 25%. Unearned premium reserves for medical and group life business are calculated on a time proportion basis.

(ii) Incurred but not reported reserve

A provision is made for the estimated excess of potential claims over unearned premiums and for claims incurred but not reported at the financial position date.

The reserves represent the management's best estimates on the basis of:

- a) claims reported during the year
- b) delay in reporting these claims
- c) claim handling provision

(iii) Unexpired risk reserve

A provision is made for the claims expected to be incurred after the reporting date in respect of current insurance contracts that will, together with any deferred expenses, exceed the premium to be earned on those contracts after the reporting date.

(iv) Outstanding claims

Insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, after reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of claims cannot be known with certainty at the reporting date. The liability is not discounted for the time value of money. No provision for equalisation or catastrophic reserves is recognised. The liability is derecognised when the contract expires, is discharged or is cancelled.

Provisions

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' end of service benefits

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

With respect to its UAE national employees, the Group makes contributions to a pension fund established by the General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

2.7 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These factors could include:

Judgments

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

Classification of properties

Management decides whether a property under construction will be used upon completion as owner-occupied property or for renting out to third parties. If used as owner-occupied property, the value in use of the property is determined as part of the cash generating unit to which it belongs. Otherwise, the asset is classified as investment property and its fair value is determined on an individual asset basis.

Outstanding claims, IBNR, ULAE, UPR and URR

The estimation of the ultimate liability (outstanding claims, IBNR and ULAE) arising from claims, UPR and URR made under insurance contracts is the Group's most critical accounting estimate. These estimates are continually reviewed and updated, and adjustments resulting from this review are reflected in the consolidated statement of profit or loss. The process relies upon the basic assumption that past experience, adjusted for the effect of current developments and likely trends (including actuarial calculations), is an appropriate basis for predicting future events.

Estimation uncertainty

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

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same; and
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or other valuation models.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimation uncertainty (continued)

Provision for outstanding claims, whether reported or not

Considerable judgement by management is required in the estimation of amounts due to contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claim settlement trends.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

Impairment losses on insurance receivables

The Group reviews its insurance receivables on a regular basis to assess whether a provision for impairment should be recorded in the consolidated statement of income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about the probability of default and probable losses in the event of default, the value of the underlying security, and realisation costs.

Impairment losses on insurance receivables (continued)

In addition to specific provisions against individually significant insurance receivables, the Group also makes a collective impairment provision against insurance receivables which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted. The amount of the provision is based on the historical loss pattern for insurance receivables within each grade and is adjusted to reflect current economic changes.

Reinsurance

The Group is exposed to disputes with, and possibility of defaults by, its reinsurers. The Group monitors on a regular basis the evolution of disputes with and the strength of its reinsurers.

Dubai Insurance Company (P.S.C.) and its subsidiary

Notes to the consolidated financial statements

For the year ended 31 December 2022

3 INSURANCE PREMIUM REVENUE

2022	General insurance			Life insurance			Total	
	Reinsurers' share		Net	Reinsurers' share		Net	Reinsurers' share	
	Gross AED'000	AED'000		Gross AED'000	AED'000		Gross AED'000	Net AED'000
Gross premium	1,466,518	(1,040,978)	425,540	2,624	(2,176)	448	1,469,142	(1,043,154)
Movement in provision for unearned premium	(172,043)	156,475	(15,568)	(85)	56	(29)	(172,128)	156,531
Insurance premium revenue	1,294,475	(884,503)	409,972	2,539	(2,120)	419	1,297,014	(886,623)
Unearned premium as of 31 December (note 22)	916,572	(824,909)	91,663	1,163	(1,099)	64	917,735	(826,008)
								91,727

2021	General insurance			Life insurance			Total	
	Reinsurers' share		Net	Reinsurers' share		Net	Reinsurers' share	
	Gross AED'000	AED'000		Gross AED'000	AED'000		Gross AED'000	Net AED'000
Gross premium	1,224,224	(926,023)	298,201	2,241	(2,005)	236	1,226,465	(928,028)
Movement in provision for unearned premium	(154,306)	114,249	(40,057)	(382)	373	(9)	(154,688)	114,622
Insurance premium revenue	1,069,918	(811,774)	258,144	1,859	(1,632)	227	1,071,777	(813,406)
Unearned premium as of 31 December (note 22)	744,530	(668,434)	76,096	1,078	(1,043)	35	745,608	(669,477)
								76,131

Insurance contracts premium includes AED 168,317 (2021: AED 189,797 thousand) of reinsurance premium accepted.

Dubai Insurance Company (P.S.C.) and its subsidiary

Notes to the consolidated financial statements

For the year ended 31 December 2022

4 CLAIMS INCURRED

	General Insurance			Life insurance			Total		
	Gross AED'000	Reinsurers' share AED'000	Net AED'000	Gross AED'000	Reinsurers' share AED'000	Net AED'000	Gross AED'000	Reinsurers' share AED'000	Net AED'000
Year 2022									
Claims paid	456,530	(369,710)	86,820	2,036	(1,832)	204	458,566	(371,542)	87,024
Changes in provision for outstanding claim (note 22(c))	34,200	(27,669)	6,531	(1,166)	1,050	(116)	33,034	(26,619)	6,415
Movement in incurred but not reported reserve (note 22(a))	25,584	(25,015)	569	(30)	33	3	25,554	(24,982)	572
Movement in loss adjustment expense reserve (note 22(b))	1,509	-	1,509	0.45	-	0.45	1,509	-	1,509
	517,823	(422,394)	95,429	840	(749)	91	518,663	(423,143)	95,520

	General Insurance			Life insurance			Total		
	Gross AED'000	Reinsurers' share AED'000	Net AED'000	Gross AED'000	Reinsurers' share AED'000	Net AED'000	Gross AED'000	Reinsurers' share AED'000	Net AED'000
Year 2021									
Claims paid	506,768	(455,175)	51,593	1,087	(1,025)	62	507,855	(456,200)	51,655
Changes in provision for outstanding claim (note 22(c))	6,391	(7,558)	(1,167)	(749)	673	(76)	5,642	(6,885)	(1,243)
Movement in incurred but not reported reserve (note 22(a))	(1,816)	5,937	4,121	3	(7)	(4)	(1,813)	5,930	4,117
Movement in loss adjustment expense reserve (note 22(b))	(106)	-	(106)	(26)	-	(26)	(132)	-	(132)
	511,237	(456,796)	54,441	315	(359)	(44)	511,552	(457,155)	54,397

5 SEGMENTAL INFORMATION

Identification of reportable segments

Primary segment information

For management purposes, the Group is organised into business units based on its products and services and has three reportable operating segments as follows:

- The general insurance segment, comprises motor, marine, fire, engineering and general accident.

Dubai Insurance Company (P.S.C.) and its subsidiary

Notes to the consolidated financial statements
For the year ended 31 December 2022

5 SEGMENTAL INFORMATION (continued)

- The medical and life segment includes medical and group life.
- Investment comprises investment and cash management for the Group's own account.

Transactions between operating segments are conducted at estimated market rates on an arm's length basis. Operating segment information is presented below:

	General insurance		Medical and life insurance		Investments		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
UNDERWRITING INCOME								
Gross premium	1,037,371	875,000	431,771	351,465	-	-	1,469,142	1,226,465
Reinsurers' share of premium	(787,305)	(704,278)	(255,849)	(223,750)	-	-	(1,043,154)	(928,028)
Net movement in unearned premium	2,438	(23,906)	(18,035)	(16,160)	-	-	(15,597)	(40,066)
Net insurance premium revenue	252,504	146,816	157,887	111,555	-	-	410,391	258,371
Reinsurance commission income	93,795	80,371	335	47	-	-	94,130	80,418
Other income	19,420	17,532	-	-	-	-	19,420	17,532
	365,719	244,719	158,222	111,602	-	-	523,941	356,321
UNDERWRITING EXPENSES								
Claims incurred	(214,906)	(236,414)	(303,757)	(275,138)	-	-	(518,663)	(511,552)
Reinsurers' share of claims incurred	180,149	222,496	242,994	234,659	-	-	423,143	457,155
Net claims incurred	(34,757)	(13,918)	(60,763)	(40,479)	-	-	(95,520)	(54,397)
Commission expenses	(53,373)	(33,102)	(35,484)	(28,725)	-	-	(88,857)	(61,827)
Other direct expenses	(174,782)	(103,219)	(37,222)	(23,492)	-	-	(212,004)	(126,711)
General and administration expenses relating to underwriting activities	(37,470)	(28,622)	(11,967)	(9,698)	-	-	(49,437)	(38,320)
	(300,382)	(178,861)	(145,436)	(102,394)	-	-	(445,818)	(281,255)
NET UNDERWRITING INCOME	65,337	65,858	12,786	9,208	-	-	78,123	75,066
Total investment income	-	-	-	-	27,253	18,826	27,253	18,826
Unallocated other expenses	-	-	-	-	-	-	(13,217)	(13,319)
PROFIT FOR THE YEAR							92,159	80,573

For operational and management reporting purposes, the Group is organised as one geographical segment.

Dubai Insurance Company (P.S.C.) and its subsidiary

Notes to the consolidated financial statements

For the year ended 31 December 2022

5 SEGMENTAL INFORMATION (continued)

OTHER INFORMATION

	General insurance		Medical and life insurance		Investment		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Segment assets	1,554,205	1,187,752	362,840	289,065	769,912	631,431	2,686,957	2,108,248
Segment liabilities	1,636,868	1,152,070	365,962	314,649	-	11,039	2,002,830	1,477,758
Capital expenditure	1,920	1,956	-	-	-	-	1,920	1,956
Depreciation	2,037	1,531	-	-	-	-	2,037	1,531

The Group's operations are primarily conducted in the United Arab Emirates. General insurance figures reported above include certain assets and liabilities that are common for all three reportable segments. These amounts are not significant and are not reported separately to the chief decision maker.

6 OTHER INVESTMENT INCOME

	2022	2021
	AED'000	AED'000
Rental income from investment properties	2,191	1,031
Investment property expenses	(2,298)	(1,764)
	(107)	(733)
Dividend income received on financial assets at FVTOCI	22,103	15,915
Interest income from bonds and fixed deposits	3,166	2,612
Interest income from cash and cash equivalents and statutory deposits	2,617	1,005
	27,779	18,799

7 GENERAL AND ADMINISTRATION EXPENSES

General and administration expenses allocable to the underwriting and non-underwriting activities include mainly the following:

	2022	2021
	AED'000	AED'000
Staff costs	29,158	27,133
Rental costs – short term operating leases*	995	1,235
Social contributions**	800	500

* The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) and for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

** Both the years social contributions were paid to Islamic affairs & Charitable Activities Department.

Dubai Insurance Company (P.S.C.) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2022

8 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the year, net of directors' fees, by the weighted average number of shares outstanding during the year as follows:

	2022	2021
Profit for the year (AED'000)	92,159	80,573
Directors' fees (AED'000)	(5,212)	(3,812)
Net (AED'000)	86,947	76,761
Weighted average number of shares outstanding during the year ('000)	100,000	100,000
Earnings per share (AED)	0.87	0.77

No figures for diluted earnings per share are presented as the Group has not issued any instruments which would have an impact on earnings per share when exercised.

9 PROPERTY AND EQUIPMENT

	Land AED'000	Furniture and equipment AED'000	Motor vehicles AED'000	Total AED'000
Cost:				
At 1 January 2022	44,173	20,704	850	65,727
Additions during the year	-	1,920	-	1,920
At 31 December 2022	44,173	22,624	850	67,647
Depreciation:				
At 1 January 2022	-	(15,904)	(808)	(16,712)
Charge for the year	-	(2,021)	(16)	(2,037)
At 31 December 2022	-	(17,925)	(824)	(18,749)
Net carrying amount:				
At 31 December 2022	44,173	4,699	26	48,898

	Land AED'000	Furniture and equipment AED'000	Motor vehicles AED'000	Total AED'000
Cost:				
At 1 January 2021	44,173	18,783	815	63,771
Additions during the year	-	1,921	35	1,956
At 31 December 2021	44,173	20,704	850	65,727
Depreciation:				
At 1 January 2021	-	(14,493)	(688)	(15,181)
Charge for the year	-	(1,411)	(120)	(1,531)
At 31 December 2021	-	(15,904)	(808)	(16,712)
Net carrying amount:				
At 31 December 2021	44,173	4,800	42	49,015

Dubai Insurance Company (P.S.C.) and its subsidiary

Notes to the consolidated financial statements

For the year ended 31 December 2022

9 PROPERTY AND EQUIPMENT (continued)

The depreciation charge for the year of AED 2,037 (2021: AED 1,531 thousand) has been allocated as follows:

	2022 AED'000	2021 AED'000
Underwriting expenses	1,528	1,148
Non-underwriting expenses	509	383
	2,037	1,531

Included in property and equipment is land situated in the Emirate of Dubai, United Arab Emirates with a carrying value of AED 44,173 thousand (2021: AED 44,173 thousand). The Group's Board of Directors has resolved to construct the Group's head office on the land in the foreseeable future.

10 INVESTMENT PROPERTIES

	Freehold land AED'000	Building AED'000	Total AED'000
Cost:			
At 1 January 2022	17,296	66,484	83,780
At 31 December 2022	17,296	66,484	83,780
Depreciation:			
At 1 January 2022	-	(18,764)	(18,764)
Charge for the year	-	(743)	(743)
At 31 December 2022	-	(19,507)	(19,507)
Net carrying amount:			
At 31 December 2022	17,296	46,977	64,273
	Freehold Land AED'000	Building AED'000	Total AED'000
Cost:			
At 1 January 2021	50,128	18,392	68,520
Additions during the year	-	15,260	15,260
Transferred to building	(32,832)	32,832	-
At 31 December 2021	17,296	66,484	83,780
Depreciation:			
At 1 January 2021	-	(18,392)	(18,392)
Charge for the year	-	(372)	(372)
At 31 December 2021	-	(18,764)	(18,764)
Net carrying amount:			
At 31 December 2021	17,296	47,720	65,016

Investment properties comprise of properties as mentioned below:

Lands at Nad Al Shiba First, Dubai

These properties are carried at cost and the fair value of the investment properties as of 31 December 2022, based on a valuation undertaken by an independent qualified valuer, amounted to AED 7,508 thousand each.

Dubai Insurance Company (P.S.C.) and its subsidiary

Notes to the consolidated financial statements

For the year ended 31 December 2022

10 INVESTMENT PROPERTIES (continued)

Land and Building at Deira, Dubai

The property is carried at cost and the fair value of the investment property as of 31 December 2022, based on an average of valuation undertaken by independent qualified valuers, amounted to AED 34,875 thousand (2021: AED 29,860 thousand).

Land and Building at Satwa, Dubai

The property which is carried at cost and the fair value of the investment property as of 31 December 2022, based on an average of valuation undertaken by independent qualified valuers, amounted to AED 31,100 thousand.

The fair value of investment properties has been determined using level 2 fair value hierarchy.

11 FINANCIAL INSTRUMENTS

	Carrying value		Fair value	
	2022 AED'000	2021 AED'000	2022 AED'000	2021 AED'000
<i>Financial instruments</i>				
At fair value through profit or loss (note 11(a))	152,649	44,781	152,649	44,781
At fair value through other comprehensive income (note 11(b))	523,858	483,375	523,858	483,375
Investments held at amortised cost (note 11 (c))	29,133	38,259	29,940	38,229
	705,640	566,415	706,447	566,385

11(a) FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 AED'000	2021 AED'000
a) Shares – quoted	3,858	3,975
b) Designated upon initial recognition		
Bank deposits – unquoted	148,791	40,806
	152,649	44,781

The entire shares and bank deposits are within the United Arab Emirates. Bank deposits include deposits amounting to AED 148,791 thousand (2021: AED 40,806 thousand) with maturity over three months as at the reporting date.

11(b) FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 AED'000	2021 AED'000
Shares – quoted (within UAE)	372,257	350,885
Shares – unquoted (outside UAE)	143,561	125,700
Shares – unquoted (within UAE)	8,040	6,790
	523,858	483,375

The fair value gain amounting to AED 6,207 thousand (2021: AED 63,633 thousand) has been recognised in the consolidated statement of comprehensive income.

Investments amounting to AED 20,921 thousand are pledged against bank loan (note 20). The investments carry interest at an effective interest rate 6.68% per annum.

Dubai Insurance Company (P.S.C.) and its subsidiary

Notes to the consolidated financial statements

For the year ended 31 December 2022

11 FINANCIAL INSTRUMENTS (continued)

11(c) DEBT INSTRUMENTS AT AMORTISED COST

	2022 AED'000	2021 AED'000
<i>Amortised cost</i>		
Debt securities (within UAE)	20,984	10,960
Debt securities (outside UAE)	8,149	27,299
	<u>29,133</u>	<u>38,259</u>

Debt securities amounting to AED 20,921 thousand were pledged in 2021 against bank loan (note 20). The investments carry interest at an effective interest rate 6.68% per annum. The maturity profile of these debt instruments is shown below:

	31 December 2022		
	Less than 5 years AED'000	More than 5 years AED'000	Total AED'000
Debt securities (within UAE)	1,797	19,187	20,984
Debt securities (outside UAE)	7,232	917	8,149
	<u>9,029</u>	<u>20,104</u>	<u>29,133</u>

	31 December 2021		
	Less than 5 years AED'000	More than 5 years AED'000	Total AED'000
Debt securities (within UAE)	6,361	4,599	10,960
Debt securities (outside UAE)	9,944	17,355	27,299
	<u>16,305</u>	<u>21,954</u>	<u>38,259</u>

12 FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value and fair values hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Dubai Insurance Company (P.S.C.) and its subsidiary

Notes to the consolidated financial statements

For the year ended 31 December 2022

12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Determination of fair value and fair values hierarchy (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total fair value AED'000
At 31 December 2022				
Financial instruments				
<i>At fair value through profit or loss:</i>				
Bank deposits	-	148,791	-	148,791
Quoted equity securities	3,858	-	-	3,858
	<u>3,858</u>	<u>148,791</u>	<u>-</u>	<u>152,649</u>
<i>At fair value through other comprehensive income:</i>				
Quoted equity securities	372,257	-	-	372,257
Unquoted equity securities	-	-	151,601	151,601
	<u>372,257</u>	<u>-</u>	<u>151,601</u>	<u>523,858</u>
	<u>376,115</u>	<u>148,791</u>	<u>151,601</u>	<u>676,507</u>
	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total fair value AED'000
At 31 December 2021				
Financial instruments				
<i>At fair value through profit or loss:</i>				
Bank deposits	-	40,806	-	40,806
Quoted equity securities	3,975	-	-	3,975
	<u>3,975</u>	<u>40,806</u>	<u>-</u>	<u>44,781</u>
<i>At fair value through other comprehensive income:</i>				
Quoted equity securities	350,885	-	-	350,885
Unquoted equity securities	-	-	132,490	132,490
	<u>350,885</u>	<u>-</u>	<u>132,490</u>	<u>483,375</u>
	<u>354,860</u>	<u>40,806</u>	<u>132,490</u>	<u>528,156</u>

Dubai Insurance Company (P.S.C.) and its subsidiary

Notes to the consolidated financial statements

For the year ended 31 December 2022

12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Movements in level 3 financial instruments measured at fair value

31 December 2022

	At 1 January 2022 AED'000	Purchases AED'000	Sales AED'000	Total gain/(loss) recorded in OCI AED'000	Transfers AED'000	At 31 December 2022 AED'000
Financial instruments <i>At fair value through other comprehensive income</i>						
Unquoted investments	132,490	22,801	(3,965)	275	-	151,601
Total level 3 financial assets	132,490	22,801	(3,965)	275	-	151,601

31 December 2021

	At 1 January 2021 AED'000	Purchases AED'000	Sales AED'000	Total loss recorded in OCI AED'000	Transfers AED'000	At 31 December 2021 AED'000
Financial instruments <i>At fair value through other comprehensive income</i>						
Unquoted investments	36,889	100,811	(6,676)	1,466	-	132,490
Total level 3 financial assets	36,889	100,811	(6,676)	1,466	-	132,490

Dubai Insurance Company (P.S.C.) and its subsidiary

Notes to the consolidated financial statements

For the year ended 31 December 2022

12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Asset for which fair value approximates carrying value

For financial assets and financial liabilities that have short term maturities (less than three months) it is assumed that the carrying amounts approximate their fair values. This assumption is also applied to insurance receivables, reinsurance payables, demand deposits and savings accounts without specific maturity. Fair value of quoted bonds is based on price quotations at the reporting date. Long term bank loan and bank deposits designated at FVTPL are evaluated by the Group based on Level 2 input parameters such as interest rates.

13 INSURANCE RECEIVABLES

	2022 AED'000	2021 AED'000
Due from policyholders	209,736	139,574
Due from insurance companies	24,071	54,264
Due from insurance brokers	46,389	28,550
Other insurance receivables	3,360	298
Due from re-insurance companies in respect of settled claims	94,706	57,814
Less: Allowance for expected credit losses	(13,909)	(13,168)
	<u>364,353</u>	<u>267,332</u>

All of the above amounts are due within twelve months of the reporting date. The amounts due from reinsurers are normally settled on a quarterly basis. Movements in the allowance for expected credit losses were as follows:

	2022 AED'000	2021 AED'000
Loss allowance as at 1 January	13,168	11,442
Loss allowance provided during the year	741	1,726
Loss allowance as at 31 December	<u>13,909</u>	<u>13,168</u>

The following table shows analysis of insurance receivables by class of business:

	General		Life	
	2022 AED'000	2021 AED'000	2022 AED'000	2021 AED'000
Due from policyholders	208,854	138,570	882	1,004
Due from insurance companies	24,061	54,264	-	-
Due from insurance brokers	46,232	28,402	158	148
Other insurance receivables	3,370	298	-	-
Due from re-insurance companies	94,205	56,432	500	1,382
Less: Allowance for expected credit losses	(13,909)	(13,168)	-	-
	<u>362,813</u>	<u>264,798</u>	<u>1,540</u>	<u>2,534</u>

Dubai Insurance Company (P.S.C.) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2022

13 INSURANCE RECEIVABLES (continued)

Inside UAE:

	General		Life	
	2022	2021	2022	2021
	AED'000	AED'000	AED'000	AED'000
Due from policyholders	208,854	138,469	882	1,004
Due from insurance companies	24,061	54,264	-	-
Due from insurance brokers	46,232	28,402	157	148
Other insurance receivables	3,371	298	-	-
Due from re-insurance companies	2,989	4,933	91	-
Less: Allowance for expected credit losses	(13,909)	(13,168)	-	-
	271,598	213,198	1,130	1,152
Outside UAE:				
Due from policyholders	-	101	-	-
Due from re-insurance companies	91,216	51,499	409	1,382
	91,216	51,600	409	1,382

The following table provides an ageing analysis of insurance receivables:

31 December 2022

	<i>Less than 30 days</i>	<i>30-90 days</i>	<i>91 to 180 days</i>	<i>181 to 270 days</i>	<i>271 to 365 days</i>	<i>> 365 days</i>	<i>Total</i>
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Inside UAE:							
Due from:							
Policyholders	181,492	6,187	8,765	1,736	1,841	(4,194)	195,827
Insurance companies	241	4,395	5,560	3,093	2,499	8,273	24,061
Insurance brokers	33,610	1,718	4,769	372	2,598	3,322	46,389
Other receivables	3,371	-	-	-	-	-	3,371
Re-insurance companies	2,652	247	10	-	-	171	3,080
Total	221,366	12,547	19,104	5,201	6,938	7,572	272,728
Outside UAE:							
Due from:							
Re-insurance companies	48,488	29,826	11,206	1,707	341	57	91,625

Dubai Insurance Company (P.S.C.) and its subsidiary

Notes to the consolidated financial statements

For the year ended 31 December 2022

13 INSURANCE RECEIVABLES (continued)

31 December 2021

	<i>Less than 30 days</i>	<i>30-90 days</i>	<i>91 to 180 days</i>	<i>181 to 270 days</i>	<i>271 to 365 days</i>	<i>Above 365 days</i>	<i>Total</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Inside UAE:							
Due from:							
Policyholders	108,034	2,287	2,224	5,024	3,891	4,844	126,304
Insurance companies	32,931	2,553	2,934	3,259	4,533	8,054	54,264
Insurance brokers	20,021	1,514	2,396	460	221	3,939	28,551
Other receivables	166	-	-	-	-	132	298
Re-insurance companies	4,427	94	180	4	30	198	4,933
Total	165,579	6,448	7,734	8,747	8,675	17,167	214,350

Outside UAE:

Due from:							
Policyholders	89	-	33	37	11	-	170
Re-insurance companies	25,958	11,951	11,453	2,767	458	225	52,812
Total	26,047	11,951	11,486	2,804	469	225	52,982

14 PREPAYMENTS AND OTHER RECEIVABLES

	2022 AED'000	2021 AED'000
Accrued interest receivable	2,295	1,470
Prepayments	4,623	2,884
Staff debtors and advances	335	99
VAT receivable	4,915	8,404
Other receivables	17,786	16,434
	<u>29,954</u>	<u>28,422</u>

15 STATUTORY DEPOSITS

	2022 AED'000	2021 AED'000
Bank deposits:		
Amounts that cannot be withdrawn without the prior approval of the Ministry of Economy in accordance with Article 42 of Federal Law No. 6 of 2007	<u>10,000</u>	<u>10,000</u>

The bank deposit expires after one year and is renewable every year and earns an interest of 2.10% per annum (2021: 2.30%) per annum.

Dubai Insurance Company (P.S.C.) and its subsidiary

Notes to the consolidated financial statements

For the year ended 31 December 2022

16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following consolidated statement of financial position amounts:

	2022 AED'000	2021 AED'000
Bank balances and cash	311,725	178,066

Cash and cash equivalents are within United Arab Emirates, Europe and GCC. The cash and cash equivalents include e-Dirham account amounting to AED 31 thousand (2021: AED 233thousand).

17 SHARE CAPITAL

	2022 AED'000	2021 AED'000
Issued and fully paid 100,000,000 shares of AED 1 each (2021: 100,000,000 shares of AED 1 each)	100,000	100,000

18 RESERVES

NATURE AND PURPOSE OF RESERVES

Statutory reserve

In accordance with UAE Commercial Companies Law and the Group's Articles of Association, the Group has resolved to discontinue the annual transfer of 10% of the profit for the year since the statutory reserve reached 50% of the paid-up share capital. The reserve is not available for distribution, except in the circumstances stipulated by the UAE Commercial Companies Law.

General reserve

Transfers to the general reserve are made on the recommendation of the Board of Directors. During the year, no transfer was made (31 December 2021: nil) was transferred to the general reserve from retained earnings. This reserve may be used for such purposes as deemed appropriate by the Board of Directors.

Reinsurance reserve

In accordance with Central Bank of the United Arab Emirates' Board of Directors' Decision No. 23, Article 34, an amount of AED 5,216 thousand (31 December 2021: AED 4,640 thousand) based on the reinsurance share of premium at a rate of 0.5% was transferred from retained earnings to reinsurance reserve. The reserve is not available for distribution and will not be disposed of without prior approval from Central Bank of the United Arab Emirates.

Cumulative changes in fair value of investments

This reserve records fair value changes on financial instruments held at fair value through other comprehensive income.

19 DIVIDENDS

For the year ended 31 December 2021, the shareholders at the annual general meeting dated 10 March 2022 approved a cash dividend of 40% (AED 0.40 per share) totalling AED 40 million. For the year ended 31 December 2020, the shareholders at the annual general meeting dated 28 February 2021 approved a cash dividend of 35% (AED 0.35 per share) totalling AED 35 million.

Dubai Insurance Company (P.S.C.) and its subsidiary

Notes to the consolidated financial statements

For the year ended 31 December 2022

20 BANK LOAN

	2022 AED'000	2021 AED'000
Loan	-	11,039
	-	11,039

Loan

During the year 2021, the Group entered into credit facility agreement with an international bank. The loan facilities are secured against investments in fixed income funds held at FVTOCI amounting to AED 20,921 thousand for the Group's investment operations and carry interest at 1-month USD LIBOR plus 0.75% per annum.

21 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the consolidated statement of financial position are as follows:

	2022 AED'000	2021 AED'000
Provision as at 1 January	5,537	5,209
Provided during the year	927	675
End of service benefits paid	(655)	(347)
Provision as at 31 December	5,809	5,537

22 INSURANCE CONTRACT ASSETS AND LIABILITIES

	Gross		Reinsurers' share		Net	
	2022 AED'000	2021 AED'000	2022 AED'000	2021 AED'000	2022 AED'000	2021 AED'000
Incurred but not reported reserve (note 22(a))	180,014	154,460	(151,663)	(126,681)	28,351	27,779
Unallocated loss adjustment expense reserve (note 22(b))	4,890	3,380	-	-	4,890	3,380
Outstanding claims (note 22(c))	189,599	156,565	(174,443)	(147,824)	15,156	8,741
Unearned premium reserve (note 22(d))	917,735	745,608	(826,008)	(669,477)	91,727	76,131
	1,292,238	1,060,013	(1,152,114)	(943,982)	140,124	116,031

Dubai Insurance Company (P.S.C.) and its subsidiary

Notes to the consolidated financial statements

For the year ended 31 December 2022

22 INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

22 (a) Incurred but not reported reserve

	General insurance AED'000	Life insurance AED'000	Total AED'000
31 December 2022			
Gross	179,682	332	180,014
Reinsurers' share	(151,364)	(299)	(151,663)
	<u>28,318</u>	<u>33</u>	<u>28,351</u>
31 December 2021			
Gross	154,098	362	154,460
Reinsurers' share	(126,349)	(332)	(126,681)
	<u>27,749</u>	<u>30</u>	<u>27,779</u>

Incurred but not reported reserve of AED 8,624 thousand (2021: AED 9,624 thousand) has been provided by the Group in General insurance segment compared to the Group's actuary's report.

22 (b) Unallocated loss adjustment expense reserve

	General insurance AED'000	Life insurance AED'000	Total AED'000
At 31 December 2021	3,369	11	3,380
Movement during the year	1,509	1	1,510
At 31 December 2022	<u>4,878</u>	<u>12</u>	<u>4,890</u>

22 (c) Outstanding claims

	General insurance AED'000	Life insurance AED'000	Total AED'000
At 31 December 2022			
Gross	189,212	387	189,599
Reinsurers' share	(174,094)	(349)	(174,443)
	<u>15,118</u>	<u>38</u>	<u>15,156</u>
At 31 December 2021			
Gross	155,011	1,554	156,565
Reinsurers' share	(146,424)	(1,400)	(147,824)
	<u>8,587</u>	<u>154</u>	<u>8,741</u>

22 (d) Unearned premium reserve

	General insurance AED'000	Life insurance AED'000	Total AED'000
At 31 December 2022			
Gross	916,572	1,163	917,735
Reinsurers' share	(824,909)	(1,099)	(826,008)
	<u>91,663</u>	<u>64</u>	<u>91,727</u>
At 31 December 2021			
Gross	744,530	1,078	745,608
Reinsurers' share	(668,434)	(1,043)	(669,477)
	<u>76,096</u>	<u>35</u>	<u>76,131</u>

Dubai Insurance Company (P.S.C.) and its subsidiary

Notes to the consolidated financial statements

For the year ended 31 December 2022

23 (a) REINSURANCE BALANCES PAYABLE

	2022	2021
	AED'000	AED'000
Reinsurance balances payable	177,277	136,255

The following table shows analysis of reinsurance balances payable by class of business:

	General		Life	
	2022	2021	2022	2021
	AED'000	AED'000	AED'000	AED'000
Inside UAE	21,184	15,295	-	-
Outside UAE	156,073	120,581	20	379
	177,257	135,876	20	379

23 (b) INSURANCE AND OTHER PAYABLES

	2022	2021
	AED'000	AED'000
Insurance and other payables	486,373	237,630

The following table shows analysis of payables by class of business:

	General		Life	
	2022	2021	2022	2021
	AED'000	AED'000	AED'000	AED'000
Payables-Inside UAE	473,245	230,163	400	257
Payables-Outside UAE	12,728	7,210	-	-
	485,973	237,373	400	257

Inside UAE:

	General		Life	
	2022	2021	2022	2021
	AED'000	AED'000	AED'000	AED'000
Payable to policy holders	164,782	100,028	162	87
Payable to insurance companies	38,569	31,888	-	-
Payable to brokers	19,034	12,743	230	163
Payable to TPAs	55,266	34,967	-	-
Other payables	195,594	50,537	8	7
	473,245	230,163	400	257

Outside UAE:

	General		Life	
	2022	2021	2022	2021
	AED'000	AED'000	AED'000	AED'000
Other payables	12,728	7,210	-	-

Dubai Insurance Company (P.S.C.) and its subsidiary

Notes to the consolidated financial statements

For the year ended 31 December 2022

24 RELATED PARTY TRANSACTIONS

Related parties represent, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. The pricing policies and terms of these transactions are approved by the Group's management.

The significant balances outstanding at 31 December in respect of related parties included in the consolidated financial statements are as follows:

	2022 AED'000	2021 AED'000
<i>Affiliates of major shareholders:</i>		
Due from policyholders	45,392	28,867
Outstanding claims	32,160	17,195

The income and expenses in respect of related parties included in the consolidated financial statements are as follows:

	2022 AED'000	2021 AED'000
<i>Affiliates of major shareholders:</i>		
Premiums	36,101	14,640
Claims paid	(1,246)	(10,830)
Commission expenses	(4,858)	(5,031)
Rent received	58	59
Rent paid	(542)	(748)

Compensation of the key management personnel is as follows:

	2022 AED'000	2021 AED'000
Short term employee benefits	7,344	6,936
End of service benefits	270	199
	7,614	7,135

Outstanding balances at the year-end arise in the normal course of business. For the years ended 31 December 2022 and 31 December 2021, the Group has reversed and recorded expected credit losses of AED 345 thousand and AED 189 thousand on balances owed by related parties respectively.

25 DIRECTORS' FEES

Directors' fees have been included as an appropriation of net profit for the year as agreed by the Group's management.

26 RISK MANAGEMENT

(a) Governance framework

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

The Group's risk management function is carried out by the board of directors, with its associated committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to the Chief Executive Officer and senior managers.

26 RISK MANAGEMENT (continued)

(a) Governance framework (continued)

The board of directors meets regularly to approve any commercial, regulatory and organisational decisions. The Chief Executive Officer under the authority delegated from the board of directors defines the Group's risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

The Group's enterprise risk management framework is established to identify and analyse the key risks faced by the Group to set appropriate controls and manage those risks. As part of the risks identification process, the Group uses risk based capital model to assess the capital requirement and uses stress analysis to apply changes to capital. The Group's risk appetite is derived from the changes to capital.

(b) Capital management framework

The primary objective of the Group's capital management is to comply with the regulatory requirements in the UAE and to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group fully complied with the externally imposed capital requirements and no changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 31 December 2021.

(c) Regulatory framework

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

The operations of the Group are also subject to regulatory requirements within the jurisdiction where it operates. 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 to meet unforeseen liabilities as these arise.

(d) Asset liability management (ALM) framework

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group manages these positions to achieve long-term investment returns in excess of its obligations under insurance contracts. The principal technique of the Group's ALM is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders.

The Chief Executive Officer actively monitors the ALM to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance contracts.

The Chief Executive Officer regularly monitors the financial risks associated with the Group's other financial assets and liabilities not directly associated with insurance liabilities.

(e) Disclosure as per the circular no.33 of 2016 of Central Bank of the United Arab Emirates

For the purpose of disclosure as per the circular no.33 of 2016 of Central Bank of the United Arab Emirates, the Group's financial information is grouped into business units based on its products and services as follows:

- The general insurance segment, comprises motor, marine, fire, engineering, medical and general accident.
- The life class includes group life.

Dubai Insurance Company (P.S.C.) and its subsidiary

Notes to the consolidated financial statements

For the year ended 31 December 2022

26 RISK MANAGEMENT (continued)

(e) Disclosure as per the circular no.33 of 2016 of Central Bank of the United Arab Emirates (continued)

The table below summarises the operating activities of the general and life insurance class of business of the Group.

		General insurance		Life insurance	
		2022	2021	2022	2021
	Notes	AED'000	AED'000	AED'000	AED'000
UNDERWRITING INCOME					
Gross premium	3	1,466,518	1,224,224	2,624	2,241
Reinsurers' share of premium	3	(1,040,978)	(926,023)	(2,176)	(2,005)
Net movement in unearned premium	3	(15,568)	(40,057)	(29)	(9)
Net insurance premium revenue	3	409,972	258,144	419	227
Reinsurance commission income		94,081	80,371	49	47
Other income		19,420	17,532	-	-
		523,473	356,047	468	274
UNDERWRITING EXPENSES					
Claims incurred	4	(517,823)	(511,237)	(840)	(315)
Reinsurers' share of claims incurred	4	422,394	456,796	749	359
Net claims incurred	4	(95,429)	(54,441)	(91)	44
Commission expenses		(88,775)	(61,785)	(82)	(42)
Other direct expenses		(212,002)	(126,711)	(2)	-
General and administration expenses relating to underwriting activities*		(49,300)	(38,218)	(137)	(102)
		(445,506)	(281,155)	(312)	(100)
NET UNDERWRITING INCOME		77,967	74,892	156	174
Total investment income		24,152	16,545	3,101	2,281
Other operating expenses		(13,218)	(13,308)	-	(11)
PROFIT FOR THE YEAR		88,901	78,129	3,257	2,444
Net gain/(loss) on revaluation of investments through other comprehensive income		6,550	54,647	138	12,114
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		94,451	132,776	3,395	14,558

*General and administration expenses are allocated between both classes of business in proportion with the gross written premiums in respective classes of business as agreed by the management.

Dubai Insurance Company (P.S.C.) and its subsidiary

Notes to the consolidated financial statements

For the year ended 31 December 2022

26 RISK MANAGEMENT (continued)

(e) Disclosure as per the circular no.33 of 2016 of Central Bank of the United Arab Emirates (continued)

The table below summarises the assets and liabilities of the general and life insurance class of business of the Group.

		General insurance		Life insurance	
		2022	2021	2022	2021
	Notes	AED'000	AED'000	AED'000	AED'000
ASSETS					
Property and equipment		48,898	49,015	-	-
Investment properties		64,273	65,016	-	-
Financial instruments		639,942	500,855	65,698	65,560
Reinsurance assets		1,150,367	941,209	1,747	2,773
Insurance receivables	13	362,813	264,798	1,540	2,534
Prepayments and other receivables		29,954	28,422	-	-
Statutory deposits		6,000	6,000	4,000	4,000
Cash and cash equivalents		310,449	176,994	1,276	1,072
TOTAL ASSETS		2,612,696	2,032,309	74,261	75,939
EQUITY AND LIABILITIES					
Equity					
Share capital		100,000	100,000	-	-
Statutory reserve		50,000	50,000	-	-
General reserve		50,000	50,000	-	-
Reinsurance reserve		13,780	8,576	31	20
Retained earnings		245,253	203,039	-	-
Cumulative changes in fair value of investments		180,852	174,782	44,211	44,073
Reserve for life segment		(27,705)	(28,207)	27,705	28,207
Total equity		612,180	558,190	71,947	72,300
Liabilities					
Bank loan		-	11,039	-	-
Employees' end of service benefits		5,809	5,537	-	-
Insurance contract liabilities		1,290,344	1,057,010	1,894	3,003
Amounts held under reinsurance treaties		41,133	27,284	-	-
Reinsurance balances payable		177,257	135,876	20	379
Insurance and other payables	23	485,973	237,373	400	257
Total liabilities		2,000,516	1,474,119	2,314	3,639
TOTAL EQUITY AND LIABILITIES		2,612,696	2,032,309	74,261	75,939

The risks faced by the Group and the way these risks are mitigated by management are summarised below.

26A Insurance risk

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

Dubai Insurance Company (P.S.C.) and its subsidiary

Notes to the consolidated financial statements

For the year ended 31 December 2022

26 RISK MANAGEMENT (continued)

26A Insurance risk (continued)

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

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

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

Frequency and severity of claims

The Group has the right not to renew individual policies, to re-price the risk, to impose deductibles and to reject the payment of a fraudulent claim. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs (for example, subrogation). Furthermore, the Group's strategy limits the total exposure to any one territory and the exposure to any one industry.

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

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. 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. 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 vessels and shipping routes covered. For medical insurance, the main risks are illness and related healthcare costs. For group life and personal accident, the main risks are claims from death and permanent or partial disability. The Group generally does not offer medical insurance to walk-in customers. Medical, group life and personal accident insurance are generally offered to corporate customers with large population to be covered under the policy.

Reinsurance risk

In common with other insurance companies, in order to minimise financial exposure arising from large insurance claims, the Group, in the normal course of business, enters into arrangements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts.

To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers. The Group deals with reinsurers approved by the Board of Directors.

Dubai Insurance Company (P.S.C.) and its subsidiary

Notes to the consolidated financial statements

For the year ended 31 December 2022

26 RISK MANAGEMENT (continued)

26A Insurance risk (continued)

Reinsurance risk (continued)

The five largest reinsurers account for 71% of amounts due from reinsurance companies at 31 December 2022 (2021: 66%). The maximum theoretical credit risk exposure in this connection is mainly in Europe.

Sources of uncertainty in the estimation of future claim payments

Claims on insurance contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and element of the claims provision includes incurred but not reported claims (IBNR). The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims. For some insurance contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities. In estimating the liability for the cost of reported claims not yet paid, the Group considers information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

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

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

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

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

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

Type of risk	Year ended 31 December 2022		Year ended 31 December 2021	
	Gross loss ratio	Net loss ratio	Gross loss ratio	Net loss ratio
Life insurance	33%	22%	17%	-
General insurance	40%	23%	48%	21%

26 RISK MANAGEMENT (continued)

26A Insurance risk (continued)

Process used to decide on assumptions

The risks associated with insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. Internal data is derived mostly from the Group's quarterly claims reports and screening of the actual insurance contracts carried out at the end of the reporting period to derive data for the contracts held. The Group uses assumptions based on a mixture of internal and market data to measure its claims liabilities. The Group has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

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

Claims development process

Claims development tables are disclosed in order to put the unpaid claims estimates included in the financial statements into a context, allowing comparison of the development claims provisions with those seen in previous years.

In effect, the table highlights the Group's ability to provide an estimate of the total value of claims. This table provides a review of current estimates of cumulative claims and demonstrates how the estimated claims have changed at subsequent reporting or accident year ends. The estimate is increased or decreased as losses are paid and more information becomes known about the frequency and severity of unpaid claims. Data in the table related to acquired businesses is included from the acquisition date onwards.

Dubai Insurance Company (P.S.C.) and its subsidiary

Notes to the consolidated financial statements

For the year ended 31 December 2022

26 RISK MANAGEMENT (continued)

26A Insurance risk (continued)

Claims development process (continued)

The Group believes that the estimates of total claims outstanding as of the end of 2022 are adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate. Following table shows the development of gross general outstanding claims (excluding life and medical) reflecting cumulative incurred claims including both notified and incurred but not reported for each successive accident year:

31 December 2022											
Incurred claims		2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
		AED' 000	AED' 000	AED' 000	AED' 000	AED' 000	AED' 000	AED' 000	AED' 000	AED' 000	AED' 000
Accident year											
At the end of accident year		108,488	169,288	224,778	181,936	224,281	232,339	333,209	262,094	274,012	
One year later		114,658	324,572	245,384	192,973	233,454	238,533	396,250	275,224	-	
Two years later		113,497	325,722	245,027	187,726	237,409	236,469	401,624	-	-	
Three years later		112,309	288,727	243,306	183,963	232,023	233,214	-	-	-	
Four years later		111,596	137,200	243,356	183,715	232,069	-	-	-	-	
Five years later		111,715	136,960	243,078	183,532	-	-	-	-	-	
Six years later		111,738	137,032	243,077	-	-	-	-	-	-	
Seven years later		111,527	137,769	-	-	-	-	-	-	-	
Eight years later		111,486	-	-	-	-	-	-	-	-	
Cumulative estimate of incurred claims		111,486	137,769	243,077	183,532	232,069	233,214	401,624	275,224	274,012	2,092,007
At the end of accident year		(84,771)	(94,966)	(177,216)	(145,493)	(188,026)	(168,400)	(210,925)	(209,237)	(198,721)	
One year later		(108,004)	(125,589)	(229,366)	(178,537)	(220,881)	(202,969)	(278,001)	(237,981)	-	
Two years later		(110,160)	(130,481)	(240,079)	(181,669)	(223,186)	(221,379)	(286,833)	-	-	
Three years later		(110,626)	(132,715)	(242,698)	(183,049)	(224,268)	(223,540)	-	-	-	
Four years later		(110,961)	(135,688)	(242,851)	(183,280)	(224,306)	-	-	-	-	
Five years later		(111,332)	(136,365)	(242,904)	(183,372)	-	-	-	-	-	
Six years later		(111,413)	(136,530)	(242,911)	-	-	-	-	-	-	
Seven years later		(111,424)	(137,254)	-	-	-	-	-	-	-	
Eight years later		(111,430)	-	-	-	-	-	-	-	-	
Cumulative claims paid		(111,430)	(137,254)	(242,911)	(183,372)	(224,306)	(223,540)	(286,833)	(237,981)	(198,721)	(1,846,348)
Total gross outstanding claims estimate		56	515	166	160	7,763	9,674	114,791	37,243	75,291	245,659

26 RISK MANAGEMENT (continued)

26A Insurance risk (continued)

Sensitivity of underwriting profit

The Group does not foresee any adverse change in the contribution of insurance profit due to the following reasons:

- The Group has an overall risk retention level of 29% for the year ended 31 December 2022 (2021: 24%). This is mainly due to low retention levels in general lines of business, the Group is adequately covered by reinsurance programs to guard against major financial impact.
- The Group has commission income of AED 94,130 in 2022 (2021: AED 80,418 thousand) predominantly from the reinsurance placement which remains a comfortable source of income.
- Because of low risk retention, 29% during the year, (2021: 24%) of the volume of the business and limited exposure in high retention areas such as motor, the Group is comfortable to maintain an overall net loss ratio of 23% (2021: 21%) and does not foresee any serious financial impact in the net underwriting profit.

26B Financial risk

The Group's principal financial instruments include financial assets and financial liabilities which comprise financial investments (at fair value through profit or loss and other comprehensive income), receivables arising from insurance and reinsurance contracts, statutory deposits, cash and cash equivalents, trade and other payables, and re-insurance balance payables.

The Group does not enter into derivative transactions.

The main risks arising from the Group's financial instruments are credit risk, geographical risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk. The board reviews and agrees policies for managing each of these risks and they are summarised below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Group, the maximum exposure to credit risk to the Group is the carrying value as disclosed in the consolidated statement of financial position.

The following policies and procedures are in place to mitigate the Group's exposure to credit risk:

- The Group only enters into insurance and reinsurance contracts with recognised, credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Group's exposure to bad debts.
- The Group seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Group's investments at fair value through profit or loss or OCI are managed by the Chief Executive Officer in accordance with the guidance of the Chairman and the supervision of the Board of Directors.
- The Group's bank balances are maintained with a range of international and local banks in accordance with limits set by the management.

Dubai Insurance Company (P.S.C.) and its subsidiary

Notes to the consolidated financial statements

For the year ended 31 December 2022

26 RISK MANAGEMENT (continued)

26B Financial risk (continued)

Credit risk (continued)

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position:

	Notes	2022 AED'000	2021 AED'000
Financial instruments – deposits and debt instruments	11	177,924	79,065
Reinsurance assets	22	1,152,114	943,982
Insurance receivables	13	364,353	267,332
Other receivables (excluding prepayments)	14	25,331	25,538
Statutory deposits	15	10,000	10,000
Cash and cash equivalents	16	311,725	178,066
Total credit risk exposure		2,041,447	1,503,983

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in value.

All the Group's investments in bonds measured at amortised cost are considered to have low credit risk and the loss allowance recognised is based on the 12 months expected loss. Management considers "low credit risk" for bonds to be those with high quality external credit ratings (investment grade). The credit risk in respect of deposits with banks (including statutory deposits) and cash and cash equivalent held with banks are managed via diversification of bank deposits, and are only with major reputable financial institutions. Reinsurance assets and the associated risks including Group's appropriate measure have been discussed in detail in the "Reinsurance risk" section. Other receivables (excluding prepayments) have been determined by management not to have a material credit risk hence no allowance for expected credit losses has been recognized as at 31 December 2022 (2021: Nil).

Insurance receivables comprise a large number of customers and insurance companies mainly within the United Arab Emirates. Reinsurance assets are from reinsurance companies based mainly in Europe and the Middle East.

The Group's financial position can be analysed by the following geographical regions:

	2022			2021		
	Assets	Liabilities and equity	Contingent liabilities and commitments	Assets	Liabilities and equity	Contingent liabilities and commitments
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
United Arab Emirates	1,682,094	2,471,914	10,105	1,337,008	1,953,141	10,105
Europe	414,545	140,436	-	275,507	98,961	-
Rest of the world	590,318	74,607	-	495,733	56,146	-
Total	2,686,957	2,686,957	10,105	2,108,248	2,108,248	10,105

Dubai Insurance Company (P.S.C.) and its subsidiary

Notes to the consolidated financial statements

For the year ended 31 December 2022

26 RISK MANAGEMENT (continued)

26B Financial risk (continued)

Credit risk (continued)

The table below provides information regarding the credit risk exposure of the Group by classifying financial assets according to the Group's credit rating of counterparties.

31 December 2022

	Neither past due nor impaired			Past due and impaired	Total
	High grade	Standard grade	Sub-standard grade		
	AED'000	AED'000	AED'000	AED'000	AED'000
Financial instruments	-	177,924	-	-	177,924
Reinsurance assets	-	1,152,114	-	-	1,152,114
Insurance receivables	-	364,353	-	13,909	378,262
Other receivables (excluding prepayments)	25,332	-	-	-	25,332
Statutory deposits	10,000	-	-	-	10,000
Cash and cash equivalents	311,725	-	-	-	311,725
	347,057	1,694,391	-	13,909	2,055,357
Less: expected credit losses					(13,909)
					2,041,448

31 December 2021

	Neither past due nor impaired			Past due and impaired	Total
	High grade	Standard grade	Sub-standard grade		
	AED'000	AED'000	AED'000	AED'000	AED'000
Financial instruments	-	79,065	-	-	79,065
Reinsurance assets	-	943,982	-	-	943,982
Insurance receivables	-	267,332	-	13,168	280,500
Other receivables (excluding prepayments)	25,538	-	-	-	25,538
Statutory deposits	10,000	-	-	-	10,000
Cash and cash equivalents	178,066	-	-	-	178,066
	213,604	1,290,379	-	13,168	1,517,151
Less: expected credit losses					(13,168)
					1,503,983

Dubai Insurance Company (P.S.C.) and its subsidiary

Notes to the consolidated financial statements

For the year ended 31 December 2022

26 RISK MANAGEMENT (continued)

26B Financial risk (continued)

Credit risk (continued)

The following table provides an ageing analysis of insurance receivables arising from insurance and reinsurance contracts past due but not impaired:

	<i>Neither past due nor impaired</i>	<i>90 days</i>	<i>Past due but not impaired</i>				<i>Total</i>	<i>Past due and impaired</i>	<i>Total</i>
			<i>91 to 180 days</i>	<i>181 to 270 days</i>	<i>271 to 365 days</i>	<i>> 365 days</i>			
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
2022	108,300	203,924	30,311	6,907	7,279	21,541	378,262	(13,909)	364,353
2021	65,513	144,512	19,219	11,551	9,144	30,561	280,500	(13,168)	267,332

For assets to be classified as 'past due and impaired' the contractual payments in arrears are more than 180 days and an impairment adjustment is recorded in the consolidated statement of income for this. When the credit exposure is adequately secured or when management is confident of settlement, arrears more than 180 days might still be classified as 'past due but not impaired', with no impairment adjustment recorded.

Insurance receivables days past due (AED'000)

31 December 2022	365 days			Total
	0-90 days	91-365 days	and above	
Expected credit loss rates	1.79%	0.60%	37.38%	
Gross carrying amount	312,224	44,497	21,541	378,262
Life-time expected credit losses	5,588	269	8,052	13,909

Insurance receivables days past due (AED'000)

31 December 2021	365 days			Total
	0-90 days	91-365 days	and above	
Expected credit loss rates	1.60%	0.35%	31.63%	
Gross carrying amount	210,025	39,914	30,561	280,500
Life-time expected credit losses	3,361	140	9,667	13,168

Geographical risk

The Group has geographical risk exposure. Such exposure arises from investments, cash and cash equivalents and insurance contracts concentrated within certain geographical areas. The investments and cash and cash equivalents are primarily with local companies and financial institutions. The risk arising from insurance contracts is concentrated mainly in the United Arab Emirates. The geographical concentration of risks is similar to previous year.

In accordance with the requirement of the Securities and Commodities Authority (Circular dated 12-10-2011) following are the details of the geographical concentration of assets in the Group's consolidated financial statements as of 31 December 2022:

(a) Investment property

Investment property represents the Group's investment in a freehold land and building situated in the Emirate of Dubai, United Arab Emirates.

Dubai Insurance Company (P.S.C.) and its subsidiary

Notes to the consolidated financial statements

For the year ended 31 December 2022

26 RISK MANAGEMENT (continued)

26B Financial risk (continued)

Geographic risk (continued)

(b) Financial instruments – investments

Investments in financial assets represent investments in quoted and unquoted shares of companies incorporated within and outside the United Arab Emirates and investments in bonds issued locally and outside United Arab Emirates.

(c) Cash and cash equivalents

Cash and cash equivalents of the Group are with banks registered and operating in the United Arab Emirates and in Europe.

Currency risk

The Group also has transactional currency exposures. Such exposure arises from investments in securities and reinsurance transactions in currencies other than the Group's functional currency.

At 31 December, the Group's exposure to foreign currency risk was as follows:

		2022 AED'000	2021 AED'000
Debt instruments at amortised cost	- US Dollars	29,133	38,259
Insurance receivables	- US Dollars	66,149	39,368
	- Euro	980	419
	- GBP	930	274
	- Others	3,178	3,423
Other receivables	- US Dollars	397	1,497
Cash and cash equivalents	- US Dollars	9,793	10,624
	- Euro	4,870	3,276
	- GBP	45	254
	- Others	-	-
Reinsurance balances payable	- US Dollars	11,514	17,970
	- Euro	1,506	1,676
	- GBP	3,115	1,052
	- Others	10,054	-
Other creditors and accruals	- US Dollars	827	9,316
	- Euro	141	132
	- GBP	4	68
	- Others	39	1,138

The following table demonstrates the sensitivity to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's profit. The effect of decreases in exchange rates is expected to be equal and opposite to the effect of the increases shown. There is no effect on equity.

Dubai Insurance Company (P.S.C.) and its subsidiary

Notes to the consolidated financial statements

For the year ended 31 December 2022

26 RISK MANAGEMENT (continued)

26B Financial risk (continued)

Currency risk (continued)

	Increase in exchange rate	Effect on profit AED'000 2022	Effect on profit AED'000 2021
<i>Assets</i>			
US Dollars	+5%	5,274	4,487
Euro	+5%	293	185
GBP	+5%	49	26
Others	+5%	159	171
<i>Liabilities</i>			
US Dollars	+5%	617	1,364
Euro	+5%	82	90
GBP	+5%	156	56
Others	+5%	505	57

Dubai Insurance Company (P.S.C.) and its subsidiary

Notes to the consolidated financial statements

For the year ended 31 December 2022

26 RISK MANAGEMENT (continued)

26B Financial risk (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its commitments associated with insurance contracts and 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.

The table below summarises the maturity of the assets and liabilities of the Group based on remaining contractual settlement dates.

	31 December 2022				31 December 2021			
	Less than one year AED'000	More than one year AED'000	No maturity date AED'000	Total AED'000	Less than one year AED'000	More than one year AED'000	No maturity date AED'000	Total AED'000
ASSETS								
Property and equipment	-	-	48,898	48,898	-	-	49,015	49,015
Investment property	-	-	64,273	64,273	-	-	65,016	65,016
Financial instruments	148,791	29,133	527,716	705,640	40,806	38,259	487,350	566,415
Reinsurance assets	1,152,114	-	-	1,152,114	943,982	-	-	943,982
Insurance receivables	364,353	-	-	364,353	267,332	-	-	267,332
Prepayments and other receivables	29,954	-	-	29,954	28,422	-	-	28,422
Statutory deposits	-	-	10,000	10,000	-	-	10,000	10,000
Cash and cash equivalents	311,725	-	-	311,725	178,066	-	-	178,066
TOTAL ASSETS	2,006,937	29,133	650,887	2,686,957	1,458,608	38,259	611,381	2,108,248
Liabilities								
Bank loan	-	-	-	-	-	11,039	-	11,039
Employees' end of service benefits	-	5,809	-	5,809	-	5,537	-	5,537
Insurance contract liabilities	1,292,238	-	-	1,292,238	1,060,013	-	-	1,060,013
Amounts held under reinsurance treaties	41,133	-	-	41,133	27,284	-	-	27,284
Reinsurance balances payable	177,277	-	-	177,277	136,255	-	-	136,255
Insurance and other payables	486,373	-	-	486,373	237,630	-	-	237,630
Total liabilities	1,997,021	5,809	-	2,002,830	1,461,182	16,576	-	1,477,758

Dubai Insurance Company (P.S.C.) and its subsidiary

Notes to the consolidated financial statements

For the year ended 31 December 2022

26 RISK MANAGEMENT (continued)

26B Financial risk (continued)

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group is exposed to interest rate risk on certain of its investment in financial instruments held at fair value through profit or loss, designated upon initial recognition, statutory deposits and bank loan. The Group limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and interest-bearing investments and borrowings are denominated.

Interest rate sensitivity

The effective interest rates for all major classes of interest-bearing financial instruments as at 31 December, are as follows:

	Total AED'000	Effective interest rate %
31 December 2022		
Time deposits	148,791	1.05% to 4.65%
Bank loan	-	
	<u>148,791</u>	
31 December 2021		
Time deposits	40,806	0.55% to 2.65%
Bank loan	(11,039)	1 Month USD Libor plus 0.75%
	<u>29,767</u>	

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

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2022 would increase/decrease by AED 187 thousand (2021: AED 298 thousand).

Equity price risk

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

The effect on equity (as a result of a change in the fair value of equity instruments held as financial assets at fair value through others comprehensive income at 31 December 2021) and on consolidated statement of income (as a result of changes in fair value of equity instruments held as financial assets through profit or loss) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	2022			2021		
	Change in equity price %	Effect on equity AED'000	Effect on income statement AED'000	Change in equity price %	Effect on equity AED'000	Effect on income statement AED'000
All investments – (Dubai Financial Market and Abu Dhabi Stock Market)	10	37,612	386	10	35,089	398

26 RISK MANAGEMENT (continued)

26C Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

27 CONTINGENCIES

Contingent liabilities

At 31 December 2022 the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to AED 10,105 thousand (2021: AED 10,105 thousand).

Legal claims

The Group, in common with the significant majority of insurers, is subject to litigation in the normal course of its business. The Group, based on independent legal advice, does not believe that the outcome of these court cases will have a material impact on the Group's income or financial condition.

Capital and lease commitments

At 31 December, the Group's capital and short-term lease commitments are payable as follows:

	2022 AED'000	2021 AED'000
Short-term lease commitments - less than one year	198	497

28 COMPARATIVES

Comparative figures have been reclassified in order to conform to current period's presentation and improve the quality of information presented. However, there is no effect on previously reported total assets, total equity, total liabilities and profit for the year.

Dubai Insurance Company (P.S.C.) and its subsidiary

Notes to the consolidated financial statements

For the year ended 31 December 2022

Summary of Solvency Margin Analysis

	2022	2021
	Unaudited	Unaudited
	AED'000	AED'000
Minimum Capital Requirement (MCR)	100,000	100,000
Solvency Capital Requirement (SCR)	252,732	211,424
Minimum Guarantee Fund (MGF)	108,237	70,475
Basic Own Funds	454,184	404,891
MCR Solvency Margin - Surplus	354,184	304,891
SCR Solvency Margin - Surplus	201,452	193,467
MGF Solvency Margin - Surplus	345,947	334,416