

DUBAI NATIONAL INSURANCE & REINSURANCE Co. (P.S.C.)
DUBAI - UNITED ARAB EMIRATES

AUDITOR'S REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2023

Dubai National Insurance & Reinsurance PSC (DNIR)
Board of Directors' Statement
For the year ended 31st December 2023

On behalf of the Board of Directors, I would like to present our 32nd Financial Results together with the Audited Financial Statements for the year ended 31st December 2023.

DNIR's Board of Directors, as well as the management team, remain committed to driving standards of excellence and delivering growing returns to the shareholders. Our priority remains to ensure that DNIR is positioned amongst the regional market leaders by leveraging on our innovative capabilities and differentiated offering.

DNIR continues to build on its strong relationships with customers and partners, a diversified business mix, a resilient business model, and solid financials to ensure that we continue to deliver excellent technical results, thereby generating a consistent return to our esteemed shareholders.

Adoption of IFRS 17 Insurance Contracts

International Financial Reporting Standard 17 (IFRS 17), replaced IFRS 4 for Insurance Contracts, coming into effect for the financial periods beginning 01 January 2023. DNIR has selected a state-of-the-art modeling system for implementing IFRS 17. DNIR built and developed in-house capabilities which has resulted in a smooth transition into the new reporting standard.

Financial Highlights

I am delighted to announce that DNIR has reported strong underwriting results and profitability for the year 2023. DNIR achieved a full-year net profit of AED 47.1 million, with an increase of 28% in the Insurance Revenue compared to the previous year.

Insurance Revenue

DNIR Insurance Revenue increased to AED 448.3 million during 2023, compared to AED 350.3 million for the year 2022.

Insurance Service Result

For the year 2023, DNIR Insurance Service Result stood at AED 15.7 million, against AED 10.2 million for the year 2022.

Cash and Bank Balances

The cash and bank balances stood at AED 200.6 million as at 31st December 2023, compared to AED 202.6 million as at 31st December 2022.

Investments

Total investments including cash and bank balances, Investments in Equity and Debt instruments and investment properties stood at AED 838.4 million as at 31st December 2023, compared to AED 829.7 million as at 31st December 2022.

Total Assets

The total assets stood at AED 977.8 million as at 31st December 2023, compared to AED 965.1 million as at 31st December 2022.

Shareholders' Equity

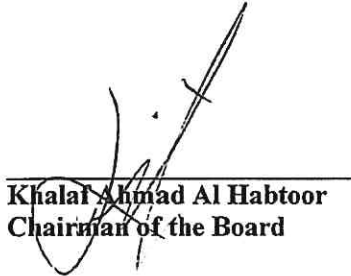
The Shareholders' Equity position stood at AED 722.6 million as at 31st December 2023, compared to AED 685.8 million as at 31st December 2022.

Basic and Diluted Earnings Per Share

Basic and diluted earnings per share stood at AED 0.41 as a result of achieving a net profit of AED 47.1 million for the year 2023 compared to basic and diluted earnings per share of AED 0.38 resulting from a net profit of AED 43.7 million last year. The Board is pleased to recommend to the shareholders a 10% cash dividend amounting to AED 11.550 Million.

We are proud of what we have achieved in 2023 and our bench strength remains strong. We acknowledge the gratitude, support, and guidance received from our UAE's leadership. We take this opportunity to thank all our shareholders, clients, business partners, reinsurers, and Employees for their unflinching support and confidence in the company.

We head into 2024 with renewed optimism and a focus on continuity and progress. I am fully confident in our ability to continue building on our expertise to deliver value for the community and our stakeholders over the coming years by supporting the country's long-term growth.



Khalaf Ahmad Al Habtoor
Chairman of the Board

دبي الوطنية للتأمين وإعادة التأمين ش.م.ع. Dubai National Insurance & Reinsurance P.S.C.

P.O. Box: 1806, Dubai, UAE, T: +971 4 596 9666, E: info@dni.ae, W: www.dni.ae

سجلت في سجل شركات التأمين طبقاً للقانون الاتحادي رقم (1) لسنة ٢٠٠٧ وتمديداته، شهادة قيد رقم ٦ بتاريخ ٦ يناير ١٩٩٢
Registered in the Insurance Companies Register Under Federal Law No. (6) of 2007 (As Amended), Certificate No. 64 Dated 6th January 1992



Dubai National Insurance & Reinsurance PSC (DNIR)
Chief Executive Officer's Statement
For the year ended 31st December 2023

I hereby present DNIR Financial Results for the year ended 31st December 2023.

The year 2023 marked another successful year for DNIR, distinguished by strong growth across key lines of business that resulted in achieving a net profit of AED 47.1 million. This performance is testament to the Company's unwavering commitment towards sound and prudent underwriting policies.

We will continue implementation of our automation and digitalization plans to ensure providing fast and efficient services to the customers. Also, we will continue to take the necessary measures to maximize shareholder value. Further, we will continue to contribute to the betterment of society and the community.

We will continue to optimize our business and keep introducing innovative products and services to meet the changing needs of our customers.

Key Financial Highlights

Insurance Revenue

DNIR Insurance Revenue increased to AED 448.3 million during 2023, compared to AED 350.3 million for the year 2022.

Insurance Service Result

For the year 2023, DNIR Insurance Service Result stood at AED 15.7 million, against AED 10.2 million for the year 2022.

Net Investment Income

For the year 2023, DNIR Net Investment income stood at AED 37.6 million, against AED 37.1 million for the year 2022.

Net Profit

Net Profit is AED 47.1 million for the year 2023, against AED 43.7 million for the year 2022.

The above positive results reflect the superior underwriting capabilities of the company and the success of the transformation strategy. We continue to ensure that we deliver excellent technical results, thereby generating a consistent return to our esteemed shareholders.

Appreciation

I would like to convey my sincere thanks to our Chairman, Board of Directors and shareholders for their continued support and guidance, our clients and business partners for their trust in our company and our management team and employees for their diligent efforts.



A.R. Srinivasan
Chief Executive Officer

دبي الوطنية للتأمين وإعادة التأمين ش.م.ع. Dubai National Insurance & Reinsurance P.S.C.

P.O. Box: 1806, Dubai, UAE, T: +971 4 596 9666, E: info@dni.ae, W: www.dni.ae

سجلت في سجل شركات التأمين طبقاً للقانون الاتحادي رقم (6) لسنة ٢٠٠٧ وتعدلاته. شهادة قيد رقم ٦٤ بتاريخ ٦ يناير ١٩٩٢
Registered in the Insurance Companies Register Under Federal Law No. (6) of 2007 (As Amended), Certificate No. 64 Dated 6th January 1992

Independent Auditor's Report

To the Shareholders of Dubai National Insurance & Reinsurance Co. (P.S.C.)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dubai National Insurance & Reinsurance Co. (P.S.C.) (the "Company"), which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (Including International Independence Standards)* (IESBA Code), together with the other ethical requirements that are relevant to our audit of the Company's financial statements in United Arab Emirates, and we have fulfilled our other ethical responsibilities. 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 the auditors' professional judgement, were of most significance in the audit of the financial statements of the current year. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

To the Shareholders of Dubai National Insurance & Reinsurance Co. (P.S.C.) (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
Valuation of Reinsurance Contract Assets and Insurance Contract Liabilities	
As at 31 December 2023, the Company's reinsurance contract assets and insurance contract liabilities are valued AED 91.3 million and AED 222.2 million respectively. (refer Note 7). Valuation of reinsurance contract assets and insurance contract liabilities involves significant judgements and estimates particularly with respect to, eligibility of the premium allocation approach (PAA) and estimation of the liabilities for incurred claims. These liabilities primarily include determination of expected premium receipts, expected ultimate cost of claims and allocation of insurance acquisition cash flows which are within the contract boundaries. The calculation for these liabilities includes significant estimation and involvement of actuarial experts in order to ensure appropriateness of methodology, assumptions and data used to determine the estimated future cash flows and the appropriateness of the discount rates used to determine the present value of these cashflows.	Our audit procedures in conjunction with our actuarial specialists: - Understood and evaluated the process, the design of controls in place to determine valuation of reinsurance contract assets and insurance contract liabilities; - Assessed the competence, capabilities and objectivity of the management appointed actuary; - Tested the completeness, and on sample basis, the accuracy and relevance of data used to determine future cashflows; - Evaluated the appropriateness of the methodology, significant assumptions including risk adjustment, PAA eligibility assessment, discount rates and expenses included within the fulfilment cashflows. This included consideration of the reasonableness of assumptions against actual historical experience and the appropriateness of any judgments applied; - We independently reperformed the calculation to assess the mathematical accuracy of the reinsurance contract assets and insurance contract liabilities on selected classes of business, particularly focusing on largest and most uncertain reserves; - Evaluated and tested the data used in the impairment model calculations receivables for amounts due; and - Evaluated and tested the calculation of the allowance for expected credit loss allowance and the key assumptions and judgments used.

Independent Auditor's Report

To the Shareholders of Dubai National Insurance & Reinsurance Co. (P.S.C.) (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
Disclosure of transition impact of adopting IFRS 17 We determined the disclosure for impact of adopting IFRS 17 to be a key audit matter due to the significant changes introduced by the standard, which includes significant estimates and judgements. These impacts will be of particular importance to the readers of these financial statements. (refer to Note 3). In particular, we have focused on the following key judgements that management have taken on implementing IFRS 17. - The determination of the transition approach adopted for each group of insurance contracts. - The methodology adopted and key assumptions used to determine the impact and restatement of previously reported numbers in accordance with IFRS 17. - Disclosure of the impact of restatement, in accordance with IFRS 17.	Our audit procedures, among others, include: - Assessed whether the judgements applied by management in determining their accounting policies are in accordance with IFRS 17; - Using our actuarial specialist team members, evaluated the appropriateness of the methodology used to determine discount rates as at the transition date; - Evaluated the appropriateness of significant assumptions including risk adjustment, PAA eligibility assessment, discount rates and expenses included within the fulfilment cashflows; - Evaluated the completeness, and on sample basis, the accuracy and relevance of the data used to determine the impact of IFRS 17 adoption and restatement; and - Evaluated the reasonableness of the quantitative and qualitative disclosures included in the financial statements in accordance with IFRS 17.
Valuation of investment properties The Company holds investment properties under the fair value model as at 31 December 2023 amounting to AED 158.5 million (2022: AED 149.3 million), as detailed in note 5 to the financial statements. The fair value estimate requires significant judgement and estimates by management and independent two external valuers. The Company has involved independent external valuers in order to value the investment properties for the purpose of determining the fair value for inclusion in the financial statements. The existence of significant estimation and judgement coupled with change in valuation assumptions used could result in material change. Therefore, the valuation of these investment properties was significant to our audit.	Our audit procedures, among others, included: - Assessed the competence, capabilities, and objectivity of external valuers; - Evaluated the accuracy and completeness of the source data used in the calculation of fair values; - Assessed the appropriateness of the key assumptions and methodologies used; and - Performed an independent calculation after carrying out enquiries with management and independent valuer, including performing reasonableness computation by using publicly available sources of information to independently corroborate the valuation performed by management experts.

Independent Auditor's Report

To the Shareholders of Dubai National Insurance & Reinsurance Co. (P.S.C.) (continued)

Report on the Audit of the Financial Statements (continued)

Other Information

The Board of Directors and the Chief Executive Officer is responsible for the other information. The other information comprises the information included in the *Board of Directors' Statement* and *Chief Executive Officer's Statement*, but does not include the financial statements and our auditor's report thereon.

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and their preparation in compliance with the applicable provisions of the UAE Federal Law No. 32 of 2021 and UAE Federal Law No. 48 of 2023 (previously Federal Law No. 6 of 2007, as amended), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Independent Auditor's Report

To the Shareholders of Dubai National Insurance & Reinsurance Co. (P.S.C.) (continued)

Report on the Audit of the Financial Statements (continued)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

As required by the UAE Federal Law No. 32 of 2021, we report that:

- i) We have obtained all the information and explanations we considered necessary for the purposes of our audit;
- ii) The financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. 32 of 2021;
- iii) The Company has maintained proper books of account;
- iv) The financial information included in the Board of Directors' Statement and Chief Executive Officer's Statement, in so far as it relates to these financial statements, is consistent with the books of account of the Company;

Independent Auditor's Report

To the Shareholders of Dubai National Insurance & Reinsurance Co. (P.S.C.) (continued)

Report on Other Legal and Regulatory Requirements (continued)

- v) Note 10 to the financial statements discloses material related party transactions, and the terms under which they were conducted; and
- vi) Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2023 any of the applicable provisions of the Federal Law No. 32 of 2021, or in respect of the Company, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2023.
- vii) The Company has not made any social contributions during the year.

Further, as required by the Federal Law No. 48 of 2023 (Previously Federal Law No. 6 of 2007, as amended), we report that we have obtained all the information and explanation we considered necessary for the purpose of our audit.

Furthermore, as required by the CBUAE Insurance Reporting Requirements for 2023, note 6 and note 10 to the financial statements discloses information on assets that are held by a related party for the beneficial interest of the Company.


GRANT THORNTON UAE

Farouk Mohamed
Registration No. 86
Dubai, United Arab Emirates



18 March 2024

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Statement of financial position

As at 31 December 2023

	Notes	2023 AED'000	Restated 2022 AED'000	Restated 2021 AED'000
Assets				
Property and equipment	4	4,739	2,132	473
Investment properties	5	158,480	152,125	140,750
Financial assets	6	479,366	474,885	569,470
Statutory deposit	8	10,000	10,000	10,000
Reinsurance contract assets	7	91,306	104,365	154,466
Other receivables	9	33,300	18,927	11,730
Cash and bank balances	11	200,614	202,679	137,709
Total assets		977,805	965,113	1,024,598
Equity and liabilities				
Equity				
Share capital	12	115,500	115,500	115,500
Legal reserve	13	57,750	57,750	57,750
General reserve	13	180,000	180,000	180,000
Reinsurance reserve	13	4,413	3,241	2,023
Fair value reserve on financial assets at fair value through other comprehensive income (FVTOCI)		168,145	161,038	220,505
Retained earnings		196,847	168,291	182,338
Total equity		722,655	685,820	758,116
Liabilities				
Employees' end-of-service benefits	14	4,726	4,299	4,091
Insurance contract liabilities	7	222,243	245,441	229,859
Other payables	15	28,181	29,553	32,532
Total liabilities		255,150	279,293	266,482
Total equity and liabilities		977,805	965,113	1,024,598

These financial statements were approved by the Board of Directors on 18 March 2024 and signed on their behalf by:

Mr. Khalaf Ahmad Al Habtoor
Chairman

Mr. Mohammed Khalaf Al Habtoor
Managing Director

The notes 1 to 30 form an integral part of these financial statements.

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Statement of profit or loss

For the year ended 31 December 2023

	Notes	2023 AED'000	Restated 2022 AED'000
Insurance revenue		448,353	350,306
Insurance service expenses	16	(363,847)	(257,190)
Insurance service result before reinsurance contracts held		84,506	93,116
Allocation of reinsurance premiums		(226,310)	(197,866)
Amounts recoverable from reinsurance for incurred claims		157,571	114,994
Net expenses from reinsurance contracts held		(68,739)	(82,872)
Insurance service result		15,767	10,244
Income from investments	18	26,254	23,231
Income from Investment properties	19	11,358	13,897
Net investment income		37,612	37,128
Insurance finance (expense)/income for insurance contracts issued	17	(484)	2,226
Reinsurance finance expense for reinsurance contracts held	17	(3,177)	(3,513)
Net insurance finance expenses		(3,661)	(1,287)
Net insurance and investment result		49,718	46,085
Other income		60	330
Other operating expenses	20	(2,658)	(2,686)
Profit for the year		47,120	43,729
Basic and diluted earnings per share (AED)	21	0.41	0.38

The notes 1 to 30 form an integral part of these financial statements.

Dubai National Insurance & Reinsurance Co. (P.S.C.)

**Statement of comprehensive income
For the year ended 31 December 2023**

		<i>Restated</i>
	2023	2022
	AED'000	AED'000
Profit for the year	47,120	43,729
Other comprehensive income:		
<i>Items that will be reclassified subsequently to profit or loss:</i>		
Net unrealised gain/(loss) on debt investments carried at FVTOCI	131	(4,371)
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Net unrealised gain/(loss) on equity investments carried at FVTOCI	5,864	(74,044)
(Loss)/gain on sale of financial assets designated at FVTOCI	(135)	1,328
Total other comprehensive income/(loss) for the year	5,860	(77,087)
Total comprehensive income/(loss) for the year	52,980	(33,358)

The notes 1 to 30 form an integral part of these financial statements.

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Statement of changes in equity For the year ended 31 December 2023

	Share capital AED'000	Legal reserve AED'000	General reserve AED'000	Reinsurance reserve AED'000	Fair value reserve on financial assets at FVTOCI AED'000	Retained earnings AED'000	Total equity AED'000
Balance at 1 January 2022, as previously reported	115,500	57,750	180,000	2,023	220,505	173,903	749,681
Impact of initial application of IFRS 17	-	-	-	-	-	8,435	8,435
Restated balance at 1 January 2022	115,500	57,750	180,000	2,023	220,505	182,338	758,116
Dividend declared and paid	-	-	-	-	-	(34,650)	(34,650)
Directors' remuneration	-	-	-	-	-	(4,288)	(4,288)
Transactions with owners	-	-	-	-	-	(38,938)	(38,938)
Net profit for the year	-	-	-	-	-	43,729	43,729
Transfer to reinsurance reserve	-	-	-	1,218	-	(1,218)	-
Transferred to retained earnings on disposal of FVTOCI	-	-	-	-	17,620	(17,620)	-
Net unrealised loss on financial asset at FVTOCI	-	-	-	-	(78,415)	-	(78,415)
Net realised gain on financial assets at FVTOCI	-	-	-	-	1,328	-	1,328
Total comprehensive income / (loss) for the year	-	-	-	1,218	(59,467)	24,891	(33,358)
Balance as at 31 December 2022	115,500	57,750	180,000	3,241	161,038	168,291	685,820
Balance at 1 January 2023	115,500	57,750	180,000	3,241	161,038	160,215	677,744
Impact of initial application of IFRS 17	-	-	-	-	-	8,076	8,076
Restated balance as at 1 January 2023	115,500	57,750	180,000	3,241	161,038	168,291	685,820
Dividend declared and paid	-	-	-	-	-	(11,550)	(11,550)
Directors' remuneration	-	-	-	-	-	(4,595)	(4,595)
Transactions with owners	-	-	-	-	-	(16,145)	(16,145)
Net profit for the year	-	-	-	-	-	47,120	47,120
Transfer to reinsurance reserve	-	-	-	1,172	-	(1,172)	-
Transferred to retained earnings on disposal of financial assets	-	-	-	-	1,247	(1,247)	-
Net unrealised gain on financial asset at FVTOCI	-	-	-	-	5,995	-	5,995
Net realised loss on financial assets at FVTOCI	-	-	-	-	(135)	-	(135)
Total comprehensive income for the year	-	-	-	1,172	7,107	44,701	52,980
Balance as at 31 December 2023	115,500	57,750	180,000	4,413	168,145	196,847	722,655

The notes 1 to 30 form an integral part of these financial statements.

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Statement of cash flows

For the year ended 31 December 2023

		2023	Restated 2022
	Notes	AED'000	AED'000
Cash flows from operating activities			
Profit for the year		47,120	43,729
<i>Adjustments for:</i>			
Depreciation on property and equipment	4	671	243
Provision for employees' end-of-service benefits	14	870	864
Gain on disposal of property and equipment		(48)	-
Gain from change in fair value of investment properties	5	(5,441)	(8,592)
Income from investment properties		(5,917)	(5,305)
Dividend and interest income		(26,254)	(23,231)
Operating cash flows before changes in working capital		11,001	7,708
<i>Changes in working capital</i>			
Other receivables		(14,373)	50,101
Reinsurance contract assets		13,059	(7,197)
Insurance contract liabilities		(23,198)	15,580
Other payables		(5,967)	(7,267)
Cash (used in)/generated from operating activities		(19,478)	58,925
Employees' end-of-services benefits paid	14	(443)	(656)
Net cash (used in)/generated from operating activities		(19,921)	58,269
Cash flows from investing activities			
Purchase of property and equipment		(3,292)	(2,160)
Capital expenditure on investment properties	5	(914)	(2,525)
Purchase of investment in debt securities		(12,424)	(21,892)
Proceeds from sale of property and equipment		60	-
Proceeds from sale of financial assets		13,405	41,575
Net movement in fixed deposits		(4,157)	(54,803)
Income received from investments – net		26,654	21,048
Income received from investment properties		5,917	5,305
Net cash generated from/(used in) investing activities		25,249	(13,452)
Cash flows from financing activity			
Dividend paid	22	(11,550)	(34,650)
Net cash used in financing activity		(11,550)	(34,650)
Net change in cash and cash equivalents		(6,222)	10,167
Cash and cash equivalents, beginning of year		67,259	57,092
Cash and cash equivalents, end of year	11	61,037	67,259

The notes 1 to 30 form an integral part of these financial statements.

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements

For the year ended 31 December 2023

1 Legal status and activities

Dubai National Insurance & Reinsurance Co. (P.S.C.) (the “Company”) is a public shareholding Company incorporated in Dubai on 6 January 1992.

The Company is engaged in insurance and reinsurance of all classes of business in accordance with the provisions of the United Arab Emirates (“UAE”) Federal Law No. 48 of 2023 (previously Federal Law No. 6 of 2007, as amended), concerning Financial Regulations of Insurance Companies issued by the Central Bank of United Arab Emirates and regulation of its operations.

The registered address of the Company is Dubai National Insurance Building, 3rd Floor, Sheikh Zayed Road, P.O. Box 1806, Dubai, UAE.

During the year, Federal Law No. 48 of 2023 has been issued with effective date of 30 November 2023, repealing Federal Law No. 6 of 2007. In accordance with Article 112 of the Federal Law No. 48 of 2023, the Company has 6 months from this date of effect to apply the provisions of new Law. The Company is in the process of reviewing the new provisions and will apply the requirements thereof in the required time.

This financial statement has been prepared in accordance with the requirements of the applicable laws and regulations, including UAE Federal Law No. 32 of 2021.

2 Statement of compliance with IFRS

These 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. 48 of 2023, concerning Financial Regulations of Insurance Companies issued by the Central Bank of United Arab Emirates and regulation of its operations. These financial statements are prepared in UAE Dirhams (“AED”) being the economic, functional and reporting currency, rounded to the nearest thousand.

Basis of preparation

This financial statement has been prepared on the historical cost basis, except for financial assets carried at fair value through other comprehensive income, financial assets carried at fair value through profit or loss and investment properties which are carried at fair value and the provision for employees’ end of service benefits which is calculated in line with UAE labour laws.

The Company’ statement of financial position is not presented using a current/ non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, financial assets at fair value through profit or loss, other receivables and other payables. The following balances would generally be classified as non-current: property and equipment, investment properties and statutory deposits and employees’ end of service benefits. The following balances are of mixed nature (including both current and non-current portions): financial assets at fair value through other comprehensive income, reinsurance contract assets, insurance contract assets and liabilities, bank balances and fixed deposits.

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements For the year ended 31 December 2023

2 Statement of compliance with IFRS (continued)

Application of new and revised International Financial Reporting Standards ("IFRS")

New and revised IFRSs and interpretations applied on the financial statements

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

Standard number	Title	Effective date
IAS 1	Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
IAS 8	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a single transaction – Amendments to IAS 12	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023

These standards have been adopted by the Company and did not have a material impact on these financial statements, except for the adoption of "IFRS 17 Insurance contracts".

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 Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Standard number	Title	Effective date
IAS 1	Amendment to IAS 1 – Non-current liabilities with covenants	1 January 2024
IAS 16	Amendment to IFRS 16 – Leases on sale and leaseback	1 January 2024
IAS 7	Supplier Finance Arrangements	1 January 2024
IAS 21	lack of Exchangeability	1 January 2025

3 Material accounting policy information

Standards, interpretations and amendments to existing standards – Impact of new IFRS

IFRS 17 Insurance Contracts

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

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of contributions that relate to recovering insurance acquisition cash flows. In addition, investment components are no longer included in insurance revenue and insurance service expenses.

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods on or after 1 January 2023. The Company has restated comparative information applying the transitional provisions to IFRS 17. The nature of the changes in accounting policies can be summarised, as follows:

Changes to classification and measurement

The adoption of IFRS 17 did not change the classification of the Company's insurance contracts. The Company was previously permitted under IFRS 4 to continue accounting using its previous accounting policies. However, IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements

For the year ended 31 December 2023

3 Material accounting policy information (continued)

Standards, interpretations and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 Insurance Contracts (continued)

Changes to classification and measurement (continued)

Under IFRS 17, the Company's insurance contracts issued, and reinsurance contracts held are all eligible to be measured by applying the premium allocation approach (PAA). The PAA simplifies the measurement of insurance contracts in comparison with the general model in IFRS 17.

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

Income and expenses from reinsurance contracts other than insurance finance income and expenses are now presented as a single net amount in profit or loss. Previously, amounts recovered from Reinsurance operators and reinsurance expenses were presented separately.

The measurement principles of the PAA differ from the 'earned premium approach' used by the Company under IFRS 4 in the following key areas:

- The liability for remaining coverage reflects premiums received less deferred acquisition expenses less amounts recognised in revenue for insurance services provided;
- Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of coverage are more than 12 months apart;
- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision); and
- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not-reported (IBNR) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk.

Changes to presentation and disclosure

For presentation in the statement of financial position, the Company aggregates insurance and reinsurance contracts issued and reinsurance contracts held, respectively and presents separately:

- Groups of insurance and reinsurance contracts issued that are assets;
- Groups of insurance and reinsurance contracts issued that are liabilities;
- Groups of reinsurance contracts held that are assets; and
- Groups of reinsurance contracts held that are liabilities.

The groups referred to above are those established at initial recognition in accordance with the IFRS 17 requirements.

The line item descriptions in the statement of profit or loss and other comprehensive income have been changed significantly compared with last year. Previously, the Company reported the following line items:

- Gross written premiums
- Net written premiums
- Changes in premium reserves
- Gross insurance claims
- Net insurance claims

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements For the year ended 31 December 2023

3 Material accounting policy information (continued)

Standards, interpretations and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 Insurance Contracts (continued)

Changes to presentation and disclosure (continued)

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Insurance finance income or expenses
- Income or expenses from reinsurance contracts held

The Company provides disaggregated qualitative and quantitative information about:

- Amounts recognised in its financial statements from insurance contracts
- Significant judgements, and changes in those judgements, when applying the standard.

Transition

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied using a full retrospective approach to the extent practicable. Under the full retrospective approach, at 1 January 2022 the Company:

- identified, recognised and measured each group of insurance and reinsurance contracts as if IFRS 17 had always been applied;
- identified, recognised and measured any assets for insurance acquisition cash flows as if IFRS 17 had always been applied;
- derecognised previously reported balances that would not have existed if IFRS 17 had always been applied. These included insurance receivables and payables, and provisions for levies that are attributable to existing insurance contracts. Under IFRS 17, they are included in the measurement of the insurance contracts; and
- recognised any resulting net difference in equity.

The Company has applied the transition provisions in IFRS 17 and has disclosed the impact of the adoption of IFRS 17 on each financial statement line item. The effects of adopting IFRS 17 on the financial statement at 1 January 2022 are presented in the statement of changes in equity. The table below summarise the impact of initial application of IFRS 17 as at 1 January 2022:

	As previously reported AED'000	Effect of application of IFRS 17 AED'000	Restated AED'000
ASSETS			
Insurance and reinsurance receivables	66,080	(66,080)	-
Other receivables	26,677	(14,947)	11,730
Reinsurance contract asset	173,351	(18,885)	154,466
Amounts due from related parties	21,657	(21,657)	-
LIABILITIES			
Insurance contract liabilities	274,833	(44,974)	229,859
Insurance and reinsurance payables	68,734	(68,734)	-
Other payables	45,690	(13,158)	32,532
Amounts due to related parties	3,138	(3,138)	-
EQUITY			
Retained earnings	(173,903)	(8,435)	(182,338)

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements

For the year ended 31 December 2023

3 Material accounting policy information (continued)

Standards, interpretations and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 Insurance Contracts (continued)

Insurance and reinsurance contracts classification

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Insurance and reinsurance contracts accounting treatment

Separating components from insurance and reinsurance contracts

The Company assesses its insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Company applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Company's products do not include any distinct components that require separation.

Some reinsurance contracts issued contain profit commission arrangements. Under these arrangements, there is a minimum guaranteed amount that the policyholder will always receive – either in the form of profit commission, or as claims, or another contractual payment irrespective of the insured event happening. The minimum guaranteed amounts have been assessed to be highly interrelated with the insurance component of the reinsurance contracts and are, therefore, non-distinct investment components which are not accounted for separately. However, receipts and payments of these investment components are recognised outside of profit or loss.

Level of aggregation

IFRS 17 requires a company to determine the level of aggregation for applying its requirements. The Company previously applied aggregation levels under IFRS 4, which were significantly higher than the level of aggregation required by IFRS 17. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Company identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Company makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). IFRS 17 also notes that no group for level of aggregation purposes may contain contracts issued more than one year apart.

The Company has elected to group together those contracts that would fall into different groups only because law, regulation or internal policies specifically constrains its practical ability to set a different price or level of benefits for policyholders with different characteristics. The Company applied a full retrospective approach for transition to IFRS 17. The portfolios are further divided into groups of contracts by year of issue and profitability for recognition and measurement purposes. Hence, within each year of issue, portfolios of contracts are divided into three groups, as follows:

- A group of contracts that are onerous at initial recognition (if any)
- A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any)
- A group of the remaining contracts in the portfolio (if any)

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements For the year ended 31 December 2023

3 Material accounting policy information (continued)

Standards, interpretations and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 Insurance Contracts (continued)

Level of aggregation (continued)

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances.

The Company considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Evaluation of expected combines ratios;
- Pricing information;
- Results of similar contracts it has recognised; and
- Environment factors, e.g., a change in market experience or regulations.

The Company divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

Recognition

The Company recognises groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date; and
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous.

The Company recognises a group of reinsurance contracts held:

- If the reinsurance contracts provide proportionate coverage at the later of the beginning of the coverage period of the group, or the initial recognition of any underlying contract; and
- In all other cases, from the beginning of the coverage period of the group. The Company adds new contracts to the group when they are issued or initiated.

Contract boundary

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with services. A substantive obligation to provide services ends when:

- The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or

Both of the following criteria are satisfied:

- The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
- The pricing of the premiums for coverage up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements

For the year ended 31 December 2023

3 Material accounting policy information (continued)

Standards, interpretations and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 Insurance Contracts (continued)

Contract boundary (continued)

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

Measurement - Premium Allocation Approach

Insurance contracts – initial measurement

The Company applies the premium allocation approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds, as:

- The coverage period of each contract in the group is one year or less, including coverage arising from all premiums within the contract boundary.

Or

- For contracts longer than one year, the Company has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Company has also considered qualitative factors such as the nature of the risk and types of its lines of business.

The Company does not apply the PAA if, at the inception of the group of contracts, it expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for the remaining coverage during the period before a claim is incurred. Variability in the fulfilment cash flows increases with:

- The extent of future cash flows related to any derivatives embedded in the contracts.
- The length of the coverage period of the group of contracts.

For a group of contracts that is not onerous at initial recognition, the Company measures the liability for remaining coverage as the premiums, if any, received at initial recognition, minus any insurance acquisition cash flows at that date, with the exception of contracts which are one year or less where this is expensed, plus or minus any amount arising from the derecognition at that date of the asset or liability recognised for insurance acquisition cash flows that the Company pays or receives before the group of insurance contracts is recognised. There is no allowance for time value of money as the premiums are mostly received within one year of the coverage period.

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues, however, adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Insurance contracts – subsequent measurement

The Company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus premiums received in the period;
- Minus capitalised insurance acquisition cash flows;
- Plus any amounts relating to the amortisation of the acquisition cash flows recognised as an expense in the reporting period for the group;
- Plus any adjustment to the financing component, where applicable;
- Minus the amount recognised as insurance revenue for the coverage period; and
- Minus any investment component paid or transferred to the liability for incurred claims.

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements

For the year ended 31 December 2023

3 Material accounting policy information (continued)

Standards, interpretations and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 Insurance Contracts (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Measurement - Premium Allocation Approach (continued)

Insurance contracts – subsequent measurement (continued)

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the entity and include an explicit adjustment for non-financial risk (the risk adjustment). The Company does not adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected to be paid within one year of being incurred.

Insurance acquisition cash flows are allocated on a straight-line basis as a portion of premium to profit or loss (through insurance revenue).

Reinsurance contracts

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

Insurance contracts – modification and derecognition

The Company derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired);
- or
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

When a modification is not treated as a derecognition, the Company recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

Presentation

The Company has presented separately, in the statement of financial position, the carrying amount of groups of insurance contracts issued that are assets, groups of insurance contracts issued that are liabilities, reinsurance contracts held that are assets and groups of reinsurance contracts held that are liabilities.

Any assets or liabilities for insurance acquisition cash flows recognised before the corresponding insurance contracts are included in the carrying amount of the related groups of insurance contracts issued.

The Company does not disaggregate the total amount recognised in the statement of profit or loss and other comprehensive income into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion which will be presented in insurance finance income or expenses and in insurance service result respectively.

The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements

For the year ended 31 December 2023

3 Material accounting policy information (continued)

Standards, interpretations and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 Insurance Contracts (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Company allocates the expected premium receipts to each period of coverage on the basis of the passage of time; but if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then on the basis of the expected timing of incurred insurance service expenses.

The Company changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

For the periods presented, all revenue has been recognised on the basis of the passage of time.

Loss components

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. If at any time during the coverage period, the facts and circumstances indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

Insurance finance income and expense

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

The Company does not disaggregate insurance finance income or expenses between profit or loss and OCI. The impact of changes in market interest rates on the value of the insurance assets and liabilities are reflected in profit or loss. The Company's financial assets are also measured at FVTOCI.

Net income or expense from reinsurance contracts held

The Company presents separately on the face of the statement of profit or loss and other comprehensive income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held, and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income.

Accounting convention

These financial statements have been prepared using the measurement basis specified by IFRSs for each type of asset, liability, income and expense. The measurement bases are described in more detail in the accounting policies.

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements

For the year ended 31 December 2023

3 Material accounting policy information (continued)

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any impairment losses. Depreciation is charged on a straight-line basis over the estimated useful lives of the property and equipment.

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

The rates of depreciation used are based on the following estimated useful lives of the assets:

	Years
Furniture and fixtures	4-11
Motor vehicles	3
Computer equipment	4

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the net carrying amount of the assets and are recognised in profit or loss within 'other income'.

Investment properties

Investment properties are properties held to earn rentals and /or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Cost includes the cost of replacing part of an existing investment properties at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day-to-day servicing of investment properties.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair value of investment properties are included in the profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment properties are recognised in the income statement in the year of retirement or disposal.

The Company determines fair value on the basis of valuation performed by two independent external valuers who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment properties being valued. The Company takes average of the value from two different valuers as a fair value in its financial statements.

Financial instruments

a) Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value plus transactions costs. Regular way purchases and sales of financial assets are recognised on the date on which the Company commits to purchase or sell the asset i.e. the trade date.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished.

b) Classification and subsequent measurement of financial assets

For the purposes of subsequent measurement, the Company classifies its financial assets into the following categories:

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements

For the year ended 31 December 2023

3 Material accounting policy information (continued)

Financial instruments (continued)

b) Classification and subsequent measurement of financial assets (continued)

i) Financial assets at amortised cost

Financial assets at amortised cost are those financial assets for which:

- the Company's business model is to hold them in order to collect contractual cash flows; and
- the contractual terms give rise on specific 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, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Financial assets at amortised cost comprise statutory deposits, cash and bank balances, amounts due from related parties and other receivables.

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

Investments in equity and debt securities are classified as FVTOCI. At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity and debt investments at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

Fair value measurement

For investments traded in organised financial markets, fair value is determined by reference to stock exchange quoted prices at the close of business on the statement of financial position date. Investments in unquoted securities are measured at fair value, considering observable market inputs and unobservable financial data of investees.

Gains or losses on subsequent measurement

Gain or loss arising from change in fair value of investments at FVTOCI is recognised in other comprehensive income and reported within the fair value reserve for investments at FVTOCI within equity. When the asset is disposed of, the cumulative gain or loss recognised in other comprehensive income is not reclassified from the equity reserve to statement of profit or loss, but is reclassified to retained earnings.

c) Classification and subsequent measurement of financial liabilities

Financial liabilities comprise amounts due to related parties and most other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

d) Measurement of ECL

Under the simplified approach of IFRS 9, the Company has measured the expected credit losses on financial assets at an amount equal to the lifetime expected credit losses from default events that are possible within the 12 months after the reporting date.

Assessment of Credit Risk:

In determining the expected credit losses, the Company has assessed the credit risk of financial assets based on reasonable and supportable information that is relevant and available without undue cost or effort. This has included historical credit loss experience, current observable data, and forward-looking information.

Recognition of Expected Credit Losses

Expected credit losses have been recognized on financial assets from initial recognition, with an adjustment for changes in credit risk since the asset was initially recognized. The Company has recognized the expected credit losses as an allowance account against the gross carrying amount of the financial asset.

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements

For the year ended 31 December 2023

3 Material accounting policy information (continued)

Financial instruments (continued)

Reversal of Expected Credit Losses

If, in a subsequent reporting period, the credit risk on a financial asset improves and the amount of expected credit losses decreases, the Company will reverse the previously recognized expected credit losses through profit or loss

e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Dividend distribution

Dividend distribution to the Shareholders is recognised as a liability in the financial statements in the year in which the dividends are proposed by the Board of Directors.

Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered such as paid vacation leave and bonuses) is recognised in the year in which the service is rendered.

Provision for employees' end of service benefits

A provision for employees' end of service benefits is made for the full amount due to employees for their years of service up to the reporting date in accordance with the UAE Labour Law and is reported as separate line item under non-current liabilities.

The entitlement to end of service benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service year as specified in the UAE Labour Law. The expected costs of these benefits are accrued over the year of employment.

Foreign currency transactions

Transactions in foreign currencies are translated to AED at the foreign exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to AED at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each statement of financial position date or whenever there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The impairment losses are recognised in the statement of profit or loss. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its' carrying amount.

Short term operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements

For the year ended 31 December 2023

3 Material accounting policy information (continued)

Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits, current accounts and fixed deposits which have original maturities of less than 3 months and are free from lien.

Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised, unless it was assumed in the course of a business combination.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described above in these financial statements, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future year if the revision affects both current and future years. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Insurance and reinsurance contracts

The Company applies the PAA to simplify the measurement of insurance contracts. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Company's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Company now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

Liability for remaining coverage

For insurance acquisition cash flows, the Company is eligible and chooses to capitalise all insurance acquisition cashflows upon payments.

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements

For the year ended 31 December 2023

3 Material accounting policy information (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

Liability for remaining coverage (continued)

The effect of recognising insurance acquisition cash flows as an expense on initial recognition of group of insurance contracts is to increase the liability for remaining coverage on initial recognition and reduce the likelihood of any subsequent onerous contract loss. There would be an increased charge to profit or loss on initial recognition, due to expensing acquisition cash flows, offset by an increase in profit released over the coverage year. For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows.

Liability for incurred claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency exchange rates.

Discount rates

The Company use bottom-up approach to derive the discount rate. Under this approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium'). The risk-free rate was derived using EIOPA rates with volatility adjustment along with the country risk premium (inclusive of the liquidity premium).

Discount rates applied for discounting of future cash flows are listed below:

	1 year		3 years		5 years		10 years		20 years	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Insurance contracts issued										
AED	5.95%	5.12%	4.92%	3.98%	4.69%	3.66%	4.64%	3.47%	4.66%	3.38%
Reinsurance contracts held										
AED	5.95%	5.12%	4.92%	3.98%	4.69%	3.66%	4.64%	3.47%	4.66%	3.38%

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements

For the year ended 31 December 2023

3 Material accounting policy information (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

Risk adjustment for non-financial risk

The Company use Mack method to determine its risk adjustment for non-financial risk. The bootstrap effectively allows the Company to measure the uncertainty about the amount and timing of the cash flows that arise from non-financial risk since bootstrapping the triangles aims to illustrate the variability of the paid claims.

The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 70th percentile. That is, the Company has assessed its indifference to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 70th percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

Valuation of investment properties

Fair value of investment properties is estimated by two independent professional valuers accredited with the Royal Institution of Chartered Surveyors for disclosure purposes only, considering the rental yield (income approach). This estimate was made considering market rent and average rental yield. Fair value was dependent on market factors and availability of information.

Rights and obligations of the investments

One quoted equity investment is in the name of the Chairman, however, is controlled by the Company. These investments are held for the beneficial interest of the Company. Management addresses the significant judgement over the rights and obligations by obtaining direct annual re-confirmation from the Chairman that the assets held in Chairman's name are for the Company's beneficial interest and receiving all risk and economic rewards associated with these investments.

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements

For the year ended 31 December 2023

4 Property and equipment

	Furniture and fixtures AED'000	Motor vehicles AED'000	Computer equipment AED'000	Capital work in progress AED'000	Total AED'000
2023					
Cost					
At 1 January	1,522	502	4,777	1,172	7,973
Additions	17	-	1,807	1,468	3,292
Transfers	785	-	-	(785)	-
Disposals	(1,123)	(50)	(75)	-	(1,248)
At 31 December	1,201	452	6,509	1,855	10,017
Accumulated depreciation					
At 1 January	1,463	435	3,943	-	5,841
Charge for the year	135	40	496	-	671
Disposals	(1,109)	(50)	(75)	-	(1,234)
At 31 December	489	425	4,364	-	5,278
Net book value					
At 31 December 2023	712	27	2,145	1,855	4,739
2022					
Cost					
At 1 January	1,505	502	4,064	-	6,071
Additions	17	-	713	1,172	1,902
At 31 December	1,522	502	4,777	1,172	7,973
Accumulated depreciation					
At 1 January	1,425	372	3,801	-	5,598
Charge for the year	38	63	142	-	243
At 31 December	1,463	435	3,943	-	5,841
Net book value					
At 31 December 2022	59	67	834	1,172	2,132

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements For the year ended 31 December 2023

5 Investment properties

	Investment properties AED'000	Capital work in progress AED'000	Total AED'000
2023			
At 1 January	149,342	2,783	152,125
Additions	-	914	914
Transfer during the year	3,697	(3,697)	-
Increase in fair value during the year	5,441	-	5,441
At 31 December 2023	158,480	-	158,480
2022			
At 1 January	140,750	-	140,750
Additions	-	2,783	2,783
Transfer during the year	-	-	-
Increase in fair value during the year	8,592	-	8,592
At 31 December 2022	149,342	2,783	152,125

On 31 December 2023, Najmat Al Murjan Real Estate Valuation Service LLC and Arab Arch consulting, independent and experienced professional valuers estimated the fair value of investment property at AED 160.5 million and AED 156.5 million respectively (2022: Land Sterling Property Consultants and Aneet Real Estate Valuation Services, independent and experienced professional valuers estimated the fair value of investment property at AED 146.7 million and AED 152 million respectively). The Company has opted the average of the two investment properties valuations. The valuers hold relevant professional qualifications and experience. Investment property is held for capital appreciation and rental purposes. The fair value is in accordance with relevant appraisal and standards issued by the Royal Institute of Chartered Surveyors (RICS) and Emirates Book Valuation standards (EBVS). The Company occupies an insignificant area of 12% (2022: 10%) in the investment property for use in its own business.

Details of the investment properties and information about the fair value hierarchy as at 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023			Fair value as at 31 December 2022
	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Level 3 AED'000
Buildings and plots of land on which such buildings are constructed	-	-	158,480	149,342

For investment properties categorised into level 3 of the fair value hierarchy, the following information is relevant:

Valuation techniques	Significant input(s)	Sensitivity
Income capitalisation approach	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of properties, and prevailing market condition. Yearly market rent, taking into account the differences in location, and individual factors, such as frontage and size, between the comparable and the investment properties.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa. A slight increase in the market rent used would result in a significant increase in fair value, and vice versa.

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements For the year ended 31 December 2023

6 Financial assets

Financial assets measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Note	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 December 2023					
<i>Financial assets at FVTPL</i>					
Investment in quoted equity securities	(a)	1,773	-	-	1,773
<i>Financial assets at FVTOCI</i>					
Investment in quoted equity securities*	(a)	402,556	-	-	402,556
Investment in debt securities	(a)	75,037	-	-	75,037
		<u>479,366</u>	<u>-</u>	<u>-</u>	<u>479,366</u>
31 December 2022					
<i>Financial assets at FVTPL</i>					
Investment in quoted equity securities	(a)	2,183	-	-	2,183
<i>Financial assets at FVTOCI</i>					
Investment in quoted equity securities	(a)	396,692	-	-	396,692
Investment in debt securities	(a)	76,010	-	-	76,010
		<u>474,885</u>	<u>-</u>	<u>-</u>	<u>474,885</u>

* This comprises of quoted investments amounting to AED 13.9 million (2022: Two entities amounting to AED 50.6 million) which are in the name of the Khalaf Ahmad Al Habtoor (Chairman) held for the beneficial interest of the Company.

(a) Fair values have been determined by reference to quoted prices at the reporting date. During the year, the Company did not purchase quoted equity securities designated at FVTOCI.

Movement in financial assets grouped in level 1

The reconciliation of carrying amounts of financial instruments classified within level 1 is as follows:

	2023 AED'000	2022 AED'000
Investments in equity securities at FVTOCI		
Balance as at 1 January	396,692	460,827
Disposals during the year	-	(40,241)
Transferred from unquoted securities	-	50,150
Net increase/ (decrease) in fair value	5,864	(74,044)
Balance as at 31 December	<u>402,556</u>	<u>396,692</u>

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements

For the year ended 31 December 2023

6 Financial assets (continued)

Movement in financial assets grouped in level 1 (continued)

	2023 AED'000	2022 AED'000
Investments in equity securities at FVTPL		
Balance as at 1 January	2,183	-
Additions	-	2,183
Decrease in fair value	(410)	-
Balance as at 31 December	1,773	2,183
Investments in debt securities at FVTOCI		
Balance as at 1 January	76,010	58,489
Additions during the year	12,424	21,892
Disposal during the year	(13,528)	-
Net increase/ (decrease) in fair value	131	(4,371)
Balance as at 31 December	75,037	76,010

The Company received bonus shares and has designated these shares at fair value through profit or loss.

Investments in debt securities represents bonds carrying interest rate ranging from 4.5% to 7.1% per annum (2022: 4.5% to 7.1% per annum).

7 Insurance and reinsurance contracts

The breakdown of groups of insurance and reinsurance contracts issued, and reinsurance contracts held, that are in an asset position and those in a liability position is set out in the table below:

	31 December 2023			31 December 2022 (Restated)		
	Assets AED'000	Liabilities AED'000	Net AED'000	Assets AED'000	Liabilities AED'000	Net AED'000
Insurance contracts						
issued	-	(222,243)	(222,243)	-	(245,441)	(245,441)
Reinsurance contracts						
held	91,306	-	91,306	104,365	-	104,365

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements

For the year ended 31 December 2023

7 Insurance and reinsurance contracts (continued)

Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims

	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component AED'000	Loss component AED'000	Estimates of the present value of future cash flows AED'000	Risk adjustment AED'000	Total AED'000
31 December 2023					
Insurance contract liabilities as at 1 January 2023	(6,473)	(5,644)	(205,570)	(27,754)	(245,441)
Insurance revenue	448,353	-	-	-	448,353
Insurance service expenses	(69,098)	2,027	(306,884)	10,108	(363,847)
Incurred claims and other expenses	-	-	(208,099)	17,054	(191,045)
Amortisation of insurance acquisition cash flows	(69,098)	-	-	-	(69,098)
Reversal of losses on onerous contracts	-	2,027	-	-	2,027
Changes to liabilities for incurred claims	-	-	(98,785)	(6,946)	(105,731)
Insurance service result	379,255	2,027	(306,884)	10,108	84,506
Insurance finance expense	-	(925)	441	-	(484)
Total changes in the statement of comprehensive income/(loss)	379,255	1,102	(306,443)	10,108	84,022
Cash flows					
Premiums received	(453,419)	-	-	-	(453,419)
Claims and other expenses paid	-	-	326,239	-	326,239
Insurance acquisition cash flows	66,356	-	-	-	66,356
Total cash flows	(387,063)	-	326,239	-	(60,824)
Net insurance contract liabilities as at 31 December 2023	(14,281)	(4,542)	(185,774)	(17,646)	(222,243)
31 December 2022 (restated)					
Insurance contract liabilities as at 1 January 2022	(2,170)	(136)	(199,668)	(27,885)	(229,859)
Insurance revenue	350,306	-	-	-	350,306
Insurance service expenses	(49,867)	(5,508)	(201,946)	131	(257,190)
Incurred claims and other expenses	-	-	(177,657)	1,446	(176,211)
Amortisation of insurance acquisition cash flows	(49,867)	-	-	-	(49,867)
Losses on onerous contracts and reversals	-	(5,508)	-	-	(5,508)
Changes to liabilities for incurred claims	-	-	(24,289)	(1,315)	(25,604)
Insurance service result	300,439	(5,508)	(201,946)	131	93,116
Insurance finance income	-	-	2,226	-	2,226
Total changes in the statement of comprehensive income/(loss)	300,439	(5,508)	(199,720)	131	95,342
Cash flows					
Premiums received	(356,925)	-	-	-	(356,925)
Claims and other expenses paid	-	-	193,818	-	193,818
Insurance acquisition cash flows	52,183	-	-	-	52,183
Total cash flows	(304,742)	-	193,818	-	(110,924)
Net insurance contract liabilities as at 31 December 2022	(6,473)	(5,644)	(205,570)	(27,754)	(245,441)

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements For the year ended 31 December 2023

7 Insurance and reinsurance contracts (continued)

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims

	Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss recovery component AED'000	Loss component AED'000	Estimates of the present value of future cash flows AED'000	Risk adjustment AED'000	Total AED'000
31 December 2023					
Reinsurance contract assets as at 1 January 2023	(229,167)	1,382	312,130	20,020	104,365
An allocation of reinsurance premiums	(226,310)	-	-	-	(226,310)
Amounts recoverable from reinsurers for incurred claims	-	(693)	162,467	(4,202)	157,572
Amounts recoverable for incurred claims and other expenses	-	(533)	101,162	(5,138)	95,491
Loss-recovery on onerous underlying contracts and adjustments	-	(160)	61,305	936	62,081
Net income or expense from reinsurance contracts held	(226,310)	(693)	162,467	(4,202)	(68,738)
Reinsurance finance income	-	228	(3,405)	-	(3,177)
Total changes in the statement of comprehensive income/(loss)	(455,477)	917	471,192	15,818	32,450
Cash flows					
Premiums paid	66,832	-	-	-	66,832
Amounts received	-	-	(7,976)	-	(7,976)
Total cash flows	66,832	-	(7,976)	-	58,856
Net reinsurance contract assets as at 31 December 2023	(388,645)	917	463,216	15,818	91,306

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements
For the year ended 31 December 2023

7 Insurance and reinsurance contracts (continued)

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)

	Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss recovery component AED'000	Loss component AED'000	Estimates of the present value of future cash flows AED'000	Risk adjustment AED'000	Total AED'000
31 December 2022 <i>(restated)</i>					
Reinsurance contract assets as at 1 January 2022	(219,782)	2	356,156	18,090	154,466
An allocation of reinsurance premiums	(197,866)	-	-	-	(197,866)
Amounts recoverable from reinsurers for incurred claims	-	1,380	111,684	1,930	114,994
Amounts recoverable for incurred claims and other expenses	-	(2)	85,273	2,512	87,783
Loss-recovery on onerous underlying contracts and adjustments	-	1,382	-	-	1,382
Changes to amounts recoverable for incurred claims	-	-	26,411	(582)	25,829
Net income or expense from reinsurance contracts held	(197,866)	1,380	111,684	1,930	(82,872)
Reinsurance finance income	-	-	(3,513)	-	(3,513)
Total changes in the statement of comprehensive income/(loss)	(197,866)	1,380	108,171	1,930	(86,385)
<i>Cash flows</i>					
Premiums paid	188,481	-	-	-	188,481
Amounts received	-	-	(152,197)	-	(152,197)
Total cash flows	188,481	-	(152,197)	-	36,284
Net reinsurance contract assets as at 31 December 2022	(229,167)	1,382	312,130	20,020	104,365

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements For the year ended 31 December 2023

7 Insurance and reinsurance contracts (continued)

In addition to scenario testing, the development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The top half of each table illustrates how the Company's estimate of liability for incurred claims for each accident year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the statement of financial position. The following tables illustrate the Company's estimate of total liability for incurred claims for the years up to 2023.

Gross Insurance contract liabilities at 31 December 2023

<i>Restated</i>	2019 and prior AED'000	2020 AED'000	2021 AED'000	2022 AED'000	2023 AED'000	Total AED'000
Estimate of cumulative claims						
At the end of the Underwriting Year	1,878,676	316,560	180,087	201,699	311,872	2,888,894
One year later	1,880,614	324,390	185,783	172,713	-	2,563,500
Two years later	1,866,374	323,842	180,989	-	-	2,371,205
Three years later	1,849,309	313,824	-	-	-	2,163,133
Four years later	1,870,904	-	-	-	-	1,870,904
Estimate of cumulative claims	1,870,904	313,824	180,989	172,713	311,872	2,850,302
Cumulative payments to date	1,813,488	304,193	175,435	167,413	302,295	2,762,824
Provision for outstanding claims	57,416	9,631	5,554	5,300	9,571	87,478
Unallocated loss adjustment expense reserve	611	74	100	589	1,855	3,229
Claims payable	27,791	6,751	6,628	12,036	4,033	57,239
Total gross undiscounted liabilities for incurred claims	85,818	16,456	12,282	17,925	15,465	147,946
Mathematical Reserve for incurred claims	3,569	(2,545)	(5,333)	10,866	35,620	42,177
Attributable maintenance cost outstanding - Gross	16	0.48	1	19	480	516
Effect of discounting - Gross	-	-	-	-	-	(4,865)
Total discounted gross reserves included in the statement of financial position	89,403	13,911	6,950	28,810	51,565	185,774
Risk Adjustments	-	-	-	-	-	17,646

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements For the year ended 31 December 2023

7 Insurance and reinsurance contracts (continued)

Gross Insurance contract liabilities at 31 December 2022

<i>Restated</i>	2018 and prior AED'000	2019 AED'000	2020 AED'000	2021 AED'000	2022 AED'000	Total AED'000
Estimate of Cumulative Claims						
At the end of the Underwriting Year	1,616,904	249,170	316,560	180,087	201,699	2,564,420
One year later	1,629,507	259,410	324,390	185,783	-	2,399,090
Two years later	1,621,204	258,836	323,842	-	-	2,203,882
Three years later	1,607,538	251,725	-	-	-	1,859,263
Four years later	1,597,585	-	-	-	-	1,597,585
Estimate of cumulative claims	1,597,585	251,725	323,842	185,783	201,699	2,560,634
Cumulative payments to date	1,578,561	245,800	309,699	161,024	163,994	2,459,078
Provision for Outstanding Claims	19,024	5,925	14,143	24,759	37,705	101,556
Unallocated loss adjustment expense reserve	770	265	486	599	1,595	3,715
Claims payable	33,219	5,169	9,223	6,674	16,777	71,062
Total gross undiscounted liabilities for incurred claims	53,013	11,359	23,852	32,032	56,077	176,333
Mathematical Reserve for incurred claims	1,991	(1,899)	(2,656)	8,379	26,973	32,788
Attributable Maintenance Cost Outstanding - Gross	0.11	9	0.08	4	542	555
Effect of discounting - Gross	-	-	-	-	-	(4,106)
Total discounted gross reserves included in the statement of financial position	55,004	9,469	21,196	40,415	83,592	205,570
Risk Adjustments	-	-	-	-	-	27,754

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements

For the year ended 31 December 2023

8 Statutory deposit

	2023 AED'000	2022 AED'000
Held with a local bank in Dubai, UAE	10,000	10,000

Statutory deposit held with a local bank in Dubai, UAE represents deposits held under a lien in favour of the Ministry of Economy and Planning in accordance with changes to presentation and disclosure concerning Financial Regulations of Insurance Companies issued by the Central Bank of United Arab Emirates and regulation of its operations. The deposit cannot be withdrawn without prior approval from the Ministry of Economy and Planning.

9 Other receivables

	2023 AED'000	2022 AED'000
Prepayments	16,084	5,783
Other receivables	10,705	7,870
Rent receivables	8,147	6,893
Accrued interest	2,940	2,957
	37,876	23,503
Expected credit losses	(4,576)	(4,576)
	33,300	18,927

The Company has recognised AED 4.6 million as a provision on doubtful rent receivables (2022: AED 4.6 million)

10 Related party balances and transactions

The Company, in the normal course of business, collects premiums from and settles claims of other businesses that fall within the definition of related parties as per IAS 24. These transactions are carried out at terms mutually agreed between the parties.

The nature of significant related party transactions and amounts involved were as follows:

	2023 AED'000	2022 AED'000
Premiums written	77,202	70,826
Claims paid	11,203	10,764
Agency/non-agency repairs	18,488	2,145
Commission paid	3,268	23,766
Key management personnel compensation		
Short term benefits	1,383	1,625
Post-employment benefits	55	90

Quoted investments at FVTOCI amounting to AED 13.9 million as at 31 December 2023 (31 December 2022: quoted investment amounting to AED 50.6 million) is registered in the name of the Chairman in the beneficial interest of the Company (refer to note 6).

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements

For the year ended 31 December 2023

11 Cash and bank balances

Cash and bank balances comprise the following statement of financial position amounts:

	2023 AED'000	2022 AED'000
Cash in hand	10	10
Cash at banks	200,604	202,669
	<u>200,614</u>	<u>202,679</u>

Cash at banks includes deposits with local banks carrying interest ranging from 3.10% - 5.25% (31 December 2022: 0.40% - 4.2%) per annum.

As per management's assessment, expected credit loss on cash and cash equivalents is immaterial.

Cash and cash equivalents at the end of the year as shown in the statement of cash flows can be reconciled to the related items in the financial items in the statement of financial position:

	2023 AED'000	2022 AED'000
Cash and bank balances	200,614	202,679
Bank deposits with maturity over 3 months	(139,577)	(135,420)
Cash and cash equivalents	<u>61,037</u>	<u>67,259</u>

12 Share capital

The authorised and issued share capital comprises 115,500,000 fully paid-up shares of AED 1 each:

	2023 No. of shares	2023 AED'000	2022 No. of shares	2022 AED'000
Balance as at 31 December	<u>115,500,000</u>	<u>115,500</u>	<u>115,500,000</u>	<u>115,500</u>

13 Reserves

Legal reserve

In accordance with the Company's Articles of Association and Article 241 of the Federal Law No. 32 of 2021, a minimum of 10% of the Company's annual net profits must be transferred to a non-distributable legal reserve. As per the Company's Articles of Association, such transfers are required until the balance in the legal reserve equals 50% of the Company's paid-up share capital. No transfer to legal reserve has been made during the year as it has already reached 50% of the paid-up share capital (31 December 2022: Nil).

General reserve

Transfers to the general reserve are made on the recommendation of the Board of Directors. This reserve may be used for such purposes as deemed appropriate by the Board of Directors. During the year, there were no transfers from or to the general reserve (31 December 2022: no transfers)

Reinsurance reserve

In accordance with Article 34 of Insurance Authority's Board of Directors Decision No. 23 of 2019, concerning instructions organising reinsurance operations, the reserve is not available for distribution and will not be disposed of without prior approval from the Central Bank of United Arab Emirates. The Company has transferred AED 1.1 million from 'Retained earnings' to the 'Reinsurance Reserve' being 0.5% of the total insurance premium ceded to reinsurers during the year ended 31 December 2023 (year ended 31 December 2022: AED 1.2 million).

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements

For the year ended 31 December 2023

14 Employees' end of service benefits

	2023 AED'000	2022 AED'000
Balance at 1 January	4,299	4,091
Charge for the year	870	864
Payments during the year	(443)	(656)
Balance at 31 December	4,726	4,299

15 Other payables

	2023 AED'000	2022 AED'000
Accrued expenses	11,347	11,494
Rent advances	7,055	5,579
Directors' remuneration *	4,595	4,288
Other payables	5,184	8,192
	28,181	29,553

* Directors' remuneration is an appropriation of net profit for the year in accordance with Article 171 of U.A.E Federal Law No. 32 of 2021, and also as per the Articles of Association of the Company.

16 Insurance service expense

	Motor AED'000	General AED'000	Medical & life AED'000	Total AED'000
2023				
Incurred claims and other expenses	(48,745)	(24,952)	(117,348)	(191,045)
Amortisation of insurance acquisition cash flows	(25,864)	(10,619)	(32,615)	(69,098)
Reversals of losses on onerous contracts	2,027	-	-	2,027
Changes to liabilities for incurred claims	(19,714)	(4,815)	(81,202)	(105,731)
	(92,296)	(40,386)	(231,165)	(363,847)
2022 (Restated)				
Incurred claims and other expenses	(46,579)	(16,548)	(113,084)	(176,211)
Amortisation of insurance acquisition cash flows	(13,925)	(9,295)	(26,647)	(49,867)
Losses on onerous contracts	(5,508)	-	-	(5,508)
Changes to liabilities for incurred claims	(4,281)	9,721	(31,044)	(25,604)
	(70,293)	(16,122)	(170,775)	(257,190)

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements For the year ended 31 December 2023

17 Net insurance financial result

	Motor AED'000	General AED'000	Medical & life AED'000	Total AED'000
2023				
Interest accretion on insurance contracts using locked-in rate	(1,585)	(343)	(320)	(2,248)
Change in interest rates and other financial assumptions	512	430	822	1,764
Total insurance finance income/(expense) from insurance contracts issued	(1,073)	87	502	(484)
Due to changes in profit rates and other financial assumptions	696	(110)	(3,763)	(3,177)
Reinsurance finance income from reinsurance contracts held	696	(110)	(3,763)	(3,177)
2022 (Restated)				
Interest accretion on insurance contracts using locked-in rate	(771)	(283)	(209)	(1,263)
Change in interest rates and other financial assumptions	1,740	730	1,019	3,489
Total insurance finance expenses from insurance contracts issued	969	447	810	2,226
Due to changes in profit rates and other financial assumptions	(939)	(393)	(2,181)	(3,513)
Reinsurance finance income from reinsurance contracts held	(939)	(393)	(2,181)	(3,513)

18 Income from investments

	2023 AED'000	2022 AED'000
Dividend income on securities	15,309	15,686
Interest income - net	10,945	7,545
	26,254	23,231

19 Income from investment properties

	2023 AED'000	Restated 2022 AED'000
Net rental income	5,917	5,305
Gain from change in fair value of investment properties (note 5)	5,441	8,592
	11,358	13,897

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements For the year ended 31 December 2023

20 Other operating expenses

	2023 AED'000	2022 AED'000
Staff costs	1,388	1,394
Professional and legal fee	740	877
Other operational expenses	530	415
	<u>2,658</u>	<u>2,686</u>

21 Earnings per share

	2023	Restated 2022
Earnings (AED'000):		
Profit for the year	<u>47,120</u>	<u>43,729</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>115,500,000</u>	<u>115,500,000</u>
Earnings per share (AED):		
Basic and diluted	<u>0.41</u>	<u>0.38</u>

The Company does not have potentially diluted shares and accordingly diluted earnings per share equals basic earnings per share.

22 Dividends

The Board proposed cash dividend of 10% of paid up share capital, amounting to AED 11.55 million (AED 0.10 per share) for the year ended 31 December 2022 at the Annual General Meeting held on 18 April 2023 and distributed on 9 May 2023.

During the comparative year, the Board proposed cash dividend of 30% of paid-up share capital, amounting to AED 34.65 million (AED 0.30 per share) for the year ended 31 December 2021 at the Annual General Meeting held on 31 March 2022 and distributed on 28 April 2022.

23 Segment information

The following is an analysis of the Company's assets, liabilities and equity classified by segment:

	Underwriting AED'000	Investments AED'000	Total AED'000
2023			
Total assets	113,718	864,087	977,805
Total equity	554,510	168,145	722,655
Total liabilities	<u>246,982</u>	<u>8,168</u>	<u>255,150</u>
2022			
Total assets	122,917	842,196	965,113
Total equity	524,782	161,038	685,820
Total liabilities	<u>272,919</u>	<u>6,374</u>	<u>279,293</u>

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements For the year ended 31 December 2023

23 Segment information (continued)

The Company operates two main business segments: Underwriting and Investments.

Underwriting segment is further classified into General Insurance, Group life and Health Insurance. Investments segment comprises Investment Property and Financial Assets. The Group life Insurance provided by the Company is for a year of 12 months and does not include any investment portion.

	2023			2022 (Restated)		
	Underwriting AED'000	Investments AED'000	Total AED'000	Underwriting AED'000	Investments AED'000	Total AED'000
Insurance revenue	448,353	-	448,353	350,306	-	350,306
Insurance service expenses	(363,847)	-	(363,847)	(257,190)	-	(257,190)
Insurance service result before reinsurance contracts held	84,506	-	84,506	93,116	-	93,116
Allocation of reinsurance premiums	(226,310)	-	(226,310)	(197,866)	-	(197,866)
Amounts recoverable from reinsurance for incurred claims	157,571	-	157,571	114,994	-	114,994
Net expenses from reinsurance contracts held	(68,739)	-	(68,739)	(82,872)	-	(82,872)
Insurance service result	15,767	-	15,767	10,244	-	10,244
Investment income	-	26,254	26,254	-	23,231	23,231
Income from investment properties	-	11,358	11,358	-	13,897	13,897
Net investment income	-	37,612	37,612	-	37,128	37,128
Insurance finance (expense)/income for insurance contracts issued	(484)	-	(484)	2,226	-	2,226
Reinsurance finance expense for reinsurance contracts held	(3,177)	-	(3,177)	(3,513)	-	(3,513)
Net insurance finance expenses	(3,661)	-	(3,661)	(1,287)	-	(1,287)
Net insurance and investment result	12,106	37,612	49,718	8,957	37,128	46,085
Other income	-	60	60	-	330	330
Other operating expenses	(2,658)	-	(2,658)	(2,686)	-	(2,686)
Profit for the year	9,448	37,672	47,120	6,271	37,458	43,729

Dubai National Insurance & Reinsurance Co. (P.S.C.)**Notes to the financial statements****For the year ended 31 December 2023****23 Segment information (continued)****Gross written premiums**

Details relating to gross written premiums are disclosed below to comply with the requirements of CBUAE and are not calculated as per the requirements of IFRS 17.

2023	Motor AED'000	General AED'000	Medical & Life AED'000	Total AED'000
Direct written premiums	122,184	98,282	223,817	444,283
Assumed business				
Foreign	-	-	-	-
Local	5,504	971	-	6,475
Total assumed business	5,504	971	-	6,475
Total gross written premiums	127,688	99,253	223,817	450,758
2022				
Direct written premiums	87,774	96,843	228,017	412,634
Assumed business				
Foreign	-	89	-	89
Local	4,645	1,729	15	6,389
Total assumed business	4,645	1,818	15	6,478
Total gross written premiums	92,419	98,661	228,032	419,112

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements

For the year ended 31 December 2023

24 Total investment income and net insurance result

The table below presents an analysis of total investment income and insurance finance result recognised in profit or loss and OCI in the year:

	2023	Restated 2022
	AED'000	AED'000
Investment income		
Amounts recognised in the profit or loss		
Net interest income and fair value change on investments	10,584	7,545
Dividend income from financial investments	15,670	15,686
Net income from investment properties	11,358	13,897
Other income	60	330
Total net investment income	37,672	37,458
Insurance finance income/(expense) from insurance contracts issued		
Interest accreted to insurance contracts using locked-in rate	(2,248)	(1,263)
Due to changes in interest rates and other financial assumptions	1,764	3,489
Total insurance finance (expense)/income from insurance contracts issued	(484)	2,226
Represented by:		
Amounts recognised in profit or loss	(484)	2,226
Amounts recognised in OCI	-	-
Reinsurance finance income from reinsurance contracts held		
Interest accreted to reinsurance contracts using locked-in rate	3,154	2,642
Due to changes in interest rates and other financial assumptions	(6,331)	(6,155)
Reinsurance finance expense from reinsurance contracts held	(3,177)	(3,513)
Represented by:		
Amounts recognised in profit or loss	(3,177)	(3,513)
Amounts recognised in OCI	-	-
Total net investment income, insurance finance expense and reinsurance finance income	34,011	36,171
Represented by:		
Amounts recognised in profit or loss	34,011	36,171
Amounts recognised in OCI	-	-

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements For the year ended 31 December 2023

25 Commitments and contingencies

	2023 AED'000	2022 AED'000
Financial guarantees	943	943

Guarantees of AED 0.93 million (2022: AED 0.93 million) issued by banks are secured by way of deposits held.

The Company is subject to litigation in the normal course of its business. Although the ultimate outcome of these claims cannot presently be determined, adequate provisions have been made for any liability that may result, based on management's best estimates.

26 Capital commitments

At the statement of financial position date, the Company has commitments towards the capital work in progress of AED 57.8 million (2022: AED 2 million).

27 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value of financial instruments carried at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial information approximate their fair values except for financial investments measured at fair value through other comprehensive income of which fair value is determined based on the quoted market prices and disclosed in Note 6 of this financial information.

Fair value of financial instruments carried at fair value

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of assets are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2023.

Financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

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

- Level 1 the fair value of financial instruments traded in an active market is based on quoted market prices at the end of the reporting year. The quoted market price used for financial assets held by the company is the current bid price. These instruments are included in Level 1.
- Level 2 the fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximizes the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are unobservable, the instrument is included in Level 2.
- Level 3 if one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements

For the year ended 31 December 2023

27 Fair value measurements (continued)

Some of the Company's financial assets are measured at fair value at the end of the reporting year. The following table gives information about how the fair values of these financial assets are determined:

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	2023 AED'000	2022 AED'000				
Debt securities	75,037	76,010	Level 1	Quoted bid prices in an active market	None	N/A
Quoted equity securities	404,329	398,875	Level 1	Quoted bid prices in an active market	None	N/A

There were no transfers between levels during the year. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

28 Risk management

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 insurance contract, this risk is random and therefore unpredictable.

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

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

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

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.

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements

For the year ended 31 December 2023

28 Risk management (continued)

Frequency and severity of claims (continued)

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.

Sources of uncertainty in the estimation of future claim payments

Claims on insurance contracts are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and element of the claims provision includes incurred but not reported claims (IBNR). The estimation of IBNR is generally subject to a greater degree of uncertainty compared to the estimation of the cost of settling claims already notified to the Company, where information about the claim event is available. IBNR claims may not be apparent to the insurance company until many years after the event that gave rise to the claims. For some insurance contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities.

In estimating the liability for the cost of reported claims not yet paid, the Company considers information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

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

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

In calculating the estimated cost of unpaid claims (both reported and not), the Company's estimation techniques are based on Actuarial calculation which can be based purely on historical development of claims or Expected Loss Ratios or a combination of both. The method and weightage are based on the merit of the line of business.

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements

For the year ended 31 December 2023

28 Risk management (continued)

Sources of uncertainty in the estimation of future claim payments (continued)

The Expected 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 line of business where the insured operates for current and prior year premium earned.

	2023		2022	
	Gross loss ratio	Net loss ratio	Gross loss ratio	Net loss Ratio
General	31%	15%	7%	3%
Motor	64%	71%	61%	65%
Medical and Life	82%	63%	78%	63%

The Company believes that the claim liabilities under insurance contracts outstanding at the year-end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The insurance claim liabilities are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process.

A hypothetical 1% change in the loss ratio, net of reinsurance, would impact net underwriting income / (loss) as follows:

	For the year ended 31 December	
	2023 AED'000	2022 AED'000
Impact of change in loss ratio by +/- 1%		
Motor	936	882
General	90	164
Medical and Life	1,083	1,578
	<u>2,109</u>	<u>2,624</u>

Process used to decide on assumptions

The risks associated with these insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. Internal data is derived mostly from the Company's quarterly claims reports and screening of the actual insurance contracts carried out at the reporting date to derive data for the contracts held. The Company has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

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

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements

For the year ended 31 December 2023

28 Risk management (continued)

Reinsurance risk

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

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

Sensitivities

The liability for incurred claims is sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. The following sensitivity analysis shows the impact on gross and net liabilities, net profit and equity for reasonably possible movements in key assumptions with all other assumptions held constant.

The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions had to be changed on an individual basis.

It should be noted that movements in these assumptions are non-linear. The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

	Change in assumptions	Impact on net profit (gross of reinsurance) AED'000	Impact on net profit (net of reinsurance) AED'000	Impact on equity (gross of reinsurance) AED'000	Impact on equity (net of reinsurance) AED'000
2023					
Risk Adjustment	+1%	(176)	(18)	176	18
Discount rate	+1%	3,064	1,481	(3,064)	(1,481)
Risk adjustment	-1%	176	18	(176)	(18)
Discount rate	-1%	(3,064)	(1,481)	3,064	1,481
2022 (restated)					
	Change in assumptions	Impact on net profit gross of reinsurance AED'000	Impact on net profit net of reinsurance AED'000	Impact on equity gross of reinsurance AED'000	Impact on equity net of reinsurance AED'000
Risk Adjustment	+1%	(278)	(77)	278	77
Discount rate	+1%	2,042	915	(2,042)	(915)
Risk Adjustment	-1%	278	77	(278)	(77)
Discount rate	-1%	(2,042)	(915)	2,042	915

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements

For the year ended 31 December 2023

28 Risk management (continued)

Financial risk

Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, profit rates and equity price risk.

Foreign currency risk

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in Arab Emirates Dirhams, other G.C.C. currencies or US Dollars to which the Dirham is fixed.

Credit risk

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

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

- reinsurance' share of insurance liabilities;
- amounts due from reinsurance in respect of claims already paid;
- amounts due from insurance contract holders; and
- amounts due from insurance intermediaries.

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

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

The Company maintains records of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company.

Management information reported to the management includes details of provisions for impairment on insurance receivables and subsequent write-offs. Exposures to individual participants and groups of participants are collected within the ongoing monitoring of the controls. Where there exists significant exposure to individual participants, or homogenous groups of participants, a financial analysis equivalent to that conducted for reinsurance is carried out by the Company.

Insurance receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of insurance receivable.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristic, other than insurance receivables at the end of reporting period. The Company defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 10% of gross monetary assets at any time during the year. The credit risk on liquid funds is limited because the counterparties are banks registered in the United Arab Emirates.

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements

For the year ended 31 December 2023

28 Risk management (continued)

Financial risk (continued)

Credit risk (continued)

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

Liquidity risk

Ultimate responsibility for liquidity risk management rests with management, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table on next page summarises the maturity profile of the Company's financial instruments. The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the end of the reporting period to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The maturity profile of the financial assets and financial liabilities at the reporting date based on contractual repayment arrangements is given below:

2023	Less than 90 days AED'000	91-180 days AED'000	181-365 days AED'000	Above 365 days AED'000	Total AED'000
Financial assets					
At FVTOCI (note 6)	-	-	-	477,593	477,593
At FVTPL (note 6)	-	-	-	1,773	1,773
Statutory deposits	-	-	-	10,000	10,000
Reinsurance contract assets	-	-	-	-	91,306
Other receivables	12,476	643	16,445	3,736	33,300
Cash and bank balances - profit bearing	24,692	66,525	63,050	40,789	195,056
Cash and bank balances - non-profit bearing	-	-	-	5,558	5,558
	<u>37,168</u>	<u>67,168</u>	<u>79,495</u>	<u>539,449</u>	<u>814,586</u>
Financial liabilities					
Insurance and reinsurance contract liabilities	-	-	-	-	(222,243)
Other liabilities	(9,329)	(9,490)	(5,024)	(4,338)	(28,181)
	<u>(9,329)</u>	<u>(9,490)</u>	<u>(5,024)</u>	<u>(4,338)</u>	<u>(250,424)</u>

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements

For the year ended 31 December 2023

28 Risk management (continued)

Financial risk (continued)

Liquidity risk (continued)

2022 (restated)	Less than 90 days AED'000	91-180 days AED'000	181-365 days AED'000	Above 365 days AED'000	Total AED'000
Financial assets					
At FVTOCI (note 6)	-	-	-	472,702	472,702
At FVTPL (note 6)	-	-	-	2,183	2,183
Statutory deposits	-	-	-	10,000	10,000
Reinsurance contract assets	-	-	-	-	104,365
Other receivables	9,255	922	5,928	2,822	18,927
Cash and bank balances - profit bearing	25,000	34,692	80,222	10,507	150,421
Cash and bank balances - non-profit bearing	-	-	-	52,258	52,258
	34,255	35,614	86,150	550,472	810,856
Financial liabilities					
Insurance and reinsurance contract liabilities	-	-	-	-	(245,441)
Other liabilities	(9,067)	(10,986)	(5,570)	(3,930)	(29,553)
	(9,067)	(10,986)	(5,570)	(3,930)	(274,994)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the finance income or finance cost of the Company. The Company is not significantly exposed to interest rate risk on its financial investments in debt instruments and term deposits since they carry fixed interest rates. As such, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

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

The Company is exposed to interest rate risk on:

- (i) Liability for incurred claims; and
- (ii) Asset for incurred claims.

The tables on next page show the impact of 1% change in risk adjustment and discounting on liability for incurred claims and assets for incurred claims:

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements

For the year ended 31 December 2023

28 Risk management (continued)

Interest rate risk (continued)

31 December 2023	<u>Impact on profit gross of reinsurance</u> AED'000	<u>Impact on profit net of reinsurance</u> AED'000	<u>Impact on equity gross of reinsurance</u> AED'000	<u>Impact on equity net of reinsurance</u> AED'000
Risk Adjustment				
1% increase	(176)	(18)	176	18
1% decrease	176	18	(176)	(18)
Discounting				
1% increase	3,064	1,481	(3,064)	(1,418)
1% decrease	(3,064)	(1,481)	3,064	1,418

31 December 2022

Risk Adjustment

1% increase	(278)	(77)	278	77
1% decrease	278	77	(278)	(77)

Discounting

1% increase	2,042	915	(2,042)	(915)
1% decrease	(2,042)	(915)	2,042	915

29 Capital risk management

The Company's objective when managing capital risks are:

- 1) To comply with the Insurance Capital Requirements required by the UAE Federal Law No. 48 of 2023 (previously Federal Law No. 6 of 2007, as amended) concerning Financial Regulations of Insurance Companies issued by the Central Bank of United Arab Emirates and regulation of its operations.
- 2) To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to the shareholders.
- 3) To provide an adequate rate of return to shareholders by pricing products and services commensurate with the level of risk.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholders or issue new shares.

The minimum regulatory capital for Insurance Companies which must be maintained at all times throughout the year as per the Law is AED 100,000,000 (2022: AED 100,000,000).

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements

For the year ended 31 December 2023

29 Capital risk management (continued)

There were no changes made in the objectives, capital management policies or processes during the years ended 31 December 2023 and 31 December 2022.

The table below summarises the minimum regulatory capital of the Company and the actual equity held by the Company at the end of the year:

	2023	Restated 2022
	AED'000	AED'000
Cash and cash equivalents	200,614	202,679
Total equity held	722,655	685,820
Minimum regulatory capital	100,000	100,000

Section 2 of the Financial Regulations for Insurance Companies (the "Regulations") issued by the Central Bank of UAE identifies the required solvency margin to be held in addition to insurance liabilities. The solvency margin must be maintained at all times throughout the year. The Company is subject to the Regulations which has been complied with during the year. The Company has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with these Regulations.

The table on the below summarises the Minimum Capital Requirement, Minimum Guarantee Fund and Solvency Capital Requirement of the Company and the total capital held to meet these solvency margins as defined in the Regulations.

	2023	2022
	AED'000	AED'000
Minimum capital requirement (MCR)	100,000	100,000
Solvency capital requirement (SCR)	163,935	139,281
Minimum guarantee fund (MGF)	56,230	46,427
Basic own funds	356,678	321,412
MCR solvency margin – surplus	256,678	221,412
SCR solvency margin – surplus	192,743	182,130
MGF solvency margin – surplus	300,448	274,984

Based on the Central Bank of UAE regulatory requirements, the minimum regulatory capital required is AED 100 million (31 December 2022: AED 100 million) against which the paid up capital of the Company is AED 115.5 million (31 December 2022: AED 115.5 million).

The Company and its individually regulated operations have complied with all externally imposed capital requirements throughout the year. There have been no changes in the Company's management of capital during the year

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Notes to the financial statements

For the year ended 31 December 2023

30 Corporate tax

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

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

For the Company, current taxes shall be accounted for as appropriate in the financial statements for the period beginning 1 January 2024. In accordance with IAS 12 income Taxes, the Company has assessed the deferred tax implications for the year ended 31 December 2023 and, after considering its interpretations of applicable tax law, official pronouncements, cabinet decisions and ministerial decisions (especially with regard to transition rules), it has been concluded that it is not material.