

Emirates Insurance Company P.J.S.C.

Condensed interim financial information

31 March 2020

Principal business address:

Emirates Insurance Company P.J.S.C.

P.O. Box: 3856

Abu Dhabi

UAE

Emirates Insurance Company P.J.S.C.

Condensed interim financial information

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Report of the Board of Directors for the three months ended 31 March 2020

The Board of Directors takes pleasure in presenting the unaudited results for the first three months of 2020.

<u>Income Statement</u>	AED '000	
	<u>Mar 2020</u>	<u>Mar 2019</u>
Gross premium Income	346,258	343,692
Net Earned Premium	146,138	144,733
Net Commission	(16,296)	(17,582)
Net Incurred and Paid Claims	(88,524)	(71,792)
Net Underwriting Income	41,318	55,359
Investment Income	(12,898)	41,288
Total Income	28,420	96,647
Operating Expenses	(28,807)	(29,020)
Other Income/(Expenses)	1,125	(3,929)
Net Profit for the period	738	63,698

Ratios

Earnings per share (Fils)	0.5	42.5
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<u>Balance Sheet</u>	AED '000	
	<u>Mar 2020</u>	<u>Dec 2019</u>
Shareholders' Equity	933,543	1,188,547
Total Assets	3,114,884	2,777,577

Management Commentary Q1 2020

The company's results for Q1 2020 are announced at a time of unprecedented crisis for the insurance industry, the UAE and indeed the entire world. During the first quarter our insurance business only began to feel the impact of the crisis towards the last weeks of March. Clearly our investment business felt a much stronger impact with huge global asset falls recorded as at 31st March.

EIC's Gross written premium increased very slightly during Q120 compared with Q119 but was in line with our budget expectations. Unfortunately, we saw a deterioration in our domestic motor and non-motor profitability during the quarter. This was not related to Covid but follows winter weather losses in January and higher loss ratios in some parts of our third part and comprehensive motor books. We had already started to address these issues with rate reviews as the Covid crisis began and we continue to take corrective underwriting steps to address this.

Sadly, our underwriting result fell by approximately 25% during the quarter to Aed41.3m.

Administrative costs and provision for bad debts are unchanged compared to last year and are below budget.

Investment Performance:

EIC's investment performance turned negative in Q120; 130% lower compared to Q119 producing an investment earnings loss of about AED13m.

An influx of adverse macro developments and, consequently, risk-off market sentiments, during the quarter, penalized even adequate levels of risk-taking. From a regional equity standpoint, major developments, besides the Covid-19 outbreak being declared as a global pandemic, pertained to UAE banks announcing heavy exposures to NMC, and the dramatic fall in Oil prices. Accommodative fiscal and monetary policies were not effective in spurring up global demand, owing to the intense lockdown measures restricting the spread of the virus, and geopolitical uncertainties. A flight of capital towards safety triggered a sharp sell-off across fixed income instruments as well where we saw corporate credit spreads widen significantly.

During the quarter, EIC mitigated downside risks by tilting the portfolio towards quality issuers and strived to improve the distribution yields across the portfolio.

EIC remains committed to achieving its strategic investment goals, anticipating, monitoring and capitalizing on opportunities that the pullback has create.

Net Profit

Our net profit was severely impacted by our Investment performance as explained above. We do, however, remain positive that the portfolio will recover during the year as the impact of the pandemic eases and the oil price and world economy start to recover.

Balance Sheet:

The Total Assets of the Company have increased by 12.1% since December 2019 to Aed 3.11 billion. The main reason for the increase in the assets is due to an expected increase in accounts receivables and an increase in the outstanding claims recovery from reinsurers relating to liability claims from one of our clients. These claims are fully reinsured and hence the increase in the total liabilities from Aed1.589b to Aed2.181b.

Shareholders Equity is lower by 21.4% mainly due to the declared dividend of Aed90m and the decline in the Investment portfolio which reduced the revaluation reserve by Aed165m.

Cash and Term deposits increased to Aed326m from 31 December 2019.

Our liquidity, solvency and working capital position remains strong.

Covid 19

In our underwriting business, we are primarily exposed to Covid related losses in our business interruption and, to a certain extent, our medical insurance segments.

Following an initial examination of our business interruption exposures and given the state of information available to us at this point, we have determined that these policies are unlikely to have a significant impact on EIC's net claims after reinsurance recovery. We are of course continuing to monitor developments as they unfold.

Covid 19 (continued)

Like most insurers, EIC's medical business contains policy exclusions for pandemics. However, the Health Authorities in Dubai and Abu Dhabi have instructed all insurers to accept medical claims related to COVID-19. So far, the Company expects that the impact on medical claims will not be material overall due to the low rate of hospitalization and deferral of elective medical procedures required.

As at 31 March 2020, there is insufficient information available in the market to assess the monetary impact of credit losses on financial assets and reduction in future premiums. We will assess the impact as soon as sufficient and reliable information is available.

The Board joins me in commending EIC's management and staff for the highly dedicated and professional way they are conducting the affairs of the company, very largely from home, during these exceptional days. I am very pleased to say that our customers' policies are being quoted, renewed, documentation issued, claims received, processed and paid in a highly timely manner. Our high reputation for quality service continues, indeed has grown, during this time. This I am sure will stand us in good stead when better days return.



ABDULLAH M. MAZRUI
CHAIRMAN
19 May 2020



KPMG Lower Gulf Limited
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Independent Auditors' Report on Review of Condensed Interim Financial Information

To the Shareholders of Emirates Insurance Company P.J.S.C.

Introduction

We have reviewed the accompanying 31 March 2020 condensed interim financial information of Emirates Insurance Company P.J.S.C. (the "Company"), which comprises:

- the condensed interim statement of financial position as at 31 March 2020;
- the condensed interim statement of profit or loss for the three-month period ended 31 March 2020;
- the condensed interim statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2020;
- the condensed interim statement of changes in equity for the three-month period ended 31 March 2020;
- the condensed interim statement of cash flows for the three-month period ended 31 March 2020; and
- notes to the condensed interim financial information.

Management is responsible for the preparation and presentation of these condensed interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2020 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited

Saif Fayeza Shawer
Registration No: 1131
Abu Dhabi, United Arab Emirates
Date: **19 MAY 2020**

Emirates Insurance Company P.J.S.C.

Condensed interim statement of financial position as at

		(Unaudited) 31 March 2020 AED'000	(Audited) 31 December 2019 AED'000
Assets			
Property and equipment		15,510	16,027
Statutory deposit	4	10,000	10,000
Investment properties	5	5,496	5,674
Financial assets at amortised cost	6	190,064	189,708
Financial assets at fair value through other comprehensive income ("FVOCI")	6	496,927	648,261
Financial assets at fair value through profit or loss	6	351,050	395,836
Insurance receivables	7	422,626	368,597
<i>Reinsurers' share of technical reserves:</i>			
Unearned premiums reserve	8	238,589	215,811
Outstanding claims reserve	8	835,956	436,181
Claims incurred but not reported reserve	8	94,411	83,357
Unexpired risk reserve	8	1,764	1,608
Other receivables and prepayments		126,441	83,928
Term deposits	9	148,786	205,792
Cash and cash equivalents	9	177,264	116,797
Total assets		3,114,884	2,777,577
Equity and liabilities			
Equity			
Share capital	10	150,000	150,000
Statutory reserve	11	75,000	75,000
General reserve	12	640,000	600,000
Fair value reserve		26,064	191,806
Retained earnings		42,479	171,741
Total equity		933,543	1,188,547
Liabilities			
Employees' end of service benefit obligation		18,083	17,266
Accruals and other liabilities		110,715	31,605
Deferred income		32,188	25,733
		160,986	74,604
<i>Insurance liabilities</i>			
Insurance liabilities		156,656	146,534
Other payables	13	14,602	11,315
Reinsurance deposits retained		25,631	24,989
		196,889	182,838
<i>Gross technical reserves</i>			
Unearned premiums reserve	8	541,719	468,653
Outstanding claims reserve	8	1,106,163	699,606
Claims incurred but not reported reserve	8	158,027	146,924
Unallocated loss adjustment expenses reserve	8	14,034	13,899
Unexpired risk reserve	8	3,523	2,506
Total technical reserves		1,823,466	1,331,588
Total liabilities		2,181,341	1,589,030
Total equity and liabilities		3,114,884	2,777,577

To the best of our knowledge, nothing has come to our attention that causes us to believe that the condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34.


Chairman of the Board of Directors


Chief Executive Officer


Chief Financial Officer

The notes set out on pages 11 to 25 form an integral part of this condensed interim financial information.

The independent auditors' report on review of the condensed interim financial information is set out on pages 4 and 5.

Emirates Insurance Company P.J.S.C.

Condensed interim statement of profit or loss for the three-month period ended 31 March (Unaudited)

	<i>Note</i>	2020 AED'000	2019 AED'000
Gross written premiums		346,258	343,692
Reinsurance share of direct business premiums		(128,088)	(131,542)
Reinsurance share of assumed business premiums		(21,744)	(15,358)
Net written premiums		196,426	196,792
Net change in unearned premiums reserves		(50,288)	(52,059)
Net premiums earned		146,138	144,733
Commission income		14,322	14,277
Commission expenses		(30,618)	(31,859)
Gross underwriting income		129,842	127,151
Gross claims paid		(161,793)	(110,999)
Reinsurance share of claims paid		77,612	32,110
Reinsurance share of ceded business claims paid		3,484	12,147
Net claims paid		(80,697)	(66,742)
Change in outstanding claims reserve		(406,557)	13,790
Change in reinsurance share of outstanding claims reserve		399,775	(15,632)
Change in incurred but not reported claims reserve – net		(49)	(2,998)
Change in unallocated loss adjustment expense reserve – net		(135)	(251)
Change in unexpired risk reserve – net		(861)	41
Net claims incurred		(88,524)	(71,792)
Net underwriting income		41,318	55,359
Net investment (loss) / income	15	(13,234)	40,297
Income from investment properties		336	991
Total income		28,420	96,647
General and administrative expenses		(29,180)	(26,630)
Reversal / (charge) for expected credit losses of financial assets		373	(2,390)
Other income / (expenses) – net		1,152	(3,791)
Foreign currency exchange fluctuation		(27)	(138)
Profit for the period	16	738	63,698
Basic and diluted earnings per share	17	0.005	0.425

The notes set out on pages 11 to 25 form an integral part of this condensed interim financial information.

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Emirates Insurance Company P.J.S.C.

Condensed interim statement of profit or loss and other comprehensive income
for the three-month period ended 31 March (unaudited)

	Note	2020 AED'000	2019 AED'000
Profit for the period		738	63,698
<i>Items that will not be reclassified subsequently to statement of profit or loss:</i>			
Changes in fair value of equity instruments at fair value through other comprehensive income – net	6	(159,852)	(11,167)
<i>Items that are or may be reclassified subsequently to statement of profit or loss:</i>			
Changes in fair value of debt instruments at fair value through other comprehensive income – net	6	(5,896)	-
Impairment loss on debt instruments measured at fair value through other comprehensive income		6	-
Other comprehensive loss for the period		(165,742)	(11,167)
Total comprehensive (loss) / income for the period		(165,004)	52,531

The notes set out on pages 11 to 25 form an integral part of this condensed interim financial information.

The independent auditor's report is set out on pages 4 and 5.

Emirates Insurance Company P.J.S.C.

Condensed interim statement of changes in equity for the three-month period ended 31 March (Unaudited)

	Share capital AED'000	Statutory reserve AED'000	General Reserve AED'000	Fair value reserve AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2019 (Audited)	150,000	75,000	545,000	174,978	177,552	1,122,530
<i>Total comprehensive income:</i>						
Profit for the period	-	-	-	-	63,698	63,698
Other comprehensive income for the period	-	-	-	(11,167)	-	(11,167)
Total comprehensive income for the period	-	-	-	(11,167)	63,698	52,531
<i>Transactions with owners of the Company:</i>						
Dividends (note 10)	-	-	-	-	(82,500)	(82,500)
Total transactions with owners of the Company	-	-	-	-	(82,500)	(82,500)
Transfer to retained earnings on disposal of equity investments designated at FVOCI	-	-	-	93	(93)	-
Balance at 31 March 2019 (Unaudited)	<u>150,000</u>	<u>75,000</u>	<u>545,000</u>	<u>163,904</u>	<u>158,657</u>	<u>1,092,561</u>
Balance at 1 January 2020 (Audited)	150,000	75,000	600,000	191,806	171,741	1,188,547
<i>Total comprehensive income:</i>						
Profit for the period	-	-	-	-	738	738
Other comprehensive loss for the period	-	-	-	(165,742)	-	(165,742)
Total comprehensive loss for the period	-	-	-	(165,742)	738	(165,004)
<i>Transactions with owners of the Company:</i>						
Dividends (note 10)	-	-	-	-	(90,000)	(90,000)
Total transactions with owners of the Company	-	-	-	-	(90,000)	(90,000)
Transfer to general reserve from retained earnings	-	-	40,000	-	(40,000)	-
Balance at 31 March 2020 (Unaudited)	<u>150,000</u>	<u>75,000</u>	<u>640,000</u>	<u>26,064</u>	<u>42,479</u>	<u>933,543</u>

The notes set out on pages 11 to 25 form an integral part of this condensed interim financial information.

Emirates Insurance Company P.J.S.C.

Condensed interim statement of cash flows for the three-month period ended 31 March (Unaudited)

	Note	2020 AED'000	2019 AED'000
Cash flows from operating activities			
Profit for the period		738	63,698
Adjustments for:			
Depreciation of property and equipment	16	1,329	1,191
Depreciation of investment properties	16	178	118
Net (gain) / loss on disposal of investments in securities	15	(1,174)	58
Unrealised loss / (gain) on investments measured at FVTPL	15	42,702	(14,512)
Premium amortisation	6	377	134
Dividends from investments in securities	15	(22,351)	(20,474)
(Reversal) / charge for expected credit losses on financial assets		(382)	2,434
Charge for employees' end of service benefit obligation		1,056	740
Interest income		(6,586)	(6,041)
Cash flow from operating activities		15,887	27,346
Net movement in reinsurers' share of technical reserves		(433,763)	(15,868)
Net movement in gross technical reserves		491,878	72,977
Increase in insurance receivables		(53,685)	(64,881)
Increase in other receivables and prepayments		(27,012)	(27,182)
Increase in insurance liabilities		10,122	45,688
Increase / (decrease) in other payables		3,287	(520)
Increase in reinsurance deposit retained		642	61
Increase in deferred income		6,455	5,592
(Decrease) / increase in accruals and other liabilities		(10,890)	74,489
Cash generated from operating activities		2,921	117,702
Payment for employees' end of service benefit obligation		(239)	(295)
Net cash from operating activities		2,682	117,407
Cash flows from investing activities			
Payments for purchase of property and equipment		(812)	(3,756)
Payments for purchase of financial assets		(59,021)	(19,622)
Proceeds from disposal of financial assets		47,129	6,745
Net movement in term deposits		57,053	49,186
Dividends received		11,351	9,151
Interest income received		2,085	5,632
Net cash generated from investing activities		57,785	47,336
Cash flows from financing activities			
Dividends paid		-	(82,500)
Net cash used in financing activities		-	(82,500)
Net increase in cash and cash equivalents		60,467	82,243
Cash and cash equivalents at the beginning of the period		116,797	127,599
Cash and cash equivalents at the end of the period	9	177,264	209,842

The notes set out on pages 11 to 25 form an integral part of this condensed interim financial information.

The independent auditor's report is set out on pages 4 and 5.

Emirates Insurance Company P.J.S.C.

Notes to the condensed interim financial information

1 Legal status and activities

Emirates Insurance Company P.J.S.C. (the “Company”) is a public joint stock company which was incorporated in Abu Dhabi, United Arab Emirates on 27 July 1982. The Company is registered in accordance with UAE Federal Law No. (6) of 2007 concerning Insurance Companies and Agents and is governed by the provisions of the Federal Law No. (2) of 2015 concerning the commercial companies which has come into effect from 1 July 2015, Insurance Authority Board decision No. (25) of 2014 pertinent to Financial Regulations for insurance companies and Insurance Authority’s Board of Directors Decision No. (23) of 2019 concerning Instructions Organizing Reinsurance Operations, and is registered in the Insurance Companies Register under registration No. (2). The Company’s principal activity is the writing of general insurance and reinsurance business of all classes. The Company operates through its head office in Abu Dhabi and branch offices in Dubai, Al Ain and Jebel Ali Freezone. The Company is domiciled in the United Arab Emirates and its registered office address is P.O. Box 3856, Abu Dhabi, United Arab Emirates.

2 Basis of preparation

(a) *Statement of compliance*

The condensed interim financial information has been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting* and also comply with the applicable requirements of the laws in the UAE. It does not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2019, which were prepared in accordance with International Financial Reporting Standards (“IFRS”).

(b) *Basis of measurement*

The condensed interim financial information has been prepared under the historical cost convention except for the financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which are carried at fair values.

(c) *Functional and reporting currency*

The condensed interim financial information is presented in United Arab Emirates Dirhams (“AED”), which is the Company’s functional currency. Except as indicated, the financial information presented in AED has been rounded to the nearest thousand.

(d) *Use of judgments and estimates*

In preparing the condensed interim financial information, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumption are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

The significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements for the year ended 31 December 2019 except the following estimates and judgements which are applicable from 1 January 2020.

(i) *Impact of COVID-19*

The economic repercussions from the global outbreak of COVID-19 have significantly and adversely affected businesses worldwide. As at 31 March 2020, the Company has primarily been impacted in its investment segment where the net unrealised losses on financial assets measured at fair value through other comprehensive income and fair value through profit and loss amounted to AED 165.7 million and AED 42.7 million respectively. The losses in investments are consistent with the worldwide trend. There is insufficient information available to assess the direction of this trend for the future.

Emirates Insurance Company P.J.S.C.

Notes to the condensed interim financial information

2 Basis of preparation *(continued)*

(d) Use of judgments and estimates (continued)

(i) Impact of COVID-19 (continued)

Insurance risk

In its underwriting segment, the Company is primarily exposed to medical and business interruption policies. Although the Company's medical business has policy exclusions for pandemics, the Health Authorities in Dubai and Abu Dhabi have instructed all insurers to accept medical claims related to COVID-19. The Company anticipates that the impact of medical claims would be immaterial due to low rate of hospitalisation and deferral of elective medical procedures required.

With regards to Business Interruption (BI) policies, the Company has in place pandemic and infectious disease policy exclusions as well. The Company has evaluated all business interruption policies in force for which the Company may have to incur claim payouts. As a result of initial examination of the policies, the Company has determined that these will not have a material impact in relation to the net claims paid due to lower retention levels of the Company. Furthermore, the Company has been able to retain major customers during the three-month period ended 31 March 2020 and has generally witnessed renewals and new business across major lines of businesses.

Credit risk

On 27 March 2020, the IASB issued a guidance note, advising that both assessment of Significant Increase in Credit Risk ("SICR") and the measurement of expected credit losses are required to be based on reasonable and supportable information that is readily available to the entity without incurring additional costs. As at 31 March 2020, there is insufficient information available in the market to assess the monetary impact of credit losses on financial assets and reduction in future premiums. Accordingly, the Company will assess the impact as soon as sufficient and reliable information is available.

The Company's reinsurance is placed with reinsurers approved by the reinsurance committee, which are generally international reputed companies with high credit ratings. As of 31 March 2020, no reinsurer has expressly disassociated with the Company nor has any reinsurer communicated its non-willingness to accept COVID-19 related claims.

Business continuity plan

The Company has remained fully operational throughout the period and has put in place effective business continuity and remote working plans enabled by the right technologies and systems to ensure uninterrupted services to customers and the operations. The outbreak has not caused any significant delays in policies issuance and claims settlements. The Company will continue to monitor the reverberations of COVID-19, if any, on its customers and operations and will take further action as needed.

The steps taken by the Company to estimate the impact of COVID-19 and the judgments applied by management in assessing the values of assets and liabilities as at 31 March 2020 includes both quantitative and qualitative criteria such as risk profiling and actuarial analysis. Such analysis has enabled the Company to timely and accurately identify its exposure although these are subject to significant judgment due to the rapidly changing dynamics of COVID-19.

Emirates Insurance Company P.J.S.C.

Notes to the condensed interim financial information

3 Significant accounting policies

The accounting policies applied in the condensed interim financial information are the same as those applied in the Company's financial statements as at and for the year ended 31 December 2019.

3.1 Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 however these do not have a material impact on the condensed interim financial information.

4 Statutory deposit

In accordance with the requirements of UAE Federal Law No. (6) of 2007 concerning Insurance Companies and Agents, the Company maintains a bank deposit of AED 10,000,000 (31 December 2019: AED 10,000,000) which cannot be utilised without the consent of the UAE Insurance Authority.

5 Investment properties

Investment properties represent the cost, net of accumulated depreciation and impairment, of properties owned by the Company in Abu Dhabi, Al Ain and Mussafah. Land for the construction of the Abu Dhabi and Al Ain buildings have been allotted free of cost by the Executive Council of Abu Dhabi and land for the construction of Mussafah building is on a long term lease from the Abu Dhabi Municipality and Urban Planning Department.

6 Investments in securities

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

	<i>(Unaudited)</i> 31 March 2020 AED'000	<i>(Audited)</i> 31 December 2019 AED'000
Financial assets at amortised cost		
Fixed income portfolio at amortised cost	190,324	189,965
Less: allowance for expected credit losses	(260)	(257)
	190,064	189,708
Financial assets at fair value through other comprehensive income		
Quoted UAE equity securities	373,607	508,794
Unquoted UAE equity securities	3,141	3,141
Investment funds	64,268	74,191
Unquoted overseas equity securities	3,411	3,739
Bond portfolio	52,500	58,396
	496,927	648,261

Emirates Insurance Company P.J.S.C.

Notes to the condensed interim financial information

6 Investments in securities (continued)

	<i>(Unaudited)</i> 31 March 2020 AED'000	<i>(Audited)</i> 31 December 2019 AED'000
Financial assets at fair value through profit or loss		
Quoted UAE equity securities	45,239	60,242
Unquoted UAE equity securities	1,050	1,050
Investment funds	71,618	82,096
Unquoted overseas equity securities	9,749	10,545
Bond portfolio	223,394	241,903
	351,050	395,836
The movement in investments during the period / year is as follows:		
Financial assets at amortised cost		
Amortised cost at the beginning of the period / year	189,708	179,380
Purchases	736	20,190
Disposals	-	(2,998)
Capital repayment	-	(6,337)
Premium amortisation	(377)	(500)
Allowance for expected credit losses	(3)	(27)
Amortised cost at the end of the period / year	190,064	189,708
Financial assets at fair value through other comprehensive income		
Fair value at the beginning of the period / year	648,261	534,495
Purchases	14,612	134,092
Disposals	(198)	(28,716)
Change in fair values taken to other comprehensive income	(165,748)	8,390
Fair value at the end of the period / year	496,927	648,261
Financial assets at fair value through profit or loss		
Fair value at the beginning of the period / year	395,836	384,197
Purchases	43,673	273,552
Disposals	(45,757)	(281,723)
Change in fair values taken to profit or loss	(42,702)	19,810
Fair value at the end of the period / year	351,050	395,836

Emirates Insurance Company P.J.S.C.

Notes to the condensed interim financial information

7 Insurance receivables

	<i>(Unaudited)</i>	<i>(Audited)</i>
	31 March	31 December
	2020	2019
	AED'000	AED'000
Due from policy holders	48,850	29,175
Due from policy holders – related parties (<i>note 14</i>)	9,429	9,728
	<hr/> 58,279	<hr/> 38,903
Due from insurance / reinsurance companies	35,020	34,367
Due from brokers / agents	349,935	316,279
Less: allowance for expected credit losses	(20,608)	(20,952)
	<hr/> 422,626 <hr/>	<hr/> 368,597 <hr/>

Movement in the allowance for expected credit losses:

	<i>(Unaudited)</i>	<i>(Audited)</i>
	31 March	31 December
	2020	2019
	AED'000	AED'000
Balance at beginning of the period / year	20,952	17,902
(Reversal) / charge recognised during the period / year	(344)	3,050
Balance at the end of the period / year	<hr/> 20,608 <hr/>	<hr/> 20,952 <hr/>

Emirates Insurance Company P.J.S.C.

Notes to the condensed interim financial information

8 Insurance contract liabilities and reinsurance contract assets

	<i>(Unaudited)</i> 31 March 2020 AED'000	<i>(Audited)</i> 31 December 2019 AED'000
Gross technical reserves		
- Unearned premiums reserve	541,719	468,653
- Outstanding claims reserve	1,106,163	699,606
- Claims incurred but not reported reserve	158,027	146,924
- Unallocated loss adjustment expenses reserve	14,034	13,899
- Unexpired risk reserve	3,523	2,506
	<u>1,823,466</u>	<u>1,331,588</u>
Reinsurers' share of technical reserves		
- Unearned premiums reserve	238,589	215,811
- Outstanding claims reserve	835,956	436,181
- Claims incurred but not reported reserve	94,411	83,357
- Unexpired risk reserve	1,764	1,608
	<u>1,170,720</u>	<u>736,957</u>
Technical reserves - net		
- Unearned premiums reserve	303,130	252,842
- Outstanding claims reserve	270,207	263,425
- Claims incurred but not reported reserve	63,616	63,567
- Unallocated loss adjustment expenses reserve	14,034	13,899
- Unexpired risk reserve	1,759	898
	<u>652,746</u>	<u>594,631</u>

9 Cash and cash equivalents

	<i>(Unaudited)</i> 31 March 2020 AED'000	<i>(Audited)</i> 31 December 2019 AED'000
Cash at banks inside UAE	155,890	105,548
Cash at banks outside UAE	447	7,220
Cash in hand	1,217	4,068
	<u>157,554</u>	<u>116,836</u>
Cash and bank balances		
Term deposits (i)	168,596	205,891
	<u>326,150</u>	<u>322,727</u>
Less: deposits with original maturities of three months or more (i),(ii)	<u>(148,838)</u>	<u>(205,891)</u>
Cash and cash equivalents	<u>177,312</u>	<u>116,836</u>
Less: allowance for expected credit losses	(48)	(39)
	<u>177,264</u>	<u>116,797</u>

Emirates Insurance Company P.J.S.C.

Notes to the condensed interim financial information

9 Cash and cash equivalents *(continued)*

- (i) Term deposits carry interest rates ranging from 2.2% to 4.0% (31 December 2019: 2.2% to 4.0%) per annum. All term deposits are placed with banks and financial institutions within UAE.
- (ii) Term deposits with original maturities of three months or more, net of allowance for expected credit losses of AED 52 thousand (31 December 2019: AED 99 thousand), amount to AED 148,786 thousand (31 December 2019: AED 205,792 thousand).

10 Issued and paid up share capital

	<i>(Unaudited)</i> 31 March 2020 AED'000	<i>(Audited)</i> 31 December 2019 AED'000
Authorised:		
150,000,000 (2019: 150,000,000) shares of AED 1 each	150,000	150,000
Allotted, issued and fully paid:		
150,000,000 (2019: 150,000,000) shares of AED 1 each	150,000	150,000

At the Annual General Meeting held on 26 March 2020, the Shareholders approved a cash dividend in respect of 2019 results amounting to AED 90 million (2019: AED 82.5 million).

11 Statutory reserve

In accordance with the UAE Federal Law No. (2) of 2015 concerning Commercial Companies and the Company's Articles of Association, 10% of profit is to be transferred to a non-distributable reserve until the balance of the reserve equals 50% of the Company's paid up share capital. This reserve is not available for dividend distribution.

12 General reserve

Transfers to and from the general reserve are made at the discretion of the Board of Directors. This reserve may be used for such purposes as the Directors deem fit. During the period the Company transferred AED 40 million from retained earnings to general reserve.

13 Other payables

	<i>(Unaudited)</i> 31 March 2020 AED'000	<i>(Audited)</i> 31 December 2019 AED'000
Other insurance payables	11,107	9,330
Due to related parties (note 14)	3,495	1,985
	14,602	11,315

Emirates Insurance Company P.J.S.C.

Notes to the condensed interim financial information

14 Related parties

Related parties comprise the Directors of the Company and those entities in which they have the ability to control or exercise significant influence in financial and operation decisions. The Company maintains significant balances with these related parties which arise from commercial transactions in the ordinary course of business at commercial rates as follows:

	<i>(Unaudited)</i> 31 March 2020 AED'000	<i>(Audited)</i> 31 December 2019 AED'000
<i>Included in insurance receivables (note 7)</i>		
Due from policy holders (Directors' affiliates)	9,429	9,728
<i>Included in other payables (note 13)</i>		
Due to policy holders (Directors' affiliates)	3,495	1,985
<i>Key management personnel</i>		
Long-term benefits	7,689	7,231

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

	<i>(Unaudited)</i> 31 March 2020 AED'000	<i>(Unaudited)</i> 31 March 2019 AED'000
Gross premiums written to Directors' affiliates	9,989	9,932
Gross claims paid to Directors' affiliates	576	207
Board of Directors' remuneration paid	2,720	2,378
Remuneration of key management personnel	4,084	4,350

The remuneration of the Board of Directors is subject to approval by the shareholders and as per limits set by the UAE Federal Law No. (2) of 2015 concerning Commercial Companies. The remuneration of key management personnel is based on the remuneration agreed in their employment contract as approved by the Board of Directors.

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Notes to the condensed interim financial information

15 Net investment (loss) / income

	<i>(Unaudited)</i> 31 March 2020 AED'000	<i>(Unaudited)</i> 31 March 2019 AED'000
Dividends from investments in securities	22,351	20,474
Unrealised (loss) / gain on investments measured at fair value through profit or loss	(42,702)	14,512
Net gain / (loss) on disposal of investments	1,174	(58)
Interest on bonds	4,686	4,091
Interest on bank deposits	1,900	1,950
Investment expenses	(643)	(672)
	(13,234)	40,297

16 Profit for the period

Profit for the period is arrived after charging the following:

	<i>(Unaudited)</i> 31 March 2020 AED'000	<i>(Unaudited)</i> 31 March 2019 AED'000
Staff costs	16,875	21,630
Depreciation of property and equipment	1,329	1,191
Depreciation of investment properties	178	118
Rental expenses	783	453

17 Basic and diluted earnings per share

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

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

Emirates Insurance Company P.J.S.C.

Notes to the condensed interim financial information

17 Basic and diluted earnings per share *(continued)*

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

	<i>(Unaudited)</i> 31 March 2020	<i>(Unaudited)</i> 31 March 2019
Profit for the period (AED '000)	738	63,698
Weighted average number of ordinary shares (shares in '000)	150,000	150,000
Earnings per share for the period – basic and diluted (AED)	0.005	0.425

18 Commitments and contingent liabilities

	<i>(Unaudited)</i> 31 March 2020 AED'000	<i>(Audited)</i> 31 December 2019 AED'000
Commitments in respect of investments	12,530	12,530
Bank guarantees	9,028	8,666

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

Legal proceedings

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

19 Segment information

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

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

Emirates Insurance Company P.J.S.C.

Notes to the condensed interim financial information

19 Segment information *(continued)*

19.1 Primary segment information - Business segments

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

	Three months ended 31 March <i>(Unaudited)</i>					
	Underwriting		Investments		Total	
	2020 AED'000	2019 AED'000	2020 AED'000	2019 AED'000	2020 AED'000	2019 AED'000
Segment revenue	360,580	357,969	(12,255)	41,880	348,325	399,849
Segment result	41,318	55,359	(12,898)	41,288	28,420	96,647
Unallocated expenses					(27,682)	(32,949)
Profit for the period					738	63,698

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

	Underwriting		Investments		Total	
	31 March 2020 <i>(unaudited)</i> AED'000	31 December 2019 <i>(audited)</i> AED'000	31 March 2020 <i>(unaudited)</i> AED'000	31 December 2019 <i>(audited)</i> AED'000	31 March 2020 <i>(unaudited)</i> AED'000	31 December 2019 <i>(audited)</i> AED'000
	Segment assets	1,740,796	1,208,058	1,196,824	1,452,721	2,937,620
Unallocated assets					177,264	116,798
Total assets					3,114,884	2,777,577
Segment liabilities	2,065,938	1,561,221	954	1,213	2,066,892	1,562,434
Unallocated liabilities					114,449	26,596
Total liabilities					2,181,341	1,589,030

Emirates Insurance Company P.J.S.C.

Notes to the condensed interim financial information

19 Segment information *(continued)*

19.2 Secondary segment information - Revenue from underwriting departments

The following is an analysis of the Company's revenues classified by underwriting departments:

	<i>(Unaudited)</i> 31 March 2020 AED'000	<i>(Unaudited)</i> 31 March 2019 AED'000
Motor	107,241	103,148
Fire and general insurance	127,983	125,373
Energy, oil and gas	28,625	28,964
Medical	41,553	40,115
Engineering	22,291	22,904
Marine and aviation	11,739	14,179
Employee benefits	6,826	9,009
	<hr/> 346,258 <hr/>	<hr/> 343,692 <hr/>

The above analysis does not include commission income for the period amounting to AED 14.3 million (*31 March 2019: 14.3 million*).

20 Fair value of financial instruments

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

- Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – fair value measurement are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Emirates Insurance Company P.J.S.C.

Notes to the condensed interim financial information

20 Fair value of financial instruments (continued)

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At 31 March 2020 (Unaudited)				
<i>Financial assets measured at fair value through other comprehensive income</i>				
Quoted UAE equity securities	373,607	-	-	373,607
Unquoted UAE equity securities	-	-	3,141	3,141
Investment funds	56,187	-	8,081	64,268
Unquoted overseas equity securities	-	-	3,411	3,411
Investment in bond portfolio	52,500	-	-	52,500
<i>Financial assets measured at fair value through profit or loss</i>				
Quoted UAE equity securities	45,239	-	-	45,239
Unquoted UAE equity securities	-	-	1,050	1,050
Investment funds	47,210	-	24,408	71,618
Unquoted overseas equity securities	-	-	9,749	9,749
Investment in bond portfolio	223,394	-	-	223,394
Total	798,137	-	49,840	847,977
At 31 December 2019 (Audited)				
<i>Financial assets measured at fair value through other comprehensive income</i>				
Quoted UAE equity securities	508,794	-	-	508,794
Unquoted UAE equity securities	-	-	3,141	3,141
Investment funds	65,989	-	8,202	74,191
Unquoted overseas equity securities	-	-	3,739	3,739
Investment in bond portfolio	58,396	-	-	58,396
<i>Financial assets measured at fair value through profit or loss</i>				
Quoted UAE equity securities	60,242	-	-	60,242
Unquoted UAE equity securities	-	-	1,050	1,050
Investment funds	57,904	-	24,192	82,096
Unquoted overseas equity securities	-	-	10,545	10,545
Investment in bond portfolio	241,903	-	-	241,903
Total	993,228	-	50,869	1,044,097

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements during the period.

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

Emirates Insurance Company P.J.S.C.

Notes to the condensed interim financial information

20 Fair value of financial instruments (continued)

For investment in funds, the fair values are based on Net Asset Values (NAV) calculated by the respective fund managers. For investments in unquoted equity securities, the fair values are based on internal valuation techniques such as discounted cash flows and comparable companies' multiples. The valuation of funds and unquoted equity securities qualifies as Level 3 fair value measurement.

Reconciliation of Level 3 fair value measurements

	Financial assets measured at fair value through profit or loss AED'000	Financial assets measured at fair value through other comprehensive income AED'000	Total AED'000
At 31 March 2020 (Unaudited)			
Opening balance	35,787	15,082	50,869
Disposals	(220)	(199)	(419)
Total losses:			
- in profit or loss	(360)	-	(360)
- in other comprehensive income	-	(250)	(250)
Closing balance	35,207	14,633	49,840
At 31 December 2019 (Audited)			
Opening balance	49,368	14,027	63,395
Purchases	5,694	3,700	9,394
Disposals	(17,488)	(2,970)	(20,458)
Total gains or (losses):			
- in profit or loss	(1,787)	-	(1,787)
- in other comprehensive income	-	325	325
Closing balance	35,787	15,082	50,869

Following are the fair value of financial assets that are not measured at fair value (but fair value disclosures are required):

	<i>(Unaudited)</i> At 31 March 2020		<i>(Audited)</i> At 31 December 2019	
	Carrying amount AED'000	Fair value AED'000	Carrying amount AED'000	Fair value AED'000
Financial assets				
Investments at amortised cost	190,064	185,040	189,708	195,742

Investments at amortised cost comprise mainly of fixed income bonds and sukuk. The fair value of these bonds and sukuk are determined based on quoted prices in an active market and classified as Level 1 fair value measurement. Except for the above, management consider that the carrying amounts of financial assets recognised in the financial statements approximate their fair value.

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Notes to the condensed interim financial information

21 Financial risk management

Except as disclosed in note 2, the Company's risk management policies with regards to financial instruments are the same as those disclosed in note 33 to the annual financial statements of the Company for the year ended 31 December 2019.

22 Comparative figures

The comparative figures have been re-classified to conform with current year presentation changes.

23 General

The condensed interim financial information of the Company was approved for issuance by the Board of Directors on 19 MAY 2020.