Arab Orient Insurance Company

The 23rd Annual Report

For The year Ended December 31.2020

The harder the struggle, the more glorious the triumph

gig
Jordan

مجموعة
الخليج
للتأمين

2020

Arab Orient Insurance Company

The 23rd Annual Report

For The Year Ended December 31.2020

gig Jordan
مجموعة الخليج للتأمين

His Majesty King Abdullah II

Crown Prince Hussein Bin Abdullah II

Sheikh Nawaf Al-Ahmad Al-Jaber Al- Sabah
Prince of Kuwait

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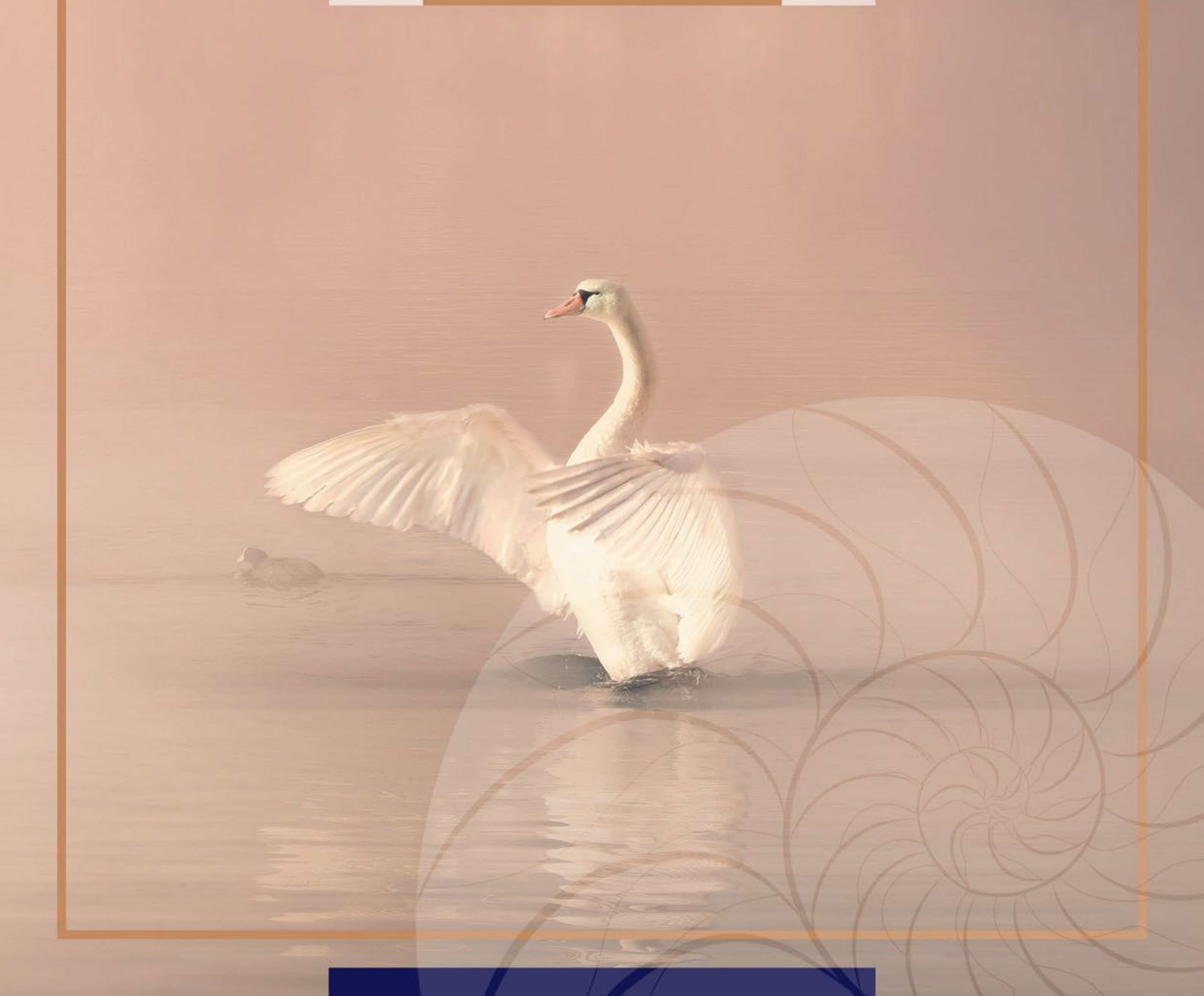
Thinking

There is nothing either good or bad but thinking makes it so.

William Shakespeare



Board of Directors

Chairman
H.E Eng. Naser Ahmad Abdul Kareem Al- Lozi

Vice Chairman
Mr. Khaled Soud Abdul Aziz Al Hasan
Representative of Gulf Insurance Group

Member
Mr. Alaa Mohammad Ali Al Zoheiry
Representative of Gulf Insurance Group

Member
Mr. Bijan Khosrochahi
Representative of Gulf Insurance Group

Member
Mr. Samir Abdelhadi Mohammad Hammoudeh
Representative of Hammoudeh Group for Trade and Investment

Member
Ali Kathem Abdul Aziz Al-Hendal
Representative of Gulf Insurance Group

Member
Mr.Tawfiq Abdul Qader Mohammad Mukahal

CEO
Dr. Ali Adel Ahmad Al-Wazaney

CFO - Secretary of the Board of Directors
Mr. Saad Ameen Tawfiq Farah

External Auditors
Messrs. Ernst & Young

Chairman's Letter

Dear Shareholders,

On behalf of my fellow Board Members and myself, I am honored to submit to you the 23rd Annual Report of the Company for the financial year ended 31/12/2020.

The local economy is still experiencing several challenges related to the most important events facing the world and neighboring countries, those imposed by the COVID-19 pandemic, which negatively affected the global, regional and local economy, where preliminary estimates showed that most economic sectors in Jordan showed a decline in GDP at constant prices by 2.2% during the third quarter of 2020 compared to the third quarter of 2019. This decline was supported by most sectors, as the manufacturing sector contributed by -0.57%, while the transport, storage and communications sectors contributed by -0.52% of the total rate of decline. The wholesale and retail trade, hotels and restaurants sectors contributed by -0.43%, but the finance, insurance and business services sectors contributed with a growth of 0.18%.

Jordan has done well at minimizing the health impact of the COVID-19 crisis, through the strict application of several measures. However, the lockdown measures, the global economic slowdown, the disruption of trade movement, and the suspension of international travel are likely to have a major impact on the Jordanian economy. Thus, it is expected that the poverty rate will increase in the short term by 11 percentage points. It is noteworthy that the unemployment rate during the fourth quarter of 2020 reached 24.7%, an increase of 5.7 percentage points over the fourth quarter of 2019. The speed of economic recovery in the medium term depends, to a large extent, on the evolution of the pandemic and the completion of the desired domestic reforms.

Tourism revenues are also expected to decline sharply as a result of the lockdowns and border closures, and remittance flows are also expected to decline, given that three-quarters of the incoming remittances to Jordan come from oil-exporting countries that have been affected by the continuous decline in oil prices. Consequently, even a large contraction in imports due to declining domestic demand is likely not sufficient to offset these pressures. In the medium term, the current account deficit is expected to gradually improve, driven by a rebound in exports of goods and services, although remittances and tourism revenues are likely not to reach pre-pandemic levels even by 2022.

(Sources: World Bank Report and Department of Statistics)

As for the local insurance sector, the overall results of the market as at 31/12/2020 showed a decline of 3.5% in gross written premiums reaching JD 594 million compared to JD 615 million as at 31/12/2019. On the claims side, the total claims paid as at 31/12/2020 decreased by 16.1% to reach JD 411 million compared to the same period of 2019, which recorded total paid claims of JD 490 million. (Source: The Preliminary statistics issued by the Insurance Administration)

As for your Company's results, the company was able to achieve a profit before tax of JD 8.96 million, and JD 5.68 million as a net income after tax. Medical insurance and Motor Complementary insurance ranked first among the insurance lines of business in terms of premium and profitability.

The company also maintained its leadership position in the Jordanian insurance market in terms of market share of premiums, as the company achieved gross written premiums of JD 82.2 million for the period ended 31/12/2020 compared to JD 85.7 million for the period ended 31/12/2019. This decrease in premiums is due to several reasons, the most important of which is the impact of the Covid-19 pandemic, this was accompanied by a decrease in the total claims paid by 4.6% to reach JD 56.0 million for the year 2020 compared to JD 58.7 million for 2019, due to the significant decline in the amount of paid claims in the Medical and Motor lines, which contributed to an improvement in the combined ratio that reached 86% in 2020 compared to 89% in 2019 despite the increase in the technical reserves by a total of JD 2 million. On the other hand, because of the impact of the Covid-19 pandemic, the company reserved an amount of JD 1.7 million as a provision for expected credit losses, compared to an amount of JD 0.5 million in 2019.

Moreover, the company's total assets increased from JD 109 million as of 31/12/2019 to JD 118 million as of 31/12/2020 supported by increasing the investment in bonds by around JD 9.4 million that were funded from the deposits at banks account, which was the reason for showing a decrease in bank deposits despite being increased during the year by JD 10 million from the cash generated from the company's operations.

The solvency margin has increased to 200.7%, which is the highest percentage achieved in the past eleven years. While the shareholders' equity increased from JD 27.81 million as of 31/12/2019 to JD 33.59 million as of 31/12/2020, which reflected positively on the book value per share where it increased by 21% to reach JD 1.57 per share compared to JD 1.30 per share in the last year.

On the equity investment side, the company recorded unrealized gains resulting from the valuation of the equity portfolio by approximately JD 107 thousand in 2020 compared to unrealized losses of JD 1 million in 2019.

On the strategic level and in continuity of the company's strategic plan for the years (2018-2020) that aimed at improving the effectiveness of business performance, reducing costs, increasing control, and keeping abreast of technological developments; the following is a brief of what has been accomplished on each of the company's strategic objectives for the year 2020:

1. Digital Transformation:

Digital Transformation projects represent the largest portion of the company's projects, which focuses heavily on making a significant transformation in the way of its operational performance by creating an integrated technological scheme based on data management and analysis, leading to prediction of historical-based decisions, in addition to automating many manual operations and procedures and converting them into electronic procedures, in order to provide convenience and best services to the clients, where the company has accomplished several vital projects and implemented electronic and development projects.

The Robotic Procedures Automation (RPA) project has been completed, where a number of manual processes have been automated and converted into electronic ones, which contributes to saving time, reducing effort and providing the opportunity for a large number of employees to exploit their capabilities in other tasks and expand their horizons and practical experiences.

The company has launched the updated version of the Customer Relationship Management system (CRM.V2), which contains many features and controls that positively affect the company's database and the accuracy of client details, which will increase client satisfaction with the services provided by the company and documenting conversations and procedures with current and potential clients.

And in the interest of building strategic relationships with leading companies, the Auto-Motor Carseer application has been launched, which provides the opportunity for new clients to issue Motor insurance policies through the mobile application which is available on Google Play and Apple Store, as the application allows, in a short period, to follow up electronic insurance requests through the Motor Production department, which in turn is expected to contribute to an increase in the number of clients.

Furthermore, the IBAN Bank Transfer mechanism has also been completed for the medical service providers and the providers of parts and repair services for vehicles that are accredited by Gulf Insurance Group - Jordan, in continuation of automation processes to abandon manual operations to save time and effort and strive for the best, by achieving a direct connection between the e-portal and the core system of the company with the remittance-issuing system of the accredited bank for the company.

The company has launched integrated e-services with the core system of the company and e-payment mechanisms through the company's website, including the issuance of out-bound travel insurance policies, and is working on developing a portal for issuing in-bound travel insurance policies, in addition to the electronic Know Your Customer form (e-KYC) in order to provide several ways for clients to join the company and benefit from its services in various ways and in line with the current development.

To keep pace with the development of social media, the WhatsApp for Business system "Sanad" has been activated to simulate reality through the automatic response to clients to answer most of their inquiries in both Arabic and English languages, as well as the ability to issue travel insurance policies and renewing motor insurance policies, while providing the highest levels of privacy for their information and linking between the e-payment mechanisms and the company's core system.

Out of the company's belief in the importance of the future strategy of the company for the years (2021 – 2025) and to ensure the effectiveness of all projects that will achieve this strategy, the implementation of the Data Cleansing project for all accounts on the core system of the company has been completed, where the project achieved remarkable success in the accuracy of data of the accounts in the company. Also, the first phase of the Human Resource Management system has been completed.

Finally, the company is still working on the completion of some other vital and important projects for the company, such as the electronic sales system, and the drivers performance measurement system "gig – Drive", which would transfer the company to advanced stages in electronic services at the regional level. Also, the company is currently completing projects for the automation of vehicle spare parts pricing, linking with Hakeem Health System and the Human Resources Management System, in addition to several other projects.

2. Portfolio Optimization:

The company continued its trend in creating balance in the insurance portfolio as it was in the previous three years through variation in the development of new products and attracting a diverse new insurance portfolio from different categories for individuals and corporates of different sizes and for various types of insurance and focusing on the most profitable types of the company; most importantly the general insurance.

Based on one of the most important strategic objectives for the company, which is the development of new products, two new products have been developed, the Home Assistance Program, which targets the insured individuals of the company with the possibility of adding the program to any individual policy, which will contribute to increasing the sales of individual insurance policies, and another product has been developed which is the extension of warranty and insurance of accidental damage for electronic devices and electrical appliances, which targets agencies and distributors of electrical and electronic devices, through direct sales to customers or adding insurance as a competitive advantage for those devices, as this program will contribute to increasing sales for the general insurance and improve its profitability.

3. People:

The company relies for achieving its distinguished results annually on its possession of the finest human cadres locally, which work hard and determinedly towards achieving their goals, where the company's management seeks to train all employees and give them more professional certificates and practical experiences that qualify them to think, innovate and refine their skills. Thus, during the year 2020, the company held sixty four (64) training courses in various topics related to developing employee skills and enhancing the level of satisfaction. Those courses have been presented by speakers with experience, competence, and long-standing experience in various specializations.

33 employees have obtained CII (Certificate in Insurance) since 2018, 4 employees have obtained "Diploma in Insurance" and one employee has obtained the Fellowship of the Chartered Institute of Insurance (ACII).

As for self-training for employees, online learning was used through LinkedIn Learning website, and 82 employees completed 3,487 (three thousand four hundred and eighty-seven) training hours during the year 2020.

In addition, several public awareness sessions were held for employees and on various insurance and life topics, the most prominent of which were those sessions that talked about methods of protection against the COVID–19 pandemic, safe dealing with the infected, and raising their morale.

In order for the company to ensure that the new employees are trained in an optimal manner and to use their time to achieve the desired benefit from the training, the company has started an electronic job training project that allows the employee to view a previously prepared video from various departments of the company which introduces the team of each department/branch, the mechanism for implementing the policies and procedures manual for each of them, and the fundamental tasks assigned to them.

With regards to the company's appreciation of the outstanding employees, the company holds a monthly honoring ceremony for the employees who have won the confidence of the members of the Executive Management Committee, in which they are awarded with a trophy in addition to a cash award for their valuable achievements during that period, and this procedure is considered a motivation for them and their peers towards more achievements.

During the year 2020, the company received a "smoke-free work environment" award presented by the King Hussein Cancer Center, as a result of the controls that were put in place by the company to limit the spread of this pest, and the employees' full commitment to those controls.

As for the moral and professional responsibility of our company towards the local community, cooperation has been made with Injaz Institute for Volunteering to teach and educate students of some schools and universities, where eight employees volunteered in this project for what it achieves to provide them with more experiences and skills, enhance self-confidence and develop their spirit of cooperation.

In terms of supporting the role of women in the job market and giving them the real opportunity to achieve their ambitions, the percentage of women working in the company was increased during the year 2020, as they have proven efficiency in completing the tasks assigned to them.

In conclusion, allow me to congratulate all of you, the company's board of directors, and Gulf Insurance Group for the impressive results achieved, I would also like to thank the regulatory authorities represented by the Insurance Administration in the Ministry of Industry, Trade and Supply, our external auditor, our partners in reinsurance, and all our colleagues and partners in success and insurance agents and brokers and all company employees, and I look forward to the year 2021 with more optimism, to achieve better results and greater steps towards achieving our strategic goals for coming years.

Chairman of the Board of Directors

Naser Ahmad Lozi

Board of Directors Report:

First: Insurance Premiums

The total insurance premiums for the year 2020 were JD 82,191,649 compared with JD 85,695,019 in 2019, with a decrease of 4.09%, distributed as follows:

- Marine Insurance: The total premiums of the Marine Insurance amounted to JD 1,462,864 in 2020 compared with JD 1,107,272 in 2019, an increase of 32.11%.
- Fire Insurance: The total premiums of the Fire Insurance amounted to JD 9,430,588 in 2020 compared with JD 8,162,084 in 2019, an increase of 15.54%.
- Liability, Aviation and Other Insurance Branches: The total premiums of liability, aviation and other insurance branches amounted to JD 5,360,768 in 2020 compared with JD 5,520,059 in 2019, a decrease of 2.89%.
- Motor Insurance: The total premiums of the Motor Insurance amounted to JD 18,416,930 in 2020 compared with JD 22,423,704 in 2019, a decrease of 17.87%.
- Medical Insurance: The total premiums of the Medical Insurance amounted to JD 47,520,499 in 2020 compared with JD 48,481,900 in 2019, a decrease of 1.98%.

Second: Insurance Claims

The total amount of paid claims in 2020 amounted to JD 55,957,444 compared with JD 58,655,880 in 2019, with a decrease of 4.60%, distributed as follows:

- Marine Insurance Claims: The total paid claims for the Marine insurance in 2020 amounted to JD 584,997 compared with JD 151,062 in 2019, an increase of 287.26%.
- Fire Insurance Claims: the total paid claims for the Fire insurance in 2020 amounted to JD 5,560,962 compared with JD 1,141,219 in 2019, an increase of 387.28%.
- Liability, Aviation and Other Insurance Branches Claims: The total paid claims for liability, aviation and other insurance branches in 2020 amounted to JD 942,932 compared with JD 1,694,406 in 2019, a decrease of 44.35%.
- Motor Insurance claims: The total paid claims for the Motor insurance in 2020 amounted to JD 14,704,141 compared with JD 17,537,238 in 2019, a decrease of 16.15%.
- Medical Insurance Claims: The total paid claims for the Medical insurance in 2020 amounted to JD 34,164,412 compared with JD 38,131,955 in 2019, a decrease of 10.40%.

Third: Reserves

- The net unearned premiums reserve at the end of 2020 amounted to JD 15,720,407 compared with JD 17,512,746 in 2019, a decrease of 10.23%.
- The net outstanding claims reserve at the end of 2020 amounted to JD 24,909,812 compared with JD 21,067,253 in 2019, an increase of 18.24%.
- The net premium deficiency reserve at the end of 2020, as in 2019, amounted to JD 884,000.

Fourth: Investments

The company's investments were distributed as follows:

- The company achieved credit interest amounting to JD 3,178,399 in 2020 compared with JD 2,981,952 in 2019, an increase of 6.59%.
- The value of financial investments as at 31/12/2020 amounted to JD 15,525,760, of which JD 3,643,183 is financial assets at fair value through other comprehensive income, JD 568 is financial assets at fair value through profit or loss and JD 11,882,009 is financial assets at amortized cost, while the company's deposits at banks as at 31/12/2020 amounted to JD 54,556,910, of which JD 225,000 is a restricted deposit in the name of the Manager of the Insurance Administration Department as a regulatory requirement.

Fifth: Profits

The company's technical profits for 2020 amounted to JD 10,568,612 compared with a profit of JD 7,594,565 in 2019, distributed as follows:

- Marine Insurance profits: The Marine Insurance profits in 2020 amounted to JD 438,737 compared with JD 353,583 in 2019, an increase of 24.08%
- Fire Insurance profits: The Fire Insurance profits in 2020 amounted to JD 507,536 compared with JD 1,378,995 in 2019, a decrease of 63.20%.
- Liability, Aviation and Other Insurance Branches: Total liability, aviation and other insurance branches profits in 2020 amounted to JD 585,292 compared with JD 1,212,776 in 2019, a decrease of 51.74%.
- Motor Insurance profits: The Motor Insurance total profits in 2020 amounted to JD 3,067,666 compared with JD 653,001 in 2019, an increase of 369.78%.
- Medical Insurance profits: The Medical Insurance profits in 2020 amounted to JD 5,969,381 compared with JD 3,996,210 in 2019, an increase of 49.38%
- The profits before tax and provisions for the year 2020 amounted to JD 8,959,833 compared with JD 7,180,047 in 2019.
- The company achieved a net profit after tax and provisions amounting to JD 5,675,597 in 2020, compared with JD 5,160,552 in 2019.
- The percentage of the net profit from the paid up capital for the year 2020 was approximately 26.47% while in 2019 it was 24.07%.

Future Plan

- Concentrate on digital transformation in all aspects of the company's business.
- Insurance portfolio optimization; by working on targeting the insurance of individuals, small and medium-sized businesses.
- Investing in human resources through intensive training programs with international technical certificates.
- Improve our claims management and control procedures in order to maintain the technical quality standards.
- Continue to maintain the bancassurance project with Jordan Kuwait Bank and pursue opportunities with other banks to ensure the achievement of the desired results of this project.
- Concentrate on cross selling as an effective and low-cost tool to increase the Company's premium in the general insurance.
- Provide the highest and best level of customer service in the local market through an advanced customer service center.
- Regarding the expected results for the year 2021, the company is expected to achieve a growth in gross written premiums not less than the market growth of the past year 2020, and to continue its ability to achieve adequate returns for our shareholders.

Board of Directors Recommendations:

- Address the outcomes of the previous general assembly meeting which was held on 15/06/2020.
- Listening to the External Auditor's report.
- Discuss and ratify the Board of Directors' report and the Company's future plan.
- Discuss the Company's accounts and financial statements as of 31/12/2020 and approve it.
- Grant release of responsibilities to the Chairman and members of the Board of Directors for the year ended 31/12/2020.
- Recommend to the Ordinary General Assembly to retain net profit of fiscal year ended 31/12/2020.
- Elect the Auditors for the year 2021 and authorize the Board of Directors to determine their fees.
- Elect new members of the Board of Directors' for the upcoming four years.
- Any other subjects addressed by the General Assembly according to law requirements.

In conclusion, I would like to express sincere thanks and gratitude to our esteemed clients for their support and confidence in our company and our services. I also would like to thank our shareholders for their confidence in and support to the board of directors and executive management. Further, I do thank our parent company "Gulf Insurance Group" for its permanent support to us and all parties that worked with us within the framework of outstanding strategic partnerships. Finally, I wish more progress, advancement and security to our lovely Kingdom under the leadership of His Majesty King Abdullah II and his prudent government.

Chairman of the Board of Directors

Naser Ahmad Lozi

Executive Management

Dr. Ali Adel Ahmad Al-Wazaney
Job Title: CEO
Education: PhD degree in Marketing, MBA degree in Business Administration, BSc degree in Accounting & Business Administration
Years of Experience: 29 years

Mr. Saad Ameen Tawfiq Farah
Job Title: CFO - & Secretary of the Board of Directors
Education: BSc, CMA, CFM, ACCA.
Years of Experience: 20 years

Mr. Tareq Tayseer Na'meh Ammary
Job Title: Chief Technical Officer
Education: Master, Cert. CII/London
Years of Experience: 23 years

Mr. Rami Kamal Oudeh Dababneh
Job Title: Director / Business Development and Marking Department
Education: BSc, Cert. ACII
Years of Experience: 19 years

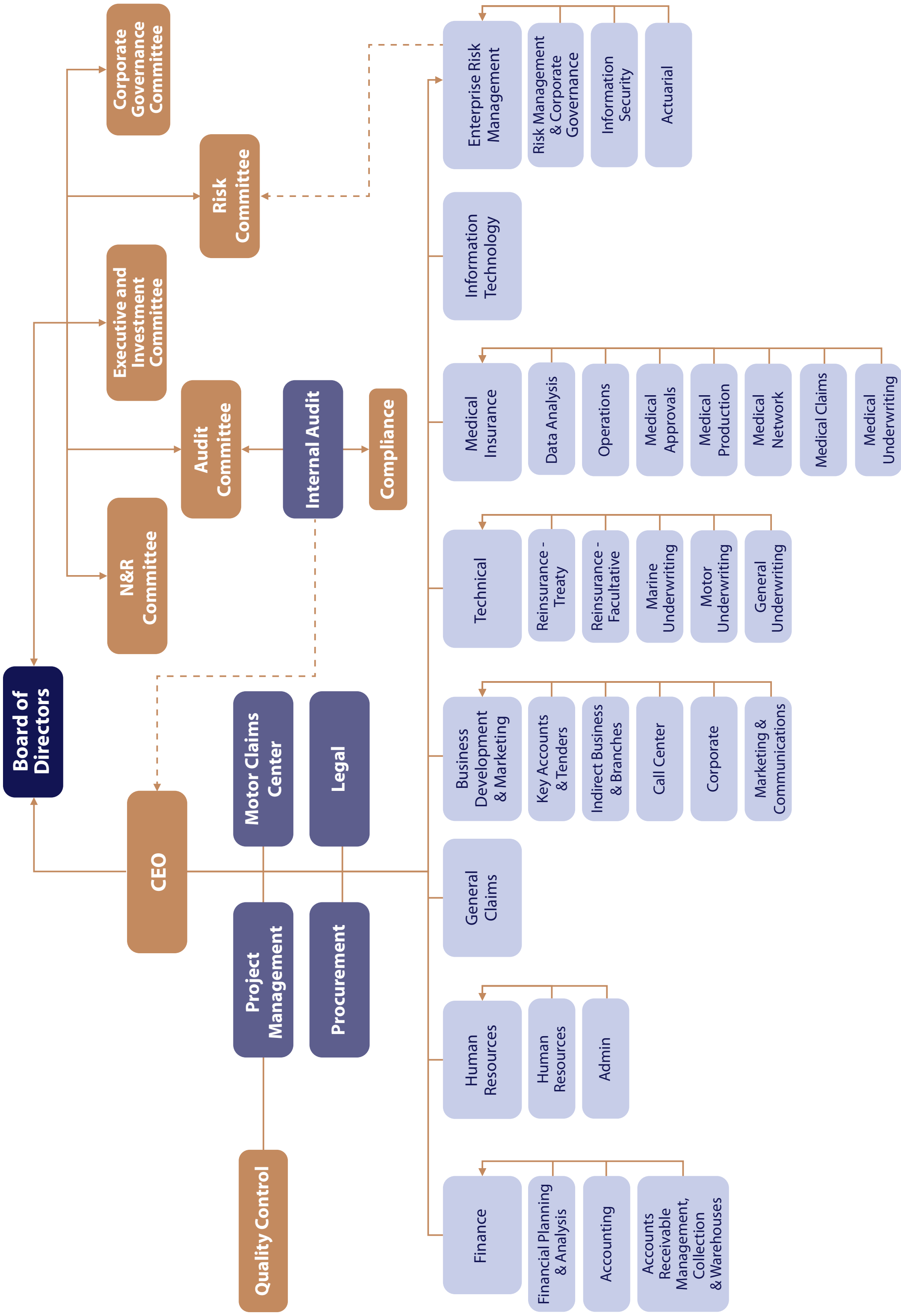
Mr. Suleiman Abed Al-Hafez Mohammad Dandis
Job Title: Director / Medical Division
Education: BSc, English Literature
Years of Experience: 20 years

Mr. Mohammad Ameen Mahmoud Suboh
Job Title: Director / Branches & Indirect Business Department
Education: BSc, Economics and Administrative Sciences
Years of Experience: 20 years

Mr. Ahmad Mousa Ahmad Isbahe
Title: Senior Manager / Internal Audit Department
Education: BSc, Computer Science
Years of Experience: 18 years

Mr. Omar Ali Othman Al-Jailani
Title: Acting Legal Department Manager
Education: BSc, Law
Years of Experience: 11 Years

Organizational Structure:



Financial Statements

31-December 2020

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Arab Orient Insurance Company Public Shareholding Company
Amman- Jordan

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Arab Orient Insurance Company a public shareholding company and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

1. **Revenue recognition**	**How the key audit matter was addressed in the audit**
Revenue is an important determinant of the Group's profitability. In addition, there is a risk of improper revenue recognition, particularly with regard to revenue recognition at the cut- off date. The total written premium is JD 82,191,649 for the year ended 31 December 2020.	Our audit procedures included evaluating the Group's revenue recognition accounting policies and assessing compliance with the policies in terms of International Financial Reporting Standards (IFRSs). We tested the Group's controls over revenue recognition and key controls in the revenue cycle. We also selected a representative sample and tested premiums written at either side of the revenue cutoff date to, assess whether the revenue was recognized in the correct period. Analytical procedures were performed on income accounts by line of business. We independently re-performed the revenue calculation of each line of business using data extracted from the Group's system. In order to rely on the data extracted, we tested a sample of transactions to their related policies to assess the accuracy of the data extracted. We also selected and tested a representative sample of journal entries at the cut off period. Disclosures of accounting policies for revenue recognition are details in note (2) to the consolidated financial statement.
2. **Estimates used in calculation and completeness of insurance liabilities** The Group has significant insurance liabilities of JD 41,514,219 representing 53% of the Group's total liabilities as at 31 December 2020. The measurement of insurance liabilities (outstanding claims, unearned premium reserve and premium deficiency reserve) involves significant judgment over uncertain future outcomes including primarily the timing and ultimate full settlement of long term policyholders' liabilities.	**How the key audit matter was addressed in the audit** Our audit procedures included, amongst others, assessing the Group's methodology for calculating the insurance liabilities and their analysis of the movements in insurance liabilities during the year, including consideration of whether the movements are in line with the accounting policy adopted by the Group. We tested management's liability adequacy testing which is a key test performed to check that the liabilities are adequate in the context of expected experience. We evaluated the competence, capabilities and objectivity of the management's specialist. Our audit procedures on the liability adequacy tests included assessing the reasonableness of the projected cash flows and reviewing the assumptions adopted in the context of both the Group and industry experience and specific product features. We also assessed the adequacy of the disclosures regarding these liabilities. Disclosures of assumptions and accounting policies related to insurance contracts liabilities are details in note (2) to the consolidated financial statement.

Other information included in the Group’s 2020 annual report.

Other information consists of the information included in the annual report, other than the consolidated financial statements and our auditor’s report thereon. Management is responsible for the other information.
The Group’s 2020 annual report is expected to be made available to us after the date of this auditor’s report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exist. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information on companies or commercial activities within the Group's scope to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. And we are responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

The Company maintains proper books of accounts which are in agreement with the financial statements.

The partner in charge of the audit resulting in this auditor's report was Bishr Ibrahim Baker; license number 592.

Amman – Jordan
24 February 2021

Ernst & Young

Statement of Financial Position
As at 31 December 2020

	Notes	2020	2019
		JD	JD
Assets			
Bank deposits	4	54,556,910	57,022,424
Financial assets at fair value through profit or loss	5	568	-
Financial assets at fair value through other comprehensive income	6	3,643,183	3,327,200
Financial assets at amortized cost	7	11,882,009	2,462,111
Investment property	8	170,464	170,464
Total Investments		**70,253,134**	**62,982,199**
Cash and cash equivalents	9	907,327	1,271,256
Checks under collection	10	5,614,430	5,355,202
Accounts receivable	11	28,379,650	26,396,937
Reinsurance receivables	12	1,173,604	1,615,645
Deferred tax assets	13	3,634,254	3,647,084
Property and equipment	14	4,647,145	4,687,709
Intangible assets	15	391,089	548,855
Right of use assets	16	343,547	486,603
Other assets	17	2,357,580	2,046,381
Total Assets		**117,701,760**	**109,037,871**
Liabilities and Equity			
Liabilities –			
Insurance contracts liabilities:			
Unearned premium reserve		15,720,407	17,512,746
Premium deficiency reserve		884,000	884,000
Outstanding claims reserve		24,909,812	21,067,253
Total Insurance contracts liabilities		**41,514,219**	**39,463,999**
Accounts payable	18	6,303,108	6,079,023
Accrued expenses		1,217,816	726,091
Reinsurance payables	19	24,100,193	23,924,583
Lease contracts liabilities	20	307,634	409,100
End of service provision	21	1,604,843	1,393,128
Income tax provision	13	2,483,944	-
Other liabilities	22	576,350	231,247
Total Liabilities		**78,108,107**	**72,227,171**
Equity -			
Authorized and paid-in capital	23	21,438,252	21,438,252
Statutory reserve	24	5,825,651	5,825,651
Fair value reserve	25	(2,292,597)	(2,590,746)
Retained earnings	26	8,622,347	3,137,543
Net Equity		**33,593,653**	**27,810,700**
Subordinated loan	27	6,000,000	9,000,000
		39,593,653	**36,810,700**
Total Liabilities and Equity		**117,701,760**	**109,037,871**

Chairman of the Board of Directors

Chief Executive Officer

The attached notes 1 to 44 form part of these Financial Statements

Statement of Income

for the Year Ended 31 December 2020

	Notes	2020	2019
		JD	JD
Revenues-			
Gross written premium		82,191,649	85,695,019
Less: reinsurance share		44,005,949	45,112,707
Net written premium		**38,185,700**	**40,582,312**
Net change in unearned premium reserve		1,792,339	(2,674,653)
Net earned premium		**39,978,039**	**37,907,659**
Commissions income		9,027,728	7,591,325
Insurance policies issuance fees		3,414,020	3,726,084
Interest income	28	3,178,400	2,981,952
Profits from financial assets and investments		137,390	135,333
Total revenues		**55,735,577**	**52,342,353**
Claims, losses and expenses			
Paid claims		55,957,444	58,655,880
Less: Recoveries		2,842,589	3,919,255
Less: Reinsurance share		27,992,162	27,596,497
Net paid claims		**25,122,693**	**27,140,128**
Net change in outstanding claims reserve		3,842,559	2,289,430
Allocated employees' expenses	29	7,203,614	6,444,558
Allocated general and administrative expenses	30	2,795,409	2,959,678
Excess of loss premium		926,943	603,929
Policies acquisition costs		1,776,039	2,002,409
Other insurance expenses		183,918	190,371
Net claims costs		**41,851,175**	**41,630,503**
Unallocated employees' expenses	29	1,800,904	1,611,139
Unallocated general and administrative expenses	30	698,852	739,922
Depreciation and amortization	14,15	642,461	653,030
Provision of expected credit losses on accounts receivable and provision for doubtful debts on reinsurance receivables	11,12	1,330,425	481,217
Provision of expected credit losses on checks under collection	10	408,395	9,610
Loss from sale of property and equipment and intangible assets		8,532	1,885
Other expenses	31	35,000	35,000
Total expenses		**4,924,569**	**3,531,803**
Profit for the year before tax		**8,959,833**	**7,180,047**
Income tax expense	13	(3,284,236)	(2,019,495)
Profit for the year		**5,675,597**	**5,160,552**
		JD/Fils	JD/Fils
Basic and diluted earnings per share for the year	32	0/265	0/241

Chairman of the Board of Directors

Chief Executive Officer

The attached notes 1 to 44 form part of these Financial Statements

Statement of Comprehensive Income

for the Year Ended 31 December 2020

	Notes	2020	2019
		JD	JD
Profit for the year		**5,675,597**	**5,160,552**
Add: Other comprehensive income not to be reclassified to consolidated statement of income in subsequent periods			
Change in fair value of financial assets through other comprehensive income	25	107,356	(954,044)
Total comprehensive income for the year		**5,782,953**	**4,206,508**

Chairman of the Board of Directors

Chief Executive Officer

The attached notes 1 to 44 form part of these Financial Statements

Statement of Changes in Equity

for the Year Ended 31 December 2020

For the year ended 31 December 2020	Authorized and paid-in capital	Statutory reserve	Fair value reserve	Retained earnings *	Total
	JD	JD	JD	JD	JD
Balance at 1 January 2020	21,438,252	5,825,651	(2,590,746)	3,137,543	27,810,700
Total comprehensive income for the year	-	-	107,356	5,675,597	5,782,953
Realized losses on sale of financial assets through other comprehensive income	-	-	190,793	(190,793)	-
Balance at 31 December 2020	**21,438,252**	**5,825,651**	**(2,292,597)**	**8,622,347**	**33,593,653**
For the year ended 31 December 2019					
Balance at 1 January 2019	21,438,252	5,107,646	(2,399,231)	(542,475)	23,604,192
Total comprehensive income for the year	-	-	(954,044)	5,160,552	4,206,508
Realized losses on sale of financial assets through other comprehensive income	-	-	762,529	(762,529)	-
Transferred to statuary reserve	-	718,005	-	(718,005)	-
Balance at 31 December 2019	**21,438,252**	**5,825,651**	**(2,590,746)**	**3,137,543**	**27,810,700**

* Retained earnings include an amount of JD 3,634,254 as at 31 December 2020 (31 December 2019: JD 3,647,084) representing deferred tax assets that cannot be distributed according to the securities commission instructions.

Chairman of the Board of Directors

Chief Executive Officer

The attached notes 1 to 44 form part of these Financial Statements

Statement of Cash Flows
for the Year Ended 31 December 2020

	Notes	2020	2019
		JD	JD
Cash Flow From Operating Activities			
Profit for the year before tax		8,959,833	7,180,047
Adjustments:			
Interest income	28	(3,178,400)	(2,981,952)
Depreciation and amortization	14,15	642,461	653,030
Depreciation on right of use assets	30	245,519	275,919
Interest on lease contracts liabilities	30	39,442	44,354
Gain from change in fair value of financial assets through profit or loss		(172)	-
Gain on sale of financial assets at fair value through profit or loss		(400)	-
Amortization of financial assets at amortized cost		9,784	9,217
Provision for expected credit losses on accounts receivable and provision for doubtful debts on reinsurance receivables	11,12	1,330,425	481,217
Provision for expected credit losses on checks under collection	10	408,395	9,610
Receivables written off	11	217,075	1,225,319
Loss from sale of property and equipment and intangible assets		8,532	1,885
End of service provision	29	323,027	413,124
Net change in unearned premium reserve		(1,792,339)	2,674,653
Net change in outstanding claims reserve		3,842,559	2,289,430
Cash flows from operating activities before changes in working capital		**11,055,741**	**12,275,853**
Checks under collection		(667,623)	(1,112,928)
Accounts receivable		(3,194,146)	(3,392,653)
Reinsurance receivables		105,974	(293,275)
Other assets		(311,199)	(702,679)
Accounts payable		224,085	(107,490)
Accrued expenses		491,725	90,907
Reinsurance payables		175,610	1,671,290
Other liabilities		345,103	3,529
Paid from end of service provision	21	(111,312)	(104,238)
Income tax paid	13	(787,465)	-
Net cash flows from operating activities		**8,008,252**	**8,328,316**
Cash Flow From Investing Activities			
Deposits at banks maturing after three months		(3,158,104)	(7,447,562)
Interest received	28	3,178,400	2,981,952
Purchase of property and equipment	14	(374,444)	(309,706)
Purchase of financial assets at fair value through profit or loss		(2,385)	-
Proceeds from sale of financial assets at fair value through profit or loss		2,389	-
Proceeds from sale of property and equipment	14	6,043	31,960
Purchase of intangible assets	15	(84,262)	(160,120)
Purchase of financial assets through other comprehensive income		(714,003)	-
Proceeds from sale of financial assets through other comprehensive income		505,376	769,947
Purchase of financial assets at amortized cost		(9,429,682)	-
Net cash flows used in investing activities		**(10,070,672)**	**(4,133,529)**
Cash Flow From Financing Activities			
Subordinated loan	27	(3,000,000)	(2,600,000)
Lease payments	20	(243,371)	(313,559)
Net cash flow used in financing activities		**(3,243,371)**	**(2,913,559)**
Net (decrease) increase in cash and cash equivalent		**(5,987,550)**	**1,281,228**
Cash and cash equivalents at beginning of the year		13,613,068	12,331,840
Cash and cash equivalents at the end of the year	**9**	**7,625,518**	**13,613,068**

Chairman of the Board of Directors

Chief Executive Officer

The attached notes 1 to 44 form part of these Financial Statements

Statement of Underwriting Revenues for the General Insurance for the Year Ended 31 December 2020

	Motor		Marine		Aviation		Fire and damages property		Liability		Medical		Others		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Written Premium:																
Direct insurance	17,791,349	21,317,220	1,456,371	1,107,272	45,266	73,554	8,984,798	7,724,435	1,014,644	976,044	47,520,499	48,481,900	4,225,463	4,451,203	81,038,390	84,131,628
Reinsurance inward business	625,581	1,106,484	6,493	-	-	-	445,790	437,649	893	1,028	-	-	74,502	18,230	1,153,259	1,563,391
Total written Premium	**18,416,930**	**22,423,704**	**1,462,864**	**1,107,272**	**45,266**	**73,554**	**9,430,588**	**8,162,084**	**1,015,537**	**977,072**	**47,520,499**	**48,481,900**	**4,299,965**	**4,469,433**	**82,191,649**	**85,695,019**
Less:																
Local reinsurance share	618,459	1,118,354	9,598	19,950	-	-	467,988	379,776	-	-	-	-	81,950	83,786	1,177,995	1,601,866
Foreign reinsurance share	250,438	286,994	1,074,038	834,230	45,266	73,554	7,607,375	6,533,428	817,512	799,279	30,012,626	31,720,408	3,020,699	3,262,948	42,827,954	43,510,841
Net Written Premium	**17,548,033**	**21,018,356**	**379,228**	**253,092**	**-**	**-**	**1,355,225**	**1,248,880**	**198,025**	**177,793**	**17,507,873**	**16,761,492**	**1,197,316**	**1,122,699**	**38,185,700**	**40,582,312**
Add:																
Balance at the beginning of the year																
Unearned premium reserve	11,397,809	9,160,063	182,821	188,020	35,905	26,378	5,566,429	5,442,393	422,707	394,077	16,256,149	15,534,285	1,910,604	1,872,001	35,772,424	32,617,217
Less: reinsurance share	527,557	544,680	117,966	120,969	35,905	26,378	5,113,953	5,039,991	360,546	328,565	10,506,005	10,090,911	1,597,746	1,627,630	18,259,678	17,779,124
Net Unearned Premium Reserve	10,870,252	8,615,383	64,855	67,051	-	-	452,476	402,402	62,161	65,512	5,750,144	5,443,374	312,858	244,371	17,512,746	14,838,093
Premium deficiency reserve	-	-	-	-	-	-	-	-	-	-	884,000	884,000	-	-	884,000	884,000
Less: reinsurance share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net premium deficiency reserve	-	-	-	-	-	-	-	-	-	-	884,000	884,000	-	-	884,000	884,000
Less:																
Balance at the end of the year																
Unearned premium reserve	8,784,427	11,397,809	282,341	182,821	39,437	35,905	6,424,874	5,566,429	461,318	422,707	17,028,697	16,256,149	1,895,126	1,910,604	34,916,220	35,772,424
Less: Reinsurance share	368,976	527,557	193,263	117,966	39,437	35,905	5,864,210	5,113,953	393,569	360,546	10,775,869	10,506,005	1,560,489	1,597,746	19,195,813	18,259,678
Net unearned Premiums Reserve	8,415,451	10,870,252	89,078	64,855	-	-	560,664	452,476	67,749	62,161	6,252,828	5,750,144	334,637	312,858	15,720,407	17,512,746
Premium deficiency reserve	-	-	-	-	-	-	-	-	-	-	884,000	884,000	-	-	884,000	884,000
Less: reinsurance share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net premium deficiency reserve	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**884,000**	**884,000**	**-**	**-**	**884,000**	**884,000**
Net earned revenues from written Premium	**20,002,834**	**18,763,487**	**355,005**	**255,288**	**-**	**-**	**1,247,037**	**1,198,806**	**192,437**	**181,144**	**17,005,189**	**16,454,722**	**1,175,537**	**1,054,212**	**39,978,039**	**37,907,659**

The attached notes 1 to 44 form part of these Financial Statements

Chairman of the Board of Directors

Chief Executive Officer

Statement of Claims Cost for the General Insurance for the Year Ended 31 December 2020

	Motor		Marine		Aviation		Fire and damages property		Liability		Medical		Others		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Paid claims	**14,704,141**	**17,537,238**	**584,997**	**151,062**	**-**	**-**	**5,560,962**	**1,141,219**	**59,610**	**127,927**	**34,164,412**	**38,131,955**	**883,322**	**1,566,479**	**55,957,444**	**58,655,880**
Less:																
Recoveries	2,812,239	3,631,226	1,362	25,656	-	-	9,362	236,492	9,139	2,399	-	-	10,487	23,482	2,842,589	3,919,255
Local reinsurance share	268,545	18,933	1,926	1,301	-	-	621,271	76,882	-	-	-	-	23,700	71,471	915,442	168,587
Foreign reinsurance share	37,147	96,013	336,029	136,661	-	-	4,408,651	744,655	16,197	3,120	21,810,984	25,322,697	467,712	1,124,764	27,076,720	27,427,910
Net Paid Claims	**11,586,210**	**13,791,066**	**245,680**	**(12,556)**	**-**	**-**	**521,678**	**83,190**	**34,274**	**122,408**	**12,353,428**	**12,809,258**	**381,423**	**346,762**	**25,122,693**	**27,140,128**
Add:																
Outstanding Claims Reserve at year end																
Reported	18,670,324	17,758,449	726,220	827,046	-	-	3,078,501	5,311,038	644,852	608,481	1,515,132	3,371,886	3,926,480	2,824,363	28,561,509	30,701,263
Unreported	3,992,106	2,824,242	20,000	20,000	-	-	200,000	200,000	30,000	30,000	3,695,082	2,807,560	170,000	170,000	8,107,188	6,051,802
Less:																
Reinsurance share from reported claims	964,019	1,010,774	614,919	723,234	-	-	1,920,050	4,958,906	416,679	402,402	938,464	2,198,432	3,079,576	2,487,659	7,933,707	11,781,407
Reinsurance share from IBNR	-	-	-	-	-	-	-	-	-	-	2,343,240	1,760,719	-	-	2,343,240	1,760,719
Recoveries	1,481,938	2,143,686	-	-	-	-	-	-	-	-	-	-	-	-	1,481,938	2,143,686
Net Outstanding Claims Reserve at year end	20,216,473	17,428,231	131,301	123,812	-	-	1,358,451	552,132	258,173	236,079	1,928,510	2,220,295	1,016,904	506,704	24,909,812	21,067,253
Less:																
Net Outstanding Claims Reserve at the beginning of the year																
Reported	17,758,449	15,932,658	827,046	105,763	-	-	5,311,038	1,915,364	608,481	394,163	3,371,886	2,978,028	2,824,363	2,728,852	30,701,263	24,054,828
Unreported	2,824,242	2,694,200	20,000	20,000	-	-	200,000	200,000	30,000	30,000	2,807,560	2,376,865	170,000	170,000	6,051,802	5,491,065
Less:																
Reinsurance share from reported	1,010,774	861,749	723,234	74,721	-	-	4,958,906	1,640,935	402,402	125,687	2,198,432	2,117,675	2,487,659	2,393,290	11,781,407	7,214,057
Reinsurance share from IBNR	-	-	-	-	-	-	-	-	-	-	1,760,719	1,544,825	-	-	1,760,719	1,544,825
Recoveries	2,143,686	2,009,188	-	-	-	-	-	-	-	-	-	-	-	-	2,143,686	2,009,188
Net Outstanding Claims Reserve at the beginning of the year	17,428,231	15,755,921	123,812	51,042	-	-	552,132	474,429	236,079	298,476	2,220,295	1,692,393	506,704	505,562	21,067,253	18,777,823
Net Claims Cost	**14,374,452**	**15,463,376**	**253,169**	**60,214**	**-**	**-**	**1,327,997**	**160,893**	**56,368**	**60,011**	**12,061,643**	**13,337,160**	**891,623**	**347,904**	**28,965,252**	**29,429,558**

Chairman of the Board of Directors

Chief Executive Officer

The attached notes 1 to 44 form part of these Financial Statements

Statement of Underwriting Profits for the General Insurance for the Year Ended 31 December 2020

	Motor		Marine		Aviation		Fire and damages property		Liability		Medical		Others		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Net earned revenues from written premium	**20,002,834**	**18,763,487**	**355,005**	**255,288**	-	-	**1,247,037**	**1,198,806**	**192,437**	**181,144**	**17,005,189**	**16,454,722**	**1,175,537**	**1,054,212**	**39,978,039**	**37,907,659**
Less:																
Net claims cost	**14,374,452**	**15,463,376**	**253,169**	**60,214**	-	-	**1,327,997**	**160,893**	**56,368**	**60,011**	**12,061,643**	**13,337,160**	**891,623**	**347,904**	**28,965,252**	**29,429,558**
	5,628,382	3,300,111	101,836	195,074	-	-	(80,960)	1,037,913	136,069	121,133	4,943,546	3,117,562	283,914	706,308	11,012,787	8,478,101
Add:																
Commissions received	54,436	63,407	550,823	345,005	2,263	3,059	1,933,644	1,340,307	200,103	239,203	5,410,703	4,649,198	875,756	951,146	9,027,728	7,591,325
Insurance policies issuance fees	317,336	399,126	53,981	40,660	1,059	1,341	568,575	538,431	19,617	22,404	2,291,108	2,501,862	162,344	222,260	3,414,020	3,726,084
Total revenue	**6,000,154**	**3,762,644**	**706,640**	**580,739**	**3,322**	**4,400**	**2,421,259**	**2,916,651**	**355,789**	**382,740**	**12,645,357**	**10,268,622**	**1,322,014**	**1,879,714**	**23,454,535**	**19,795,510**
Less:																
Policies acquisition costs	467,019	523,885	33,079	58,176	-	-	224,032	306,180	19,418	20,926	728,451	775,966	304,040	317,276	1,776,039	2,002,409
Excess of loss premium	224,958	124,964	53,693	45,557	-	-	531,156	326,159	-	-	-	-	117,136	107,249	926,943	603,929
Allocated general and administrative expenses	2,240,511	2,460,794	177,965	121,513	5,507	8,072	1,147,278	895,713	123,545	107,225	5,781,105	5,320,440	523,112	490,479	9,999,023	9,404,236
Other expenses	-	-	3,166	1,910	-	-	11,257	9,604	-	-	166,420	176,006	3,075	2,851	183,918	190,371
Total Expenses	**2,932,488**	**3,109,643**	**267,903**	**227,156**	**5,507**	**8,072**	**1,913,723**	**1,537,656**	**142,963**	**128,151**	**6,675,976**	**6,272,412**	**947,363**	**917,855**	**12,885,923**	**12,200,945**
Underwriting profit	**3,067,666**	**653,001**	**438,737**	**353,583**	**(2,185)**	**(3,672)**	**507,536**	**1,378,995**	**212,826**	**254,589**	**5,969,381**	**3,996,210**	**374,651**	**961,859**	**10,568,612**	**7,594,565**

The attached notes 1 to 44 form part of these Financial Statements

Chairman of the Board of Directors

Chief Executive Officer

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

(1) General
Arab Orient Insurance Company was established in 1996 and registered as a Jordanian public shareholding Company under No. (309), with a paid in capital of JD 2,000,000 divided into 2,000,000 shares with a par value of JD 1 each. The paid in capital increased several times; most recently during 2014 to reach JD 21,438,252 divided into 21,438,252 shares at par value of JD 1 each.

The Group is engaged in insurance business against fire, accidents, marine and transportation, and motor insurance, public liability, aviation and medical insurance through its main branch located at Jabal Amman 3rd circle in Amman, and other branches at Marca "licensing services center", Mecca Street, 8th Circle, Abdali and Abdali- Boulevard in Amman, Aqaba branch in Aqaba City and in Irbid branch in Irbid city.

The Company is 90.45% owned by Gulf Insurance Group (the parent company) as at 31 December 2020 and the financial statements are consolidated with those of the parent company.

The number of the Company's employees was 370 as at 31 December 2020 (31 December 2019: 351).

The consolidated financial statements were approved by the Board of Directors in its meeting held on 24 February 2021.

(2) Basis of Preparation Consolidated Financial Statements
The consolidated financial statements have been prepared in accordance with the Standards issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on historical cost basis, except for financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income that have been measured at fair value as of the date of the consolidated financial statements.

The Jordanian Dinar is the functional and reporting currency of the consolidated financial statements.

Basis of consolidation
The consolidated financial statements comprise the financial statements of Arab Orient Insurance Company ("the Company") and its following subsidiaries (referred to as "the Group") as of 31 December 2020.

Name of Company	Legal Status	Country	Ownership percentage
Badeyet al Khaleej First Company for Management Consulting *	Limited liability	Jordan	100%
The Arabian Gulf Horizons Company for Management Consulting **	Limited liability	Jordan	100%

* Badeyet Al Khaleej First Company for Management Consulting, a limited liability Company, was established and registered at the Ministry of Industry and Trade on 29 December 2020 with a paid in capital of JD 1,000 and is fully owned by the Arab Orient Insurance Company (Public Shareholding Company). The Company's main objectives are to acquire, sell and mortgage movable and immovable assets to achieve the Company's objectives.

** The Arabian Gulf Horizons Company for Management Consulting, a limited liability Company, was established and registered at the Ministry of Industry and Trade on 29 December 2020, with a paid in capital of JD 1,000 and is fully owned by the Arab Orient Insurance Company (Public Shareholding Company). The Company's main objectives are to acquire, sell and mortgage movable and immovable assets to achieve the Company's objectives.

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

Specifically, the Group controls an investee if and only if the Group has:
- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:
- Derecognizes the assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes the carrying amount of any non- controlling interests.
- Derecognizes the cumulative translation differences, recorded in equity.
- Recognizes the fair value of the consideration received.
- Recognizes the fair value of any investment retained.
- Recognizes the gain or loss resulted from loss of control.
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or
- Retained earnings, in the event that the group has directly excluded its assets or liabilities.

The financial statements of the Company and the subsidiary are prepared for the same financial year, using the same accounting policies.

All balances, transactions, revenues and expenses resulting from transactions between the Company and its subsidiary are excluded.

(3) Changes in Accounting Policies

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2019 except for the adoption of new standards effective as of 1 January 2020 shown below:

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group enter into any business combinations.

The amendments have been applied to transactions that are either a business merger or the acquisition of assets whose acquisition date is on or after the start of the first annual reporting period that began on or after January 1, 2020. Consequently, the Group has not required to review these transactions that occurred on earlier periods. Early application is permitted and must be disclosed.

These amendments had no impact on the Group's consolidated financial statements.

Amendments to IAS 1 and IAS 8: Definition of "Material"

The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of "Material" across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

These amendments had no impact on the Group's consolidated financial statements.

Amendments to IFRS 9 Interest Rate Benchmark Reform and IFRS 7

Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

These amendments have no impact on the Group's consolidated financial statements.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. This relates to any reduction in lease payments which are originally due on or before 30 June 2021. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted.

These amendments had no impact on the Group's consolidated financial statements.

Accounting polices

The following are the major accounting policies applied:

Business Sector

The business sector represents a set of assets and operations that jointly provide products and service subject to risks and returns different from those of other business sector which is measured based on the reports used by the chief operating decision maker.

The geographic sector relates to providing products and services in a defined economic environment subject to risks and returns different from those of other economic environments.

Date of Recognition

Purchases and sales of financial assets are recognized on the trade date (that being the date at which the sale or purchase takes place).

Fair Value

For financial instruments and derivatives quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities.

For financial instruments where there is no active market fair value is normally based on one of the following methods:
- Comparison with the current market value of a highly similar financial instrument.
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics.
- Option pricing models.

The objective of the valuation method is to show a fair value that reflects market expectations. Where the fair value of an investment cannot be reliably measured, it is stated at cost less any impairment in the value.

A- Financial assets at amortized cost

Financial assets at amortized cost must be measured if the following conditions are met:
- Financial assets are measured at amortized cost only if these assets are held within a business model whose objective is to hold the assets to collect their contractual cash flows.
- The cash flows according to contractual condition for these assets arise in specific dates and only represent payment for the asset amount and for the interest calculated on these assets.

Assets at amortized cost are recorded at cost upon purchase plus acquisition expenses, the premium/discount (if any) is amortized by using the effective interest rate method records on the interest or for its account. Any provisions resulted from impairment in its value is deducted and any impairment in its value is recorded in the consolidated statement of income.

The amount of the impairment consists of the difference between the book value and present value of the expected future cash flows discounted at the original effective interest rate.

The standard permits in cases to measure these assets at fair value through statement of income if that eliminates or reduces to a large extent the inconsistency in measurement (sometimes called accounting mismatch) that arise from measurement of assets or liabilities or profit and loss recognition resulted from them in different basis.

B- Financial assets at fair value through other comprehensive income

- Equity investments that are not held for sale in the near future.
- These financial instruments are initially measured at their fair value plus transaction costs. Subsequently, they are measured at fair value. Gains or losses arising on subsequent measurement of these equity investments including the change in fair value arising from non-monetary assets in foreign currencies are recognized in other comprehensive income in the statement of changes in equity. The gain or loss on disposal of these asset are reclassified from fair value reserve to retained earnings and not through statement of income.
- These financial assets are not subject to impairment testing.
- Dividend income is recognized in the consolidated statement of income.

C- Financial assets at fair value through profit or loss

The reaming financial assets that does not meet the financial assets at amortized cost is measured as financial assets at fair value.

Financial assets at fair value through profit or loss, represents investment in equity instruments and debt instrument for the purpose of trading, or the purpose of holding it is to make gains on short term fluctuations in market prices or trading profit margin.

Financial assets through profit or loss are recorded at fair value upon purchase (the acquisition cost is recorded in the statement of income upon purchase) and re-evaluated at the financial statements date at fair value, the subsequent changes in fair value is recorded in the statement of income during the same period that change occurs including changes in fair value resulted from non- cash translation differences in foreign currency.

All realized profit and dividend are recorded in the consolidated statement of income.

Impairment in Financial Assets Value

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, the recoverable value is estimated in order to determine impairment loss.

Impairment amounts are determined by the following:

- Impairment in financial assets recorded at amortized cost is determined on the basis of the present value of the expected cash flows discounted at the original interest rate.
- Impairment loss is recognized in the statement of income. Any recoveries in the future resulting from previously recognized impairment is credited to the consolidated statement of income.

Investment Properties

Investment properties are stated at cost less accumulated depreciation and are depreciated (excluding lands). The impairment loss is recorded in the statement of income. Operating revenues and expenses related to these investments are recorded in the consolidated statement of income.

Investment properties are revalued accordance to the Insurance Administration’s instructions and the related fair value is disclosed in the related note.

Cash and Cash equivalents

For cash flow purpose cash and cash equivalents comprise cash on hand and at banks, and bank deposits maturing within three months, less bank overdrafts and restricted funds.

Reinsurance Accounts

Reinsurers shares of written, paid claims, technical reserves, and all other rights and obligations resulting on signed contracts between the Group and reinsures are accounted for based on accrual basis.

Reinsurance

The Group engages within its normal activities in a variety of inward and outward reinsurance operations with other insurance and reinsurance Companies which involves different level of risks. The reinsurance operations include quota share, excess of loss, facultative reinsurance, and other types of reinsurance. These reinsurance treaties do not eliminate the Group's liability towards policy holders, where in the case the reinsurance fails to cover its share of total liability, the Group bears the total loss, therefore the Group provides for the un-recovered amounts. The estimation of amounts that are likely to be recovered from reinsurers is done according to the Group's share of total liability for each claim.

Impairment in Reinsurance Assets

In case there is any indication as to the impairment of the reinsurance assets of the Group, which possesses the reinsured contract, the Group has to reduce the present value of the contracts and record the impairment in the statement of income. The impairment is recognized in the following cases only:

1. There is an objective evidence resulting from an event that took place after the recording of the reinsurance assets confirming the Group's inability to recover all the amounts under the contracts terms.
2. The event has a reliably and clearly measurable effect on the amounts that the Group will recover from the reinsure.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Property and equipment (except land) are depreciated when its ready for use. Depreciation is computed on a straight-line basis using the following depreciation rates, and the depreciation expense is recorded in the consolidated statement of income:

	%
Building	2
Computers	20
Decorations	15 - 20
Tools, equipment and furniture	15
Vehicles	15

Depreciation expense is calculated when property and equipment are ready for use.

Property and equipment under construction are stated at cost less impairment loss.

Assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use. The impairment loss is recorded in the consolidated statement of income.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Any gain or loss arising on the disposal or retirement of an item of property and equipment which represents the difference between the sales proceeds and the carrying amount of the asset is recognized in the consolidated statement of income.

Any item of property and equipment derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.
The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Pledged financial assets

Represent those financial assets pledged to other parties with the existence of the right of use for the other party (sale, repledge). A periodic review is performed for those properties as per the applicable accounting policies to evaluate each based on their respective class reaction.

Intangible assets

Intangible assets acquired through business combinations are recorded at their fair value on that date. Other intangible assets are measured on initial recognition at cost.

Intangible assets are classified based on either its estimated usual economic lives or indianite useful lives. Intangible assets, with finite lives, are amortized over the useful economic lives and is in the income statement while intangible assets with indefinite useful lives are assessed for impairment at each reporting date or when there is an indication that the intangible asset may be impaired, and any impairment is taken to the consolidated statement of income.

Indications of impairment of intangible assets are reviewed for and their useful economic lives are reassessed at each reporting date. Adjustments are reflected in the current and subsequent periods.

Intangible assets include computer software and software licenses. These intangible assets are amortized on a straight-line basis at 20% amortization rate.

Lease contract liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Provisions

Provisions are recognized when the Group has an obligation at the date of the financial statements as a result of past events, and the cost to settle the obligation are both probable and measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the financial statements date, taking into account the risks and uncertainties surrounding the obligation where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of these cash flow.

When it is expected to recover some or all amounts due from other parties, the due amount will be recognized within the assets if the value can be measured reliably.

A- Technical Reserves

Technical reserves are provided for in accordance with the Insurance Commission's instructions, as follows:

1. Unearned premiums reserve is measured for general insurance business based on remaining days of the insurance policy of expiration, considering a period of 365 days except marine and transport insurance which is calculated based on written premiums for existing policies at the date of the financial statements in accordance with Laws, regulations and instructions issued pursuant there to.
2. Outstanding claims (Reported) provision is measured at the maximum value of the total expected loss for each claim separately.
3. Premium deficiency reserve and provision for the ultimate cost of claims incurred but not yet reported (IBNR) is measured based on the estimates and the experience of the Group these may result from events occurred before the end or the fiscal year and of which have not been updated to the Group.

B- Provision for expected credit losses

The Group has applied the standard's simplified approach of International Financial Reporting Standard (IFRS 9) and has calculated the expected credit losses on accounts receivable and checks under collection. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors and economic environment.

C- End of service provision

The end of service reserve for employees is calculated based on the Group's policy and in accordance with Jordanian labor law.

The paid amounts as end of service for resigned employees are debited to this account. The Group obligation for the end of serves is recorded in the consolidated statement of income.

Liability adequacy test

At each statement of financial position date, the Group assesses whether its recognized insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts.

If assessment shows that the carrying amount of its insurance liabilities (less related deferred policy acquisition costs) is inadequate in the light of estimated future cash flows, the deficiency is immediately recognized in the consolidated statement of income.

Income Tax

Income tax represents accrued and deferred tax.

A- Accrued Income Tax

The accrued income tax expense is calculated based on taxable income. The taxable income differs from the actual income in the statement of income because the accounting income contains expenditures and revenues that are not tax deductible in the current year but in the preceding years or the accepted accumulated losses or any other not deductibles for tax purposes.

The taxes are calculated based on enacted tax percentages which are stated by laws and regulation in the Hashemite Kingdom of Jordan.

B- Deferred Tax

Deferred taxes are taxes expected to be paid or recovered as a result of temporary differences between the time value of the assets or liabilities in the financial statements and the value that is calculated on the basis of taxable profit.

Deferred tax is provided using the liability method on temporary differences at the liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to allow all or part of deferred tax asset to be utilized.

Offsetting

Financial assets and financial liabilities are only offset, and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Revenue recognition

A- Insurance policies

Insurance premiums are recorded as revenues (earned premiums) based on the accrual periods and policy covering period. Unearned premiums are recorded according to insurance policy periods at the date of financial statements.

Claims expenses are recognized in the statement of income based on the expected claim value to compensate other parties.

B- Dividend and interest revenues

The Dividends revenues are realized when the shareholders have the right to receive the payment once declared by the General Assembly of Shareholders.

Interest revenues are recorded using the accrual basis based on the accrual periods, principle amount and interest rate.

Expenditures recognition

All commissions and other costs related to the new insurance contracts or renewed are recorded in the statement of income during the period it occurred in and all other expenditures are recognized using the accrual basis.

Insurance compensations

Insurance compensations represent paid claims during the year and change in outstanding claims reserve.

Insurance compensations payments during the year even for the current or prior years. Outstanding claims represent the highest estimated amount settle the claims resulting from events occurring before the date of financial statements but not settled yet. Outstanding claim reserve is recorded based on the best available information at the date of financial statements and includes the IBNR.

Recoverable scraped value
Recoverable scraped value is considered when recording the outstanding claim amount.

General and administrative expenses
General and administrative expenses are distributed to each insurance division separately. Moreover, 80% of the non-distributable general and administrative expenses is allocated to different insurance departments based on the ratio of written premiums of the department to total premiums.

Employees' expenses
The traceable employees' expenses are allocated directly to insurance departments, and 80% of un-allocated employees' expenses are allocated based on earned premiums per department to total premiums.

Insurance policy acquisition costs
Acquisition cost represent the cost incurred by the group for selling or underwriting or issuing new insurance contract, the acquisition cost is recorded in consolidated statement of income.

Foreign currencies
Transactions in foreign currencies are recorded at the rates of exchange prevailing at the transactions dates.

Monetary assets and liabilities in foreign currencies are translated into JD at rates of exchange prevailing at the statement of financial position date as issued by Central Bank of Jordan.

Non-financial assets and non-monetary liabilities demimonde in foreign currencies at fair value are translated at the date of the determined fair value.

Any gains or losses are taken to the consolidated statement of income.

Translation gains or losses on non-monetary items are recorded as part of change in fair value.

Use of Estimates
The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in such provisions.

The details of significant estimates made by management as follows:
- A provision for expected credit losses is estimated by the management based on their principles and assumptions according to International Financial Reporting Standards.
- The financial year is charged with its related income tax in accordance with regulations.
- The management periodically reviews tangible and intangible assets useful life in order to calculate the depreciation and amortization amount depending on the status of these assets and future benefit. The impairment loss (if any) appears on the consolidated statement of income.
- The outstanding claims reserve and technical reserve are estimated based on technical studies and according to insurance commission regulation and filed actuarial studies.
- A provision on lawsuit against the Group is made based on the Group's lawyers' studies in which contingent risk is determined, review of such study is performed periodically.
- The management periodically reviews whether a financial asset or group of financial assets is impaired, if so, this impairment is taken to the consolidated statement of income for the year.

(4) Bank Deposits

	2020			2019
	Deposits maturing in 1 month to 3 months	Deposits maturing in 3 months to 1 Year	Total	Total
	JD	JD	JD	JD
Inside Jordan	6,718,191	47,838,719	54,556,910	57,022,424

Interest rates on bank deposits balances in Jordanian Dinar range between 2.75% to 5.13% during 2020 compared to 4.5% to 6.5% during 2019.

Deposits pledged to the benefit of the General Manager of the Insurance Regulatory Commission deposited in Jordan Kuwait Bank amount to JD 225,000 as at 31 December 2020 and 31 December 2019.

Below is the distribution of the Group's banks deposits:

	2020	2019
	JD	JD
Jordan Kuwait Bank	15,446,892	18,859,188
Invest Bank	6,662,876	4,296,663
Capital Bank	5,966,532	4,064,125
Cairo Amman Bank	4,905,567	3,237,628
Societe Generale Bank	4,857,989	3,662,466
Egyptian Arab Land Bank	4,821,713	4,576,944
Jordan Commercial Bank	3,905,783	3,706,671
Etihad Bank	3,433,120	3,254,079
Arab Banking Corporation Bank	2,377,674	3,766,009
Jordan Ahli Bank	1,540,788	1,500,000
Bank of Jordan	637,976	613,672
Audi Bank	-	3,484,975
Housing Bank for Trade and Finance	-	2,000,004
	54,556,910	57,022,424

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

	2020	2019	2020	2019
	Number of shares	Number of shares	JD	JD
Listed shares:				
Arab Life and Accident Insurance Company	800	-	568	-
			568	**-**

(6) Financial Assets At Fair Value Through Other Comprehensive Income

	2020	2019	2020	2019
	Number of shares	Number of shares	JD	JD
Listed shares:				
Afaq for Energy	1,140,147	1,140,147	1,219,957	1,322,570
Afaq for Investment and Real Estate Development	1,541,500	1,541,500	1,618,576	1,402,765
Cairo Amman Bank	113,000	584,335	118,650	601,865
Capital Bank	700,000	-	686,000	-
			3,643,183	**3,327,200**

(7) Financial Assets at Amortized Cost

	2020	2019	2020	2019
	Number of bonds	Number of bonds	JD	JD
Inside Jordan -				
Unlisted Bonds in financial market				
Arab Real Estate Development Company*	120	120	1,200,000	1,200,000
Less: Impairment in financial assets at amortized cost			(1,199,000)	(1,199,000)
			1,000	1,000
Listed bonds in financial markets				
Treasury Bond/ the Hashemite Kingdom of Jordan**	2,500	-	1,816,719	-
Treasury Bond/ the Hashemite Kingdom of Jordan**	2,000	-	1,438,517	
Treasury Bond/ the Hashemite Kingdom of Jordan**	2,000	-	1,429,830	-
Treasury Bond/ the Hashemite Kingdom of Jordan**	1,330	1,330	949,606	950,496
Treasury Bond/ the Hashemite Kingdom of Jordan**	1,000	-	713,302	-
Treasury Bond/ the Hashemite Kingdom of Jordan**	1,000	-	710,907	-
Treasury Bond/ the Hashemite Kingdom of Jordan**	1,000	-	701,573	-
Treasury Bond/ the Hashemite Kingdom of Jordan**	1,000	-	699,323	-
Treasury Bond/ the Hashemite Kingdom of Jordan**	1,000	-	692,042	-
Total financial assets at amortized cost inside Jordan			**9,152,819**	**951,496**
Outside Jordan -				
Treasury Bonds/ Kingdom of Bahrain Government***	715	715	526,602	528,495
Treasury Bonds/ Kingdom of Bahrain Government***	1,315	1,315	975,119	982,120
Treasury Bonds/ Oman Government****	1,000	-	567,757	-
Treasury Bonds/ Oman Government****	1,000	-	550,907	-
Treasury Bonds/ Oman Government****	200	-	108,805	-
Total financial assets at amortized cost outside Jordan			**2,729,190**	**1,510,615**
Total financial assets at amortized cost			**11,882,009**	**2,462,111**

* Following the decision of the General Assembly of the Bonds owners in its meeting held on October 26, 2011 the Housing Bank for Trade and Finance, as the trustee, initiated legal proceedings against Arab Real Estate Development Company (Arab Corp) and filed a lawsuit under number (3460/2011) at the First Instance Court of Amman to demand the rights of the Bonds owners.
Arab Real Estate Development Company Bonds are stated at cost less impairment loss for an amount of JD 1,199,000 as of 31 December 2020.

** Maturity dates of Treasury Bonds / the Hashemite Kingdom of Jordan range between 29 January 2026 to 31 January 2027, bear interest rate between 5.7% to 6.125% and are repayable in equal semi - annual installments.

*** Maturity dates of Treasury Bonds / kingdom of Bahrain range between the 26 January 2026 to 12 October 2028, bear interest rate of 7% and are repayable in equal semi – annual installments.

**** Maturity dates of Treasury Bonds / Oman Government range between 8 of March 2027 to 1 August 2029, bear interest rate between 5.37% to 6% are payable in two equal semi - annual installments.

(8) Investment Property

This item consists of land which was acquired in exchange of a receivable balance from a client who was not able to make payment. The land was valued and recorded at its fair value in exchange for a portion of the receivable balance. The fair value for the investment is JD 170,464 as at 31 December 2020 and 2019.

(9) Cash And Cash Equivalents

	2020	2019
	JD	JD
Cash on hand	10,846	33,064
Bank balances	896,481	1,238,192
	907,327	**1,271,256**

Cash and cash equivalents which appears in the consolidated statement of cash flows consist of the following:

	2020	2019
	JD	JD
Cash and cash equivalents	907,327	1,271,256
Deposits at banks with original maturity date of three months or less	6,718,191	12,341,812
	7,625,518	**13,613,068**

(10) Checks Under Collection

	2020	2019
	JD	JD
Checks under collection due within six months	4,597,289	4,882,772
Checks under collection due within more than six months up to one year	1,487,463	534,357
	6,084,752	5,417,129
Less: Provision for expected credit losses*	(470,322)	(61,927)
	5,614,430	**5,355,202**

* Movements on provision for expected credit losses during the year were as follows:

	2020	2019
	JD	JD
Balance at the beginning of the year	61,927	52,317
Provision for the year	408,395	9,610
Balance at the end of the year	**470,322**	**61,927**

(11) Accounts receivable

	2020	2019
	JD	JD
Policyholders *	33,835,945	31,215,070
Brokers receivables	2,299,861	2,202,158
Employees' receivables	71,955	103,663
Other receivables	793,017	719,891
	37,000,778	34,240,782
Less: Provision for expected credit losses **	(8,621,128)	(7,843,845)
	28,379,650	**26,396,937**

The details of the aging of receivables are as follows:

	Undue receivables	1-180 days	181-360 days	More than 360 days	Total
	JD	JD	JD	JD	JD
31 December 2020	18,631,187	7,914,395	1,580,970	253,098	28,379,650
31 December 2019	17,627,847	7,703,085	810,123	255,882	26,396,937

* Policy holders receivables includes scheduled payments in the amount of JD 18,631,187 as at 31 December 2020 (JD 17,627,847 as at 31 December 2019).

** Movements on the provision for expected credit losses during the year were as follows:

	2020	2019
	JD	JD
Balance at the beginning of the year	7,843,845	8,414,378
Provision for the year	994,358	481,217
Receivables written off	(217,075)	(1,225,319)
Transferred from provision for doubtful debts of reinsurance receivables	-	173,569
Balance at the end of the year	**8,621,128**	**7,843,845**

(12) Reinsurance Receivables

	2020	2019
	JD	JD
Local insurance companies	1,507,667	1,648,871
Foreign reinsurance companies	301,057	265,827
	1,808,724	1,914,698
Less: Provision for doubtful debts *	(635,120)	(299,053)
	1,173,604	**1,615,645**

The details of the aging of the reinsurance receivables are as follows:

	1 - 90 day	91-180 days	181-360 days	Total
	JD	JD	JD	JD
31 December 2020	559,950	440,182	173,472	1,173,604
31 December 2019	628,333	463,996	523,316	1,615,645

* Movements on provision for doubtful debts during the year were as follows:

	2020	2019
	JD	JD
Balance at the beginning of the year	299,053	472,622
Provision for the year	336,067	-
Transferred to provision for expected credit losses on accounts receivable	-	(173,569)
Balance at end of the year	**635,120**	**299,053**

(13) Income tax

Movements on income tax provision were as follows:

	2020	2019
	JD	JD
Balance at the beginning of the year	-	-
Provision for the year	3,321,306	-
Income tax paid during the year	(787,465)	-
Prior years' income tax	(49,897)	-
Balance at the end of the year	**2,483,944**	**-**

The income tax expense which appears in the consolidated statement of income represents the following:

	2020	2019
	JD	JD
Income tax for the year	3,321,306	-
Deferred tax assets	(37,070)	2,074,946
Deferred tax liabilities	-	(55,451)
	3,284,236	**2,019,495**

A summary of the reconciliation between accounting profit and taxable profit is as follows:

	2020	2019
	JD	JD
Accounting profit	8,959,833	7,180,047
Non-taxable profits	(128,751)	(69,237)
Non-deductible expenses	4,133,966	1,248,793
Realized losses on sale of financial assets through other comprehensive income	(190,793)	(762,529)
Taxable profit	12,774,255	7,597,074
Effective income tax rate	37%	28%
Statutory income tax rate	**26%**	**26%**

Final settlement for income tax was reached until 31 December 2016. Income tax return was submitted for the years 2018 and 2017. The Income and Sales Tax Department have reviewed the Group's records but have not issued its final decision until the date of the consolidated financial statements.

Income tax return was submitted for the years 2019. The Income and Sales Tax Department have not reviewed the Group's records until the date of preparing the consolidated financial statements. In the opinion of management and the Group's tax advisor, the income tax provision is sufficient to meet any tax obligations.

According to the income tax law number (38) for the year 2019, a tax rate of 26% was used to calculate the income tax as at 31 December 2020 (31 December 2019: 26%).

Deferred tax assets and liabilities

Deferred tax assets	2020					2019
	Balance at the beginning of the year	Additions	Released Amounts	Balance at the end of the year	Deferred Tax	Deferred Tax
	JD	JD	JD	JD	JD	JD
Provision for expected credit losses on accounts receivable and provision for doubtful debts on reinsurance receivables	6,033,117	-	2,228,004	3,805,113	989,329	1,568,611
Provision for employee bonuses	-	600,000	-	600,000	156,000	-
Impairment loss on financial asset	1,199,000	-	-	1,199,000	311,740	311,740
Provision for incurred but not reported claims, net	4,291,082	1,472,866	-	5,763,948	1,498,626	1,115,682
End of service provision	1,428,129	323,027	25,312	1,725,844	448,719	371,314
Premium deficiency reserve, net	884,000	-	-	884,000	229,840	229,840
Accumulated losses from previous years	191,913	-	191,913	-	-	49,897
	14,027,241	2,395,893	2,445,229	13,977,905	3,634,254	3,647,084

Movements on deferred tax asset and deferred tax liabilities during the year were as follows:

	Assets		Liabilities	
	2020	2019	2020	2019
	JD	JD	JD	JD
Balance at the beginning of the year	3,647,084	5,722,030	-	55,451
Released, net	(12,830)	(2,074,946)	-	(55,451)
Balance at the end of the year	3,634,254	3,647,084	-	-

(14) Property and Equipment

2020-	Land	Building	Computers	Decorations	Tools, equipment and furniture	Vehicles	Total
	JD	JD	JD	JD	JD	JD	JD
Cost:							
Balance at the beginning of the year	1,545,000	2,575,000	1,063,885	1,601,073	1,426,593	273,300	8,484,851
Additions	-	-	223,999	104,692	45,753	-	374,444
Disposals	-	-	(49,540)	(4,975)	(50,478)å	-	(104,993)
Balance at the end of the year	1,545,000	2,575,000	1,238,344	1,700,790	1,421,868	273,300	8,754,302
Accumulated depreciation:							
Balance at the beginning of the year	-	480,667	877,570	1,173,207	1,076,243	189,455	3,797,142
Depreciation for the year	-	51,500	89,867	141,997	84,700	32,369	400,433
Disposals	-	-	(48,907)	(4,364)	(37,147)	-	(90,418)
Balance at the end of the year	-	532,167	918,530	1,310,840	1,123,796	221,824	4,107,157
Net book value at the end of the year	**1,545,000**	**2,042,833**	**319,814**	**389,950**	**298,072**	**51,476**	**4,647,145**
2019-							
Cost:							
Balance at the beginning of the year	1,545,000	2,575,000	985,512	1,503,752	1,402,019	388,300	8,399,583
Additions	-	-	90,860	113,408	80,438	25,000	309,706
Disposals	-	-	(12,487)	(16,087)	(55,864)	(140,000)	(224,438)
Balance at the end of the year	1,545,000	2,575,000	1,063,885	1,601,073	1,426,593	273,300	8,484,851
Accumulated depreciation:							
Balance at the beginning of the year	-	429,167	802,061	1,052,222	1,031,077	276,663	3,591,190
Depreciation for the year	-	51,500	86,680	137,071	92,877	33,542	401,670
Disposals	-	-	(11,171)	(16,086)	(47,711)	(120,750)	(195,718)
Balance at the end of the year	-	480,667	877,570	1,173,207	1,076,243	189,455	3,797,142
Net book value at the end of the year	**1,545,000**	**2,094,333**	**186,315**	**427,866**	**350,350**	**83,845**	**4,687,709**

Property and equipment include fully depreciated assets with the total amount of JD 2,478,118 as at 31 December 2020 (2,322,235 as at 31 December 2019) which are still being used up to the date of the financial statements.

(15) Intangible Assets

	Programs and Computer Systems	
	2020	2019
	JD	JD
Cost:		
Balance at the beginning of the year	1,490,046	1,342,226
Additions	84,262	160,120
Disposals	-	(12,300)
Balance at the end of the year	1,574,308	1,490,046
Accumulated Amortization:		
Balance at the beginning of the year	941,191	697,006
Amortization for the year	242,028	251,360
Disposals	-	(7,175)
Balance at the end of the year	1,183,219	941,191
Net book value at the end of the year	**391,089**	**548,855**

(16) Right of use assets

The table shown below shows the book value for right of use assets along with the movement during the year:

	2020	2019
	JD	JD
Balance at the beginning of the year	486,603	762,522
Additions	259,637	-
Depreciation of right of use assets (note 30)	(245,519)	(275,919)
Disposals	(157,174)	-
Balance at the end of the year	**343,547**	**486,603**

(17) Other Assets

	2020	2019
	JD	JD
Accrued revenues	1,132,492	1,218,984
Refundable deposits	530,459	383,810
Income tax paid on interest income	524,343	327,406
Prepaid expenses	170,286	116,181
	2,357,580	**2,046,381**

(18) Accounts Payable

	2020	2019
	JD	JD
Trade and companies' payables	2,720,834	2,743,840
Medical network payable	2,550,231	2,244,301
Agents' payables	706,963	721,674
Garages' payables and vehicle parts	308,958	346,159
Employees' payables	16,122	23,049
	6,303,108	**6,079,023**

(19) Reinsurance Payables

	2020	2019
	JD	JD
Foreign reinsurance companies	24,029,442	23,839,859
Local insurance companies	70,751	84,724
	24,100,193	**23,924,583**

(20) Lease contract liabilities

The table below shows the book value for lease contract liabilities and the movement during the year ended 31 December 2020:

	2020	2019
	JD	JD
Balance at the beginning of the year	409,100	678,305
Additions	259,637	-
Interest on lease contract liabilities (note 30)	39,442	44,354
Disposals	(157,174)	-
Paid during the year	(243,371)	(313,559)
Balance at the end of the year	**307,634**	**409,100**

(21) End of Service Provision

Movements on end of service provision during the year were as follows:

	2020	2019
	JD	JD
Balance at the beginning of the year	1,393,128	1,084,242
Provision for the year (note 29)	323,027	413,124
Paid during the year	(111,312)	(104,238)
Balance at the end of the year	1,604,843	1,393,128

The method of calculating the provision for end of services provision is as follows:

- 25% from monthly salary that is subject to the calculation for each year of service after nine years, this calculation is according to last salary paid to the employee.
- 50% from monthly salary that is subject to the calculation for each year of service after twelve years, this calculation is according to last salary paid to the employee.
- 75% from monthly salary that is subject to the calculation for each year of service after fifteen years, this calculation is according to last salary paid to the employee.
- 100% from monthly salary that is subject to the calculation for each year of service after eighteen years, this calculation is according to last salary paid to the employee.

Noting that employees hired on or after 29 October 2018 are not included to this benefit.

(22) Other Liabilities

	2020	2019
	JD	JD
Stamps	109,968	100,901
Sales tax withholdings	221,743	53,105
Income tax withholdings	219,737	52,339
Due to shareholders – subscription refunds	24,902	24,902
	576,350	**231,247**

(23) Authorized and Paid in Capital

Authorized and paid-in capital is JD 21,438,252 divided into 21,438,252 shares at par value of JD 1 each as at 31 December 2020 and 2019.

(24) Legal Reserves

Statutory Reserve

This amount represents appropriations at 10% of net income before income tax during this year and prior years. This reserve is not available for distribution to shareholders.

(25) Fair value reserve

Movements on the fair value reserve during the year were as follows:

	2020	2019
	JD	JD
Balance at the beginning of the year	(2,590,746)	(2,399,231)
Changes in fair value of financial assets through other comprehensive income	107,356	(954,044)
Realized losses on sale of financial assets through other comprehensive income	190,793	762,529
Balance at the end of the year	**(2,292,597)**	**(2,590,746)**

(26) Retained earnings

Movements on retained earnings during the year were as follows:

	2020	2019
	JD	JD
Balances at the beginning of the year	3,137,543	(542,475)
Profit for the year	5,675,597	5,160,552
Less:		
Deducted reserves	-	(718,005)
Realized losses on sale of financial assets through other comprehensive income	(190,793)	(762,529)
Balance at the end of the year	**8,622,347**	**3,137,543**

(27) Subordinated loan

On 15 November 2017, the Group borrowed from Gulf Insurance Group an amount of (USD 16,361,071) equivalent to JD 11,600,000 as a subordinated loan to increase the Group solvency margin in line with the Insurance Administration Instruction No.3 of 2002 and the decisions issued there under. This loan bears no interest and no maturity or repayment schedule. During 2019, the Group paid back an amount of (USD 3,667,137) equivalent to JD 2,600,000. During 2020, the Group paid back an amount of (USD 4,231,312) equivalent to JD 3,000,000.

(28) Interest Income

	2020	2019
	JD	JD
Interest on bank deposits	2,496,641	2,836,198
Interest on financial assets at amortized cost	681,759	145,754
	3,178,400	2,981,952
Amount transferred to underwriting accounts	-	-
Amount transferred to consolidated statement of income	3,178,400	2,981,952

(29) Employees Expenses

	2020	2019
	JD	JD
Salaries and bonuses	7,390,976	6,377,610
Social security contribution	747,240	690,937
Medical expenses	452,825	422,054
End of service provision (note 21)	323,027	413,124
Travel and transportation	67,966	121,997
Training and employee development	22,484	29,975
Total	**9,004,518**	**8,055,697**
Allocated employee expenses to the underwriting account	7,203,614	6,444,558
Unallocated employee expense to the underwriting account	1,800,904	1,611,139

(30) General and Administrative Expenses

	2020	2019
	JD	JD
Insurance commission fees	592,891	676,076
Legal fees and expenses	282,024	415,020
Depreciation on right of use assets (note 16)	245,519	275,919
Advertisements	239,723	267,529
Technical consulting fees	232,614	140,903
Postage telecommunications and stamps	223,515	279,190
Stationery and printing	173,916	195,316
Government fees and other fees	158,870	124,828
Bank interest and commission expenses	147,579	100,145
Maintenance	136,336	162,490
Donations	125,860	700
Water, electricity and heating	122,096	148,894
Tenders expenses	106,130	101,133
Board members bonuses and transportation fees	100,400	100,400
Collections fees	89,405	87,921
Cleaning expense	85,774	81,758
Subscriptions	78,249	88,347
Interest on lease contracts liabilities (note 20)	39,442	44,354
Rent	39,229	15,528
Professional fees	25,000	25,000
Hospitality	22,278	71,819
Insurance expenses	18,781	36,283
Building management fees	12,150	9,338
Vehicles expenses	11,295	14,627
Board members committee fees	5,800	3,200
Orange card fees	-	750
Other expenses	179,385	232,132
Total	**3,494,261**	**3,699,600**
Allocated general and administrative expenses to the underwriting accounts	2,795,409	2,959,678
Unallocated general and administrative expenses to the underwriting accounts	698,852	739,922

(31) Other Expenses

	2020	2019
	JD	JD
Board of Directors remunerations	35,000	35,000

(32) Basic and Diluted Earnings Per Share

The profit per share is calculated by dividing the profit for the year by the weighted average number of shares during the year as the following:

	2020	2019
	JD	JD
Profit for the year (JD)	5,675,597	5,160,552
Weighted average number of shares (Shares)	21,438,252	21,438,252
	JD/Fils	JD/Fils
Basic and diluted earnings per share for the year	**0/265**	**0/241**

(33) Related Party Transactions

The Group entered into transactions with major shareholders, board members and directors in the Group within the normal activities of the Group using insurance premium and commercial commission. All debts provided to related parties are considered working and no provision has been taken against them as at 31 December 2020.

Below is a summary of related parties' balances and transactions during the year:

	2020			2019
	Jordan Kuwait Bank (An investment of the ultimate parent company)	Top Executive Management	Total	Total
	JD	JD	JD	JD
Consolidated Statement of Financial Position Items:				
Time deposits	15,446,892	-	15,446,892	18,859,188
Overdraft account – under demand	(707,233)	-	(707,233)	655,970
Current account	1,323,563	-	1,323,563	459,105
Deposits on letters of guarantee	470,304	-	470,304	365,744
Accounts receivable/ payable	105,841	474	106,315	111,432
Off-statement of Financial Position Items:				
Letters of guarantee	4,703,040	-	4,703,040	3,657,447
Consolidated Statement of Income Items:				
Bank interest income	566,039	-	566,039	872,426
Written premiums	2,303,382	8,314	2,311,696	2,298,418
Bank expenses and commissions	146,170	-	146,170	131,238
Salaries	-	994,614	994,614	1,036,965
Bonuses	-	326,498	326,498	283,376
Transportation expenses for members of the Board of Directors	-	50,400	50,400	50,400
Bonus expenses for members of the Board of Directors	-	85,000	85,000	85,000
Board of Directors committees' bonus	-	5,800	5,800	3,200

During 2011 it was agreed with Gulf Insurance Group (Major Shareholder and member of the Board of Directors) to settle all treaty reinsurance accounts through Gulf Insurance Company, where the Group's credit balance amounts to JD 982,141 at the end of the year 2020 (2019: JD 182,323).

Top Executive management (salaries, bonuses, and other benefits) are summarized as follows:

	2020	2019
	JD	JD
Salaries and bonuses	1,321,112	1,320,341

(34) Fair value of financial instruments

There are no significant differences between the book value and fair value of the financial assets and financial liabilities at the end of the year 2020 and 2019.

(35) Risk Management

First: Explanatory Disclosures:
Risk management is the evaluation of the risk process of measurement and development of strategies to manage it. These strategies include the transfer of risks to another party, avoiding and mitigating their adverse effect on the Group, in addition to accepting the related consequences partially or wholly. Risk management can be divided into four sections:

First: Material risks such as (natural catastrophes, fires, accidents, and other external risks not relating to the Group's operations).

Second: Legal risks resulting from legal claims or any risks arising from the laws and regulations issued by the Insurance Commission and the related non-compliance.

Third: Risks arising from financial matters such as (interest rate, credit risk, foreign currencies risks, and market risk).

Fourth: Intangible risks that are difficult to identify such as knowledge risk that occurs upon the application of inadequate knowledge by employees. Moreover, relationships risks occur when there is inefficient cooperation with clients. All of these risks reduce the employee's productivity in knowledge and lessen the effectiveness of expenditures, profit, service, quality, reputation, and the quality of gains.

Management of risks adopted by the Group relies on prioritizing so that risks with huge losses and high probability are treated first while risks with lower losses and lesser probability are treated later on.

Risk Management Policy

First: Planning and Preparation
The work scope plan and criteria for adopting and evaluating risks at the Group have been set through creating the Institutional Development and Quality Department that monitors this performance.

Second: Identification of Risks
Risks represent events that create problems upon their occurrence. Therefore, these problems should be identified at their origin. When the problem or its origin is identified, the related accident may lead to new risks that can be treated prior to their occurrence. There are many ways to identify risks such as identification based on objectives as each of the Group's sections has certain objectives it endeavors to achieve. Any event that threatens the achievement of these objectives is considered a risk. Based on this, risks are studied and pursued. Moreover, there is a type of risk identification based on a comprehensive classification of all probable sources of risk. Still another type of risk identification is common risks especially for similar companies.

Third: Risk Treatment Method

The Group deals with probable risks by means of the following methods:

- Transfer: This represents the process of transferring the risk to another party through contracts or financial protection.
- Avoidance: This is an active process to ward off risk through avoiding works that lead to risks. Avoidance is the best preventive method against risk. This may deprive the Group from conducting certain activities profitable for the Group.
- Reduction: This is the process of decreasing the loss arising from the occurrence of risk.
- Acceptance: There should be a policy to accept unavoidable risks as acceptance of small risks is an effective strategy.

Fourth: Plan

An easy and clear plan has been set to deal with risks through a pricing policy that relies on historical statistics to avoid the occurrence of risks from any insurance branch so that the premium covers the probable cumulative risks.

Fifth: Execution

The Group's technical departments execute the plan so that the risk effects are mitigated. Moreover, all avoidable risks are avoided.

Sixth: Plan Review and Evaluation

The Risks Department follows up on the Group's development and constantly and continuously develops and upgrades the plan in effect.

Risk Management Arrangements

Determinants

Top priority is given to the Risks Department. This affects the Group's productivity and profitability. Moreover, the Risks Department distinguishes between actual risk and doubt. Priorities are given to risks with huge losses and high probability so as to avoid them.

Risks Management Responsibilities

- Upgrading the risk data base constantly and continuously.
- Predicting any probable risk.
- Cooperating with executive management to treat risks and mitigate riskiness.
- Preparing plans and risk reports continuously in order to avoid the probable risk or reduce the probability of its occurrence.

Risk Treatment Strategy

- Determining the Group's objectives.
- clarifying strategies for the Group's objectives.
- Distinguishing risk.
- Assessing risk.
- Identifying methods to avoid and treat risk.

Second: Quantitative Disclosures:

A. Insurance Risk

1. Insurance Risk

Risks of any insurance policy represent the probability of occurrence of the insured accident and the uncertainty of the related claim amount due to the nature of the insurance policy whereby the risks are volatile and unexpected in connection with insurance policies of a certain insurance class. As regards the application of the probability theory on pricing and the reserve, the primary risks facing the Group are that incurred claims and the related payments may exceed the book value of the insurance obligations. This may happen if the probability and risk of claims are greater than expected. As insurance accidents are unstable and vary from one year to another, estimates may differ from the related statistics.

Studies have shown that the more similar the insurance policies are, the nearer the expectations are to the actual loss. Moreover, diversifying the types of insurance risks covered decreases the probability of the overall insurance loss.

The Group is engaged in insurance business against fire, accidents, marine and transportation, and motor insurance, public liability, aviation and medical insurance through its main branch located in Jabal Amman, 3rd circle in Amman and its branches in Marka "licensing services center", 8th circle, Al Abdali and Abdali- Boulevard in Amman, Aqaba branch in Aqaba city and Irbid Branch in Irbid city.

Through its personnel consisting of professionals and administrative staff, the Group provides the best service to its clients. Moreover, a plan has been set to protect it against probable risks whether natural or unnatural. This requires that the necessary provisions as well as the necessary technical equipment be made available to maintain the Group's continuity and viability. Hence, the necessity to set the risk management strategy.

Steps in Determining Assumptions

These steps rely on the internal data derived from the quarterly claims reports and the sorting of the executed insurance policies as of the statement of financial position date to identify the outstanding insurance policies. The effective results for the year's accidents are selected for each type of insurance based on the evaluation of the most appropriate mechanism for observing the historical development.

2. Claims Development

The schedules below show the actual claims (based on management's estimates at year- end) compared to the expectations for the past four years based on the year in which the vehicles insurance claims were reported and on the year in which underwriting of the other general insurance types was executed as follows:

Gross - Motor Insurance:

The accident year	2016 and before	2017	2018	2019	2020	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	174,478,513	21,933,361	18,548,312	18,902,387	15,735,857	249,598,430
After one year	176,132,978	23,441,358	18,567,815	18,874,161	-	237,016,312
After two years	177,562,663	23,068,555	18,539,055	-	-	219,170,273
After three years	178,016,122	22,972,436	-	-	-	200,988,558
After four years	178,347,551	-	-	-	-	178,347,551
Present expectations for the accumulated claims	178,347,551	22,972,436	18,539,055	18,874,161	15,735,857	254,469,060
Accumulated payments	173,749,567	20,905,698	16,082,220	14,555,067	7,996,016	233,288,568
Liability as in the consolidated statement of financial position	4,597,984	2,066,738	2,456,835	4,319,094	7,739,841	21,180,492
Reported	4,597,984	2,066,738	2,456,835	4,319,094	3,747,735	17,188,386
Unreported	-	-	-	-	3,992,106	3,992,106
Surplus (Deficit) in the preliminary estimate for reserve	(3,869,038)	(1,039,075)	9,257	28,226	-	(4,870,630)

Gross – Marine

The Accident Year	2016 and before	2017	2018	2019	2020	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	3,548,529	525,483	125,744	798,003	380,937	5,378,696
After one year	3,559,512	546,233	200,086	901,237	-	5,207,068
After two years	3,539,268	546,233	200,086	-	-	4,285,587
After three years	3,539,268	546,234	-	-	-	4,085,502
After four years	3,539,268	-	-	-	-	3,539,268
Present expectation for the accumulated claims	3,539,268	546,234	200,086	901,237	380,937	5,567,762
Accumulated payments	3,485,841	522,673	176,836	284,976	351,216	4,821,542
Liability as in the consolidated statement of financial position	53,427	23,561	23,250	616,261	29,721	746,220
Reported	53,427	23,561	23,250	616,261	9,721	726,220
Unreported	-	-	-	-	20,000	20,000
Surplus (Deficit) in the preliminary estimate for reserve	9,261	(20,751)	(74,342)	(103,234)	-	(189,066)

Gross - fire and damages property:

The Accident Year	2016 and before	2017	2018	2019	2020	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	33,538,074	1,627,971	2,123,451	4,809,066	4,514,495	46,613,057
After one year	31,908,204	1,407,577	1,815,379	3,540,933	-	38,672,093
After two years	32,270,755	1,407,741	1,816,708	-	-	35,495,204
After three years	32,306,490	1,407,741	-	-	-	33,714,231
After four years	32,387,186	-	-	-	-	32,387,186
Present expectation for the accumulated claims	32,387,186	1,407,741	1,816,708	3,540,933	4,514,495	43,667,063
Accumulated payments	31,672,089	1,388,926	1,733,501	2,669,724	2,924,322	40,388,562
Liability as in the consolidated statement of financial position	715,097	18,815	83,207	871,209	1,590,173	3,278,501
Reported	715,097	18,815	83,207	871,209	1,390,173	3,078,501
Unreported	-	-	-	-	200,000	200,000
Surplus (Deficit) in the preliminary estimate for reserve	1,150,888	220,230	306,743	1,268,133	-	2,945,994

Gross – Liability

The Accident Year	2016 and before	2017	2018	2019	2020	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	1,226,484	164,599	272,892	312,862	89,265	2,066,102
After one year	1,225,315	127,574	278,621	306,728	-	1,938,238
After two years	1,215,889	107,657	278,521	-	-	1,602,067
After three years	1,280,461	123,812	-	-	-	1,404,273
After four years	1,277,256	-	-	-	-	1,277,256
Present expectation for the accumulated claims	1,277,256	123,812	278,521	306,728	89,265	2,075,582
Accumulated payments	1,080,133	81,420	144,514	61,368	33,295	1,400,730
Liability as in the consolidated statement of financial position	197,123	42,392	134,007	245,360	55,970	674,852
Reported	197,123	42,392	134,007	245,360	25,970	644,852
Unreported	-	-	-	-	30,000	30,000
Surplus (Deficit) in the preliminary estimate for reserve	(50,772)	40,787	(5,629)	6,134	-	(9,480)

Gross – Medical

The Accident Year	2016 and before	2017	2018	2019	2020	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	65,756,967	62,271,606	42,877,456	38,805,370	34,500,258	244,211,657
After one year	63,454,664	59,605,842	43,028,594	37,500,292	-	203,589,392
After two years	63,454,664	59,605,842	43,028,594	-	-	166,089,100
After three years	63,454,664	59,605,842	-	-	-	123,060,506
After four years	63,454,664	-	-	-	-	63,454,664
Present expectation for the accumulated claims	63,454,664	59,605,842	43,028,594	37,500,292	34,500,258	238,089,650
Accumulated payments	63,454,664	59,605,842	43,028,594	37,500,292	29,290,044	232,879,436
Liability as in the consolidated statement of financial position	-	-	-	-	5,210,214	5,210,214
Reported	-	-	-	-	1,515,132	1,515,132
Unreported	-	-	-	-	3,695,082	3,695,082
Surplus (Deficit) in the preliminary estimate for reserve	2,302,303	2,665,764	(151,138)	1,305,078	-	6,122,007

Gross – Others

The Accident Year	2016 and before	2017	2018	2019	2020	Total
	JD	JD	JD	JD	JD	JD
At the ended of the year	14,575,435	699,741	1,314,441	1,519,462	2,393,953	20,503,032
After one year	14,333,878	1,456,058	1,411,341	1,290,370	-	18,491,647
After two years	14,164,037	1,449,473	1,416,674	-	-	17,030,184
After three years	14,195,250	1,208,633	-	-	-	15,403,883
After four years	14,251,334	-	-	-	-	14,251,334
Present expectation for the accumulated claims	14,251,334	1,208,633	1,416,674	1,290,370	2,393,953	20,560,964
Accumulated payments	12,995,080	986,114	795,575	1,276,088	411,627	16,464,484
Liability as in the consolidated statement of financial position	1,256,254	222,519	621,099	14,282	1,982,326	4,096,480
Reported	1,256,254	222,519	621,099	14,282	1,812,326	3,926,480
Unreported	-	-	-	-	170,000	170,000
Surplus (Deficit) in the preliminary estimate for reserve	324,101	(508,892)	(102,233)	229,092	-	(57,932)

3. Insurance Risk Concentrations

Below are schedules presenting risk concentration based on insurance types and the geographical distribution. Technical reserves are concentrated based on insurance type as follows:

Insurance types	2020		2019	
	Net	Gross	Net	Gross
	JD	JD	JD	JD
Motor	28,631,924	29,964,919	28,298,483	29,836,814
Marine	220,379	1,028,561	188,667	1,029,867
Aviation	-	39,437	-	35,905
Fire and properties	1,919,115	9,703,375	1,004,608	11,077,467
Liability	325,922	1,136,170	298,240	1,061,188
Medical	9,065,338	23,122,911	8,854,439	23,319,595
Others	1,351,541	5,991,606	819,562	4,904,967
Total	**41,514,219**	**70,986,979**	**39,463,999**	**71,265,803**

The Group covers all its activities by proportional and non- proportional reinsurance treaties, facultative and excess of loss treaties, in addition to treaties that cover the Group's retention under the name of catastrophe risk treaties.

Assets, liabilities and off consolidated statement of financial position items are concentrated based on geographical distribution and sectors as follows:

	2020			2019		
	Assets	Liabilities	Off-Statement of Financial Position	Assets	Liabilities	Off-Statement of Financial Position
	JD	JD	JD	JD	JD	JD
A- According to Geographical Area						
Inside Jordan	114,708,740	54,051,887	4,703,040	106,039,498	49,114,476	3,657,447
Other Middle East Countries	2,824,069	4,362,236	-	2,732,200	6,594,728	-
Europe	134,847	19,616,178	-	118,800	16,278,091	-
Asia *	34,028	77,375	-	147,373	132,919	-
Africa *	76	431	-	-	106,957	-
Total	**117,701,760**	**78,108,107**	**4,703,040**	**109,037,871**	**72,227,171**	**3,657,447**

* Excluding Middle East countries.

	2020			2019		
	Assets	Liabilities	Off-Statement of Financial Position	Assets	Liabilities	Off-Statement of Financial Position
	JD	JD	JD	JD	JD	JD
B- According to Sector						
Public sector	6,708,707	15,059,443	3,530,743	7,341,139	12,860,200	2,146,945
Private Sector:						
Companies and corporations	107,735,224	58,524,846	1,172,297	99,341,796	56,702,803	1,510,502
Individuals	3,257,829	4,523,818	-	2,354,936	2,664,168	-
Total	**117,701,760**	**78,108,107**	**4,703,040**	**109,037,871**	**72,227,171**	**3,657,447**

The concentration of the off consolidated statement of financial position items, assets and liabilities related to reinsurers according to the geographical distribution is as follows:

	2020			2019		
	Assets	Liabilities	Off-Statement of Financial Position	Assets	Liabilities	Off-Statement of Financial Position
	JD	JD	JD	JD	JD	JD
C- According to Geographical Area						
Inside Jordan	518,120	70,986,979	-	-	71,265,803	-
Other Middle East Countries	2,698,709	-	-	7,910,875	-	-
Europe	24,922,031	-	-	20,500,560	-	-
Asia *	1,013,019	-	-	3,390,369	-	-
Africa *	320,881	-	-	-	-	-
Total	**29,472,760**	**70,986,979**	**-**	**31,801,804**	**71,265,803**	**-**

* Excluding Middle East countries.

Insurance Risk Sensitivity

The table below shows the effect of the possible reasonable change in underwriting premium rates on the consolidated statement of income and equity keeping all other affecting variables fixed.

Insurance Activities	Change	Effect on the underwriting premium	Effect on the current year pre- Tax profit	Effect on equity*
	%	JD	JD	JD
Motor	10	1,841,693	2,000,283	1,480,209
Marine	10	146,286	35,501	26,271
Aviation	10	4,527	-	-
Fire and property	10	943,059	124,704	92,281
Liability	10	101,554	19,244	14,241
Medical	10	4,752,050	1,700,519	1,258,384
Others	10	429,997	117,554	86,990
		8,219,166	**3,997,805**	**2,958,376**

* Net after deducting income tax effect.

If there is a negative change the effect equals the change above with changing the sign.

The table below shows the effect of the possible reasonable change in claims cost on the consolidated statement of income and equity keeping all other affecting variables fixed.

Insurance Activities	Change	Effect on the paid claims	Effect on the current year pre- Tax profit	Effect on equity*
	%	JD	JD	JD
Motors	10	1,470,414	1,437,445	1,063,709
Marine	10	58,500	25,317	18,735
Fire and property	10	556,096	132,800	98,272
Liability	10	5,961	5,637	4,171
Medical	10	3,416,441	1,206,164	892,561
Others	10	88,332	89,162	65,980
		5,595,744	**2,896,525**	**2,143,428**

* Net after deducting income tax effect.

If there is a negative change the effect equals the change above with changing the sign.

B- Financial Risks

The risks that the group face revolve around the possibility of insufficient return on investments to fund the obligations arising from insurance contracts and investments.

The Group follows financial policies to manage several risks within a specified strategy. The Group's management controls the risk and determines the most suitable strategic risk distribution procedures for each of the financial assets and liabilities. This risk includes interest rate risk, credit risk, foreign currency risk and market risk.

The Group follows a hedging policy for each of its assets and liabilities when required, the hedging policy is related to future expected risks.

1- Market Risks

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices such as interest rates, currency prices and stock prices. These risks are monitored according to specific policies and procedures and through specialized committees and business units. Market risk and its related controls are measured through sensitivity analysis.

2- Interest Rate Risk

Interest rate risks relate to long term bank deposits, development bonds, and other deposits. Moreover, the Group always aims to mitigate these risks through monitoring the changes in interest rates in the market. Interest rate risks relate to fixed deposits at banks and overdraft accounts, as of 31 December 2020. The interest rate on bank deposits range between 2.75% to 5.13% annually on Jordanian Dinar deposits. The interest rate on overdraft accounts is 5% annually. The Group did not use overdraft facilities which amount up to five hundred thousand dinars during the past three years and plans to not use it during the coming period foreseen.

The following table illustrates the sensitivity of exposure to interest rate at the date of the financial statements. Moreover, the analysis below has been prepared assuming that the amount of deposits outstanding at the statement of financial position date was outstanding for the whole financial year. An increase / decrease of 0.5% (half percent) is used representing the Group's assessment of the probable and acceptable change of interest rates.

	+ 0.5%		- 0.5%	
	For the Year Ended 31 December			
	2020	2019	2020	2019
	JD	JD	JD	JD
Increase (decrease) in profit for the year	272,785	285,112	(272,785)	(285,112)
Shareholders' equity	272,785	285,112	(272,785)	(285,112)

The table below shows the sensitivity of exposure to interest rates on the sovereign bonds of The Kingdome of Bahrain Government and the Government of the Hashemite Kingdom of Jordan. Moreover, the analysis below has been prepared assuming that the amount of bonds outstanding of financial position date was outstanding for the whole financial year. An increase/ decrease of 0.5% (half percent) is used representing the Group's assessment of the probable and acceptable change of interest rates.

	+ 0.5%		- 0.5%	
	For the Year Ended 31 December			
	2020	2019	2020	2019
	JD	JD	JD	JD
Increase (decrease) in profit for the year	59,410	12,311	(59,410)	(12,311)
Shareholders' equity	59,410	12,311	(59,410)	(12,311)

3- Foreign Currencies Risks

Foreign currencies risks are the risks resulting from the fluctuations in the value of the financial instruments due to the changes in the exchange rates of foreign currencies. Most of the Group's assets and liabilities are funded in Jordanian Dinar or US Dollar. The exchange rate of the US Dollar to Jordanian Dinar is fixed at 0.709 and the probability of this risk is very minimal. Consequently, the Group does not hedge for the foreign currencies risk due to the following reasons:

- The US Dollar exchange rate is fixed within a range from 0.708 to 0.710 selling and buying by the Central Bank of Jordan.
- All of the Group's accounts with the various parties including reinsurers are in Jordanian Dinar.
- There are no other foreign currencies denominated accounts. However, the Group monitors the fluctuation in the foreign currency exchange rate continuously.

The foreign currencies risks are the risks relating to the change in the value of the financial instruments due to the change in the foreign currencies exchange rates. Moreover, the Jordanian Dinar is considered the Group's functional currency. The Board of Directors sets the limits for the financial position of each currency at the Group. Additionally, the foreign currencies positions are monitored daily. Strategies are adopted to ensure that the positions of foreign currencies are maintained within the approved limits.

The following is the net position of the Group's major foreign currencies:

Currency Type	Foreign Currency		Equivalent in Jordanian Dinar	
	2020	2019	2020	2019
US Dollar	1,704,778	625,779	1,208,688	443,677

The Group's management believes that the foreign currencies risks and their impact on the financial statements are immaterial.

4- Liquidity Risk

The Management applies a suitable system to manage its short- and long-term funding risk and maintains sufficient reserves through monitoring the expected cash flows and comparing the maturity of assets with the maturity of financial and technical liabilities on the other hand.

Liquidity risk is the risk that the Group will not be able to meet its obligations associated as they fall due. To limit this risk, management arranges diversified funding sources, manages assets and liabilities, and monitors liquidity on a daily basis and maintains sufficient amount of cash and cash equivalents and these traded instruments.

The table below summarizes the maturity profile of financial liabilities based on contractual undiscounted payments:

2020 -	Less than month	1 month to 3 months	3-6 months	6 months to 1 year	1-3 years	Without maturity	Total
	JD	JD	JD	JD	JD	JD	JD
Liabilities							
Accounts payable	3,074,467	2,140,421	352,613	492,591	243,016	-	6,303,108
Accrued expenses	340,816	877,000	-	-	-	-	1,217,816
Reinsurance payables	2,982,399	10,513,709	4,579,037	3,856,031	2,169,017	-	24,100,193
Income tax provision	541,057	-	1,942,887	-	-	-	2,483,944
Lease contracts liabilities	89,075	-	52,440	40,876	125,243	-	307,634
End of service provision	-	-	-	-	-	1,604,843	1,604,843
Other liabilities	329,698	221,749	-	-	-	24,903	576,350
Total	**7,357,512**	**13,752,879**	**6,926,977**	**4,389,498**	**2,537,276**	**1,629,746**	**36,593,888**
Total Assets	**10,201,931**	**25,668,072**	**19,195,342**	**38,180,364**	**15,525,191**	**8,930,860**	**117,701,760**
2019 -							
Liabilities							
Accounts payable	2,068,169	1,885,535	1,320,752	710,540	94,027	-	6,079,023
Accrued expenses	353,000	373,091	-	-	-	-	726,091
Reinsurance payables	3,921,901	6,884,057	6,233,880	6,491,670	393,075	-	23,924,583
Lease contracts liabilities	65,306	-	23,270	16,344	304,180	-	409,100
End of service provision	-	-	-	-	-	1,393,128	1,393,128
Other liabilities	68,238	138,106	-	-	-	24,903	231,247
Total	**6,476,614**	**9,280,789**	**7,577,902**	**7,218,554**	**791,282**	**1,418,031**	**32,763,172**
Total Assets	**10,113,634**	**21,172,054**	**26,849,532**	**35,825,559**	**7,940,365**	**7,136,727**	**109,037,871**

5- Share Price Risk

This represents the decrease in the value of shares as a result of the changes in the level of indices of shares subscribed to in the investment portfolio at the Group.

The change in the stock exchange index as at the financial statements date was +5% or - 5%. The following is the impact of the change on the Group's shareholders' equity:

2020-	Change in Index	Impact on Shareholders' equity
		JD
Stock Exchange	5% Increase	182,188
Stock Exchange	5% Decrease	(182,188)
2019-		
Stock Exchange	5% Increase	166,360
Stock Exchange	5% Decrease	(166,360)

6- Insurance Risk

This risk arises from the other parties' inability to meet their obligations. These risks arise from the following:

- Reinsurers.
- Policyholders.
- Insurance agents.

To mitigate insurance risks, the Group performs the following:

- Sets credit limits for agents and brokers.
- Controls accounts receivable.
- Sets reinsurance policies at other financially solvent parties.
- Maintains the Group's cash balances at local and international banks.

7- Reinsurance Risk

As with other Insurance Companies, and for the purpose of reducing the exposure to financial risks that may arise from major insurance claims, the Group, within the normal course of its business, enters into reinsurance agreements with other parties.

In order to reduce its exposure to major losses arising from the insolvency of reinsurance companies, the Group evaluates the financial position of the reinsurance companies it deals with while monitoring credit concentrations coming from geographic areas and activities or economic components similar to those companies. Moreover, the reinsurance policies issued do not exempt the Group from its obligations towards policyholders. As a result, the Group remains committed to the reinsured claims balance in case the reinsurers are unable to meet their obligations according to the reinsurance agreements.

In order to reduce exposure to the financial risks that may arise from the major insurance claims, the Group enters into reinsurance agreements with other parties.

The Group applies the treaty and facultative reinsurance agreements terms upon underwriting for all types of insurance regardless of the size.

The Group completes the reinsurance coverage for each risk assigned to it before the issuance of the insurance policy in case of insurance policies exceeding the relative agreements limits.

If the Group decides to assign more than 30% of any insurance contract, it provides a facultative reinsurance cover by at least 60% of that of contract to a reinsurance Company that is classified as first and second class in accordance with the instructions of the solvency margin.

The Group reinsures on a facultative basis 100% of risks excluded from treaties to a reinsurance company (companies) classified as 1st or 2nd class according to the solvency margin instructions.
The Group follows up on the treaty and facultative reinsurance Companies monthly to ensure that the classification is not downgraded below 1st and 2nd class.

8- Operational Risks
Operational risks relate to systems downtime or may result from any intentional or unintentional human error. These risks may affect the Group's reputation as they may lead to financial losses. These risks may be avoided through segregating duties, setting the necessary procedures to obtain any information from the Group's systems, and making aware and training the Group's personnel.

9- Legal Risks
These risks relate to the lawsuits against the Group. In order to avoid these risks, the Group setup an independent legal department to follow up on the Group's operations in a manner that complies with the Insurance Law and the Insurance Commission's Regulations.

(36) Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled:

2020 -	Within 1 year	More than 1 year	Total
	JD	JD	JD
Assets-			
Banks deposits	54,556,910	-	54,556,910
Financial assets at fair value through profit or loss	568	-	568
Financial assets at fair value through other comprehensive income	-	3,643,183	3,643,183
Financial assets at amortized cost	-	11,882,009	11,882,009
Investment property	-	170,464	170,464
Cash and cash equivalents	907,327	-	907,327
Checks under collection	5,614,430	-	5,614,430
Accounts receivable	28,379,650	-	28,379,650
Reinsurance receivables	1,173,604	-	1,173,604
Deferred tax assets	-	3,634,254	3,634,254
Property and equipment	-	4,647,145	4,647,145
Intangible assets	-	391,089	391,089
Right of use assets	255,636	87,911	343,547
Other assets	2,357,580	-	2,357,580
Total Assets	**93,245,705**	**24,456,055**	**117,701,760**
Liabilities-			
Unearned premium reserve	15,720,407	-	15,720,407
Premium deficiency reserve	884,000	-	884,000
Outstanding claims reserve	19,429,654	5,480,158	24,909,812
Accounts payable	6,060,092	243,016	6,303,108
Accrued expenses	1,217,816	-	1,217,816
Reinsurance payables	21,931,176	2,169,017	24,100,193
Lease contracts liabilities	182,391	125,243	307,634
End of service provision	-	1,604,843	1,604,843
Income tax provision	2,483,944	-	2,483,944
Other liabilities	551,447	24,903	576,350
Total Liabilities	**68,460,927**	**9,647,180**	**78,108,107**
Net	**24,784,778**	**14,808,875**	**39,593,653**

2019 -	Within 1 year	More than 1 year	Total
	JD	JD	JD
Assets-			
Banks deposits	57,022,424	-	57,022,424
Financial assets at fair value through other comprehensive income	-	3,327,200	3,327,200
Financial assets at amortized cost	-	2,462,111	2,462,111
Investment property	-	170,464	170,464
Cash and cash equivalents	1,271,256	-	1,271,256
Checks under collection	5,355,202	-	5,355,202
Accounts receivable	26,396,937	-	26,396,937
Reinsurance receivables	1,615,645	-	1,615,645
Deferred tax assets	49,896	3,597,188	3,647,084
Property and equipment	-	4,687,709	4,687,709
Intangible assets	-	548,855	548,855
Right of use assets	203,032	283,571	486,603
Other assets	2,046,381	-	2,046,381
Total Assets	**93,960,773**	**15,077,098**	**109,037,871**
Liabilities-			
Unearned premium reserve	17,512,746	-	17,512,746
Premium deficiency reserve	884,000	-	884,000
Outstanding claims reserve	16,451,213	4,616,040	21,067,253
Accounts payable	5,984,996	94,027	6,079,023
Accrued expenses	726,091	-	726,091
Reinsurance payables	23,531,507	393,076	23,924,583
Lease contracts liabilities	104,920	304,180	409,100
End of service provision	-	1,393,128	1,393,128
Other liabilities	206,344	24,903	231,247
Total Liabilities	**65,401,817**	**6,825,354**	**72,227,171**
Net	**28,558,956**	**8,251,744**	**36,810,700**

(37) Analysis of Main Sectors

A- Background for the Group business sectors

General insurance sector includes Motor insurance, Marine, Aviation, Fire and Property, Liability, Medical and other insurance lines, the sectors above also include investments and cash management for the group account. The activities between the business sectors are carried out on the basis of estimated market prices and on the same terms as those with which they are dealing with.

B- Geographic concentration of risk

This disclosure illustrates the geographic distribution of the Group's operations, the Group mainly operates in Jordan, which represents domestic operations. Also, the Group exercises international activities through its allies in the Middle East, Europe, Asia, America and the Near East, which represent international business.

The following table represents the distribution of revenues and assets of the Group and capital expenditure by geographic region:

	Inside the Kingdom		Outside the Kingdom		Total	
	2020	2019	2020	2019	2020	2019
	JD	JD	JD	JD	JD	JD
Total assets	114,671,514	106,039,498	3,030,246	2,998,373	117,701,760	109,037,871
Total written premium	81,388,225	84,889,486	803,424	805,533	82,191,649	85,695,019
Capital expenditure	458,706	469,826	-	-	458,706	469,826

(38) Capital Management

The Group's objectives as to the management of capital are as follows:

a. To adhere to the Group's minimum capital issued by the Insurance Law. Moreover, the Group's minimum capital prior to the enforcement of the law according to which it was licensed to practice general insurance in all of its branches, jointly and severally, is JD 4 million.
b. To secure the continuity of the Group, and consequently, the Group's ability to provide the shareholders with good returns on capital.
c. To make available the proper return to shareholders through pricing insurance policies in a manner compatible with the risks associated with those polices.
d. To comply with the Insurance Commission Instructions associated with the solvency margin.
e. The below table shows the summary of the Group's capital and the minimum required capital:

	2020	2019
	JD	JD
Paid in Capital	21,438,252	21,438,252
Minimum Capital According to the Insurance Law	4,000,000	4,000,000

f. The following table shows the amount contributed to capital by the Group and the net solvency margin ratio as of 31 December 2020 and 2019:

	2020	2019
	JD	JD
Core Capital:		
Paid in Capital	21,438,252	21,438,252
Statutory reserve	5,825,651	5,825,651
Profit for the year net of appropriations	5,675,597	4,442,547
Retained earnings / (Accumulated losses)	2,946,750	(1,305,004)
Total Core Capital	35,886,250	30,401,446
Supplementary capital:		
Cumulative change in fair value	(2,292,597)	(2,590,746)
Subordinated loan – over 5 years	6,000,000	9,000,000
Total Supplementary Capital	-	-
Total regulatory capital (a)	39,593,653	36,810,700
Total required capital (b)	19,729,343	19,277,272
Solvency margin (a) / (b)	200.6%	190.9%

In the opinion of the Group's management, the regulatory capital is compatible with and adequate to the size of capital and nature of risks to which the Group is exposed.

(39) Lawsuits Against the Group

The Group appears as defendant in a number of lawsuits, the Group booked a sufficient provision to meet any obligations towards these lawsuits. In the opinion of the Group's management and its legal consultant, the provision for a total amount of JD 3,331,916 as at 31 December 2020 (31 December 2019: JOD 3,351,366) is sufficient to meet any obligations towards these lawsuits. Total amount of the cases raised by the Group against others is JD 3,223,040 as at 31 December 2020 (31 December 2019: JOD 3,621,190).

(40) Contingent Liabilities

At 31 December 2020, the Group has letters of guarantee in the amount of JD 4,703,040 (2019: JD 3,657,447) against which cash margins of JD 470,304 are recorded (2019: JD 365,744).

(41) Fair Value Hierarchy

The following table analyzes the financial instruments recorded at fair value based on the valuation method which is defined at different levels as follows:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets;
- Level 2: Information not included in level (1) quoted prices monitored for the asset or liability, either directly (e.g. prices) or indirectly (i.e. derived from prices);
- Level 3: information on the asset or liability not based on those observed from the market (unobservable inputs).

2020-	Level (1)	Level (2)	Level (3)	Total
	JD	JD	JD	JD
Financial assets at fair value through profit or loss	568	-	-	568
Financial assets at fair value through other comprehensive income	3,643,183	-	-	3,643,183
	3,643,751	**-**	**-**	**3,643,751**
2019-	**JD**	**JD**	**JD**	**JD**
Financial assets at fair value through other comprehensive income	3,327,200	-	-	3,327,200
	3,327,200	**-**	**-**	**3,327,200**

(42) Investing in a company with a life insurance license

The Company's board of directors decided in its meeting held on 22 October 2020 to invest in Arab Life and Accident Insurance Company (Public Shareholding Company) by increasing its capital by 4 million shares (from 8 million Shares to become 12 million shares) as a preliminary step for merger of both Companies in accordance with the relevant laws. The General Assembly of Arab Life and Accident Insurance Company decided in its extraordinary meeting held on 17 December 2020 to allocate the full amount of capital increase of JD 4,000,000 (Four Million Shares) with a par value of JD 1 each to the strategic investor (Arab Orient Insurance Company – public shareholding Company). The underwriting price of the increased share will be JD 0.4 each with a discount of JD 0.6 each. Subsequent to the date of consolidated financial statements on 10 January 2021, the Minister of Industry, Trade and Supply approved the decision of the General Assembly.

(43) The spread of Coronavirus (Covid-19) and its impact on the group

As a result of the continuing impact of the Coronavirus (Covid-19) on the global economy and various business sectors and the accompanying restrictions and procedures imposed by the Jordanian government, neighboring countries and the rest of the world, the Group's management prepared a study to determine the extent of the impact of the Corona virus on the Group's activities and its financial data to take appropriate measures to enable it to continue its activities in light of the current circumstances, as operational activities may be affected by global developments that currently affect various economic and geographical sectors.

(44) Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below and the group intends to adopt these standards when they become effective:

IFRS 17 Insurance Contracts

IFRS 17 provides a comprehensive model for insurance contracts covering the recognition and measurement and presentation and disclosure of insurance contracts and replaces IFRS 4 -Insurance Contracts. The standard applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The standard general model is supplemented by the variable fee approach and the premium allocation approach.

The new standard will be effective for annual periods beginning on or after 1 January 2023 with comparative figures required. Early application is permitted provided that the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement,
- The right to defer must exist at the end of the reporting period,
- That classification is unaffected by the likelihood,
- That an entity will exercise its deferral right,
- And that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities.

General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

IBOR reform Phase 2

IBOR reform Phase 2, which will be effective on 1 January 2021, includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a risk-free-rate (RFR).

Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

IBOR reform Phase 2 provides temporary reliefs that allow the Company's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the Company to amend hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and / or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place. For the retrospective assessment of hedge effectiveness, the Company may elect on a hedge by hedge basis to reset the cumulative fair value change to zero. The Company may designate an interest rate as a non-contractually specified, hedged risk component of changes in the fair value or cash flows of a hedged item, provided the interest rate risk component is separately identifiable, e.g., it is an established benchmark that is widely used in the market to price loans and derivatives. For new RFRs that are not yet an established benchmark, relief is provided from this requirement provided the Bank reasonably expects the RFR to become separately identifiable within 24 months. For hedges of groups of items, the Company is required to transfer to subgroups those instruments that reference RFRs. Any hedging relationships that prior to application of IBOR reform Phase 2, have been discontinued solely due to IBOR reform and meet the qualifying criteria for hedge accounting when IBOR reform Phase 2 is applied, must be reinstated upon initial application.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards.

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

The amendments will be applied prospectively to the fair value measurement, effective 1 January 2022, with early adoption permitted.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.