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To: Jordan Securities Commission
Amman Stock Exchange

السادة هيئة الأوراق المالية
السادة بورصة عمان

Subject: Audited Financial Statements for the fiscal
year ended 31/12/2018

الموضوع: البيانات المالية السنوية المدققة
للسنة المنتهية في 31/12/2018

Attached the Audited Financial Statements of
Arab assurers insurance company for the fiscal
year ended 31/12/2018.

مرفق طيه نسخة من البيانات المالية المدققة
لشركة الضامنون العرب للتأمين عن السنة
المالية المنتهية في 31/12/2018 .

Kindly accept our high appreciation and respect

وتفضلوا بقبول فائق الاحترام،،،

Arab assurers insurance company

شركة الضامنون العرب للتأمين

Member of board of director /General Manager

عضو مجلس الادارة / المدير العام

Haitham al khatarneh

هيثم الختاتنه

بورصة عمان
الدائرة الإدارية والمالية
الديوان

٢٠١٩ آذار ٢١

الرقم المتسلسل: 1706
رقم الملف: 21026
الجهة المختصة: 611

**ARAB ASSURERS INSURANCE COMPANY
(PUBLIC SHAREHOLDING COMPANY)
AMMAN - JORDAN**

**CONSOLIDATED FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT
AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

ARAB ASSURERS INSURANCE COMPANY
(PUBLIC SHAREHOLDING COMPANY)
AMMAN - JORDAN

CONSOLIDATED FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT
AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Arab Assurers Insurance Company
Public Shareholding Company
Amman - Jordan

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the financial statements of Arab Assurers Insurance Company, which comprise:

- The statement of consolidated financial position as at 31 December 2018.
- The statement of Consolidated income and comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- 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 Company as at 31 December 2018, and its Consolidated financial performance and its Consolidated 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 Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with this 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 financial statements of the current period. 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

To the Shareholders of Arab Assurers Insurance Company
Public Shareholding Company
Amman - Jordan

1 Impairment of trade and reinsurers receivables

Key Audit Matter

The balance of accounts receivable and reinsurance receivable impairment provision is JD 2,139,859 as 31 December 2018 which accounts 28% of total receivables, and the determination of the expected credit loss in accordance with the expected credit loss model under IFRS 9 requires critical estimates and professional judgment .

Related Disclosures

Refer to note [11] and [12] of the accompanying financial statements.

Audit Response

The audit procedures included the understanding of the internal controls applied by the company for the process of collecting, also we reviewed the ages of those receivables and expected credit loss for each category, all the lawsuits, correspondent inquiries and subsequent collections. As a result, we evaluated the sufficiency of this provision and the related disclosures.

2 Technical reserves

Key Audit Matter

The reported claims reserve amounted to JD 7,192,930 as at 31 December 2018, providing this reserve depends highly on management estimates based on past experiences to face this kind of claims by any insured or third party; And the incurred but not reported claims reserve (IBNR) mounted to JD 1,138,943 as at 31 December 2018, providing this reserve completely depends on an actuarial evaluation.

Related Disclosures

Refer to note [3] of the accompanying financial statements.

Audit Response

The audit procedures applied included an understanding of the nature of the technical reserves and performing tests on internal controls so we can evaluate the estimates and assumptions applied by the management and ensure the sufficiency and reasonableness of such assumptions and estimates by testing a sample of the reserves and recalculate it, also we referred to the loss adjuster report, the company's lawyer report and the actuarial report.

INDEPENDENT AUDITOR'S REPORT (Continued)

To the Shareholders of Arab Assurers Insurance Company
Public Shareholding Company
Amman - Jordan

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the Consolidated financial statements and our auditor's report thereon we have not been provided with other information until the date of our 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 financial statements, our responsibility is to read the other information 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information that we have not been provided yet we are required to report that fact.

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

To the Shareholders of Arab Assurers Insurance Company
Public Shareholding Company
Amman - Jordan

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

To the Shareholders of Arab Assurers Insurance Company
Public Shareholding Company
Amman - Jordan

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

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

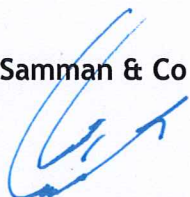
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

The Company maintains proper accounting records, and the audited consolidated financial statements and the financial information stated in the Board of Directors' report are in agreement therewith. We recommend the General Assembly to approve them.

Samman & Co



Ahmad Ramahi
License No. 868



28 February 2019
Amman - Jordan

Arab Assurers Insurance Company
(Public Shareholding Company)
Amman - Jordan

Statement of Consolidated financial position
As at 31 December 2018

	<u>Notes</u>	<u>2018</u> JD	<u>2017</u> JD
<u>ASSETS</u>			
Deposits at banks	(5)	4,439,065	4,818,363
Financial assets at fair value through profit or loss	(6)	26,269	36,777
Financial assets at fair value through other comprehensive income	(7)	369,413	364,961
Investment property	(8)	2,566,045	2,577,205
Total Investments		7,400,792	7,797,306
Cash on hand and cash at banks	(9)	877,557	541,613
Checks under collection	(10)	1,027,248	985,288
Accounts receivables- net	(11)	3,941,860	2,139,921
Reinsurers receivables- net	(12)	1,491,551	912,192
Deferred tax assets	(13/B)	1,267,308	1,290,747
Property and equipment - net	(14)	1,611,840	1,644,137
Intangible assets - net	(15)	2,613	5,727
Other assets	(16)	251,841	237,765
TOTAL ASSETS		17,872,610	15,554,696
<u>LIABILITIES AND EQUITY</u>			
<u>LIABILITIES</u>			
Unearned premiums reserve - net		6,217,758	4,344,915
Outstanding claims reserve - net		2,367,885	2,638,083
Total Insurance Contracts Liabilities		8,585,643	6,982,998
Bank facilities	(17)	86,723	134,298
Accounts payable	(18)	961,324	760,269
Reinsurers payable	(19)	279,211	192,763
Income tax provision	(13/A)	18,609	144,272
Other provisions	(20)	105,743	47,769
Other liabilities	(21)	1,886,123	1,547,503
		3,337,733	2,826,874
TOTAL LIABILITIES		11,923,376	9,809,872
<u>EQUITY</u>			
Subscribed capital	(22)	9,215,909	9,215,909
Statutory reserve	(23)	1,003,082	899,789
Voluntary reserves	(23)	194,619	194,619
Issuance discount	(22)	(3,330,636)	(3,330,636)
Accumulated change in fair value	(24)	(1,705,172)	(1,709,625)
Retained earnings	(25)	12,635	474,768
Net income		558,797	-
Total Equity		5,949,234	5,744,824
TOTAL LIABILITIES AND TOTAL EQUITY		17,872,610	15,554,696

The financial statements on pages [1] to [49] were approved and authorized for issue by the Board of Directors on 25 February 2019 and were signed by:

General Manager

Chairman

Arab Assurers Insurance Company
(Public Shareholding Company)
Amman - Jordan

Statement of Consolidated income
for the year ended 31 December 2018

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
		JD	JD
Revenues			
Gross written premiums		15,923,305	12,791,615
(Less): Reinsurers share		(1,369,278)	(2,044,817)
Net Written Premiums		14,554,027	10,746,798
Net change in unearned premiums provision		(1,872,843)	(558,534)
Net Earned Premiums		12,681,184	10,188,264
Commissions revenue		179,025	239,136
Insurance policy issuing fees		2,345,150	1,092,912
Revenues related to underwritings		346,325	454,667
Interest revenue	(26)	170,981	153,257
Net profit from financial assets and investments	(27)	47,409	37,002
Other revenues	(28)	93,968	75,182
Total Revenues		15,864,042	12,240,420
<u>Claims, Losses and Expenses</u>			
Paid claims		(12,734,683)	(10,067,556)
(Less): Recoveries		963,984	1,032,533
Reinsurers share		570,097	422,775
Net Paid Claims		(11,200,602)	(8,612,248)
Net change in outstanding claims provision		270,198	512,533
Allocated salaries and employee's benefits	(29)	(972,450)	(883,853)
Allocated general and administrative expenses	(30)	(672,062)	(439,750)
Excess of loss premium		(243,837)	(226,684)
Commission paid		(1,109,823)	(810,934)
Other expenses related to underwritings		(395,491)	(336,038)
Net Claims		(14,324,067)	(10,796,974)
Unallocated impermanent of receivables expenses	(5,10,11,12)	(32,710)	-
Unallocated salaries and employee's benefits	(29)	(243,112)	(220,963)
Unallocated general and administrative expenses	(30)	(173,712)	(116,240)
Depreciation and amortization	(8,14,15)	(70,123)	(67,210)
Total Expenses		(14,843,724)	(11,201,387)
Profit for the year before tax		1,020,318	1,039,033
Income tax	(13/A)	(358,228)	280,949
Profit for the year after tax		662,090	1,319,982
Earning per share for the year	(31)	0.072	0.143

**Arab Assurers Insurance Company
(Public Shareholding Company)
Amman - Jordan**

**Statement of Consolidated comprehensive income
for the year ended 31 December 2018**

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
		JD	JD
Profit for the year		662,090	1,319,982
Add: other comprehensive income for the year			
Change in fair value reserve	(24)	<u>4,453</u>	<u>(37,782)</u>
Total Comprehensive income for the year		<u><u>666,543</u></u>	<u><u>1,282,200</u></u>

Arab Assurers Insurance Company
(Public Shareholding Company)
Amman - Jordan

Statement of Consolidated changes in equity
for the year ended 31 December 2018

	Subscribed Capital	Statutory Reserve	Voluntary Reserve	Issuance discount	Accumulated change in fair value	Retained earnings	Total
	JD	JD	JD	JD	JD	JD	JD
Balance as at 1 January 2018	9,215,909	899,789	194,619	(3,330,636)	(1,709,625)	474,768	5,744,824
IFRS 9 Effect	-	-	-	-	-	(462,133)	(462,133)
Balance as at 1 January 2018 - after adjusted	9,215,909	899,789	194,619	(3,330,636)	(1,709,625)	12,635	5,282,691
Transferred to statutory reserve	-	103,293	-	-	-	(103,293)	-
Comprehensive Income for the year	-	-	-	-	-	662,090	662,090
Net change of financial assets at fair value through OCI	-	-	-	-	4,453	-	4,453
Balance as at 31 December 2018	9,215,909	1,003,082	194,619	(3,330,636)	(1,705,172)	571,432	5,949,234
Balance as at 1 January 2017	9,215,909	795,886	194,619	(3,330,636)	(1,671,843)	(741,311)	4,462,624
Transferred to statutory reserve	-	103,903	-	-	-	(103,903)	-
Comprehensive Income for the year	-	-	-	-	-	1,319,982	1,319,982
Net change of financial assets at fair value through OCI	-	-	-	-	(37,782)	-	(37,782)
Balance as at 31 December 2017	9,215,909	899,789	194,619	(3,330,636)	(1,709,625)	474,768	5,744,824

**Arab Assurers Insurance Company
(Public Shareholding Company)
Amman - Jordan**

**Statement of Consolidated cash flows
for the year ended 31 December 2018**

	<u>Notes</u>	<u>2018</u> JD	<u>2017</u> JD
Cash flows from operating activities:			
Profit for the year before tax		1,020,318	1,039,033
Adjustments for:			
Depreciation and amortization	(8,14,15)	70,123	67,210
Gain on sale of property and equipment		(5,500)	(22,684)
Net change in unearned premiums provision		1,872,843	558,534
Net change in outstanding claims provision		(270,198)	(512,533)
Net change of financial assets at fair value through profit or loss	(27)	10,507	31,691
Imperment recovery of property investment		-	(15,735)
Imperment of financial assets at amortized cost	(10,11,12)	28,269	-
Operating cash flows from operating activities before changes in working capital		2,726,362	1,145,516
Checks under collection		(47,952)	(231,878)
Accounts receivable		(2,089,168)	(19,410)
Reinsurance receivable -net		(776,538)	(170,051)
Other assets		(14,076)	(469)
Accounts payable		201,055	(140,159)
Reinsurers payable		86,448	(182,562)
Other provisions		57,974	(7,565)
Other liabilities		338,620	90,072
Net cash flows from operating activities before paid income tax		482,725	483,494
Income tax paid	(13/A)	(460,452)	(7,475)
Net cash flows from operating activities		22,273	476,019
Cash flows from investing activities			
Purchase of property and equipment	(14)	(23,552)	(89,186)
Proceeds from sale of property, equipment		5,500	27,580
Net cash flows from investing activities		(18,052)	(61,606)
Cash flows from financing activities			
Changes in restricted deposits		241,432	(11,609)
Net cash flows from financing activities		241,432	(11,609)
Net increase in cash and cash equivalents		245,653	402,804
cash and cash equivalents - beginning of the year		3,833,422	3,430,618
cash and cash equivalents - end of the year	(32)	4,079,075	3,833,422

Arab Assurers Insurance Company
(Public Shareholding Company)
Amman - Jordan

Statement of Consolidated underwriting revenues for life insurance
for the year ended 31 December 2018

	<u>2018</u> JD	<u>2017</u> JD
Written premiums:		
Direct businesses	-	-
Gross premiums	-	-
Add:		
Mathematical provision-Beginning of the year	-	-
Less: reinsurers share -Beginning of the year	-	-
Net Mathematical provision	-	-
Less:		
Mathematical provision-End of the year	-	-
Less: reinsurers-End of the year	-	-
Net Mathematical provision	-	-
Other expenses	-	-
Net revenues from underwritten Premiums	-	-

Arab Assurers Insurance Company
(Public Shareholding Company)
Amman - Jordan

Statement of Consolidated claims cost for life insurance
for the year ended 31 December 2018

	<u>2018</u>	<u>2017</u>
	JD	JD
Paid claims	4,704	1,532
Reinsurers share	-	-
Net Paid Claims	<u>4,704</u>	<u>1,532</u>
Reported claims provision-End of the Year	12,484	27,500
Less		
Reinsurers share	-	-
Recoveries	-	-
Net claims provision-End of the Year	<u>12,484</u>	<u>27,500</u>
Reported claims provision-Beginning of the Year	(27,500)	(48,904)
IBNR Claims reserve-Beginning of the Year	-	-
Net claims provision-Beginning of the year	<u>(27,500)</u>	<u>(48,904)</u>
Net Claims Cost	<u><u>(10,312)</u></u>	<u><u>(19,872)</u></u>

**Arab Assurers Insurance Company
(Public Shareholding Company)
Amman - Jordan**

**Statement of Consolidated life insurance losses
for the year ended 31 December 2018**

	<u>2018</u>	<u>2017</u>
	JD	JD
Net revenues from underwritten Premiums	-	-
Net claims cost	<u>10,312</u>	<u>19,872</u>
Total Revenues	<u>10,312</u>	<u>19,872</u>
General and Administrative Expenses from underwritten premiums	-	-
Other expenses	<u>-</u>	<u>(160)</u>
Net underwriting Loss	<u><u>10,312</u></u>	<u><u>19,712</u></u>

Arab Assurers Insurance Company
(Public Shareholding Company)
Amman - Jordan

Statement of Consolidated underwriting revenues for the general insurance
for the year ended 31 December 2018

	Motor		Marine and Transportation		Fire and Other		Responsibility		Credit and guarantees		Medical		Personal accidents		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Written premiums																
Direct businesses	11,750,303	8,524,523	91,720	105,667	510,243	464,967	101,669	71,268	27,646	42,724	1,906,852	1,350,280	91,343	126,760	14,479,776	10,687,189
Reinsurance facultative inward business	1,430,505	2,092,617	1,555	1,326	11,469	10,483	-	-	-	-	-	-	-	-	1,443,529	2,044,216
Gross premiums	13,180,808	10,617,140	93,275	106,993	521,712	475,450	101,669	71,268	27,646	42,724	1,906,852	1,350,280	91,343	126,760	15,923,305	12,791,615
(Less): Local reinsurance share	(752,650)	(1,467,560)	-	-	-	-	-	-	-	-	-	-	-	-	(752,650)	(1,467,560)
international reinsurance share	-	-	(58,479)	(63,826)	(486,642)	(409,163)	-	-	(20,914)	(36,315)	-	-	(50,993)	(67,953)	(616,628)	(577,257)
Net written premiums	12,428,158	9,149,580	34,796	43,167	35,070	66,287	101,669	71,268	6,732	6,409	1,906,852	1,350,280	40,750	58,807	14,554,027	10,746,798
Add: Unearned premiums provision - Beginning of the year	3,737,614	3,187,694	24,438	35,118	192,027	242,182	25,208	21,847	65,896	37,877	615,333	590,037	39,645	37,372	4,700,161	4,152,127
Less: Reinsurance share - Beginning of the year	(81,913)	(66,003)	(13,414)	(20,470)	(166,265)	(212,215)	-	-	(55,811)	(31,667)	-	-	(37,843)	(35,391)	(355,246)	(365,746)
Net unearned premiums provision - Beginning of the Year	3,655,701	3,121,691	11,024	14,648	25,762	29,967	25,208	21,847	10,085	6,210	615,333	590,037	1,802	1,981	4,344,915	3,786,381
Less: Unearned premiums provision - End of the Year	5,586,497	3,737,614	11,363	24,438	199,889	192,027	44,762	25,208	71,735	65,896	790,607	615,333	29,745	39,645	6,735,598	4,700,161
Reinsurance share - End of the Year	(241,012)	(81,913)	(7,069)	(13,414)	(164,370)	(162,665)	(18,277)	-	(59,446)	(55,811)	-	-	(27,666)	(37,843)	(517,840)	(355,246)
Net unearned premiums provision - End of the Year	5,345,485	3,655,701	4,294	11,024	35,519	25,762	26,485	25,208	13,289	10,085	790,607	615,333	2,079	1,802	6,217,758	4,344,915
Net Revenue from underwritten Premiums	10,738,374	8,615,570	41,526	46,791	25,313	70,492	100,392	68,907	3,528	2,534	1,731,578	1,324,984	40,473	58,986	12,681,184	10,188,264

Arab Assurers Insurance Company
(Public Shareholding Company)
Amman - Jordan

Statement of Consolidated claims cost for the general insurance
for the year ended 31 December 2018

	Motor		Marine and Transportation		Fire and Other		Responsibility		Credit and guarantees		Medical		Personal accidents		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Paid claims	11,347,118	8,688,900	28,582	28,116	53,557	105,665	520	20	69,703	53,091	1,230,026	1,181,515	473	8,717	12,729,979	10,066,024
Less: Recoveries	(913,531)	(980,861)	-	-	(1,463)	(30)	-	-	(10,889)	(7,600)	(38,101)	(43,956)	-	(66)	(963,984)	(1,032,533)
Local reinsurers share	(121,642)	(113,033)	-	-	-	-	-	-	-	-	-	-	-	-	(121,642)	(113,033)
international reinsurers share	(317,724)	(148,037)	(24,665)	(23,535)	(47,800)	(89,775)	-	-	(57,911)	(41,857)	-	-	(355)	(6,538)	(448,455)	(309,742)
Net Paid Claims	9,994,221	7,446,969	3,917	4,581	4,294	15,860	520	20	903	3,614	1,191,925	1,137,559	118	2,113	11,195,898	8,610,716
Add: Reported claims reserve - End of the Year	3,934,471	2,779,679	567,397	473,947	2,090,163	2,113,623	62,560	67,388	178,697	92,380	352,592	351,250	7,050	3,615	7,192,930	5,881,882
IBNR End of the Year	1,131,312	1,913,596	1,460	1,489	271	236	-	-	-	-	5,591	6,194	309	1,214	1,138,943	1,922,729
Less: Reinsurers share - End of the Year	(1,490,840)	(1,490,612)	(511,971)	(427,893)	(1,985,879)	(2,008,166)	-	-	(148,091)	(76,060)	-	-	(5,288)	(2,711)	(4,142,069)	(4,005,442)
Recoveries	(1,814,984)	(1,173,820)	-	-	-	-	-	-	(12,736)	(7,083)	(6,683)	(7,683)	-	-	(1,834,403)	(1,188,506)
Net claims reserve - End of the Year	1,759,959	2,028,843	56,886	47,543	104,555	105,693	62,560	67,388	17,870	9,237	351,500	349,761	2,071	2,118	2,355,401	2,610,583
Less: Reported claims reserve - beginning of the Year	2,779,679	2,366,712	473,947	492,688	2,113,623	2,519,302	67,388	64,020	92,380	43,217	351,250	374,327	3,615	7,770	5,881,882	5,868,036
IBNR beginning of the year	1,913,596	1,720,699	1,489	1,003	236	350	-	98	-	-	6,194	5,429	1,214	1,324	1,922,729	1,728,903
Reinsurers share - beginning of the year	(1,490,612)	(1,531,490)	(427,893)	(444,322)	(2,008,166)	(2,393,670)	-	-	(76,060)	(33,513)	-	-	(2,711)	(5,828)	(4,005,442)	(4,408,823)
Recoveries	(1,173,820)	(72,596)	-	-	-	-	-	-	(7,083)	(5,383)	(7,683)	(8,425)	-	-	(1,888,506)	(86,404)
Net claims reserve - beginning of the year	2,028,843	2,483,325	47,543	49,369	105,693	125,992	67,388	64,118	9,237	4,321	349,761	371,331	2,118	3,266	2,610,583	3,101,712
Net Paid Claims Cost	9,725,337	6,992,487	13,260	2,755	3,156	(4,429)	(4,308)	3,290	9,536	8,530	1,193,664	1,115,989	71	965	10,940,716	8,119,587

Arab Assurers Insurance Company
(Public Shareholding Company)
Amman - Jordan

statement of Consolidated underwriting profits (losses) for the general insurance
for the year ended 31 December 2018

	Motor		Marine and Transportation		Fire and Other		Responsibility		Credit and guarantee		Medical		Personal accidents		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Net revenue from underwritten premiums	10,738,374	8,615,570	41,526	46,791	25,313	70,492	100,392	68,907	3,528	2,534	1,731,578	1,324,984	40,473	58,807	12,681,184	10,188,085
Less: net paid claims cost	(9,725,337)	(6,997,487)	(13,260)	(2,755)	(3,156)	(58,993)	4,308	(3,290)	(9,536)	(8,530)	(1,193,664)	(1,115,989)	(71)	(965)	(10,940,716)	(8,183,009)
Add: received commissions	50,000	115,000	19,635	22,915	106,163	98,305	-	-	-	-	-	-	3,227	2,916	179,025	239,136
Policy issuance fees	2,019,478	861,551	38,409	38,658	124,356	105,178	33,095	18,817	11,347	2,449	114,018	62,237	4,446	4,022	2,345,150	1,092,912
other revenues	346,325	454,667	-	-	-	-	-	-	-	-	-	-	-	-	346,325	454,667
Total revenues	3,428,840	3,054,301	86,310	105,609	252,676	214,982	137,795	84,434	5,339	(3,547)	651,932	271,232	48,075	64,780	4,610,968	3,791,791
Less: paid commissions	(720,644)	(680,525)	(5,758)	(10,717)	(58,227)	(63,330)	(9,025)	(36,925)	(56)	-	(314,057)	(17,733)	(2,056)	(1,704)	(1,109,823)	(810,934)
Excess of loss premiums	(215,824)	(198,421)	(2,873)	(2,899)	(25,140)	(25,364)	-	-	-	-	-	-	-	-	(243,837)	(226,684)
Allocated salaries and employees' benefits and general and administrative expenses	(1,361,273)	(1,098,600)	(9,633)	(11,071)	(53,881)	(49,197)	(10,500)	(7,478)	(2,855)	(4,421)	(196,934)	(139,720)	(9,434)	(13,116)	(1,644,510)	(1,323,603)
Other expenses related to underwritings	(308,481)	(173,516)	(2,950)	(4,242)	(15,207)	(15,251)	(783)	(574)	(521)	(571)	(66,979)	(139,415)	(570)	(2,469)	(395,491)	(336,038)
Total Expenses	(2,606,222)	(2,151,062)	(21,214)	(28,929)	(152,455)	(153,142)	(20,308)	(44,977)	(3,432)	(4,992)	(577,970)	(296,868)	(12,060)	(17,289)	(3,393,661)	(2,697,259)
Net underwriting profit	822,618	903,239	65,096	76,680	100,221	61,840	117,487	39,457	1,907	(8,539)	73,962	(25,636)	36,015	47,491	1,217,307	1,094,532

**Arab Assurers Insurance Company
(Public Shareholding Company)
Amman - Jordan**

**Notes forming part of the Consolidated financial statements
For the year ended 31 December 2018**

1) General

The Arab assurers insurance company was established in Amman-Jordan and registered as public shareholding company in the Jordanian Ministry of Industry and Trade under number (300) on 6 December 1995 with a capital of 8 million JD/share.

The consolidated financial statement includes of Arab assurers insurance company financial statements and the subsidiary financial statement "assurers for Investment property" which is a limited liability company owned 100% by Arab assurers insurance company as at 31 December 2018.

The Company is engaged in insurance business against fire, vehicle, marine, aviation and medical insurance through its main branch located in Queen Rania Street-Amman and other branches at Jabil al Hussein-Amman, al saru and Irbid.

The consolidated financial statements for the year 2018 were approved by the Board of Directors in its meeting held number (3) on 25 February 2019.

2) Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. Which were disclosed in standard (4). The policies have been consistently applied to all the years presented, unless otherwise stated.

The Consolidated financial statements are presented in JOD, which is also the company's functional currency.

Amounts are rounded to the nearest JOD.

These Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) as adopted by the Jordanian laws.

The preparation of the Consolidated financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Company management to exercise judgment in applying the Company's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

Basis of measurement

The financial statements have been prepared on a historical cost basis, except the financial instruments - fair value through profit or loss financial instruments - fair value through other comprehensive income, which described below in the related accounting policy.

Changes in accounting policies

a) New standards, interpretations and amendments effective from 1 January 2018.

New standards impacting the Company that will be adopted in the annual financial statements for the year ended 31 December 2018, and which have given rise to changes in the Company accounting policies are:

- IFRS 9 Financial Instruments (IFRS 9)

The main effect of IFRS 9 on the company will be from the new introduced impairment model, the impairment allowance of financial assets measured at amortized cost will be calculated in accordance with the expected loss model instead of the incurred loss model required in accordance with IAS 39.

The company used the simplified approach in applying IFRS 9 by calculating the probability of default on lifetime basis. A bad debt expense increased by JD 32,710 to held a total allowance of JD 2,139,859 the impairment has recognized retrospectively by JD 462,133 that shows in owners equity statement in the opening balance of the retained earnings as of 1 January 2018.

In addition to the above, the following are new amendments and improvements that does not apply or does not have a material effect on the financial statements:

- IFRS (2): Classification and Measurements of Share-Based Payments.
- IAS (40): Clarify Transfers of Investment in Property.
- Annual Improvements to IFRSs 2014 -2016 Cycle - Amendments on IFRS (1) adopting IFRS for the first time and IAS (28) Investment in associate and joint venture (effective on 1 January 2018).
- IFRIC (22) Foreign Currency Transactions and Advance Consideration.
- IFRS (4): Applying IFRS 9 Financial Instruments with IFRS (4) Insurance Contracts (effective on 1 January 2018).

b) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the company has decided not to adopt early (effective after 1 January 2019). These are:

- IFRS 16 Leases (mandatorily effective for periods beginning on or after 1 January 2019)
Adoption of IFRS 16 will result in the company recognizing right-of-use assets and lease liabilities for all contracts that are, or contain, a lease. The company has decided it will apply the modified retrospective adoption method in IFRS 16, and, therefore, it only recognize leases on balance sheet as at 1 January 2019. In addition, it has decided to measure right-of-use assets by reference to the measurement of the lease liability on that date. This will ensure there is no immediate impact to net assets on that date.

Notes forming part of the Consolidated financial statements
For the year ended 31 December 2018 (continued)

The fact that the Company records the lease contracts based on IFRS 16 will result in its recognition of the right - of - use the assets in the amount of 97,888 and a lease liabilities to the same amount as at 1 January 2019.

The Company instead of recognizing a rental expense of the operating lease payments will recognize interest on the lease liabilities and amortization expense on the right of use the assets. This will result in the Company recognizing in the first periods a greater expense than the one recognized as operating lease expense based on the previous standard resulting in decreasing in the profits with the difference between the interest amortization expense recognized according to ifrs 16 estimated to be JD 27,898 at the first year and the operating rent expense according to IAS 17 estimated to be JD 24,480 .

In addition of the mentioned above, there are a new amendments and improvements does not apply or there is no material effect on the financial statements for the period ended on 31 December 2019:

- IFRIC 23 Uncertainty over Income Tax Positions (effective 1 January 2019).
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (effective 1 January 2019)
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (effective 1 January 2019)
- Annual Improvements to IFRSs 2015-2017 Cycle (IFRS 3 Business Combinations and IFRS 11 Joint Arrangements, IAS 12 Income Taxes, and IAS 23 Borrowing Costs) (effective 1 January 2019)
- IFRS 17 Insurance Contracts (effective 1 January 2021)

3) Critical accounting estimates and judgments

The preparation of the consolidated financial statements and applying accounting policies requires management to make estimates and judgments that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues, expenses, the resultant provisions and the changes in fair value in comprehensive income and equity. 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:

Provision for financial assets at amortized cost

The company recognized the expected credit loss for financial assets at amortized cost using the simplified approach according to the requirements of IFRS 9 which requires the use of critical assumptions and estimations, the financial assets policy is given in note (4) accounting policy.

Income tax

The financial year is charged with its related income tax in accordance with regulations and International Financial Reporting Standards.

Property, Equipment and intangible assets

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 statement of The outstanding claim reserve and technical reserve are estimated based on technical studies and according to insurance commission regulation and filed actuarial studies.

Notes forming part of the Consolidated financial statements
For the year ended 31 December 2018 (continued)

Technical Reserves

the management estimate technical reserves depending on technical and actuarial studies and in accordance with insurance management instructions

Lawsuit

A provision on lawsuit against the Company is made based on the Company's lawyers' studies in which contingent risk is determined, review of such study is performed periodically.

Recoveries

The management estimates recoverable amounts from other insurance companies that is related to cars accidents based on management study and according to the information and documents available.

Fair Value Levels

Fair value measurement: we have identified and disclosed the hierarchy of the fair value which categories and separates all fair value measurements according to the identified levels in International Financial Reporting Standards. The difference between level 2 and level 3 represents a valuation whether information or inputs are observable and the extent of the importance of unobservable inputs which require to set policies and detailed analysis for used inputs to measure fair value with taking into account all factors that are related to an asset or liability.

Basis of consolidation

When the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the company and its subsidiaries (Assurers for property investment) as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquirer's identifiable assets, liabilities and contingent liabilities are initially recognized at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

4) Accounting policies

A. Financial assets and liabilities

The Company adopted IFRS (9) "Financial Instruments" as of 1 January 2018. The Standard defines the recognition and measurement requirements of both financial assets and liabilities. The Standard replaces IAS (39) "Recognition and Measurement". IFRS (9) mainly retains the existing requirements in IAS (39). for the classification and measurement of financial liabilities, however, IFRS (9) eliminates the classification of held-to-maturity financial assets, loans and receivables and available-for-sale assets that fall under the classifications of IAS (39).

Financial Assets at amortized cost

The classification of financial assets under IFRS (9) is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics and if it meets both of the following conditions:

1. It's held within a business model whose objective is to hold assets for collection of future cash flows; and,
2. Its contractual terms cause, on specified dates, cash flows that are solely payments of principal and interest.

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Gains or losses on disposal of financial assets are recognized in profit or loss.

Financial Assets through other comprehensive income

The Company has elected to classify investments in listed and unlisted companies that are not recognized as subsidiaries, associates or jointly controlled companies at fair value through other comprehensive income (this classification is irrevocable) and not through profit or loss. This classification is the most representative of the business model of these assets.

These assets are measured at fair value through other comprehensive income if it meets both of the following conditions:

1. it's held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and,
2. Its contractual terms cause, on specified dates, cash flows that are solely payments of principal and interest.

These assets are initially recognized at fair value and any transaction costs directly attributable to their acquisition or issue. These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Financial Assets through profit or loss

The Company measures All financial assets not classified as measured at amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. These assets are initially recognized at fair value. These assets subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Impairment of financial assets:

The Company applies the IFRS (9) simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates are based on the Company's historical credit losses experienced over the three-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Company's customers. The Company has identified the Gross Domestic Product (GDP), unemployment rate and inflation rate as the key macroeconomic factors in the countries where the Company operates.

Financial liabilities:

The company classifies financial liabilities based on the purpose of emergence this commitment. The accounting policy of financial liabilities is as the following:

Account payable and reinsurance liabilities

The initial recognition of the accounts payable and reinsurance liabilities is in the fair value and the subsequent measurement in the amortized cost using the effective interest rate method .

Banks loan

The initial recognition is in the net fair value after subtracting the cost of getting these loans such these liabilities that have interest measured later by amortized cost using the effective interest rate method. The borrowing cost include initial costs, the premium that paid once the loan settle, and interest accrued through the liability period.

B. 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 sectors.

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

C. Investment property

Investment property is recorded at cost less accumulated depreciation with the exception of land, all those investments are depreciated over their useful life at 2% to 3%. Any impairment will be recorded at the statement of income as well as any revenues or operational expenses for those investments.

Investment property is evaluated in accordance with Insurance Commission regulations and disclosed at fair value in the financial reports.

Notes forming part of the Consolidated financial statements
For the year ended 31 December 2018 (continued)

D. Cash and Cash equivalents

Cash and cash equivalents include cash in hand, cash balances with banks and deposits held at call with banks, with original maturities that don't exceed three months less bank overdrafts and restricted funds.

E. Commission Revenues

Insurance policies issuance cost represents costs paid by the company in relation to the issuance and renewal of insurance contracts, these costs are recorded in the statement of income

F. Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Property and equipment with the exception of lands are depreciated when its ready for use. Depreciation is computed on a straight-line basis over the expected useful life using the following depreciation rates, and the desperation expense is recorded in the statement of income.

<u>Assets</u>	<u>Depreciation%</u>
Building	2-4
Equipment, Tools and Furniture	15-20
Vehicle	15
Decoration	15

The depreciation of property and equipment is calculated when these assets are ready for use.

Depreciation on assets does not commence until they are complete and available for use. 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 statement of income.

The useful life of property and equipment are reviewed at each year-end, in case of differences found, the effect of such difference would be recorded at a subsequent period as it's considered a change of estimate.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is included in profit or loss in the period in which the asset is derecognized.

Items of property and equipment are derecognized upon disposal or when the items are permanently withdrawn from use and no future economic benefits are expected from the disposal.

G. 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 categorized based on useful where it can be limited or indefinite, intangible assets with limited lives are amortized over the useful economic lives, 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.
- Internally generated intangible assets are not capitalized and are expensed in the statement of income at the current year.

Notes forming part of the Consolidated financial statements
For the year ended 31 December 2018 (continued)

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

H. Provisions

Provisions are recognized when the Company has an obligation at the date of the financial position statement 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 and most likely will be received.

I. Technical Provisions

Technical reserves are provided for in accordance to 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 after the financial statement year end date, 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. Provision for the ultimate cost of claims incurred but not yet reported (IBNR) and is measured based on the estimates and the experience of the Company to face any obligation that would occur before the end of the year and would not be reported.
4. Premiums deficiency provision is calculated based on the company past experience and its estimates.

J. Income Tax

Income tax represents current and deferred income tax.

1. 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 nondeductible 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.

Notes forming part of the Consolidated financial statements
For the year ended 31 December 2018 (continued)

2. 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 and calculated according to tax percentages that expected to be applied upon reconciliation or when it's earned

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that is no longer probable that those deferred tax assets would be partly or completely utilized or to cover the tax liability or reverse it.

K. Offsetting

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

L. Revenue recognition

1. 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 position in the liabilities section.

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

2. Dividend and interest revenue

The Dividends revenues are realized when the shareholder has 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.

3. Rent revenues

Rent revenues from investment property that hold operating leases are recognized according to straight line method and based on leases terms and accrual basis.

M. 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.

N. Insurance compensations

Insurance compensations represent paid claims during the year and change in outstanding claims reserve. Insurance compensations include all payments during the year even for the current or prior years. Outstanding claims represent the highest estimated amount to 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.

Notes forming part of the Consolidated financial statements
For the year ended 31 December 2018 (continued)

O. Recoverable scraped value

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

P. 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.

Q. Wages and employee benefits

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

R. 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 at rates of exchange prevailing at the statement of financial position date as issued by Central Bank of Jordan.

Non-monetary assets and liabilities in foreign currencies at fair value are translated at the date of measuring their fair value.

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

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

5) Deposits at Banks

	2018			2017
	Deposits mature during one JD	Deposits mature after one month to JD	Deposits mature after three months JD	Total JD
Inside Jordan	4,443,506	-	-	4,443,506
Impairment loss Provision	(4,441)	-	-	(4,441)
	<u>4,439,065</u>	<u>-</u>	<u>-</u>	<u>4,439,065</u>
				<u>4,818,363</u>

- Interest rate for deposits at banks in Jordan Dinar ranges from 5.75% to 6.25% and 1% for USD deposits for the year ended 31 December 2018 (2017: 4% to 5%).
- Deposits pledged to the favor of the General Manager of the Insurance Regulatory Commission deposited in Jordan Commercial Bank amounted to JD 122,688 as of 31 December 2018 (2017: 325,000).
- Restricted balances mounted to JD 1,028,136 against facilities and guarantees as of 31 December 2018 (2017: JD 1,067,256).

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Notes forming part of the Consolidated financial statements
For the year ended 31 December 2018 (continued)

Below is the distribution of the Company's deposits:

	2018	2017
	JD	JD
Invest Bank	907,352	1,006,196
Arab Bank	726,374	391,941
Housing Bank	694,438	1,096,895
Jordan Commercial Bank	662,836	803,131
Capital Bank	470,312	349,600
Societe Generale Bank	412,389	1,021,798
Audi Bank	311,433	-
Al Ahli Bank	135,845	16,855
Blom Bank	120,843	130,269
Cairo Amman Bank	1,684	1,678
	<u>4,443,506</u>	<u>4,818,363</u>

6) Financial Assets at Fair Value Through Profit or Loss

	2018	2017
	JD	JD
<u>inside Jordan</u>		
Shares Listed On Amman Stock Exchange	10,800	21,308
Shares not Listed On Amman Stock Exchange	15,469	15,469
	<u>26,269</u>	<u>36,777</u>

7) Financial assets at fair value through other comprehensive income

	2018	2017
	JD	JD
<u>Inside Jordan</u>		
Shares Listed On Amman Stock Exchange	279,300	274,848
Shares not Listed On Amman Stock Exchange	79,451	79,451
<u>Outside Of Jordan</u>		
Shares Unlisted On Foreign markets	10,662	10,662
	<u>369,413</u>	<u>364,961</u>

Arab Assurers Insurance Company
(Public Shareholding Company)
Amman - Jordan

Notes forming part of the Consolidated financial statements
For the year ended 31 December 2018 (continued)

8) Investment property

	2018	2017
	JD	JD
Lands	2,136,516	2,136,516
Buildings	558,030	558,030
Accumulated depredation	(103,235)	(92,075)
Depreciation expense	(11,160)	(11,160)
Provision for impairment of investment properties	(14,106)	(14,106)
	<u>2,566,045</u>	<u>2,577,205</u>

In 2017 property investment evaluation has been made by property experts rated by JD 3,399,887 which is JD 808,741 higher than book value.

9) Cash on hand and cash at banks

	2018	2017
	JD	JD
Cash On Hand	684,063	424,174
Cash At Banks	193,494	117,439
	<u>877,557</u>	<u>541,613</u>

10) Checks Under Collection

	2018	2017
	JD	JD
Checks under collection due within six month	842,402	856,288
Checks under collection due within more than six months	190,840	129,000
Provision for impairment	(5,994)	-
	<u>1,027,248</u>	<u>985,288</u>

The maturity of checks under collections extents to 5 January 2020.

Notes forming part of the Consolidated financial statements
For the year ended 31 December 2018 (continued)

11) Accounts receivable - Net

	2018	2017
	JD	JD
Policy holders	2,875,160	2,842,092
Agents receivables	299,912	419,353
Brokers receivables	189,120	242,709
Government receivables	2,310,149	72,713
Employees saving plan loans	7,583	7,640
Employee receivables	32,616	40,865
	<u>5,714,540</u>	<u>3,625,372</u>
Less: Provision for doubtful debts written off	<u>(1,772,680)</u>	<u>(1,485,451)</u>
	<u><u>3,941,860</u></u>	<u><u>2,139,921</u></u>

Movement on the provision for doubtful debts is as following:

	2018	2017
	JD	JD
Balance at the beginning of the year	1,485,451	1,485,451
Adjustment on beginning balance - IFRS (9)	203,607	-
Balance as at 1 January	<u>1,689,058</u>	<u>1,485,451</u>
Impairment loss for the year - IFRS (9)	<u>83,622</u>	<u>-</u>
	<u><u>1,772,680</u></u>	<u><u>1,485,451</u></u>

Following the expected credit loss for each category:

	2018	Provision	2017	Provision
	JD	JD	JD	JD
Less Than 90 Days	3,552,368	837	1,349,378	-
from 90 -180 Days	317,922	3,974	268,335	-
From 181-270 Days	62,151	1,554	251,670	-
From 271-360 Days	63,132	47,349	161,045	-
More Than 360 Days	<u>1,718,967</u>	<u>1,718,966</u>	<u>1,594,944</u>	<u>1,485,451</u>
	<u><u>5,714,540</u></u>	<u><u>1,772,680</u></u>	<u><u>3,625,372</u></u>	<u><u>1,485,451</u></u>

Notes forming part of the Consolidated financial statements
For the year ended 31 December 2018 (continued)

12) Reinsurers Receivables- Net

	2018	2017
	JD	JD
Local insurance companies	1,397,377	864,948
international reinsurance companies	461,353	217,244
	<u>1,858,730</u>	<u>1,082,192</u>
Loss: Provision for doubtful debts	<u>(367,179)</u>	<u>(170,000)</u>
	<u>1,491,551</u>	<u>912,192</u>

Movements on the provision for doubtful debts consists of the following:

	2018	2017
	JD	JD
Balance at the beginning of the year	170,000	170,000
Adjustment on beginning balance - IFRS (9)	258,526	-
Balance as at 1 January	<u>428,526</u>	<u>170,000</u>
Impairment loss for the year	<u>(61,347)</u>	<u>-</u>
	<u>367,179</u>	<u>170,000</u>

Following the expected credit loss for each category:

	2018	Provision	2017	Provision
	JD	JD	JD	JD
Less Than 90 Days	1,032,991	978	39,497	-
from 90 -180 Days	16,781	210	60,581	-
From 181-270 Days	81,605	2,040	39,539	-
From 271-360 Days	1,096	822	94,586	-
More Than 360 Days	726,257	363,129	847,989	170,000
	<u>1,858,730</u>	<u>367,179</u>	<u>1,082,192</u>	<u>170,000</u>

13) Income Tax

A. The summary of settlement between accounting income and taxable income is as follows:

	2018	2017
	JD	JD
Company's accounting profit	1,032,930	1,037,858
Non-taxable income	(753,789)	(199,797)
Non-deductible expenses	-	74,594
Accepted taxable losses for previous years	-	(112,000)
Balance at the end of the year	279,141	800,655
Income tax rate	24%	24%

Income tax represented in the income statement is as follows:

	2018	2017
	JD	JD
income tax for the year	66,994	192,157
income tax for the prior year	267,795	-
Deferred tax assets	23,439	(473,106)
	358,228	(280,949)

Movement on income tax provision is as follows:

	2018	2017
	JD	JD
Balance in the beginig of the year	144,272	-
Income tax for the year	66,994	192,157
Less: Income tax for the prior years	267,795	(7,475)
Less: Income tax paid for the piror years	(460,452)	(40,410)
	18,609	144,272

An income tax and sales tax settlement has been made until 2015.

Notes forming part of the Consolidated financial statements
For the year ended 31 December 2018 (continued)

B. Deferred tax assets

	2018			2017	
	Balance at the beginning of the year	released	additions	Balance at the end of the year	Deferred tax
	JD	JD	JD	JD	JD
Provision for incurred but not reported claims	1,922,729	783,786	-	1,138,943	273,346
Provision for doubtful debt	1,655,451	-	490,402	2,145,853	515,006
Changes in fair value of trading financial assets	42,538	-	142,201	184,739	44,337
Impairment loss of available for sale financial asset	1,709,625	4,453	-	1,705,172	409,241
End of service indemnity Provision	47,769	-	57,974	105,743	25,378
	<u>5,378,112</u>	<u>788,239</u>	<u>690,577</u>	<u>5,280,450</u>	<u>1,267,308</u>
					<u>1,290,747</u>

According to income tax law, a 24% rate is used to calculate tax as at 31 December 2018.

14) Property and Equipment - Net

	Lands	Building	Equipment, tools and furniture	Vehicles	Decorations	Total
	JD	JD	JD	JD	JD	JD
2018						
<u>Cost</u>						
Balance as at 31 December 2017	458,373	1,340,677	406,511	102,533	75,026	2,383,120
Additions	-	-	11,243	7,000	5,309	23,552
Disposals	-	-	-	(11,836)	-	(11,836)
Balance as at 31 December 2018	<u>458,373</u>	<u>1,340,677</u>	<u>417,754</u>	<u>97,697</u>	<u>80,335</u>	<u>2,394,836</u>
<u>Accumulated depreciation</u>						
Balance as at 31 December 2017	-	273,992	370,985	30,594	63,412	738,983
Additions	-	26,498	13,045	12,902	3,404	55,849
Disposals	-	-	-	(11,836)	-	(11,836)
Balance as at 31 December 2018	<u>-</u>	<u>300,490</u>	<u>384,030</u>	<u>31,660</u>	<u>66,816</u>	<u>782,996</u>
Net book value at 31 December 2018	<u>458,373</u>	<u>1,040,187</u>	<u>33,724</u>	<u>66,037</u>	<u>13,519</u>	<u>1,611,840</u>
2017						
<u>Cost</u>						
Balance as at 31 December 2016	458,373	1,340,677	399,132	76,133	71,436	2,345,751
Additions	-	-	7,409	77,437	4,340	89,186
Disposals	-	-	(30)	(51,037)	(750)	(51,817)
Balance as at 31 December 2017	<u>458,373</u>	<u>1,340,677</u>	<u>406,511</u>	<u>102,533</u>	<u>75,026</u>	<u>2,383,120</u>
<u>Accumulated depreciation</u>						
Balance as at 31 December 2016	-	247,494	358,682	66,517	60,608	733,301
Additions	-	26,498	12,303	10,996	2,804	52,601
Disposals	-	-	-	(46,919)	-	(46,919)
Balance as at 31 December 2017	<u>-</u>	<u>273,992</u>	<u>370,985</u>	<u>30,594</u>	<u>63,412</u>	<u>738,983</u>
Net book value as at 31 December 2017	<u>458,373</u>	<u>1,066,685</u>	<u>35,526</u>	<u>71,939</u>	<u>11,614</u>	<u>1,644,137</u>

Notes forming part of the Consolidated financial statements
For the year ended 31 December 2018 (continued)

15) Intangible Assets - Net

	Programs and Information	
	2018	2017
	JD	JD
Balance as at 1 January	84,208	84,208
Additions	-	-
Amortizations	(78,481)	(75,032)
Amortizations during the year	(3,114)	(3,449)
Balance as at 31 December	<u>2,613</u>	<u>5,727</u>

16) Other Assets

	2018	2017
	JD	JD
Restricted deposits - war fund	209,593	196,145
Prepaid expenses	33,792	33,676
Refundable deposits	6,370	6,370
Others	2,086	1,574
	<u>251,841</u>	<u>237,765</u>

17) Bank facilities

Facilities type	Interest rate%	Facilities limit	2018	2017
			JD	JD
Arab Bank	5	150,000	<u>86,723</u>	<u>134,298</u>

18) Accounts Payable

	2018	2017
	JD	JD
Policy holders payables	815,146	667,753
Agents payables	119,542	65,634
Brokers payables	24,901	25,963
Employees payables	1,383	919
Government payables	352	-
	<u>961,324</u>	<u>760,269</u>

Notes forming part of the Consolidated financial statements
For the year ended 31 December 2018 (continued)

19) Reinsurers payable

	2018	2017
	JD	JD
Local insurance companies	177,092	133,404
International reinsurance companies	102,119	59,359
	<u>279,211</u>	<u>192,763</u>

20) Other provisions

The schedule represents the movement on provisions.

	2018			2017
	Balance at the beginning of the year	Arose through the year	Amount paid during the year	Balance at the end of the year
	JD	JD	JD	JD
End of service indemnity Provision	36,874	19,490	-	56,364
Employees vacations Provision	10,895	38,484	-	49,379
	<u>47,769</u>	<u>57,974</u>	<u>-</u>	<u>105,743</u>
				<u>47,769</u>

21) Other liabilities

	2018	2017
	JD	JD
Uncashed checks	775,827	666,393
Stamps deposits	438,383	354,952
Deferred checks	386,345	205,054
Reinsurers deposits	151,641	146,468
Sales tax deposits	49,093	71,059
Other Deposits	32,053	27,829
Income tax deposits	25,198	25,198
Unearned revenues	16,630	21,639
Due to shareholders	7,953	25,911
Accrued expenses	3,000	3,000
	<u>1,886,123</u>	<u>1,547,503</u>

Notes forming part of the Consolidated financial statements
For the year ended 31 December 2018 (continued)

22) Subscribed Capital

	2018	2017
	JD	JD
Balance at the beginning of the year	9,215,909	9,215,909
	<u>9,215,909</u>	<u>9,215,909</u>

Issuance discount

Movement on the issuance discount is as follows:

	2018	2017
	JD	JD
Balance at the beginning of the year	3,330,636	3,330,636
	<u>3,330,636</u>	<u>3,330,636</u>

23) Reserves

Statutory reserves

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. The company can stop transferring to the reserve when it reaches 25% of its authorized capital.

Voluntary reserves

This amount represents appropriations up to 20% of net income before tax during this year and prior years. This reserve is available for distribution to shareholders.

24) Accumulated change in fair value

	2018	2017
	JD	JD
Balance at the beginning of the year	(1,709,625)	(1,671,843)
Accumulated change in fair value during the year	4,453	(37,782)
	<u>(1,705,172)</u>	<u>(1,709,625)</u>

25) Retained earnings

	2018	2017
	JD	JD
Balance at the beginning of the year	474,768	(741,311)
Adjustment on beginning Balance - IFRS 9	(462,133)	-
Balance as at 31 December	12,635	(741,311)
Income for the year	662,090	1,319,982
Transferred to statutory reserve	(103,293)	(103,903)
	<u>571,432</u>	<u>474,768</u>

Notes forming part of the Consolidated financial statements
For the year ended 31 December 2018 (continued)

26) Interest revenue

	2018	2017
	JD	JD
Bank interests	170,981	153,257
	<u>170,981</u>	<u>153,257</u>

27) Net Profit from Financial Assets and Investments

	2018	2017
	JD	JD
Rent Revenues	57,916	52,958
Reversing impairment provision for investment property	-	15,735
Net change in fair value of trading financial assets (shares)	(10,507)	(31,691)
	<u>47,409</u>	<u>37,002</u>

28) Other revenue

	2018	2017
	JD	JD
Administrative services revenues	88,153	51,390
Gain (loss) on sale of property plant and equipment	5,500	22,684
Other	315	1,108
	<u>93,968</u>	<u>75,182</u>

29) Salaries and employee's benefits

	2018	2017
	JD	JD
Salaries and wages	979,538	860,561
Company contribution in Social security	96,322	95,369
Health and life insurance	74,161	65,347
Rewards	32,727	29,925
Travel and transportation	30,214	29,404
Training	2,600	6,271
Company contribution in employees savings plan	-	17,939
Total	<u>1,215,562</u>	<u>1,104,816</u>
Salaries and employee's benefits allocated to underwriting accounts	972,450	883,853
Salaries and employee's benefits unallocated to underwriting accounts	243,112	220,963
	<u>1,215,562</u>	<u>1,104,816</u>

Notes forming part of the Consolidated financial statements
For the year ended 31 December 2018 (Continued)

30) General and Administrative Expenses

	2018	2017
	JD	JD
Lawsuits and governmental fees	250,185	59,004
Non-Refundable sales tax	101,218	20,150
Board members transportation fees	77,817	77,783
Water, electricity and heating	46,285	45,255
Tenders	43,052	16,527
Stationary	41,918	35,858
Subscriptions	40,443	52,492
Professionals fees	37,550	67,142
Bank interests	29,818	16,871
Telecommunications	23,413	23,571
Maintenance	21,832	18,893
Rent	20,711	18,088
Fines	17,119	36,983
Computer services	12,631	8,162
Hospitality	10,987	6,285
Transportations and travel	8,666	8,798
Vehicles	8,523	5,831
Security	8,441	13,022
Donations	8,421	2,580
Advertisements	3,893	5,055
Insurance	3,355	2,443
Others	29,496	15,197
Total	845,774	555,990
General & administrative expenses allocated to underwriting accounts	672,062	439,750
General & administrative expense unallocated to underwriting accounts	173,712	116,240
	845,774	555,990

31) Earnings Per Share

	2018	2017
	JD	JD
Profit for the year	662,090	1,319,982
Weighted average outstanding shares	9,215,909	9,215,909
earnings per share from the year's profit	0.072	0.143

Notes forming part of the Consolidated financial statements
For the year ended 31 December 2018 (Continued)

32) Cash and Cash Equivalents

Cash and cash equivalents shown in statement of cash flows consists of debit balances at financial position statement as follows:

	2018	2017
	JD	JD
Bank deposits	4,439,065	4,818,363
Cash on hands and at banks	877,557	541,613
Banks facilities	(86,723)	(134,298)
Restricted deposits to the insurance authority's general manager	(122,688)	(325,000)
Restricted deposits	(1,028,136)	(1,067,256)
	<u>4,079,075</u>	<u>3,833,422</u>

33) Related Party Transactions

During the year, the Company entered into transactions with the board of directors and top management members in the Company within the normal activities of the company using insurance prices and commercial commission as at 31 December 2018 and no provisions have been made as 31 December 2018.

The following is a summary of transactions with related parties during the year:

	2018	2017
	JD	JD
Written premiums	4,553	5,900
Board of directors travel and transportations expenses	42,315	45,515
Rewards and Consulting	37,206	44,400
Consulting fees	51,110	27,010
	<u>135,184</u>	<u>122,825</u>

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

	2018	2017
	JD	JD
Salaries and rewards	348,275	306,150
Travel expense	5,136	5,133
	<u>353,411</u>	<u>311,283</u>

34) The Fair Value of Financial Assets and Liabilities Not Recognized at Fair Value

There are no significant differences between the book value and the fair value for the assets and liabilities that are not recognized at fair value.

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 Company, in addition to accepting the related consequences partially or wholly. Risk management can be divided into four sections:

- Material risks such as natural catastrophes, fires, accidents, and other external risks not relating to the Company's operations.
- 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
- Risks arising from financial matters such as interest rate, insurance risk, foreign currencies risks, and market risk.
- 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 Company 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 Company 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 from the source. When the problem or its source 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 Company'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 Company 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 risk through avoiding works that lead to risks. Avoidance is the best preventive method against risk. This may deprive the Company from conducting certain activities profitable for the Company.
- 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 Company's technical departments are executing the plan so that the risk effects are mitigated. Moreover, all avoidable ward off risks are avoided.

Sixth: Plan Review and Evaluation

The Risks Department follows up on the Company'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 Company'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 Company's objectives.
- Clarifying strategies for the Company'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 Company 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 company has developed the under writing insurance plan to ensure risk diversification that covered and allocated on the various type of insurance that assists on reducing the loses which arise from insurance claim if the concentration be on particular insurance category.

Through its personnel consisting of professionals and administrative staff, the Company 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 to be available to maintain the Company's continuity and viability. Hence, the necessity to set the risk management strategy.

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 accidents occurred as follows:

Arab Assurers Insurance Company
(Public Shareholding Company)
Amman - Jordan

Notes forming part of the Consolidated financial statements
For the year ended 31 December 2018 (Continued)

Motors

	2018	2017	2016	2015	Before	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	9,279,533	7,162,599	10,231,969	7,495,507	76,309,760	110,479,368
After one year	-	7,801,895	10,186,639	6,196,706	77,444,348	101,629,588
After two years	-	-	11,244,429	6,977,367	86,841,911	105,063,707
After three years	-	-	-	7,390,837	80,712,122	88,102,959
After four years	-	-	-	-	98,394,432	98,394,432
Present expectation for the accumulated claims	9,279,533	7,801,895	11,244,429	7,390,837	98,394,432	134,111,126
Accumulated claims	(5,043,210)	(7,242,251)	(11,132,441)	(7,321,831)	(98,305,610)	(129,045,343)
Ending balance as in statement of financial position	4,236,323	559,644	111,988	69,006	88,822	5,065,783
Surplus (deficit) in the preliminary estimate for reserve	-	(639,296)	(1,012,460)	104,670	(22,084,672)	(23,631,758)

Marine

	2018	2017	2016	2015	Before	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	18,460	12,639	34,759	45,599	4,106,413	4,217,870
After one year	-	11,921	5,889	45,599	3,712,273	3,775,682
After two years	-	-	3,937	45,599	3,925,458	3,974,994
After three years	-	-	-	45,599	3,061,259	3,106,858
After four years	-	-	-	-	3,006,955	3,006,955
Present expectation for the accumulated claims	18,460	11,921	3,937	45,599	3,006,955	3,086,872
Accumulated claims	-	(11,921)	(3,937)	(20,044)	(2,482,113)	(2,518,015)
Liability as in the statement of financial position Outstanding claims	18,460	-	-	25,555	524,842	568,857
Surplus (deficit) in the preliminary estimate for reserve	-	718	30,822	-	1,099,458	1,130,998

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Fire and Properties

	2018	2017	2016	2015	Before	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	80,028	80,388	134,050	224,351	6,172,867	6,691,684
After one year	-	75,515	156,513	206,482	6,366,043	6,804,553
After two years	-	-	156,450	201,345	6,312,822	6,670,617
After three years	-	-	-	193,922	6,650,653	6,844,575
After four years	-	-	-	-	6,202,862	6,202,862
Present expectation for the accumulated claims	80,028	75,515	156,450	193,922	6,202,862	6,708,777
Accumulated claims	(10,507)	(35,715)	(121,470)	(151,696)	(4,298,955)	(4,618,343)
Liability as in the statement of financial position Outstanding claims	69,521	39,800	34,980	42,226	1,903,907	2,090,434
Surplus (deficit) in the preliminary estimate for reserve	-	4,873	(22,400)	30,429	(29,995)	(17,093)

Responsibility

	2018	2017	2016	2015	Before	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	220	6,870	448	2,215	169,694	179,447
After one year	-	6,870	250	1,675	283,838	292,633
After two years	-	-	250	1,675	295,227	297,152
After three years	-	-	-	1,675	169,422	171,097
After four years	-	-	-	-	114,797	114,797
Present expectation for the accumulated claims	220	6,870	250	1,675	114,797	123,812
Accumulated claims	(220)	(20)	-	(1,175)	(59,837)	(61,252)
Liability as in the statement of financial position Outstanding claims	-	6,850	250	500	54,960	62,560
Surplus (deficit) in the preliminary estimate for reserve	-	-	198	540	54,897	55,635

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Credit and guarantees

	2018	2017	2016	2015	Before	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	131,355	81,635	-	23,419	362,281	598,690
After one year	-	98,143	25,402	23,419	597,235	744,199
After two years	-	-	27,050	23,509	610,203	660,762
After three years	-	-	-	23,795	689,399	713,194
After four years	-	-	-	-	1,414,317	1,414,317
Present expectation for the accumulated claims	131,355	98,143	27,050	23,795	1,414,317	1,694,660
Accumulated claims	(28,126)	(44,802)	(17,617)	(23,795)	(1,401,623)	(1,515,963)
Liability as in the statement of financial position Outstanding claims	103,229	53,341	9,433	-	12,694	178,697
Surplus (deficit) in the preliminary estimate for reserve	-	(16,508)	(27,050)	(376)	(1,052,036)	(1,095,970)

Medical

	2018	2017	2016	2015	Before	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	1,065,097	961,405	1,055,885	567,245	11,575,232	15,224,864
After one year	-	1,156,551	1,236,163	902,336	13,463,922	16,758,972
After two years	-	-	1,231,348	899,525	13,671,647	15,802,520
After three years	-	-	-	897,772	13,444,512	14,342,284
After four years	-	-	-	-	13,422,578	13,422,578
Present expectation for the accumulated claims	1,065,097	1,156,551	1,231,348	897,772	13,422,578	17,773,346
Accumulated claims	(809,384)	(1,153,813)	(1,225,827)	(897,749)	(13,328,389)	(17,415,162)
Liability as in the statement of financial position Outstanding claims	255,713	2,738	5,521	23	94,189	358,184
Surplus (deficit) in the preliminary estimate for reserve	-	(195,146)	(175,463)	(330,527)	(1,847,346)	(2,548,482)

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Personal accidents

	2018	2017	2016	2015	Before	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	3,131	4,592	5,221	1,573	314,805	329,322
After one year	-	4,466	6,058	4,710	423,527	438,761
After two years	-	-	6,058	4,710	332,960	343,728
After three years	-	-	-	4,660	374,571	379,231
After four years	-	-	-	-	376,628	376,628
Present expectation for the accumulated claims	3,131	4,466	6,058	4,660	376,628	394,943
Accumulated claims	-	(3,203)	(5,808)	(3,860)	(374,713)	(387,584)
Liability as in the statement of financial position Outstanding claims	3,131	1,263	250	800	1,915	7,359
Surplus (deficit) in the preliminary estimate for reserve	-	126	(837)	(3,087)	(61,823)	(65,621)

Life insurance

	2018	2017	2016	2015	Before	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	-	-	-	-	5,458,270	5,458,270
After one year	-	-	-	-	5,251,356	5,251,356
After two years	-	-	-	-	5,394,167	5,394,167
After three years	-	-	-	-	5,333,272	5,333,272
After four years	-	-	-	-	5,262,755	5,262,755
Present expectation for the accumulated claims	-	-	-	-	5,262,755	5,262,755
Accumulated claims	-	-	-	-	(5,250,271)	(5,250,271)
	-	-	-	-	12,484	12,484
Liability as in the statement of financial position Outstanding claims	-	-	-	-	195,515	195,515
Surplus (deficit) in the preliminary estimate for reserve	-	-	-	-	-	-

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3. Insurance Risk Concentrations

The Company practice most of its activities in Jordan except for Reinsurance agreements signed with companies located mostly in Europe. The company makes agreements to mitigate risks related to huge insurance claims

Risk concentration for assets, liabilities and non-financial position statement items is based on insurance types are as follows:

	2018			2017		
	Total	reinsurers portion	Net	Total	reinsurers portion	Net
	JD	JD	JD	JD	JD	JD
vehicles	10,652,280	3,546,836	7,105,444	8,430,889	2,746,345	5,684,544
Marine and transfer	580,220	519,040	61,180	499,874	441,307	58,567
Fire and property	2,290,323	2,150,249	140,074	2,305,886	2,174,431	131,455
responsibility	107,322	18,277	89,045	92,596	-	92,596
credit and guarantees	251,432	220,273	31,159	158,276	138,954	19,322
Medical	1,148,790	6,683	1,142,107	972,777	7,683	965,094
Personal Accidents	37,104	32,954	4,150	44,474	40,554	3,920
Life	12,484	-	12,484	27,500	-	27,500
	<u>15,079,955</u>	<u>6,494,312</u>	<u>8,585,643</u>	<u>12,532,272</u>	<u>5,549,274</u>	<u>6,982,998</u>

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

The concentration of assets and liabilities according to the geographical and Sector distribution is as follows:

	2018			2017		
	Assets	Liabilities	off- financial	Assets	Liabilities	off- financial
	JD	JD	JD	JD	JD	JD
<u>By geographical area</u>						
inside Jordan	17,861,948	11,923,376	789,936	15,544,034	9,809,872	396,437
Middle east countries	10,662	-	-	10,662	-	-
	<u>17,872,610</u>	<u>11,923,376</u>	<u>789,936</u>	<u>15,554,696</u>	<u>9,809,872</u>	<u>396,437</u>

	2018		2017	
	Accounts receivables	Accounts payables	Accounts receivables	Accounts payables
	JD	JD	JD	JD
<u>By Sector</u>				
General sector	2,310,149	-	72,713	-
Companies and Institutions	2,617,067	1,214,250	2,617,067	926,150
Individuals	1,637,722	26,284	1,484,390	26,881
	<u>6,564,938</u>	<u>1,240,534</u>	<u>4,174,170</u>	<u>953,031</u>

Notes forming part of the Consolidated financial statements
For the year ended 31 December 2018 (Continued)

4. Reinsurance Risk

As with other Insurance Companies, and for the purpose of reducing the exposure to financial losses that may arise from major insurance claims, the Company, within the normal course of its operations, enters into reinsurance contracts with other parties.

In order to reduce its exposure to major losses arising from the insolvency of reinsurance companies, the Company 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 Company from its obligations towards policyholders. As a result, the Company remains committed to the reinsured claims balance in case the reinsurers are unable to meet their obligations according to the reinsurance contracts.

- The Company applies the contractual and optional insurance agreements terms upon underwriting for all types of insurance regardless of size.
- The Company 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.
- The Company follows up on the contractual and optional reinsurances monthly to ensure that the classification is not downgraded below 1st and 2nd class.

5. Insurance Risk Sensitivity

The table below represents the effect of the reasonable possible change of underwriting prices on income statement and changes in equity statement assumed other variables are constant

	Change%	Impact on written premiums	Impact on taxable profit	Impact on Shareholders
	JD	JD	JD	JD
Vehicles	5%	659,040	536,919	408,058
Marine and transfer	5%	4,664	2,076	1,578
Fire and property	5%	26,086	1,266	962
Responsibility	5%	5,083	5,020	3,815
Credit and guarantees	5%	1,382	176	134
Medical	5%	95,343	86,579	65,800
Personal Accidents	5%	4,567	2,024	1,538
		<u>796,165</u>	<u>634,059</u>	<u>481,885</u>

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The table below represents the effect of the reasonable possible change of cost of claims on income statement and changes in equity statement taking into consideration other variables are constant

	Change%	Impact on claims	Impact on the year income tax	Impact on Shareholders
	JD	JD	JD	JD
Vehicles	5%	521,679	486,267	369,563
Marine and transfer	5%	1,429	663	504
Fire and property	5%	2,605	158	120
Responsibility	5%	26	(215)	(163)
Credit and guarantees	5%	2,941	477	362
Medical	5%	59,596	59,683	45,359
Personal Accidents	5%	24	4	3
Life	5%	235	(516)	(392)
		<u>588,535</u>	<u>546,520</u>	<u>415,355</u>

*Net after deducting income tax

b. Financial risks

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

The Company follows financial policies to manage several risks within a specified strategy. The Company's management observes and 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, share price risk and market risk.

The Company 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

The risk of fluctuate of the fair value or financial instrument cashflow as result of the change of market price for instance, interest rate, exchange rate share price. However, the market risk arise from the long position in interest rate, exchanges, and investment in equity, these risks are monitored in accordance with policies, procedures, and specialized committees, market risks includes interest rate risk, exchange rate risk, and the changes in share price

Share Price Risk

The share price risk arises from changes in the fair value of equity investment. The company manage this risk by investments diversification in many sectors and regions as shown below in the table:

	5%		(5%)	
	2018	2017	2018	2017
	JD	JD	JD	JD
shares listed on Amman stock exchange	145,050	14,808	(145,050)	(14,808)
foreign shares	533	(533)	533	(533)

Interest Rate Risk

Interest rate risks relate to long term bank deposits, development bonds, and other deposits. Moreover, the Company 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 2017. The interest rate on bank deposits ranged from 4% to 5% annually on Jordanian Dinar deposits.

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% is used representing the Company's assessment of the probable and acceptable change of interest rates.

	5%		(5%)	
	2018	2017	2018	2017
	JD	JD	JD	JD
Interests on bank deposits	1,710	1,533	(1,710)	(1,533)

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 Company'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 0.708 and the probability of this risk is very minimal. Consequently, the Company 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 0.709 selling and buying by the Central Bank of Jordan.
- All of the Company's accounts with the various parties including reinsurers are in Jordanian Dinar.
- There are no other foreign currencies denominated accounts. However, the Company 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 Company's functional currency. The Board of Directors sets the limits for the financial position of each currency at the Company. 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.

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2- Credit 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 credit risks, the Company performs the following:

- Sets credit limits for agents and intermediaries.
- Controls accounts receivable.
- Sets reinsurance policies at other high net worth parties.
- Maintains the Company's cash balances at local and international banks.

3- Liquidity Risk

The Company 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 matures of assets with to the matures of liabilities and technical commitments.

Liquidity risk is the risk that the Company will not be able to meet its obligations associated as they fall due. To limit this risk, management has arranged diversified funding sources, manages assets and liabilities, and tries to make its due dates around the same time and maintains sufficient amount of cash and cash equivalents and high liquid securities.

The following table sets out the maturities (based on remaining days for maturity from the financial statements date) of financial liabilities:

	less than month	1 month to three months	3-6 months	6 months to one year	1-3 years	Total
31 December 2018	JD	JD	JD	JD	JD	
Liabilities:						
Banks facilities	-	86,723	-	-	-	86,723
Accounts payables	-	961,324	-	-	-	961,324
Reinsurers payables	-	279,210	-	-	-	279,210
other provisions	-	105,743	-	-	-	105,743
Income tax provision	10,090	-	-	-	-	10,090
other liabilities	3,000	1,883,124	-	-	-	1,886,124
Total liabilities	13,090	3,316,124	-	-	-	3,329,214
Total Assets	5,342,891	6,460,659	623,868	1,267,308	4,177,884	17,872,610
31 December 2017						
Liabilities:						
Banks payables	-	149,227	-	-	-	149,227
Accounts payables	-	900,428	-	-	-	900,428
Reinsurance payables	-	375,325	-	-	-	375,325
other provisions	-	55,334	-	-	-	55,334
income tax provision	144,272	-	-	-	-	144,272
other liabilities	3,000	1,449,432	-	-	-	1,452,432
Total liabilities	147,272	2,929,746	-	-	-	3,077,018
Total Assets	5,359,976	985,288	285,650	4,211,394	3,773,662	14,615,970

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4- Operating Risks

Operating risks relate to systems downtime or may result from any intentional or unintentional human error. These risks may affect the Company'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 Company's systems, and give the Company's personnel training and the necessary awareness of the surrounding circumstances.

5- Legal Risks

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

36) Analysis of Main Sectors

A-Background for the company business sectors

General insurance sector includes insurance on Motor, Marine, Fire and Property, Liability, medical and others, the sectors above also include investments and cash management for the company. The activities between the business sectors are performed based on commercial basis with the same conditions performed with others.

B-Geographic concentration of risk

The Company mainly operates in Jordan, which represents domestic operations. Also, the Company 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 revenues, assets and capital expenditures according to the geographical distribution:

	2018	2017
	JD	JD
Revenues from general insurance-Net	1,217,307	1,094,532
Revenues from life insurance-Net	10,312	19,712
Revenues from investments -Net	218,390	174,524
Other revenues	93,968	75,182
	<u>1,539,977</u>	<u>1,363,950</u>

37) Management of Capital

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

- To adhere to the Company's minimum capital issued by the Insurance Law. Moreover, the Company'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.
- To secure the continuity of the Company, and consequently, the Company's ability to provide the shareholders with good returns on capital.
- To make available the proper return to shareholders through pricing insurance policies in a manner compatible with the risks associated with those policies.
- To comply with the Insurance Commission Instructions associated with the solvency margin.
- The following table shows the summary of the Company's capital and the minimum required capital:

	2018	2017
	JD	JD
<u>Core Capital</u>		
Subscribed capital	9,215,909	9,215,909
Statutory reserves	1,197,701	1,094,408
Issuance discount	(3,330,636)	(3,330,636)
Retained earnings	571,432	474,768
Total Primary Capital	7,654,406	7,454,449
<u>Supplementary capital:</u>		
Properties investments	808,741	808,741
Cumulative change in fair value	(1,705,172)	(1,709,625)
Total Supplementary Capital	(896,431)	(900,884)
Total regulatory capital (a)	6,757,975	6,553,565
Total required capital (b)	4,495,433	4,352,959
Solvency margin (a) / (b)	150%	151%

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38) Maturity Analysis of Assets and Liabilities

	Within one year	more than one year	Total
	JD	JD	JD
<u>31 December 2018</u>			
Assets			
Bank deposits	4,439,065	-	4,439,065
Financial assets at fair value through profit or loss	26,269	-	26,269
Financial assets at fair value through comprehensive income	-	369,413	369,413
Investment property	-	2,566,045	2,566,044
Cash at hands and at bank	877,557	-	877,557
Checks under collection and notes receivables	1,027,248	-	1,027,248
Account receivable net	3,941,860	-	3,941,860
Reinsurers receivable net	1,491,551	-	1,491,551
Deferred tax assets	-	1,267,308	1,267,308
Property and equipment - net	66,038	1,545,803	1,611,841
Intangible assets - net	2,566	46	2,612
Other assets	251,841	-	251,842
	12,123,995	5,748,614	17,872,610
Liabilities			
Unearned premiums revenue, net	6,217,758	-	6,217,758
Outstanding claims reserve, net	2,367,885	-	2,367,885
Bank facilities	86,723	-	86,723
Accounts payable	961,324	-	961,324
Reinsurers payable	279,211	-	279,211
Other provisions	18,609	105,743	18,609
Income tax provisions	-	-	105,743
Other liabilities	1,886,123	-	1,886,123
	11,817,633	105,743	11,923,376
Net	306,362	5,642,871	5,949,334

39) Lawsuits against the company

There are law suits filed against the Company claiming compensation for a total amount of JD 3,672,582 as of 31 December 2018 (2017: JD 5,373,021), in addition to lawsuits with no determined amounts due to the incompleteness and insufficiency of information and reports by specialized personnel. In the opinion of the Company's management and its lawyer, no obligations shall arise that exceeds the allocated amounts within the net claims reserve.

40) Contingent Liabilities

	2018	2017
	JD	JD
Obligations against bank guarantees	589,936	196,437
Mortgaged property investments against banks facilities	200,000	200,000
	<u>789,936</u>	<u>396,437</u>

41) Subsequent events

There's no critical subsequent events that materially affect financial statements.

42) Life insurance financial position

	2018	2017
	JD	JD
Assets		
Bank Deposits	<u>70,409</u>	<u>70,409</u>
Total Assets	<u>70,409</u>	<u>70,409</u>
Liabilities and equity		
Technical Provision		
Outstanding claims reserve - net	12,484	27,500
Mathematical provision - net	-	-
Total technical provision	<u>12,484</u>	<u>27,500</u>
Head office account	<u>57,925</u>	<u>42,909</u>
Total Liabilities	<u>70,409</u>	<u>70,409</u>

43) Comparative Number

No element has been reclassified in the financial statements as 31 December 2018.