gig Jordan مجموعة الخليج للتأمين

Date: 27/02/2020

Ref: 02/AD/2020

To: Amman Stock Exchange

Financial Statement for the year Ended 31/12/2019

Attached are the English financial statements of Arab Orient Insurance Co. along with CD. For the year ended 31/12/2019 after being audited by our external auditors.

Kindly accept our appreciation and respect

CFO

Sa'ad Farah

Deputy Director /Accounting Dept.

Wail Shehadeh

Arab Orient Insurance | gig
Accounting Department
354

بورصة عمان
الدائرة الإدارية والمالية
الديوان
٢٧ شباط ٢٠٢٠
الرقم المتسلسل: ٩٤٧
رقم الملف: ٤١-١٤
الجهة المختصة: ٧٦١

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Ernst & Young Jordan
P.O.Box 1140
Amman 11118
Jordan
Tel : 00 962 6580 0777/00 962 6552 6111
Fax: 00 962 6553 8300
www.ey.com/me

24 February 2020

Messrs,
Arab Orient Insurance Company
Public Shareholding Company
Amman - Jordan

Dear Sirs,

Enclosed please find five copies of the financial statements for the year ended at 31 December 2019, together with auditors report.

Very truly yours,

ERNST & YOUNG/ JORDAN

By
Osama Shakhatreh

ARAB ORIENT INSURANCE

PUBLIC SHAREHOLDING COMPANY

FINANCIAL STATEMENTS

31 DECEMBER 2019

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Arab Orient Insurance Company a public shareholding company (the "Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

1. Revenue recognition	**How the key audit matter was addressed in the audit**
Revenue is an important determinant of the Company's profitability. In addition, there is a risk of improper revenue recognition, particularly with regard to revenue recognition at the cut- off date. The total written premium is JD 85,695,019 for the year ended 31 December 2019.	Our audit procedures included evaluating the Company's revenue recognition accounting policies and assessing compliance with the policies in terms of International Financial Reporting Standards (IFRSs). We tested the Company's controls over revenue recognition and key controls in the revenue cycle. We also selected a representative sample and tested premiums written at either side of the revenue cutoff date to, assess whether the revenue was recognized in the correct period. Analytical procedures were performed on income accounts by line of business. We independently re-performed the revenue calculation of each line of business using data extracted from the Company's system. In order to rely on the data extracted, we tested a sample of transactions to their related policies to assess the accuracy of the data extracted. We also selected and tested a representative sample of journal entries at the cut off period. Disclosures of accounting policies for revenue recognition are details in note (2) to the financial statement.
2. Estimates used in calculation and completeness of insurance liabilities	**How the key audit matter was addressed in the audit**
The Company has significant insurance liabilities of JD 39,463,999 representing 55% of the Company's total liabilities as at 31 December 2019. The measurement of insurance liabilities (outstanding claims, unearned premium reserve and premium deficiency reserve) involves significant judgment over uncertain future outcomes including primarily the timing and ultimate full settlement of long term policyholders' liabilities.	Our audit procedures included, amongst others, assessing the Company's methodology for calculating the insurance liabilities and their analysis of the movements in insurance liabilities during the year, including consideration of whether the movements are in line with the accounting policy adopted by the Company. We tested management's liability adequacy testing which is a key test performed to check that the liabilities are adequate in the context of expected experience. We evaluated the competence, capabilities and objectivity of the management's specialist. Our audit procedures on the liability adequacy tests included assessing the reasonableness of the projected cash flows and reviewing the assumptions adopted in the context of both the Company and industry experience and specific product features. We also assessed the adequacy of the disclosures regarding these liabilities. Disclosures of assumptions and accounting policies related to insurance contracts liabilities are details in note (2) to the financial statement.

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Other information included in the Company's 2019 annual report.

Other information consists of the information included in the annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.
The Company's 2019 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the 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 identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exist. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

Amman – Jordan
9 February 2020

Ernst + Young

ARAB ORIENT INSURANCE PUBLIC SHAREHOLDING COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	2019	2018
		JD	JD
Assets			
Bank deposits	3	57,022,424	47,070,424
Financial assets at fair value through other comprehensive income	4	3,327,200	5,051,191
Financial assets at amortized cost	5	2,462,111	2,471,328
Investment property	6	170,464	-
Total Investments		62,982,199	54,592,943
Cash and cash equivalents	7	1,271,256	2,494,466
Checks under collection	8	5,355,202	4,251,884
Accounts receivable	9	26,396,937	24,881,284
Reinsurance receivables	10	1,615,645	1,322,370
Deferred tax assets	11/A	3,647,084	5,722,030
Property and equipment	12	4,687,709	4,808,393
Intangible assets	13	548,855	645,220
Right of use assets	2	486,603	-
Other assets	14	2,046,381	1,427,919
Total Assets		109,037,871	100,146,509
Liabilities and Equity			
Liabilities –			
Insurance contracts liabilities:			
Unearned premium reserve		17,512,746	14,838,093
Premium deficiency reserve		884,000	884,000
Outstanding claims reserve		21,067,253	18,777,823
Total Insurance contracts liabilities		39,463,999	34,499,916
Accounts payable	15	6,079,023	6,186,513
Accrued expenses		726,091	635,184
Reinsurance payables	16	23,924,583	22,253,293
Lease contracts liabilities	2	409,100	-
End of service provision	17	1,393,128	1,084,242
Deferred tax liabilities	11/B	-	55,451
Other liabilities	18	231,247	227,718
Total Liabilities		72,227,171	64,942,317
Equity -			
Authorized and paid-in capital	19	21,438,252	21,438,252
Statutory reserve	20	5,825,651	5,107,646
Fair value reserve	21	(2,590,746)	(2,399,231)
Retained earnings (accumulated losses)	22	3,137,543	(542,475)
Net Equity		27,810,700	23,604,192
Subordinated loan	23	9,000,000	11,600,000
		36,810,700	35,204,192
Total Liabilities and Equity		109,037,871	100,146,509

The attached notes 1 to 39 form part of these financial statements

Arab Orient Insurance Public Shareholding Company
Statement of Income
For The Year Ended 31 December 2019

	Notes	2019 JD	2018 JD
Revenues-			
Gross written premium		85,695,019	85,232,935
Less: reinsurance share		45,112,707	46,428,263
Net written premium		40,582,312	38,804,672
Net change in unearned premium reserve		(2,674,653)	797,809
Net earned premium		37,907,659	39,602,481
Commissions income		7,591,325	6,700,220
Insurance policies issuance fees		3,726,084	4,085,547
Interest income	24	2,981,952	2,406,727
Dividend income from investments		135,333	302,503
Total revenues		52,342,353	53,097,478
Claims, losses and expenses			
Paid claims		58,655,880	69,155,671
Less: Recoveries		3,919,255	4,060,011
Less: Reinsurance share		27,596,497	31,788,283
Net paid claims		27,140,128	33,307,377
Net change in outstanding claims reserve		2,289,430	(1,629,960)
Allocated employees' expenses	25	6,444,558	6,327,084
Allocated general and administrative expenses	26	2,959,678	2,947,688
Excess of loss premium		603,929	799,809
Policies acquisition costs		2,002,409	2,207,198
Other insurance expenses		190,371	249,571
Net claims costs		41,630,503	44,208,767
Unallocated employees' expenses	25	1,611,139	1,581,771
Unallocated general and administrative expenses	26	739,922	736,921
Depreciation and amortization	12,13	653,030	678,227
Provision of expected credit losses on accounts receivable and provision for doubtful debts on reinsurance receivables	9,10	481,217	1,562,000
Provision of expected credit losses on checks under collection	8	9,610	52,317
Loss from sale of property and equipment and intangible assets		1,885	31,523
Other expenses	27	35,000	-
Total expenses		3,531,803	4,642,759
Profit for the year before tax		7,180,047	4,245,952
Income tax expense	11	(2,019,495)	(1,033,052)
Profit for the year		5,160,552	3,212,900
		JD/Fils	JD/Fils
Basic and diluted earnings per share for the year	28	0/241	0/150

The attached notes 1 to 39 form part of these financial statements

ARAB ORIENT INSURANCE PUBLIC SHAREHOLDING COMPANY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019	2018
		JD	JD
Profit for the year		5,160,552	3,212,900
Add: Other comprehensive income not to be reclassified to profit and loss in subsequent periods			
Change in fair value of financial assets through other comprehensive income	21	(954,044)	(2,336,494)
Total comprehensive income for the year		4,206,508	876,406

The attached notes 1 to 39 form part of these financial statements

Arab Orient Insurance Public Shareholding Company
Statement Of Changes in Equity
For The Year Ended 31 December 2019

	Authorized and paid-in capital	Statutory reserve	Fair value reserve	Retained earnings (accumulated losses)*	Net equity
	JD	JD	JD	JD	JD
For the year ended 31 December 2019					
Balance at 1 January 2019	21,438,252	5,107,646	(2,399,231)	(542,475)	23,604,192
Total comprehensive income for the year	-	-	(954,044)	5,160,552	4,206,508
Realized losses on sale of financial assets through other comprehensive income	-	-	762,529	(762,529)	-
Transferred to statuary reserve	-	718,005	-	(718,005)	-
Balance at 31 December 2019	21,438,252	5,825,651	(2,590,746)	3,137,543	27,810,700
For the year ended 31 December 2018					
Balance at 1 January 2018	21,438,252	4,683,051	-	(3,393,517)	22,727,786
IFRS (9) implementation effect	-	-	(62,737)	62,737	-
Adjusted balance at 1 January 2018	21,438,252	4,683,051	(62,737)	(3,330,780)	22,727,786
Total comprehensive income for the year	-	-	(2,336,494)	3,212,900	876,406
Transferred to statuary reserve	-	424,595	-	(424,595)	-
Balance at 31 December 2018	21,438,252	5,107,646	(2,399,231)	(542,475)	23,604,192

* Retained earnings\ (accumulated losses) include an amount of JD 3,647,084 as at 31 December 2019 (31 December 2018: JD 5,722,030) representing deferred tax assets that cannot be distributed according to the securities commission instructions.

ARAB ORIENT INSURANCE PUBLIC SHAREHOLDING COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019	2018
		JD	JD
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year before tax		7,180,047	4,245,952
Adjustments:			
Interest income		(2,981,952)	(2,406,727)
Depreciation and amortization	12,13	653,030	678,227
Depreciation on right of use assets	26	275,919	-
Interest on lease contracts liabilities	26	44,354	-
Amortization of financial assets at amortized cost		9,217	8,680
Provision for expected credit losses on accounts receivable and provision for doubtful debts on reinsurance receivable		481,217	1,562,000
Provision for expected credit losses on checks under collection		9,610	52,317
Receivables written off	9	1,225,319	-
Loss from sale of property and equipment and intangible assets		1,885	31,523
End of service provision	17, 25	413,124	404,010
Net change in unearned premium reserve		2,674,653	(797,809)
Net change in outstanding claims reserve		2,289,430	(1,629,960)
Cash flows from operating activities before changes in working capital		12,275,853	2,148,213
Checks under collection		(1,112,928)	731,025
Accounts receivable		(3,392,653)	4,811,906
Reinsurance receivable		(293,275)	706,336
Other assets		(702,679)	(109,993)
Accounts payable		(107,490)	(6,287,652)
Reinsurance payable		1,671,290	1,612,789
Accrued expenses		90,907	293,958
Other liabilities		3,529	12,227
Paid from end of service provision	17	(104,238)	(336,536)
Income tax paid	11	-	(64,830)
Net cash flows from operating activities		8,328,316	3,517,443
CASH FLOW FROM INVESTING ACTIVITIES			
Deposits at banks maturing after three months		(7,447,562)	(4,377,113)
Interest received		2,981,952	2,406,727
Purchase of property and equipment	12	(309,706)	(221,168)
Proceeds from sale of property and equipment		31,960	17,290
Lease payments	2	(313,559)	-
Purchase of intangible assets	13	(160,120)	(91,051)
Proceeds from sale of financial assets through other comprehensive income		769,947	-
Net cash flows used in investing activities		(4,447,088)	(2,265,315)
CASH FLOW FROM FINANCING ACTIVITIES			
Subordinated loan	23	(2,600,000)	-
Net cash flow used in financing activities		(2,600,000)	-
Net increase in cash and cash equivalent		1,281,228	1,252,128
Cash and cash equivalents at beginning of the year		12,331,840	11,079,712
Cash and cash equivalents at the end of the year	7	13,613,068	12,331,840

ARAB ORIENT INSURANCE PUBLIC SHAREHOLDING COMPANY
STATEMENT OF UNDER WRITING REVENUES FOR THE GENERAL INSURANCE
FOR THE YEAR ENDED 31 DECEMBER 2019

	Motor		Marine		Aviation		Fire and damages property		Liability		Medical		Others		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Written Premium:																
Direct insurance	21,317,220	18,846,294	1,107,272	1,033,527	73,554	92,519	7,724,435	7,599,820	976,044	819,340	48,431,900	51,015,627	4,451,203	4,490,583	84,131,628	83,897,710
Reinsurance inward business	1,106,484	1,033,019	-	-	-	-	437,649	278,258	1,028	2,095	-	-	18,230	21,853	1,563,391	1,335,225
Total written Premium	22,423,704	19,879,313	1,107,272	1,033,527	73,554	92,519	8,162,084	7,878,078	977,072	821,435	48,481,900	51,015,627	4,469,433	4,512,436	85,695,019	85,232,935
Less:																
Local reinsurance share	1,118,354	752,975	19,950	2,778	-	-	379,776	322,547	-	-	-	-	83,786	114,740	1,601,866	1,193,040
Foreign reinsurance share	286,994	266,852	834,230	756,749	73,554	92,519	6,533,428	6,564,241	799,279	640,779	31,720,408	33,411,434	3,262,948	3,502,649	43,510,841	45,235,223
Net Written Premium	21,018,356	18,859,486	253,092	274,000	-	-	1,248,880	991,290	177,793	180,656	16,761,492	17,604,193	1,122,699	895,047	40,582,312	38,804,672
Add:																
Balance at the beginning of the year																
Unearned premium reserve	9,160,063	10,441,001	188,020	171,415	26,378	6,990	5,442,393	5,370,037	394,077	364,925	15,534,285	16,692,507	1,872,001	1,538,037	32,617,217	34,584,912
Less: reinsurance share	544,680	766,354	120,969	91,329	26,378	6,990	5,039,991	4,892,854	328,565	299,056	10,090,911	11,610,763	1,627,630	1,281,664	17,779,124	18,949,010
Net Unearned Premium Reserve	8,615,383	9,674,647	67,051	80,086	-	-	402,402	477,183	65,512	65,869	5,443,374	5,081,744	244,371	256,373	14,838,093	15,635,902
Premium deficiency reserve	-	-	-	-	-	-	-	-	-	-	884,000	884,000	-	-	884,000	884,000
Less: reinsurance share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net premium deficiency reserve	-	-	-	-	-	-	-	-	-	-	884,000	884,000	-	-	884,000	884,000
Less:																
Balance at the end of the year																
Unearned premium reserve	11,397,809	9,160,063	182,821	188,020	35,905	26,378	5,566,429	5,442,393	422,707	394,077	16,256,149	15,534,285	1,910,604	1,872,001	35,772,424	32,617,217
Less: Reinsurance share	527,557	544,680	117,966	120,969	35,905	26,378	5,113,953	5,039,991	360,546	328,565	10,506,005	10,090,911	1,597,746	1,627,630	18,259,678	17,779,124
Net unearned Premiums Reserve	10,870,252	8,615,383	64,855	67,051	-	-	452,476	402,402	62,161	65,512	5,750,144	5,443,374	312,858	244,371	17,512,746	14,838,093
Premium deficiency reserve	-	-	-	-	-	-	-	-	-	-	884,000	884,000	-	-	884,000	884,000
Less: reinsurance share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net premium deficiency reserve	-	-	-	-	-	-	-	-	-	-	884,000	884,000	-	-	884,000	884,000
Net earned revenues from written Premium	18,763,487	19,918,750	255,288	287,035	-	-	1,198,806	1,066,071	181,144	181,013	16,454,722	17,242,563	1,054,212	907,049	37,907,659	39,602,481

The attached notes 1 to 39 form part of these financial statements

Arab Orient Insurance Public Shareholding Company
Statement of Claims Cost for the General Insurance
For the Year Ended 31 December 2019

	Motor		Marine		Aviation		Fire and damages property		Liability		Medical		Others		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Paid claims	17,537,238	20,774,560	151,062	296,775	-	-	1,141,219	2,890,338	127,927	158,400	38,131,955	44,101,410	1,566,479	934,188	58,655,880	69,155,671
Less:																
Recoveries	3,631,226	3,901,431	25,656	-	-	-	236,492	126,945	2,399	28,651	-	-	23,482	2,984	3,919,255	4,060,011
Local reinsurance share	18,933	25,374	1,301	-	-	-	76,882	274,896	-	-	-	-	71,471	15,076	168,587	315,346
Foreign reinsurance share	96,013	30,084	136,661	163,721	-	-	744,655	2,063,431	3,120	78,067	25,322,697	28,501,236	1,124,764	636,398	27,427,910	31,472,937
Net Paid Claims	13,791,066	16,817,671	(12,556)	133,054	-	-	83,190	425,066	122,408	51,682	12,809,258	15,600,174	346,762	279,730	27,140,128	33,307,377
Add:																
Outstanding Claims Reserve at year end																
Reported	17,758,449	15,932,658	827,046	105,763	-	-	5,311,038	1,915,364	608,481	394,163	3,371,886	2,978,028	2,824,363	2,728,852	30,701,263	24,054,828
Unreported	2,824,242	2,694,200	20,000	20,000	-	-	200,000	200,000	30,000	30,000	2,807,560	2,376,865	170,000	170,000	6,051,802	5,491,065
Less:																
Reinsurance share from reported claims	1,010,774	861,749	723,234	74,721	-	-	4,958,906	1,640,935	402,402	125,687	2,198,432	2,117,675	2,487,659	2,393,290	11,781,407	7,214,057
Reinsurance share from IBNR	-	-	-	-	-	-	-	-	-	-	1,760,719	1,544,825	-	-	1,760,719	1,544,825
Recoveries	2,143,686	2,009,188	-	-	-	-	-	-	-	-	-	-	-	-	2,143,686	2,009,188
Net Outstanding Claims Reserve at year end	17,428,231	15,755,921	123,812	51,042	-	-	552,132	474,429	236,079	298,476	2,220,295	1,692,393	506,704	505,562	21,067,253	18,777,823
Less:																
Net Outstanding Claims Reserve at the beginning of the year																
Reported	15,932,658	15,346,137	105,763	279,437	-	-	1,915,364	2,643,446	394,163	328,361	2,978,028	4,731,485	2,728,852	1,759,884	24,054,828	25,088,750
Unreported	2,694,200	2,600,000	20,000	20,000	-	-	200,000	200,000	30,000	30,000	2,376,865	4,513,125	170,000	170,000	5,491,065	7,533,125
Less:																
Reinsurance share from reported	861,749	1,188,029	74,721	164,697	-	-	1,640,935	2,228,545	125,687	163,780	2,117,675	3,006,288	2,393,290	1,360,744	7,214,057	8,112,083
Reinsurance share from IBNR	-	-	-	-	-	-	-	-	-	-	1,544,825	2,867,547	-	-	1,544,825	2,867,547
Recoveries	2,009,188	1,234,462	-	-	-	-	-	-	-	-	-	-	-	-	2,009,188	1,234,462
Net Outstanding Claims Reserve at the beginning of the year	15,755,921	15,523,646	51,042	134,740	-	-	474,429	614,901	298,476	194,581	1,692,393	3,370,775	505,562	569,140	18,777,823	20,407,783
Net Claims Cost	15,463,376	17,049,946	60,214	49,356	-	-	160,893	284,594	60,011	155,577	13,337,160	13,921,792	347,904	216,152	29,429,558	31,677,417

The attached notes 1 to 39 form part of these financial statements

ARAB ORIENT INSURANCE PUBLIC SHAREHOLDING COMPANY
STATEMENT OF UNDERWRITING PROFITS FOR THE GENERAL INSURANCE
FOR THE YEAR ENDED 31 DECEMBER 2019

	Motor		Marine		Aviation		Fire and damages property		Liability		Medical		Others		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Net earned revenues from																
written premium	18,763,487	19,918,750	255,288	287,035	-	-	1,198,806	1,066,071	181,144	181,013	16,454,722	17,242,563	1,054,212	907,049	37,907,659	39,602,481
Less:																
Net claims cost	15,463,376	17,049,946	60,214	49,356	-	-	160,893	284,594	60,011	155,577	13,337,160	13,921,792	347,904	216,152	29,429,558	31,677,417
	3,300,111	2,868,804	195,074	237,679	-	-	1,037,913	781,477	121,133	25,436	3,117,562	3,320,771	706,308	690,897	8,478,101	7,925,064
Add:																
Commissions received	63,407	57,731	345,005	173,467	3,059	5,622	1,340,307	1,178,984	239,203	98,572	4,649,198	4,181,929	951,146	1,003,915	7,591,325	6,700,220
Insurance policies issuance fees	399,126	532,535	40,660	41,342	1,341	1,283	538,431	576,248	22,404	19,663	2,501,862	2,705,341	222,260	209,135	3,726,084	4,085,547
Total revenue	3,762,644	3,459,070	580,739	452,488	4,400	6,905	2,916,651	2,536,709	382,740	143,671	10,258,622	10,208,041	1,879,714	1,903,947	19,795,510	18,710,831
Less:																
Commissions paid	523,885	749,537	58,176	53,664	-	-	306,180	217,620	20,926	14,142	775,966	897,573	317,276	274,662	2,002,409	2,207,198
Excess of loss premium	124,964	249,904	45,557	67,780	-	-	326,159	366,201	-	-	-	-	107,249	115,924	603,929	799,809
Allocated general and																
administrative expenses	2,460,794	2,163,202	121,513	112,465	8,072	10,068	895,713	857,267	107,225	89,386	5,320,440	5,551,354	490,479	491,030	9,404,236	9,274,772
Other expenses	-	-	1,910	2,496	-	-	9,604	10,870	-	-	176,006	232,347	2,851	3,858	190,371	249,571
Total Expenses	3,109,643	3,162,643	227,156	236,405	8,072	10,068	1,537,656	1,451,958	128,151	103,528	6,272,412	6,681,274	917,855	885,474	12,200,945	12,531,350
Underwriting profit	653,001	296,427	353,583	216,083	(3,672)	(3,163)	1,378,995	1,084,751	254,589	40,143	3,996,210	3,526,767	961,859	1,018,473	7,594,565	6,179,481

(1) GENERAL

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

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

The Company is 90.45% owned by Gulf Insurance Group (the parent company) as at 31 December 2019 and the financial statements are consolidated with those of the parent company.

The number of the Company's employees was 351 as at 31 December 2019 (31 December 2018: 332).

The financial statements were approved by the Board of Directors in its meeting held on 5 February 2020.

(2) ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with the Standards issued by the International Accounting Standards Board (IASB).

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

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

Changes in accounting policies

The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2018 except for the adoption of new standards effective as of 1 January 2019 shown below:

IFRS 16 Leases

IFRS 16 "Leases" supersedes IAS 17 "Lease Contracts", IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the company is the lessor.

The Company adopted IFRS 16 using the modified retrospective approach with the date of initial application of 1 January 2019 accordingly, prior year financial statements were not restated. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of the adoption of IFRS 16 is as follows:

Impact on the statement of financial position (increase/(decrease)) as at 1 January 2019:

	2019
	JD
Assets	
Right of use assets	762,522
Other assets (prepaid expenses)	(84,217)
Liabilities	
Lease contracts liabilities	(678,305)
Total adjustment on equity	-

A) Nature of the effect of adoption of IFRS 16

The Company has lease contracts for various items of plant and equipment. Before the adoption of IFRS 16, the company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the company; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized, and the lease payments were recognized as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the company.

• Leases previously accounted for as operating leases

The Company recognized right-of-use assets and operating lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics

- Relied on its assessment of whether leases are onerous immediately before the date of initial application

- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application

- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as at 31 December 2018 as follows:

	JD
Operating lease commitments at 31 December 2018	786,548
Less: Commitments relating to short-term leases	(15,528)
Operating lease commitments at 1 January 2019	771,020
Weighted average incremental borrowing rate at 1 January 2019	9.25%
Discounted operating lease commitments at 1 January 2019	678,305

B) Amounts recognized in the statement of financial position and statement of income

Set out below, are the carrying amounts of the Company's right-of-use assets and lease contracts liabilities and the movements during the year ended 31 December 2019:

	Right of use assets	**Lease contracts liabilities**
	JD	**JD**
At 1 January 2019	762,522	678,305
Depreciation (note 26)	275,919	-
Finance costs (note 26)	-	44,354
Payments	-	(313,559)
At 31 December 2019	486,603	409,100

The rent expense of short-term leases recognized in the statement of income for the year ended 31 December 2019 is JD 15,528.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Interpretation did not have an impact on the Company's financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments do not have any impact on the Company's financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

These amendments do not have any impact on the Company's financial statements.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss.

An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

These amendments do not have any impact on the Company's financial statements.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments do not have any impact on the Company's financial statements.

Accounting polices

The following are the major accounting policies applied:

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

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

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

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

For financial instruments where there is no active market fair value is normally based on one of the following methods:

- Comparison with the current market value of a highly similar financial instrument.
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics.
- Option pricing models.

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

A- Financial assets at amortized cost

Financial assets at amortized cost must be measured if the following conditions are met:

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

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

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

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

B- Financial assets at fair value through other comprehensive income

- Equity investments that are not held for sale in the near future.

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

- These financial assets are not subject to impairment testing.

- Dividend income is recognized in the statement of income.

Impairment in Financial Assets Value

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

Impairment amounts are determined by the following:

- Impairment in financial assets recorded at amortized cost is determined on the basis of the present value of the expected cash flows discounted at the original interest rate.

Impairment loss is recognized in the statement of income. Any recoveries in the future resulting from previously recognized impairment is credited to the income statement.

Investment Properties

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

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

Cash and Cash equivalents

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

Reinsurance Accounts

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

Reinsurance

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

Impairment in Reinsurance Assets

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

1. There is an objective evidence resulting from an event that took place after the recording of the reinsurance assets confirming the Company's inability to recover all the amounts under the contracts terms.

2. The event has a reliably and clearly measurable effect on the amounts that the Company will recover from reinsures.

Property and equipment

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

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

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

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

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

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

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

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

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Pledged financial assets

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

Intangible assets

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

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

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

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

Lease contract liabilities

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

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

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Provisions

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

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

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

A- Technical Reserves

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

1. Unearned premiums reserve is measured for general insurance business based on remaining days of the insurance policy of expiration, considering a period of 365 days except marine and transport insurance which is calculated based on written premiums for existing policies at the date of the financial statements in accordance with Laws, regulations and instructions issued pursuant there to.

2. Outstanding claims (Reported) provision is measured at the maximum value of the total expected loss for each claim separately.

3. Premium deficiency reserve and provision for the ultimate cost of claims incurred but not yet reported (IBNR) is measured based on the estimates and the experience of the Company these may result from events occurred before the end or the fiscal year and of which have not been updated to the company.

B- Provision for expected credit losses

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

C- End of service provision

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

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

Liability adequacy test

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

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

Income Tax

Income tax represents accrued and deferred tax.

A- Accrued Income Tax

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

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

B- Deferred Tax

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

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

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

Offsetting

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

Revenue recognition

A- Insurance policies

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

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

B- Dividend and interest revenues

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

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

Expenditures recognition

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

Insurance compensations

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

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

Recoverable scraped value

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

General and administrative expenses

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

Employee's expenses

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

Insurance policy acquisition cost

Acquisition cost represent the cost incurred by the company for selling or underwriting or issuing new insurance contract, the acquisition cost is recorded in statement of income.

Foreign currencies

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

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

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

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

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

Use of Estimates

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

The details of significant estimates made by management as follows:

- A provision for expected credit losses is estimated by the management based on their principles and assumptions according to International Financial Reporting Standards.

- The financial year is charged with its related income tax in accordance with regulations.

- The management periodically reviews tangible and intangible assets useful life in order to calculate the depreciation and amortization amount depending on the status of these assets and future benefit. The impairment loss (if any) appears on the statement of income.

- The outstanding claims reserve and technical reserve are estimated based on technical studies and according to insurance commission regulation and filed actuarial studies.

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

- The management periodically reviews whether a financial asset or group of financial assets is impaired, if so this impairment is taken to the statement of income.

(3) BANK DEPOSITS

	2019			2018
	Deposits maturing in 1 month to 3 months	Deposits maturing in 3 months to 1 Year	Total	Total
	JD	JD	JD	JD
Inside Jordan	12,341,812	44,680,612	57,022,424	47,070,424

Interest rates on bank deposits balances in Jordanian Dinar range between 4.25% to 6.15% during 2019 compared to 4.5% to 6.5% during 2018.

Deposits pledged to the benefit of the General Manager of the Insurance Regulatory Commission deposited in Jordan Kuwait Bank amount to JD 225,000 as at 31 December 2019 and 31 December 2018.

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

	2019	2018
	JD	JD
Jordan Kuwait Bank	18,859,188	17,065,542
Egyptian Arab Land Bank	4,576,944	2,349,713
Invest Bank	4,296,663	3,723,304
Capital Bank	4,064,125	2,304,283
Arab Banking Corporation Bank	3,766,009	3,604,579
Jordan Commercial Bank	3,706,671	3,514,761
Audi Bank	3,484,975	2,244,565
Etihad Bank	3,254,079	3,086,544
Cairo Amman Bank	3,237,628	2,000,000
Societe Generale Bank	3,662,466	-
Housing Bank for Trade and Finance	2,000,004	-
Jordan Ahli Bank	1,500,000	3,333,331
Bank of Jordan	613,672	1,097,186
Blom Bank	-	2,746,616
	57,022,424	47,070,424

(4) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019	2018	2019	2018
	Number of shares	Number of shares	JD	JD
Listed shares:				
Afaq for Investment and Real Estate Development	1,541,500	1,541,500	1,402,765	1,541,500
Afaq for Energy	1,140,147	1,140,147	1,322,570	2,154,878
Cairo Amman Bank	584,335	553,581	601,865	736,263
Dar Al Dawa Development and Investment*	-	695,000	-	618,550
			3,327,200	5,051,191

* During 2019, the Company sold all of its shares in Dar Al Dawa Development and Investment (DADI) for an amount of JD 769,947. Losses in the amount of JD 762,529 were reclassified from the fair value reserve to retained earnings.

(5) FINANCIAL ASSETS AT AMORTIZED COST

	2019	2018	2019	2018
	Number of bonds	Number of bonds	JD	JD
Inside Jordan -				
Unlisted Bonds in financial market				
Arab Real Estate Development Company*	120	120	1,200,000	1,200,000
Less: Impairment in financial assets at amortized cost			(1,199,000)	(1,199,000)
			1,000	1,000
Listed bonds in financial markets				
Treasury Bond/ the Hashemite Kingdom of Jordan**	1330	1330	950,496	951,338
Total financial assets at amortized cost inside Jordan			951,496	952,338
Outside Jordan -				
Treasury Bonds/ Kingdom of Bahrain Government***	715	715	528,495	530,272
Treasury Bonds/ Kingdom of Bahrain Government****	1315	1315	982,120	988,718
Total financial assets at amortized cost outside Jordan			1,510,615	1,518,990
Total financial assets at amortized cost			2,462,111	2,471,328

* Following the decision of the General Assembly of the Bonds owners in its meeting held on October 26, 2011 the Housing Bank for Trade and Finance, as the trustee, initiated legal proceedings against Arab Real Estate Development Company (Arab Corp) and filed a lawsuit under number (3460/2011) at the First Instance Court of Amman to demand the rights of the Bonds owners.

  Arab Real Estate Development Company Bonds are stated at cost less impairment loss for an amount of JD 1,199,000 as of 31 December 2019.

** Treasury Bonds / the Hashemite kingdom of Jordan are due on 31 January 2027, bear interest of 5.75% and are repayable in equal semi - annual installments and on 31 January and 31 of July until the maturity date or the Bonds.

*** Treasury Bonds / kingdom of Bahrain are due on 12th of October 2028, bear interest rate of 7% and are repayable in equal semi - annual installments on 12th of October and 12th of April until the maturity date or the Bonds.

**** Treasury Bonds / Kingdom of Bahrain Government are due on the 26th of January 2026 with annual interest rate of 7% and paid in two equal semi - annual installments on the 26th of January and 26th of July, until the maturity date of the Bonds.

(6) INVESTMENT PROPERTY

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

(7) CASH AND CASH EQUIVALENTS

	2019	2018
	JD	JD
Cash on hand	33,064	22,609
Bank balances	1,238,192	2,471, 857
	1,271,256	2,494,466

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

	2019	2018
	JD	JD
Cash and cash equivalents	1,271,256	2,494,466
Deposits at banks with original maturity date of three months or less	12,341,812	9,837,374
	13,613,068	12,331,840

(8) CHECKS UNDER COLLECTION

	2019	2018
	JD	JD
Checks under collection due within six months	4,882,772	3,895,252
Checks under collection due within more than six months up to one year	534,357	408,949
	5,417,129	4,304,201
Less: Provision for expected credit losses*	(61,927)	(52,317)
	5,355,202	4,251,884

* Movement on provision for expected credit losses during the year was as follows:

	2019	2018
	JD	JD
Balance at the beginning of the year	52,317	-
Provision for the year	9,610	52,317
Balance at the end of the year	61,927	52,317

(9) ACCOUNTS RECEIVABLE

	2019	2018
	JD	JD
Policyholders *	31,215,070	30,560,159
Brokers receivables	2,202,158	2,116,559
Employees' receivables	103,663	65,832
Other receivables	719,891	553,112
	34,240,782	33,295,662
Less: Provision for expected credit losses **	(7,843,845)	(8,414,378)
	26,396,937	24,881,284

The details of the aging of receivables are as follows:

	Undue receivables	1-180 days	181-360 days	More than 360 days	Total
	JD	JD	JD	JD	JD
31 December 2019	17,627,847	7,703,085	810,123	255,882	26,396,937
31 December 2018	14,833,127	8,560,325	1,379,134	108,698	24,881,284

* Policy holders receivables includes scheduled payments in the amount of JD 17,627,849 as at 31 December 2019 (JD 14,833,127 as at 31 December 2018).

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

	2019	2018
	JD	JD
Balance at the beginning of the year	8,414,378	6,940,953
Provision for the year	481,217	1,473,425
Receivables written off	(1,225,319)	-
Transferred from provision for doubtful debts of reinsurance receivables	173,569	-
Balance at the end of the year	7,843,845	8,414,378

(10) REINSURANCE RECEIVABLES

	2019	2018
	JD	JD
Local insurance companies	1,648,871	1,488,033
Foreign reinsurance companies	265,827	306,959
	1,914,698	1,794,992
Less: Provision for doubtful debts *	(299,053)	(472,622)
	1,615,645	1,322,370

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

	1 - 90 day	91-180 days	181-360 days	Total
	JD	JD	JD	JD
31 December 2019	628,333	463,996	523,316	1,615,645
31 December 2018	604,427	525,170	192,773	1,322,370

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

	2019	2018
	JD	JD
Balance at the beginning of the year	472,622	384,047
Provision for the year	-	88,575
Transferred to provision for expected credit losses on accounts receivable	(173,569)	-
Balance at end of the year	299,053	472,622

(11) INCOME TAX

Movements on income tax provision were as follows:

	2019	2018
	JD	JD
Provision for the year	-	64,830
Income tax paid during the year	-	(64,830)
Balance at the end of the year	-	-

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

	2019	2018
	JD	JD
Deferred tax assets	2,074,946	968,222
Deferred tax liabilities	(55,451)	-
Prior years income tax	-	64,830
	2,019,495	1,033,052

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

	2019	2018
	JD	JD
Accounting profit	7,180,047	4,245,952
Non-taxable profits	(69,237)	(1,670,413)
Non-deductible expenses	1,248,793	2,182,989
Realized losses on sale of financial assets through other comprehensive income	(762,529)	-
Taxable profit	7,597,074	4,758,528
Effective income tax rate	28%	24%
Statutory income tax rate	26%	24%

Final settlement for income tax was reached until 31 December 2016.

Income tax return was submitted for the years 2018 and 2017. The Income and Sales Tax Department have reviewed the tax returns but have not issued its final decision until the date of the financial statements.

According to the income tax law number (38) for the year 2018, a tax rate of 26% was used to calculate the income tax as at 31 December 2019 (31 December 2018: 24% according to the income tax law number (34) for the year 2014).

Deferred tax assets and liabilities

	2019					2018
	Balance at the beginning of the year	Additions	Released Amounts	Balance at the end of the year	Deferred Tax	Deferred Tax
A. Deferred tax assets	JD	JD	JD	JD	JD	JD
Provision for expected credit losses on accounts receivable and provision for doubtful debts on reinsurance receivables	8,887,000	-	2,853,883	6,033,117	1,568,611	2,132,880
Provision for expected credit losses on checks under collection	52,317	-	52,317	-	-	12,556
Impairment loss on financial asset	1,199,000	-	-	1,199,000	311,740	287,760
Provision for incurred but not reported claims, net	3,946,240	344,842	-	4,291,082	1,115,682	947,098
End of service provision	1,084,242	413,124	69,237	1,428,129	371,314	260,218
Premium deficiency reserve, net	884,000	-	-	884,000	229,840	212,160
Accumulated losses from previous years	7,788,987	-	7,597,074	191,913	49,897	1,869,358
	23,841,786	757,966	10,572,511	14,027,241	3,647,084	5,722,030
B. Deferred tax liabilities						
Unrealized gain from financial assets at fair value through profit or loss	231,045	-	231,045	-	-	55,451
	231,045	-	231,045	-	-	55,451

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

	Assets		Liabilities	
	2019	2018	2019	2018
	JD	JD	JD	JD
Balance at the beginning of the year	5,722,030	6,690,252	55,451	55,451
Released, net	(2,074,946)	(968,222)	(55,451)	-
Balance at the end of the year	3,647,084	5,722,030	-	55,451

(12) PROPERTY AND EQUIPMENT

	Land	Building	Computers	Decorations	Tools, equipment and furniture	Vehicles	Total
2019-	JD	JD	JD	JD	JD	JD	JD
Cost:							
Balance at the beginning of the year	1,545,000	2,575,000	985,512	1,503,752	1,402,019	388,300	8,399,583
Additions	-	-	90,860	113,408	80,438	25,000	309,706
Disposals	-	-	(12,487)	(16,087)	(55,864)	(140,000)	(224,438)
Balance at the end of the year	1,545,000	2,575,000	1,063,885	1,601,073	1,426,593	273,300	8,484,851
Accumulated depreciation:							
Balance at the beginning of the year	-	429,167	802,061	1,052,222	1,031,077	276,663	3,591,190
Depreciation for the year	-	51,500	86,680	137,071	92,877	33,542	401,670
Disposals	-	-	(11,171)	(16,086)	(47,711)	(120,750)	(195,718)
Balance at the end of the year	-	480,667	877,570	1,173,207	1,076,243	189,455	3,797,142
Net book value at the end of the year	1,545,000	2,094,333	186,315	427,866	350,350	83,845	4,687,709
2018-							
Cost:							
Balance at the beginning of the year	1,545,000	2,575,000	918,590	1,574,656	1,350,454	484,300	8,448,000
Additions	-	-	90,930	48,924	81,314	-	221,168
Disposals	-	-	(24,008)	(119,828)	(29,749)	(96,000)	(269,585)
Balance at the end of the year	1,545,000	2,575,000	985,512	1,503,752	1,402,019	388,300	8,399,583
Accumulated depreciation:							
Balance at the beginning of the year	-	377,667	741,088	1,004,058	935,026	319,142	3,376,981
Depreciation for the year	-	51,500	84,518	128,552	117,001	53,520	435,091
Disposals	-	-	(23,545)	(80,388)	(20,950)	(95,999)	(220,882)
Balance at the end of the year	-	429,167	802,061	1,052,222	1,031,077	276,663	3,591,190
Net book value at the end of the year	1,545,000	2,145,833	183,451	451,530	370,942	111,637	4,808,393

Property and equipment include fully depreciated assets with the total amount of JD 2,322,235 JD as at 31 December 2019 (2,068,495 as at 31 December 2018) which are still being used up to the date of the financial statements.

(13) INTANGIBLE ASSETS

	Programs and computer systems	
	2019	2018
	JD	JD
Cost:		
Balance at the beginning of the year	1,342,226	1,664,904
Additions	160,120	91,051
Disposals	(12,300)	(413,729)
Balance at the end of the year	1,490,046	1,342,226
Accumulated Amortization:		
Balance at the beginning of the year	697,006	867,489
Amortization for the year	251,360	243,136
Disposals	(7,175)	(413,619)
Balance at the end of the year	941,191	697,006
Net book value at the end of the year	548,855	645,220

(14) OTHER ASSETS

	2019	2018
	JD	JD
Accrued revenues	1,218,984	680,750
Refundable deposits	383,810	317,813
Income tax paid on interest income	327,406	168,063
Prepaid expenses	116,181	217,250
Medical tools for claims	-	44,043
	2,046,381	1,427,919

(15) ACCOUNTS PAYABLE

	2019	2018
	JD	JD
Trade and companies' payables	2,743,840	2,813,519
Medical network payable	2,244,301	2,236,406
Agents' payables	721,674	682,170
Garages' payables and vehicle parts	346,159	441,288
Employees' payables	23,049	13,130
	6,079,023	6,186,513

(16) REINSURANCE PAYABLES

	2019	2018
	JD	JD
Foreign reinsurance companies	23,839,859	22,157,510
Local insurance companies	84,724	95,783
	23,924,583	22,253,293

(17) END OF SERVICE PROVISION

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

	2019	2018
	JD	JD
Balance at the beginning of the year	1,084,242	1,016,768
Provision for the year (note 25)	413,124	404,010
Paid during the year	(104,238)	(336,536)
Balance at the end of the year	1,393,128	1,084,242

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

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

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

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

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

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

(18) OTHER LIABILITIES

	2019	2018
	JD	JD
Stamps	100,901	95,150
Sales tax withholdings	53,105	44,257
Income tax withholdings	52,339	48,755
Due to shareholders – subscription refunds	24,902	24,902
Deferred revenues	-	14,654
	231,247	227,718

(19) AUTHORIZED AND PAID IN CAPITAL

Authorized and paid-in capital is JD 21,438,252 divided into 21,438,252 shares at par value of JD 1 each as at 31 December 2019 and 2018.

(20) LEGAL RESERVES

Statutory reserve

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

(21) FAIR VALUE RESERVE

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

	2019	2018
	JD	JD
Balance at the beginning of the year	(2,399,231)	-
IFRS 9 implementation effect	-	(62,737)
Changes in fair value of financial assets through other comprehensive income	(954,044)	(2,336,494)
Realized losses on sale of financial assets through other comprehensive income	762,529	-
Balance at the end of the year	(2,590,746)	(2,399,231)

(22) RETAINED EARNINGS (ACCUMULATED LOSSES)

Movements on retained earnings (accumulated losses) during the year were as follows:

	2019	2018
	JD	JD
Balances at the beginning of the year	(542,475)	(3,393,517)
IFRS (9) implementation effect	-	62,737
Profit for the year	5,160,552	3,212,900
Less:		
Deducted reserves	(718,005)	(424,595)
Realized losses on sale of financial assets through other comprehensive income	(762,529)	-
Balance at the end of the year	3,137,543	(542,475)

(23) SUBORDINATED LOAN

On 15 November 2017, the Company borrowed from Gulf Insurance Group an amount of (USD 16,361,071) equivalent to JD 11,600,000 as a subordinated loan to increase the Company solvency margin in line with the Insurance Administration Instruction No.3 of 2002 and the decisions issued there under. This loan bears no interest and no maturity or repayment schedule. During 2019, the Company paid back an amount of (USD 3,667,137) equivalent to JD 2,600,000. During the subsequent period on 19 January 2020, the Company paid back an amount of (USD 4,231,312) equivalent to JD 3,000,000.

(24) INTEREST INCOME

	2019	2018
	JD	JD
Interest on bank deposits	2,836,198	2,260,438
Interest on financial assets at amortized cost	145,754	146,289
	2,981,952	2,406,727
Amount transferred to underwriting accounts	-	-
Amount transferred to statement of income	2,981,952	2,406,727

(25) EMPLOYEES EXPENSES

	2019	2018
	JD	JD
Salaries and bonuses	6,377,610	6,250,941
Social security contribution	690,937	713,622
Medical expenses	422,054	385,122
End of service provision (note 17)	413,124	404,010
Travel and transportation	121,997	129,390
Training and employee development	29,975	25,770
	8,055,697	7,908,855
Allocated employee expenses to the underwriting account	6,444,558	6,327,084
Unallocated employee expense to the underwriting account	1,611,139	1,581,771

(26) GENERAL AND ADMINISTRATIVE EXPENSES

	2019	2018
	JD	JD
Insurance commission fees	676,076	640,584
Legal fees and expenses	415,020	341,352
Postage telecommunications and stamps	279,190	340,774
Depreciation on right of use assets (note 2)	275,919	-
Advertisements	267,529	196,527
Stationery and printing	195,316	200,922
Maintenance	162,490	153,336
Water, electricity and heating	148,894	165,150
Technical consulting fees	140,903	80,222
Government fees and other fees	124,828	109,017
Tenders expenses	101,133	227,213
Board members bonuses and transportation fees	100,400	100,400
Bank interest and commission expenses	100,145	103,241
Subscriptions	88,347	61,344
Collections fees	87,921	105,605
Cleaning expense	81,758	43,424
Hospitality	71,819	52,897
Interest on lease contracts obligations (note 2)	44,354	-
Insurance expenses	36,283	36,960
Professional fees	25,000	25,000
Rent	15,528	373,051
Vehicles expenses	14,627	27,563
Building management fees	9,338	59,533
Board members committee fees	3,200	7,600
Orange card fees	750	3,000
Donations	700	8,020
Other expenses	232,132	221,874
	3,699,600	3,684,609
Allocated general and administrative expenses to the underwriting accounts	2,959,678	2,947,688
Unallocated general and administrative expenses to the underwriting accounts	739,922	736,921

(27) OTHER EXPENSES

	2019	2018
	JD	JD
Board of Directors remunerations	35,000	-

(28) BASIC AND DILUTED EARNINGS PER SHARE

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

	2019	2018
Profit for the year (JD)	5,160,552	3,212,900
Weighted average number of shares (Shares)	21,438,252	21,438,252
	JD/Fils	JD/Fils
Basic and diluted earnings per share for the year	0/241	0/150

(29) RELATED PARTY TRANSACTIONS

During the year, the Company entered into transactions with major shareholders, board members and directors in the Company within the normal activities of the Company using insurance premium and commercial commission. All debts provided to related parties are considered working and no provision has been taken against them as at 31 December 2019.

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

	2019			2018
	Jordan Kuwait Bank	Top Executive Management	Total	Total
	JD	JD	JD	JD
Statement of Financial Position Items:				
Time deposits	18,859,188	-	18,859,188	17,065,542
Overdraft account – under demand	655,970	-	655,970	1,781,049
Current account	459,105	-	459,105	212,190
Deposits on letters of guarantee	365,744	-	365,744	299,749
Accounts receivable/ payable	112,302	(870)	111,432	(19,695)
Off-statement of Financial Position Items:				
Letters of guarantee	3,657,447	-	3,657,447	2,997,490
Statement of income Items:				
Bank interest income	872,426	-	872,426	740,803
Written premiums	2,278,486	19,932	2,298,418	2,154,372
Bank expenses and commissions	131,238	-	131,238	197,114
Salaries	-	1,036,965	1,036,965	970,402
Bonuses	-	283,376	283,376	6,150
Transportation expenses for members of the Board of Directors	-	50,400	50,400	50,400
Bonus expenses for members of the Board of Directors	-	85,000	85,000	50,400
Board of Directors committees' bonus	-	3,200	3,200	7,600

During 2011 it was agreed with Gulf Insurance Group (Major Shareholder and member of the Board of Directors) to settle all treaty reinsurance accounts through Gulf Insurance Company, where the Company's credit balance amounts to JD 182,323 at the end of the year 2019 (2018: JD 27,834).

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

	2019	2018
	JD	JD
Salaries and bonuses	1,320,341	976,552
	1,320,341	976,552

(30) FAIR VALUE OF FINANCIAL INSTRUMENTS

There are no significant differences between the book value and fair value of the financial assets and financial liabilities at the end of the year 2019 and 2018.

(31) 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:

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

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

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

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

Management of risks adopted by the 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 at their origin. When the problem or its origin is identified, the related accident may lead to new risks that can be treated prior to their occurrence. There arc 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 ward off 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 execute the plan so that the risk effects are mitigated. Moreover, all avoidable risks are avoided.

Sixth: Plan Review and Evaluation

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

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

Steps in Determining Assumptions

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

2. *Claims Development*

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

Gross - Motor Insurance:

The accident year	2015 and before	2016	2017	2018	2019	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	154,839,304	19,577,538	22,921,330	19,510,495	16,181,901	233,030,568
After one year	156,037,090	21,809,649	22,243,327	20,565,247	-	220,655,313
After two years	153,497,444	22,573,244	22,591,712	-	-	198,662,400
After three years	154,640,533	23,024,224	-	-	-	177,664,757
After four years	154,938,076	-	-	-	-	154,938,076
Present expectations for the accumulated claims	154,938,076	23,024,224	22,591,712	20,565,247	16,181,901	237,301,160
Accumulated payments	149,539,119	21,409,872	20,588,425	15,380,185	9,800,868	216,718,469
Liability as in the statement of financial position	5,398,957	1,614,352	2,003,287	5,185,062	6,381,033	20,582,691
Reported	5,398,957	1,614,352	2,003,287	5,185,062	3,556,791	17,758,449
Unreported	-	-	-	-	2,824,242	2,824,242
(Deficit) surplus in the preliminary estimate for reserve	(98,772)	(3,446,686)	329,618	(1,054,752)	-	(4,270,592)

Gross – Marine

The accident year	2015 and before	2016	2017	2018	2019	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	3,286,377	147,070	445,585	78,127	776,435	4,733,594
After one year	3,396,890	222,838	511,666	180,337	-	4,311,731
After two years	3,411,979	220,938	512,246	-	-	4,145,163
After three years	3,393,635	220,938	-	-	-	3,614,573
After four years	3,393,635	-	-	-	-	3,393,635
Present expectation for the accumulated claims	3,393,635	220,938	512,246	180,337	776,435	5,083,591
Accumulated payments	3,324,777	219,488	489,746	159,337	43,197	4,236,545
Liability as in the statement of financial position:	68,858	1,450	22,500	21,000	733,238	847,046
Reported	68,858	1,450	22,500	21,000	713,238	827,046
Unreported	-	-	-	-	20,000	20,000
Deficit in the preliminary estimate for reserve	(107,258)	(73,868)	(66,661)	(102,210)	-	(349,997)

Gross - fire and damages property:

The accident year	2015 and before	2016	2017	2018	2019	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	23,387,316	1,076,672	501,439	997,801	1,558,294	27,521,522
After one year	32,462,209	2,040,451	1,428,785	4,037,765	-	39,969,210
After two years	30,995,092	2,008,732	1,331,049	-	-	34,334,873
After three years	31,366,671	2,008,031	-	-	-	33,374,702
After Four years	31,403,037	-	-	-	-	31,403,037
Present expectation for the accumulated claims	31,403,037	2,008,031	1,331,049	4,037,765	1,558,294	40,338,176
Accumulated payments	30,033,181	1,983,538	1,308,616	1,365,748	136,055	34,827,138
Liability as in the statement of financial position	1,369,856	24,493	22,433	2,672,017	1,422,239	5,511,038
Reported	1,369,856	24,493	22,433	2,672,017	1,222,239	5,311,038
Unreported	-	-	-	-	200,000	200,000
Deficit in the preliminary estimate for reserve	(8,015,721)	(931,359)	(829,610)	(3,039,964)	-	(12,816,654)

Gross – Liability

The accident year	2015 and before	2016	2017	2018	2019	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	916,968	224,142	134,599	242,892	282,862	1,801,463
After one year	985,058	234,328	127,574	278,621	-	1,625,581
After two years	1,003,703	234,328	107,657	-	-	1,345,688
After three years	994,277	268,912	-	-	-	1,263,189
After four years	913,865	-	-	-	-	913,865
Present expectation for the accumulated claims	913,865	268,912	107,657	278,621	282,862	1,851,917
Accumulated payments	762,983	189,118	80,885	144,514	35,936	1,213,436
Liability as in the statement of financial position:	150,882	79,794	26,772	134,107	246,926	638,481
Reported	150,882	79,794	26,772	134,107	216,926	608,481
Unreported	-	-	-	-	30,000	30,000
(Deficit) surplus in the preliminary estimate for reserve	3,103	(44,770)	26,942	(35,729)	-	(50,454)

Gross – Medical

The accident year	2015 and before	2016	2017	2018	2019	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	-	-	-	-	6,179,446	6,179,446
After one year	-	-	-	-	-	-
After two years	-	-	-	-	-	-
After three years	-	-	-	-	-	-
After four years	-	-	-	-	-	-
Present expectation for the accumulated claims	-	-	-	-	6,179,446	6,179,446
Accumulated payments	-	-	-	-	-	-
Liability as in the statement of financial position:	-	-	-	-	6,179,446	6,179,446
Reported	-	-	-	-	3,371,886	3,371,886
Unreported	-	-	-	-	2,807,560	2,807,560
Surplus (deficit) in the preliminary estimate for reserve	-	-	-	-	-	-

Gross – Others

The accident year	2015 and before	2016	2017	2018	2019	Total
	JD	JD	JD	JD	JD	JD
At the ended of the year	14,016,858	394,475	347,217	897,093	1,316,109	16,971,752
After one year	14,197,616	460,570	944,522	1,000,492	-	16,603,200
After two years	14,242,068	896,400	1,077,322	-	-	16,215,790
After three years	14,212,758	872,900	-	-	-	15,085,658
After four years	14,436,386	-	-	-	-	14,436,386
Present expectation for the accumulated claims	14,436,386	872,900	1,077,322	1,000,492	1,316,109	18,703,209
Accumulated payments	13,005,365	426,883	770,703	482,313	1,023,582	15,708,846
Liability as in the statement of financial position	1,431,021	446,017	306,619	518,179	292,527	2,994,363
Reported	1,431,021	446,017	306,619	518,179	122,527	2,824,363
Unreported	-	-	-	-	170,000	170,000
Deficit in the preliminary estimate for reserve	(419,528)	(478,425)	(730,105)	(103,399)	-	(1,731,457)

3. INSURANCE RISK CONCENTRATIONS

Below are schedules presenting risk concentration based on insurance types and the geographical distribution.

Technical reserves are concentrated based on insurance type as follows:

	2019		2018	
	Net	Gross	Net	Gross
Insurance types	JD	JD	JD	JD
Motor	28,298,483	29,836,814	24,371,304	25,777,733
Marine	188,667	1,029,867	118,093	313,783
Aviation	-	35,905	-	26,378
Fire and properties	1,004,608	11,077,467	876,831	7,557,757
Liability	298,240	1,061,188	363,988	818,240
Medical	8,854,439	21,319,595	8,019,767	21,773,178
Others	819,562	4,904,967	749,933	4,770,853
Total	39,463,999	69,265,803	34,499,916	61,037,922

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

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

	2019			2018		
	Assets	Liabilities	Off-Statement of Financial Position	Assets	Liabilities	Off-Statement of Financial Position
	JD	JD	JD	JD	JD	JD
A- According to geographical area						
Inside Jordan	106,039,498	49,114,476	3,657,447	98,020,560	44,410,460	2,997,490
Other Middle East Countries	2,732,200	6,594,728	-	1,921,538	7,198,621	-
Europe	118,800	16,278,091	-	61,646	13,275,963	-
Asia *	147,373	132,919	-	135,947	51,136	-
Africa *	-	106,957	-	6,818	6,137	-
Total	109,037,871	72,227,171	3,657,447	100,146,509	64,942,317	2,997,490

* Excluding Middle East countries.

	2019			2018		
	Assets	Liabilities	Off-Statement of Financial Position	Assets	Liabilities	Off-Statement of Financial Position
	JD	JD	JD	JD	JD	JD
B- According to Sector						
Public sector	7,341,139	12,860,200	2,146,945	4,659,324	11,010,193	2,388,892
Private Sector:						
Companies and corporations	99,341,796	56,702,803	1,510,502	91,781,764	53,659,143	608,598
Individuals	2,354,936	2,664,168	-	3,705,421	272,981	-
Total	109,037,871	72,227,171	3,657,447	100,146,509	64,942,317	2,997,490

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

	2019			2018		
	Assets	Liabilities	Off-Statement of Financial Position	Assets	Liabilities	Off-Statement of Financial Position
	JD	JD	JD	JD	JD	JD
C- According to geographical area						
Inside Jordan	-	71,265,803	-	-	61,037,922	-
Other Middle East Countries	7,910,875	-	-	6,139,177	-	-
Europe	20,500,560	-	-	17,780,465	-	-
Asia *	3,390,369	-	-	2,618,364	-	-
Africa *	-	-	-	-	-	-
Total	31,801,804	71,265,803	-	26,538,006	61,037,922	-

* Excluding Middle East countries.

INSURANCE RISK SENSITIVITY

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

Insurance activities	Change	Effect on the underwriting premium	Effect on the current year pre-tax profit	Effect on equity*
	%	JD	JD	JD
Motor	10	2,242,370	1,876,349	1,388,498
Marine	10	110,727	25,529	18,891
Aviation	10	7,355	-	-
Fire and property	10	816,208	119,881	88,712
Liability	10	97,707	18,114	13,404
Medical	10	4,848,190	1,645,472	1,217,649
Others	10	446,943	105,421	78,012
		8,569,500	3,790,766	2,805,166

* Net after deducting income tax effect.

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

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

Insurance activities	Change	Effect on the paid claims	Effect on the current year pre-Tax profit	Effect on equity*
	%	JD	JD	JD
Motors	10	1,753,724	1,546,338	1,144,290
Marine	10	15,106	6,021	4,456
Fire and property	10	114,122	16,089	11,906
Liability	10	12,793	6,001	4,441
Medical	10	3,813,196	1,333,716	986,950
Others	10	156,648	34,790	25,745
		5,865,589	2,942,955	2,177,788

* Net after deducting income tax effect.

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

B- FINANCIAL RISKS

The risks that the company face 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 controls the risk and determines the most suitable strategic risk distribution procedures for each of the financial assets and liabilities. This risk includes interest rate risk, credit risk, foreign currency risk and market risk.

The 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

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

2- Interest Rate Risk

Interest rate risks relate to long term bank deposits, development bonds, and other deposits. Moreover, the 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 2019. The interest rate on bank deposits range between 4.25% to 4.5% annually on Jordanian Dinar deposits. The interest rate on overdraft accounts is 5% annually. The company did not use overdraft facilities which amount up to five hundred thousand dinars during the past three years and plans to not use it during the coming period foreseen.

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

	+ 0.5%		- 0.5%	
	For the Year Ended 31 December			
	2019	2018	2019	2018
	JD	JD	JD	JD
Increase (decrease) in profit for the year	285,112	235,352	(285,112)	(235,352)
Shareholders' equity	285,112	235,352	(285,112)	(235,352)

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

	+ 0.5%		- 0.5%	
	For the Year Ended 31 December			
	2019	2018	2019	2018
	JD	JD	JD	JD
Increase (decrease) in profit for the year	12,306	12,352	(12,306)	(12,352)
Shareholders' equity	12,306	12,352	(12,306)	(12,352)

3- Foreign Currencies Risks

Foreign currencies risks are the risks resulting from the fluctuations in the value of the financial instruments due to the changes in the exchange rates of foreign currencies. Most of the 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 0.709 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 0.710 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.

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

	Foreign Currency		Equivalent in Jordanian Dinar	
Currency Type	2019	2018	2019	2018
US Dollar	625,779	100,473	443,677	71,235

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

4- Liquidity Risk

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

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

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

	Less than month	1 month to 3 months	3-6 months	6 months to 1 year	1-3 years	Without maturity	Total
	JD	*JD*	*JD*	*JD*	*JD*	*JD*	*JD*
2019 -							
Liabilities							
Accounts payable	2,068,169	1,885,535	1,320,752	710,540	94,027	-	6,079,023
Accrued expenses	353,000	373,091	-	-	-	-	726,091
Reinsurance payables	3,921,901	6,884,057	6,233,880	6,491,670	393,075	-	23,924,583
Lease contracts liabilities	65,306	-	23,270	16,344	304,180	-	409,100
End of service provision	-	-	-	-	-	1,393,128	1,393,128
Other liabilities	68,238	138,106	-	-	-	24,903	231,247
Total	6,476,614	9,280,789	7,577,902	7,218,554	791,282	1,418,031	32,763,172
Total Assets	10,113,634	21,172,054	26,849,532	35,825,559	7,940,365	7,136,727	109,037,871
2018 -							
Liabilities							
Accounts payable	1,500,000	2,500,000	1,500,000	500,000	186,513	-	6,186,513
Accrued expenses	306,017	329,167	-	-	-	-	635,184
Reinsurance payables	3,808,277	6,643,844	6,586,781	4,754,254	460,137	-	22,253,293
End of service provision	-	-	-	-	-	1,084,242	1,084,242
Deferred tax liabilities	55,451	-	-	-	-	-	55,451
Other liabilities	158,561	44,254	-	-	-	24,903	227,718
Total	5,828,306	9,517,265	8,086,781	5,254,254	646,650	1,109,145	30,442,401
Total Assets	6,101,666	39,398,786	21,188,985	14,758,912	2,471,328	16,226,832	100,146,509

5- Share Price Risk

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

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

	Change in Index	Impact on Shareholders' equity Gain/(Loss)
		JD
2019-		
Stock Exchange	5% Increase	166,360
Stock Exchange	5% Decrease	(166,360)
2018-		
Stock Exchange	5% Increase	252,560
Stock Exchange	5% Decrease	(252,560)

6- Insurance Risk

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

- Reinsurers.
- Policyholders.
- Insurance agents.

To mitigate insurance risks, the Company performs the following:

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

7- Reinsurance Risk

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

In order to reduce its exposure to major losses arising from the insolvency of reinsurance companies, the 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 agreements.

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

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

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

The Company reinsures on a facultative basis 100% of risks excluded from treaties to a reinsurance company (companies) classified as 1st or 2nd class according to the solvency margin instructions.

The Company follows up on the treaty and facultative reinsurance Companies monthly to ensure that the classification is not downgraded below 1st and 2nd class.

8- Operational Risks

Operational risks relate to systems downtime or may result from any intentional or unintentional human error. These risks may affect the 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 making aware and training the Company's personnel.

9- 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.

(32) MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

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

	Within1 year	More than 1 year	Total
2018-	JD	JD	JD
Assets-			
Banks deposits	47,070,424	-	47,070,424
Financial assets at fair value through other comprehensive income	-	5,051,191	5,051,191
Financial assets at amortized cost	-	2,471,328	2,471,328
Cash and cash equivalents	2,494,466	-	2,494,466
Checks under collection	4,251,884	-	4,251,884
Accounts receivable	24,881,284	-	24,881,284
Reinsurance receivables	1,322,370	-	1,322,370
Deferred tax assets	-	5,722,030	5,722,030
Property and equipment	-	4,808,393	4,808,393
Intangible assets	-	645,220	645,220
Other assets	1,427,919	-	1,427,919
Total Assets	81,448,347	18,698,162	100,146,509
Liabilities-			
Unearned premium reserve	14,838,093	-	14,838,093
Premium deficiency reserve	884,000	-	884,000
Outstanding claims reserve	16,055,040	2,722,783	18,777,823
Accounts payable	6,000,000	186,513	6,186,513
Accrued expenses	635,184	-	635,184
Reinsurance payables	21,793,156	460,137	22,253,293
End of service provision	-	1,084,242	1,084,242
Deferred tax liabilities	55,451	-	55,451
Other liabilities	202,815	24,903	227,718
Total Liabilities	60,463,739	4,478,578	64,942,317
Net	20,984,608	14,219,584	35,204,192

(33) ANALYSIS OF MAIN SECTORS

A- Background for the Company business sectors

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

B- Geographic concentration of risk

This disclosure illustrates the geographic distribution of the Company's operations, 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 distribution of revenues and assets of the Company and capital expenditure by geographic region:

	Inside the Kingdom		Outside the Kingdom		Total	
	2019	2018	2019	2018	2019	2018
	JD	JD	JD	JD	JD	JD
Total assets	106,039,498	98,020,560	2,998,373	2,125,949	109,037,871	100,146,509
Total written premium	84,889,486	80,230,672	805,533	5,002,263	85,695,019	85,232,935
Capital expenditure	469,826	312,219	-	-	469,826	312,219

(34) CAPITAL MANAGEMENT

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

a. 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.

b. To secure the continuity of the Company, and consequently, the Company's ability to provide the shareholders with good returns on capital.

c. To make available the proper return to shareholders through pricing insurance policies in a manner compatible with the risks associated with those polices.

d. To comply with the Insurance Commission Instructions associated with the solvency margin.

e. The below table shows the summary of the Company's capital and the minimum required capital:

	2019	2018
	JD	JD
Paid in Capital	21,438,252	21,438,252
Minimum Capital According to the Insurance Law	4,000,000	4,000,000

f. The following table shows the amount contributed to capital by the Company and the net solvency margin ratio as of 31 December 2019 and 2018:

	2019	2018
	JD	JD
Core Capital:		
Paid in Capital	21,438,252	21,438,252
Statutory reserve	5,825,651	5,107,646
Profit for the year net of appropriations	4,442,547	2,788,305
Accumulated losses	(1,305,004)	(3,330,780)
Total Core Capital	30,401,446	26,003,423
Supplementary capital:		
Cumulative change in fair value	(2,590,746)	(2,399,231)
Subordinated loan – over 5 years	9,000,000	11,600,000
Total Supplementary Capital	-	-
Total regulatory capital (a)	36,810,700	35,204,192
Total required capital (b)	19,277,272	19,976,006
Solvency margin (a) / (b)	190.9%	176.2%

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

(35) LAWSUITS AGAINST THE COMPANY

The Company appears as defendant in a number of lawsuits, the Company booked a sufficient provision to meet any obligations towards these lawsuits. In the opinion of the Company's management and its legal consultant, the provision for a total amount of JD 3,351,366 as at 31 December 2019 (31 December 2018: JOD 3,745,704) is sufficient to meet any obligations towards these lawsuits. Total amount of the cases raised by the Company against others is JD 3,621,190 as at 31 December 2019 (31 December 2018: JOD 2,679,319).

(36) CONTINGENT LIABILITIES

At 31 December 2019, the Company has letters of guarantee in the amount of JD 3,657,447 (2018: JD 2,997,490) against which cash margins of JD 365,744 are recorded (2018: JD 299,749).

(37) FAIR VALUE HIERARCHY

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

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

	Level (1)	Level (2)	Level (3)	Total
2019-	JD	JD	JD	JD
Financial assets at fair value through other comprehensive income	3,327,200	-	-	3,327,200
	3,327,200	-	-	3,327,200
2018-				
Financial assets at fair value through other comprehensive income	5,051,191	-	-	5,051,191
	5,051,191	-	-	5,051,191

(38) STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 17 Insurance Contracts

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

The new standard will be effective for annual periods beginning on or after 1 January 2021 with comparative figures required. Early application is permitted provided that the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

Amendments to IFRS 3: Definition of a Business

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company will not be affected by these amendments on the date of transition.

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

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

The amendments to the definition of material is not expected to have a significant impact on the Company's financial statements.

Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7

Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. As a result of interest rate benchmark reform, there may be uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative risk-free interest rate (an RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective.

The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative risk-free interest rate (an "RFR"). The effective date of the amendments is for annual periods beginning on or after 1 January 2020, with early application permitted. The requirements must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight.

With phase one completed, the IASB is now shifting its focus to consider those issues that could affect financial reporting when an existing interest rate benchmark is replaced with an RFR. This is referred to as phase two of the IASB's project. The Company has not early adopted the amendments and has concluded that the uncertainty arising from IBOR reform is not affecting its hedge relationships to the extent that the hedge relationships need to be discontinued.

(39) COMPARATIVE FIGURES

Some of the 2018 figures were reclassified to correspond with the 2019 presentation. The reclassification has no effect on profit and equity for the year 2018.