

Ras Al Khaimah National Insurance Company P.S.C.

**Directors' report, review report and condensed
interim financial information for the nine month
period ended 30 September 2022**

**Directors' report, review report and condensed interim financial information
for the nine month period ended 30 September 2022**

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Ras Al Khaimah National Insurance Company P.S.C.**Directors' report for the nine month period ended 30 September 2022**

The Board of Directors presents their report and the condensed interim financial information as at 30 September 2022 and for the three and nine month period ended 30 September 2022 which have been reviewed by the external auditors.

Incorporation and registered office

Ras Al Khaimah National Insurance Company P.S.C. ("RAK Insurance" or the "Company") was incorporated under an Emiri Decree Number 20/76 issued by HH Ruler of Ras Al Khaimah. The address of the registered office is RAK Insurance Head Office, 6th Floor RAK Bank ROC Office, Al Riffa, Ras Al Khaimah, United Arab Emirates.

Financial position and results

For the nine-month ended 30 September 2022, RAK Insurance recorded a net loss of AED 27 million as compared to net profit of AED 12 million during the nine-month period ended 30 September 2021 (the "Previous Period").

Gross written premium decreased by 7% to AED 342 million compared to AED 368 million in the Previous Period.

Gross underwriting income from insurance operations decreased to AED 13 million compared to AED 36 million in the Previous Period.

The Company's total assets decreased from AED 797 million as at 31 December 2021 to AED 716 million as at 30 September 2022 and the Shareholders' Equity decreased from AED 203 million as at 31 December 2021 to AED 152 million as at 30 September 2022.

As at 30 September 2022, the Company's total liabilities were AED 564 million compared to AED 594 million as at 31 December 2021.

Basic loss per share is AED 0.22 per share in the current period compared to a basic earnings per share of AED 0.10 earnings per share of the Previous Period on a capital base of AED 121 million.

On behalf of the Board of Directors of RAK Insurance, I would like to thank all who are working hard in the turn-around journey of the Company. Our sincere appreciation to the executive management and staff for their dedication, commitment and constant hard work. The Directors would also like to acknowledge our reinsurance partners, customers and all the stakeholders of the company.

Yours faithfully,



Salem Al Sharkan
Chairman
31 October 2022



Review report on condensed interim financial information to the Board of Directors of Ras Al Khaimah National Insurance Company P.S.C.

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Ras Al Khaimah National Insurance Company P.S.C. (the "Company") as at 30 September 2022 and the related condensed interim statements of profit or loss and comprehensive income for the three month and nine month periods then ended, and the condensed interim statements of changes in equity and cash flows for the nine-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers
31 October 2022


Jacques Fakhoury
Registered Auditor Number 379
Place: Ras Al Khaimah, United Arab Emirates

Ras Al Khaimah National Insurance Company P.S.C.

Condensed interim statement of financial position

	Notes	As at 30 September 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
Assets			
Property and equipment	4	1,399,686	1,944,478
Intangible assets	5	5,586,490	6,619,820
Statutory deposit	7	10,000,000	10,000,000
Financial assets at fair value through other comprehensive income ("FVTOCI")	6	107,822,531	112,535,476
Bank balances and fixed deposits	11	220,793,081	192,385,619
Reinsurance contract assets	8	198,787,806	217,291,902
Deferred acquisition costs	20	20,522,952	23,228,424
Insurance and other receivables	9	121,526,711	175,405,403
Cash and cash equivalents	10	29,963,801	57,392,932
Total assets		716,403,058	796,804,054
Equity and liabilities			
Equity			
Share capital	12	121,275,000	121,275,000
Statutory reserve	13	49,756,048	49,756,048
Voluntary reserve	14	20,000,000	20,000,000
Reinsurance reserve	15	2,597,911	1,872,070
Cumulative changes in fair value of FVTOCI investments		(14,575,110)	(909,154)
(Accumulated losses) / retained earnings		(26,679,967)	10,668,762
Total equity		152,373,882	202,662,726
Liabilities			
Provision for employees' end of service indemnity	18	7,035,994	6,115,257
Insurance contract liabilities	8	392,919,437	415,562,473
Deferred commission income	21	12,719,998	15,563,294
Bank borrowing	22	-	33,056,997
Insurance and other payables	17	151,353,747	123,843,307
Total liabilities		564,029,176	594,141,328
Total equity and liabilities		716,403,058	796,804,054

This condensed interim financial information was authorised for issue on 31 October 2022 by the Board of Directors and signed on its behalf by:


Salem Al Shafhan
Chairman




Sanjeev Badyal
Deputy Chief Executive Officer

Ras Al Khaimah National Insurance Company P.S.C.

Condensed interim statement of profit or loss

	Notes	For the three month period ended 30 September (Unaudited)		For the nine month period ended 30 September (Unaudited)	
		2022 AED	2021 AED	2022 AED	2021 AED
Insurance premium revenue earned	23	114,749,280	114,166,860	345,712,166	347,156,464
Insurance premium ceded to reinsurers	23	(46,418,060)	(46,391,644)	(145,198,940)	(137,580,303)
Net insurance premium revenue earned	23	68,331,220	67,775,216	200,513,226	209,576,161
Gross claims settled		(74,309,734)	(72,439,529)	(225,735,579)	(208,577,536)
Reinsurance share of claims settled		<u>26,465,228</u>	34,015,332	<u>85,290,891</u>	81,743,808
Net claims settled		(47,844,506)	(38,424,197)	(140,444,688)	(126,833,728)
Change in gross outstanding claims, unallocated loss adjustment expenses and claims incurred but not reported ("IBNR") provisions		(3,304,093)	2,607,446	17,434,765	(32,633,680)
Change in reinsurance share of outstanding claims and claims incurred but not reported ("IBNR") provisions		3,921,653	(3,847,210)	(17,093,705)	32,101,659
Change in gross mathematical reserve		(108,766)	26,504	1,055,128	(151,870)
Change in reinsurance share of mathematical reserve		(364)	(131,453)	(1,379,624)	(160,206)
Net claims incurred		(47,336,076)	(39,768,910)	(140,428,124)	(127,677,825)
Gross commission earned	21	2,513,333	4,779,481	10,127,278	13,506,321
Commission incurred	20	(18,991,924)	(19,345,278)	(57,084,094)	(58,960,979)
Net commission incurred		(16,478,591)	(14,565,797)	(46,956,816)	(45,454,658)
Gross underwriting income		4,516,553	13,440,509	13,128,286	36,443,678
General and administrative expenses	28	(16,129,961)	(13,356,143)	(44,390,260)	(39,784,342)
(Charge) / reversal of provision for impairment	6,9,11	(419,039)	(2,402,476)	(4,982,815)	1,216,980
Net underwriting loss		(12,032,447)	(2,318,110)	(36,244,789)	(2,123,684)
Interest income		2,482,025	2,306,923	6,570,891	6,286,534
Investment income	24	-	2,941,806	14,931	6,866,137
Other income		<u>1,258,380</u>	945,097	<u>2,738,079</u>	985,419
(Loss) / profit for the period		(8,292,042)	3,875,716	(26,920,888)	12,014,406
Basic and diluted (loss) / earnings per share	16	(0.07)	0.03	(0.22)	0.10

Ras Al Khaimah National Insurance Company P.S.C.

Condensed interim statement of comprehensive income

	For the three month period ended 30 September (Unaudited)		For the nine month period ended 30 September (Unaudited)	
	2022	2021	2022	2021
	AED	AED	AED	AED
(Loss) / profit for the period	(8,292,042)	3,875,716	(26,920,888)	12,014,406
Other comprehensive (loss) / income				
<i>Items that will be reclassified subsequently to profit or loss:</i>				
Net change in fair value of debt investments designated at FVTOCI (Note 6)	(3,368,209)	56,591	(13,513,969)	146,302
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Net change in fair value of equity investments designated at FVTOCI	(59,799)	-	(151,987)	(1,102,114)
(Loss) / gain on sale of equity instruments designated at FVTOCI	-	(80,255)	-	555,664
Total other comprehensive loss for the period	(3,428,008)	(23,664)	(13,665,956)	(400,148)
Total comprehensive (loss) / income for the period	(11,720,050)	3,852,052	(40,586,844)	11,614,258

Ras Al Khaimah National Insurance Company P.S.C.

Condensed interim statement of changes in equity

	Share capital AED	Statutory reserve AED	Voluntary reserve AED	Reinsurance reserve AED	Cumulative changes in fair value of FVTOCI investments AED	(Accumulated losses) / retained earnings AED	Total Equity AED
Balance at 31 December 2020 (Audited)	121,275,000	48,708,862	20,000,000	949,485	650,387	11,492,284	203,076,018
Profit for the period	-	-	-	-	-	12,014,406	12,014,406
Other comprehensive loss for the period	-	-	-	-	(400,148)	-	(400,148)
Total comprehensive (loss) / income for the period	-	-	-	-	(400,148)	12,014,406	11,614,258
Transfer of gain on disposal of equity investments designated at FVTOCI to retained earnings (Note 6)	-	-	-	-	(376,394)	376,394	-
Transfer to reinsurance reserve	-	-	-	709,828	-	(709,828)	-
Dividends paid (Note 19)	-	-	-	-	-	(9,702,000)	(9,702,000)
Balance at 30 September 2021 (Unaudited)	121,275,000	48,708,862	20,000,000	1,659,313	(126,155)	13,471,256	204,988,276
Balance at 31 December 2021 (Audited)	121,275,000	49,756,048	20,000,000	1,872,070	(909,154)	10,668,762	202,662,726
Loss for the period	-	-	-	-	-	(26,920,888)	(26,920,888)
Other comprehensive loss for the period	-	-	-	-	(13,665,956)	-	(13,665,956)
Total comprehensive loss for the period	-	-	-	-	(13,665,956)	(26,920,888)	(40,586,844)
Transfer to reinsurance reserve (Note 15)	-	-	-	725,841	-	(725,841)	-
Dividends paid (Note 19)	-	-	-	-	-	(9,702,000)	(9,702,000)
Balance at 30 September 2022 (Unaudited)	121,275,000	49,756,048	20,000,000	2,597,911	(14,575,110)	(26,679,967)	152,373,882

The notes on pages 9 to 40 form an integral part of this condensed interim financial information.

Ras Al Khaimah National Insurance Company P.S.C.

Condensed interim statement of cash flows

	Notes	For the nine month period ended 30 September (Unaudited)	
		2022 AED	2021 AED
Cash flows from operating activities			
(Loss) / profit for the period		(26,920,888)	12,014,406
Adjustments for:			
Depreciation of property and equipment	28	702,652	882,337
Amortisation of intangible assets	28	1,134,323	1,110,929
Depreciation of investment properties	28	-	42,651
Provision / (release of provision) for impairment		4,982,815	(1,216,980)
Provision for employees' end of service indemnity	18	1,414,832	930,189
Realised gain on disposal of financial assets at FVTOCI debt investments	24	-	(1,102,114)
Realised gain on disposal of investment properties	24	-	(4,805,380)
Realised gain on disposal of property and equipment		(96)	(1,303)
Write-off of property and equipment	4	37,630	61
Net income from investment properties	24	-	(183,929)
Amortisation of premium on FVTOCI debt investments	6	201,832	189,845
Interest income		(6,570,891)	(6,286,534)
Dividends income	24	(14,931)	(774,714)
Interest cost on bank borrowing		480,359	-
Operating cash flows before changes in working capital and payments of directors' remuneration, employees' end of service indemnity and interest on bank borrowing		(24,552,363)	799,464
Changes in working capital:			
Decrease / (increase) in reinsurance contract assets		18,504,096	(36,326,687)
Decrease in deferred acquisition costs		2,705,472	572,772
(Decrease) / increase in insurance contract liabilities		(22,643,036)	53,193,252
Decrease / (increase) in insurance and other receivables		43,220,369	(38,057,259)
Decrease / (increase) in current accounts in Lebanese banks		397	(3,985,358)
Increase in insurance and other payables		28,346,657	53,541,794
Decrease in deferred commission income		(2,843,296)	(2,896,915)
Net cash generated from operations		42,738,296	26,841,063
Employees' end of service indemnity paid	18	(494,095)	(428,406)
Directors' remuneration paid		(812,569)	(1,117,816)
Interest paid on bank borrowing		(504,007)	-
Net cash generated from operating activities		40,927,625	25,294,841

Ras Al Khaimah National Insurance Company P.S.C.

Condensed interim statement of cash flows (continued)

		For the nine month period ended 30 September (Unaudited)	
		2022	2021
		AED	AED
Cash flows from investing activities			
Purchase of property and equipment	4	(196,435)	(669,022)
Proceeds from disposal of property and equipment		1,041	7,225
Purchase of intangible assets	5	(100,993)	-
Purchase of financial assets at FVTOCI	6	(21,358,130)	(30,648,406)
Proceeds from maturity of financial assets at FVTOCI	6	12,253,128	7,346,000
Proceeds from disposal of financial assets at FVTOCI		-	53,419,867
Proceeds from disposal of investment properties		-	20,058,815
Rental income received from investment properties		-	183,929
Interest received		11,191,746	4,440,308
Dividend income received		14,931	774,714
Maturities of fixed deposits with banks with original maturities greater than three months		242,125,251	122,991,666
Placements of fixed deposits with banks with original maturities greater than three months		(269,528,298)	(158,351,077)
Net cash (used in) / generated from investing activities		(25,597,759)	19,554,019
Cash flows from financing activities			
Dividends paid	19	(9,702,000)	(9,702,000)
Settlement of bank borrowing	22	(33,056,997)	-
Net cash used in financing activities		(42,758,997)	(9,702,000)
Net (decrease) / increase in cash and cash equivalents		(27,429,131)	35,146,860
Cash and cash equivalents at beginning of the period		57,392,932	29,682,191
Cash and cash equivalents at end of the period	10	29,963,801	64,829,051

Principal non-cash transactions:

There were no non-cash transactions during the nine months periods ended 30 September 2022 and 30 September 2021 except the writeback of commission payable to brokers amounting to AED 2.4 million for the nine month period ended 30 September 2022 (nine month period ended 30 September 2021: Nil).

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the nine month period ended 30 September 2022

1 General information

Ras Al Khaimah National Insurance Company P.S.C. (the “Company”) is a public joint-stock company, established and incorporated in the Emirate of Ras Al Khaimah by Emiri decree No. 20/76 dated 26 October 1976. The Company is subject to the regulations of the U.A.E. Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations and is registered in the Insurance Companies Register of the Central Bank of the UAE (formerly, the UAE Insurance Authority), under registration number 7.

On 20 September 2021, the UAE Federal Decree Law No. 32 of 2021 (“Companies Law”) was issued and came into effect on 2 January 2022 which repealed the UAE Federal Law No. 2 of 2015. The Company has 12 months from 2 January 2022 (the “transitional period”) to comply with the provisions of the UAE Federal Decree Law No. 32 of 2021. The Company is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date of which the amendments came into effect.

Federal Decree Law No. (24) of 2020 which amends certain provisions of the U.A.E. Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. Effective 2 January 2021, the Insurance Sector became under the supervision and authority of the Central Bank of the UAE (“CBUAE”).

The Company is a subsidiary of National Bank of Ras Al Khaimah P.S.C. (the “Parent company”) which is incorporated in the Emirate of Ras Al Khaimah, United Arab Emirates. The address of the Company’s registered head office is P. O. Box 506, Ras Al Khaimah, United Arab Emirates. The Company’s ordinary shares are listed on the Abu Dhabi Securities Exchange, United Arab Emirates. The principal activity of the Company is to undertake all classes of insurance business including life assurance, saving and accumulation of funds. The Company operates through its head office in Ras Al Khaimah and branch offices in Ras Al Khaimah, Dubai, Sharjah, and Abu Dhabi.

2 Application of new and revised International Financial Reporting Standards (“IFRS”)

2.1 New and revised IFRSs and interpretations applied on the condensed interim financial information

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in this condensed interim financial information. The application of these revised IFRSs, except where stated, have not had any material impact on the amounts reported for the current and prior periods.

Amendment to IFRS 16, ‘Leases’ – COVID-19 related rent concessions Extension of the practical expedient – Effective for annual periods beginning on or after 1 April 2021

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the nine month period ended 30 September 2022 (continued)

2 Application of new and revised International Financial Reporting Standards (“IFRS”) (continued)

2.1 New and revised IFRSs and interpretations applied on the condensed interim financial information (continued)

Amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 – Effective for annual periods beginning on or after 1 January 2022

Amendments to IFRS 3, ‘Business combinations’ update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

Amendments to IAS 16, ‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

Amendments to IAS 37, ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, ‘First-time Adoption of IFRS’, IFRS 9, ‘Financial instruments’, IAS 41, ‘Agriculture’ and the Illustrative Examples accompanying IFRS 16, ‘Leases’.

2.2 New and revised IFRSs issued but not yet effective and not early adopted

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 1, Presentation of financial statements on classification of liabilities	Deferred until accounting periods starting not earlier than 1 January 2024
The narrow-scope amendments to IAS 1 ‘Presentation of Financial Statements’ clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the ‘settlement’ of a liability.	
The amendments could affect the classification of liabilities, particularly for entities that previously considered management’s intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’.	

In June 2021, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2024.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the nine month period ended 30 September 2022 (continued)

2 Application of new and revised International Financial Reporting Standards (“IFRS”) (continued)

2.2 New and revised IFRSs issued but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 17 “Insurance contracts”	1 January 2023

On 18 May 2017, the IASB finished its long-standing project to develop an accounting standard on insurance contracts and published IFRS 17 “Insurance Contracts”. IFRS 17 replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin (“CSM”) representing the unearned profit of the contract. A simplified premium allocation approach is permitted for the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period is one year or less. However, claims incurred will need to be measured based on the building blocks of discounted, risk-adjusted, probability weighted cash flows.

Amendments to IFRS 17, ‘Insurance Contracts’	1 January 2023
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The IASB issued the amendments to IFRS 17, ‘Insurance contracts’, on 25 June 2020, together with an amendment to IFRS 4, so that eligible insurers can still apply IFRS 9 alongside IFRS 17. This concluded the IASB’s targeted amendments to IFRS 17 which aimed to ease implementation of the standard by reducing implementation costs and making it easier for entities to explain, to investors and others, the results from applying IFRS 17.

On 28 October 2021, the IASB (‘Board’) redeliberated the Exposure Draft proposing a narrow-scope amendment relating to the presentation of comparative information on initial application of both IFRS 9, ‘Financial Instruments’, and IFRS 17, ‘Insurance Contracts’, considering the feedback from the comment letters received.

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Notes to the condensed interim financial information for the nine month period ended 30 September 2022 (continued)

2 Application of new and revised International Financial Reporting Standards (“IFRS”) (continued)

2.2 New and revised IFRSs issued but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
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Amendments to IFRS 17, ‘Insurance Contracts’ (continued)

The amendment would permit an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17 and IFRS 9. The overlay would allow such assets to be classified, on an instrument-by-instrument basis, in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. Following feedback on the proposals, the Board extended the scope of the overlay to include all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17. The overlay could also be applied by entities that already apply IFRS 9. The Board issued the amendment to IFRS 17 on 9 December 2021.

IFRS 17 should be applied to annual reporting periods beginning on or after 1 January 2023, with earlier application permitted, and the amendments should be applied at the same time.

Management anticipates that IFRS 17 will be adopted in the Company’s financial statements on its application date. The application of IFRS 17 will have an impact on amounts reported and disclosures made in the Company’s financial statements in respect of its insurance contracts issued and reinsurance contracts held. The Company has appointed an external advisor to support the business through the design and implementation phases of IFRS 17. The Company, with the help of the external advisor has performed an operational impact analysis and a financial impact assessment and concluded that all insurance and reinsurance contracts can be accounted for under the Premium Allocation Approach (“PAA”) due to the short term nature of the business the Company writes.

Management is currently working with their external advisor to initiate parallel runs between IFRS 17 and IFRS 4 to further assess any gaps that may arise in the implementation of IFRS 17 prior to the effective date and estimating the results of adoption of IFRS 17 on the amounts reported and disclosures made in the financial statements.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the nine month period ended 30 September 2022 (continued)

2 Application of new and revised International Financial Reporting Standards (“IFRS”) (continued)

2.2 New and revised IFRSs issued but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Narrow scope amendments to IAS 1, Practice statement 2	1 January 2023
<p>The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is ‘material accounting policy information’ and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.</p>	
Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
<p>The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.</p>	

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company’s financial statements as and when they are applicable and management is in the process of assessing the impact of these new standards, interpretations and amendments, on the Company’s financial statements.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the nine month period ended 30 September 2022 (continued)

3 Significant accounting policies

3.1 Basis of preparation

This condensed interim financial information has been prepared in accordance with International Accounting Standard (IAS) 34, 'Interim Financial Reporting' issued by the International Accounting Standards Board ("IASB") and complies with the applicable requirements of the laws in the U.A.E.

The condensed interim financial information is presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Company's transactions are denominated.

This condensed interim financial information has been prepared on the historical cost basis, except for financial assets carried at fair value through other comprehensive income which are carried at fair value and the provision for employees' end of service indemnity which is measured using the projected credit unit method under IAS 19.

The Company's condensed interim statement of financial position is not presented using a current / non-current classification. However, the following balances would generally be classified as current: Cash and cash equivalents, insurance and other receivables and insurance and other payables. The following balances would generally be classified as non-current: property and equipment, intangible assets and statutory deposit. The following balances are of mixed nature (including both current and non-current portions): financial assets at fair value through other comprehensive income, reinsurance contract assets, deferred acquisition costs, insurance contract liabilities, deferred commission income, bank balances and fixed deposits and provision for employees' end of service indemnity.

The condensed interim financial information does not include all the notes of the type normally included in annual financial statements. Accordingly, this report is to be read in conjunction with the annual audited financial statements for the year ended 31 December 2021.

The accounting policies, presentation and methods in this condensed interim financial information are consistent with those used in the audited financial statements for the year ended 31 December 2021.

In addition, results for the nine month period ended 30 September 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

3.1.1 Judgements and estimates

The preparation of this condensed interim financial information requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income, and expense. Actual results may differ from these estimates.

In preparing this condensed interim financial information, the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied in the audited financial statements as at and for the year ended 31 December 2021.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the nine month period ended 30 September 2022 (continued)

3 Significant accounting policies (continued)

3.1 Basis of preparation (continued)

3.1.2 Insurance and financial risk management

The Company's insurance and financial risk management objectives and policies are consistent with those disclosed in the audited financial statements as at and for the year ended 31 December 2021. There have been no changes in any risk management policies since the year end.

The accounting policies in respect of property and equipment, intangible assets and financial assets have been disclosed in this condensed interim financial information as required by Securities and Commodities Authority ("SCA") notification dated 12 October 2008 (Notes 3.2 to 3.4).

3.2 Property and equipment

Land and buildings are recognised at historical cost, less subsequent depreciation and impairment if any for buildings only. All other property and equipment are carried at historical cost less accumulated depreciation and any identified impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts of the assets, net of their residual values, over their estimated useful lives as follows:

	Years
Furniture and fixtures	4
Office equipment	4
Motor vehicles	4
Computer equipment	4

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the nine month period ended 30 September 2022 (continued)

3 Significant accounting policies (continued)

3.3 Intangible assets

Intangible assets comprise computer software and are reported at cost less accumulated amortisation and identified impairment losses, if any. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The useful lives considered in the calculation of amortisation is 10 years.

3.4 Financial assets

Classification and measurement - Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL). Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

- (i) debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;
- (ii) debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVTOCI);
- (iii) all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL. However, the Company may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:
 - a. the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in other comprehensive income (OCI); and
 - b. the Company may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the nine month period ended 30 September 2022 (continued)

3 Significant accounting policies (continued)

3.4 Financial assets (continued)

Classification and measurement - Financial assets (continued)

Equity instruments at FVTOCI

Investments in equity instruments/funds at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value of securities. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments in equity instruments/funds, but reclassified to retained earnings. The Company has designated all investments in equity instruments that are not held for trading as FVTOCI.

Dividends on these investments in equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Debt instruments at amortised cost or at FVTOCI

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Financial assets at FVTPL

Financial assets at FVTPL are:

- (i) assets with contractual cash flows that are not SPPI; or/and
- (ii) assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- (iii) assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

Impairment

The Company recognises loss allowances for expected credit losses on bank balances including statutory and fixed deposits; insurance and other receivables that are not measured at FVTPL; and debt investments measured subsequently at amortised cost or at FVTOCI.

No impairment loss is recognised on equity investments.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the nine month period ended 30 September 2022 (continued)

3 Significant accounting policies (continued)

3.4 Financial assets (continued)

Impairment (continued)

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

The Company has elected to measure loss allowances for insurance and other receivables at an amount equal to lifetime ECLs. Current accounts with banks, debt investments measured subsequently at amortised cost or at FVTOCI, fixed deposits and statutory deposits are assessed to have low credit risk as they are held with reputable local banks.

Loss allowance for financial investments measured at amortised costs are deducted from gross carrying amount of assets.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue costs or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information. Forward-looking information considered includes the future prospects of the industries in which the Company's receivables operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the nine month period ended 30 September 2022 (continued)

3 Significant accounting policies (continued)

3.4 Financial assets (continued)

Impairment (continued)

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (1) The financial instrument has a low risk of default,
- (2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

For certain categories of financial assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

Impairment losses related to bank balances including statutory and fixed deposits, debt investments measured at amortised cost or FVTOCI, and insurance and other receivables are presented in the statement of profit or loss within "(Charge)/ release of provision for impairment".

Measurement of ECL

The Company employs statistical models for ECL calculations for bank balances, statutory and fixed deposits. ECLs are a probability-weighted estimate of credit losses. The parameters used in calculation were derived from the Company's internally developed statistical models and other historical data. They were adjusted to reflect forward-looking information. The Company reassessed its impairment loss on its insurance and other receivables portfolio using an expected loss measurement basis using the simplified approach.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the nine month period ended 30 September 2022 (continued)

3 Significant accounting policies (continued)

3.4 Financial assets (continued)

Credit impaired financial assets

A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. At each reporting date, the Company assesses whether financial assets carried are credit impaired.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

4 Property and equipment

All property and equipment are located in the United Arab Emirates.

During the nine month period ended 30 September 2022, the Company purchased AED 196,435 (during the year ended 31 December 2021: AED 559,862) of various types of equipment, disposals of AED 8,060 (during the year ended 31 December 2021: AED 34,906) and write-offs of AED 411,490 (during the year ended 31 December 2021: AED 4,186,236).

5 Intangible assets

Intangible assets include computer software.

During the nine months period ended 30 September 2022, the Company recorded additions of AED 100,993 (during the year ended 31 December 2021: AED 244,589) to its computer software.

The amortisation charge for the nine months period ended 30 September 2022 amounted to AED 1,134,323 (for the year ended 31 December 2021: AED 1,483,278).

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the nine month period ended 30 September 2022 (continued)

6 Financial assets at fair value through other comprehensive income (“FVTOCI”)

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

	As at 30 September 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
FVTOCI	107,961,376	112,724,162
Less: Allowance for impairment	(138,845)	(188,686)
	<u>107,822,531</u>	<u>112,535,476</u>

FVTOCI investments comprise of quoted equity and debt instruments within the G.C.C. region except one investment valued at AED 8.4 million as at 30 September 2022 which is an investment outside the G.C.C. region. The Company has designated all investments in equity instruments that are not held for trading as at FVTOCI. Debt instruments carry an interest rate ranging from 1.96% to 6.75% per annum (31 December 2021: 1.96% to 6.75%) and they are redeemable at par from 2023 to 2033 (31 December 2021: 2022 to 2033) based on their maturity dates. There are no significant concentrations of credit risk for debt instruments and the carrying amount reflected above represents the Company’s maximum exposure to credit risk for such assets.

As at 30 September 2022, the financial assets held at FVTOCI do not include any quoted debt investments which above are pledged against the bank borrowing (31 December 2021: AED 69.6 million) (Note 22).

The movement in the financial investments is as follows:

	FVTOCI debt AED	FVTOCI equity AED	FVTOCI total AED
Balance at 31 December 2020 (Audited)	57,499,288	15,407,141	72,906,429
Additions during the year	100,598,176	165,972	100,764,148
Disposals during the year	(37,970,372)	(15,449,495)	(53,419,867)
Maturity during the year	(7,346,000)	-	(7,346,000)
Net change in fair value	(1,793,234)	233,693	(1,559,541)
Realised gain on disposal of financial investments	1,102,114	376,394	1,478,508
Amortisation of premium on FVTOCI debt investments to profit or loss	(272,413)	-	(272,413)
Less: Allowance for impairment	(15,788)	-	(15,788)
Balance at 31 December 2021 (Audited)	<u>111,801,771</u>	<u>733,705</u>	<u>112,535,476</u>

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the nine month period ended 30 September 2022 (continued)

6 Financial assets at fair value through other comprehensive income (“FVTOCI”) (continued)

The movement in the financial investments is as follows (continued):

	FVTOCI debt AED	FVTOCI equity AED	FVTOCI total AED
Balance at 31 December 2021 (Audited)	111,801,771	733,705	112,535,476
Additions during the period	19,852,768	1,505,362	21,358,130
Maturity during the period	(12,253,128)	-	(12,253,128)
Net change in fair value	(13,513,969)	(151,987)	(13,665,956)
Amortisation of premium on FVTOCI debt investments to profit or loss	(201,832)	-	(201,832)
Less: Release of impairment	49,841	-	49,841
Balance at 30 September 2022 (Unaudited)	105,735,451	2,087,080	107,822,531

Details of provision for impairment were as follows:

	As at 30 September 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
Balance at the beginning of the period / year	188,686	172,898
(Reversal of) / provision for impairment during the period / year	(49,841)	15,788
Balance at the end of the period / year	138,845	188,686

There were no reclassifications between financial investment categories during 2022 and 2021.

All the investments in scope of the impairment model are in Stage 1.

7 Statutory deposit

A deposit of AED 10 million (31 December 2021: AED 10 million) has been placed with one of the banks, in accordance with Article (42) of the UAE Federal Law No. (6) of 2007, as amended. This deposit has been pledged to the bank as security against a guarantee issued by the Bank in favour of the Central Bank of the United Arab Emirates (“CBUAE”) for the same amount. This deposit cannot be withdrawn without prior approval of the CBUAE and bears an interest rate of 0.5% per annum (31 December 2021: 0.5% per annum).

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the nine month period ended 30 September 2022 (continued)

8 Insurance contract liabilities and reinsurance contract assets

	As at 30 September 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
Insurance contract liabilities		
Outstanding claims	123,189,195	142,334,853
Unallocated loss adjustment expense reserve	5,473,819	4,601,892
Claims incurred but not reported	47,225,041	46,386,077
Unearned premium	187,034,492	189,547,859
Unexpired risk reserve	16,090,936	17,730,710
Mathematical reserve	13,905,954	14,961,082
	<u>392,919,437</u>	<u>415,562,473</u>
Reinsurance contract assets		
Outstanding claims	(91,236,766)	(106,204,231)
Claims incurred but not reported	(28,392,467)	(30,518,707)
Unearned premium	(70,712,767)	(65,177,742)
Unexpired risk reserve	(8,113,925)	(13,679,717)
Mathematical reserve	(331,881)	(1,711,505)
	<u>(198,787,806)</u>	<u>(217,291,902)</u>
Insurance contract liabilities – net		
Outstanding claims	31,952,429	36,130,622
Unallocated loss adjustment expense reserve	5,473,819	4,601,892
Claims incurred but not reported	18,832,574	15,867,370
Unearned premiums	116,321,725	124,370,117
Unexpired risk reserve	7,977,011	4,050,993
Mathematical reserve	13,574,073	13,249,577
	<u>194,131,631</u>	<u>198,270,571</u>

As at 30 September 2022, the gross and net insurance contract liabilities as certified by the Company's appointed actuary, LUX Actuaries & Consultants amounted to AED 393 million and AED 194 million respectively (31 December 2021: AED 416 million and AED 198 million respectively). Claims incurred but not reported have been calculated on a best estimate basis. The actuary used Chain Ladder ("CL"), Bornhuetter-Ferguson ("BF"), Expected Loss Ratios ("ELR") and Cape Cod ("CC") methods to estimate the ultimate claims. After applying each of the methods listed, the actuary took a weighted average of the results of the methods. During the nine month period ended 30 September 2022, the gross and net loss ratios assumption for credit life has been reduced from 35% to 25% and 18% to 10% respectively. Further the assumptions for the calculation of additional unexpired risk reserve has changed in line with recent change in regulations to use fractional expensing when calculating the expense ratios.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the nine month period ended 30 September 2022 (continued)

9 Insurance and other receivables

	As at 30 September 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
Premium receivables	116,200,170	126,726,429
Reinsurance companies' receivables	17,118,080	40,074,434
Insurance agents and brokers receivables	1,557,839	1,350,299
Due from related parties (Note 26)	8,512,920	21,854,463
Accrual of interest and other income	1,364,794	9,569,487
Advances and prepayments	8,030,189	7,117,445
Other receivables	4,893,623	1,288,055
	<u>157,677,615</u>	<u>207,980,612</u>
Less: Allowance for impairment	<u>(36,150,904)</u>	<u>(32,575,209)</u>
	<u>121,526,711</u>	<u>175,405,403</u>

Other receivables mainly pertain to an amount of AED 3.9 million for the exposure to a Lebanese bank that was reclassified from Bank balances and fixed deposits to other receivables as it no longer meets the recognition and classification requirements of cash at bank (Note 11).

Movement in the allowance for impairment was as follows:

	As at 30 September 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
Balance at the beginning of the period / year	32,575,209	54,708,082
Provision for impairment during the period / year	5,046,075	187,850
Transfer of provision for asset in Lebanon (Note 11)	1,395,716	-
Write-offs during the period / year	<u>(2,866,096)</u>	<u>(22,320,723)</u>
Balance at the end of the period / year	<u>36,150,904</u>	<u>32,575,209</u>

The balances written off during the nine month period ended 30 September 2022 predominantly relate to receivables that were fully provided for as at 31 December 2021. Management has assessed those receivables to be non-recoverable during the nine month period ended 30 September 2022 and wrote them off after obtaining the necessary approvals.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the nine month period ended 30 September 2022 (continued)

10 Cash and cash equivalents

	As at 30 September 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
Cash in hand	25,816	24,567
Current accounts with banks	24,937,985	42,032,940
Fixed deposits with original maturities of three months or less	5,000,000	15,335,425
	<u>29,963,801</u>	<u>57,392,932</u>

Fixed deposits with original maturities of three months or less carry interest at the rate of 2.25% per annum (31 December 2021: 2.65% per annum).

11 Bank balances and fixed deposits

	As at 30 September 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
Current accounts in a Lebanese bank	-	3,988,161
Allowance for impairment	-	(1,394,875)
Total current accounts with a Lebanese bank	<u>-</u>	<u>2,593,286</u>
Fixed deposits with original maturities greater than three months	220,316,734	189,330,246
Fixed deposits under lien	600,000	600,000
Allowance for impairment	(123,653)	(137,913)
Total fixed deposits	<u>220,793,081</u>	<u>189,792,333</u>
Total bank balances and fixed deposits	<u>220,793,081</u>	<u>192,385,619</u>

As at 31 December 2021, the exposure to a Lebanese bank does not meet the requirements to be classified as 'Cash and cash equivalents', as cash and cash equivalents are subject to an insignificant risk of changes in value. Accordingly, the balance with a Lebanese bank was classified separately. As at 30 September 2022, the exposure to a Lebanese bank was transferred to other receivables as it is no longer meets the recognition and classification requirement of cash at bank (Note 9).

Certain fixed deposits with carrying amount of AED 600,000 as at 30 September 2022 (31 December 2021: AED 600,000) are under lien against letters of guarantee amounting to AED 550,000 (31 December 2021: AED 550,000).

The interest rates on fixed deposits with banks range between 0.5% to 4.5% per annum (31 December 2021: 0.5% to 4.8% per annum). All fixed deposits are held in local banks in the United Arab Emirates.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the nine month period ended 30 September 2022 (continued)

11 Bank balances and fixed deposits (continued)

Details of allowance for impairment as per IFRS 9 were as follows:

	As at 30 September 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
Balance at the beginning of the period / year	1,532,788	163,509
(Reversal of provision) / provision for impairment during the period / year	(13,419)	1,369,279
Transfer of provision for asset in Lebanon (Note 9)	(1,395,716)	-
Balance at the end of the period / year	<u>123,653</u>	<u>1,532,788</u>

All the bank balances and fixed deposits in scope of the impairment model are in Stage 1 and there have been no movements between the stages during the period / year.

12 Share capital

	As at 30 September 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
Authorised, issued and fully paid: 121.275 million ordinary shares of AED 1 each (31 December 2021: 121.275 million ordinary shares of AED 1 each)	<u>121,275,000</u>	<u>121,275,000</u>

13 Statutory reserve

In accordance with UAE Federal Law and the Company's Articles of Association, the Company has established a statutory reserve by appropriation of 10% of net profit for each year until the reserve equals 50% of the paid-up share capital. This reserve is not available for distribution except as stipulated by the Law. Transfers to the statutory reserve are reflected at the end of the financial year.

14 Voluntary reserve

As per the Company's Articles of Association, a voluntary reserve can be created upon a recommendation of the Board of Directors and this reserve cannot be utilised for any other purpose unless approved by the Shareholders' General Assembly. No transfer to the voluntary reserve was made during the nine month period ended 30 September 2022 or the year ended 31 December 2021.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the nine month period ended 30 September 2022 (continued)

15 Reinsurance reserve

In accordance with Article 34 of the Insurance Authority's Board of Directors Decision No. (23) of 2019, the Company has transferred AED 725,841 from retained earnings to the reinsurance reserve being 0.5% of the total insurance premium ceded to reinsurers during the nine months period ended 30 September 2022 (year ended 31 December 2021: AED 922,585). The Company shall accumulate such provision period on period and shall not dispose of the reserve without the written approval of the assistant governor of the banking and insurance supervision department within CBUAE.

	As at 30 September 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
Balance at the beginning of the period / year	1,872,070	949,485
Transfer from retained earnings	725,841	922,585
Balance at the end of the period / year	<u>2,597,911</u>	<u>1,872,070</u>

16 Basic and diluted (loss) / earnings per share

	For the three month period ended 30 September (Unaudited)		For the nine month period ended 30 September (Unaudited)	
	2022	2021	2022	2021
(Loss) / profit for the period (in AED)	<u>(8,292,042)</u>	<u>3,875,716</u>	<u>(26,920,888)</u>	<u>12,014,406</u>
Number of shares	<u>121,275,000</u>	<u>121,275,000</u>	<u>121,275,000</u>	<u>121,275,000</u>
Basic and diluted (loss) / earnings per share (in AED)	<u>(0.07)</u>	<u>0.03</u>	<u>(0.22)</u>	<u>0.10</u>

Basic and diluted (loss) / earnings per share is calculated by dividing the (loss) / profit for the period by the number of weighted average shares outstanding during the reporting period. Diluted (loss) / earnings per share is equivalent to basic (loss) / earnings per share as the Company did not issue any new instrument that would impact (loss) / earnings per share when executed.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the nine month period ended 30 September 2022 (continued)

17 Insurance and other payables

	As at 30 September 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
Payables to third party administrators and suppliers	47,041,930	35,049,433
Reinsurance companies' payables	44,843,787	42,181,096
Due to related parties (Note 26)	24,368,275	13,463,225
Accrued expenses	18,741,242	6,837,103
Employees' benefits payable	-	2,074,446
Commission payable	9,435,000	18,477,442
Other payable balances	4,998,141	3,835,190
Dividend payable	1,925,372	1,925,372
	<u>151,353,747</u>	<u>123,843,307</u>

18 Provision for employees' end of service indemnity

	As at 30 September 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
Balance at the beginning of the period / year	6,115,257	6,064,285
Charge for the period / year	1,414,832	1,136,399
Amounts paid during the period / year	(494,095)	(1,085,427)
Balance at the end of the period / year	<u>7,035,994</u>	<u>6,115,257</u>

19 Dividend and Directors' remuneration

At the Annual General Meeting held on 14 April 2022, the shareholders approved a dividend distribution of 8 fils per share resulting in a total dividend payable of AED 9,702,000 and Board of Directors' remuneration of AED 835,780 for the year ended 31 December 2021. The dividend pertaining to 2021 was paid on 20 April 2022. (2021: at the Annual General Meeting held on 14 April 2021, the shareholders approved a dividend distribution of 8 fils per share resulting in a total dividend payable of AED 9,702,000 and Board of Directors' remuneration of AED 1,347,546 for the year ended 31 December 2020. The dividend pertaining to 2020 was paid on 15 April 2021).

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the nine month period ended 30 September 2022 (continued)

20 Deferred acquisition cost

	As at 30 September 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
Balance at the beginning of the period / year	23,228,424	24,088,139
Acquisition costs paid during the period / year	54,378,622	75,476,830
Amortisation charge for the period / year	(57,084,094)	(76,336,545)
Balance at the end of the period / year	<u>20,522,952</u>	<u>23,228,424</u>

Of the deferred acquisition costs balance as at 30 September 2022, AED 19,748,693 (31 December 2021: AED 19,167,846) is expected to be amortised no more than 12 months after the reporting period and AED 774,259 (31 December 2021: AED 4,060,578) is expected to be amortised more than 12 months after the reporting period.

21 Deferred commission income

	As at 30 September 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
Balance at the beginning of the period / year	15,563,294	19,240,758
Commission income received during the period / year	7,283,982	14,683,138
Amortisation charge for the period / year	(10,127,278)	(18,360,602)
Balance at the end of the period / year	<u>12,719,998</u>	<u>15,563,294</u>

Of the deferred commission income balance as at 30 September 2022, AED 11,918,655 (31 December 2021: AED 11,331,949) is expected to be earned no more than 12 months after the reporting period and AED 801,343 (31 December 2021: AED 4,231,345) is expected to be earned more than 12 months after the reporting period.

22 Bank borrowing

	As at 30 September 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
Short-term bank loan (Note 26)	<u>-</u>	<u>33,056,997</u>

During the year ended 31 December 2021, the Company obtained a short-term loan amounting AED 33,056,997 to fund the purchase of investment securities. The loan was secured by assignment of debt investments in the amount of AED 69.6 million as at 31 December 2021 in favor of the National Bank of Ras Al Khaimah, the Parent Company (Note 6). The loan carried an interest rate of 0.85% per annum plus 3 Month USD LIBOR. The loan matured on 8 September 2022 and was repaid on 30 September 2022.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the nine month period ended 30 September 2022 (continued)

23 Net insurance premium revenue

	For the three month period ended 30 September (Unaudited)		For the nine month period ended 30 September (Unaudited)	
	2022	2021	2022	2021
	AED	AED	AED	AED
Gross written premiums				
Gross written premiums	129,266,443	135,384,879	341,559,025	367,564,166
Change in unearned premiums	(16,703,320)	(25,971,076)	2,513,367	(28,145,318)
Change in unexpired risk reserve ("URR")	2,186,157	4,753,057	1,639,774	7,737,616
	114,749,280	114,166,860	345,712,166	347,156,464
Reinsurance premiums ceded				
Reinsurance premiums ceded	(37,202,843)	(43,115,632)	(145,168,174)	(141,965,537)
Change in reinsurance share of unearned premiums	(7,689,431)	(1,247,530)	5,535,025	11,648,544
Change in reinsurance share of unexpired risk reserve ("URR")	(1,525,786)	(2,028,482)	(5,565,791)	(7,263,310)
	(46,418,060)	(46,391,644)	(145,198,940)	(137,580,303)
Net insurance premium revenue	68,331,220	67,775,216	200,513,226	209,576,161

24 Investment income

	For the three month period ended 30 September (Unaudited)		For the nine month period ended 30 September (Unaudited)	
	2022	2021	2022	2021
	AED	AED	AED	AED
Dividends from investments	-	-	14,931	774,714
Net income from investment properties	-	-	-	183,929
Realised gain on disposal of investment properties*	-	2,941,773	-	4,805,380
Realised gain on disposal of financial investments at FVTOCI	-	33	-	1,102,114
	-	2,941,806	14,931	6,866,137

* The Company previously held a plot of land located in Sharjah, UAE and 4 villas located in Dubai, UAE and were classified as investment properties. During the year ended 31 December 2021, management sold the investment properties to independent third parties for AED 20.1 million which has resulted in a gain on disposal of AED 4.8 million.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the nine month period ended 30 September 2022 (continued)

25 Segment information

The Company is organised into two segments: Life and Medical as one segment and Motor and General as the other segment.

These segments are the basis on which the Company reports its primary segment information to the Chief Executive Officer. Gross written premiums represent the total income arising from insurance contracts. The Company does not conduct any business outside the UAE. There are no transactions between the business segments.

The following is an analysis of the Company's statement of profit or loss classified by major segments:

	For the three month period ended 30 September 2022 (Unaudited)		
	Life and Medical AED	Motor and General AED	Total AED
Gross written premiums	97,057,879	32,208,564	129,266,443
Net insurance premium revenue earned	50,979,157	17,352,063	68,331,220
Net claims settled	(38,067,993)	(9,776,513)	(47,844,506)
Net change in outstanding claims, unallocated loss adjustment expenses, mathematical reserves and claims incurred but not reported ("IBNR") provisions	(44,225)	552,655	508,430
Net claims incurred	(38,112,218)	(9,223,858)	(47,336,076)
Commission earned	1,315,775	1,197,558	2,513,333
Commission incurred	(13,487,477)	(5,504,447)	(18,991,924)
Net commission incurred	(12,171,702)	(4,306,889)	(16,478,591)
Gross underwriting income	695,237	3,821,316	4,516,553
General and administrative expenses	(7,989,534)	(8,140,427)	(16,129,961)
Provision for impairment	(111,508)	(307,531)	(419,039)
Net underwriting loss	(7,405,805)	(4,626,642)	(12,032,447)
Interest income	735,121	1,746,904	2,482,025
Other income	1,255,153	3,227	1,258,380
Loss for the period	(5,415,531)	(2,876,511)	(8,292,042)

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the nine month period ended 30 September 2022 (continued)

25 Segment information (continued)

	For the three month period ended 30 September 2021 (Unaudited)		
	Life and Medical AED	Motor and General AED	Total AED
Gross written premiums	<u>108,399,607</u>	<u>26,985,272</u>	<u>135,384,879</u>
Net insurance premium revenue earned	55,336,400	12,438,816	67,775,216
Net claims settled	(33,179,640)	(5,244,557)	(38,424,197)
Net change in outstanding claims, unallocated loss adjustment expenses, mathematical reserves and claims incurred but not reported (“IBNR”) provisions	<u>(1,504,820)</u>	<u>160,107</u>	<u>(1,344,713)</u>
Net claims incurred	(34,684,460)	(5,084,450)	(39,768,910)
Commission earned	1,328,910	3,450,571	4,779,481
Commission incurred	<u>(14,956,358)</u>	<u>(4,388,920)</u>	<u>(19,345,278)</u>
Net commission incurred	(13,627,448)	(938,349)	(14,565,797)
Gross underwriting income	7,024,492	6,416,017	13,440,509
General and administrative expenses	(7,441,721)	(5,914,422)	(13,356,143)
(Provision for) / release of impairment	<u>(6,180,765)</u>	<u>3,778,289</u>	<u>(2,402,476)</u>
Net underwriting (loss) / income	(6,597,994)	4,279,884	(2,318,110)
Interest income	913,259	1,393,664	2,306,923
Investment income	2,941,773	33	2,941,806
Other income	<u>936,625</u>	<u>8,472</u>	<u>945,097</u>
(Loss) / profit for the period	<u>(1,806,337)</u>	<u>5,682,053</u>	<u>3,875,716</u>

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the nine month period ended 30 September 2022 (continued)

25 Segment information (continued)

	For the nine month period ended 30 September 2022 (Unaudited)		
	Life and Medical AED	Motor and General AED	Total AED
Gross written premiums	<u>225,811,533</u>	<u>115,747,492</u>	<u>341,559,025</u>
Net insurance premium revenue earned	160,512,832	40,000,394	200,513,226
Net claims settled	(113,685,167)	(26,759,521)	(140,444,688)
Net change in outstanding claims, unallocated loss adjustment expenses, mathematical reserves and claims incurred but not reported ("IBNR") provisions	<u>1,693,525</u>	<u>(1,676,961)</u>	<u>16,564</u>
Net claims incurred	(111,991,642)	(28,436,482)	(140,428,124)
Commission earned	4,455,724	5,671,554	10,127,278
Commission incurred	<u>(42,144,785)</u>	<u>(14,939,309)</u>	<u>(57,084,094)</u>
Net commission incurred	(37,689,061)	(9,267,755)	(46,956,816)
Gross underwriting income	10,832,129	2,296,157	13,128,286
General and administrative expenses	<u>(22,962,568)</u>	<u>(21,427,692)</u>	<u>(44,390,260)</u>
Provision for impairment	<u>(4,485,802)</u>	<u>(497,013)</u>	<u>(4,982,815)</u>
Net underwriting loss	(16,616,241)	(19,628,548)	(36,244,789)
Interest income	1,815,201	4,755,690	6,570,891
Investment income	-	14,931	14,931
Other income	<u>2,732,147</u>	<u>5,932</u>	<u>2,738,079</u>
Loss for the period	(12,068,893)	(14,851,995)	(26,920,888)

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the nine month period ended 30 September 2022 (continued)

25 Segment information (continued)

	For the nine month period ended 30 September 2021 (Unaudited)		
	Life and Medical AED	Motor and General AED	Total AED
Gross written premiums	266,030,501	101,533,665	367,564,166
Net insurance premium revenue earned	168,026,243	41,549,918	209,576,161
Net claims settled	(111,544,242)	(15,289,486)	(126,833,728)
Net change in outstanding claims, unallocated loss adjustment expenses, mathematical reserves and claims incurred but not reported (“IBNR”) provisions	(1,120,761)	276,664	(844,097)
Net claims incurred	(112,665,003)	(15,012,822)	(127,677,825)
Commission earned	3,939,137	9,567,184	13,506,321
Commission incurred	(47,200,200)	(11,760,779)	(58,960,979)
Net commission incurred	(43,261,063)	(2,193,595)	(45,454,658)
Gross underwriting income	12,100,177	24,343,501	36,443,678
General and administrative expenses	(21,919,183)	(17,865,159)	(39,784,342)
Release of impairment	873,496	343,484	1,216,980
Net underwriting (loss) / income	(8,945,510)	6,821,826	(2,123,684)
Interest income	2,629,144	3,657,390	6,286,534
Investment income	2,941,773	3,924,364	6,866,137
Other income	966,325	19,094	985,419
(Loss) / profit for the period	(2,408,268)	14,422,674	12,014,406

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

	Life and Medical AED	Motor and General AED	Total AED
As at 30 September 2022 (Unaudited)			
Total assets	271,728,105	444,674,953	716,403,058
Total equity / (deficit)	(12,986,578)	165,360,460	152,373,882
Total liabilities	284,714,683	279,314,493	564,029,176
As at 31 December 2021 (Audited)			
Total assets	330,739,534	466,064,520	796,804,054
Total equity	3,933,316	198,729,410	202,662,726
Total liabilities	326,806,218	267,335,110	594,141,328

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the nine month period ended 30 September 2022 (continued)

26 Related party balances and transactions

The Company, in the normal course of business, collects premiums, settles claims and enters into transactions with other business enterprises that fall within the definition of a related party as defined by International Accounting Standard 24. Related parties include the Company's major shareholders, directors and businesses controlled by them and their families over which they exercise significant management influence as well as key management personnel. The Company's management believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties.

At the end of the reporting period / year, amounts due from/to related parties were as follows:

	As at 30 September 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
Due from Parent company (premiums receivable)	6,598,901	9,036,076
Due from directors (premiums receivable)	41,730	6,300
Due from other related parties under common control (premium receivable)	1,872,289	12,812,087
Total due from related parties (Note 9)	8,512,920	21,854,463
Due to Parent company (commission payable and others)	(24,324,503)	(13,428,722)
Due to other related parties under common control (claims payable)	(43,772)	(34,503)
Total due to related parties (Note 17)	(24,368,275)	(13,463,225)
Fixed deposits placed with Parent company	92,087,077	41,928,105
Bank balances placed with Parent company	14,565,388	35,988,821
Bank borrowing (Parent company)	-	(33,056,997)
Allowance for impairment on premiums receivable (parent company)	(48,167)	(66,004)
Accrued interest payable on bank borrowing	-	(23,648)

Balances due from and to related parties are interest free and repayable on demand, except bank borrowing (Note 22).

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the nine month period ended 30 September 2022 (continued)

26 Related party balances and transactions (continued)

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

	For the three month period ended 30 September (Unaudited)		For the nine month period ended 30 September (Unaudited)	
	2022	2021	2022	2021
	AED	AED	AED	AED
Gross written premiums (Parent company)	<u>59,658,067</u>	<u>56,095,189</u>	<u>103,687,050</u>	<u>106,245,574</u>
Gross written premiums (directors)	<u>5,405</u>	<u>19,774</u>	<u>147,093</u>	<u>97,385</u>
Gross written premiums (other related parties under common control)	<u>832,491</u>	<u>2,255,386</u>	<u>12,944,301</u>	<u>13,295,380</u>
Claims paid (Parent company)	<u>(15,561,043)</u>	<u>(14,861,731)</u>	<u>(34,429,889)</u>	<u>(39,959,244)</u>
Claims paid (Directors)	<u>(50,780)</u>	<u>-</u>	<u>(50,780)</u>	<u>-</u>
Claims paid (other related parties under common control)	<u>(1,098,045)</u>	<u>(854,567)</u>	<u>(1,824,450)</u>	<u>(1,152,601)</u>
Commission expenses (Parent company)	<u>(9,248,740)</u>	<u>(11,879,746)</u>	<u>(33,717,370)</u>	<u>(42,211,997)</u>
Rent expenses (Parent company)	<u>(118,750)</u>	<u>(118,750)</u>	<u>(356,250)</u>	<u>(356,250)</u>
Internal audit fee (Parent company)	<u>(125,000)</u>	<u>(125,000)</u>	<u>(375,000)</u>	<u>(375,000)</u>
Interest income (Parent company)	<u>538,112</u>	<u>175,833</u>	<u>1,056,175</u>	<u>494,172</u>
Interest expense (parent company)	<u>(242,825)</u>	<u>-</u>	<u>(480,359)</u>	<u>-</u>
Dividends paid (Parent company)	<u>-</u>	<u>-</u>	<u>(7,687,069)</u>	<u>(7,687,069)</u>
Dividends paid (directors)	<u>-</u>	<u>-</u>	<u>(1,538,560)</u>	<u>(1,511,200)</u>

Key management personnel compensation

Board of Directors' remuneration	<u>-</u>	<u>145,297</u>	<u>-</u>	<u>742,843</u>
Short-term benefits	<u>1,906,654</u>	<u>1,380,008</u>	<u>5,349,702</u>	<u>4,160,306</u>
Long-term benefits	<u>89,986</u>	<u>32,231</u>	<u>409,308</u>	<u>128,499</u>

During the nine months period ended 30 September 2022, the Company purchased financial assets at FVTOCI amounting to AED 19.9 million and did not sell any financial assets at FVTOCI (31 December 2021: purchased financial assets at FVTOCI amounting to AED 100.8 million and sold financial assets at FVTOCI amounting to AED 53.4 million) through the Parent company to / from external parties.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the nine month period ended 30 September 2022 (continued)

27 Contingent liabilities

	As at 30 September 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
Letters of guarantee	<u>10,567,144</u>	<u>10,567,481</u>

Letters of guarantee includes AED 10 million (31 December 2021: AED 10 million) issued in favour of the CBUAE (formerly, the UAE Insurance Authority).

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

The Company, in common with the significant majority of insurers, is subject to litigation in the normal course of its business. The Company, based on independent legal advice, does not expect that the outcome of these court cases will have a material impact on the Company's financial performance or financial position.

28 General and administrative expenses

	For the three month period ended 30 September (Unaudited)		For the nine month period ended 30 September (Unaudited)	
	2022 AED	2021 AED	2022 AED	2021 AED
Staff costs	9,605,762	8,692,558	28,012,545	25,559,748
Other expenses	1,998,179	1,542,697	4,492,294	4,797,431
IT, utilities and maintenance	981,099	990,451	2,781,960	2,780,936
Professional fees	1,557,787	545,275	3,204,143	1,584,843
Bank charges	515,583	199,503	1,290,790	629,720
Amortisation of intangible assets (Note 5)	378,949	370,310	1,134,323	1,110,929
Rental costs – operating leases	315,018	288,640	908,966	841,748
Depreciation expense of property and equipment	212,277	287,975	702,652	882,337
Communication expenses	263,917	208,914	722,665	618,874
Administration and license expenses	237,936	174,071	643,294	705,641
Marketing expenses	12,211	23,416	341,660	111,987
Travel and entertainment expenses	51,243	32,333	154,968	117,497
Depreciation of investment properties	-	-	-	42,651
	<u>16,129,961</u>	<u>13,356,143</u>	<u>44,390,260</u>	<u>39,784,342</u>

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the nine month period ended 30 September 2022 (continued)

29 Fair value measurements

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

29.1 Fair value of financial instruments carried at amortised cost

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

29.2 Fair value of financial instruments carried at fair value

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

The fair values of assets are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2021.

29.2.2 Fair value measurements recognised in the condensed interim statement of financial position

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

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

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the nine month period ended 30 September 2022 (continued)

29 Fair value measurements (continued)

29.2 Fair value of financial instruments carried at fair value (continued)

29.2.2 Fair value measurements recognised in the condensed interim statement of financial position (continued)

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	30 September 2022 (Unaudited) AED	31 December 2021 (Audited) AED				
Debt securities	105,735,451	104,491,681	Level 1	Quoted bid prices in an active market	None	N/A
Debt securities	-	7,310,090	Level 2	Quoted bid prices from third parties	None	N/A
Quoted equity securities	2,087,080	733,705	Level 1	Quoted bid prices in an active market	None	N/A

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

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the nine month period ended 30 September 2022 (continued)

30 Capital risk management

The solvency regulations identify the required Solvency Margin to be held in addition to insurance liabilities. The Solvency Margin (presented in the table below) must be maintained at all times throughout the period. The Company is subject to solvency regulations which it has complied with during the period. The Company has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with such regulations. The table below summarizes the Minimum Capital Requirement, Minimum Guarantee Fund and Solvency Capital Requirement of the Company and the total capital held to meet these required Solvency Margins.

In accordance with circular number CBUAE/BSN/N/2022/923 of CBUAE dated 28 February 2022, the Company has disclosed the solvency position for the immediately preceding period as the current period solvency position is not yet finalised.

	As at 30 June 2022 (Unaudited) AED	As at 31 December 2021 (Unaudited) AED
Minimum Capital Requirement (MCR)	100,000,000	100,000,000
Solvency Capital Requirement (SCR)	58,182,284	76,716,761
Minimum Guarantee Fund (MGF)	65,039,581	64,592,340
Basic Own Funds	114,275,692	152,963,193
MCR Solvency Margin - Minimum Capital Requirement (Surplus)	14,275,692	52,963,193
MCR Solvency Margin - Solvency Capital Requirement (Surplus)	56,093,408	76,246,433
MGF Solvency Margin – Minimum Guarantee Fund (Surplus)	49,236,111	88,370,853

31 Subsequent events

There have been no events subsequent to the condensed interim statement of financial position date that would significantly affect the amounts reported in the condensed interim financial information as at and for the nine months period ended 30 September 2022.

32 Approval of the condensed interim financial information

The condensed interim financial information was approved by the Board of Directors and authorised for issue on 31 October 2022.