

Jerusalem Insurance Company
Public Shareholding Company
Financial Statements
31 December 2020

**Jerusalem Insurance Company
Public Shareholding Company**

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INDEPENDENT AUDITOR'S REPORT

To The Shareholders of
Jerusalem Insurance Company PLC
Public Shareholding Company
Amman - Jordan

Opinion

We have audited the financial statements of Jerusalem Insurance Company (PLC), which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss, 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 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Hashemite Kingdom of 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 of 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. We have determined the matters described below to be the key audit matters to be communicated in our report:

(1) Provision for Expected Credit Losses

Included in the accompanying financial statements at the end of the year 2020 financial assets totaling JOD (31,509,056), as the provision for expected credit loss of these financial assets are dependent on the management's estimates of different variables, the adequacy of the provision is considered a key audit matter. The audit procedures performed by us to address this key audit matter included inquiring from management about the methodology used in calculating the provision and assessing the reasonableness of estimates and assumptions used by the management in calculating the provision amount. We have also inquired about the management's collection procedures and the amounts collected post year end.

(2) Deferred Tax Assets

Included in the accompanying financial statements at the end of the year 2020 deferred tax assets totaling JOD (1,133,765). As the expected benefits of these assets is primarily dependent on the Company's ability to generate adequate future profits, and since forecasting future profits is based on the Company's assumptions and estimates, determining the future benefits of the deferred tax assets is considered a key audit matter. The audit procedures performed by us to address this key audit matter included discussing the recoverability of the deferred tax assets with the Company's tax advisors and testing of the Company's budgeting procedures upon which the forecasts are based. We have also considered the appropriateness of its calculation and disclosure in the financial statements.

(3) Provision for Outstanding Claims and Actuarial Reserve

Included in the accompanying financial statements at the end of the year 2020 provision for outstanding claims totaling JOD (9,652,703) and actuarial reserve totaling JOD (350,000). As the calculation of these provisions is dependent on several assumptions and estimates, the assessment of its adequacy is considered a key audit matter. The audit procedures performed by us to address this key audit matter included challenging the appropriateness of the estimates and assumptions used by management to determine these provisions. Our challenge was based on the assessment of the historical accuracy of the Company's estimates on previous periods, identification and analysis of changes in assumptions from prior periods and an assessment of the consistency of assumptions. We have also obtained formal confirmation from the Company's external Actuary regarding the adequacy of these provisions.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management 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.

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 exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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.
- 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 reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Company maintains proper accounting records and the accompanying financial statements are in agreement therewith and with the financial data presented in the Board of Director's report, and we recommend the general assembly to approve it.

10 February 2021
Amman - Jordan




Arab Professionals
Ibrahim Hammoudeh
License No. (606)

Jerusalem Insurance Company
Public Shareholding Company
Statement of Financial Position as at 31 December 2020

(In Jordanian Dinar)

	Notes	2020	2019
Assets			
Bank deposits	3	17,927,344	19,950,915
Financial assets measured at fair value through profit or loss	4	2,156,468	1,444,270
Financial assets measured at amortized cost	5	4,922,847	3,446,884
Investment properties	6	952,431	952,962
Loans for life insurance policies holders and others	7	14,338	48,204
Total Investments		25,973,428	25,843,235
Cash on hand and at banks	8	1,125,947	510,668
Checks under collection	9	675,474	1,250,306
Accounts receivable - net	10	5,716,264	4,596,799
Reinsurers receivables - net	11	885,849	939,928
Deferred tax assets	12	1,133,765	1,208,797
Property and equipment - net	13	800,898	768,578
Intangible assets - net	14	122,775	194,769
Other assets	15	465,051	685,979
Total Assets		36,899,451	35,999,059
Liabilities and Equity			
Liabilities			
Unearned premium reserve - net		7,281,240	8,211,476
Outstanding claims reserve - net		9,652,703	9,071,559
Actuarial reserve - net	16	350,000	350,000
Total Technical Reserves		17,283,943	17,633,035
Accounts payable	17	1,755,021	1,317,719
Accrued expenses		23,610	24,150
Reinsurers payables	18	2,935,440	2,035,152
Other provisions	19	185,102	329,933
Income and National Contribution tax provision	12	170,299	307,780
Other liabilities	20	222,704	264,099
Total Liabilities		22,576,119	21,911,868
Equity			
Paid - in capital	21	8,000,000	8,000,000
Statutory reserve	22	2,089,651	2,089,651
Voluntary reserve	22	1,668,538	1,668,538
Retained earnings	23	2,565,143	2,329,002
Total Equity		14,323,332	14,087,191
Total Liabilities and Equity		36,899,451	35,999,059

“The attached notes from (1) to (42) are an integral part of these financial statements”

Jerusalem Insurance Company
Public Shareholding Company
Statement of Profit or Loss for the Year Ended 31 December 2020

(In Jordanian Dinar)

	Notes	2020	2019
Revenues			
Gross written premiums		21,673,263	20,865,646
Less: Reinsurers' share		6,377,668	3,576,573
Net written premiums		15,295,595	17,289,073
Net changes in unearned premiums reserve		930,236	(1,821,651)
Net earned premiums		16,225,831	15,467,422
Commissions revenues		1,250,725	954,336
Insurance policies issuance fees		907,451	958,384
Interest income	25	1,227,076	1,391,419
(Losses) gains from financial assets and investments - net	26	(241,860)	177,212
Investment revenues related to underwriting		3,775	577
Other revenues related to underwriting		313,085	201,985
Other revenues	27	16,108	22,192
Total Revenues		19,702,191	19,173,527
Claims, losses and expenses			
Paid claims		15,332,678	19,130,481
Less : Recoveries		2,160,863	3,290,723
Less : Reinsurers' share		803,594	2,531,925
Net paid claims		12,368,221	13,307,833
Net change in claims reserves		581,144	(381,231)
Policies acquisition cost		731,512	837,012
Excess of loss premiums		178,587	178,369
Allocated employees' expenses	28	1,870,279	1,802,435
Allocated administrative expenses	29	841,734	916,399
Other expenses related to underwriting		401,540	311,646
Net Claims		16,973,017	16,972,463
Unallocated employees expenses	28	282,683	255,897
Depreciation and amortization	13 - 14	193,390	180,945
Unallocated administrative expenses	29	140,948	140,572
Provision for expected credit losses-accounts receivable	10	147,986	-
Provision for expected credit losses-reinsurers receivables	11	54,972	-
(Unneeded) provision for expected credit losses - bank deposits	3	(519)	735
(Unneeded) provision for expected credit losses - financial assets measured at amortized cost	5	(49)	694
(Unneeded) provision for expected credit losses - loans for life insurance policies holders	7	(170)	(116)
(Unneeded) provision for expected credit losses - checks under collection	9	(2,889)	(310)
Other expenses	30	200,133	95,000
Total Expenses		1,016,485	673,417
Profit for the year before tax		1,712,689	1,527,647
Income and National Contribution tax expense	12	(516,548)	(284,146)
Profit for the year		1,196,141	1,243,501
Basic and diluted earnings per share	31	0.149	0.155

"The attached notes from (1) to (42) are an integral part of these financial statements"

Jerusalem Insurance Company
Public Shareholding Company
Statement of Comprehensive Income for the Year Ended 31 December 2020

(In Jordanian Dinar)

	<u>2020</u>	<u>2019</u>
Profit for the year	1,196,141	1,243,501
Other comprehensive income:		
Changes in fair value of financial assets through other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>1,196,141</u>	<u>1,243,501</u>

“The attached notes from (1) to (42) are an integral part of these financial statements”

Jerusalem Insurance Company
Public Shareholding Company
Statement of Changes in Equity for the Year Ended 31 December 2020

(In Jordanian Dinar)

	Paid - In Capital	Reserves		Retained * Earnings	Total Shareholders Equity	Non-Controlling Interest	Total Equity
		Statutory	Voluntary				
Balance at 1 January 2020	8,000,000	2,089,651	1,668,538	2,329,002	14,087,191	-	14,087,191
Paid dividends	-	-	-	(960,000)	(960,000)	-	(960,000)
Total comprehensive income for the year	-	-	-	1,196,141	1,196,141	-	1,196,141
Balance at 31 December 2020	8,000,000	2,089,651	1,668,538	2,565,143	14,323,332	-	14,323,332
Balance at 1 January 2019	8,000,000	2,089,651	1,668,538	1,997,661	13,755,850	2,028	13,757,878
Paid dividends	-	-	-	(880,000)	(880,000)	-	(880,000)
Adverse of subsidiary write-off impact	-	-	-	(32,160)	(32,160)	(2,028)	(34,188)
Total comprehensive income for the year	-	-	-	1,243,501	1,243,501	-	1,243,501
Balance at 31 December 2019	8,000,000	2,089,651	1,668,538	2,329,002	14,087,191	-	14,087,191

* The retained earnings as at 31 December 2020 include JOD (494,317) that presents losses from revaluation of financial assets through profit or loss.

* The retained earnings as at 31 December 2020 include an amount of JOD (1,133,765) restricted against deferred tax assets.

“The attached notes from (1) to (42) are an integral part of these financial statements”

Jerusalem Insurance Company
Public Shareholding Company
Statement of Cash Flows for the Year Ended 31 December 2020
(In Jordanian Dinar)

	Notes	2020	2019
Operating activities			
Profit before tax		1,712,689	1,527,647
Depreciation and amortization		193,921	181,476
Net change in unearned premium reserves		(930,236)	1,821,651
Net change in claims reserves		581,144	(381,231)
Provision for vacations and end of service indemnity		9,207	10,453
Lawsuit provision		155,133	50,000
Provision for expected credit losses-accounts receivable		147,986	-
Provision for expected credit losses-reinsurers receivables		54,972	-
Unneeded provision for expected credit losses - bank deposits		(519)	735
Unneeded Provision for expected credit losses - financial assets measured at amortized cost		(49)	694
Unneeded provision for expected credit losses - loans for life insurance policies holders		(170)	(116)
Unneeded provision for expected credit losses - checks under collection		(2,889)	(310)
Changes in fair value of financial assets measured through statement of profit or loss		267,454	(72,220)
Gain from subsidiary write-off		-	(9,596)
Changes In working capital			
Checks under collection		577,721	61,955
Accounts receivable		(1,267,451)	323,080
Reinsurers receivables		(893)	135,309
Other assets		220,928	(43,859)
Accounts payable		437,302	(459,557)
Reinsurers payables		900,288	(514,652)
Accrued expenses		(540)	9,089
Other provisions		(309,171)	(13,883)
Other liabilities		(41,395)	(166,855)
Paid income tax	12	(578,997)	(326,255)
Net cash flows from operating activities		2,126,435	2,133,555
Investing activities			
Bank deposits		(828,285)	(1,216,674)
Purchase of financial assets measured at fair value through profit or loss		(1,580,702)	(618,905)
Sale of financial assets measured at fair value through profit or loss		601,050	244,994
Purchase of financial asset measured at amortized cost		(1,475,914)	(355,000)
Loans for life insurance policies holders and others		34,036	23,097
Purchase of property and equipment and intangible assets	13 - 14	(153,716)	(89,078)
Cash received from subsidiary write-off		-	131,996
Non-controlling interest		-	(2,028)
Net cash flows used in investing activities		(3,403,531)	(1,881,598)
Financing activities			
Paid dividends		(960,000)	(880,000)
Net changes in cash and cash equivalents			
Cash and cash equivalents, beginning of year		(2,237,096)	(628,043)
Cash and cash equivalents, end of year	32	2,756,949	4,994,045

“The attached notes from (1) to (42) are an integral part of these financial statements”

Jerusalem Insurance Company
Public Shareholding Company
Statement of Underwriting Revenues for the Life Insurance for the Year Ended 31 December 2020
(In Jordanian Dinar)

	<u>2020</u>	<u>2019</u>
Written premiums		
Direct insurance	837,974	958,224
Reinsurance inward business	217	1,973
Total premiums	<u>838,191</u>	<u>960,197</u>
Less		
Foreign reinsurance share	554,541	793,334
Net premiums	<u>283,650</u>	<u>166,863</u>
Add:		
Balance at beginning of the year		
Unearned premiums reserve	-	69,629
Less : reinsurer's share	-	59,820
Net unearned premiums reserve at beginning of the year	<u>-</u>	<u>9,809</u>
Actuarial reserves, at beginning of the year	<u>350,000</u>	<u>350,000</u>
Less:		
Balance at ending of the year		
Unearned premiums reserve	-	-
Less: reinsurer's share	-	-
Net unearned premiums reserve at the end of the year	<u>-</u>	<u>-</u>
Actuarial reserves, at end of the year	<u>350,000</u>	<u>350,000</u>
Net earned revenues from written premiums	<u>283,650</u>	<u>176,672</u>

“The attached notes from (1) to (42) are an integral part of these financial statements”

Jerusalem Insurance Company
Public Shareholding Company
Statement of Cost of Claims Cost for the Life Insurance for the Year Ended 31 December 2020
(In Jordanian Dinar)

	<u>2020</u>	<u>2019</u>
Paid claims	286,342	774,506
Less:		
Foreign reinsurer's share	<u>242,798</u>	<u>690,991</u>
Net paid claims	<u>43,544</u>	<u>83,515</u>
Add:		
Outstanding claims reserve at end of the year		
Reported claims	2,250,701	340,437
Incurred but not reported claims	10,000	10,000
Less : reinsurer's share	<u>1,924,304</u>	<u>130,475</u>
Net outstanding claims reserve at end of the year	<u>336,397</u>	<u>219,962</u>
Reported claims	<u>326,397</u>	<u>209,962</u>
Incurred but not reported claims	<u>10,000</u>	<u>10,000</u>
Less:		
Outstanding claims reserve at beginning of the year		
Reported	340,437	330,768
Incurred but not reported claims	10,000	10,000
Less : reinsurer's share	<u>130,475</u>	<u>122,574</u>
Net outstanding claims reserve at beginning of the year	<u>219,962</u>	<u>218,194</u>
Net claims cost	<u><u>159,979</u></u>	<u><u>85,283</u></u>

"The attached notes from (1) to (42) are an integral part of these financial statements"

Jerusalem Insurance Company
Public Shareholding Company
Statement of Underwriting losses for the Life Insurance for the Year Ended 31 December 2020
(In Jordanian Dinar)

	<u>2020</u>	<u>2019</u>
Net earned revenues from written premiums	283,650	176,672
Less:		
Net claims cost	159,979	85,283
Add:		
Commissions received	607	19,231
Insurance policies issuance fees	18,031	15,876
Investment revenue related to underwriting	<u>3,775</u>	<u>577</u>
Total revenues	<u>22,413</u>	<u>35,684</u>
Less:		
Policies acquisition costs	36,242	8,812
Allocated administrative expenses	<u>239,010</u>	<u>252,646</u>
Total expenses	<u>275,252</u>	<u>261,458</u>
Underwriting loss	<u>(129,168)</u>	<u>(134,385)</u>

“The attached notes from (1) to (42) are an integral part of these financial statements”

Jerusalem Insurance Company
Public Shareholding Company
Statement of Underwriting Revenues for the General Insurance for the Year Ended 31 December 2020
(In Jordanian Dinar)

	Motors		Marine		Fire and other property damage		Liability		Medical		Others		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Written Premiums														
Direct insurance	9,875,787	11,855,912	940,746	1,094,436	4,397,398	1,266,718	352,010	331,651	4,730,864	4,748,938	26,700	43,862	20,323,505	19,341,517
Facultative inward reinsurance	334,201	403,964	10,173	-	166,396	158,973	797	995	-	-	-	-	511,567	563,932
Total Premiums	10,209,988	12,259,876	950,919	1,094,436	4,563,794	1,425,691	352,807	332,646	4,730,864	4,748,938	26,700	43,862	20,835,072	19,905,449
Less														
Local reinsurance share	63,906	81,798	33,769	27,672	277,594	27,127	-	-	-	-	-	-	375,269	136,597
Foreign reinsurance share	20,543	20,863	726,307	820,958	4,212,058	1,317,953	268,967	241,179	197,484	210,043	22,499	35,646	5,447,858	2,646,642
Net written premiums	10,125,539	12,157,215	190,843	245,806	74,142	80,611	83,840	91,467	4,533,380	4,538,895	4,201	8,216	15,011,945	17,122,210
Add														
Balance at beginning of the year														
Unearned premiums reserve	6,161,927	5,580,236	302,457	281,983	618,343	1,628,042	148,286	120,097	1,921,197	670,397	15,192	6,330	9,167,402	8,287,085
Less: reinsurers' share	-	-	238,367	216,467	576,042	1,594,402	117,548	90,340	10,145	-	13,824	5,860	955,926	1,907,069
Net unearned premiums reserve at the beginning of the year	6,161,927	5,580,236	64,090	65,516	42,301	33,640	30,738	29,757	1,911,052	670,397	1,368	470	8,211,476	6,380,016
Less														
Balance at end of the year														
Unearned premiums reserve	5,361,725	6,161,927	313,585	302,457	2,151,496	618,343	167,389	148,286	1,798,035	1,921,197	16,142	15,192	9,808,372	9,167,402
Less : reinsurers' share	-	-	260,837	238,367	2,108,604	576,042	133,149	117,548	11,744	10,145	12,798	13,824	2,527,132	955,926
Net unearned premiums reserve at end of the year	5,361,725	6,161,927	52,748	64,090	42,892	42,301	34,240	30,738	1,786,291	1,911,052	3,344	1,368	7,281,240	8,211,476
Net earned revenues from written premiums	10,925,741	11,575,524	202,185	247,232	73,551	71,950	80,338	90,486	4,658,141	3,298,240	2,225	7,318	15,942,181	15,290,750

"The attached notes from (1) to (42) are an integral part of these financial statements"

Jerusalem Insurance Company
Public Shareholding Company
Statement of Claims Cost for the General Insurance for the Year Ended 31 December 2020
(In Jordanian Dinar)

	Motors		Marine		Fire and other property damage		Liability		Medical		Others		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Paid claims	10,348,539	13,772,084	286,810	1,144,086	175,080	578,048	10,768	19,684	4,214,614	2,803,044	10,525	39,029	15,046,336	18,355,975
Less:														
Recoveries	1,995,748	3,069,630	10,184	50,316	2,766	13,335	1,458	4,941	150,528	152,212	179	289	2,160,863	3,290,723
Local reinsurance share	-	780	277	693	228	9,850	-	-	-	-	-	-	505	11,323
Foreign reinsurance share	13,553	136,126	216,491	991,066	161,271	540,606	-	-	159,937	126,179	9,039	35,634	560,291	1,829,611
Net Paid Claims	8,339,238	10,565,548	59,858	102,011	10,815	14,257	9,310	14,743	3,904,149	2,524,653	1,307	3,106	12,324,677	13,224,318
Add:														
Outstanding claims reserve at end of the year														
Reported claims	6,925,495	6,316,162	19,850	163,434	666,130	686,504	27,568	24,310	416,122	102,902	25,299	28,776	8,080,464	7,322,088
Incurred but not reported claims	2,550,000	2,550,000	75,000	75,000	45,000	45,000	-	-	127,606	484,106	-	-	2,797,606	3,154,106
Less:														
Reinsurers' share	412,194	395,946	10,969	103,674	650,267	673,119	6,364	650	20,607	17,095	15,000	15,000	1,115,401	1,205,484
Recoveries	446,363	419,113	-	-	-	-	-	-	-	-	-	-	446,363	419,113
Net outstanding claims reserve at end of the year	8,616,938	8,051,103	83,881	134,760	60,863	58,385	21,204	23,660	523,121	569,913	10,299	13,776	9,316,306	8,851,597
Reported claims	6,066,938	5,501,103	8,881	59,760	15,863	13,385	21,204	23,660	400,170	98,237	10,299	13,776	6,523,355	5,709,921
Incurred but not reported claims	2,550,000	2,550,000	75,000	75,000	45,000	45,000	-	-	122,951	471,676	-	-	2,792,951	3,141,676
Less:														
Outstanding claims reserve at beginning of the year														
Reported claims	6,316,162	7,002,624	163,434	247,801	686,504	996,221	24,310	26,200	102,902	77,780	28,776	30,503	7,322,088	8,381,129
Incurred but not reported claims	2,550,000	2,550,000	75,000	75,000	45,000	45,000	-	-	484,106	197,270	-	-	3,154,106	2,867,270
Less: reinsurers' share	395,946	430,058	103,674	151,065	673,119	977,646	650	650	17,095	-	15,000	16,678	1,205,484	1,576,097
Recoveries	419,113	437,706	-	-	-	-	-	-	-	-	-	-	419,113	437,706
Net outstanding claims reserve at beginning of the year	8,051,103	8,684,860	134,760	171,736	58,385	63,575	23,660	25,550	569,913	275,050	13,776	13,825	8,851,597	9,234,596
Net claims cost	8,905,073	9,931,791	8,979	65,035	13,293	9,067	6,854	12,853	3,857,357	2,819,516	(2,170)	3,057	12,789,386	12,841,319

“The attached notes from (1) to (42) are an integral part of these financial statements”

Jerusalem Insurance Company
Public Shareholding Company
Statement of Underwriting Profit for the General Insurance for the Year Ended 31 December 2020
(In Jordanian Dinar)

	Motors		Marine		Fire and other property damage		Liability		Medical		Others		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Net earned revenues from written premiums	10,925,741	11,575,524	202,185	247,232	73,551	71,950	80,338	90,486	4,658,141	3,298,240	2,225	7,318	15,942,181	15,290,750
Less:														
Net claims cost	8,905,073	9,931,791	8,979	65,035	13,293	9,067	6,854	12,853	3,857,357	2,819,516	(2,170)	3,057	12,789,386	12,841,319
Add:														
Commissions received	4,383	5,096	419,275	460,248	718,587	346,924	63,997	57,873	35,566	51,906	8,310	13,058	1,250,118	935,105
Insurance policies issuance fees	539,457	615,829	27,257	33,405	100,790	75,887	10,698	13,047	209,514	199,066	1,704	5,274	889,420	942,508
Other revenues	12,120	22,091	37,630	10,696	-	-	-	-	263,335	169,198	-	-	313,085	201,985
Total revenues	555,960	643,016	484,162	504,349	819,377	422,811	74,695	70,920	508,415	420,170	10,014	18,332	2,452,623	2,079,598
Less:														
Policies acquisition costs	504,796	603,272	28,209	31,670	90,191	105,794	17,000	23,696	53,231	61,119	1,843	2,649	695,270	828,200
Excess of loss premiums	103,587	103,369	16,000	16,000	59,000	59,000	-	-	-	-	-	-	178,587	178,369
Allocated administrative expenses	1,275,105	1,548,149	138,425	175,908	502,430	203,391	38,118	46,542	516,355	488,381	2,570	3,817	2,473,003	2,466,188
Other expenses	38,855	47,548	-	77	340	1,429	-	-	362,345	262,592	-	-	401,540	311,646
Total expenses	1,922,343	2,302,338	182,634	223,655	651,961	369,614	55,118	70,238	931,931	812,092	4,413	6,466	3,748,400	3,784,403
Underwriting profit (loss)	654,285	(15,589)	494,734	462,891	227,674	116,080	93,061	78,315	377,268	86,802	9,996	16,127	1,857,018	744,626

“The attached notes from (1) to (42) are an integral part of these financial statements”

Jerusalem Insurance Company
Public Shareholding Company
Notes to the Financial Statements
31 December 2020

(In Jordanian Dinar)

1 . General

Jerusalem Insurance Company was established during 1975 as a Public Shareholding Company and registered at the Ministry of Trade and Industry under number (93) with an authorized paid-in capital amounted to JOD (160,000) / share that have been increased several times until reached to JOD (8) Million /share. The Company head office is in the Hashemite Kingdom of Jordan. The Company is engaged in insurance activity including accidents, fire, marine, transportation, motors, public liability and medical insurance.

The accompanying financial statements were authorized for issue by the Company's Board of Directors in their meeting held on 10 February 2021 and it is subject to the General Assembly approval.

2 . Summary of Significant Accounting Policies

Basis of Preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards.

The financial statements have been prepared on a historical cost basis except for financial assets measured at fair value.

The financial statements are presented in Jordanian Dinar which is the functional currency of the Company.

The accounting policies are consistent with those used in the previous year, except for the adoption of new and amended standards effective as at the beginning of the year.

Adoption of new and revised IFRS standards

The following standards have been published that are mandatory for accounting periods after 31 December 2020. Management anticipates that the adoption of new and revised Standards will have no material impact on the financial statements of the Company.

Standard No.	Title of Standard	Effective Date
IFRS 17	Insurance Contracts	1 January 2023

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 in measured based on the reports used by the top management of the Company.

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.

Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions and in particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows. 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.

Management believes that the estimates are reasonable and are as follows:

- A provision of doubtful debts 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.
- Management reviews periodically the tangible and intangible assets in order to assess the depreciation and amortization for the year based on the useful life and future economic benefits. Any impairment is taken to the statement of profit or loss.
- The outstanding claim reserve and technical reserve are estimated based on technical studies and according to Insurance Administration regulation and actuarial studies.
- A provision on lawsuits 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 measurement of impairment losses under IFRS 9 requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. Elements of the expected credit loss model that are considered accounting judgments and estimates include Probability of default (PD), Loss given default (LGD) and Exposure at default (EAD).

Recognition of financial assets

Financial assets and financial liabilities are recognized on the trading date which is the date that the entity commits itself to purchase or sell the financial assets.

Fair value

For fair value of investments, which are traded in organized financial markets, is determined by reference to the quoted market bid price at the close of the business on the statement of financial position date. For investments which are listed in inactive stock markets, traded in small quantities or have no current prices, the fair value is measured using the current value of cash flows or any other method adopted. If there is no reliable method for the measurement of these investments, then they are stated at cost less any impairment in their value.

In the absence of quoted prices or the absence of active market of some financial instruments or non-market activity, fair value is estimated in a number of ways including:

- Compare them to the current market value of a similar instrument to a large extent.
- Analysis of future cash flows and discounting the expected cash flows using a similar financial instrument.
- Options pricing models.

The valuation methods aim to obtain a fair value that reflects market expectations and takes into consideration market factors and any anticipated risks or rewards when estimating the value of financial instruments. If there are financial instruments that cannot be reliably measured, they are stated at cost after any impairment in value.

Financial Assets at Amortized Cost

They are the financial assets which the Company's management intends according to its business model to hold for the purpose of collecting contractual cash flows which comprise the contractual cash flows that are solely payments of principal and interest on the outstanding principal.

Those financial assets are stated at cost upon purchase plus acquisition expenses. Moreover, the issue premium / discount are amortized using the effective interest rate method, and recorded to the interest account. Provisions associated with the decline in value of these investments leading to the inability to recover the investment or part therefore are deducted, and any impairment loss in its value is recorded in the statement of profit or loss.

The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

It is not allowed to reclassify any financial assets from / to this category except for certain cases specified in the International Financial Reporting Standards (in the case of selling any of these assets before its maturity date, the result should be recorded in a separate line item in the statement of profit or loss, disclosures should be made in accordance to the requirements of International Financial Reporting Standards).

Reclassification

Financial assets may be reclassified from the amortized cost to financial assets at fair value through statement of profit or loss and vice versa only when the entity changes the business model on which it was classified as stated above, taking into account the following:

- Any previously recognized profits, losses or benefits may not be recovered.
- When financial assets are reclassified at fair value, their fair value is determined at the date of reclassification. Any gain or loss arising from differences between the previously recorded value and the fair value is recognized in the statement of profit or loss.
- When financial assets are reclassified to be measured at amortized cost, they are recorded at their fair value at the date of reclassification.

Financial Assets at Fair Value through Statement of Profit or Loss

It is the financial assets held by the company for the purpose of trading in the near future and achieving gains from the fluctuations in market prices in the short term or trading margins.

Financial assets at fair value through profit or loss are initially stated at fair value at acquisition date (purchase costs are recorded at the statement of profit or loss upon acquisition) and subsequently measured at fair value. Moreover, changes in fair value are recorded in the statement of profit or loss including the change in fair value resulting from translation of non-monetary assets stated at foreign currency. Gains or losses resulting from the sale of these financial assets are taken to the statement of profit or loss.

Dividends and interests from these financial assets are recorded in the statement of profit or loss.

Impairments 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.

Investment Properties

Investment property is measured at cost less any accumulated depreciation and any accumulated impairment losses. Any revenue, operational expenses or impairment related to the investment properties is recorded in the statement of profit or loss. Investment properties are depreciated over its useful life by an annual percentage of 2%. 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 the assets

Short-term-leases and leases of low-value assets

The company applies the short-term lease recognition exemption to some of its short-term leases (I.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Cash and Cash Equivalents

Cash and cash equivalents are carried in the financial statement at cost. For the purposes of the statement of cash flow, cash and cash equivalents comprise of cash on hand, deposits held at call with banks, other short - term highly liquid investments.

Reinsurers Accounts

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

Impairment in Reinsurance Assets

In case there is any indication of impairment in 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 profit or loss.

The impairment is recognized in the following cases only:

1. There is 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 reinsurer.

Insurance policy acquisition cost

Acquisition costs represent the cost incurred by the Company for selling or underwriting or issuing new insurance contract, the acquisition cost is recorded in statement of profit or loss.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation is computed on a straight-line basis at annual depreciation rates:

Buildings	2%
Furniture and equipment	20-30%
Vehicles	15-30%
Others	24%

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of profit or loss.

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 plant and equipment.

When the expected recoverable amount of any property and equipment is less than its net book value, the net book value is reduced to the expected recoverable amount, and the impairment loss is recorded in the statement of profit or loss.

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.

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 with finite lives are amortized over the useful economic lives with percentages of 20-30%, while intangible assets with indefinite useful lives are assessed for impairment at each reporting date or when there is an indication that the intangible asset may be impaired.

Internally generated intangible assets are not capitalized and are expensed in the statement of profit or loss.

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.

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 preset 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 flows.

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 to the Insurance Administration's instructions, as follows:

- 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.
- Outstanding claims (Reported) provision is measured at the maximum value of the total expected loss for each claim separately.
- Provision for the ultimate cost of claims incurred but not yet reported (IBNR) and unexpired risk is measured based on the estimates and the experience of the Company.
- Provision for the unearned life insurance policies is measured and calculated based on the estimates and the experience of the company.
- Actuarial reserves for life insurance premiums in accordance with laws regulations and Instructions.

B. Receivables Impairment

The receivables impairment is provided when there is objective evidence that the Company will not be able to collect all or part of the due amounts, and this allowance is calculated based on the difference between book value and recoverable amount. The allowance is measured after monitoring the receivables in details and all receivables aging one year and above is provided for provision.

C. End of service indemnity reserve

The end of service indemnity 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 service is recorded in the statement of profit or loss.

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 profit or loss.

Income Tax

Income tax represents accrued and deferred income 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 profit or loss 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 rate 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.

Issuance or Purchase Insurance Company Shares

Any costs arise from issuance or purchase the insurance company share is recorded in the retained earnings account (Net of tax effect), if the purchase / issuance not completed and related expenses are charged to the statement of profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the financial statement when there is a legally enforceable right to offset the recognized amounts and the company intends to either settle them 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 profit or loss based on the expected claim value to compensate other parties.

B. Dividend and interest revenue

The Dividends revenues are realized when the company has the right to receive the payment once declared by the general assembly of the company.

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

C. Lease revenue

Lease revenue is recognized on a time proportion bases that reflects the effective yield on the lease agreement.

Expenditures recognition

All commissions and other costs related to the new insurance contracts or renewed are recorded in the statement of profit or loss 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 to settle the claims resulting from events occurring before the date of financial statements but not settled yet.

Outstanding claim reserve is recorded based on the best available information at the date of financial statements and includes the IBNR.

Recoverable scraped value

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

Administrative expenses

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

Employees' expenses

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

Foreign Currency

Assets and liabilities denominated in foreign currencies are translated to Jordanian Dinar using the prevailing exchange rates at year end. Foreign currency transactions during the year are recorded using exchange rates that were in effect at the dates of the transactions. Foreign exchange gains or losses are reflected in the statement of comprehensive income.

3 . Bank Deposits

	2020				2019	
	Deposits mature within (1) month	Deposits mature within (1) to (3) months	Deposits mature within (3) months to (1) year	Deposits mature after (1) year	Total	Total
<u>Inside Jordan</u>	760,000	871,002	16,315,852	-	17,946,854	19,970,944
<u>Outside Jordan</u>	-	-	-	-	-	-
Less: provision for expected credit losses *	(120)	(156)	(19,234)	-	(19,510)	(20,029)
Total	759,880	870,846	16,296,618	-	17,927,344	19,950,915

* The movement on the provision for expected credit losses is as follow:

	2020	2019
Balance at beginning of the year	20,029	19,294
Additions	-	735
Disposals	(519)	-
Balance at end of the year	19,510	20,029

- The annual interest rate on the deposits in Jordanian Dinar ranged between (2%) to (6.1%) during 2020.
- There are deposits pledged to the favor of the Secretary General of the Ministry of Trade and Industry amounted to JOD (325,000) as at 31 December 2020 and 2019, at the following banks:

	2020	2019
Jordan Commercial Bank	325,000	325,000

- Restricted cash balances against bank guarantees amounted to JOD (32,281) as at 31 December 2020 (2019: JOD 26,349).

4 . Financial Assets Measured at Fair Value through Profit or Loss

	<u>2020</u>	<u>2019</u>
<u>Inside Jordan:</u>		
Investments in quoted shares	1,696,207	962,742
Investments in unquoted shares	<u>134,350</u>	<u>134,350</u>
Total	<u>1,830,557</u>	<u>1,097,092</u>
<u>Outside Jordan:</u>		
Investments in quoted shares	165,803	174,888
Investments in unquoted shares	<u>160,108</u>	<u>172,290</u>
Total	<u>325,911</u>	<u>347,178</u>
Grand total	<u>2,156,468</u>	<u>1,444,270</u>

The financial assets at fair value through statement of profit or loss include unquoted financial assets amounting to (294,458) as at 31/12/2020 and are presented in fair value estimated by management.

The details of the financial assets at fair value through statement of profit or loss (unquoted) are as follow:

	<u>2020</u>	<u>2019</u>
<u>Inside Jordan:</u>		
Saraya Aqaba for Real Estate Development Company*	134,250	134,250
Arab Engineering Industries Company	98	98
Modern Company for Vegetable Oil and Food Industries	1	1
United Integrated Company for Multiple Industries and Investment	<u>1</u>	<u>1</u>
Total	<u>134,350</u>	<u>134,350</u>
<u>Outside Jordan:</u>		
Arab Reinsurance Company / Lebanon	<u>160,108</u>	<u>172,290</u>
Total	<u>294,458</u>	<u>306,640</u>

* The last valuation of the stock is based on the financial statements for the year 2018, since the financial statements for the year 2019 were not issued until the date of these financial statements.

5 . Financial Assets Measured at Amortized Cost

	2020	2019
<u>Inside Jordan</u>		
Treasury Bonds – Government of Jordan – JOD (1)	200,000	200,000
Treasury Bonds – Government of Jordan – JOD (2)	300,000	300,000
Bonds – Jordan National Bank - JOD	2,100,000	2,100,000
Bonds – Capital Bank - USD	355,000	355,000
	<u>2,955,000</u>	<u>2,955,000</u>
	2020	2019
<u>Outside Jordan</u>		
Treasury Bonds – Government of Jordan – USD (1)	355,000	355,000
Treasury Bonds – Government of Jordan – USD (2)	1,475,914	-
Bonds – GAZ PROM	142,000	142,000
	<u>1,972,914</u>	<u>497,000</u>
Grand total	<u>4,927,914</u>	<u>3,452,000</u>
Less :		
Provision for expected credit losses *	(5,067)	(5,116)
Net financial assets measured at amortized cost	<u>4,922,847</u>	<u>3,446,884</u>

* The movement on the provision for expected credit losses is as follow:

	2020	2019
Balance at beginning of the year	5,116	4,422
Additions	-	694
Disposals	(49)	-
Balance at end of the year	<u>5,067</u>	<u>5,116</u>

- Jordanian treasury bonds (1) are denominated in Jordanian Dinar and mature at 8/9/2026 and bear an interest rate of (6.099%) per annum. The interest is paid in two equal installments per year on 8 March and 8 September until the maturity date of the bonds.
- Jordanian treasury bonds (2) are denominated in Jordanian Dinar and mature at 26/9/2026 and bear an interest rate of (6.198%) per annum. The Interest is paid in two equal installments per year on 26 March and 26 September until the maturity date of the bonds.
- The Jordan Ahli Bank bonds are denominated in Jordanian Dinar and mature at 12/10/2023 and carries a variable interest rate of (6.75%) per annum on the issue date and is recalculated every 6 months). The interest is paid in two equal installments per year on 12 April and 12 October until the maturity date.
- The Capital Bank bonds are denominated in US Dollar and mature at 15/3/2026 and bear an interest rate of (7%) per annum. The interest is paid in two equal installments per year on 15 September and 15 March until the maturity date.
- The Jordanian government treasury bonds (1) are denominated in US Dollar and mature at 31/1/2027 and bear an interest rate of (5.75%) per annum. The interest is paid in two equal installments per year on 31 January and 31 July until the maturity date.
- The Jordanian government treasury bonds (2) are denominated in US Dollar and mature at 29/1/2026 and bear an interest rate of (6.125%) per annum. The interest is paid in two equal installments per year on 29 January and 29 July until the maturity date.
- The GAZ PROM bonds are mature at 7/3/2022 and bears interest rate of (6.51%) per annum and the interest is paid in two equal installments per year on 7 September and 7 March until the maturity date.

6 . Investment Properties

	2020	2019
Lands	940,911	940,911
Buildings	26,572	26,572
Accumulated depreciation	(15,052)	(14,521)
Net	<u>952,431</u>	<u>952,962</u>

The investment properties' fair value was valued by real estate estimators and according to insurance authority's instructions at an amount of JOD (2,802,233) as at 31 December 2020, (2019: JOD 2,975,340).

7 . Loans for Life Insurance Policies Holders and Others

	2020	2019
Loans to Companies and individuals without guarantees	14,410	48,446
Provision for expected credit losses *	(72)	(242)
Net loans for life insurance policies holders and others	<u>14,338</u>	<u>48,204</u>

Loans for life policy holders and others mature as follows:

	Loans Maturity Date					Total
	From (1) to (3) months	From (3) to (6) months	From (6) to (9) months	From (9) to (12) months	More than a year	
Loans to companies and individuals without guarantees	2,251	2,175	2,175	2,079	5,730	14,410
Provision for expected credit losses *	(11)	(11)	(11)	(10)	(29)	(72)
Net Loans for life insurance policies holders and others	<u>2,240</u>	<u>2,164</u>	<u>2,164</u>	<u>2,069</u>	<u>5,701</u>	<u>14,338</u>

* The movement on the provision for expected credit losses is as follow:

	2020	2019
Balance at beginning of the year	242	358
Disposal	(170)	(116)
Balance at end of the year	<u>72</u>	<u>242</u>

8 . Cash on Hand and at Banks

	2020	2019
Cash on hand	13,400	34,737
Current banks accounts	1,112,547	475,931
	<u>1,125,947</u>	<u>510,668</u>

9 . Checks Under Collection

	2020	2019
Checks under collection**	678,868	1,256,589
Provision for expected credit losses *	(3,394)	(6,283)
	<u>675,474</u>	<u>1,250,306</u>

* The movement on the provision for expected credit losses is as follow:

	2020	2019
Balance at beginning of the year	6,283	6,593
Disposals	(2,889)	(310)
Balance at end of the year	<u>3,394</u>	<u>6,283</u>

** Checks under collection maturity extended to December 2021.

10. Accounts Receivable - net

	2020	2019
Policies holders	6,814,821	5,562,516
Agents receivable	901	68
Brokers receivable	94	20
Employee receivable	45,857	37,123
Others	9,606	4,101
Total	6,871,279	5,603,828
Less: Provision for expected credit losses *	<u>(1,155,015)</u>	<u>(1,007,029)</u>
Net Accounts Receivable	<u>5,716,264</u>	<u>4,596,799</u>

- The table below shows the aging of performing receivables:

	Accounts receivable accounts receivable					Total
	Not - matured	Up to 90 days	From 91- 180 days	From 181- 360 days	More than 360 days	
31 December 2020	2,622,151	2,167,789	558,698	367,626	-	5,716,264
31 December 2019	1,764,261	2,098,260	409,814	251,548	72,916	4,596,799

* Movements on provision for expected credit losses is as follows:

	2020	2019
Balance at beginning of the year	1,007,029	1,008,029
Transfers	-	(1,000)
Additions	147,986	-
Balance at end of the year	<u>1,155,015</u>	<u>1,007,029</u>

11. Reinsurers Receivables - Net

	2020	2019
Local insurance companies	881,944	996,968
Foreign reinsurance companies	187,787	71,870
Total	1,069,731	1,068,838
Less provision for expected credit losses *	<u>(183,882)</u>	<u>(128,910)</u>
Net reinsurers receivables	<u>885,849</u>	<u>939,928</u>

- The table below shows the aging of performing reinsurers receivable:

	Performing reinsurers receivable					Total
	Not - matured	Up to 90 days	From 91- 180 days	From 181- 360 days	More than 360 days	
31 December 2020	48,259	655,408	158,441	23,741	-	885,849
31 December 2019	46,742	384,714	265,836	231,379	11,257	939,928

* Movements on provision for expected credit losses are as follows:

	2020	2019
Balance at beginning of the year	128,910	127,910
Transfers	-	1,000
Additions	54,972	-
Balance at end of the year	<u>183,882</u>	<u>128,910</u>

12. Income and National Contribution Tax

A- Income and National Contribution tax provision:

The movement on Income and National Contribution tax provision is as follows:	2020	2019
Balance at beginning of the year	307,780	180,815
Subsidiary write-off impact	-	(1,186)
Paid income tax	(578,997)	(326,255)
Income and National Contribution tax expense for the year *	<u>441,516</u>	<u>454,406</u>
Balance at end of the year	<u>170,299</u>	<u>307,780</u>

* This item includes a decrease of the deferred taxes amounting to JOD (75,032) as at 31 December 2020.

Income and National Contribution tax expenses for the year represents:

	2020	2019
Income and National Contribution tax of the year	441,516	454,406
Impact of modifications the Income Tax Law	-	(86,545)
Deferred tax assets	(825,731)	(835,525)
Amortization of deferred tax assets	<u>900,763</u>	<u>751,810</u>
	<u>516,548</u>	<u>284,146</u>

The following is the reconciliation between declared profit and taxable profit:

	2020	2019
Declared profit	1,712,689	1,527,647
Nontaxable income	(661,523)	(116,220)
Nondeductible expenses	<u>646,974</u>	<u>336,288</u>
Taxable profit	<u>1,698,140</u>	<u>1,747,715</u>
Income and National Contribution tax of the year	<u>441,516</u>	<u>454,406</u>
Actual income tax rate	<u>25.8%</u>	<u>29.7%</u>
Income and National Contribution tax rate according to Law	<u>26%</u>	<u>26%</u>

- The Company has settled its tax liabilities with the Income Tax Department up to the year ended 2018 except of year 2017.
- The income tax returns for the years 2017 and 2019 have been filed with the Income Tax Department but the Department has not reviewed the Company's records till the date of this report.
- The Income and National Contribution tax provision for the year 2020 was calculated in accordance with the Income Tax Law.
- According to the management and tax advisor of the Company the provision of Income and National Contribution tax is sufficient and there is no need for additional provisions.

B - Deferred tax assets

This item consists of the following:

	2020			2019		
	Beginning Balance	Exclusions	Additions	Ending Balance	Deferred Tax	Deferred Tax
Deferred tax assets						
Provision for incurred but not reported claims	3,151,676	(3,151,676)	2,802,951	2,802,951	728,767	819,436
Provision for doubtful debts	1,135,939	-	202,958	1,338,897	348,113	295,344
Provision for expected credit losses	31,670	(3,627)	-	28,043	7,291	8,234
Provision for end of service indemnity	67,596	(11,528)	9,207	65,275	16,972	17,575
Provision for employee's vacation	137,337	(17,510)	-	119,827	31,155	35,708
Net losses for foreign investment	-	-	12,221	12,221	1,467	-
Provision for lawsuits	125,000	(280,133)	155,133	-	-	32,500
	4,649,218	(3,464,474)	3,182,470	4,367,214	1,133,765	1,208,797

- Movements on deferred tax asset / liabilities are as follows:

	2020	2019
Beginning balance	1,208,797	1,038,537
Impact of modifications of the Income Tax Law	-	86,545
Additions	825,731	835,525
Exclusions	(900,763)	(751,810)
Ending balance	1,133,765	1,208,797

The Deferred tax assets is calculated using 26% (24% Income Tax and 2% National Contribution Tax) starting from the year 2019 and with a percentage of 24% according to the Income Tax Law until the end of the year 2018, the Company's management and the tax advisor assure the collectability of these deferred taxes assets in future.

13. Property and Equipment - Net

	Lands	Buildings	Devices & furniture	Vehicles	Others	Total
Cost:						
Balance at 1/1/2020	505,836	684,856	390,172	102,892	8,582	1,692,338
Additions	-	-	45,748	58,420	-	104,168
Balance at 31/12/2020	505,836	684,856	435,920	161,312	8,582	1,796,506
Accumulated depreciation:						
Balance at 1/1/2020	-	559,578	307,256	56,926	-	923,760
Depreciation	-	13,697	44,056	14,095	-	71,848
Balance at 31/12/2020	-	573,275	351,312	71,021	-	995,608
Net book value at 31/12/2020	505,836	111,581	84,608	90,291	8,582	800,898
Cost:						
Balance at 1/1/2019	505,836	684,856	351,444	94,792	8,476	1,645,404
Additions	-	-	38,728	8,100	106	46,934
Balance at 31/12/2019	505,836	684,856	390,172	102,892	8,582	1,692,338
Accumulated depreciation:						
Balance at 1/1/2019	-	545,881	264,623	43,855	-	854,359
Depreciation	-	13,697	42,633	13,071	-	69,401
Balance at 31/12/2019	-	559,578	307,256	56,926	-	923,760
Net book value at 31/12/2019	505,836	125,278	82,916	45,966	8,582	768,578

Property and equipment include fully depreciated items amounting to JOD (256,134) as at 31 December 2020 (JOD 217,364 as at 31 December 2019).

14. Intangible Assets - Net

	<u>2020</u>	<u>2019</u>
Balance at beginning of the year	194,769	264,169
Additions	49,548	42,144
Amortization of the year	<u>(121,542)</u>	<u>(111,544)</u>
Balance at end of the year	<u>122,775</u>	<u>194,769</u>

15. Other Assets

	<u>2020</u>	<u>2019</u>
Accrued revenues	370,592	602,743
Prepaid expenses	33,257	26,749
Refundable deposits	24,668	18,736
Stationary and advertising materials	20,071	23,452
Advance payments on building under progress	13,368	11,368
Miscellaneous	3,095	2,931
	<u>465,051</u>	<u>685,979</u>

16. Actuarial Reserve - Net

	<u>2020</u>	<u>2019</u>
Actuarial Reserve - net	<u>350,000</u>	<u>350,000</u>

17. Accounts Payable

	<u>2020</u>	<u>2019</u>
Agents payables	107,288	118,644
Brokers payables	82,804	73,978
Employees payables	5,712	6,959
Other payables*	<u>1,559,217</u>	<u>1,118,138</u>
	<u>1,755,021</u>	<u>1,317,719</u>

* This item includes:

	<u>2020</u>	<u>2019</u>
Unpaid compensation checks	1,004,716	742,522
Unpaid compensations for customers and suppliers	<u>554,501</u>	<u>375,616</u>
	<u>1,559,217</u>	<u>1,118,138</u>

18. Reinsurers Payables

	2020	2019
Local insurance companies	274,986	70,702
Foreign reinsurance companies	<u>2,660,454</u>	<u>1,964,450</u>
	<u>2,935,440</u>	<u>2,035,152</u>

19. Other Provisions

	2020	2019
Provision for employees vacations	119,827	137,337
Provision for end of service indemnity	65,275	67,596
Lawsuits provision	-	125,000
	<u>185,102</u>	<u>329,933</u>

The schedule below shows the movements on other provisions:

	Beginning Balance	Additions	Paid	Ending Balance
Provision for employees vacations	137,337	-	(17,510)	119,827
Provision for end of service indemnity	67,596	9,207	(11,528)	65,275
Lawsuits provision	125,000	155,133	(280,133)	-
	<u>329,933</u>	<u>164,340</u>	<u>(309,171)</u>	<u>185,102</u>

20. Other Liabilities

	2020	2019
Income and sales tax withholdings	61,129	102,265
Shareholders withholdings	41,818	40,363
Board of directors remuneration	45,000	45,000
Social security withholdings	28,637	27,805
Unearned revenues	14,583	16,667
The Ministry of Industry and Trade withholdings	12,975	15,557
The Ministry of Finance withholdings	9,675	9,096
Agents' withholdings	1,000	2,000
Other	7,887	5,346
	<u>222,704</u>	<u>264,099</u>

21. Paid- in Capital

The Company's authorized and paid- in capital is JOD (8) Million divided equally into (8) Million shares with par value of JOD (1) each as at 31 December 2020 and 2019.

22. Reserves

A- Statutory reserve

The accumulated amounts in this account represent 10% of the Company's net income before income tax according to the Companies Law. The statutory reserve is not available for distribution to shareholders.

B- Voluntary Reserve

The accumulated amounts in this account represent cumulative appropriations not exceeding 20% of net income. This reserve is available for distribution to shareholders.

23 . Retained Earnings

	2020	2019
Balance at beginning of the year	2,329,002	1,997,661
Profit for the year attributed to the company's shareholders	1,196,141	1,243,501
Adverse of subsidiary write-off impact	-	(32,160)
Cash dividends	<u>(960,000)</u>	<u>(880,000)</u>
Balance at end of the year	<u>2,565,143</u>	<u>2,329,002</u>

- The retained earnings as at the end of 2020 include JOD (494,317) that presents losses from revaluation of financial assets through profit or loss.
- The retained earnings as at the end of 2020 include JOD (1,133,765) restricted against of deferred tax assets, thus distributable profits amounting to JOD (1,431,378).

24 . Proposed Dividends to Shareholders

The Board of Director will propose to the General Assembly in its meeting which will be held during 2021 to distribute (12%) of the Company's capital as cash dividends to the shareholders, where (12%) were distributed to the shareholders in the prior year.

25 . Interest Income

	2020	2019
Interest on time deposits	942,108	1,148,871
Interest from financial assets measured at amortized cost	287,083	239,362
Interest on loans	1,660	3,763
Total	<u>1,230,851</u>	<u>1,391,996</u>
Amount transferred to underwriting accounts	3,775	577
Amount transferred to statement of profit or loss	<u>1,227,076</u>	<u>1,391,419</u>

26 . (Losses) Gains from Financial Assets and Investments - Net

	2020	2019
Net change in fair value of financial assets measured at fair value through profit or loss	(267,454)	72,220
Cash dividends	37,310	52,048
Net (losses) gains from sale of financial assets through statement of profit or loss	(16,966)	23,965
Acquisition cost of financial assets through statement of profit or loss	(8,802)	(3,419)
Rent revenues - Net	14,052	22,802
Gain from subsidiary write-off *	-	9,596
Total	<u>(241,860)</u>	<u>177,212</u>

- * The Company finished during October 2019 the procedures of writing-off Jerusalem for Vehicles Maintenance Company (subsidiary company) owned by (98.69%), and a gain of JOD (9,596) has resulted from the writing-off process.

27 . Other Revenues

	2020	2019
Adverse of unneeded end of service provision	11,528	-
Adverse of unneeded vacation provision	2,929	6,843
Currency difference revenues	1,445	-
Other revenues	206	-
Differences in sales tax returns for prior years	-	15,349
	<u>16,108</u>	<u>22,192</u>

28. Employees Expenses

	2020	2019
Salaries and rewards	1,831,006	1,686,112
Company's share in social security	172,014	209,702
Employees insurance expenses - Medical	100,352	93,406
End of service indemnity and vacations	9,207	10,453
Employees' life insurance	24,389	22,213
Travel and transportation	13,960	29,494
Training and development	2,034	6,952
	<u>2,152,962</u>	<u>2,058,332</u>
Allocated employees expenses to underwriting accounts	1,870,279	1,802,435
Unallocated employees expenses to underwriting accounts	282,683	255,897

- Employee expenses which related to technical departments are allocated over the revenues and expenses of each department.

- 80% of the Management and other departments' expenses are allocated over the technical department premiums.

29. Administrative Expenses

	2020	2019
Insurance management fees	192,426	215,929
Maintenance	98,858	89,290
Governmental and other fees	87,639	85,996
Advertisements	67,525	115,931
Security and protection agreement - Public security	52,500	52,500
Professional fees - consultancy and development	49,720	42,075
Water, electricity and heating	47,633	54,792
Rent	45,957	48,850
Subscriptions	41,618	34,549
Cleaning	35,581	28,408
Stationery and printing	34,028	39,206
Board of Directors transportation fees	27,000	27,000
Postage and telecommunications	26,659	31,810
Bank charges	24,086	15,305
Unrefundable sales tax expense	19,960	23,898
Tenders expenses	16,776	2,311
Professional fees - external audit	14,500	14,500
Board of Directors committees rewards	14,400	13,600
Hospitality	14,240	24,243
Production expenses and inspections	13,170	24,680
Security fees	13,800	14,508
Donations	12,970	5,505
Professional fees - internal audit	10,000	8,000
Vehicles expense	8,167	10,172
Medical tests	5,498	4,338
BOD secretary fees	3,000	2,000
Insurance of company's assets	2,200	3,628
Tuition grants	1,647	2,865
Orange cards fees	488	1,714
Other expenses	636	19,368
	<u>982,682</u>	<u>1,056,971</u>
Allocated administrative expenses to the underwriting accounts	841,734	916,399
Unallocated administrative expense to the underwriting accounts	140,948	140,572

30. Other Expenses

	2020	2019
Lawsuits provision	155,133	50,000
Board of Directors' remunerations	45,000	45,000
	<u>200,133</u>	<u>95,000</u>

31. Basic and Diluted Earnings Per Share

	2020	2019
Profit for the year after tax	1,196,141	1,243,501
Weighted average number of shares *	8,000,000	8,000,000
Net profit per share for the year	0.149	0.155
Basic	0.149	0.155
Diluted	<u>0.149</u>	<u>0.155</u>

* The diluted share of the profit for the year is equal to the basic share of the profit of the year.

32. Cash and Cash Equivalents

The cash and cash equivalents that appear in the statement of cash flows represent the following:

	2020	2019
Cash on hands and at banks (Note 8)	1,125,947	510,668
Add : Deposits at banks (Note 3)	17,946,854	19,970,944
Deduct : Deposits at banks maturing from 3 months to one year	(15,990,852)	(15,162,567)
Deduct : Deposits pledged to the favor of the secretary of the ministry of trade and industry maturing after 3 months	(325,000)	(325,000)
	<u>2,756,949</u>	<u>4,994,045</u>

33. Related Party Transactions

- During the year, the Company engaged into transactions with major shareholders, board members and directors in the Company within the normal activities of business using insurance prices and commercial commission.
- All debts given to related parties are considered performing and no provision has been taken for them.

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

<u>Statement</u>	2020	2019
<u>Statement of Financial Position Items</u>		
Policy holders receivables	604,649	631,530
<u>Statement of Profit or Loss Items</u>		
Written premiums	1,251,892	1,961,553
Paid claims	462,907	582,220

- The remunerations of key management (salaries, bonuses, and other benefits) are as follows:

	2020	2019
Salaries and bonuses	304,555	281,430
Membership of the Risk Management Committee	2,400	2,400
Travel expenses	1,894	3,349
	<u>308,849</u>	<u>287,179</u>

34. Fair Value of Financial Instruments not presented at Fair Value

There are no significant differences between the book value and fair value of the financial assets and financial liabilities not presented at fair value.

35. Risk Management

First: Descriptive Disclosures

The risk management policy considers one of the most important policies in which the Company had set for mitigating risk surrounded around its activities in order to safeguard the Company's assets, shareholders equity and its financial position.

Risk management process

The risk management process and its policy are mainly concerned with risk control by reducing the frequency of occurrence and reducing the expected losses on the other hand at the lowest possible cost. Therefore, the risk management responsibility is to discover the potential risks first and then analyze and classify these risks for the purpose of calculating the probability the risk and magnitude of the expected losses in the event of danger are examined in order to quantify the risk. Based on the above, the best and most effective means of coping with these risks were selected and their effects were reduced with a focus on the concept of reducing the costs associated with the risk.

Second: Quantitative Disclosures

A. Insurance Risk

Insurance Risk:

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

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

The Company has developed its insurance placement plan to ensure that insurance risks are diversified and distributed to different types of insurance, thus reducing the losses that may result from insurance claims if a particular insurance category is focused.

The Company manages risk through an insurance subscription plan, adequate reinsurance coverage and efficient handling of claims. The IPO plan aims to diversify in terms of the quality of the insurance coverage, the expected loss, the type of activity, and the geographical location. The IPO plan also depends on the existence of certain limits when accepting the insurance in accordance with the appropriate choices of the Company.

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 accident occurred:

Motor The accident year	2016 and before	2017	2018	2019	2020	Total
At the end of the year	90,353,730	11,800,058	10,031,921	10,808,123	8,027,574	131,021,406
After one year	91,123,052	14,145,502	11,766,620	12,797,263	-	129,832,437
After two years	91,900,922	14,699,852	12,274,016	-	-	118,874,790
After three years	91,889,372	14,926,297	-	-	-	106,815,669
After four years	92,096,689	-	-	-	-	92,096,689
Present expectation for the accumulated claims	92,096,689	14,926,297	12,274,016	12,797,263	8,027,574	140,121,839
Accumulated payments	90,171,993	14,354,130	11,419,127	11,485,885	5,765,209	133,196,344
Liability as in the statement of financial position	1,924,696	572,167	854,889	1,311,378	2,262,365	6,925,495
Deficit in the preliminary estimate for reserve	(1,742,959)	(3,126,239)	(2,242,095)	(1,989,140)	-	(9,100,433)

Marine The accident year	2016 and before	2017	2018	2019	2020	Total
At the end of the year	7,977,007	267,290	319,535	225,514	73,064	8,862,410
After one year	8,031,300	363,445	341,279	219,382	-	8,955,406
After two years	8,060,106	362,103	348,175	-	-	8,770,384
After three years	8,873,909	374,235	-	-	-	9,248,144
After four years	8,931,175	-	-	-	-	8,931,175
Present expectation for the accumulated claims	8,931,175	374,235	384,175	219,382	73,064	9,946,031
Accumulated payments	8,921,175	374,235	348,175	219,382	63,214	9,926,181
Liability as in the statement of financial position	10,000	-	-	-	9,850	19,850
(Deficit) surplus in the preliminary estimate for reserve	(954,168)	(106,945)	(28,640)	6,132	-	(1,083,621)

Fire and other property damage The accident year	2016 and before	2017	2018	2019	2020	Total
At the end of the year	8,814,823	324,336	486,274	258,488	158,923	10,042,844
After one year	8,850,346	177,098	490,572	624,298	-	10,142,314
After two years	8,857,268	183,742	494,433	-	-	9,535,443
After three years	8,856,169	184,142	-	-	-	9,040,311
After four years	8,481,881	-	-	-	-	8,481,881
Present expectation for the accumulated claims	8,481,881	184,142	494,433	624,298	158,923	9,943,677
Accumulated payments	8,340,250	180,327	466,465	211,370	79,135	9,277,547
Liability as in the statement of financial position	141,631	3,815	27,968	412,928	79,788	666,130
Surplus (deficit) in the preliminary estimate for reserve	332,942	140,194	(8,159)	(365,810)	-	99,167

Jerusalem Insurance Company PLC
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31 December 2020

Liability insurance The accident year	2016 and before	2017	2018	2019	2020	Total
At the end of the year	321,563	2,847	16,346	17,102	8,190	366,048
After one year	323,115	9,014	16,288	17,330	-	365,747
After two years	320,388	9,765	20,895	-	-	351,048
After three years	320,387	9,765	-	-	-	330,152
After four years	321,387	-	-	-	-	321,387
Present expectation for the accumulated claims	321,387	9,765	20,895	17,330	8,190	377,567
Accumulated payments	307,625	9,501	9,823	15,876	7,174	349,999
Liability as in the statement of financial position	13,762	264	11,072	1,454	1,016	27,568
Surplus (Deficit) in the preliminary estimate for reserve	176	(6,918)	(4,549)	(228)	-	(11,519)
Medical The accident year	2016 and before	2017	2018	2019	2020	Total
At the end of the year	4,641,197	1,352,334	2,724,626	2,706,626	4,180,396	15,605,179
After one year	4,646,197	1,496,780	2,921,896	3,055,264	-	12,120,137
After two years	4,646,197	1,494,730	2,920,696	-	-	9,061,623
After three years	4,646,197	1,494,730	-	-	-	6,140,927
After four years	4,646,197	-	-	-	-	4,646,197
Present expectation for the accumulated claims	4,646,197	1,494,730	2,920,696	3,055,264	4,180,396	16,297,283
Accumulated payments	4,646,197	1,494,730	2,920,696	3,053,214	3,766,324	15,881,161
Liability as in the statement of financial position	-	-	-	2,050	414,072	416,122
Deficit in the preliminary estimate for reserve	(5,000)	(142,396)	(196,070)	(348,638)	-	(692,104)
Other branches The accident year	2016 and before	2017	2018	2019	2020	Total
At the end of the year	1,453,143	6,747	14,174	30,031	5,165	1,509,260
After one year	1,456,645	6,747	21,444	34,350	-	1,519,186
After two years	1,456,644	6,747	21,444	-	-	1,484,835
After three years	1,456,645	6,747	-	-	-	1,463,392
After four years	1,454,209	-	-	-	-	1,454,209
Present expectation for the accumulated claims	1,454,209	6,747	21,444	34,350	5,165	1,521,915
Accumulated payments	1,428,910	6,747	21,444	34,350	5,165	1,496,616
Liability as in the statement of financial position	25,299	-	-	-	-	25,299
Deficit in the preliminary estimate for reserve	(1,066)	-	(7,270)	(4,319)	-	(12,655)
Life insurance The accident year	2016 and before	2017	2018	2019	2020	Total
At the end of the year	869,723	72,812	147,846	697,331	2,268,651	4,056,363
After one year	812,015	72,812	233,566	640,586	-	1,758,979
After two years	716,150	75,812	228,741	-	-	1,020,703
After three years	714,274	72,812	-	-	-	787,086
After four years	706,799	-	-	-	-	706,799
Present expectation for the accumulated claims	706,799	72,812	228,741	640,586	2,268,651	3,917,589
Accumulated payments	512,329	72,812	227,293	635,476	218,978	1,666,888
Liability as in the statement of financial position	194,470	-	1,448	5,110	2,049,673	2,250,701
Surplus (deficit) in the preliminary estimate for reserve	162,924	-	(80,895)	56,745	-	138,774

3- Insurance Risk Concentrations:

Below are schedules demonstrate risk concentration based on insurance type:

	2020		2019	
	Net	Total	Net	Total
Motor	13,978,663	14,837,220	14,213,030	15,028,089
Marine	136,629	408,435	198,850	540,891
Fire and other property damage	103,755	2,862,626	100,686	1,349,847
Liabilities	55,444	194,957	54,398	172,596
Medical	2,309,412	2,341,763	2,480,965	2,508,205
Other branches	13,643	41,441	15,144	43,968
Life	686,397	2,610,701	569,962	700,437
Total	17,283,943	23,297,143	17,633,035	20,344,033

Below are schedules demonstrate the distribution of the insurance contracts assets and liabilities based on risk concentration based on geographical area and sector:

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
A- According to geographical area				
Inside Jordan	36,297,754	19,915,665	35,438,011	19,947,418
Other Middle East Countries	406,761	151,844	250,301	127,310
Europe	194,936	2,508,610	310,747	1,837,140
	36,899,451	22,576,119	35,999,059	21,911,868

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
B- According to sector				
Public sector	1,574,855	74,919	1,536,427	72,715
Companies and corporations	34,586,451	22,051,588	33,742,499	21,402,771
Individuals	738,145	449,612	720,133	436,382
	36,899,451	22,576,119	35,999,059	21,911,868

4 - 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 operations, enters into reinsurance contracts with other parties.

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

5 - Insurance Risk Sensitivity

The analysis of the insurance risk sensitivity was under the assumption of:

The table below shows the possible reasonable effect of the change in earned revenues from written premiums on the statement of profit or loss and equity keeping all other affecting variables fixed:

Insurance type	Change	Effects on the earned revenues from written premiums	Effects on the current year profit before tax	Effects on the equity*
Motor	10%	1,092,574	1,746,859	1,292,676
Marine	10%	20,219	514,953	381,065
Fire and other property damage	10%	7,355	235,029	173,922
Liabilities	10%	8,034	101,095	74,810
Medical	10%	465,814	843,082	623,881
Other branches	10%	222	10,218	7,560
Life	10%	28,365	(100,803)	(74,594)
Total		1,622,583	3,350,433	2,479,320

* 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 possible reasonable effects of the change in claims cost on the statement of profit or loss and equity keeping all other affecting variables fixed:

Insurance type	Change	Effects on the claims cost	Effects on the current year profit before tax	Effects on the equity*
Motor	10%	890,507	(236,222)	(174,805)
Marine	10%	898	493,836	365,439
Fire and other property damage	10%	1,329	226,345	167,495
Liabilities	10%	685	92,376	68,358
Medical	10%	385,736	(8,468)	(6,266)
Other branches	10%	(216)	10,213	7,558
Life	10%	15,998	(145,166)	(107,423)
Total		1,294,937	432,914	320,356

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

Interest Rate Risk

Interest rate risks relate to bank deposits,. Moreover, the Company always aims to mitigate these risks through monitoring the changes in interest rates in the market, suitability of maturities between assets and liabilities and interest rate re-pricing gap. The interest rate on bank deposits ranged from (%2) to (%6.1) annually on Jordanian Dinar deposits as at 31 December 2020 (2019: 2% – 6.6%) annually, if interest rates had increased or decreased by 0.5% annually the net result for the year would have been reduced / increased by JOD (89,637) during 2020 (2019: JOD 99,755).

Foreign Currencies Risk

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. 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.

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.

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

Currency type	Foreign Currency		Equivalent in Jordanian dinar	
	2020	2019	2020	2019
US Dollar	3,278,752	1,200,000	2,327,914	852,000

Equity Price Risk

The equity price risk result from the change in the fair value of equity securities. The Company manages these risks through the diversification of investments in several geographical areas and economic sectors. If the quoted market price of listed equity securities had increased or decreased by 10%, the comprehensive income for the year would be increased / reduced by JOD (186,201) during 2020 (2019 :JOD 113,763).

2- Credit Risk

Credit risks are those risks resulting from the default of counterparties to the financial instrument to repay their commitment to the Company. The Company limits its credit risk by only dealing with reputable banks and by setting credit limits for individual customers and monitoring outstanding receivables. The maximum exposure to credit risk is represented by the carrying value of each financial asset.

The balance of the largest client amounted to JOD (1,309,519) for the year ended 2020 against JOD (650,654) for the year ended 2019.

3- Liquidity Risk

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

The Company applies a suitable system to manage its short and long term funding risk and maintains sufficient reserves through monitoring the expected cash flows and comparing the matures of assets with to the matures of liabilities and technical obligations.

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

31 December 2020	Less than month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 year to 3 years	More than 3 years	Without maturity	Total
Liabilities								
Accounts payable	988,937	500,269	256,546	9,269	-	-	-	1,755,021
Reinsurers payables	175,542	689,396	687,407	1,217,742	165,353	-	-	2,935,440
Other liabilities	163,579	2,916	49,374	5,835	-	-	1,000	222,704
Total	1,328,058	1,192,581	993,327	1,232,846	165,353	-	1,000	4,913,165
Total Assets (According to it's expected maturity)	4,848,074	2,316,312	18,256,905	3,734,899	3,526,758	2,761,706	1,454,797	36,899,451
31 December 2019								
Liabilities								
Accounts payable	742,522	375,616	192,622	6,959	-	-	-	1,317,719
Reinsurers payables	121,704	477,961	476,582	844,265	114,640	-	-	2,035,152
Other liabilities	196,753	8,679	50,000	6,667	-	-	2,000	264,099
Total	1,060,979	862,256	719,204	857,891	114,640	-	2,000	3,616,970
Total Assets (According to it's expected maturity)	4,248,525	4,331,512	17,684,087	3,314,887	1,461,965	3,511,336	1,446,747	35,999,059

36. Analysis of Main Sectors

A- Background information on the Company business segments

For management purposes the Company measures its insurance segments to include general insurance sector which comprise of insurance on motor, marine, fire and property, Liability, medical and others and life insurance sector, the mentioned sectors also include investments and cash management for the Company account. The activities between the business sectors are performed based on commercial basis.

	2020	2019
Net revenues generated from general insurance activities	1,857,018	744,626
Net revenues generated from life insurance activities	(129,168)	(134,385)
Net revenues generated from investment	985,216	1,568,631
Other revenues	16,108	22,192
	2,729,174	2,201,064

B - Geographical distribution

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 Far East, which represents international business.

The table below illustrates the distribution of revenues, assets and capital expenditure according to the geographical sectors.

	Inside Kingdom		Outside Kingdom		Total	
	2020	2019	2020	2019	2020	2019
Total revenues	19,714,412	19,127,983	(12,221)	45,544	19,702,191	19,173,527
Total assets	36,297,754	35,438,011	601,697	561,048	36,899,451	35,999,059
Capital expenditures	153,716	89,078	-	-	153,716	89,078

37. Management of Capital

- The paid in capital, statutory reserve, voluntary reserves, and retained earnings are the Company's regulatory capital.
- The company's management represented by the Board of Directors works to maintain the minimum regulatory capital of the Company in addition to increasing the Company's profits, both the compulsory and voluntary reserve, and strengthening the Company's financial position, taking in consideration the instructions of the Insurance Department related to investing the Company's funds and setting the necessary policies for this and following up their implementation and reviewing them periodically.
- The Board of Directors believes that the regulatory capital is sufficient to meet the subscription obligations and additional burdens and no need to increase it at present.

	2020	2019
Core capital items		
Paid in Capital	8,000,000	8,000,000
Statutory reserve	2,089,651	2,089,651
Voluntary reserve	1,668,538	1,668,538
Retained earnings	2,565,143	2,329,002
Supplementary capital	1,849,802	2,022,378
Total regulatory capital (A)	16,173,134	16,109,569
Total required capital (B)	7,123,482	6,132,688
Solvency margin (A)/(B)	227%	263%

38 . Maturity Analysis of Assets and Liabilities:

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

2020	Up to one year	More than one year	Total
Assets:			
Bank deposits	17,927,344	-	17,927,344
Financial assets measured at fair value through profit or loss	2,156,468	-	2,156,468
Financial assets measured at amortized cost	-	4,922,847	4,922,847
Investment properties	532	951,899	952,431
Loans for life insurance policies holders and others	8,637	5,701	14,338
Cash on hand and at banks	1,125,947	-	1,125,947
Checks under collection	675,474	-	675,474
Accounts receivable - net	5,716,264	-	5,716,264
Reinsurers receivables - net	885,849	-	885,849
Deferred tax assets	-	1,133,765	1,133,765
Property and equipment - net	71,848	729,050	800,898
Intangible assets - net	122,775	-	122,775
Other assets	465,051	-	465,051
Total Assets	29,156,189	7,743,262	36,899,451
Liabilities:			
Unearned premiums reserve - net	7,281,240	-	7,281,240
Outstanding claims reserve - net	9,652,703	-	9,652,703
Actuarial reserve - net	350,000	-	350,000
Accounts payable	1,755,021	-	1,755,021
Accrued expenses	23,610	-	23,610
Reinsurers payables	2,770,087	165,353	2,935,440
Other provisions	-	185,102	185,102
Income and National Contribution tax provision	170,299	-	170,299
Other liabilities	221,704	1,000	222,704
Total Liabilities	22,224,664	351,455	22,576,119
Net Assets	6,931,525	7,391,807	14,323,332

2019	Up to one year	More than one year	Total
Assets:			
Bank deposits	19,950,915	-	19,950,915
Financial assets measured at fair value through profit or loss	1,444,270	-	1,444,270
Financial assets measured at amortized cost	-	3,446,884	3,446,884
Investment properties	532	952,430	952,962
Loans for life insurance policies holders and others	27,180	21,024	48,204
Cash on hand and at banks	510,668	-	510,668
Checks under collection	1,241,790	8,516	1,250,306
Accounts receivable - net	4,596,799	-	4,596,799
Reinsurers receivables - net	939,928	-	939,928
Deferred tax assets	-	1,208,797	1,208,797
Property and equipment - net	69,403	699,175	768,578
Intangible assets - net	111,547	83,222	194,769
Other assets	685,979	-	685,979
Total Assets	29,579,011	6,420,048	35,999,059
Liabilities:			
Unearned premiums reserve - net	8,211,476	-	8,211,476
Outstanding claims reserve - net	9,071,559	-	9,071,559
Actuarial reserve - net	350,000	-	350,000
Accounts payable	1,317,719	-	1,317,719
Accrued expenses	24,150	-	24,150
Reinsurers payables	1,920,512	114,640	2,035,152
Other provisions	-	329,933	329,933
Income and National Contribution tax provision	307,780	-	307,780
Other liabilities	262,099	2,000	264,099
Total Liabilities	21,465,295	446,573	21,911,868
Net Assets	8,113,716	5,973,475	14,087,191

39. Lawsuits against the Company

There are lawsuits filed against the Company amounting to JOD (2,258,201) pertaining motors accidents for which a full reserve has been taken against in the outstanding claims reserve.

In the opinion of the Company's management and its lawyer, no obligations shall arise that exceeds the allocated amounts within the net claims reserve.

40. Contingent Liabilities

The Company has bank guarantees of JOD (294,567) as at 31 December 2020.

41. Subsequent events

No subsequent events have a material impact on the financial statement as at 31 December 2020.

42. Life Insurance Statement of Financial Position

	<u>2020</u>	<u>2019</u>
Assets		
Bank deposits	635,360	471,613
Total Investments	<u>635,360</u>	<u>471,613</u>
Cash at hands and at banks	1,186	39,514
Account receivable - net	292,953	50,704
Reinsurers receivables - net	86,679	27,193
Property and equipment - net	9,697	10,134
Other assets	3,775	9,314
Total Assets	<u>1,029,650</u>	<u>608,472</u>
Liabilities and Shareholders' Equity		
Technical reserves		
Outstanding claims reserve - net	336,397	219,962
Actuarial reserve - net	350,000	350,000
Total Technical Reserves	<u>686,397</u>	<u>569,962</u>
Accounts payable	90,712	74,126
Reinsurers payables	404,633	392,836
Other liabilities	2,339	-
Total Liabilities	<u>1,184,081</u>	<u>1,036,924</u>
Equity		
Head office account	(154,431)	(428,452)
Total Equity	<u>(154,431)</u>	<u>(428,452)</u>
Total Liabilities and Equity	<u>1,029,650</u>	<u>608,472</u>