International General Insurance Co. Ltd.

Consolidated Financial Statements

31 December 2020

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Report of Independent Registered Public Accounting Firm

To the Shareholder and the Board of Directors of International General Insurance Co. Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of International General Insurance Co. Ltd. (the “Company”) as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the period ended December 31, 2020, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that our audits provide a reasonable basis for our opinion.

Ernst & Young LLP

Ernst & Young LLP

We have served as the Company’s auditor since 2019.

London, United Kingdom

April 30, 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	***31 December 2020 USD '000***	*31 December 2019 USD '000*
ASSETS			
Cash and cash equivalents	3 (a)	**132,967**	192,129
Term deposits	3 (b)	**172,212**	119,753
Insurance receivables	4	**166,605**	112,975
Investments	5	**437,653**	253,189
Investments in associates	6	**11,583**	13,062
Reinsurance share of outstanding claims	7	**187,485**	176,212
Reinsurance share of unearned premiums	8	**50,077**	33,917
Deferred excess of loss premiums	9	**17,095**	15,173
Deferred policy acquisition costs	10	**70,840**	53,865
Other assets	11	**9,580**	5,874
Due from related parties	24	**35,767**	30,132
Investment properties	12	**20,806**	26,506
Property, premises and equipment	13	**12,560**	12,119
Intangible assets	14	**4,710**	3,886
TOTAL ASSETS		**1,329,940**	1,048,792
LIABILITIES AND EQUITY			
LIABILITIES			
Gross outstanding claims	7	**492,255**	413,053
Gross unearned premiums	8	**277,268**	206,214
Insurance payables	15	**83,461**	53,544
Other liabilities	16	**20,220**	10,816
Deferred tax liabilities	25	**55**	347
Due to related parties	24	**54,682**	7,871
Unearned commissions	17	**11,038**	8,910
TOTAL LIABILITIES		**938,979**	700,755
EQUITY			
Issued share capital	18	**120**	120
Contributed surplus		**145,601**	145,601
Fair value reserve	18	**19,025**	5,041
Retained earnings		**226,215**	197,275
TOTAL EQUITY		**390,961**	348,037
TOTAL LIABILITIES AND EQUITY		**1,329,940**	1,048,792

The consolidated financial statements for the year 2020 were approved by the Board of Directors on 11 March 2021.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2020

	Notes	***31 December 2020 USD '000***	*31 December 2019 USD '000*
Gross written premiums	8	**467,273**	349,292
Reinsurers' share of insurance premiums	8	**(128,863)**	(97,139)
Net written premiums	8	**338,410**	252,153
Change in unearned premiums		**(71,054)**	(37,959)
Reinsurers' share of change in unearned premiums		**16,160**	1,350
Net change in unearned premiums		**(54,894)**	(36,609)
Net premiums earned	8	**283,516**	215,544
Claims and claim adjustment expenses	7	**(213,963)**	(159,824)
Reinsurers' share of claims	7	**62,291**	41,761
Net claims and claim adjustment expenses		**(151,672)**	(118,063)
Commissions earned	17	**16,053**	13,930
Policy acquisition costs	10	**(93,928)**	(77,131)
Net policy acquisition expenses		**(77,875)**	(63,201)
Net underwriting results		**53,969**	34,280
General and administrative expenses	20	**(25,303)**	(17,177)
Net investment income	21	**9,992**	13,278
Share of loss from associates	6	**(1,479)**	(376)
Impairment loss on insurance receivables	4	**(2,861)**	(629)
Other revenues	22	**372**	1,428
Other expenses	22	**(1,892)**	(2,195)
Gain on foreign exchange		**2,586**	5,716
Profit before tax		**35,384**	34,325
Income tax	25	**(2,084)**	(1,688)
Profit for the year		**33,300**	32,637

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	31 December 2020 USD '000	*31 December 2019 USD '000*
Profit for the year	**33,300**	32,637
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Net change in fair value reserve during the year for bonds at fair value through other comprehensive income	**11,481**	4,209
Changes in allowance for expected credit losses transferred to consolidated statement of income	**135**	(23)
Other comprehensive income which will not be reclassified to profit or loss in subsequent periods		
Net change in fair value reserve during the year for equities at fair value through other comprehensive income	**27**	(674)
Realized gain on sale of equities at fair value through other comprehensive income	**2,341**	-
Other comprehensive income for the year	**13,984**	3,512
Total comprehensive income for the year	**47,284**	36,149

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	***31 December 2020 USD '000***	*31 December 2019 USD '000*
OPERATING ACTIVITIES			
Profit before tax		**35,384**	34,325
Adjustments for:			
Depreciation and amortization	13,14	**2,612**	1,869
Impairment loss on insurance receivables	4	**2,861**	629
Loss on disposal of property, premises and equipment	22	**-**	26
Realized gain on sale of financial assets at FVTPL	21	**(1,599)**	(947)
Fair value loss on investment properties	21	**2,007**	304
Realized gain on sale of investment properties	21	**213**	(679)
Loss (gain) on revaluation of financial assets at FVTPL	21	**241**	(1,591)
Loss on sale of bonds at fair value through OCI	21	**411**	629
Expected credit loss on financial assets	21	**264**	(36)
Share of loss from associates	6	**1,479**	376
Lease interest expense	16	**203**	108
Net foreign exchange differences		**(2,586)**	(5,716)
Cash from operations before working capital changes		**41,490**	29,297
Working capital adjustments			
Term deposits		**(52,459)**	(44,426)
Insurance receivables		**(55,870)**	(3,523)
Purchase of financial assets at FVTPL		**(9,400)**	(14,960)
Purchase of bonds through OCI		**(237,528)**	(109,233)
Proceeds from maturity of financial assets at amortized cost		**133**	500
Proceeds from sale/maturity of bonds at fair value through OCI		**71,050**	67,193
Proceeds from sale of financial assets at FVTPL		**10,073**	9,616
Reinsurance share of outstanding claims		**(11,273)**	11,353
Reinsurance share of unearned premiums		**(16,160)**	(1,350)
Deferred excess of loss premiums		**(1,922)**	(2,724)
Deferred policy acquisition costs		**(16,975)**	(7,863)
Other assets		**(3,706)**	(877)
Related parties		**41,176**	(9,599)
Additions to investment properties		**(75)**	(745)
Proceeds from sale of investment property		**3,526**	6,062
Gross outstanding claims		**79,202**	28,673
Gross unearned premiums		**71,054**	37,959
Insurance payables		**29,917**	20,510
Other liabilities		**7,162**	178
Unearned commissions		**2,128**	900
Net cash flows (used in) from operating activities before tax		**(48,457)**	16,941
Income tax paid		**(1,465)**	-
Net cash flows (used in) from operating activities after tax		**(49,922)**	16,941
INVESTING ACTIVITIES			
Purchases of property, premises and equipment		**(332)**	(443)
Proceeds from sale of premises and equipment		**-**	23
Purchases of intangible assets		**(1,561)**	(613)
Net cash flows used in investing activities		**(1,893)**	(1,033)
FINANCING ACTIVITIES			
Dividends paid	19	**(4,360)**	(10,816)
Lease liabilities payments	16	**(796)**	(606)
Net cash flows used in financing activities		**(5,156)**	(11,422)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(56,971)**	4,486
Net foreign exchange differences		**(2,191)**	3,216
Cash and cash equivalents at the beginning of the year		**192,129**	184,427
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3	**132,967**	192,129

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

	Share capital USD '000	*Contributed Surplus USD '000*	*Fair value reserve USD '000*	*Retained earnings USD '000*	*Total USD '000*
As at 1 January 2019	120	145,601	1,529	175,454	322,704
Profit for the year	-	-	-	32,637	32,637
Other comprehensive income	-	-	3,512	-	3,512
Total comprehensive income	-	-	3,512	32,637	36,149
Cash dividends (note 19)	-	-	-	(10,816)	(10,816)
As at 31 December 2019	120	145,601	5,041	197,275	348,037
Profit for the year	**-**	**-**	**-**	**33,300**	**33,300**
Other comprehensive income	**-**	**-**	**13,984**	**-**	**13,984**
Total comprehensive income	**-**	**-**	**13,984**	**33,300**	**47,284**
Cash dividends (note 19)	**-**	**-**	**-**	**(4,360)**	**(4,360)**
As at 31 December 2020	**120**	**145,601**	**19,025**	**226,215**	**390,961**

1. CORPORATE INFORMATION

International General Insurance Co. Ltd (the "Company") is a limited liability company registered and incorporated in Bermuda under the Companies Act of 1981 on 2 May 2007 and is engaged in the business of insurance and reinsurance. The Company is a subsidiary of International General Insurance Holdings Limited (the "Parent"), which is incorporated as a company limited by shares under, DIFC Law No. 2 of 2009 on 7 May 2006. The ultimate parent company (the "Ultimate Parent") is International General Insurance Holdings Ltd. – Bermuda an exempted limited liability company registered and incorporated in Bermuda under the Companies Act of 1981 on 28 October 2019. The Company's registered office is at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda.

The Company and its subsidiaries (together "the Group") operate in the United Arab Emirates, United Kingdom, Jordan, Morocco, Malaysia, and the Cayman Islands.

2. BASIS OF PREPARATION

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

The consolidated financial statements have been presented in United States Dollars "USD" which is also the Group's functional currency. All values are rounded to the nearest thousand (USD '000), except when otherwise indicated.

The consolidated financial statements are prepared on a going concern basis under the historical cost convention modified to include the measurement at fair value of financial assets and investment properties at fair value through profit or loss, and financial assets at fair value through other comprehensive income. Financial assets measured at fair value through profit and loss include quoted funds, alternative investments and quoted equities. Financial assets at fair value through other comprehensive income include quoted and unquoted equities.

On 30 January 2020, the World Health Organization declared the outbreak of coronavirus ("COVID-19") to be a public health emergency of international concern. This coronavirus outbreak has severely restricted the level of economic activity around the world. In response to this coronavirus outbreak, the governments of many countries, states, cities and other geographic regions have taken preventative or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their time outside of their homes.

Following measures announced by the Government in March 2020, the directors implemented aspects of the Group's business continuity plan (BCP), specifically requiring staff at all levels and in all functions to work remotely wherever practicable, and to limit the need for gatherings of staff so far as possible. The Group's IT facilities have ensured that all of the Group's operations have been maintained allowing the Group to function as normal. The directors expect that these operational changes will continue to be required until all employees are allowed to return to their offices following Government advice.

The full extent to which the COVID-19 pandemic may impact Group's results, operations or liquidity is uncertain. Management continues to monitor the impact that the COVID-19 pandemic has on the Group, the insurance industry and the economies in which the Group operates.

Management has performed a COVID-19 impact analysis as part of its going concern assessment using information available as of the date of release of the Group's audited consolidated financial statements as of and for year ended 31 December 2020. The analysis has modelled a number of adverse scenarios to assess the potential impact that COVID-19 may have on the Group's operations, liquidity, solvency and capital position. These stresses include increased counterparty defaults, falls in property and equity values, credit spread widening, currency movements and increases in the value of claims.

2. BASIS OF PREPARATION (Continued)

This analysis indicates that the Group's solvency position is and will likely remain within the Group's "Capital Management Framework" targets, allowing the Group to exceed its regulatory capital requirements without the need for mitigating management actions. Management believes that the preparation of the Group's financial statements on a going concern basis remains appropriate and that the Group will continue to meet its regulatory solvency requirements and liabilities with sufficient liquidity.

Based on the initial analyses, the Group is well positioned to experience a manageable impact from COVID-19 particularly in respect of its underwriting portfolio which is not materially exposed to the classes of business which are largely impacted by COVID-19. To date, this assessment is supported by the fact that as of 31 December 2020, management's best estimates of the specific reserves in respect of COVID-19 related claims are not considered to be significant.

The Group also writes professional indemnity coverage within our casualty line of business which includes a portfolio of insurance brokers on which the Group has received notifications in respect of business interruption coverage. This portfolio is predominantly written on an excess layer basis with high attachment points and, although this portfolio accounts for the majority of the COVID-19 notifications received to date, the notifications to date are considered precautionary on the part of the broker.

With respect to claims administration, the Group has not evidenced a discernible impact on the reporting and settlement of claims, as the third-party loss adjusters and other appointed experts, in conjunction with the Group's inhouse claims function, have demonstrated an ability to adapt effectively to the virtual world in servicing claims.

In addition, the combination of a modest allocation to equities and the high quality and diversified nature of the Group's bonds and term deposits has resulted in a minor negative mark to market adjustment in its investments portfolio. However, a material fair value revaluation loss close to 10% and 15% from previous year end was recorded against investment properties owned directly in Jordan and through associates in Lebanon respectively which is in line with the overall correction seen in the regional commercial real estate valuations post pandemic.

Basis of consolidation

The financial statements of the subsidiaries are prepared for the same period and amended where required to be compliant with the Group's accounting policies.

The consolidated financial statements comprise the financial statements of International General Insurance Co. Ltd and its subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

2. BASIS OF PREPARATION (Continued)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences, recorded in equity, if any;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in other comprehensive income to the consolidated statement of income or retained earnings, as appropriate.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2. BASIS OF PREPARATION (Continued)

All intercompany transactions, balances and unrealized gains and losses on transactions between Group companies are eliminated in full.

The Group has the following subsidiaries and branches:

	Country of incorporation	*Activity*	*Ownership*	
Subsidiaries:			*2020*	*2019*
International General Insurance Company (UK) Limited	United Kingdom	Reinsurance and insurance	100%	100%
International General Insurance Company (Dubai) Ltd.	United Arab Emirates	Insurance intermediation and insurance management	100%	100%
Specialty Malls Investment Company.	Jordan	Real estate properties development and lease	100%	100%
IGI Services Ltd	Cayman Islands	Owning and chartering aircraft	100%	100%
Branches:				
International General Insurance Company Ltd. Labuan - Branch	Malaysia	Reinsurance and insurance	100%	100%

Changes in accounting policies

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2019.

There are no new standards or amendments effective in 2020 that have a material impact on the Group's consolidated financial statements.

Standards issued but not yet effective

IFRS 17 Insurance Contracts

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

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

The Group is currently in the process of evaluating the potential impact of adopting IFRS 17.

2. BASIS OF PREPARATION (Continued)

Summary of significant accounting policies

Cash and cash equivalents
Cash and cash equivalents consist of cash on hand, bank balances, and short-term deposits with an original maturity of three months or less.

Term deposits
The term deposits are interest bearing bank deposits with original maturity over 3 months.

Insurance receivables
Insurance receivables are recognized when due and are measured on initial recognition at the fair value of the consideration to be received. The Group uses a provision matrix to calculate expected credit losses for insurance receivables. The provision rates are based on days past due and not based on groupings of various policy holder's segments that have similar default loss-patterns.

Financial assets
a) Initial recognition and measurement

Financial assets are classified, at initial recognition, at cost and subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial instruments are initially recognized on the trade date measured at their fair value. Except for financial assets and financial liabilities recorded at FVTPL, transaction costs are added to this amount.

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms. The categories include the following:

- Amortized cost
- FVOCI
- FVTPL

i) Bonds and debt instruments measured at amortized cost

Bonds and debt instruments are held at amortized cost if both of the following conditions are met:

- The instruments are held within a business model with the objective of holding the instrument to collect the contractual cash flows.

- The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

2. BASIS OF PREPARATION (Continued)

Business model assessment
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Group considers the timing, amount and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximize return for shareholders and future business development.

The Group business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

• How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel.

• The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.

• How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

• The expected frequency, value and timing of asset sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group original expectations, the Group does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test
As a second step of its classification process the Group assesses the contractual terms to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

2. BASIS OF PREPARATION (Continued)

Bonds and debt instruments measured at fair value through other comprehensive income

The Group applies this category under IFRS 9 for debt instruments measured at FVOCI when both of the following conditions are met:

• The instrument is held within a business model, the objective of which is both collecting contractual cash flows and selling financial assets.

• The contractual terms of the financial asset meet the SPPI test.

Bonds and debt instruments in this category are those that are intended to be held to collect contractual cash flows and which may be sold in response to needs for liquidity or in response to changes in market conditions.

ii) Financial assets measured at fair value through profit or loss (Quoted funds, alternative investments and quoted equities)

Financial assets in this category are those assets which have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management designates an instrument as FVTPL that otherwise meet the requirements to be measured at amortized cost or at FVOCI only if it eliminates, or significantly reduces, an accounting mismatch that would otherwise arise. Financial assets with contractual cash flows not representing solely payment of principal and interest are mandatorily required to be measured at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value. Changes in fair value are recognized in the consolidated statement of income. Interest income is recognized using the effective interest method.

Dividend income from equity investments measured at FVTPL is recognized in the consolidated statement of income when the right to the payment has been established.

iii) Financial assets measured at fair value through other comprehensive income (Quoted and unquoted equities)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Financial assets measured at fair value through other comprehensive income include equities investments. Equity investments classified as financial assets measured at fair value through other comprehensive income are those, which are not classified as financial assets measured at fair value through profit or loss.

2. BASIS OF PREPARATION (Continued)

iv) Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group terminates a business line or changes its business model for managing financial assets. A change in Group business model will occur only when Group management determines change as a result of external or internal changes which are significant to the Group operations. Reclassifications shall all be recorded prospectively from the reclassification date

b) Subsequent measurement

For purposes of subsequent measurement, financial assets in the scope of IFRS 9 are classified in four categories:

• Financial assets at amortized cost (bonds, debt instruments)

• Financial assets at fair value through OCI with recycling of cumulative gains and losses (bonds and debt instruments)

• Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

• Financial assets at fair value through profit or loss

i) Financial assets at amortized cost (bonds, debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in the consolidated statement of income when the asset is derecognized, modified, or impaired.

The Group’s debt instruments at amortized cost includes investments in unquoted debt instruments.

ii) Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to the consolidated statement of income.

The Group’s debt instruments at fair value through OCI includes investments in quoted debt instruments.

2. BASIS OF PREPARATION (Continued)

iii) Financial assets designated at fair value through OCI (equity instruments)

Gains and losses on these financial assets are never recycled to the consolidated statement of income. Dividends are recognized as investment income in the consolidated statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its unquoted equity investments and some quoted equity investments under this category.

iv) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of income.

This category includes quoted funds, alternative investments and quoted equity investments which the Group had not irrevocably elected to classify at fair value through OCI.

Dividends on quoted equity investments are also recognized as investment income in the consolidated statement of income when the right of payment has been established.

c) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

• The rights to receive cash flows from the asset have expired, or

• The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

2. BASIS OF PREPARATION (Continued)

d) Impairment of financial assets in scope of IFRS 9

The Group recognizes an allowance for expected credit losses (ECLs) for debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms, if any.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group's debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category by accredited rating agencies and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from accredited rating agencies to monitor the changes in the credit ratings, determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI with a corresponding charge to the consolidated statement of income. The accumulated gain recognized in OCI is recycled to the consolidated statement of income upon derecognition of the assets.

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. There were no write-offs over the periods reported in these consolidated financial statements.

2. BASIS OF PREPARATION (Continued)

For cash flow purposes the Group classifies the cash flow for the acquisition and disposal of financial assets as operating cash flows, as the purchases of these investments is funded from the net cash flows associated with the origination of insurance and investment contracts and payment of benefits and claims incurred for such insurance contracts, which are respectively treated under operating activities.

Investments in associates

The Group's investment in its associates is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence, and which is neither a subsidiary nor a joint venture.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate.

Profits or losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of profit of the associate is shown on the face of the consolidated statement of income. This is profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring its accounting policies in line with the Group's.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investments in associates. The Group determines at each reporting date, whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit of an associate' in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any remaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognized in consolidated statement of income.

Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of income in the period in which they arise.

The fair value of the investment properties is determined by management and in doing so management considers the valuation performed by third parties who are specialists in valuing these types of investment properties.

2. BASIS OF PREPARATION (Continued)

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of income in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Property, premises and equipment
Property, premises and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives using the following estimated useful lives:

	Years
Office buildings	20
Aircraft	12.5
Office furniture	5
Computers	3
Equipment	4
Leasehold improvements	5
Vehicles	5
Right-of-use assets	2-7

An item of property, premises and equipment and any significant part initially recognized, is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognized.

The assets' residual values, useful lives and method of depreciation are reviewed and adjusted if appropriate at each financial year-end. Impairment reviews take place when events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment losses are recognized in the consolidated statement of income as an expense.

2. BASIS OF PREPARATION (Continued)

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category that is consistent with the function of the intangible assets.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income.

Intangible assets include computer software and software licenses. These intangible assets are amortized on a straight-line basis over their estimated economic useful lives of 5 years.

Work in progress assets
Work in progress assets are stated at cost and include other direct costs and it is not depreciated until it is available for intended use.

Provisions
Provisions are recognized when the Group has an obligation (legal or constructive) as a result of a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Gross written premiums
Gross written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognized on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognized as an expense. Premiums also include estimates for pipeline premiums, representing amounts due on business written but not yet notified. The Group generally estimates the pipeline premium based on management's judgment and prior experience.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

2. BASIS OF PREPARATION (Continued)

Reinsurance premiums
Reinsurance premiums comprise the total premiums payable for the reinsurance cover provided by retrocession contracts entered into during the year and are recognized on the date on which the policy incepts.

Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

Claims
Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to income as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Group and those not reported at the consolidated statement of financial position date.

The Group generally estimates its claims based on appointed loss adjusters or leading underwriters' recommendations. In addition, a provision based on management's judgement and the Group's prior experience is maintained for the cost of settling claims incurred but not reported at the consolidated statement of financial position date.

Policy acquisition costs and commissions earned
Policy acquisition costs and commission earned represent commissions paid and received in relation to the acquisition and renewal of insurance and retrocession contracts which are deferred and expensed over the same period over which the corresponding premiums are recognised in accordance with the earning pattern of the underlying contract.

Liability adequacy test
At each statement of financial position date, the Group assesses whether its recognized insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its unearned premiums (less related deferred policy acquisition costs) is inadequate in light of estimated future cash flows, the entire deficiency is immediately recognized in income and an unexpired risk provision is created.

The Group does not discount its liability for unpaid claims as the Group measures its insurance contract liabilities on an undiscounted basis.

2. BASIS OF PREPARATION (Continued)

Reinsurance

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the consolidated statement of income.

Gains or losses on buying reinsurance are recognized in the consolidated statement of income immediately at the date of purchase and are not amortized.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognized as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognized based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured.

Excess of loss (XOL) reinsurance

The Group purchases reinsurance as part of its risk mitigation programme. The Group has a non–proportional excess–of–loss reinsurance contracts designed to mitigate the Group's net exposure of losses that exceed a specified limit including catastrophe losses. These contracts often specify a limit in losses for which the reinsurer will be responsible. This limit is agreed to in the reinsurance contract and protects the Group from dealing with an unlimited liability. Retention limits for the excess–of–loss reinsurance vary by line of business.

The XOL costs are determined at the inception of the reinsurance contract and are payable upfront in the form of 'Minimum and Deposit Premium' (MDP) subject to premium adjustment at the end of the contract period. Deferred excess of loss premiums are those proportions of premiums paid during the year that relate to periods of risk after the reporting date. Deferred premiums are calculated on a pro rata basis.

2. BASIS OF PREPARATION (Continued)

Excess of loss reinsurance also includes reinstatement premium and related cash flows within the boundary of the initial reinsurance contract arising from usage of primary reinsurance coverage limit. Reinstatement occurs at predetermined rates without giving reinsurer any right to exit or reprice the contract. This implies expected cash flows related to the reinstatement premium shall be within the boundary of the initial reinsurance contract and are not related to future contracts.

Offsetting

Financial assets and financial liabilities are offset, and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense are not offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation.

Foreign currencies

The Group’s consolidated financial statements are presented in United States Dollars, which is also the functional currency of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Group companies

The assets and liabilities of foreign operations are translated into United States Dollars at the rate of exchange prevailing at the reporting date and their statements of income are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognized in the consolidated statement of comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the consolidated statement of income.

2. BASIS OF PREPARATION (Continued)

Taxation
The charge or credit for taxation is based upon the profit or loss for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and accounting purposes.

Current income tax
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries were the Group operates and generates taxable income.

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

Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credit and unused tax losses can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Interest income
Interest income included in investment income is recognized as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividend income
Dividend revenue included in investment income is recognized when the right to receive the payment is established.

Other revenues and expenses
Other revenues consist of chartered flights revenues which are recognized when the transportation is provided. Related expenses are recognized in the same period as the revenues to which they relate.

2. BASIS OF PREPARATION (Continued)

Leasing

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

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

The Group has included the right-of-use assets arising from the lease contracts within property, plant and premises in the consolidated statement of financial position (note 13).

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

Lease liabilities

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

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

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

The Group has included the lease obligations arising from the lease contracts within the other liabilities in the consolidated statement of financial position (note 16).

2. BASIS OF PREPARATION (Continued)

Short-term leases and leases of low-value assets

The Group 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 (i.e., below USD 5 thousand). Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

In the principal market for the asset or liability, or
In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group’s management determines the policies and procedures for both recurring fair value measurement, such as unquoted available for sale financial assets.

2. BASIS OF PREPARATION (Continued)

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect in the amounts recognized in the consolidated financial statements:

Classification of investments

Financial assets are classified, at initial recognition, at cost and subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial instruments are initially recognized on the trade date measured at their fair value. Except for financial assets and financial liabilities recorded at FVTPL, transaction costs are added to this amount.

The Group classifies all its financial assets based on the business model for managing the assets and the asset's contractual terms. The categories include the following:

• Amortized cost
• FVOCI
• FVTPL

2. BASIS OF PREPARATION (Continued)

Determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew.

The Group considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of property, premises and equipment due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on the Group's operations if a replacement is not readily available.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Valuation of insurance contract liabilities

Considerable judgement by management is required in the estimation of amounts due to contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the consolidated statement of financial position date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the consolidated statement of financial position date. The primary technique adopted by management in estimating the cost of notified and IBNR claims is that of using past claim settlement trends to predict future claims settlement trends. Claims requiring court or arbitration decisions are estimated individually. Independent loss adjustors normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premiums. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortization of unearned premiums on a basis other than time apportionment.

2. BASIS OF PREPARATION (Continued)

Total carrying amount of insurance contract liabilities as at year ended 31 December 2020 was USD 492,255 thousand (2019: USD 413,053 thousand). As at 31 December 2020, gross incurred but not reported claims (IBNR) amounted to USD 179,921 thousand (2019: USD 120,331 thousand) out of the total insurance contract liabilities.

Investment properties

Investment properties amounted to USD 20,806 thousand as at 31 December 2020 (2019: USD 26,506 thousand) are stated at fair value. Management has determined the fair value and in doing so has considered valuation performed by a third-party specialist. The valuation model used was in accordance with that recommended by the International Valuation Standards Committee. The investment properties are valued using the sales comparison approach. Under the sales comparison approach, a property's fair value is estimated based on comparable transactions. The sales comparison approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. The unit of comparison applied by the Group is the price per square meter (sqm).

Expected credit loss for insurance receivables

The Group uses a provision matrix to calculate ECLs for insurance receivables. The provision rates are based on days past due for groupings of various policy holder's segments that have similar default patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of policy holder's actual default in the future.

In its ECL models, the Group relies on a range of forward-looking information as economic inputs, such as:

- Real GDP growth by region
- Projected GDP growth by region

In determining impairment of financial assets, judgement is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether the credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

The Group considers insurance receivables in default when contractual payments are 360 days past due, and in doing so management considers but does not depend only on the age of the relevant accounts receivable. The adequacy of the Group's past estimates as well as the high turnover ratio of receivables are also considered as main factors in evaluating the collectability of insurance receivables, especially in regions where the Group has experienced historical trends of slow collection such as the Middle East and Africa. Even in such regions, however, the Group has typically ultimately recovered the due premiums in full.

2. BASIS OF PREPARATION (Continued)

The Group has in place credit appraisal policies for written business. The Group monitors and follows up on receivables for insurance transactions on an ongoing basis. Wherever, as a result of this formal chasing process, management determines that the settlement of a receivable is not probable, a notice of cancellation (NOC) will be issued within 30 – 60 days from the premium past due date. If the premium due is not paid within the NOC period, the insurance policy will be cancelled ab initio.

The Group does not pay claims on policies where the policyholder is past due on premium payments, except for cases where the policyholder's broker confirms that the due premium is in the process of being collected.

Total expected credit losses on insurance receivables as at year ended 31 December 2020 was USD 9,235 thousand (2019: USD 6,394 thousand).

Ultimate premiums

In addition to reported premium income, the Group also includes an estimate for pipeline premiums representing amount due on business written but not yet reported. This is based on management's judgement of market conditions and historical data using premium development patterns evident from active underwriting years to predict ultimate premiums trends at the close of the fiscal period.

Estimated pipeline premiums as at year ended 31 December 2020 was USD 3,249 thousand (2019: USD 5,307 thousand).

3. CASH AT BANKS

(a) CASH AND CASH EQUIVALENTS

	2020	*2019*
	USD '000	*USD '000*
Cash and bank balances *	**119,831**	167,437
Deposits with original maturities of three months or less	**13,136**	24,692
	132,967	192,129

* This item includes cash in the amount of USD 5,400 thousand placed in a trust account in favor of the National Association of Insurance Commissioners (NAIC) to secure policyholders' obligations in relation to US surplus and excess lines business licensed effective 1 April 2020 (31 December 2019: USD Nil).

(b) TERM DEPOSITS

	2020	*2019*
	USD '000	*USD '000*
Deposits with original maturities over three months and less than one year**	**138,510**	119,753
Deposits with original maturities over one year	**33,702**	-
	172,212	119,753

** This item includes a deposit in the amount of USD 5,000 thousand (31 December 2019: USD Nil) placed in favor of the Group as collateral against reinsurance arrangements. The interest earned on this deposit is not recognised as investment income and is transferred to the reinsurance company on a semi-annual basis.

The deposits are denominated in US Dollars and other US Dollars pegged currencies. All deposits earned interest in the range between 0.2%-4.5% (31 December 2019: 1%-4.85%) and are held for varying periods between one month to less than 5 years depending on the immediate cash requirements of the Group.

4. INSURANCE RECEIVABLES

	2020	*2019*
	USD '000	*USD '000*
Receivables from insurance companies and intermediaries	**175,840**	119,369
Less: Expected credit losses on insurance receivables	**(9,235)**	(6,394)
	166,605	112,975

The movement in the expected credit losses is as follows:

	2020	*2019*
	USD '000	*USD '000*
Opening balance	**6,394**	6,094
Provision for the year	**2,861**	629
Write-offs	**(20)**	(329)
Ending balance	**9,235**	6,394

Insurance receivables are non-interest bearing. The Group does not obtain collateral over insurance receivables.

5. INVESTMENTS

The details of the Group's financial investments for the years 2020 and 2019 are as follows:

	31 December 2020			
	Amortized cost USD '000	***Fair value through other comprehensive income USD '000***	***Fair value through statement of income USD '000***	***Total USD '000***
Unquoted bonds*	**3,103**	**-**	**-**	**3,103**
Quoted bonds	**-**	**390,918**	**-**	**390,918**
Quoted funds and alternative investments	**-**	**-**	**9,791**	**9,791**
Quoted equities**	**-**	**14,935**	**12,989**	**27,924**
Unquoted equities***	**-**	**6,314**	**-**	**6,314**
Expected credit losses and impairment	**(397)**	**-**	**-**	**(397)**
	2,706	**412,167**	**22,780**	**437,653**

	31 December 2019			
	Amortized cost USD '000	*Fair value through other comprehensive income USD '000*	*Fair value through statement of income USD '000*	*Total USD '000*
Unquoted bonds*	3,236	-	-	3,236
Quoted bonds	-	208,525	-	208,525
Quoted funds and alternative investments	-	-	8,261	8,261
Quoted equities	-	14,629	13,545	28,174
Unquoted equities***	-	5,261	-	5,261
Expected credit losses and impairment	(268)	-	-	(268)
	2,968	228,415	21,806	253,189

The movement on the expected credit losses and impairment provision for the bonds at amortized cost is as follows:

	2020 USD '000	*2019 USD '000*
Opening balance	**268**	281
Addition (release) of provision for investment in debt securities	**129**	(13)
Ending balance	**397**	268

5. INVESTMENTS (Continued)

The addition of allowance for bonds at FVTOCI for the year 2020 of USD 135 thousand (note 21) does not change the carrying amount of these investments (which are measured at fair value but gives rise to an equal and opposite gain in OCI).

* The Group has an investment in an unquoted bond denominated in JOD (USD pegged currency) issued by 'Specialized Investment Compound Co.' a local company based in Jordan with a maturity date of 22 February 2016. The said company is currently under liquidation, due to which 85% of original bond holdings with nominal value amounting to USD 1,236 thousand were not paid on that maturity date.

These bonds are backed up by collateral in the form of real estate properties. However, the Group management has provided USD 379 thousand to cover any potential impairment in the value of the collateral held against said investment by discounting the expected future cash flows generated from the underlying bond collaterals which mainly represent rental income.

** In 2020, the Group has sold part of its holdings in a quoted equity at fair value through OCI to take advantage of the increase in the market value of the investee. The quoted equities were purchased in 2011 and held as a long-term investment. Upon disposal, the fair value of the sold shares was USD 3,859 thousand and the cumulative fair value change of USD 2,341 thousand remained in the fair value reserve.

*** The Group has one unquoted equity investments under level 3 designated at fair value through OCI valued at USD 6,314 thousand (2019: USD 5,261 thousand). As at 31 December 2020 and 2019, the Group has measured the fair value of the unquoted investments by adopting a market valuation approach namely 'multiples-based valuation' whereby earnings-based multiples of comparable companies were considered for the valuation.

There are no active markets for this investment.

The table below shows the sensitivity of the fair value of Level 3 financial assets as at 31 December 2020 and 2019:

	%	*Positive impact*	*Negative impact*	*Valuation variables*
		USD '000	*USD '000*	
2020	**+/- 10**	**661**	**(661)**	Market multiples applied to a range of financial performance measures****
2019	+/- 10	527	(527)	Market multiples applied to a range of financial performance measures

**** As at 31 December 2020, the fair value measurement of the unquoted equity investment was based on a combination of valuation multiples, with greater weight given to price to book value multiple. This has implied an equity value range of USD 5,612 thousand to USD 7,015 thousand (2019: USD 5,110 thousand to USD 5,561 thousand).

6. INVESTMENTS IN ASSOCIATES

The Group holds 32.7% equity ownership interest in companies registered in Lebanon as shown below, the investments in associated companies are accounted for using the equity method:

	Country of incorporation	*Ownership*	
		2020	*2019*
Star Rock SAL Lebanon	*Lebanon*	**32.7%**	32.7%
Sina SAL Lebanon	*Lebanon*	**32.7%**	32.7%
Silver Rock SAL Lebanon	*Lebanon*	**32.7%**	32.7%
Golden Rock SAL Lebanon	*Lebanon*	**32.7%**	32.7%

Movement on investments in associates is as follows:

	2020	*2019*
	USD '000	*USD '000*
Opening balance	**13,062**	13,438
Share of associated companies' financial results	**(79)**	(6)
Investment properties fair value adjustment	**(1,902)**	(496)
Reversal of (provision) for contingent liabilities	**502**	126
Share of loss from associates	**(1,479)**	(376)
	11,583	13,062

The following tables include summarized information of the Group's investments in associates for each year presented:

This information is presented on a 100% basis and reflects the adjustments made by the Group to the associated companies' own results in applying the equity method of accounting. Adjustments to the carrying amounts are recognized for changes in the Group's proportionate interests in the associates arising from changes in the associates' equity that have not been recognized in the associates' profit or loss. Changes include those arising from the revaluation of investment properties of the associates and provisions related to the income tax and social security contingencies that may arise on the associates.

	2020				
	Star Rock SAL Lebanon	***Sina SAL Lebanon***	***Silver Rock SAL Lebanon***	***Golden Rock SAL Lebanon***	***Total***
	USD '000	***USD '000***	***USD '000***	***USD '000***	***USD '000***
Current assets	**102**	**40**	**85**	**935**	**1,162**
Non-current assets	**4,328**	**3,290**	**4,694**	**28,932**	**41,244**
Current liabilities	**(1,816)**	**(2,209)**	**(403)**	**(2,555)**	**(6,983)**
Net assets	**2,614**	**1,121**	**4,376**	**27,312**	**35,423**
The Group's share of net assets	**855**	**367**	**1,431**	**8,930**	**11,583**

6. INVESTMENTS IN ASSOCIATES (Continued)

	2019				
	Star Rock SAL Lebanon	*Sina SAL Lebanon*	*Silver Rock SAL Lebanon*	*Golden Rock SAL Lebanon*	*Total*
	USD '000	*USD '000*	*USD '000*	*USD '000*	*USD '000*
Current assets	62	49	61	780	952
Non-current assets	4,970	3,782	5,405	33,355	47,512
Current liabilities	(1,791)	(2,209)	(381)	(2,607)	(6,988)
Non-current liabilities	(136)	(162)	(90)	(1,147)	(1,535)
Net assets	3,105	1,460	4,995	30,381	39,941
The Group's share of net assets	1,016	477	1,634	9,935	13,062

The following table includes summarized information of the Group's share of loss from associates for years 2020 and 2019:

	2020				
	Star Rock SAL Lebanon	***Sina SAL Lebanon***	***Silver Rock SAL Lebanon***	***Golden Rock SAL Lebanon***	***Total***
Associates' revenues and results:	***USD '000***	***USD '000***	***USD '000***	***USD '000***	***USD '000***
Revenues	**47**	**4**	**41**	**750**	**842**
Net loss	**(492)**	**(340)**	**(620)**	**(3,071)**	**(4,523)**
The Group's share of loss	**(161)**	**(111)**	**(203)**	**(1,004)**	**(1,479)**

	2019				
Associates' revenues and results:	USD '000	USD '000	USD '000	USD '000	USD '000
Revenues	72	61	112	1,038	1,283
Net loss	(207)	(115)	(98)	(730)	(1,150)
The Group's share of loss	(67)	(38)	(32)	(239)	(376)

The associates' main business is investing in investment properties located in Beirut, Lebanon. The investment properties of the associates are stated at fair value to bring the associated companies' accounting policies in line with that of the Group's. The fair values of the investment properties have been determined by management and in doing so, management has considered valuation performed by third party specialist. The valuation model used was in accordance with that recommended by the International Valuation Standards Committee. The investment properties are valued using the sales comparison approach. Under the sales comparison approach, a property's fair value is estimated based on comparable transactions. The sales comparison approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. The unit of comparison applied by the Group is the price per square meter (sqm) which represents the significant unobservable input used in the valuation process.

All the investment properties generated rental income during the current year and the prior years.

6. INVESTMENTS IN ASSOCIATES (Continued)

The sensitivity of the Group's consolidated statement of income for the years 2020 and 2019 to the change in the price used for the valuation of the investment properties owned by the associates was as follows:

	%	*Impact on consolidated statement of income for the increase in price per square meter*	*Impact on consolidated statement of income for the decrease in price per square meter*
		USD '000	*USD '000*
31 December 2020	**+/- 20**	**1,773**	**(1,773)**
31 December 2019	+/- 20	7,269	(7,269)

7. OUTSTANDING CLAIMS

Movement in outstanding claims

	2020			*2019*		
	Gross USD '000	***Reinsurers' share USD '000***	***Net USD '000***	*Gross USD '000*	*Reinsurers' share USD '000*	*Net USD '000*
At the beginning of the year						
Reported claims	**292,722**	**(163,191)**	**129,531**	285,770	(170,125)	115,645
Claims incurred but not reported	**120,331**	**(13,021)**	**107,310**	98,610	(17,440)	81,170
	413,053	**(176,212)**	**236,841**	384,380	(187,565)	196,815
Claims paid	**(134,761)**	**51,018**	**(83,743)**	(131,151)	53,114	(78,037)
Provided during the year related to current accident year	**225,950**	**(68,135)**	**157,815**	150,799	(26,444)	124,355
(Released) provided during the year related to previous accident years	**(11,987)**	**5,844**	**(6,143)**	9,025	(15,317)	(6,292)
At the end of the year	**492,255**	**(187,485)**	**304,770**	413,053	(176,212)	236,841
At the end of the year						
Reported claims	**312,334**	**(160,373)**	**151,961**	292,722	(163,191)	129,531
Claims incurred but not reported	**179,921**	**(27,112)**	**152,809**	120,331	(13,021)	107,310
	492,255	**(187,485)**	**304,770**	413,053	(176,212)	236,841

7. OUTSTANDING CLAIMS (Continued)

Claims development

The following tables show the estimate of cumulative incurred claims, including both reported claims and claims incurred but not reported for each successive accident year at each statement of financial position date, together with cumulative payments to date.

Gross of reinsurance, the claims development table is as follows:

	All prior years	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*Total*
	USD '000	*USD '000*	*USD '000*	*USD '000*	*USD '000*	*USD '000*	*USD '000*	*USD '000*	*USD '000*	*USD '000*	*USD '000*	*USD '000*	*USD '000*	*USD '000*
At end of accident year		*94,376*	*122,323*	*128,498*	*133,595*	*159,549*	*152,384*	*174,601*	*175,094*	*278,298*	*196,709*	*150,800*	*225,950*	
One year later		*75,295*	*108,523*	*106,567*	*119,425*	*155,958*	*114,972*	*160,100*	*173,369*	*309,258*	*219,593*	*143,093*	-	
Two years later		*67,119*	*105,943*	*100,764*	*108,557*	*148,161*	*101,352*	*149,533*	*167,695*	*317,053*	*213,655*	-	-	
Three years later		*68,497*	*100,572*	*110,286*	*110,046*	*142,309*	*92,846*	*145,921*	*158,572*	*317,778*	-	-	-	
Four years later		*68,217*	*99,513*	*114,464*	*103,996*	*133,917*	*88,210*	*142,926*	*162,210*	-	-	-	-	
Five years later		*67,909*	*101,599*	*110,266*	*104,541*	*132,992*	*85,621*	*142,478*	-	-	-	-	-	
Six years later		*67,807*	*100,199*	*111,774*	*103,167*	*130,844*	*83,183*	-	-	-	-	-	-	
Seven years later		*67,614*	*100,303*	*110,644*	*97,918*	*130,616*	-	-	-	-	-	-	-	
Eight years later		*68,115*	*100,073*	*111,028*	*97,998*	-	-	-	-	-	-	-	-	
Nine years later		*68,950*	*100,120*	*111,198*	-	-	-	-	-	-	-	-	-	
Ten years later		*68,882*	*99,972*	-	-	-	-	-	-	-	-	-	-	
Eleven years later		*69,169*	-	-	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	*240,887*	*69,169*	*99,972*	*111,198*	*97,998*	*130,616*	*83,183*	*142,478*	*162,210*	*317,778*	*213,655*	*143,093*	*225,950*	*2,038,187*
Cumulative payments to date	*239,410*	*68,406*	*99,646*	*102,910*	*95,682*	*129,311*	*82,336*	*136,570*	*148,004*	*265,163*	*101,338*	*53,634*	*23,522*	*1,545,932*
Gross liability included in the consolidated statement of financial position														*492,255*

7. OUTSTANDING CLAIMS (Continued)

Net of reinsurance, the claims development table is as follows:

	All prior years	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*Total*
	USD '000	*USD '000*	*USD '000*	*USD '000*	*USD '000*	*USD '000*	*USD '000*	*USD '000*	*USD '000*	*USD '000*	*USD '000*	*USD '000*	*USD '000*	*USD '000*
At end of accident year		63,259	71,380	76,231	100,119	123,553	115,851	92,893	98,771	110,341	94,266	124,356	157,815	
One year later		52,099	63,488	60,555	88,131	121,694	90,078	86,991	94,055	117,163	105,797	115,739	-	
Two years later		46,911	62,020	59,556	78,090	120,600	79,209	79,846	90,077	116,435	108,521	-	-	
Three years later		48,882	58,897	60,662	81,521	117,084	73,250	75,311	85,366	113,949	-	-	-	
Four years later		48,707	58,182	62,272	77,268	109,460	70,070	73,132	89,184	-	-	-	-	
Five years later		48,310	60,146	59,826	77,798	107,701	66,693	72,641	-	-	-	-	-	
Six years later		48,348	58,648	60,329	76,773	107,500	65,626	-	-	-	-	-	-	
Seven years later		48,194	58,726	58,084	71,644	107,269	-	-	-	-	-	-	-	
Eight years later		48,713	58,540	57,329	71,620	-	-	-	-	-	-	-	-	
Nine years later		49,446	58,590	57,425	-	-	-	-	-	-	-	-	-	
Ten years later		49,437	58,460	-	-	-	-	-	-	-	-	-	-	
Eleven years later		49,697	-	-	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	148,633	49,697	58,460	57,425	71,620	107,269	65,626	72,641	89,184	113,949	108,521	115,739	157,815	1,216,579
Cumulative payments to date	147,342	48,961	58,174	54,562	69,487	106,055	64,275	68,572	76,625	86,617	73,176	44,926	13,037	911,809
Net liability included in the consolidated statement of financial position														304,770

8. UNEARNED PREMIUMS

	2020			2019		
	Gross USD '000	Reinsurers' share USD '000	Net USD '000	Gross USD '000	Reinsurers' share USD '000	Net USD '000
Opening balance	**206,214**	**(33,917)**	**172,297**	168,255	(32,567)	135,688
Premiums written	**467,273**	**(128,863)**	**338,410**	349,292	(97,139)	252,153
Premiums earned	**(396,219)**	**112,703**	**(283,516)**	(311,333)	95,789	(215,544)
	277,268	**(50,077)**	**227,191**	206,214	(33,917)	172,297

9. DEFFERRED EXCESS OF LOSS PREMIUMS

The movement in deferred excess of loss premiums in the consolidated statement of financial position is as follows:

	2020 USD '000	2019 USD '000
Opening balance	**15,173**	12,449
Additions	**40,726**	37,492
Charged to consolidated statement of income under reinsures' share of insurance premiums	**(38,804)**	(34,768)
Ending balance	**17,095**	15,173

10. DEFERRED POLICY ACQUISITION COSTS

	2020 USD '000	2019 USD '000
Opening balance	**53,865**	46,002
Acquisition costs during the year	**110,903**	84,994
Charged to consolidated statement of income	**(93,928)**	(77,131)
Ending balance	**70,840**	53,865

11. OTHER ASSETS

	2020	*2019*
	USD '000	*USD '000*
Accrued interest income	**4,213**	2,580
Prepaid expenses	**1,974**	1,300
Refundable deposits	**122**	119
Employees receivables	**7**	60
Funds held in trust accounts	**2,102**	1,518
Income tax receivables	**106**	112
Trade receivables	**13**	7
Investments proceeds receivables	**894**	-
Others	**149**	178
	9,580	5,874

The carrying values of the other assets above as at years ending 31 December 2020 and 2019 approximate fair value.

12. INVESTMENT PROPERTIES

The following table includes summarized information of the Group's investment properties:

	2020		
	Commercial building	***Lands****	***Total***
	USD '000	***USD '000***	***USD '000***
Opening balance	**20,857**	**5,649**	**26,506**
Additions	**33**	**42**	**75**
Sale of investment properties	**-**	**(3,739)**	**(3,739)**
Fair value adjustment (note 21)	**(1,899)**	**(108)**	**(2,007)**
Foreign currency adjustment	**(29)**	**-**	**(29)**
Ending balance	**18,962**	**1,844**	**20,806**

	2019		
	Commercial building	*Lands**	*Total*
	USD '000	*USD '000*	*USD '000*
Opening balance	21,106	10,343	31,449
Additions	-	745	745
Sale of investment properties	-	(5,384)	(5,384)
Fair value adjustment (note 21)	(249)	(55)	(304)
Ending balance	20,857	5,649	26,506

* Lands amounting to USD 1,844 thousand as at 31 December 2020 (2019: USD 5,649 thousand) are registered in the name of one a former Director of the Parent. The Group has obtained a proxy and has full control over these investment properties (note 24).

12. INVESTMENT PROPERTIES (Continued)

In 2020, the Group sold a number of plots with total carrying value of USD 3,739 thousand (2019: USD 5,384 thousand) and recognized a loss of USD 213 thousand (2019: gain of USD 679 thousand).

The fair values of investment properties have been determined by management and in doing so has considered a valuation performed by third parties who are specialists in valuing these types of investment properties. The valuation model used was in accordance with that recommended by the International Valuation Standards Committee. The investment properties are valued using the sales comparison approach. Under the sales comparison approach, a property's fair value is estimated based on comparable transactions. The sales comparison approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. The management believes that this valuation technique falls under level 3 of the fair value hierarchy since investment properties market is not very active.

The sensitivity of the Group financial statements to the change in the price used for the valuation of the investment properties was as the following:

	%	*Price per square meter*	*Impact on consolidated statement of income for the increase in price per square meter*	*Impact on consolidated statement of income for the decrease in price per square meter*
		USD	*USD '000*	*USD '000*
Commercial building				
2020	**+/- 10**	**1,016**	**1,816**	**(1,816)**
2019	+/- 10	1,122	2,006	(2,006)

	%	*Price per square meter*	*Impact on consolidated statement of income for the increase in price per square meter*	*Impact on consolidated statement of income for the decrease in price per square meter*
		USD	*USD '000*	*USD '000*
Lands				
2020	**+/- 10**	**189**	**184**	**(184)**
2019	+/- 10	203	565	(565)

13. PROPERTY, PREMISES AND EQUIPMENT

	Office buildings USD '000	*Aircraft* USD '000*	*Office furniture USD '000*	*Computers USD '000*	*Equipment USD '000*	*Leasehold improvements USD '000*	*Vehicles USD '000*	*Work in progress USD '000*	*Right of use assets USD '000*	*Total USD '000*
Cost										
At 1 January 2020	**1,888**	**11,290**	**1,425**	**1,530**	**252**	**1,452**	**949**	**9**	**1,925**	**20,720**
Additions	**10**	**-**	**26**	**210**	**2**	**8**	**-**	**76**	**2,012**	**2,344**
Transfers	**-**	**-**	**-**	**9**	**-**	**-**	**-**	**(9)**	**-**	**-**
Disposals	**-**	**-**	**-**	**(3)**	**-**	**-**	**-**	**-**	**-**	**(3)**
Adjustments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**98**	**98**
At 31 December 2020	**1,898**	**11,290**	**1,451**	**1,746**	**254**	**1,460**	**949**	**76**	**4,035**	**23,159**
Depreciation										
At 1 January 2020	**716**	**2,709**	**1,263**	**1,296**	**235**	**1,218**	**753**	**-**	**411**	**8,601**
Deprecation for the year	**29**	**906**	**57**	**172**	**2**	**68**	**57**	**-**	**584**	**1,875**
Disposals	**-**	**-**	**-**	**(3)**	**-**	**-**	**-**	**-**	**-**	**(3)**
Adjustments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**126**	**126**
At 31 December 2020	**745**	**3,615**	**1,320**	**1,465**	**237**	**1,286**	**810**	**-**	**1,121**	**10,599**
Net carrying amount										
At 31 December 2020	**1,153**	**7,675**	**131**	**281**	**17**	**174**	**139**	**76**	**2,914**	**12,560**
Cost										
At 1 January 2019	1,884	11,290	1,406	1,438	242	1,361	903	-	-	18,524
Impact of the IFRS 16 adoption	-	-	-	-	-	-	-	-	1,716	1,716
Adjusted balance	1,884	11,290	1,406	1,438	242	1,361	903	-	1,716	20,240
Additions	4	-	19	123	10	163	115	9	1,002	1,445
Disposals	-	-	-	(31)	-	(72)	(69)	-	(793)	(965)
At 31 December 2019	1,888	11,290	1,425	1,530	252	1,452	949	9	1,925	20,720
Depreciation										
At 1 January 2019	666	1,806	1,206	1,158	231	1,188	754	-	-	7,009
Deprecation for the year	50	903	57	169	4	53	68	-	516	1,820
Disposals	-	-	-	(31)	-	(23)	(69)	-	(105)	(228)
At 31 December 2019	716	2,709	1,263	1,296	235	1,218	753	-	411	8,601
Net carrying amount										
At 31 December 2019	1,172	8,581	162	234	17	234	196	9	1,514	12,119

The depreciation of the aircraft for the year ended 31 December 2020 amounting to USD 906 thousand (2019: USD 903 thousand) was allocated proportionally between the other expenses and general and administrative expenses based on the flight hours of chartered trips and business-related trips, respectively. The depreciation and amortization (note 14) charges for the year 2020 and 2019 were allocated as follows:

13. PROPERTY, PREMISES AND EQUIPMENT (Continued)

	2020 **USD '000**	2019 USD '000
Property, premises and equipment depreciation charge for the year	**1,875**	1,820
Intangible assets amortization charge for the year (note 14)	**737**	49
Aircraft depreciation allocated to other expenses (note 22)	**(632)**	(595)
Total depreciation and amortization allocated to G&A (note 20)	**1,980**	1,274

Fully depreciated property, premises and equipment still in use amounted to USD 5,217 thousand as at 31 December 2020 (2019: USD 5,206 thousand).

14. INTANGIBLE ASSETS

	2020			2019		
	Computer software / licenses	*Work in progress**	*Total*	*Computer software / licenses*	*Work in progress**	*Total*
	USD '000	*USD '000*	*USD '000*	*USD '000*	*USD '000*	*USD '000*
Cost						
Beginning balance	**1,191**	**3,832**	**5,023**	1,184	2,840	4,024
Additions	**1,423**	**138**	**1,561**	7	992	999
Transfers	**3,970**	**(3,970)**	**-**	-	-	-
Ending balance	**6,584**	**-**	**6,584**	1,191	3,832	5,023
Amortization						
Beginning balance	**1,137**	**-**	**1,137**	1,088	-	1,088
Additions	**737**	**-**	**737**	49	-	49
Ending balance	**1,874**	**-**	**1,874**	1,137	-	1,137
Net carrying amount	**4,710**	**-**	**4,710**	54	3,832	3,886

* Effective 1 April 2020, the Group has fully implemented a new core insurance system and transferred the work in progress amount to the software and licenses account within intangible assets.

15. INSURANCE PAYABLES

	2020 **USD '000**	2019 USD '000
Payables due to insurance companies and intermediaries	**2,593**	2,611
Reinsurers – amounts due in respect of ceded premium	**80,868**	50,933
	83,461	53,544

16. OTHER LIABILITIES

	2020	*2019*
	USD '000	*USD '000*
Accounts payable	**4,930**	1,611
Accrued expenses	**10,846**	6,942
Lease liabilities*	**2,954**	1,563
Income tax payable	**1,490**	700
	20,220	10,816

*Set out below are the carrying amount of the Group's lease liabilities and the movement during the year:

	2020	*2019*
	USD '000	*USD '000*
Opening balance	**1,563**	1,716
Additions	**2,012**	1,002
Disposal – Net	**-**	(657)
Interest expense	**203**	108
Payments	**(796)**	(606)
Foreign currency adjustment	**(28)**	-
Ending balance	**2,954**	1,563
Current	**761**	521
Non - Current	**2,193**	1,042

The Group used discount rates ranging between 1.5%-4.1% and the amount of the undiscounted lease liabilities was USD 3,169 thousand as at 31 December 2020.

17. UNEARNED COMMISSIONS

The movement in unearned commissions in the consolidated statement of financial position is as follows:

	2020	*2019*
	USD '000	*USD '000*
As at 1 January	**8,910**	8,010
Commissions received	**18,181**	14,830
Commissions earned	**(16,053)**	(13,930)
As at 31 December	**11,038**	8,910

18. EQUITY

Share capital

Authorised Issued and fully paid

	2020 **USD '000**	2019 USD '000
Shares of USD 1 each	**120**	120

Fair value reserve

	2020 **USD '000**	2019 USD '000
Balance at the beginning of the year	**5,041**	1,529
Net change in fair value reserve during the year for bonds at fair value through OCI	**11,481**	4,209
Net change in fair value reserve during the year for equities at fair value through OCI	**27**	(674)
Realized gain on sale of equities at fair value through other comprehensive income	**2,341**	-
ECL charge (release) transferred to consolidated statement of income	**135**	(23)
Balance at the end of the year	**19,025**	5,041

19. CASH DIVIDENDS

Cash dividends declared and paid:

The Board of Directors resolved to pay the following dividends for the years 2020 and 2019:

- On 25 August 2020: USD 4,360 thousand
- On 21 March 2019: USD 5,455 thousand
- On 8 September 2019: USD 5,361 thousand

There are no cash dividends declared but not paid as at 31 December 2020 and 2019.

20. GENERAL AND ADMINISTRATIVE EXPENSES

	2020 **USD '000**	2019 USD '000
Human resources expenses	**30,767**	26,694
Business promotion, travel and entertainment	**1,352**	3,340
Statutory, advisory and rating	**6,058**	3,181
Information technology and software	**2,719**	1,871
Office operation	**1,473**	1,482
Depreciation and amortization (note 13)	**1,980**	1,274
Interest expense arising from lease liabilities (note 16)	**203**	108
Bank charges	**120**	130
Corporate expenses	**2,214**	382
Expenses recharged to I.G.I Underwriting and North Star Underwriting Limited (notes 24)	**(21,583)**	(21,285)
	25,303	17,177

21. NET INVESTMENT INCOME

	2020	*2019*
	USD '000	*USD '000*
Interest income	**12,169**	10,866
Dividends from equities at FVTOCI	**128**	678
Dividends from equities at FVTPL	**562**	391
Realized gains and losses on investments		
Realized loss on sale of bonds at FVTOCI	**(411)**	(629)
Realized gain on sale of FVTPL equities and mutual funds	**1,599**	947
Unrealized gains and losses on investments		
Unrealized (loss) gain on revaluation of financial assets at FVTPL	**(241)**	1,591
Gains and losses from investments in properties		
Realized (loss) gain on sale of investment properties	**(213)**	679
Fair value loss on investment properties (note 12)	**(2,007)**	(304)
Rental income	**206**	219
Impairment and expected credit losses on investments		
Expected credit loss on financial assets at FVOCI	**(135)**	23
Expected credit loss on financial assets at amortized cost	**(129)**	13
Investments custodian fees and other investments expenses	**(1,536)**	(1,196)
	9,992	13,278

22. OTHER REVENUES (EXPENSES)

	2020	*2019*
	USD '000	*USD '000*
Other revenues:		
Chartered flights revenue	**372**	1,428
	372	1,428
Other expenses:		
Aircraft operational cost	**(1,260)**	(1,574)
Aircraft depreciation expense (note 13)	**(632)**	(595)
Loss on disposal of property, premises and equipment	**-**	(26)
	(1,892)	(2,195)

23. COMMITMENTS AND CONTINGENCIES

As of the date of the consolidated financial statements, the Group is contingently liable for the following:

- Letters of Credit amounting to USD 7,994 thousand to the order of reinsurance companies for collateralizing insurance contract liabilities in accordance with the reinsurance arrangements (31 December 2019: USD 7,994 thousand).

- Letter of Guarantee amounting to USD 321 thousand to the order of Friends Provident Life Assurance Limited for collateralizing rent payment obligation in one of the Group entity's office premises (31 December 2019: USD 319 thousand).

Litigations

The Group was engaged in an arbitration proceeding at 31 December 2020 with certain reinsurers represented by an underwriting agent (“agent”) with respect to certain matters related to the Group’s outward reinsurance programme for the years 2012 to 2017.

The Group commenced the arbitration proceeding with the agent for these reinsurers after they failed to make payment of approximately USD 5.7 million which the Group believes is due from them (based on figures as at 30 June 2019). As at 31 December 2020, the Group was seeking to recover approximately USD 15.3 million from the reinsurers, plus interest and legal costs. In response, the agent alleged that certain matters were not adequately disclosed and was seeking to void the policies. The Group believes that the allegations were without merit and committed to vigorously defend itself in this matter. Accordingly, no provision for any liability was recorded in the prior year financial statements and at 31 December 2020. The arbitration hearing was scheduled for April 2021.

Before the start of the final hearing in April 2021, the matters under arbitration were resolved (and the arbitration discontinued) between the Group and reinsurers. The outward reinsurance policies remain in full force and effect. The resolution has no material impact on the Group’s business, results of operations or financial condition.

24. RELATED PARTIES

Related parties represent major shareholders, associates, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

- Compensation of key management personnel of the Group for the year ended 31 December 2020, consisting of salaries and benefits was USD 5,733 thousand (2019: USD 4,600 thousand). Out of the total amount of key management personnel compensation, an amount of USD 1,138 thousand (2019: USD 298 thousand) represents long-term benefits. Out of these long-term benefits, USD 887 thousand (2019: USD 297 thousand) represent a phantom share option plan linked to the value of an ordinary share of the Group. The said plan was terminated during the year as a result of 'change in control' as defined in the plan whereby all outstanding phantom shares were immediately vested and exercisable on business combination date of 17 March 2020 between International General Insurance Holdings Limited (the "Parent") and Tiberius Acquisition Corp. (NASDAQ: TIBR) ("Tiberius"), All option holders have opted for cash payment of exercisable phantom shares per the terms of plan.

- In 2019, the Group rented a boat for business promotion from a company owned by major shareholder, the total expense charged to the general and administrative expenses was USD Nil (2019: USD 382 thousand). In addition, the Group has paid aircraft management fees and chartering revenues commission in the amount of USD 114 thousand (2019: USD 84 thousand) to Arab wings Co. which is owned by a shareholder of the ultimate parent. As at 31 December 2020, there was an amount of USD 37 thousand receivable from Arab Wings Co. (2019: Payable of USD 196 thousand).

- The Group entities entered into a service level agreement whereby I.G.I Underwriting Jordan (IGIU) provides underwriting, claims and financial services to International General Insurance Co. Ltd. – Bermuda, International General Insurance Co. Ltd. – Labuan and International General Insurance Company United Kingdom. Based on the service level agreement, an agency fee expense is charged by IGIU and attributable cost against these services is charged back as general and administrative expenses to IGIU from these Group entities.

Transactions with related parties included in the consolidated statement of income represented by agency fee, aircraft management fees, rentals and commission paid as follows:

	2020 ***USD '000***	*2019* *USD '000*
Agency fees due to I.G.I Underwriting – Jordan (Subsidiary of the Parent Company)	**26,900**	20,316
Costs recharged back to I.G.I Underwriting – Jordan (Subsidiary of the Parent Company)	**21,583**	21,172
Costs recharged back to North Star Underwriting Limited (Subsidiary of the Parent Company)	**-**	113
Commission paid to North Star Underwriting Limited (Subsidiary of the Parent Company)	**1**	2
Business promotions (recharge) expenses (received from) paid to Boating Inc. *(Company owned by a major shareholder)*	**(131)**	382
Aircraft management fees paid to Arab Wings Co. *(Company owned by a shareholder of the ultimate parent)*	**114**	84

24. RELATED PARTIES (Continued)

Balances with related parties included in the consolidated statement of financial position are as follows:

	Amounts owed by related parties *USD '000*	Amounts owed to related parties *USD '000*
2020		
International General Insurance Holdings Limited *(Parent)*	**35,767**	**-**
International General Insurance Holdings Ltd. *(Ultimate Parent)*	**-**	**41,432**
North Star Underwriting Limited *(Subsidiary of the Parent Company)*	**-**	**351**
I.G.I Underwriting – Jordan *(Subsidiary of the Parent Company)*	**-**	**12,899**
	35,767	**54,682**
2019		
International General Insurance Holdings Limited *(Parent)*	30,132	-
North Star Underwriting Limited *(Subsidiary of the Parent Company)*	-	579
I.G.I Underwriting – Jordan *(Subsidiary of the Parent Company)*	-	7,292
	30,132	7,871

- Included within the investment properties (note 12) are lands in the amount of USD 1,844 thousand (2019: USD 5,649 thousand) registered in the name of a former Director of the Parent. The Group has obtained a proxy and has full control over these investment properties.

- Balances due from key management personnel of the Group as at 31 December 2020 was USD Nil (2019: USD 93 thousand).

25. TAXATION

The components of income tax expense are as follows:

	2020	*2019*
	USD '000	*USD '000*
Current income tax:		
Current income tax charge	**2,383**	704
Adjustments in respect of current income tax of prior years	**(7)**	-
Deferred tax:		
Origination and reversal of temporary differences	**(292)**	1,247
Effect of tax rate change	**-**	(131)
Adjustment in respect of prior years	**-**	(132)
Income tax charge for the year	**2,084**	**1,688**

The income tax expense appearing in the consolidated statement of income relate to the following subsidiaries:

	2020	*2019*
	USD '000	*USD '000*
Income tax expense for IGI Labuan – current year	**66**	-
Corporate tax for IGI Casablanca (Representative Office) – current year	**6**	4
Income tax expense for IGI UK – current year	**2,311**	700
Income tax credit for IGI UK – prior years	**(7)**	-
Addition of deferred tax assets for a subsidiary	-	984
Release of deferred tax liabilities for a subsidiary	**(292)**	-
Income tax charge for the year	**2,084**	1,688

- Effective 1 January 2019, the Labuan Business Activity Tax Law has been revised and accordingly, Labuan registered entities can no longer elect to pay the RM 20 thousand flat tax rate and instead are subject to 3% tax on the audited net profits. In 2020, IGI Labuan recorded tax expense of USD 66 thousand representing 3% of the audited net profits. In 2019, IGI Labuan has recorded a net loss, and as a result no income tax has been accrued for the year.

- IGI Casablanca - Representative Office has no income sources. According to Casablanca Finance City Tax Code, regional offices are taxed at a rate of 10%. The taxable base is 5% of the operating cost.

- IGI UK is subject to corporate taxation in accordance with the UK Tax Law.

  On 22 July 2020, the UK Government enacted that the UK corporation tax rate would remain at 19% and not reduce to 17% (the previously enacted rate) from 1 April 2020. Any deferred tax balances included within the accounts have been calculated with reference to the rate of 19%, as required under IFRS. An increase from the current 19% UK corporation tax rate to 25%, effective from 1 April 2023, was announced in the Budget on 3 March 2021. This rate change is not expected to have a material impact on the deferred tax balances recognised at the statement of financial position date.

25. TAXATION (Continued)

- International General Insurance Co. Ltd is a tax-exempt company according to the tax law in Bermuda.
- International General Insurance Company (Dubai) Ltd. is not subject to income tax according to the tax law in UAE.

Reconciliation of tax expense and the accounting profit multiplied by the applicable tax rate is as follows:

	2020	*2019*
	USD '000	*USD '000*
The Group profit before tax	**35,384**	34,325
Less: Profit related to non-taxable subsidiaries	**(23,165)**	(24,452)
Profit before tax for IGI UK Limited entity subject to corporate taxation	**12,219**	9,873
Profit multiplied by the standard rate of tax in the UK of 19% (2019: 19%)	**2,322**	1,876
Net disallowed expenditure	**(34)**	50
Fixed asset temporary differences not recognized for deferred tax	**14**	18
Other temporary differences not recognized for deferred tax	**9**	3
Adjustment in respect of prior years	**(7)**	(132)
IGI Labuan and IGI Casablanca current year tax charges	**72**	4
Amortization of deferred tax liabilities for IGI UK	**(292)**	-
Effect of rate change to 17%	**-**	(131)
Income tax charge for the year	**2,084**	1,688

The following is the movement on the deferred tax liabilities:

	2020	*2019*
	USD '000	*USD '000*
Balance at beginning of the year	**(347)**	639
Deferred tax prior year adjustment	**-**	132
Arising during the year	**292**	(1,247)
Effect of rate change to 17%	**-**	131
Others	**-**	(2)
Ending balance	**(55)**	(347)

The deferred tax liabilities amounting to USD 55 thousand (2019: USD 347 thousand) are in respect to an adjustment processed to the income of one of the Group's subsidiaries using prevailing tax rates.

26. RISK MANAGEMENT

The risks faced by the Group and the way these risks are mitigated by management are summarized below.

Insurance risk

Insurance risk includes the risks of inappropriate underwriting, ineffective management of underwriting, inadequate controls over exposure management in relation to catastrophic events and insufficient reserves for losses including claims incurred but not reported.

To manage this risk, the Group's underwriting function is conducted in accordance with a number of technical analytical protocols which include defined underwriting authorities, guidelines by class of business, rate monitoring and underwriting peer reviews.

The Group purchases reinsurance as part of its risk mitigation programme. Reinsurance ceded is placed on both a proportional and non–proportional basis. The proportional reinsurance is quota–share reinsurance which is taken out to reduce the overall exposure of the Group to certain classes of business. Non–proportional reinsurance is primarily excess–of–loss reinsurance designed to mitigate the Group's net exposure to catastrophe losses and large claims. Retention limits for the excess–of–loss reinsurance vary by class of business. Also, a significant portion of the reinsurance is affected under the facultative reinsurance contracts to cover a single risk exposure.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

The Group has in place effective exposure management systems. Aggregate exposure is modelled and tested against different stress scenarios to ensure adherence to the Group's overall risk appetite and alignment with reinsurance programs and underwriting strategies.

Loss reserve estimates are inherently uncertain. Reserves for unpaid losses are the largest single component of the liabilities of the Group. Actual losses that differ from the provisions, or revisions in the estimates, can have a material impact on future earnings and the statement of financial position. The Group has an in house experienced actuarial function who reviews and monitors the reserving policy and its implementation at quarterly intervals. They work closely with the underwriting and claims team to ensure an understanding of the Group's exposure and loss experience.

In addition, the Group receives external independent analysis of its reserve requirements on an annual basis.

In order to minimize financial exposure arising from large claims, the Group, in the normal course of business, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess-of-loss reinsurance contracts.

26. RISK MANAGEMENT (Continued)

Geographical concentration of risks

The Group's insurance risk based on geographical concentration of risk is illustrated in the table below:

	2020		*2019*	
	Gross written premiums	***Concentration Percentage***	*Gross written premiums*	*Concentration Percentage*
	USD '000	***%***	*USD '000*	*%*
Africa	**20,956**	**5**	16,492	5
Asia	**37,398**	**8**	32,810	9
Australasia	**19,104**	**4**	15,185	4
Caribbean Islands	**15,964**	**3**	8,334	2
Central America	**37,442**	**8**	37,732	11
Europe	**59,972**	**13**	37,328	11
Middle East	**48,401**	**10**	36,883	11
North America	**22,553**	**5**	4,281	1
South America	**20,548**	**4**	11,051	3
UK	**158,381**	**34**	115,863	33
Worldwide	**26,554**	**6**	33,333	10
	467,273		349,292	

Line of business concentration of risk

The Group's insurance risk based on line of business concentration is illustrated in the table below:

	2020		*2019*	
	Gross written premiums	***Concentration Percentage***	*Gross written premiums*	*Concentration Percentage*
	USD '000	***%***	*USD '000*	*%*
Energy	**91,742**	20	72,109	21
Property	**69,912**	**15**	46,137	13
Ports & Terminals	**25,474**	**5**	22,361	7
Casualty	**163,292**	**35**	115,890	33
Political Violence	**8,271**	**2**	8,297	2
Financial	**33,637**	**7**	23,181	7
Reinsurance	**19,318**	**4**	17,986	5
Engineering	**26,860**	**6**	20,704	6
Aviation	**23,002**	**5**	19,183	5
Marine	**5,765**	**1**	3,444	1
	467,273		349,292	

26. RISK MANAGEMENT (Continued)

Sensitivities

The analysis below shows the estimated impact on gross and net insurance contracts claims liabilities and on profit before tax, of potential reserve deviations on ultimate claims development at gross and net level from that reported in the consolidated statement of financial position as at 31 December 2020 and 2019.

In selecting the volatility factors, the Group has illustrated the sensitivity of the net claims to a standard variation in the gross outstanding claims. The choices of variation (7.5% and 5%) are illustrative but are consistent with what the Group would consider representative of a reasonable potential for variation. The illustrated variations do not represent limits of the potential variation and actual variation could significantly vary from the illustrated values.

	Gross Loss Sensitivity Factor	*Impact of increase on gross outstanding claims*	*Impact of decrease on gross outstanding claims*	*Impact of increase on net outstanding claims*	*Impact of decrease on net outstanding claims*	*Impact of increase on profit before tax*	*Impact of decrease on profit before tax*
	%	USD ‘000	USD ‘000	USD ‘000	USD ‘000	USD ‘000	USD ‘000
2020	**7.5**	**36,919**	**(36,919)**	**22,859**	**(22,857)**	**(22,859)**	**22,857**
2020	**5**	**24,613**	**(24,613)**	**15,240**	**(15,237)**	**(15,240)**	**15,237**
2019	7.5	30,979	(30,979)	18,541	(18,539)	(18,541)	18,539
2019	5	20,653	(20,653)	12,362	(12,359)	(12,362)	12,359

Financial risk

The Group’s principal financial instruments are financial assets at fair value through OCI, financial assets at fair value through profit or loss, financial assets at amortized cost, receivables arising from insurance, investments in associates, investment properties and reinsurance contracts, and cash and cash equivalents.

The Group does not enter into derivative transactions.

The main risks arising from the Group’s financial instruments are interest rate risk, foreign currency risk, credit risk, market price risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarized below.

26. RISK MANAGEMENT (Continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk on certain of its investments and cash and cash equivalents. The Group limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and interest-bearing investments and borrowings are denominated.

Details of maturities of the major classes of financial assets are as follows:

	Less than 1 year	*1 to 5 years*	*More than 5 years*	*Non-interest-bearing items*	*Total*	*Effective Interest Rate on interest bearing assets*
2020	*USD '000*	*USD '000*	*USD '000*	*USD '000*	*USD '000*	*(%)*
Financial assets at FVTPL	**-**	**-**	**-**	**22,780**	**22,780**	**-**
Financial assets at FVOCI	**102,617**	**181,349**	**106,952**	**21,249**	**412,167**	**2.53**
Financial assets at amortized cost	**2,706**	**-**	**-**	**-**	**2,706**	**5.86**
Cash and term deposits	**261,077**	**44,102**	**-**	**-**	**305,179**	**1.43**
	366,400	**225,451**	**106,952**	**44,029**	**742,832**	
2019						
Financial assets at FVTPL	-	-	-	21,806	21,806	-
Financial assets at FVOCI	55,678	148,658	4,189	19,890	228,415	2.86
Financial assets at amortized cost	2,968	-	-	-	2,968	5.83
Cash and term deposits	311,882	-	-	-	311,882	1.89
	370,528	148,658	4,189	41,696	565,071	

26. RISK MANAGEMENT (Continued)

The following table demonstrates the sensitivity of consolidated statement of income to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the Group's profit before tax for the year, based on the floating rate financial assets and financial liabilities held at 31 December.

	Decrease in basis points	*Effect on profit / Equity before tax for the year*
		USD '000
2020	**- 25**	**(1,435)**
	- 50	**(2,870)**
2019	- 25	(890)
	- 50	(1,780)

The effect of increases in interest rates are expected to be equal and opposite to the effects of the decreases shown above.

Foreign currency risk
Foreign currency risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign currency exchange rates.

The Group is exposed to currency risk mainly on insurance written premiums and incurred claims that are denominated in a currency other than the Group functional currency. The currencies in which these transactions are primarily denominated are Sterling (GBP) and Euro (EUR). As a significant portion of the Group's transactions are denominated in USD, this reduces currency risk. Intra Group transactions are primarily denominated in USD.

Part of the Group's monetary assets and liabilities are denominated in a currency other than the functional currency of the Group and are subject to risks associated with currency exchange fluctuation. The Group reduces some of this currency exposure by maintaining some of its bank balances in foreign currencies in which some of its insurance payables are denominated.

The following table demonstrates the sensitivity to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Changes in currency rate to USD	*Effect on profit / Equity before tax for the year*
	%	*USD '000*
2020		
EUR	**+10**	**(777)**
GBP	**+10**	**(426)**
2019		
EUR	+10	(1,731)
GBP	+10	6,414

26. RISK MANAGEMENT (Continued)

The effect of decreases in exchange rates are expected to be equal and opposite to the effects of the increases shown above.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk primarily from unpaid insurance receivables and fixed income instruments.

The Group has in place credit appraisal policies and procedures for inward business and receivables from insurance transactions are monitored on an ongoing basis to restrict the Group's exposure to doubtful debts.

The Group has in place security standards applicable to all reinsurance purchases and monitors the financial status of all reinsurance debtors at regular intervals.

The Group's portfolio of fixed income investments is managed by the Investments Committee in accordance with the investment policy established by the board of directors which has various credit standards for investments in fixed income securities.

Reinsurance and fixed income investments are monitored for the occurrence of a downgrade or other changes that might cause them to fall below the Group's security standards. If this occurs, management takes appropriate action to mitigate any loss to the Group.

The Group's bank balances are maintained with a range of international and local banks in accordance with limits set by the board of directors. There are no significant concentrations of credit risk within the Group. The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit rating of counterparties:

	Investment grade	*Non-investment grade (satisfactory)*	*In course of collection*	*Total*
	USD '000	*USD '000*	*USD '000*	*USD '000*
2020				
FVOCI - debts securities	**389,250**	**1,668**	**-**	**390,918**
Financial assets at amortized cost	**-**	**1,982**	**724**	**2,706**
Insurance receivables	**-**	**110,618**	**55,987**	**166,605**
Reinsurance share of outstanding claims	**186,851**	**634**	**-**	**187,485**
Deferred excess of loss premiums	**-**	**17,095**	**-**	**17,095**
Cash and cash equivalents	**110,503**	**22,464**	**-**	**132,967**
Term deposits	**124,283**	**47,929**	**-**	**172,212**
	810,887	**202,390**	**56,711**	**1,069,988**

26. RISK MANAGEMENT (Continued)

	Investment grade	*Non-investment grade (satisfactory)*	*In course of collection*	*Total*
	USD '000	*USD '000*	*USD '000*	*USD '000*
2019				
FVOCI - debts securities	206,997	1,528	-	208,525
Financial assets at amortized cost	-	1,982	986	2,968
Insurance receivables	-	65,836	47,139	112,975
Reinsurance share of outstanding claims	175,447	765	-	176,212
Deferred excess of loss premiums	-	15,173	-	15,173
Cash and cash equivalents	159,396	32,733	-	192,129
Term deposits	88,662	31,091	-	119,753
	630,502	149,108	48,125	827,735

For assets to be classified as 'past due and impaired' contractual payments are in arrears for more than 30 days for the debt instruments and 360 days for insurance receivables an impairment adjustment is recorded in the consolidated statement of income for this or when collectability of the amount is otherwise assessed as being doubtful. When the credit exposure is adequately secured, arrears more than 360 days might still be classified as 'past due but not impaired', with no impairment adjustment recorded.

26. RISK MANAGEMENT (Continued)

The schedule below shows the distribution of bonds and debt securities with fixed interest rate according to the international agencies classification:

Rating grade	Bonds	Unquoted bonds	Total
	USD '000	*USD '000*	*USD '000*
2020			
AAA	**44,616**	**-**	**44,616**
AA+	**2,049**	**-**	**2,049**
Aa1	**1,754**	**-**	**1,754**
AA	**2,238**	**-**	**2,238**
Aa2	**5,677**	**-**	**5,677**
AA-	**1,991**	**-**	**1,991**
Aa3	**15,587**	**-**	**15,587**
A+	**12,350**	**-**	**12,350**
A1	**13,709**	**-**	**13,709**
A	**41,400**	**-**	**41,400**
A2	**32,759**	**-**	**32,759**
A-	**43,237**	**-**	**43,237**
A3	**47,680**	**-**	**47,680**
BBB+	**35,224**	**-**	**35,224**
BBB	**32,919**	**-**	**32,919**
Baa1	**8,573**	**-**	**8,573**
Baa2	**20,598**	**-**	**20,598**
Baa3	**7,608**	**-**	**7,608**
BBB-	**10,127**	**-**	**10,127**
BB+	**1,374**	**-**	**1,374**
Ba1	**4,532**	**-**	**4,532**
Ba2	**2,163**	**-**	**2,163**
Ba3	**1,085**	**-**	**1,085**
B+	**210**	**-**	**210**
Not rated	**1,458**	**2,706**	**4,164**
Total	**390,918**	**2,706**	**393,624**

26. RISK MANAGEMENT (Continued)

Rating grade	Bonds	Unquoted bonds	Total
	USD '000	*USD '000*	*USD '000*
2019			
AAA	44,954	-	44,954
AA+	4,611	-	4,611
AA	2,926	-	2,926
Aa2	7,531	-	7,531
AA-	9,409	-	9,409
Aa3	2,394	-	2,394
A+	18,341	-	18,341
A1	1,514	-	1,514
A	28,935	-	28,935
A2	5,435	-	5,435
A-	32,466	-	32,466
A3	8,975	-	8,975
BBB+	16,039	-	16,039
BBB	14,521	-	14,521
Baa2	1,396	-	1,396
BBB-	7,333	-	7,333
BB-	216	-	216
Not rated	1,529	2,968	4,497
Total	208,525	2,968	211,493

26. RISK MANAGEMENT (Continued)

The schedule below shows the geographical distribution of bonds and debt securities with fixed interest rate:

Country	*Total*
	USD '000
2020	
Australia	**6,109**
Bahrain	**4,648**
Bermuda	**5,249**
Canada	**14,791**
China	**19,504**
Finland	**1,016**
France	**4,615**
Germany	**18,698**
Hong Kong	**1,905**
India	**3,278**
Japan	**12,259**
Jordan	**2,707**
South Korea	**7,239**
KSA	**15,383**
Kuwait	**1,035**
Luxembourg	**715**
Malaysia	**1,447**
Marshall Islands	**129**
Mexico	**1,102**
Netherlands	**10,775**
Oman	**1,085**
Qatar	**27,984**
Singapore	**5,294**
Spain	**3,793**
Sweden	**1,060**
Switzerland	**1,889**
Taiwan	**3,097**
UAE	**9,793**
UK	**52,033**
USA	**153,349**
Virgin Islands (British)	**1,643**
Total	**393,624**

26. RISK MANAGEMENT (Continued)

Country	***Total***
	USD '000
2019	
Australia	1,053
Bahrain	216
Bermuda	765
Canada	9,164
Cayman Island	640
China	8,540
Europe	3,182
Finland	1,035
France	1,242
Germany	14,714
Global	991
Hong Kong	1,220
Japan	7,866
Jordan	2,968
KSA	2,349
Kuwait	1,020
Mexico	1,098
Netherlands	1,869
Norway	750
Pacific basin	3,002
Qatar	8,098
South Korea	5,127
Spain	545
Switzerland	332
UAE	5,691
UK	13,491
USA	114,525
Total	211,493

26. RISK MANAGEMENT (Continued)

Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The Group's equity price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices.

The following table demonstrates the sensitivity of the profit for the period and the cumulative changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

2020	***Change in equity price***	***Effect on profit before tax for the year***	***Effect on Equity***
		USD '000	***USD '000***
Amman Stock Exchange	**+5%**	**46**	**46**
Saudi Stock Exchange	**+5%**	**-**	**590**
Qatar Stock Exchange	**+5%**	**25**	**25**
Abu Dhabi Security Exchange	**+5%**	**52**	**52**
New York Stock Exchange	**+5%**	**149**	**170**
Kuwait Stock Exchange	**+5%**	**-**	**5**
London Stock Exchange	**+5%**	**312**	**294**
Other quoted	**+5%**	**554**	**635**

2019	*Change in equity price*	*Effect on profit before tax for the year*	*Effect on Equity*
		USD '000	*USD '000*
Amman Stock Exchange	+5%	58	58
Saudi Stock Exchange	+5%	-	617
Qatar Stock Exchange	+5%	24	24
Abu Dhabi Security Exchange	+5%	61	61
New York Stock Exchange	+5%	124	161
Kuwait Stock Exchange	+5%	-	3
London Stock Exchange	+5%	343	343
Other quoted	+5%	480	554

The Group also has unquoted investments carried at fair value determined based on valuation techniques as per level 3 of fair value hierarchy.

The Group limits market risk by maintaining a diversified portfolio and by monitoring of developments in equity markets.

26. RISK MANAGEMENT (Continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its commitments associated with insurance contracts and financial liabilities as they fall due.

The Group continually monitors its cash and investments to ensure that the Group meets its liquidity requirements. The Group's asset allocation is designed to enable insurance liabilities to be met with current assets.

All liabilities are non-interest bearing liabilities, except for the lease liabilities accounted for under IFRS 16 "Leases".

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payments:

2020	***Less than one year USD '000***	***More than one year USD '000***	***Total USD '000***
Gross outstanding claims	**210,536**	**281,719**	**492,255**
Gross unearned premiums	**222,124**	**55,144**	**277,268**
Insurance payables	**78,461**	**5,000**	**83,461**
Other liabilities	**18,027**	**2,419**	**20,446**
Due to related parties	**54,682**	**-**	**54,682**
Unearned commissions	**10,012**	**1,026**	**11,038**
Total liabilities	**593,842**	**345,308**	**939,150**
2019			
Gross outstanding claims	172,243	240,810	413,053
Gross unearned premiums	159,660	46,554	206,214
Insurance payables	53,544	-	53,544
Other liabilities	9,826	1,139	10,965
Due to related parties	7,871	-	7,871
Unearned commissions	7,531	1,379	8,910
Total liabilities	410,675	289,882	700,557

26. RISK MANAGEMENT (Continued)

Maturity analysis of assets and liabilities

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

	31 December 2020			
	Less than one year USD '000	*More than one year* USD '000	*No term* USD '000	*Total* USD '000
ASSETS				
Cash and cash equivalents	**127,567**	**5,400**	**-**	**132,967**
Term deposits	**133,510**	**38,702**	**-**	**172,212**
Insurance receivables	**164,778**	**1,827**	**-**	**166,605**
Investments	**105,323**	**288,301**	**44,029**	**437,653**
Investments in associates	**-**	**-**	**11,583**	**11,583**
Reinsurance share of outstanding claims	**83,210**	**104,275**	**-**	**187,485**
Reinsurance share of unearned premiums	**47,186**	**2,891**	**-**	**50,077**
Deferred excess of loss premiums	**17,095**	**-**	**-**	**17,095**
Deferred policy acquisition costs	**52,186**	**18,654**	**-**	**70,840**
Other assets	**9,580**	**-**	**-**	**9,580**
Due from related parties	**35,767**	**-**	**-**	**35,767**
Investment properties	**-**	**-**	**20,806**	**20,806**
Property, premises and equipment	**-**	**12,560**	**-**	**12,560**
Intangible assets	**-**	**4,710**	**-**	**4,710**
TOTAL ASSETS	**776,202**	**477,320**	**76,418**	**1,329,940**
LIABILITIES AND EQUITY				
LIABILITIES				
Gross outstanding claims	**210,536**	**281,719**	**-**	**492,255**
Gross unearned premiums	**222,124**	**55,144**	**-**	**277,268**
Insurance payables	**78,461**	**5,000**	**-**	**83,461**
Other liabilities	**18,027**	**2,193**	**-**	**20,220**
Deferred tax liabilities	**55**	**-**	**-**	**55**
Due to related parties	**54,682**	**-**	**-**	**54,682**
Unearned commissions	**10,012**	**1,026**	**-**	**11,038**
TOTAL LIABILITIES	**593,897**	**345,082**	**-**	**938,979**
EQUITY				
Issued share capital	**-**	**-**	**120**	**120**
Contributed surplus	**-**	**-**	**145,601**	**145,601**
Fair value reserve	**-**	**-**	**19,025**	**19,025**
Retained earnings	**-**	**-**	**226,215**	**226,215**
TOTAL EQUITY	**-**	**-**	**390,961**	**390,961**
TOTAL LIABILITIES AND EQUITY	**593,897**	**345,082**	**390,961**	**1,329,940**

26. RISK MANAGEMENT (Continued)

	31 December 2019			
	Less than one year	*More than one year*	*No term*	*Total*
	USD '000	USD '000	USD '000	USD '000
ASSETS				
Cash and cash equivalents	192,129	-	-	192,129
Term deposits	119,753	-	-	119,753
Insurance receivables	110,219	2,756	-	112,975
Investments	58,453	152,847	41,889	253,189
Investments in associates	-		13,062	13,062
Reinsurance share of outstanding claims	81,410	94,802	-	176,212
Reinsurance share of unearned premiums	30,227	3,690	-	33,917
Deferred excess of loss premiums	15,173	-	-	15,173
Deferred policy acquisition costs	36,634	17,231	-	53,865
Other assets	5,874	-	-	5,874
Due from related parties	30,132	-	-	30,132
Investment properties	-	-	26,506	26,506
Property, premises and equipment	-	12,119	-	12,119
Intangible assets	-	3,886	-	3,886
TOTAL ASSETS	680,004	287,331	81,457	1,048,792
LIABILITIES AND EQUITY				
LIABILITIES				
Gross outstanding claims	172,243	240,810	-	413,053
Gross unearned premiums	159,660	46,554	-	206,214
Insurance payables	53,544	-	-	53,544
Other liabilities	9,774	1,042	-	10,816
Deferred tax liabilities	347	-	-	347
Due to related parties	7,871	-	-	7,871
Unearned commissions	7,531	1,379	-	8,910
TOTAL LIABILITIES	410,970	289,785	-	700,755
EQUITY				
Issued share capital	-	-	120	120
Contributed surplus	-	-	145,601	145,601
Fair value reserve	-	-	5,041	5,041
Retained earnings	-	-	197,275	197,275
TOTAL EQUITY	-	-	348,037	348,037
TOTAL LIABILITIES AND EQUITY	410,970	289,785	348,037	1,048,792

26. RISK MANAGEMENT (Continued)

Capital management and statutory requirements

The Group manages its capital by ‘Enterprise Risk Management’ techniques, using a dynamic financial analysis model. The Asset Liability match is reviewed and monitored on a regular basis to maintain a strong credit rating and healthy capital adequacy ratios to support its business objectives and maximize shareholders’ value.

Adjustments to capital levels are made in light of changes in market conditions and risk characteristics of the Group's activities.

Capital comprises of issued share capital, additional paid in capital, treasury shares, foreign currency translation reserve, fair value reserve, and retained earnings and is measured at USD 390,961 thousand as at 31 December 2020 (2019: USD 348,037 thousand).

The capital requirements imposed on the Groups regulated entities are as follows:

International General Insurance Co. Ltd (Bermuda)

The Bermuda Insurance Act 1978 and Related Regulations (the Act) requires the Company to meet a minimum solvency margin. The Company has met the minimum solvency margin requirement at 31 December 2020 and 2019. In addition, a minimum liquidity ratio must be maintained whereby relevant assets, as defined by the Act, must exceed 75% of relevant liabilities. This ratio was met at 31 December 2020 and 2019.

Under the Insurance Act, the Company is subject to capital requirements calculated using the Bermuda Solvency and Capital Requirement model (“BSCR model”), which is a standardized statutory risk-based capital model used to measure the risk associated with the Company’s assets, liabilities and premiums. Under the BSCR model, the Company’s required statutory capital and surplus is referred to as the enhanced capital requirement (“ECR”). The Company is required to calculate and submit the ECR to the BMA annually. Following receipt of the submission of the Company’s ECR, the BMA has the authority to impose additional capital requirements or capital add-ons, if it deems necessary. If an insurer fails to maintain or meet its ECR, the BMA may take various degrees of regulatory action. As at 31 December 2020 and 2019, the Company met its ECR.

International General Insurance Company (UK) Limited

The Company is regulated by the Prudential Regulation Authority and is subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held in addition to the insurance liabilities.

Since 1 January 2016 the Company has been subject to the Solvency II regime and is required to meet a Solvency Coverage Ratio (SCR) which is calibrated to seek to ensure a 99.5% confidence of the ability to meet its obligations over a 12-month time horizon. The Company calculates its SCR in accordance with the standard formula prescribed in the Solvency II regulations as the assumptions underlying the standard formula are considered to be a good fit for the Company’s risk profile.

The Company has met all requirements for the years 2020 and 2019.

26. RISK MANAGEMENT (Continued)

International General Insurance Company Ltd. Labuan Branch

The Branch is subjected to minimum capital requirements under the Labuan Financial Services and Securities Act 2010.

The Branch monitors and ensures its capital is within the minimum solvency margins requirements under the Labuan Financial Services and Securities Act 2010 at all times. If there are any, large event which will affect the Branch's ability to maintain solvency margins requirements, the Branch will notify the head office to cash call in advance.

As at 31 December 2020 and 2019, the Branch met the minimum solvency margin requirements.

Fair value

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	31 December 2020			
	Level 1	***Level 2***	***Level 3***	***Total***
	USD '000	***USD '000***	***USD '000***	***USD '000***
FVTPL	**22,780**	**-**	**-**	**22,780**
Quoted equities at FVOCI	**14,935**	**-**	**-**	**14,935**
Quoted bonds at FVOCI	**390,918**	**-**	**-**	**390,918**
Unquoted equities at FVOCI *	**-**	**-**	**6,314**	**6,314**
Investment properties	**-**	**-**	**20,806**	**20,806**
	428,633	**-**	**27,120**	**455,753**

	31 December 2019			
	Level 1	*Level 2*	*Level 3*	*Total*
	USD '000	*USD '000*	*USD '000*	*USD '000*
FVTPL	21,806	-	-	21,806
Quoted equities at FVOCI	14,629	-	-	14,629
Quoted bonds at FVOCI	208,525	-	-	208,525
Unquoted equities at FVOCI *	-	-	5,261	5,261
Investment properties	-	-	26,506	26,506
	244,960	-	31,767	276,727

26. RISK MANAGEMENT (Continued)

* Reconciliation of fair value of the unquoted equities under level 3 fair value hierarchy is as follows:

	2020	*2019*
	USD '000	*USD '000*
Balance at the beginning of the year	**5,261**	5,264
Purchases	**1,503**	-
Total (losses) recognized in OCI	**(450)**	(3)
Balance at the end of the year	**6,314**	5,261

27. SUBSEQUENT EVENTS

Other than the resolution of the litigation in April 2021 disclosed in Note 23 on Commitments and Contingencies, there have been no material events between 31 December 2020 and the date of this report which are required to be disclosed.