International General Insurance Co. Ltd.

Consolidated Financial Statements

31 December 2022

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Report of Independent Auditors

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

We have audited the accompanying consolidated financial statements of International General Insurance Co. Ltd., which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of International General Insurance Co. Ltd. at December 31, 2022 and 2021, and the consolidated results of its operations and its cash flows for the years then ended in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Ernst & Young LLP

Ernst & Young LLP

We have served as the Company's auditor since 2019
London, United Kingdom
April 27, 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	**2022 USD '000**	2021 USD '000
ASSETS			
Cash and cash equivalents	3 (a)	**137,621**	241,795
Term deposits	3 (b)	**297,026**	179,966
Insurance receivables	4	**184,847**	179,345
Investments	5	**534,348**	469,790
Investments in associates	6	**6,049**	5,693
Reinsurance share of outstanding claims	7	**188,823**	182,248
Reinsurance share of unearned premiums	8	**70,519**	64,124
Deferred excess of loss premiums	9	**19,671**	17,238
Deferred policy acquisition costs	10	**89,202**	83,381
Deferred tax assets	25	**5,656**	471
Other assets	11	**14,121**	9,966
Due from related parties	24	**36,043**	35,897
Investment properties	12	**15,915**	17,103
Property, premises and equipment	13	**12,856**	14,259
Intangible assets	14	**3,556**	4,321
TOTAL ASSETS		**1,616,253**	1,505,597
LIABILITIES AND EQUITY			
LIABILITIES			
Gross outstanding claims	7	**634,570**	575,899
Gross unearned premiums	8	**354,032**	328,726
Insurance payables	15	**86,812**	89,519
Other liabilities	16	**27,967**	28,661
Deferred tax liabilities	25	**-**	14
Due to related parties	24	**67,279**	60,957
Unearned commissions	17	**16,808**	13,725
TOTAL LIABILITIES		1,187,468	1,097,501
EQUITY			
Issued share capital	18	**120**	120
Contributed surplus		**145,601**	145,601
Foreign Currency translation reserve	18	**1,506**	1,359
Fair value reserve	18	**(38,054)**	9,083
Retained earnings		**319,612**	251,933
TOTAL EQUITY		428,785	408,096
TOTAL LIABILITIES AND EQUITY		1,616,253	1,505,597

The consolidated financial statements for the year 2022 were approved by the Board of Directors on 20 March 2023.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2022

	Notes	**2022 USD ‘000**	*2021 USD ‘000*
Gross written premiums	8	**581,847**	545,582
Reinsurers’ share of insurance premiums	8	**(186,483)**	(162,973)
Net written premiums	8	**395,364**	382,609
Change in unearned premiums		**(25,306)**	(51,458)
Reinsurers’ share of change in unearned premiums		**6,395**	14,047
Net change in unearned premiums		**(18,911)**	(37,411)
Net premiums earned	8	**376,453**	345,198
Claims and claim adjustment expenses	7	**(235,279)**	(203,366)
Reinsurers’ share of claims	7	**77,579**	27,174
Net claims and claim adjustment expenses		**(157,700)**	(176,192)
Commissions earned	17	**33,515**	23,035
Policy acquisition costs	10	**(136,035)**	(114,812)
Net policy acquisition expenses		**(102,520)**	(91,777)
Net underwriting results		**116,233**	77,229
General and administrative expenses	20	**(39,229)**	(31,570)
Net investment income	21	**16,446**	16,116
Share of loss from associates	6	**209**	(7,248)
Impairment loss on insurance receivables	4	**(3,154)**	(5,181)
Other revenues	22	**2,286**	1,844
Other expenses	22	**(2,828)**	(2,693)
Gain on foreign exchange		**(9,186)**	(4,902)
Profit before tax		**80,777**	43,595
Income tax	25	**(2,284)**	(1,768)
Profit for the year		**78,493**	41,827

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022	*2021*
	USD ‘000	*USD ‘000*
Profit for the year	**78,493**	41,827
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	**(45,135)**	(9,240)
Currency translation differences	**147**	1,359
Changes in allowance for expected credit losses transferred to consolidated statement of income	**(138)**	114
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	**(1,883)**	(816)
Realized gain on sale of equities at fair value through other comprehensive income	**19**	-
Other comprehensive income for the year	**(46,990)**	(8,583)
Total comprehensive income for the year	**31,503**	33,244

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	***2022 USD '000***	*2021 USD '000*
OPERATING ACTIVITIES			
Profit before tax		**80,777**	43,595
Adjustments for:			
Depreciation and amortization	13,14	**3,661**	3,554
Impairment loss on insurance receivables	4	**3,154**	5,181
Impairment of goodwill	20	**-**	41
Loss on disposal of property, premises and equipment	22	**(26)**	60
Realized gain on sale of financial assets at FVTPL	21	**86**	(396)
Fair value loss on investment properties	21	**574**	1,300
Realized gain on sale of investment properties	21	**107**	8
Loss (gain) on revaluation of financial assets at FVTPL	21	**2,950**	(3,089)
Loss on sale of bonds at fair value through OCI	21	**619**	88
Expected credit loss on financial assets	21	**27**	180
Share of loss from associates	6	**(209)**	7,248
Lease interest expense	16	**132**	358
Interest income	21	**(20,381)**	(14,049)
Net foreign exchange differences		**9,186**	4,902
Cash from operations before working capital changes		**80,657**	48,981
Working capital adjustments			
Term deposits		**(117,060)**	(7,754)
Insurance receivables		**(8,698)**	(20,005)
Purchase of financial assets at FVTPL		**(1,607)**	(6,470)
Purchase of bonds through OCI		**(189,256)**	(159,041)
Proceeds from maturity of financial assets at amortized cost		**312**	169
Proceeds from sale/maturity of bonds at fair value through OCI		**61,521**	116,963
Proceeds from sale of financial assets at FVTPL		**833**	5,727
Reinsurance share of outstanding claims		**(6,575)**	5,237
Reinsurance share of unearned premiums		**(6,395)**	(14,047)
Deferred excess of loss premiums		**(2,433)**	(143)
Deferred policy acquisition costs		**(5,821)**	(12,541)
Other assets		**(2,730)**	1,145
Related parties		**6,176**	6,145
Interest received		**21,195**	15,043
Additions to investment properties		**(11)**	(37)
Proceeds from sale of investment property		**518**	1,120
Gross outstanding claims		**58,671**	83,644
Gross unearned premiums		**25,306**	51,458
Insurance payables		**(2,707)**	6,058
Other liabilities		**55**	7,906
Unearned commissions		**3,083**	2,687
Net cash flows (used in) from operating activities before tax		**(84,966)**	132,245
Income tax paid		**(2,760)**	(2,349)
Net cash flows (used in) from operating activities after tax		**(87,726)**	129,896
INVESTING ACTIVITIES			
Purchases of property, premises and equipment		**(748)**	(1,485)
Sale of property, premises and equipment		**26**	
Acquisition of a subsidiary, net of cash acquired		**-**	(146)
Purchases of intangible assets		**(517)**	(859)
Net cash flows used in investing activities		**(1,239)**	(2,490)
FINANCING ACTIVITIES			
Dividends paid	19	**(10,814)**	(16,109)
Lease liabilities payments	16	**(1,041)**	(783)
Net cash flows used in financing activities		**(11,855)**	(16,892)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(100,820)**	110,514
Net foreign exchange differences		**(3,354)**	(1,686)
Cash and cash equivalents at the beginning of the year		**241,795**	132,967
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3	**137,621**	241,795

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Share capital USD '000	*Contributed Surplus USD '000*	*Foreign currency translation reserve USD '000*	*Fair value reserve USD '000*	*Retained earnings USD '000*	*Total USD '000*
As at 1 January 2021	120	145,601	-	19,025	226,215	390,961
Profit for the year	-	-	-	-	41,827	41,827
Other comprehensive income	-	-	1,359	(9,942)	-	(8,583)
Total comprehensive income	-	-	1,359	(9,942)	41,827	33,244
Cash dividends (note 19)	-	-	-	-	(16,109)	(16,109)
As at 31 December 2021	120	145,601	1,359	9,083	251,933	408,096
Profit for the year	**-**	**-**	**-**	**-**	**78,493**	**78,493**
Other comprehensive income	**-**	**-**	**147**	**(47,137)**	**-**	**(46,990)**
Total comprehensive income	**-**	**-**	**147**	**(47,137)**	**78,493**	**31,503**
Cash dividends (note 19)	**-**	**-**	**-**	**-**	**(10,814)**	**(10,814)**
As at 31 December 2022	**120**	**145,601**	**1,506**	**(38,054)**	**319,612**	**428,785**

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, Malta, 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.

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 2022. 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.

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.

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:			***2022***	*2021*
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%
International General Insurance Company (Europe) SE	Malta	Reinsurance and insurance	**100%**	100%
Branches:				
International General Insurance Company Ltd. Labuan - Branch	Malaysia	Reinsurance and insurance	**100%**	100%

2. BASIS OF PREPARATION (Continued)

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 2021.

There are no new standards or amendments effective in 2022 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 will be voluntarily changing its basis of accounting from IFRS to the Generally Accepted Accounting Principles in the United States of America ("U.S. GAAP") and will present its consolidated financial statements in U.S. GAAP effective January 1, 2023 (the "first reporting period"). Accordingly, the Group has evaluated the potential transitional impact of such change and its first application of U.S. GAAP. As a result, the Group has discontinued the process of implementing IFRS 17.

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.

2. BASIS OF PREPARATION (Continued)

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.

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.

2. BASIS OF PREPARATION (Continued)

• 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.

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.

2. BASIS OF PREPARATION (Continued)

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.

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.

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.

2. BASIS OF PREPARATION (Continued)

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.

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.

2. BASIS OF PREPARATION (Continued)

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

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.

2. BASIS OF PREPARATION (Continued)

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.

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.

2. BASIS OF PREPARATION (Continued)

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.

The associates' functional currency is the currency of a hyperinflationary economy and is adjusted in terms of the measuring unit current at the end of the reporting period. As the presentation currency of the Group is that of a non-hyperinflationary economy, comparative amounts are not adjusted for changes in the price level in the current year. Differences between these comparative amounts and current year hyperinflation adjusted equity balances are recognised in other comprehensive income. The carrying amounts of non-monetary assets and liabilities are adjusted to reflect the change in the general price index from the date of acquisition to the end of the reporting period. An impairment loss is recognised in profit or loss if the restated amount of a non-monetary item exceeds its estimated recoverable amount.

All the amounts in the associates' financial statements (assets, liabilities, equity items, income, and expenses) are translated at the closing rate as of 31 December 2022.

Gains or losses on the net monetary position are recognised in profit or loss.

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.

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.

2. BASIS OF PREPARATION (Continued)

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	50
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.

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.

2. BASIS OF PREPARATION (Continued)

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.

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.

2. BASIS OF PREPARATION (Continued)

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 results of the assessment are aggregated to the reporting segment level.

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

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.

2. BASIS OF PREPARATION (Continued)

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.

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 financial assets measured at fair value through other comprehensive income.

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.

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2. BASIS OF PREPARATION (Continued)

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

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.

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.

2. BASIS OF PREPARATION (Continued)

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 for both the expected ultimate cost of claims reported and 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.

Total carrying amount of insurance contract liabilities as at year ended 31 December 2022 was USD 634,570 thousand (2021: USD 575,899 thousand). As at 31 December 2022, gross incurred but not reported claims (IBNR) amounted to USD 325,979 thousand (2021: USD 268,953 thousand) out of the total insurance contract liabilities.

Valuation of investment properties

Investment properties amounted to USD 15,915 thousand as at 31 December 2022 (2021: USD 17,103 thousand) and 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).

2. BASIS OF PREPARATION (Continued)

Valuation of investment properties of the associates

Investment in associates amounted to USD 6,049 thousand as at 31 December 2022 (2021: USD 5,693 thousand). The associates' main business is investing in investment properties located in Beirut, Lebanon. The investment properties of the associates are stated at fair value determined by management. In doing so, management has considered valuation performed by third party specialist using the sales comparison approach. The real estate market in Lebanon has changed significantly since the onset of the financial crisis that affected the country. Due to the relatively limited information available under the prevailing market conditions, and as a result of artificial demand created by investors outside the professional real estate development industry, who primarily aim to divest from cash assets into more secure holdings, prices found on the market are uncertain. Furthermore, since the majority of property owners are only accepting payments in US Dollars and not in local Lebanese currency, demand for commercial buildings has dropped considerably. Accordingly, prices found on the market at year end 2022, including achieved sales prices, are only indicative and may not hold if the market were to be corrected.

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 2022 was USD 17,510 thousand (2021: USD 14,356 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 2022 was USD 1,500 thousand (2021: USD 1,379 thousand).

3. CASH AT BANKS

(a) CASH AND CASH EQUIVALENTS

	2022	*2021*
	USD '000	*USD '000*
Cash and bank balances*	**82,647**	205,515
Deposits with original maturities of three months or less	**54,974**	36,280
	137,621	241,795

* This item includes restricted cash in the amount of USD 10,800 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 (2021: USD 5,400 thousand). In addition, this item includes a restricted call deposit in the amount of USD 5,000 thousand (2021: USD 5,000 thousand a deposit with original maturity over three months and less than one year) placed in favor of the Group as collateral against reinsurance arrangements. The interest earned on this deposit is recognised as a liability and transferred to the reinsurance company on a semi-annual basis.

3. CASH AT BANKS (continued)

(b) TERM DEPOSITS

	2022	*2021*
	USD '000	*USD '000*
Deposits with original maturities over three months and less than one year	**265,691**	136,278
Deposits with original maturities over one year	**31,335**	43,688
	297,026	179,966

The deposits are denominated in US Dollars and other US Dollars pegged currencies, Pound Sterling, Euro and Australian Dollars. All deposits earned interest in the range between 0.6%-6.1% (2021: 0.4%-3.0%) and are held for varying periods between three months up to 2 years depending on the immediate cash requirements of the Group.

4. INSURANCE RECEIVABLES

	2022 USD '000	*2021 USD '000*
Receivables from insurance companies and intermediaries	**202,357**	193,701
Less: Expected credit losses on insurance receivables	**(17,510)**	(14,356)
	184,847	179,345

The movement in the expected credit losses is as follows:

	2022 USD '000	*2021 USD '000*
Opening balance	**14,356**	9,235
Provision for the year	**3,154**	5,181
Write-offs	**-**	(60)
Ending balance	**17,510**	14,356

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 2022 and 2021 are as follows:

	2022			
	Amortized cost USD '000	***Fair value through other comprehensive income USD '000***	***Fair value through profit or loss USD '000***	***Total USD '000***
Unquoted bonds*	**2,623**	**-**	**-**	**2,623**
Quoted bonds	**-**	**489,081**	**-**	**489,081**
Quoted funds and alternative investments	**-**	**-**	**12,237**	**12,237**
Quoted equities	**-**	**10,845**	**13,201**	**24,046**
Unquoted equities**	**-**	**6,990**	**-**	**6,990**
Expected credit losses and impairment	**(629)**	**-**	**-**	**(629)**
	1,994	**506,916**	**25,438**	**534,348**

	2021			
	Amortized cost USD '000	*Fair value through other comprehensive income USD '000*	*Fair value through profit or loss USD '000*	*Total USD '000*
Unquoted bonds*	2,934	-	-	2,934
Quoted bonds	-	418,445	-	418,445
Quoted funds and alternative investments	-	-	14,377	14,377
Quoted equities	-	13,721	14,162	27,883
Unquoted equities**	-	6,614	-	6,614
Expected credit losses and impairment	(463)	-	-	(463)
	2,471	438,780	28,539	469,790

* This includes 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.

This bond is backed up by collateral in the form of real estate properties. However, the Group management has provided USD 622 thousand which fully covers the remaining amount of the bond at as 31 December 2022 (2021: USD 441 thousand).

** The Group has one unquoted equity investment under level 3 designated at fair value through OCI valued at USD 6,990 thousand (2021: USD 6,614 thousand). As at 31 December 2022 and 2021, the Group had 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.

5. INVESTMENTS (Continued)

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

	2022	*2021*
	USD '000	*USD '000*
Opening balance	**463**	397
Addition of provision for investment held at amortized cost	**166**	66
Ending balance	**629**	463

The addition of allowance for bonds at FVTOCI for the year 2022 of USD 138 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 table below shows the sensitivity of the fair value of Level 3 financial assets as at 31 December 2022and 2021:

	%	*Positive impact*	*Negative impact*	*Valuation variables*
		USD '000	*USD '000*	
2022	**+/- 10**	**770**	**(770)**	Market multiples applied to a range of financial performance measures***
2021	+/- 10	692	(692)	Market multiples applied to a range of financial performance measures

*** As at 31 December 2022, 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 6,220 thousand to USD 7,760 thousand (2021: USD 5,922 thousand to USD 7,306 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*	
		2022	*2021*
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:

	2022	*2021*
	USD '000	*USD '000*
Opening balance	**5,693**	11,583
Opening balance adjustments for hyperinflation and effect of movements in exchange rates recognised in other comprehensive income	**147**	1,358
Adjusted opening balance	**5,840**	12,941
Share of associated companies' financial results	**(48)**	(227)
Investment properties fair value adjustment	**257**	(7,021)
Share of loss from associates	**209**	(7,248)
Ending balance	**6,049**	5,693

The inflation in Lebanon has increased significantly in prior years, and the underlying quantitative and qualitative indicators following the deteriorating economic conditions and currency controls support the conclusion that Lebanon is a hyperinflationary economy.

Accordingly, for the purpose of the Group's consolidated financial statements, the associates' financial statements (which are based on historical cost approach, except for the investment properties which are measured at fair value) have been adjusted to be expressed in terms of the measuring unit current at the end of the reporting period by applying a general price index.

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.

6. INVESTMENTS IN ASSOCIATES (Continued)

	2022				
	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	**8**	**9**	**7**	**438**	**462**
Non-current assets	**1,999**	**1,390**	**2,231**	**14,585**	**20,205**
Current liabilities	**(25)**	**(18)**	**(30)**	**(167)**	**(240)**
Non-current liabilities	**(273)**	**(288)**	**(210)**	**(1,155)**	**(1,926)**
Net assets	**1,709**	**1,093**	**1,998**	**13,701**	**18,501**
The Group’s share of net assets	**559**	**357**	**653**	**4,480**	**6,049**

	2021				
	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	7	11	3	344	365
Non-current assets	1,870	1,287	2,091	13,538	18,786
Current liabilities	(120)	(148)	(29)	(182)	(479)
Non-current liabilities	(152)	(152)	(151)	(805)	(1,260)
Net assets	1,605	998	1,914	12,895	17,412
The Group’s share of net assets	525	326	626	4,216	5,693

The following table includes summarized information of the Group’s share of loss from associates for years 2022 and 2021:

	2022				
	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	**4**	**-**	**6**	**526**	**536**
Net loss	**81**	**85**	**33**	**439**	**638**
The Group’s share of loss	**26**	**28**	**11**	**144**	**209**

	2021				
Associates’ revenues and results:	USD ‘000	USD ‘000	USD ‘000	USD ‘000	USD ‘000
Revenues	11	-	2	422	435
Net loss	(2,456)	(2,007)	(2,608)	(15,095)	(22,166)
The Group’s share of loss	(803)	(656)	(853)	(4,936)	(7,248)

6. INVESTMENTS IN ASSOCIATES (Continued)

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.

The real estate market in Lebanon has changed significantly since the onset of the financial crisis that affected the country. Due to the relatively limited information available under the prevailing market conditions, and as a result of artificial demand created by investors outside the professional real estate development industry, who primarily aim to divest from cash assets into more secure holdings, prices found on the market are uncertain. Furthermore, since the majority of property owners are only accepting payments in US Dollars and not in local Lebanese currency, demand for commercial buildings has dropped considerably. Accordingly, prices found on the market at year end 2022, including achieved sales prices, are only indicative and may not hold if the market were to be corrected.

All the investment properties generated rental income during the current year and the prior years, except for Sina SAL which did not generate rental income during 2022 and 2021.

The sensitivity of the Group's consolidated statement of income for the years 2022 and 2021 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 change in price per square meter	
	%	*Increase*	*Decrease*
		USD '000	*USD '000*
2022	**+/- 20**	**1,480**	**(1,480)**
2021	+/- 20	1,511	(1,511)

7. OUTSTANDING CLAIMS

Movement in outstanding claims

	2022			*2021*		
		Reinsurer' share			*Reinsurers' share*	
	Gross		***Net***	*Gross*		*Net*
	USD '000	***USD '000***	***USD '000***	*USD '000*	*USD '000*	*USD '000*
At the beginning of the year						
Reported claims	**306,946**	**(120,323)**	**186,623**	312,334	(160,373)	151,961
Claims incurred but not reported	**268,953**	**(61,925)**	**207,028**	179,921	(27,112)	152,809
	575,899	**(182,248)**	**393,651**	492,255	(187,485)	304,770
Claims paid	**(176,608)**	**71,004**	**(105,604)**	(119,722)	32,411	(87,311)
Incurred claims:						
Provided during the year related to current accident year	**273,738**	**(75,556)**	**198,182**	257,233	(64,926)	192,307
(Released) provided during the year related to previous accident years	**(38,459)**	**(2,023)**	**(40,482)**	(53,867)	37,752	(16,115)
	235,279	**(77,579)**	**157,700**	203,366	(27,174)	176,192
At the end of the year	**634,570**	**(188,823)**	**445,747**	575,899	(182,248)	393,651
At the end of the year						
Reported claims	**308,591**	**(102,004)**	**206,587**	306,946	(120,323)	186,623
Claims incurred but not reported	**325,979**	**(86,819)**	**239,160**	268,953	(61,925)	207,028
	634,570	**(188,823)**	**445,747**	575,899	(182,248)	393,651

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 USD '000	2010 USD '000	2011 USD '000	2012 USD '000	2013 USD '000	2014 USD '000	2015 USD '000	2016 USD '000	2017 USD '000	2018 USD '000	2019 USD '000	2020 USD '000	2021 USD '000	2022 USD '000	Total USD '000
At end of accident year		122,323	128,498	133,595	159,549	152,384	174,601	175,094	278,298	196,709	150,800	225,950	257,233	273,738	
One year later		108,523	106,567	119,425	155,958	114,972	160,100	173,369	309,258	219,593	143,093	219,794	216,610	-	
Two years later		105,943	100,764	108,557	148,161	101,352	149,533	167,695	317,053	213,655	126,522	212,577	-	-	
Three years later		100,572	110,286	110,046	142,309	92,846	145,921	158,572	317,778	191,253	141,382	-	-	-	
Four years later		99,513	114,464	103,996	133,917	88,210	142,926	162,210	311,662	181,331	-	-	-	-	
Five years later		101,599	110,266	104,541	132,992	85,621	142,478	162,215	313,214	-	-	-	-	-	
Six years later		100,199	111,774	103,167	130,844	83,183	141,758	163,829	-	-	-	-	-	-	
Seven years later		100,303	110,644	97,918	130,616	82,709	142,306	-	-	-	-	-	-	-	
Eight years later		100,073	111,028	97,998	130,374	83,584	-	-	-	-	-	-	-	-	
Nine years later		100,120	111,198	98,088	128,905	-	-	-	-	-	-	-	-	-	
Ten years later		99,972	109,706	99,481	-	-	-	-	-	-	-	-	-	-	
Eleven years later		100,497	109,466	-	-	-	-	-	-	-	-	-	-	-	
Twelve years later		100,525	-	-	-	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	309,813	100,525	109,466	99,481	128,905	83,584	142,306	163,829	313,214	181,331	141,382	212,577	216,610	273,738	2,476,761
Cumulative payments to date	308,203	100,214	104,190	97,847	128,644	83,656	137,810	157,668	289,721	153,435	94,133	103,433	65,356	17,881	1,842,191
Gross liability included in the consolidated statement of financial position															634,570

7. OUTSTANDING CLAIMS (Continued)

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

	All prior years	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*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*	*USD '000*
At end of accident year		*71,380*	*76,231*	*100,119*	*123,553*	*115,851*	*92,893*	*98,771*	*110,341*	*94,266*	*124,356*	*157,815*	*192,307*	*198,182*	
One year later		*63,488*	*60,555*	*88,131*	*121,694*	*90,078*	*86,991*	*94,055*	*117,163*	*105,797*	*115,739*	*155,639*	*162,882*	-	
Two years later		*62,020*	*59,556*	*78,090*	*120,600*	*79,209*	*79,846*	*90,077*	*116,435*	*108,521*	*100,104*	*145,935*	-	-	
Three years later		*58,897*	*60,662*	*81,521*	*117,084*	*73,250*	*75,311*	*85,366*	*113,949*	*112,970*	*107,039*	-	-	-	
Four years later		*58,182*	*62,272*	*77,268*	*109,460*	*70,070*	*73,132*	*89,184*	*112,040*	*103,066*	-	-	-	-	
Five years later		*60,146*	*59,826*	*77,798*	*107,701*	*66,693*	*72,641*	*89,230*	*111,805*	-	-	-	-	-	
Six years later		*58,648*	*60,329*	*76,773*	*107,500*	*65,626*	*71,945*	*89,817*	-	-	-	-	-	-	
Seven years later		*58,726*	*58,084*	*71,644*	*107,269*	*65,482*	*72,372*	-	-	-	-	-	-	-	
Eight years later		*58,540*	*57,329*	*71,620*	*107,059*	*66,363*	-	-	-	-	-	-	-	-	
Nine years later		*58,590*	*57,425*	*71,745*	*105,598*	-	-	-	-	-	-	-	-	-	
Ten years later		*58,460*	*57,398*	*73,135*	-	-	-	-	-	-	-	-	-	-	
Eleven years later		*58,859*	*57,251*	-	-	-	-	-	-	-	-	-	-	-	
Twelve years later		*58,882*	-	-	-	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	*198,161*	*58,882*	*57,251*	*73,135*	*105,598*	*66,363*	*72,372*	*89,817*	*111,805*	*103,066*	*107,039*	*145,935*	*162,882*	*198,182*	*1,550,488*
Cumulative payments to date	*196,772*	*58,616*	*55,660*	*71,567*	*105,394*	*65,750*	*69,390*	*85,190*	*99,912*	*83,850*	*74,434*	*70,647*	*52,682*	*14,877*	*1,104,741*
Net liability included in the consolidated statement of financial position															*445,747*

8. UNEARNED PREMIUMS

	2022			*2021*		
	Gross	***Reinsurers' share***	***Net***	*Gross*	*Reinsurers' share*	*Net*
	USD '000	***USD '000***	***USD '000***	*USD '000*	*USD '000*	*USD '000*
Opening balance	**328,726**	**(64,124)**	**264,602**	277,268	(50,077)	227,191
Premiums written	**581,847**	**(186,483)**	**395,364**	545,582	(162,973)	382,609
Premiums earned	**(556,541)**	**180,088**	**(376,453)**	(494,124)	148,926	(345,198)
	354,032	**(70,519)**	**283,513**	328,726	(64,124)	264,602

9. DEFERRED EXCESS OF LOSS PREMIUMS

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

	2022	*2021*
	USD '000	*USD '000*
Opening balance	**17,238**	17,095
Additions	**46,776**	38,207
Charged to consolidated statement of income under reinsures' share of insurance premiums	**(44,343)**	(38,064)
Ending balance	**19,671**	17,238

10. DEFERRED POLICY ACQUISITION COSTS

	2022	*2021*
	USD '000	*USD '000*
Opening balance	**83,381**	70,840
Acquisition costs during the year	**141,855**	127,353
Charged to consolidated statement of income	**(136,034)**	(114,812)
Ending balance	**89,202**	83,381

11. OTHER ASSETS

	2022	*2021*
	USD '000	*USD '000*
Accrued interest income	**6,301**	4,924
Prepaid expenses	**3,314**	1,739
Refundable deposits	**124**	123
Employees receivables	**26**	4
Funds held in trust accounts	**2,852**	2,818
Income tax receivables	**545**	114
Trade receivables	**313**	9
Investments proceeds receivables	**324**	-
Others	**322**	235
	14,121	9,966

The carrying values of the other assets above as at years ending 31 December 2022 and 2021 approximate fair value.

12. INVESTMENT PROPERTIES

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

	2022		
	Commercial building	***Lands****	***Total***
	USD '000	***USD '000***	***USD '000***
Opening balance	**16,478**	**625**	**17,103**
Additions	**11**	**-**	**11**
Sale of investment properties	**-**	**(625)**	**(625)**
Fair value adjustment (note 21)	**(574)**	**-**	**(574)**
Ending balance	**15,915**	**-**	**15,915**

	2021		
	Commercial building	*Lands**	*Total*
	USD '000	*USD '000*	*USD '000*
Opening balance	18,962	1,844	20,806
Additions	37	-	37
Sale of investment properties	-	(1,128)	(1,128)
Transfer to property, premises and equipment	(1,312)	-	(1,312)
Fair value adjustment (note 21)	(1,209)	(91)	(1,300)
Ending balance	16,478	625	17,103

* In 2021, included within the investment properties were lands with a total amount of USD 625 thousand registered in the name of a former Director of the Group. The Group had obtained a proxy and has full control over these investment properties. These investment properties were sold during 2022 (see note 24).

12. INVESTMENT PROPERTIES (Continued)

In 2022, the Group sold a number of plots with total carrying value of USD 625 thousand (2021: USD 1,128 thousand) and recognized a loss of USD 107 thousand (2021: loss of USD 8 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:

			Impact on consolidated statement of income for the change in price per square meter	
	%	*Price per square meter*	*Increase*	*Decrease*
		USD	*USD '000*	*USD '000*
Commercial building				
2022	**+/- 10**	**845**	**1,511**	**(1,511)**
2021	+/- 10	875	1,565	(1,565)

			Impact on consolidated statement of income for the change in price per square meter	
	%	*Price per square meter*	*Increase*	*Decrease*
		USD	*USD '000*	*USD '000*
Lands				
2022	**+/- 10**	**-**	**-**	**-**
2021	+/- 10	168	62	(62)

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 2022	**3,212**	**11,290**	**1,569**	**1,978**	**265**	**2,327**	**949**	**135**	**5,304**	**27,029**
Additions	**10**	**-**	**16**	**271**	**-**	**16**	**226**	**209**	**230**	**978**
Transfers	**-**	**-**	**10**	**143**	**-**	**26**	**-**	**(179)**	**-**	**-**
Disposals	**-**	**-**	**(2)**	**(18)**	**(23)**	**-**	**(109)**	**(2)**	**-**	**(154)**
At 31 December 2022	**3,222**	**11,290**	**1,593**	**2,374**	**242**	**2,369**	**1,066**	**163**	**5,534**	**27,853**
Depreciation										
At 1 January 2022	**771**	**4,518**	**1,287**	**1,629**	**240**	**1,353**	**857**	**-**	**2,115**	**12,770**
Deprecation for the year	**55**	**903**	**70**	**243**	**7**	**233**	**71**	**-**	**797**	**2,379**
Disposals	**-**	**-**	**(2)**	**(18)**	**(23)**	**-**	**(109)**	**-**	**-**	**(152)**
At 31 December 2022	**826**	**5,421**	**1,355**	**1,854**	**224**	**1,586**	**819**	**-**	**2,912**	**14,997**
Net carrying amount										
At 31 December 2022	**2,396**	**5,869**	**238**	**520**	**18**	**783**	**247**	**163**	**2,622**	**12,856**
Cost										
At 1 January 2021	1,898	11,290	1,451	1,746	254	1,460	949	76	4,035	23,159
Additions	3	-	103	160	12	98	-	1,109	1,269	2,754
Transfers	1,311	-	116	94	2	838	-	(1,050)	-	1,311
Disposals	-	-	(101)	(22)	(3)	(69)	-	-	-	(195)
At 31 December 2021	3,212	11,290	1,569	1,978	265	2,327	949	135	5,304	27,029
Depreciation										
At 1 January 2021	745	3,615	1,320	1,465	237	1,286	810	-	1,121	10,599
Deprecation for the year	26	903	42	186	6	102	47	-	994	2,306
Disposals	-	-	(75)	(22)	(3)	(35)	-	-	-	(135)
At 31 December 2021	771	4,518	1,287	1,629	240	1,353	857	-	2,115	12,770
Net carrying amount										
At 31 December 2021	2,441	6,772	282	349	25	974	92	135	3,189	14,259

The depreciation of the aircraft for the year ended 31 December 2022 amounting to USD 903 thousand (2021: 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 years 2022 and 2021 were allocated as follows:

13. PROPERTY, PREMISES AND EQUIPMENT (Continued)

	2022	*2021*
	USD '000	*USD '000*
Property, premises and equipment depreciation charge for the year	**2,379**	2,306
Intangible assets amortization charge for the year (note 14)	**1,282**	1,248
Aircraft depreciation allocated to other expenses (note 22)	**(660)**	(750)
Total depreciation and amortization allocated to G&A (note 20)	**3,001**	2,804

Fully depreciated property, premises and equipment still in use amounted to USD 6,408 thousand as at 31 December 2022 (2021: USD 5,467 thousand).

14. INTANGIBLE ASSETS

	2022				*2021*			
	Computer software / licenses	*Work in progress*	*Goodwill*	*Total*	*Computer software / licenses*	*Work in progress*	*Goodwill*	*Total*
	USD '000	*USD '000*	*USD '000*	*USD '000*	*USD '000*	*USD '000*	*USD '000*	*USD '000*
Cost								
Beginning balance	**7,437**	**6**	**41**	**7,484**	6,584	-	-	6,584
Additions	**11**	**506**	**-**	**517**	853	6	41	900
Transfers	**430**	**(430)**	**-**	**-**	-	-	-	-
Ending balance	**7,878**	**82**	**41**	**8,001**	7,437	6	41	7,484
Amortization and impairment								
Beginning balance	**3,122**	**-**	**41**	**3,163**	1,874	-	-	1,874
Additions	**1,282**	**-**	**-**	**1,282**	1,248	-	-	1,248
Impairment loss (note 27)	**-**	**-**	**-**	**-**	-	-	41	41
Ending balance	**4,404**	**-**	**41**	**4,445**	3,122	-	41	3,163
Net carrying amount	**3,474**	**82**	**-**	**3,556**	4,315	6	-	4,321

15. INSURANCE PAYABLES

	2022	*2021*
	USD '000	*USD '000*
Payables due to insurance companies and intermediaries	**8,746**	5,004
Reinsurers – amounts due in respect of ceded premium	**78,066**	84,515
	86,812	89,519

16. OTHER LIABILITIES

	2022	2021
	USD '000	*USD '000*
Accounts payable	**9,782**	11,207
Accrued expenses	**13,997**	12,517
Lease liabilities*	**3,074**	3,753
Income tax payable	**1,114**	1,184
	27,967	28,661

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

	2022	2021
	USD '000	*USD '000*
Opening balance	**3,753**	2,954
Additions	**230**	1,269
Interest expense	**132**	358
Payments	**(1,041)**	(783)
Foreign currency adjustment	**-**	(45)
Ending balance	**3,074**	3,753
Current	**986**	1,001
Non - Current	**2,088**	2,752

The Group used discount rates ranging between 2.8% - 6.0% (2021: 1.5%-4.1%) and the amount of the undiscounted lease liabilities was USD 3,216 thousand as at 31 December 2022 (2021: USD 4,142 thousand).

17. UNEARNED COMMISSIONS

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

	2022	2021
	USD '000	*USD '000*
As at 1 January	**13,725**	11,038
Commissions received	**36,598**	25,722
Commissions earned	**(33,515)**	(23,035)
As at 31 December	**16,808**	13,725

18. EQUITY

Share capital

Authorised Issued and fully paid	***2022*** ***USD '000***	*2021* *USD '000*
Shares of USD 1 each	**120**	120

Foreign currency translation reserve

The foreign currency translation reserve is used to record the exchange difference arising from the translation of the financial statements of foreign subsidiaries and associates to the Group's functional currency.

Fair value reserve

	2022 ***USD '000***	*2021* *USD '000*
Balance at the beginning of the year	**9,083**	19,025
Net change in fair value reserve during the year for bonds at fair value through OCI	**(45,135)**	(9,240)
Net change in fair value reserve during the year for equities at fair value through OCI	**(1,883)**	(816)
Realized gain on sale of equities at fair value through other comprehensive income	**19**	-
ECL (release) charge transferred to consolidated statement of income	**(138)**	114
Balance at the end of the year	**(38,054)**	9,083

19. CASH DIVIDENDS

Cash dividends declared and paid:

The Board of Directors resolved to pay the following dividends for the years 2022 and 2021:

- On 15 November 2022: USD 491 thousand (Dividend per share: USD 0.01)
- On 18 August 2022: USD 492 thousand (Dividend per share: USD 0.01)
- On 19 May 2022: USD 493 thousand (Dividend per share: USD 0.01)
- On 21 March 2022: USD 9,338 thousand (Dividend per share: USD 0.19)
- On 9 August 2021: USD 7,821 thousand
- On 22 March 2021: USD 8,288 thousand

There are no cash dividends declared but not paid as at 31 December 2022 and 2021.

20. GENERAL AND ADMINISTRATIVE EXPENSES

	2022 ***USD '000***	*2021* *USD '000*
Human resources expenses	**38,746**	34,306
Business promotion, travel and entertainment	**2,977**	1,348
Statutory, advisory and rating	**10,500**	9,495
Information technology and software	**4,383**	3,052
Office operation	**1,575**	1,270
Depreciation and amortization (note 13)	**3,001**	2,804
Impairment of goodwill (note 27)	**-**	41
Interest expense arising from lease liabilities (note 16)	**132**	358
Bank charges	**243**	126
Corporate expenses	**1,837**	2,494
Net expenses recharged to I.G.I Underwriting and International General Insurance Holdings Ltd. – Bermuda (notes 24)	**(24,165)**	(23,724)
	39,229	31,570

21. NET INVESTMENT INCOME

	2022 ***USD '000***	*2021* *USD '000*
Interest income	**20,381**	14,049
Dividends from equities at FVTOCI	**144**	78
Dividends from equities at FVTPL	**571**	705
Realized gains and losses on investments		
Realized loss on sale of bonds at FVTOCI	**(619)**	(88)
Realized gain on sale of FVTPL equities and mutual funds	**(86)**	396
Unrealized gains and losses on investments		
Unrealized gain (loss) on revaluation of financial assets at FVTPL	**(2,950)**	3,089
Gains and losses from investments in properties		
Realized (loss) gain on sale of investment properties	**(107)**	(8)
Fair value loss on investment properties (note 12)	**(574)**	(1,300)
Rental income	**238**	245
Impairment and expected credit losses on investments		
Reversal (charge) of expected credit loss on financial assets at FVOCI	**138**	(114)
Expected credit loss on financial assets at amortized cost	**(166)**	(66)
Investments custodian fees and other investments expenses	**(524)**	(870)
	16,446	16,116

22. OTHER REVENUES (EXPENSES)

	2022	*2021*
	USD '000	*USD '000*
Other revenues:		
Chartered flights revenue	**2,260**	1,844
Gain on disposal of property, premises and equipment	**26**	-
	2,286	1,844
Other expenses:		
Aircraft operational cost	**(2,168)**	(1,883)
Aircraft depreciation expense (note 13)	**(660)**	(750)
Loss on disposal of property, premises and equipment	**-**	(60)
	(2,828)	(2,693)

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 2,917 thousand to the order of reinsurance companies for collateralizing insurance contract liabilities in accordance with the reinsurance arrangements (31 December 2021: USD 6,550 thousand).

- Letter of Guarantee amounting to USD 292 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 2021: USD 327 thousand).

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 2022, consisting of salaries and benefits was USD 5,834 thousand (2021: USD 5,792 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.

24. RELATED PARTIES (Continued)

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

	2022 USD '000	*2021 USD '000*
Agency fees due to I.G.I Underwriting – Jordan (Subsidiary of the Parent Company)	**33,541**	31,483
Costs recharged back to I.G.I Underwriting – Jordan (Subsidiary of the Parent Company)	**28,025**	27,200
Costs recharged from International General Insurance Holdings Ltd. – Bermuda (ultimate parent)	**(3,860)**	(3,476)
Commission paid to North Star Underwriting Limited (Subsidiary of the Parent Company)	**4**	-
Business promotions recharge received from Boating Inc. *(Company owned by a major shareholder)*	**-**	-
Aircraft management fees paid to Arab Wings Co. *(Company owned by a shareholder of the ultimate parent)*	**274**	244

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*
2022		
International General Insurance Holdings Limited *(Parent)*	**36,043**	-
International General Insurance Holdings Ltd. *(Ultimate Parent)*	-	**43,570**
North Star Underwriting Limited *(Subsidiary of the Parent Company)*	-	**1,046**
I.G.I Underwriting – Jordan *(Subsidiary of the Parent Company)*	-	**22,663**
	36,043	**67,279**
2021		
International General Insurance Holdings Limited *(Parent)*	35,897	-
International General Insurance Holdings Ltd. *(Ultimate Parent)*	-	43,408
North Star Underwriting Limited *(Subsidiary of the Parent Company)*	-	379
I.G.I Underwriting – Jordan *(Subsidiary of the Parent Company)*	-	17,170
	35,897	60,957

- In 2021, included within the investment properties (see note 12) were lands with a total amount of USD 625 thousand registered in the name of a former Director of the Group. The Group had obtained a proxy and has full control over these investment properties. These investment properties were sold during 2022.

25. TAXATION

The components of income tax expense are as follows:

	2022	*2021*
	USD '000	*USD '000*
Current income tax:		
Current income tax charge	**2,614**	2,073
Adjustments in respect of current income tax of prior years	**(22)**	97
Deferred tax:		
Origination and reversal of temporary differences	**(308)**	(402)
Income tax charge for the year	**2,284**	1,768

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

	2022	*2021*
	USD '000	*USD '000*
Income tax expense for IGI Labuan – current year	57	71
Corporate tax for IGI Casablanca (Representative Office) – current year	1	7
Income tax expense for IGI UK – current year	2,556	1,995
Income tax credit for IGI UK – prior years	(22)	97
Addition of deferred tax assets for IGI Europe	(308)	(347)
Release of deferred tax liabilities for IGI UK	-	(55)
Income tax charge for the year	2,284	1,768

- According to the Labuan Business Activity Tax Law, Labuan registered entities are subject to 3% tax on the audited net profits. In 2022, IGI Labuan recorded tax expense of USD 57 thousand representing 3% of the audited net profits (2021: USD 71 thousand).

- 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.

  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 and enacted on 10 June 2021. As a result, UK deferred tax balances have been revalued to take this rate change into account, where relevant.

- 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.

- International General Insurance Company (Europe) SE (IGI Europe) is subject to the normal standard rate in Malta of 35%.

25. TAXATION (Continued)

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

	2022	*2021*
	USD ‘000	*USD ‘000*
The Group profit before tax	**80,777**	43,595
Less: Profit related to non-taxable subsidiaries	**(68,052)**	(34,053)
Profit before tax for entities subject to corporate taxation	**12,725**	9,542
Profit multiplied by the standard rate of tax in the UK of 19% (2021: 19%)	**2,418**	1,813
Net disallowed expenditure	**(9)**	(71)
Non-UK expenses not deductible for tax purposes / income not taxable	**-**	67
Fixed asset temporary differences not recognized for deferred tax	**10**	1
Other temporary differences not recognized for deferred tax	**32**	28
Adjustment in respect of prior years	**(22)**	97
IGI Labuan and IGI Casablanca current year tax charges	**58**	78
Other movements	**-**	1
Release of deferred tax liabilities for IGI UK	**-**	(55)
Difference in corporation tax rates	**(203)**	(191)
Income tax charge for the year	**2,284**	1,768

The following is the breakdown of the deferred tax assets and liabilities:

	2022	*2021*
	USD ‘000	*USD ‘000*
Deferred tax assets		
Deferred tax assets related to unabsorbed losses for IGI Europe	**779**	471
Deferred tax assets related to the change in fair value of bonds at fair value through OCI for IGI UK	**4,877**	-
	5,656	471
Deferred tax liabilities		
Deferred tax liabilities related to the change in fair value of bonds at fair value through OCI for IGI UK	**-**	14
	-	14

The following is the movement on the deferred tax assets:

	2022	*2021*
	USD ‘000	*USD ‘000*
Balance at beginning of the year	**471**	-
Deferred tax assets resulting from acquisition of IGI Europe	**-**	124
Addition of deferred tax assets related to unabsorbed losses for IGI Europe	**308**	347
Addition of deferred tax assets related to the change in fair value of bonds at fair value through OCI for IGI UK	**4,877**	-
Ending balance	**5,656**	471

25. TAXATION (Continued)

The following is the movement on the deferred tax liabilities:

	2022	*2021*
	USD ‘000	*USD ‘000*
Balance at beginning of the year	**(14)**	(55)
Release of deferred tax liabilities for IGI UK	**14**	55
Addition of deferred tax liabilities related to the change in fair value of bonds at fair value through OCI for IGI UK	**-**	(14)
Ending balance	**-**	(14)

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.

26. RISK MANAGEMENT (Continued)

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.

Geographical concentration of risks

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

	2022		*2021*	
	Gross written premiums	***Concentration***	*Gross written premiums*	*Concentration*
	USD '000	***%***	*USD '000*	*%*
Africa	**32,692**	**6**	27,749	5
Asia	**54,684**	**9**	55,816	10
Australasia	**19,474**	**3**	23,454	4
Caribbean Islands	**30,438**	**5**	30,244	6
Central America	**25,332**	**4**	28,166	5
Europe	**51,734**	**9**	48,780	9
Middle East	**58,893**	**10**	53,564	10
North America	**61,646**	**11**	32,773	6
South America	**20,701**	**4**	20,718	4
UK	**189,975**	**33**	197,090	36
Worldwide	**36,278**	**6**	27,228	5
	581,847		545,582	

Line of business concentration of risk

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

	2022		*2021*	
	Gross written premiums	***Concentration Percentage***	*Gross written premiums*	*Concentration Percentage*
	USD '000	***%***	*USD '000*	*%*
Professional Lines	**191,287**	**33**	190,038	35
Financial Institutions	**28,648**	**5**	36,176	6
Marine Liability	**3,666**	**1**	3,339	1
Inherent Defects Insurance	**8,608**	**1**	9,978	2
Energy	**117,322**	**20**	104,015	19
Property	**88,074**	**15**	79,085	14
Engineering	**31,208**	**5**	31,137	6
Aviation	**21,872**	**4**	20,348	4
Ports & Terminals	**27,263**	**5**	29,600	5
Political Violence	**11,461**	**2**	9,263	2
Marine Cargo	**10,533**	**2**	5,091	1
Contingency	**10,925**	**2**	3,498	1
Reinsurance	**30,980**	**5**	24,014	4
	581,847		545,582	

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 2022 and 2021.

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
2022	**7.5**	**47,955**	**(47,955)**	**33,647**	**(33,645)**	**(33,647)**	**33,645**
2022	**5**	**31,970**	**(31,970)**	**22,432**	**(22,430)**	**(22,432)**	**22,430**
2021	7.5	41,368	(41,368)	30,063	(30,061)	(30,063)	30,061
2021	5	27,579	(27,579)	20,043	(20,040)	(20,043)	20,040

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*
2022	*USD '000*	*USD '000*	*USD '000*	*USD '000*	*USD '000*
Financial assets at FVTPL	**-**	**-**	**-**	**25,438**	**25,438**
Financial assets at FVOCI	**73,591**	**356,179**	**59,311**	**17,835**	**506,916**
Financial assets at amortized cost	**1,994**	**-**	**-**	**-**	**1,994**
Cash and term deposits	**387,512**	**47,135**	**-**	**-**	**434,647**
	463,097	**403,314**	**59,311**	**43,273**	**968,995**
2021					
Financial assets at FVTPL	-	-	-	28,539	28,539
Financial assets at FVOCI	43,978	261,293	113,174	20,335	438,780
Financial assets at amortized cost	2,471	-	-	-	2,471
Cash and term deposits	367,673	54,088	-	-	421,761
	414,122	315,381	113,174	48,874	891,551

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
2022	**- 25**	**(2,108)**
	- 50	**(4,215)**
2021	- 25	(1,593)
	- 50	(3,186)

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*
2022		
EUR	**+10**	**146**
GBP	**+10**	**(4,083)**
2021		
EUR	+10	606
GBP	+10	(5,575)

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*
2022				
FVOCI - debts securities	**486,574**	**2,507**	**-**	**489,081**
Financial assets at amortized cost	**-**	**1,994**	**-**	**1,994**
Insurance receivables	**-**	**116,319**	**68,528**	**184,847**
Reinsurance share of outstanding claims	**188,391**	**432**	**-**	**188,823**
Deferred excess of loss premiums	**-**	**19,671**	**-**	**19,671**
Cash and cash equivalents	**99,288**	**38,333**	**-**	**137,621**
Term deposits	**263,381**	**33,645**	**-**	**297,026**
	1,037,634	**212,901**	**68,528**	**1,319,063**

26. RISK MANAGEMENT (Continued)

	Investment grade	*Non-investment grade (satisfactory)*	*In course of collection*	*Total*
	USD '000	*USD '000*	*USD '000*	*USD '000*
2021				
FVOCI - debts securities	418,240	205	-	418,445
Financial assets at amortized cost	-	1,979	492	2,471
Insurance receivables	-	113,294	66,051	179,345
Reinsurance share of outstanding claims	181,379	869	-	182,248
Deferred excess of loss premiums	-	17,238	-	17,238
Cash and cash equivalents	219,803	21,992	-	241,795
Term deposits	130,860	49,106	-	179,966
	950,282	204,683	66,543	1,221,508

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.

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
2022			
AAA	**4,628**	**-**	**4,628**
AA	**45,513**	**-**	**45,513**
A	**289,431**	**-**	**289,431**
BBB	**147,002**	**-**	**147,002**
BB	**203**	**-**	**203**
Not rated	**2,304**	**1,994**	**4,298**
Total	**489,081**	**1,994**	**491,075**

Rating grade	Bonds	Unquoted bonds	Total
	USD '000	USD '000	USD '000
2021			
AAA	3,363	-	3,363
AA	20,803	-	20,803
A	220,258	-	220,258
BBB	166,789	-	166,789
BB	7,027	-	7,027
B	205	-	205
Not rated	-	2,471	2,471
Total	418,445	2,471	420,916

26. RISK MANAGEMENT (Continued)

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

Country **2022**	***Total*** ***USD '000***
Australia	**9,723**
Bahrain	**4,008**
Belgium	**956**
Bermuda	**1,998**
Canada	**11,563**
Chile	**461**
China	**48,300**
Finland	**3,568**
France	**24,001**
Germany	**17,146**
Hong Kong	**3,200**
India	**2,870**
Italy	**1943**
Japan	**12,566**
Jordan	**2923**
KSA	**14,528**
Kuwait	**1,763**
Malaysia	**6,415**
Mexico	**1,576**
Netherlands	**7,475**
Norway	**1,927**
Qatar	**42,474**
Singapore	**8,601**
South Korea	**11,554**
Spain	**6,240**
Sweden	**3,574**
Switzerland	**9,763**
Taiwan	**2,415**
UAE	**31,429**
UK	**50,697**
USA	**145,418**
Total	**491,075**

26. RISK MANAGEMENT (Continued)

Country 2021	*Total* *USD '000*
Australia	9,632
Bahrain	4,618
Belgium	1,112
Bermuda	2,301
Canada	8,384
China	51,664
Finland	2,951
France	11,266
Germany	17,483
India	3,206
Japan	11,951
Jordan	2,471
KSA	15,042
Kuwait	3,464
Luxembourg	687
Malaysia	6,574
Mexico	2,326
Netherlands	5,051
Oman	1,122
Qatar	47,700
Russia*	1,948
Singapore	3,069
South Korea	7,635
Spain	1,377
Sweden	2,528
Switzerland	5,063
Taiwan	2,991
UAE	18,388
UK	51,049
USA	113,308
Virgin Islands (British)	4,555
Total	420,916

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.

2022	***Change in equity price***	***Effect on profit before tax for the year***	***Effect on Equity***
		USD '000	***USD '000***
Amman Stock Exchange	**+5%**	**40**	**40**
Saudi Stock Exchange	**+5%**	**-**	**389**
Qatar Stock Exchange	**+5%**	**46**	**46**
Abu Dhabi Security Exchange	**+5%**	**70**	**70**
New York Stock Exchange	**+5%**	**131**	**166**
Kuwait Stock Exchange	**+5%**	**-**	**7**
London Stock Exchange	**+5%**	**322**	**367**
Other quoted	**+5%**	**52**	**118**

2021	*Change in equity price*	*Effect on profit before tax for the year*	*Effect on Equity*
		USD '000	*USD '000*
Amman Stock Exchange	+5%	40	40
Saudi Stock Exchange	+5%	-	511
Qatar Stock Exchange	+5%	23	23
Abu Dhabi Security Exchange	+5%	76	76
New York Stock Exchange	+5%	175	202
Kuwait Stock Exchange	+5%	-	9
London Stock Exchange	+5%	330	382
Other quoted	+5%	782	871

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:

2022	***Less than one year USD '000***	***More than one year USD '000***	***Total USD '000***
Gross outstanding claims	**268,356**	**366,214**	**634,570**
Gross unearned premiums	**268,010**	**86,022**	**354,032**
Insurance payables	**81,812**	**5,000**	**86,812**
Other liabilities	**25,928**	**2,181**	**28,109**
Due to related parties	**67,279**	**-**	**67,279**
Unearned commissions	**15,927**	**881**	**16,808**
Total liabilities	**727,312**	**460,298**	**1,187,610**
2021			
Gross outstanding claims	210,691	365,208	575,899
Gross unearned premiums	251,691	77,035	328,726
Insurance payables	84,519	5,000	89,519
Other liabilities	25,979	3,071	29,050
Due to related parties	60,957	-	60,957
Unearned commissions	12,285	1,440	13,725
Total liabilities	646,122	451,754	1,097,876

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:

	2022			
	Less than one year **USD '000**	***More than one year*** **USD '000**	***No term*** **USD '000**	***Total*** **USD '000**
ASSETS				
Cash and cash equivalents	**121,821**	**15,800**	**-**	**137,621**
Term deposits	**265,691**	**31,335**	**-**	**297,026**
Insurance receivables	**179,229**	**5,618**	**-**	**184,847**
Investments	**75,585**	**415,490**	**43,273**	**534,348**
Investments in associates	**-**	**-**	**6,049**	**6,049**
Reinsurance share of outstanding claims	**91,520**	**97,303**	**-**	**188,823**
Reinsurance share of unearned premiums	**67,772**	**2,747**	**-**	**70,519**
Deferred excess of loss premiums	**19,671**	**-**	**-**	**19,671**
Deferred policy acquisition costs	**61,423**	**27,779**	**-**	**89,202**
Deferred tax assets	**-**	**5,656**	**-**	**5,656**
Other assets	**14,121**	**-**	**-**	**14,121**
Due from related parties	**36,043**	**-**	**-**	**36,043**
Investment properties	**-**	**-**	**15,915**	**15,915**
Property, premises and equipment	**-**	**12,856**	**-**	**12,856**
Intangible assets	**-**	**3,556**	**-**	**3,556**
TOTAL ASSETS	**932,876**	**618,140**	**65,237**	**1,616,253**
LIABILITIES AND EQUITY				
LIABILITIES				
Gross outstanding claims	**268,356**	**366,214**	**-**	**634,570**
Gross unearned premiums	**268,010**	**86,022**	**-**	**354,032**
Insurance payables	**81,812**	**5,000**	**-**	**86,812**
Other liabilities	**25,215**	**2,752**	**-**	**27,967**
Deferred tax liabilities	**-**	**-**	**-**	**-**
Due to related parties	**67,279**	**-**	**-**	**67,279**
Unearned commissions	**15,927**	**881**	**-**	**16,808**
TOTAL LIABILITIES	**726,599**	**460,869**	**-**	**1,187,468**
EQUITY				
Issued share capital	**-**	**-**	**120**	**120**
Contributed surplus	**-**	**-**	**145,601**	**145,601**
Foreign currency translation reserve	**-**	**-**	**1,506**	**1,506**
Fair value reserve	**-**	**-**	**(38,054)**	**(38,054)**
Retained earnings	**-**	**-**	**319,612**	**319,612**
TOTAL EQUITY	**-**	**-**	**428,785**	**428,785**
TOTAL LIABILITIES AND EQUITY	**726,599**	**460,869**	**428,785**	**1,616,253**

26. RISK MANAGEMENT (Continued)

	2021			
	Less than one year USD '000	*More than one year* USD '000	*No term* USD '000	*Total* USD '000
ASSETS				
Cash and cash equivalents	231,395	10,400	-	241,795
Term deposits	136,278	43,688	-	179,966
Insurance receivables	171,132	8,213	-	179,345
Investments	44,470	376,446	48,874	469,790
Investments in associates	-	-	5,693	5,693
Reinsurance share of outstanding claims	71,199	111,049	-	182,248
Reinsurance share of unearned premiums	59,235	4,889	-	64,124
Deferred excess of loss premiums	17,206	32	-	17,238
Deferred policy acquisition costs	56,304	27,077	-	83,381
Deferred tax assets	45	426	-	471
Other assets	9,966	-	-	9,966
Due from related parties	35,897	-	-	35,897
Investment properties	-	-	17,103	17,103
Property, premises and equipment	-	14,259	-	14,259
Intangible assets	-	4,321	-	4,321
TOTAL ASSETS	833,127	600,800	71,670	1,505,597
LIABILITIES AND EQUITY				
LIABILITIES				
Gross outstanding claims	210,691	365,208	-	575,899
Gross unearned premiums	251,691	77,035	-	328,726
Insurance payables	84,519	5,000	-	89,519
Other liabilities	25,909	2,752	-	28,661
Deferred tax liabilities	-	14	-	14
Due to related parties	60,957	-	-	60,957
Unearned commissions	12,285	1,440	-	13,725
TOTAL LIABILITIES	646,052	451,449	-	1,097,501
EQUITY				
Issued share capital	-	-	120	120
Contributed surplus	-	-	145,601	145,601
Foreign currency translation reserve	-	-	1,359	1,359
Fair value reserve	-	-	9,083	9,083
Retained earnings	-	-	251,933	251,933
TOTAL EQUITY	-	-	408,096	408,096
TOTAL LIABILITIES AND EQUITY	646,052	451,449	408,096	1,505,597

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, contributed surplus, foreign currency translation reserve, fair value reserve, and retained earnings and is measured at USD 428,785 thousand as at 31 December 2022 (2021: USD 408,096 thousand).

The capital requirements imposed on the Group's 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 2022 and 2021. 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 2022 and 2021.

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 Bermuda Monetary Authority ("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 2022 and 2021, the Company met its ECR.

International General Insurance Company (UK) Limited

The Company is regulated by the Prudential Regulation Authority ("PRA") 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 ended 31 December 2022 and 2021.

26. RISK MANAGEMENT (Continued)

International General Insurance Company (Europe) SE

The Company is regulated by the Malta Financial Services Authority.

The company is 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 year ended 31 December 2022 and 2021.

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 2022 and 2021, 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.

	2022			
	Level 1	*Level 2*	*Level 3*	*Total*
	USD '000	*USD '000*	*USD '000*	*USD '000*
FVTPL	13,201	12,237	-	25,438
Quoted equities at FVOCI	10,845	-	-	10,845
Quoted bonds at FVOCI	100,966	388,115	-	489,081
Unquoted equities at FVOCI *	-	-	6,990	6,990
Investment properties	-	-	15,915	15,915
	125,012	400,352	22,905	548,269

26. RISK MANAGEMENT (Continued)

During 2022, the management started to use a set of standard rules that are designed to function as market consensus for determining fair value levels. Accordingly, quoted bonds at fair value through other comprehensive income amounting to USD 223,958 thousand were transferred from level 1 to level 2 as at 31 December 2022. In addition, quoted bonds at fair value through other comprehensive income amounting to USD 1,576 thousand were transferred from level 2 to level 1 as at 31 December 2022. These transfers between levels 1 and 2 occur depending on the input that is significant to the fair value measurement of the financial assets.

There were no transfers into or out of Level 3 during the year 2022.

	2021			
	Level 1	*Level 2*	*Level 3*	*Total*
	USD ‘000	*USD ‘000*	*USD ‘000*	*USD ‘000*
FVTPL	14,162	14,377	-	28,539
Quoted equities at FVOCI	13,721	-	-	13,721
Quoted bonds at FVOCI	356,141	62,304	-	418,445
Unquoted equities at FVOCI*	-	-	6,614	6,614
Investment properties	-	-	17,103	17,103
	384,024	76,681	23,717	484,422

The management has refined the criteria for financial assets being allocated to level 1, accordingly, USD 14,377 thousand and USD 62,304 thousand of financial assets through profit or loss and quoted bonds at fair value through other comprehensive income, respectively, were transferred out of level 1 to level 2.

There were no transfers into or out of Level 3 during the year 2021.

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

	2022	*2021*
	USD ‘000	*USD ‘000*
Balance at the beginning of the year	**6,614**	6,314
Total gains recognized in OCI	**376**	300
Balance at the end of the year	**6,990**	6,614

27. ACQUISITION OF A SUBSIDIARY

Following the United Kingdom's ("UK") decision to withdraw from the European Union ("EU") ("Brexit"), the U.K. began a process of "onshoring" EU legislation whereby the UK replicated EU law in UK legislation and regulation and then amended it so that it would be operationally effective following the end of the Brexit transition period on December 31, 2020. As an automatic consequence of the UK's departure from the EU's single market, passporting rights to and from the UK ended at the end of the transition period. Passporting is the exercise of the right available to a firm authorised in one European Economic Area ("EEA") member state to carry on certain activities covered by an EU single market directive in another EEA member state, on the basis of its home state authorisation. For firms based in the UK, this means the loss of access to EU markets. As of the end of the transition period, the Group's subsidiary in UK has lost its passporting rights in the EU, such that it can no longer write insurance business in EEA countries under the "freedom of services" regime or write insurance business through a place of business in an EEA member state under the "freedom of establishment" regime using the rights contained in the European Council's Solvency II Directive.

In response to Brexit, the Group developed a contingency plan to ensure that it will be able to continue to provide insurance services throughout Europe despite Brexit. To that end, the Group submitted an application and scheme of operations to the Malta Financial Services Authority in November 2020. The application can be used as a change of control application or a full new licensing application.

In continuation to the above, the Group acquired 100% of the voting shares of R&Q Epsilon Insurance Company SE ("R&Q Epsilon"), a non-listed company based in Malta engaged in the business of insurance in certain classes of general insurance business. Simultaneously, with the execution of the acquisition agreement, the new subsidiary was renamed International General Insurance Company (Europe) SE ("IGI Europe").

The strategy to purchase R&Q Epsilon, as opposed to incorporating a new subsidiary from afresh, was based on operational factors. R&Q Epsilon already had an operational UK based bank account, and given the operational requirement to use the Xchanging payment platform for broker- based business (especially that where the Group is co-ensuring the European risks on global business), it was necessary for the Group to have an account for IGI Europe with a bank that is part of the LIPS (LPC Irrevocable Payment Scheme).

The acquisition agreement of R&Q Epsilon Insurance Company SE (former company) was fully executed on 25 June 2021 (the "Acquisition Date") for a purchase consideration of USD 6,200 thousand.

The Group accounted for the acquisition of R&Q Epsilon under IFRS 3 "Business Combinations".

27. ACQUISITION OF A SUBSIDIARY (continued)

The book and fair values of the identifiable assets and liabilities of International General Insurance Company (Europe) SE as at the date of acquisition were:

	Book value	*Fair value recognized on acquisition*
	USD '000	***USD '000***
Assets		
Insurance receivables and other assets	**184**	**143**
Bank Balances	**6,054**	**6,054**
	6,238	**6,197**
Liabilities		
Insurance payables and other liabilities	**(38)**	**(38)**
	(38)	**(38)**
Total identifiable net assets at fair value	**6,200**	**6,159**
Goodwill arising on acquisition		**41**
Purchase consideration transferred		**6,200**

The movement on the goodwill during the year is as follows

	2021
	USD '000
Balance at the beginning of the year	**-**
Goodwill arising from acquisition of a subsidiary	**41**
Impairment loss (note 20)	**(41)**
Balance at the end of the year	**-**

Goodwill arising on acquisition of former company was fully impaired since the regulatory approval to write business was granted solely on the strength of IGI Europe's application and business plan submitted to Malta Financial Services Authority.

From the date of acquisition, International General Insurance Company (Europe) SE contributed USD 9,768 thousand of gross written premiums and USD 1,181 thousand of net loss to profit before tax of the Group.

Analysis of cash flows on acquisition:

	USD '000
Net cash acquired with the subsidiary	**6,054**
Cash paid	**(6,200)**
Net cash flow on acquisition	**(146)**

On 13 July 2021, the Malta Financial Services Authority ("MFSA") authorised IGI Europe to write insurance and reinsurance business.

28. SUBSEQUENT EVENTS

There have been no material events between 31 December 2022 and the date of this report which are required to be disclosed.