



Ref : Acc /143 / 2020

Date : 17 / 05 / 2020

اشارة رقم : م ح / 143 / 2020

التاريخ : 2020/ 05 /17

To : Jordan Securities Commission Amman  
Stock Exchange

السادة : هيئة الأوراق المالية  
السادة بورصة عمان

Subject : Audited Financial Statements for the  
fiscal year ended 31/12/2019

الموضوع : البيانات المالية السنوية المدققة  
للسنة المنتهية بتاريخ 2019/12/31

Attached the Audited Financial Statements for  
National Insurance Co. for the fiscal year ended  
31/12/2019 in Arabic and English Languages.

مرفق طيه نسخة من البيانات المالية المدققة  
لشركة التأمين الوطنية م.ع.م عن السنة المالية  
المنتهية بتاريخ 2019/12/31 باللغتين العربية  
والانجليزية.

kindly accept our high appreciation and respect

وتفضلوا بقبول فائق الاحترام ،،،

General Manager

المدير العام

Dr. Manal Jarrar

د. منال جرار



**NATIONAL INSURANCE COMPANY**

**PUBLIC SHAREHOLDING COMPANY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2019**



Ernst & Young Jordan  
P.O. Box 1140  
300 King Abdulla Street  
Amman 11118  
Jordan  
Tel: 00962 6 580 0777 / 00962 6552 6111  
Fax: 00962 6 5538 300  
www.ey.com

## **INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders of National Insurance Company Public Shareholding Company  
Amman- Jordan**

### **Report on the Audit of the Consolidated Financial Statements**

#### **Opinion**

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

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

#### **Basis for Opinion**

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

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context .

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

1. Revenue recognition	
Key Audit matter	How the key audit matter was addressed in the audit
Revenue is an important determinant of the Group's profitability. In addition, there is a risk of improper revenue recognition, particularly with regards to revenue recognition at the cut- off date. Gross written premium amounted to JD 18,426,817 for the year ended 31 December 2019	<p>Our audit procedures included evaluating the Group's revenue recognition accounting policies and assessing compliance with the policies in terms of International Financial Reporting Standards (IFRSs). We tested the Group's controls over revenue recognition and key controls in the revenue cycle. We also selected a representative sample and tested premiums written at either side of the revenue cutoff date to, assess whether the revenue was recognized in the correct period. Analytical procedures were performed on income accounts by lines of business. We independently re-performed the revenue calculation of each line of business using data extracted from the Group's system. In order to rely on the data extracted, we tested a sample of transactions to their related policies to assess the accuracy of the data extracted. We also selected and tested a representative sample of journal entries at the cut off period.</p> <p>Disclosures of accounting policies for revenue recognition are details in note (2) to the consolidated financial statements.</p>

## 2. Estimates used in calculation and completeness of insurance liabilities

Key Audit matter	How the key audit matter was addressed in the audit
<p>The Group has significant insurance liabilities of JD 12,809,570 representing 72.2% of the Group's total liabilities as of 31 December 2019. The measurement of insurance liabilities (the incurred but not recorded for insurance and unearned premium revenue and mathematical reserve) involves significant judgment over uncertain future outcomes including primarily the timing and ultimate full settlement of long term policyholders' liabilities.</p>	<p>Our audit procedures included, amongst others, assessing the Group's methodology for calculating the insurance liabilities and their analysis of the movements in insurance liabilities during the year, including consideration of whether the movements are in line with the accounting policy adopted by the Group. We tested management's liability adequacy testing which is a key test performed to check that the liabilities are adequate in the context of expected experience. We evaluated the competence, capabilities and objectivity of the management's specialist. Our audit procedures on the liability adequacy tests included assessing the reasonableness of the projected cash flows and reviewing the assumptions adopted in the context of both the Group and industry experience and specific product features. We also assessed the adequacy of the disclosures regarding these liabilities</p> <p>Disclosures of assumptions and accounting policies related to insurance contracts liabilities are details in note (2) to the consolidated financial statements.</p>

**Other information included in the Group's 2019 annual report.**

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

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

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

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

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

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

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

#### **Report on Other Legal and Regulatory Requirements**

The Company maintains proper accounting records, which are in agreement with the consolidated financial statements.

Ernst & Young / Jordan

A stylized, handwritten-style signature of 'Ernst &amp; Young' in blue ink.

Bishr Ibrahim Baker  
Registration No. 592

Amman – Jordan  
26 February 2020

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019**

	<u>Notes</u>	<u>2019</u> JD	<u>2018</u> JD
<b><u>Assets</u></b>			
<b>Investments-</b>			
Deposits at banks	3	7,784,091	10,242,422
Financial assets at fair value through other comprehensive income	4	3,636,513	3,440,376
Financial assets at amortized cost	5	4,727,962	2,612,949
Investment properties	6	459,826	479,125
<b>Total Investments</b>		<u>16,608,392</u>	<u>16,774,872</u>
<b>Other assets-</b>			
Cash on hands and at banks	7	318,811	260,548
Notes receivables and checks under collection	8	995,353	1,319,584
Account receivables, net	9	5,504,753	5,421,962
Reinsurance receivables, net	10	1,194,673	1,127,913
Deferred tax assets	11	350,457	277,088
Property and equipment, net	12	614,708	632,845
Other assets	13	1,233,978	698,733
<b>Total other assets</b>		<u>10,212,733</u>	<u>9,738,673</u>
<b>Total Assets</b>		<u>26,821,125</u>	<u>26,513,545</u>
<b><u>Liabilities and Equity</u></b>			
<b>Technical Reserves-</b>			
Unearned premium reserve, net		5,618,366	6,406,627
Outstanding claims reserve, net		7,153,116	6,482,691
Mathematical reserve, net	14	38,088	52,700
<b>Total Technical Reserves Liabilities</b>		<u>12,809,570</u>	<u>12,942,018</u>
<b>Other liabilities-</b>			
Accounts payable	15	2,222,922	2,319,230
Accrued expenses		80,658	99,250
Reinsurance payables	16	946,298	1,131,583
Other provisions	17	30,253	37,212
Income tax provision	11	32,147	14,130
Other liabilities	18	1,612,802	1,301,942
<b>Total other liabilities</b>		<u>4,925,080</u>	<u>4,903,347</u>
<b>Total Liabilities</b>		<u>17,734,650</u>	<u>17,845,365</u>
<b>Equity</b>			
Paid in capital	19	8,000,000	8,000,000
Statutory reserve	20	1,356,991	1,305,481
Voluntary reserve	20	311,000	311,000
Fair value reserve	21	(962,630)	(919,754)
Retained earnings (Accumulated losses)		381,114	(28,547)
<b>Net Shareholder's Equity</b>		<u>9,086,475</u>	<u>8,668,180</u>
<b>Total Liabilities and Shareholders' Equity</b>		<u>26,821,125</u>	<u>26,513,545</u>

The attached notes 1 to 38 form part of these financial statements

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	<u>Notes</u>	<u>2019</u> <u>JD</u>	<u>2018</u> <u>JD</u>
<b>Revenues –</b>			
Gross written premiums		18,426,817	21,244,563
Less: reinsurance share		<u>(5,696,524)</u>	<u>(5,620,253)</u>
<b>Net written premiums</b>		<b>12,730,293</b>	<b>15,624,310</b>
Net change in unearned premiums reserve		788,261	(492,549)
Net change in mathematical reserve		<u>14,612</u>	<u>(4,213)</u>
<b>Net earned premiums</b>		<b>13,533,166</b>	<b>15,127,548</b>
Commissions income		379,001	486,824
Insurance policies issuance fees		729,368	904,672
Other income related to written premiums		353,671	97,823
Interest income	23	755,349	703,938
Gain from financial assets		249,287	269,625
Other income		<u>5,107</u>	<u>641</u>
<b>Total revenues</b>		<b>16,004,949</b>	<b>17,591,071</b>
<b>Claims, losses and related expenses -</b>			
Paid claims		17,754,997	19,950,698
Less: recoveries		<u>(3,104,413)</u>	<u>(2,886,938)</u>
Less: reinsurance share		<u>(3,449,296)</u>	<u>(3,513,553)</u>
<b>Paid claims, net</b>		<b>11,201,288</b>	<b>13,550,207</b>
Net change in claims reserve		670,425	1,107,600
Policies acquisition costs		1,058,934	1,290,032
Excess of loss premiums		288,022	400,928
Allocated employees' expenses	24	956,652	891,971
Allocated administrative and general expenses	25	494,621	521,298
Other expenses		<u>420,985</u>	<u>485,815</u>
<b>Net Claims Cost</b>		<b>15,090,927</b>	<b>18,247,851</b>
Unallocated employees' expenses	24	117,875	112,421
Depreciation		52,796	53,954
Administrative and unallocated general expenses	25	137,608	130,324
Expected credit loss	9	50,000	-
Other expenses		<u>44,818</u>	<u>12,627</u>
<b>Total expenses</b>		<b>403,097</b>	<b>309,326</b>
<b>Profit (Loss) for the year before tax</b>		<b>510,925</b>	<b>(966,106)</b>
Income tax (expenses) reversal	11	<u>(49,754)</u>	<u>64,056</u>
<b>Profit (Loss) for the year</b>		<b>461,171</b>	<b>(902,050)</b>
		<u>JD/Fils</u>	<u>JD/Fils</u>
Basic and diluted earnings (losses) per share		<u>0/058</u>	<u>(0/113)</u>

The attached notes 1 to 38 form part of these financial statements

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019**

---

	<u>2019</u> JD	<u>2018</u> JD
<b>Profit (Loss) for the year</b>	461,171	(902,050)
<b>Add: Other comprehensive income items after tax which will not to be reclassified to profit and loss in subsequent periods:</b>		
Change in fair value of financial assets at fair value through other comprehensive income, net	(42,876)	(215,797)
Gain from sale of financial assets at fair value through other comprehensive income	<u>-</u>	<u>32,079</u>
<b>Total comprehensive income for the year</b>	<u>418,295</u>	<u>(1,085,768)</u>

**The attached notes 1 to 38 form part of these financial statements**

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Paid in capital	Statutory reserve	Voluntary reserve	Fair value reserve	Retained earnings (Accumulated losses)	Total
	JD	JD	JD	JD	JD	JD
<b>2019 -</b>						
Balance at 1 January 2019	8,000,000	1,305,481	311,000	(919,754)	(28,547)	8,668,180
Profit for the year	-	-	-	-	461,171	461,171
Other comprehensive income items	-	-	-	(42,876)	-	(42,876)
Total comprehensive income	-	-	-	(42,876)	461,171	418,295
Statutory reserve	-	51,510	-	-	(51,510)	-
Balance at 31 December 2019	8,000,000	1,356,991	311,000	(962,630)	381,114	9,086,475
<b>2018 -</b>						
Balance at 1 January 2018	8,000,000	1,305,481	311,000	(703,957)	1,394,798	10,307,322
The impact of IFRS 9 implementation	-	-	-	-	(73,374)	(73,374)
Balance at 1 January 2019 (restated)	8,000,000	1,305,481	311,000	(703,957)	1,321,424	10,233,948
Loss for the year	-	-	-	-	(902,050)	(902,050)
Other comprehensive income items	-	-	-	(215,797)	32,079	(183,718)
Total comprehensive income	-	-	-	(215,797)	(869,971)	(1,085,768)
Cash dividends (note 22)	-	-	-	-	(480,000)	(480,000)
Balance at 31 December 2018	8,000,000	1,305,481	311,000	(919,754)	(28,547)	8,668,180

- Included in the retained earnings a restricted amount of JD 350,457 in accordance with Jordan securities commission regulations which represent deferred tax assets as of 31 December 2019 (2018: JD 277,088). In addition, to that JD 962,630 restricted from retained earnings which represent the negative fair value reserve as of 31 December 2019 (2018: JD 919,754).

The attached notes 1 to 38 form part of these financial statements

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
CONSOLIDATED STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	<u>Notes</u>	<u>2019</u> JD	<u>2018</u> JD
<b><u>OPERATING ACTIVITIES</u></b>			
profit (Loss) for the year before tax		510,925	(966,106)
<b>Adjustment for non-cash items</b>			
Depreciation	6,12	52,796	53,954
Profit on sale property and equipment		-	(52)
Interest income		(755,349)	(703,938)
Dividends from financial assets through other comprehensive income		(249,287)	(269,625)
Net change in unearned premiums reserve		(788,261)	492,549
Net change in outstanding claims reserve		670,425	1,107,600
Net change in mathematical reserve		(14,612)	4,213
Other provisions		122,206	125,627
(Gain) from Foreign currencies		(67)	-
Amortization of financial assets at amortized cost		5,387	5,129
<b>Cash flows (used in) operating activities before changes in working capital</b>		<b>(445,837)</b>	<b>(150,649)</b>
Notes receivables and checks under collection		324,231	(71,462)
Accounts receivable		(82,791)	107,682
Reinsurance receivables		(66,760)	(234,290)
Other assets		(504,000)	63,353
Accounts payable		(96,308)	854,397
Accrued expenses		(18,592)	11,259
Reinsurance payables		(185,218)	(873,514)
Other provisions		(129,165)	(128,315)
Other payables		205,754	(169,916)
<b>Net cash flows (used in) operating activities before tax</b>		<b>(998,686)</b>	<b>(591,455)</b>
Income tax paid		-	(67,304)
Income tax paid for interest		(31,245)	(29,592)
<b>Net cash flows (used in) operating activities</b>		<b>(1,029,931)</b>	<b>(688,351)</b>
<b><u>INVESTING ACTIVITIES</u></b>			
Term deposits mature after 3 months		1,287,157	3,027,913
Interest income		755,349	703,938
Dividends from financial assets through other comprehensive income		249,287	269,625
Purchase of financial assets at fair value through other comprehensive income		(239,013)	(340,999)
Sale proceed from financial assets at fair value through other comprehensive income		-	239,861
Purchase of financial assets at amortized cost		(2,120,400)	-
Purchase of property and equipment		(15,360)	(11,075)
Proceeds from sale of property and equipment		-	55
<b>Net cash flows (used in) from investing activities</b>		<b>(82,980)</b>	<b>3,889,318</b>
<b><u>FINANCING ACTIVITIES</u></b>			
Dividends		-	(480,000)
<b>Net cash flow (used in) financing activities</b>		<b>-</b>	<b>(480,000)</b>
<b>Net (decrease) increase in cash and cash equivalent</b>		<b>(1,112,911)</b>	<b>2,720,967</b>
Cash and cash equivalents at beginning of the year		4,178,968	1,458,001
<b>Cash and cash equivalents at the end of the year</b>	26	<b>3,066,057</b>	<b>4,178,968</b>

The attached notes 1 to 38 form part of these financial statements

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
STATEMENT OF UNDER WRITING REVENUES FOR THE LIFE INSURANCE  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>Life insurance business</b>	
	<b>2019</b>	<b>2018</b>
	<b>JD</b>	<b>JD</b>
<b>Written Premiums –</b>		
Direct insurance	299,103	383,751
Reinsurance inward business	113,037	123,152
<b>Total written premiums</b>	<b>412,140</b>	<b>506,903</b>
Less:		
Local reinsurance share	97,577	101,520
Foreign reinsurance share	174,959	226,019
<b>Net premiums</b>	<b>139,604</b>	<b>179,364</b>
Add:		
Balance at the beginning of the year	133,228	146,421
Less: reinsurance share	80,528	97,934
<b>Net mathematical reserve at the beginning of the year</b>	<b>52,700</b>	<b>48,487</b>
Less:		
Balance at the end of the year	85,925	133,228
Less: reinsurance share	47,837	80,528
<b>Net mathematical reserve at the end of the year</b>	<b>38,088</b>	<b>52,700</b>
<b>Net earned revenue from written premiums-net</b>	<b>154,216</b>	<b>175,151</b>

**The attached notes 1 to 38 form part of these financial statements**

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
STATEMENT OF CLAIMS COST FOR THE LIFE INSURANCE  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Life insurance business	
	2019	2018
	JD	JD
Paid claims	189,097	356,350
Less:		
Foreign reinsurance share	157,578	290,611
Net paid claims	31,519	65,739
Add:		
Claims reserve at the end of the year		
Reported	74,040	33,245
Not reported	24,728	30,414
Less:		
Reinsurance share	61,961	32,943
Net claims reserve at the end of the year	36,807	30,716
Reported	28,431	19,954
Not reported	8,376	10,762
Less:		
Claims reserve beginning of the year		
Reported	33,245	116,305
Not reported	30,414	30,702
Less:		
Reinsurance share	32,943	111,968
Net claims reserve at the beginning of the year	30,716	35,039
Net claims cost	37,610	61,416

The attached notes 1 to 38 form part of these financial statements

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
STATEMENT OF UNDER WRITING PROFITS FOR THE LIFE INSURANCE  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Life insurance business	
	2019	2018
	JD	JD
<b>Net earned revenue from written premiums</b>	<u>154,216</u>	<u>175,151</u>
Less:		
<b>Net claims cost</b>	<u>37,610</u>	<u>61,416</u>
Add:		
Commissions received	2,708	3,758
Insurance policies issuance fees	3,252	4,453
Other income	3,723	-
<b>Total revenues</b>	<u>9,683</u>	<u>8,211</u>
Less:		
Policy acquisition cost	6,688	6,452
Allocated administrative and general expenses	38,471	41,636
Other expenses	2,809	4,235
<b>Total expenses</b>	<u>47,968</u>	<u>52,323</u>
<b>Underwriting profit</b>	<u>78,321</u>	<u>69,623</u>

**The attached notes 1 to 38 form part of these financial statements**

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

	Motor		Marine and transportations		Fire and property		Liability		Medical		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
<b>Written Premiums</b>												
Direct insurance	9,694,078	10,864,666	618,678	562,932	1,415,909	2,205,917	55,452	186,113	4,696,823	5,482,275	16,480,940	19,311,903
Optional reinsurance inward business	1,002,840	946,662	(2,656)	(1,124)	530,425	477,651	3,128	2,568	-	-	1,533,737	1,425,757
<b>Total Premiums</b>	<b>10,696,918</b>	<b>11,811,328</b>	<b>616,022</b>	<b>561,808</b>	<b>1,946,334</b>	<b>2,683,568</b>	<b>58,580</b>	<b>188,681</b>	<b>4,696,823</b>	<b>5,482,275</b>	<b>18,014,677</b>	<b>20,737,660</b>
Less:												
Local reinsurance share	359,463	318,141	-	-	550,753	520,603	6,185	4,325	-	-	916,401	843,069
Foreign reinsurance share	141,162	190,745	425,543	390,874	1,068,170	1,811,944	27,491	150,615	2,845,221	1,905,467	4,507,587	4,449,645
<b>Net written premiums</b>	<b>10,196,293</b>	<b>11,302,442</b>	<b>190,479</b>	<b>170,934</b>	<b>327,411</b>	<b>351,021</b>	<b>24,904</b>	<b>33,741</b>	<b>1,851,602</b>	<b>3,586,808</b>	<b>12,590,689</b>	<b>15,444,946</b>
Add:												
Balance at the beginning of the year												
Unearned premiums reserve	5,870,133	5,806,536	138,310	258,480	1,428,065	1,807,423	72,361	42,171	906,795	859,832	8,415,684	8,574,442
Less: reinsurance share	224,401	236,540	95,227	196,905	1,338,003	1,698,973	58,481	25,866	292,945	502,080	2,009,057	2,660,364
<b>Net unearned premiums reserve</b>	<b>5,645,732</b>	<b>5,569,996</b>	<b>43,083</b>	<b>61,575</b>	<b>90,062</b>	<b>108,450</b>	<b>13,900</b>	<b>16,305</b>	<b>613,850</b>	<b>357,752</b>	<b>6,406,627</b>	<b>5,914,078</b>
Less:												
<b>Balance at the end of the year</b>												
Unearned premiums reserve	5,497,062	5,870,133	76,369	138,310	937,608	1,428,065	23,979	72,361	661,276	906,795	7,196,294	8,415,684
Less: reinsurance share	281,222	224,401	55,007	95,227	846,592	1,338,003	14,087	58,481	381,020	292,945	1,577,928	2,009,057
<b>Unearned premiums reserve- net</b>	<b>5,215,840</b>	<b>5,645,732</b>	<b>21,362</b>	<b>43,083</b>	<b>91,016</b>	<b>90,062</b>	<b>9,892</b>	<b>13,900</b>	<b>280,256</b>	<b>613,850</b>	<b>5,618,366</b>	<b>6,406,627</b>
<b>Earned revenue from written Premiums- net</b>	<b>10,626,185</b>	<b>11,026,706</b>	<b>212,200</b>	<b>189,426</b>	<b>326,457</b>	<b>369,409</b>	<b>28,912</b>	<b>36,146</b>	<b>2,185,196</b>	<b>3,330,710</b>	<b>13,378,950</b>	<b>14,952,397</b>

The attached notes 1 to 38 form part of these financial statements

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
STATEMENT OF CLAIMS COST FOR THE GENERAL INSURANCE  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Motor		Marine and transportations		Fire and property		Liability		Medical		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
<b>Paid claims</b>	12,178,808	13,497,090	179,715	103,710	582,292	367,784	66,788	13,000	4,578,297	5,612,764	17,565,900	19,594,348
Less:												
Recoveries	2,938,264	2,777,839	68,190	12,240	17,465	30,646	-	-	80,494	66,213	3,104,413	2,886,938
Local reinsurance share	-	132	-	-	249,266	46,017	-	-	-	-	249,266	46,149
Foreign reinsurance share	222,292	449,713	128,804	69,093	268,338	249,717	57,922	13,000	2,365,096	2,395,270	3,042,452	3,176,793
<b>Net Paid Claims</b>	9,018,252	10,269,406	(17,279)	22,377	27,223	41,404	8,866	-	2,132,707	3,151,281	11,169,769	13,484,468
<b>Add:</b>												
Outstanding claims reserve at end of the year												
Reported	6,173,647	5,853,204	473,598	247,809	3,088,755	3,052,359	225,948	246,990	571,166	195,048	10,533,114	9,595,410
Not reported	1,350,309	900,309	6,160	5,618	19,463	26,836	586	1,887	158,147	460,323	1,534,665	1,394,973
Less:												
Reinsurance share	636,111	550,178	434,071	199,970	2,934,406	2,954,186	129,318	171,053	503,729	228,347	4,637,635	4,103,734
Recoveries	313,835	434,674	-	-	-	-	-	-	-	-	313,835	434,674
<b>Net outstanding claims reserve at end of the year</b>	6,574,010	5,768,661	45,687	53,457	173,812	125,009	97,216	77,824	225,584	427,024	7,116,309	6,451,975
Reported	5,313,701	4,958,352	43,782	51,748	170,538	121,498	96,967	77,486	173,181	127,187	5,798,169	5,336,271
Not reported	1,260,309	810,309	1,905	1,709	3,274	3,511	249	338	52,403	299,837	1,318,140	1,115,704
Less:												
Net outstanding claims reserve at beginning of the year												
Reported	5,853,204	5,141,970	247,809	232,882	3,052,359	3,008,842	246,990	249,582	195,048	241,227	9,595,410	8,875,503
Not reported	900,309	536,309	5,618	9,493	26,836	32,799	1,887	722	460,323	424,577	1,394,973	1,003,900
Less:												
Reinsurance share	550,178	578,105	199,970	183,782	2,954,186	2,911,147	171,053	199,674	228,347	386,867	4,103,734	4,259,575
Recoveries	434,674	279,776	-	-	-	-	-	-	-	-	434,674	279,776
<b>Net outstanding claims reserve at beginning of the year</b>	5,768,661	4,820,398	53,457	58,593	125,009	131,494	77,824	50,630	427,024	278,937	6,451,975	5,340,052
<b>Net claims cost</b>	9,823,601	11,217,669	(25,049)	17,241	76,026	34,919	26,258	27,194	1,931,267	3,299,368	11,834,103	14,596,391

The attached notes 1 to 38 form part of these financial statements

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
STATEMENT OF UNDERWRITING RESULTS FOR THE GENERAL INSURANCE  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Motor		Marine and transportations		Fire and property		Liability		Medical		Total	
	2019		2019		2019		2019		2019		2019	
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
<b>Net earned revenue from written premiums</b>	10,826,185	11,026,706	212,200	189,426	326,457	369,409	28,912	36,148	2,185,196	3,330,710	13,378,950	14,952,397
Less:												
<b>Net claims cost</b>	9,823,601	11,217,669	(25,049)	17,241	76,026	34,919	28,258	27,194	1,931,267	3,299,368	11,834,103	14,596,391
<b>Add:</b>												
Commissions received	28,425	38,888	168,697	197,243	178,314	246,415	857	720	-	-	376,293	483,066
Insurance policies issuance fees	543,312	658,214	16,482	15,420	21,057	39,850	1,273	3,489	143,992	183,246	726,116	900,219
Other income related to written premiums	65,999	85,561	-	1,347	-	4,034	-	-	283,949	6,881	349,948	97,823
<b>Total revenues</b>	<b>637,736</b>	<b>782,463</b>	<b>185,179</b>	<b>214,010</b>	<b>199,371</b>	<b>290,299</b>	<b>2,130</b>	<b>4,209</b>	<b>427,941</b>	<b>190,127</b>	<b>1,452,357</b>	<b>1,481,108</b>
<b>Less:</b>												
Policies acquisition cost	831,908	1,109,387	21,474	16,317	85,537	103,967	2,376	1,982	110,951	51,947	1,052,246	1,283,580
Excess of loss premiums	190,022	302,928	10,000	10,000	88,000	88,000	-	-	-	-	288,022	400,928
Administrative and allocated general expenses	843,949	770,694	79,071	64,903	168,904	187,668	10,321	22,595	310,557	325,773	1,412,802	1,371,633
Allocated other expenses	121,432	103,147	653	818	1,221	17,103	-	-	294,870	360,512	418,176	481,580
<b>Total expenses</b>	<b>1,987,311</b>	<b>2,286,156</b>	<b>111,198</b>	<b>92,038</b>	<b>343,662</b>	<b>396,738</b>	<b>12,697</b>	<b>24,557</b>	<b>716,378</b>	<b>738,232</b>	<b>3,171,246</b>	<b>3,537,721</b>
<b>Underwriting (loss) profit</b>	<b>(546,991)</b>	<b>(1,694,656)</b>	<b>311,230</b>	<b>294,157</b>	<b>106,140</b>	<b>228,051</b>	<b>(9,913)</b>	<b>(11,396)</b>	<b>(34,508)</b>	<b>(516,763)</b>	<b>(174,042)</b>	<b>(1,700,607)</b>

The attached notes 1 to 38 form part of these financial statements

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2019**

---

**(1) GENERAL**

National Insurance Company ("Company") was established after the merger between Al-Watania Insurance company (established in 1965) and Al-Ahlia Insurance Company established in 1986 according to the companies' law number 1964 for insurance practice. The Company was registered the ministry of industry and trade as a public shareholding company, under the registration number (199) on 9 December 1986. The Company had the life insurance license on the 6 August 1995. The Company's authorized and paid in capital is JD 8,000,000 divided into 8,000,000 shares with as par value of JD 1 each.

The Company's name was modified to become National Insurance Company (public shareholding company), instead of National Ahlia Insurance Company (public shareholding company) based on the Company's General Assembly decision at its extraordinary meeting on 25 April 2007.

The Company is engaged in all kinds of insurance, such as motor, marine, transportation, fire and property risk, liability, medical, personal accident and life through its head quarter, located in Shmeisani - Qutb Street - next to the embassy of the Kingdom of Bahrain. PO Box 6156 - Amman 11118 - Tel: 5681979 - Fax: 5684900 and its agencies the Hashemite Kingdom of Jordan.

The consolidated financial statements were approved by the board of directors in its meeting No. (2) on 26 February 2020 and it is subject to approval by the general assembly of the shareholders.

**(2) SIGNIFICANT ACCOUNTING POLICIES**

**(2-1) Basis of preparation the consolidated financial statements**

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

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

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

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2019**

---

**(2-2) Basis of consolidation**

The consolidated financial statements comprise the financial statements of National Insurance Company (the "Company"), and its subsidiary (referred to together as the "Group") as of the 31 December 2019:

Company's Name	Legal form	Country of Origin	Ownership Percentage	
			2019	2018
Nai for Real Estate Investments Co.*	Limited Liability Company	Jordan	100%	100%

\* Nai Real Estate Investment Company Ltd. was established with a full paid in capital of JD 60,000. The Company was registered with the Ministry of Industry and Trade on 16 December 2008 and it is wholly owned by the National Insurance Company. The company did not start operations to the date of these consolidated financial statements.

The subsidiary is consolidated from the date control achieved and continue to be consolidated until the date when such control ceases. 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. All intra-group transactions, balances, income, expenses between members of the Group are eliminated in full on consolidation.

The financial statements of the subsidiary are prepared for the same reporting year as for the Company and using consistent accounting policies.

All intra-group transactions, balances, income, expenses between subsidiary and parent are eliminated in full on consolidation.

Losses attributable to non-controlling interest are recognized even if that results in a deficit balance.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences, recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and

**(2-3) Changes in accounting policies**

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

**IFRS 16 Leases**

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

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

The new standard did not have any impact on the Group's financial statements, as the group does not have lease contracts.

**IFRIC Interpretation 23 Uncertainty over Income Tax Treatment**

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

**Amendments to IFRS 9: Prepayment Features with Negative Compensation**

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

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

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

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

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

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

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

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

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

**(2-4) Summary of significant accounting policies**

Following is a summary of the significant accounting policies:

**Segments information**

Business segments represent distinguishable components of the Group that are engaged in providing products or services which are subject to risks and rewards that are different from those of other segments and are reported based on the reports that are used by the chief executive decision maker.

Geographical segments are associated to products and services provided within a particular economic environment, which are subject to risks and rewards that are different from those of other economic environments.

**Financial assets trade date**

Purchases and sales of financial assets are recognized on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

**Fair value measurement**

The Group measures financial instruments such as derivatives and financial assets at fair value at the financial statements date. The fair value of amortized cost financial assets disclosed in note (33).

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 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.

In case of unavailable main market, the principal or the most advantageous market for assets or liabilities must be accessible to by the Group.

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.

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2019**

---

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:

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

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.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated 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.

For the purpose of the fair value disclosure, the Group has determined classes of assets and liabilities based on nature, characteristics and risks of the assets or liabilities and the level of the fair value hierarchy.

**(A) Financial assets at amortized cost**

- Financial assets that the Group's management aims, according to its business model to hold the assets to collect their contractual cash flows and that the contractual terms of the financial asset give rise, on specified dates, to cash flows constituting solely principal and profit on the outstanding principal amounts.
- Debt instruments meeting these criteria are initially measured at amortized cost plus transaction costs. Subsequently they are amortized using the effective profit rate method less allowance for impairment. The losses arising from impairment are recognized in the income statement.
- The amount of the impairment consists of the difference between the book value and present value of the expected future cash flows discounted at the original effective interest rate.

**B) Financial assets at fair value through profit or loss**

- Financial instruments at fair value through profit or loss are initially measured at fair value, transaction costs are recorded in the income statement at the date of transaction. Subsequently, these assets are revalued at fair value. Gains or losses arising on subsequent measurement of these financial assets including the change in fair value arising from non-monetary assets in foreign currencies are recognized in the income statement. Where these assets or portion of these assets are sold, the gain or loss arising are recorded in the consolidated income statement.
- Dividend and interest income are recorded in the consolidated income statement.

**C) Financial assets at fair value through other comprehensive income**

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

**Impairments in Financial Assets Value**

The adoption of IFRS 9 has changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Company to record an allowance for ECLs for all debt instruments measured at amortized cost.

For all debt instruments, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses.

To determine the expected credit losses for the portfolio, the Group uses a provision matrix. The provision matrix is based on its historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rate are updated and changes in the forward-looking estimates are analyzed.

**Investment property**

Investment property is stated at cost less accumulated depreciation (except land) and its depreciation over its useful life at a rate of 4%. Impairment loss is recorded in the consolidated income statement. Any profit or operating expense arising from these assets is recognized in the consolidated income statement.

Investment property is revalued in accordance with Insurance Department related regulations, and its fair value is disclosed in the investment property note (note 6).

**Cash and Cash equivalents**

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

### **Reinsurance Accounts**

Reinsurers shares of insurance premiums, paid claims, technical provisions, and all other resulting rights and obligations are calculated based on the agreements signed between the Group and reinsurance companies and are accounted for using the accrual basis.

### **Reinsurance**

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

### **Impairment in Reinsurance Assets**

In case there is any indication as to the impairment of the reinsurance assets of the Group, which possesses the reinsured contract, the Group has to reduce the present value of the contracts and record the impairment in the statement of income,

The impairment is recognized in the following cases only:

1. There is an objective evidence resulting from an event that took place after the recording of the reinsurance assets confirming the Group's inability to recover all the amounts under the contracts terms.
2. The event has a reliably and clearly measurable effect on the amounts that the Group will recover from reinsures.

### **Insurance policy acquisition cost**

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

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2019**

---

**Property and equipment**

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

	<u>%</u>
Building	2
Furniture	15
Tools and equipment	20-35
Vehicles	15
Decoration	15

Depreciation expense is calculated when property and equipment is put in use, property and equipment under construction is stated at cost less impairment loss.

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

The useful life and depreciation method are reviewed periodically. If the expected useful life of the assets does not reflect the expected pattern of economic benefits from items of property and equipment, changes are recognized as changes in estimates for future period.

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

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

**Pledged financial assets**

These are the financial assets that are pledged for other parties, and the other parties have the right to control the asset (sell or re-pledge). These financial assets continue to be valued using the same accounting policies and classification.

## **Provisions**

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

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

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

### **A) Technical Reserves**

Technical reserves are provided for in accordance to the Insurance Department instructions, as follows:

1. Unearned premiums reserve is measured for general insurance business based on remaining days of the insurance policy of expiration, considering a period of 365 days except marine and transport insurance which is calculated based on written premiums for existing policies at the date of the financial statements in accordance with Laws, regulations and instructions issued pursuant thereto.
2. Outstanding claims (Reported) provision is measured at the maximum value of the total expected loss for each claim separately.
3. Provision for the ultimate cost of claims incurred but not yet reported (IBNR) and unexpired risk is measured based on the estimates and the experience of the Group.
4. Provision for unearned premiums for life insurance is calculated based on the Group's experience and estimates.
5. The mathematical reserve of life insurance policies is calculated in accordance with the Insurance Department regulations.
6. Reports reviewed by the actuary.

### **B) Provision for expected credit loss**

The provision for expected credit loss on receivables is reviewed by the Group's management, in accordance with the international financial reporting standards.

**C) End of service indemnity provision**

The end of service indemnity provision for employees is calculated based on the Group's policy in line with Jordanian labor law.

The end of service benefits for the resigned employees are recorded on settlement. Provision against obligation for the end of service is charged to the consolidated income statement.

**Liability adequacy test**

At each statement of financial position date the Company assesses whether its insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If assessment shows that the carrying amount of its insurance liabilities is inadequate when comparing it to the estimated future cash flows, the deficiency is immediately recognized in the consolidated income statement.

**Income Tax**

Income tax expense represents current and deferred income tax.

**A- Accrued Income Tax**

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

The taxes are calculated based on tax rates in the country in where it conducts its business.

**B- Deferred Tax**

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that is no longer probable that all or part of the deferred tax assets will be utilized or settle a tax liability or when no longer needed.

### **Offsetting**

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

### **Revenue recognition**

#### **A- Insurance policies**

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

Claims expenses are recognized in the consolidated income statement based on the expected claim value to compensate the policyholder or to other affected parties.

#### **B- Dividend and interest revenue**

The Dividends revenues are realized when the shareholder has the right to receive the payment once approved by the General Assembly of Shareholders.

Interest revenues are recorded using the accrual basis based for the related period, principle amount and interest rate.

### **Expenditures recognition**

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

### **Insurance compensations**

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

Insurance compensations payments during the year include payments for the current or prior years. Outstanding claims represent the highest estimated amount to settle the claims resulting from events occurred before the date of financial statements but not settled yet.

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

**Recoverable scraped value**

Estimated recoverable amounts from scraped value and waiver are considered when measuring the outstanding claim liability.

**General and administrative expenses**

The traceable general and administrative expenses are allocated to each insurance division separately. Moreover, 80% of the un-allocated general and administrative expenses are allocated to different insurance departments based on earned premiums per department to total premiums.

**Employee's expenses**

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

**Foreign currencies**

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the transactions dates. Monetary assets and liabilities in foreign currencies are translated into Jordanian Dinar at rates of exchange prevailing at the statement of financial position date as issued by Central Bank of Jordan.

Non-monetary assets and liabilities in foreign currencies are translated into respective functional currencies at fair value at the respective date.

Gains and losses resulting from foreign currencies translation shall be recorded in the consolidated statement of income.

Translation differences on non-monetary items carried at fair value (such as stocks) are included as part of the changes in fair value.

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2019**

**(2-5) Use of Estimates**

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

The details of significant estimates made by management are as follows:

- A provision of expected credit loss by the management based on their principles and assumptions according to International Financial Reporting Standards.
- The financial year is charged with its related income tax in accordance with regulations.
- The management periodically reviews tangible useful life in order to calculate the depreciation amount depending on the status of these assets and future benefit. The impairment loss (if any) appears on the consolidated statement of income.
- The outstanding claim reserve and technical reserve are estimated based on technical studies and according to insurance regulations and record actuarial reports.
- A provision on lawsuit against the Group is made based on the Group's lawyers' studies in which contingent risk is determined, review of such study is performed periodically.
- The management periodically reviews financial assets at amortized cost for impairment, if impairment existed, it is charged to the consolidated income statement.

**(3) DEPOSITS AT BANKS**

This item consists of the following:

	2019			2018	
	Deposits due within a month	Deposits due from 1 to 3 months	Deposits due from 3 months to 1 year	Total	Total
	JD	JD	JD	JD	JD
Inside Jordan	381,507	2,365,739	5,036,845	7,784,091	10,242,422

Interest rates on bank deposit balances in Jordanian Dinar ranges from 3.3% to 6.7% during the year 2019.

The restricted deposits amounted to JD 325,000 as of 31 December 2019 and 31 December 2018 in the Commercial Bank of Jordan is pledged on behalf at the secretary general of the Ministry of Trade and Finance.

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2019**

---

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

This item consists of the following:

	<u>2019</u>	<u>2018</u>
	JD	JD
<b>Inside Jordan -</b>		
Quoted Shares	<u>2,853,537</u>	<u>2,635,965</u>
<b>Outside of Jordan -</b>		
Quoted Shares	750,212	771,647
Unquoted shares	<u>32,764</u>	<u>32,764</u>
<b>Total</b>	<u>3,636,513</u>	<u>3,440,376</u>

The cost of unquoted financial assets at fair value through other comprehensive income outside Jordan as follows:

	<u>2019</u>	<u>2018</u>
	JD	JD
<b>Outside of Jordan -</b>		
Arab Reinsurance Company/Lebanon	32,331	32,331
Arab Insurance Institute/Syria	433	433
<b>Total</b>	<u>32,764</u>	<u>32,764</u>

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2019**

**(5) FINANCIAL ASSETS AT AMORTIZED COST**

This item consists of the following:

	2019 JD	2018 JD
<b>Inside Jordan -</b>		
Jordanian Treasury Bonds- US Dollars (1)	1,034,715	1,040,353
Jordanian Treasury Bonds – US Dollars (2)	721,461	721,889
Capital Bank Bonds (3)	-	283,600
Capital Bank Bonds / 24 Bonds (4)	1,704,000	-
Bindar for trading and investments Bond (5)	700,000	-
	<u>4,160,176</u>	<u>2,045,842</u>
<b>Outside Jordan -</b>		
Al Hikma Pharmaceuticals Bonds (6)	283,615	282,222
Treasury bonds - Kingdom of Bahrain (7)	284,171	284,885
<b>Sub total</b>	<u>567,786</u>	<u>567,107</u>
<b>Total</b>	<u>4,727,962</u>	<u>2,612,949</u>

- (1) The Jordanian Treasury Bonds / Dollar matures on 29 January 2026 at fixed annual interest rate of 6.125% annually. Interest is paid every six months through two equal installments on 29 January and 29 July until maturity.
- (2) The Jordanian Treasury Bonds / Dollar matured on 10 October 2047 at fixed annual interest rate of 7.375% annually. Interest is paid every six months through two equal installments on 10 October and 10 April until maturity.
- (3) Capital Bank's bonds matures on 1 March 2020 at fixed annual interest rate of 6.85% annually. Interest is paid every six months through two equal installments on 1 March and 1 September until maturity.
- (4) Capital Bank's bonds / 24 Bonds matures on 15 March 2026 at fixed annual interest rate of 7% annually. Interest is paid every six months through two equal installments on 15 March and 15 September until maturity.
- (5) Bindar Bond matures on 1 June 2020 at fixed annual interest rate of 7% annually. Interest is paid every six months through two equal installments on 24 December and 20 June until maturity.
- (6) Al Hikma Bonds matures on 10 April 2020 at fixed annual interest rate of 4.25% annually. Interest is paid every six months through two equal installments on 10 April and 10 October until maturity.
- (7) The Kingdom of Bahrain Bonds / Kuwait Dinnar matures on 31 March 2020 at fixed annual interest rate of 5.5% annually. Interest is paid every six months through two equal installments on 31 March and 30 September until maturity.

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2019**

**(6) INVESTMENT PROPERTY**

This item consists of the following:

	Land	Jabal Amman Medical Clinics Building	Total
	JD	JD	JD
<b>2019 -</b>			
<b>Cost:</b>			
Beginning Balance	54,547	482,475	537,022
Ending Balance	54,547	482,475	537,022
<b>Accumulated Depreciation:</b>			
Beginning Balance	-	57,897	57,897
Additions	-	19,299	19,299
Ending balance	-	77,196	77,196
<b>Net Book Value</b>	<b>54,547</b>	<b>405,279</b>	<b>459,826</b>
<b>2018 -</b>			
<b>Cost:</b>			
Beginning Balance	54,547	482,475	537,022
Ending Balance	54,547	482,475	537,022
<b>Accumulated Depreciation:</b>			
Beginning Balance	-	38,598	38,598
Additions	-	19,299	19,299
Ending balance	-	57,897	57,897
<b>Net Book Value</b>	<b>54,547</b>	<b>424,578</b>	<b>479,125</b>

- The Medical clinic building consists of 8 clinics.
- Investments properties fair value estimated by an average of JD 1,117,250 as of 31 December 2019 by three valuers according to insurance regulations.

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2019**

---

**(7) CASH ON HAND AND AT BANKS**

This item consists of the following:

	<u>2019</u> JD	<u>2018</u> JD
Cash on hand	155,608	104,358
Current accounts at banks	163,203	156,190
	<u>318,811</u>	<u>260,548</u>

**(8) NOTES RECEIVABLES AND CHEQUES UNDER COLLECTION**

This item consists of the following:

	<u>2019</u> JD	<u>2018</u> JD
Notes receivables	19,754	19,754
Cheques under collection*	999,323	1,323,554
	<u>1,019,077</u>	<u>1,343,308</u>
Less: Provision for expected credit loss *	(23,724)	(23,724)
	<u>995,353</u>	<u>1,319,584</u>

\* Cheques under collection maturity stretch to December 2020.

\*\* The following represents the provision for expected credit loss movement:

	<u>2019</u> JD	<u>2018</u> JD
Balance at the beginning of the year	23,724	19,754
The effect of IFRS (9) implementation	-	3,970
Balance at the end of the year	<u>23,724</u>	<u>23,724</u>

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2019**

**(9) ACCOUNT RECEIVABLES, NET**

This item consists of the following:

	<u>2019</u>	<u>2018</u>
	JD	JD
Policy holders' receivables	4,776,423	4,735,787
Agents receivables	782,617	735,393
Brokers receivables	830,887	801,956
Employee receivables	77,294	71,927
Other receivables	50,385	39,752
<b>Total</b>	<b>6,517,606</b>	<b>6,384,815</b>
Less: Provision for expected credit loss	(1,012,853)	(962,853)
	<u><b>5,504,753</b></u>	<u><b>5,421,962</b></u>

Below is the aging of unimpaired receivables:

	Due but not impaired					
	Not due	1-90 day	91-180 day	181-360 day	More than 360 day	Total
	JD	JD	JD	JD	JD	JD
2019	2,191,822	906,735	791,378	1,217,103	397,715	5,504,753
2018	2,213,267	1,018,313	1,014,750	816,359	359,273	5,421,962

Movement on the Provision for expected credit loss consist of the following:

	<u>2019</u>	<u>2018</u>
	JD	JD
Balance at the beginning of the year	962,853	953,424
Additions	50,000	-
The effect of IFRS (9) implementation	-	69,404
Write-offs	-	(59,975)
Balance at the end of the year	<u><b>1,012,853</b></u>	<u><b>962,853</b></u>

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2019**

---

**(10) REINSURANCE RECEIVABLES, NET**

This item consists of the following:

	<u>2019</u>	<u>2018</u>
	JD	JD
Local insurance companies	647,500	701,589
Foreign reinsurance companies	671,515	550,666
Less: Provision for expected credit loss	<u>(124,342)</u>	<u>(124,342)</u>
Net reinsurance receivables	<u>1,194,673</u>	<u>1,127,913</u>

Below is the aging of the unimpaired reinsurance receivables:

	<u>Due but not impaired</u>					
	<u>Not due</u>	<u>1-90 day</u>	<u>91-180 day</u>	<u>181-360 day</u>	<u>More than</u>	<u>Total</u>
	JD	JD	JD	JD	360 day	JD
2019	435,986	257,926	178,002	116,691	206,068	1,194,673
2018	420,261	362,204	117,409	104,696	123,343	1,127,913

\* Movement on the Provision for expected credit loss is as follows:

	<u>2019</u>	<u>2018</u>
	JD	JD
Balance at the beginning of the year	<u>124,342</u>	<u>124,342</u>
Balance at the end of the year	<u>124,342</u>	<u>124,342</u>

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2019**

**(11) INCOME TAX**

**A- Income tax provision**

The movement on the income tax provision is as follows:

	<u>2019</u>	<u>2018</u>
	JD	JD
Balance at beginning of the year	14,130	70,074
Income tax paid	-	(67,304)
Income tax expense for the year	18,017	40,050
Reversal from income tax provision	-	(2,761)
Transferred to other provisions	-	(25,929)
Balance at end of the year	<u>32,147</u>	<u>14,130</u>

Income tax expense included in the consolidated income statement represents the following:

	<u>2019</u>	<u>2018</u>
	JD	JD
Income tax for the year	18,017	40,050
Deferred tax assets additions	(370,297)	(270,759)
Reversal from income tax provision	-	(2,761)
Deferred tax assets reversals	296,928	169,414
Income tax withholdings	105,106	-
Income tax expense (reversal)	<u>49,754</u>	<u>(64,056)</u>

The reconciliation between accounting profit and taxable profit is as follows:

	<u>2019</u>	<u>2018</u>
	JD	JD
Accounting profit (loss)	510,925	(966,106)
Net non-taxable income	(180,167)	(304,250)
Net (deductible) non-deductible expenses	(115,666)	484,910
Prior year tax loss	(215,092)	-
Taxable profit (loss)	<u>-</u>	<u>(785,446)</u>
Income tax rate and national contribution	<u>26%</u>	<u>24%</u>
Income tax for the year from local income	-	-
Foreign investments income	<u>180,167</u>	<u>141,210</u>
Income tax for the year from foreign investments income	<u>18,017</u>	<u>14,121</u>
Income tax for the year from local and foreign income	<u>18,017</u>	<u>14,121</u>

Final reconciliation was reached with Income and Sales Tax Department up to 31 December 2016. In the opinion of the Company's management and tax advisor the income tax provision as of 31 December 2019 is sufficient to meet any tax exposure.

The Group has submitted its tax returns for the years 2017 and 2018, and it has been not reviewed until the date of preparation of the financial statement.

**NATIONAL INSURANCE COMPANY**  
**PUBLIC SHAREHOLDING COMPANY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

Income tax for the year 2019 was computed in accordance with income tax law (38) of the year 2018. And for the year 2018 in accordance with income tax law (34) of the year 2014.

**B- Deferred tax assets**

This item consists of the following:

	2019			2018		
	Beginning Balance	Released	Additions	Ending Balance	Deferred Tax	Deferred Tax
	JD	JD	JD	JD	JD	JD
<b>Deferred tax assets:</b>						
Provisions for outstanding claims	1,126,466	1,126,466	1,326,516	1,326,516	344,894	270,352
Provision for end of service indemnity	25,509	9,407	-	16,102	4,187	6,122
Group insurance fees provision/ life	2,988	6,156	8,463	5,295	1,376	614
<b>Total</b>	<b>1,154,963</b>	<b>1,142,029</b>	<b>1,334,979</b>	<b>1,347,913</b>	<b>350,457</b>	<b>277,088</b>

Movement on deferred tax asset as follows:

	2019 JD	2018 JD
Balance beginning of the year	277,088	175,743
Additions	370,297	270,759
Disposals	(296,928)	(169,414)
Balance end of the year	350,457	277,088

The tax rate used to calculate the deferred tax is 26% and the management is certain that 100% will be recoverable in the future. The items that resulted in deferred tax assets are included in the income tax law and are included in the tax base when calculating Company income tax.

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2019**

**(12) PROPERTY AND EQUIPMENT - NET**

This item consists of the following:

	Land	Building	Equipment, tools and furniture	Decoration	Vehicles	Total
	JD	JD	JD	JD	JD	JD
<b>2019 -</b>						
<b>Cost:</b>						
Balance at the beginning of the year	170,000	533,961	337,754	53,335	67,264	1,162,314
Additions	-	-	15,360	-	-	15,360
Balance at the end of the year	170,000	533,961	353,114	53,335	67,264	1,177,674
<b>Accumulated depreciation:</b>						
Balance at the beginning of the year	-	153,585	305,980	53,326	16,578	529,469
Additions	-	10,679	13,568	-	9,250	33,497
Balance at the end of the year	-	164,264	319,548	53,326	25,828	562,966
<b>Net book value at the end of the year</b>	<b>170,000</b>	<b>369,697</b>	<b>33,566</b>	<b>9</b>	<b>41,436</b>	<b>614,708</b>
<b>2018 -</b>						
<b>Cost:</b>						
Balance at the beginning of the year	170,000	533,961	328,283	53,335	67,264	1,152,843
Additions	-	-	11,075	-	-	11,075
Disposals	-	-	(1,604)	-	-	(1,604)
Balance at the end of the year	170,000	533,961	337,754	53,335	67,264	1,162,314
<b>Accumulated depreciation:</b>						
Balance at the beginning of the year	-	142,905	294,103	52,078	7,329	496,415
Additions	-	10,680	13,478	1,248	9,249	34,655
Disposals	-	-	(1,601)	-	-	(1,601)
Balance at the end of the year	-	153,585	305,980	53,326	16,578	529,469
<b>Net book value at the end of the year</b>	<b>170,000</b>	<b>380,376</b>	<b>31,774</b>	<b>9</b>	<b>50,686</b>	<b>632,845</b>

Property and equipment include fully depreciated items of JD 341,324 as 31 December 2019 (2018: JD 337,185), that are still in use.

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2019**

---

**(13) OTHER ASSETS**

This item consists of the following:

	<u>2019</u>	<u>2018</u>
	JD	JD
Paid claims recoveries, net	934,943	576,846
Accrued revenues	126,171	68,168
Prepaid expenses	61,846	21,196
Refundable deposits	2,931	2,931
Withholding tax on interest	60,837	29,592
Advance payments on IT system	47,250	-
<b>Total</b>	<u>1,233,978</u>	<u>698,733</u>

**(14) MATHEMATICAL RESERVE, NET**

This item consists of the following:

	<u>2019</u>	<u>2018</u>
	JD	JD
Mathematical reserve, net	<u>38,088</u>	<u>52,700</u>

**(15) ACCOUNTS PAYABLE**

This item consists of the following:

	<u>2019</u>	<u>2018</u>
	JD	JD
Policy holder payables	484,756	198,483
Agents payables	108,922	196,146
Brokers payables	147,237	142,551
Employee payables	471	6,135
Garages and suppliers payables	376,693	704,756
Unpaid dividends to shareholders	172,300	138,349
Medical network payables	796,818	815,611
Other payables	135,725	117,199
<b>Total</b>	<u>2,222,922</u>	<u>2,319,230</u>

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2019**

**(16) REINSURANCE PAYABLE**

This item consists of the following:

	<u>2019</u>	<u>2018</u>
	JD	JD
Local insurance companies	167,013	233,432
Foreign reinsurance companies	779,285	898,151
<b>Total</b>	<u>946,298</u>	<u>1,131,583</u>

**(17) OTHER PROVISIONS**

This item consists of the following:

	<u>2019</u>	<u>2018</u>
	JD	JD
End of service indemnity	16,102	25,509
Insurance Department fees	8,856	8,715
Commission from life insurance policies	5,295	2,988
<b>Total</b>	<u>30,253</u>	<u>37,212</u>

The below schedule represents the movement on the above mentioned provisions:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Paid</u>	<u>Ending balance</u>
	JD	JD	JD	JD
End of service Indemnity	25,509	-	(9,407)	16,102
Insurance Department fees	8,715	113,743	(113,602)	8,856
Commission from group / life policies	2,988	8,463	(6,156)	5,295
<b>Total</b>	<u>37,212</u>	<u>122,206</u>	<u>(129,165)</u>	<u>30,253</u>

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2019**

---

**(18) OTHER LIABILITIES**

This item consists of the following:

	<u>2019</u> JD	<u>2018</u> JD
Reinsurance reserved refunds withholdings	1,181,269	939,579
Sales tax withholdings	136,433	185,073
Stamps withholdings	8,317	9,596
Motor Accident Fund – refunds withholdings	11,964	11,093
Social security withholdings	15,299	13,967
Income tax withholdings	242,452	137,346
Others	17,068	5,288
<b>Total</b>	<u>1,612,802</u>	<u>1,301,942</u>

**(19) PAID IN CAPITAL**

Subscribed and paid in capital amounted to JD 8,000,000 divided into 8,000,000 shares at par value of JD 1 for each as of 31 December 2019 and 2018.

**(20) RESERVES**

**Statutory reserve:**

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

**Voluntary reserve:**

This amount represents appropriations at 20% of net income before income tax during this year and prior years. Voluntary reserve is used for the objectives determined by the board of the directors. The general assembly of the company has the right to distribute part or all of this amount as dividends to the shareholders.

**(21) FAIR VALUE RESERVE**

This item consists of the following:

	<u>2019</u> JD	<u>2018</u> JD
Balance at the beginning of the year	(919,754)	(703,957)
Net change during the year	(42,876)	(183,718)
Gains from selling of financial assets at fair value through other comprehensive income	-	(32,079)
<b>Balance at the end of the year</b>	<u>(962,630)</u>	<u>(919,754)</u>

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2019**

---

**(22) DIVIDENDS DISTRIBUTED**

In the 10<sup>th</sup> of April 2018, the general assembly for shareholders has approved to distribute dividends with the amount of 6% of the share capital equivalent to JD 480,000 for the year 2017.

**(23) INTEREST INCOME**

	<u>2019</u>	<u>2018</u>
	JD	JD
Bank deposits interest	497,011	548,051
Interest on financial assets at amortized cost	<u>258,338</u>	<u>155,887</u>
<b>Total</b>	<u>755,349</u>	<u>703,938</u>

**(24) EMPLOYEES EXPENSES**

This item consists of the following:

	<u>2019</u>	<u>2018</u>
	JD	JD
Salaries and bonuses	895,517	841,882
Social Security group's contribution	123,641	107,592
Employees' insurance expenses	47,136	47,962
Employees' training and development	5,998	2,953
Paid annual vacations	<u>2,235</u>	<u>4,003</u>
<b>Total</b>	<u>1,074,527</u>	<u>1,004,392</u>
Allocated employee expenses to the underwriting accounts	<u>956,652</u>	<u>891,971</u>
Unallocated employee expense to the underwriting accounts	<u>117,875</u>	<u>112,421</u>

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2019**

---

**(25) GENERAL AND ADMINISTRATIVE EXPENSES**

This item consists of the following:

	<u>2019</u>	<u>2018</u>
	JD	JD
Rent expense	10,218	10,218
Stationery and printing	31,543	29,375
Advertisements	21,176	15,121
Bank commission	30,005	26,235
Water, electricity and heating	32,372	33,358
Maintenance expense	37,041	32,668
Postage and telecommunications	10,790	11,310
Hospitality	11,478	9,670
Legal fees and expenses	79,500	73,000
Subscriptions	23,894	21,993
Tenders expenses	23,247	27,372
Insurance Department fees	116,299	133,868
Government fees and other fees	11,328	30,916
Donations	-	5,000
Transportation and travel	22,950	23,109
Professional fees	63,016	49,020
Board members transportation fees	25,200	42,000
Nonrefundable sales tax	22,027	16,669
Cleaning	18,070	17,122
Security	10,519	12,064
Collection commission	12,574	12,086
Company's assets insurance	5,561	6,064
Others	13,421	13,384
<b>Total</b>	<u>632,229</u>	<u>651,622</u>
Allocated general and administrative expenses to the underwriting accounts	<u>494,621</u>	<u>521,298</u>
Unallocated general and administrative expense to the underwriting accounts	<u>137,608</u>	<u>130,324</u>

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2019**

**(26) CASH AND CASH EQUIVALENTS**

The cash and cash equivalents that appear in the consolidated statement of cash flows from the amounts stated in the consolidated statement of financial position represent the following:

	<u>2019</u>	<u>2018</u>
	JD	JD
Cash in hands and at banks	318,811	260,548
Add: deposits at banks	7,784,091	10,242,422
Less: deposits at banks maturing in more than three months	(5,036,845)	(6,324,002)
<b>Net cash and cash equivalent</b>	<u>3,066,057</u>	<u>4,178,968</u>

**(27) RELATED PARTY TRANSACTIONS**

Related parties represent subsidiaries, Board of Directors members and the companies which they own. Pricing policies and term of transactions with those related parties are approved by the company's management.

No transactions have occurred between the company and its subsidiary (NAI for Real Estate Investment) as the subsidiary didn't conduct business to the date of their financial statements preparation.

During the year, the company has entered into transactions with major shareholders, board members and the higher management in the normal course of business. All insurance receivables granted to related parties are considered to be performing and no provision is required for them except for an amount of JD 83,193 in which a provision has been taken for.

The pricing policies and terms with related parties are approved by the Company's management.

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

	<u>2019</u>	<u>2018</u>
	JD	JD
<b><u>Statement of financial position items:</u></b>		
Account Receivables (Companies related to members of the board of directors)	<u>1,097,547</u>	<u>823,765</u>
<b><u>Income statement items:</u></b>		
Written premium (Companies related to members of the board of directors)	<u>2,191,426</u>	<u>1,583,872</u>
Paid compensations (Companies related to members of the board of directors)	<u>1,155,656</u>	<u>885,927</u>

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2019**

Compensations of key management personnel of the Company (salaries, bonuses, and other benefits) are as follows:

	<u>2019</u>	<u>2018</u>
	JD	JD
Salaries and bonuses	<u>427,525</u>	<u>396,756</u>

**(28) FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Group uses the following order of valuation methods and alternatives in determining and presenting the fair value of financial instruments:

Level 1: market prices published in active markets for the same assets and liabilities.

Level 2: other techniques where all the inputs that have a significant impact on the fair value can be observed directly or indirectly from the market information.

Level 3: other techniques which use inputs have a significant effect on the fair value but it is not based on information from the market can be observed.

The following table provides an analysis of financial instruments recorded at fair value, according to the hierarchy mentioned:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	JD	JD	JD	JD
<b>2019-</b>				
<b>Financial assets</b>				
Financial assets at fair value through other comprehensive income	3,603,749	-	32,764	3,636,513
<b>2018-</b>				
<b>Financial assets</b>				
Financial assets at fair value through other comprehensive income	3,407,612	-	32,764	3,440,376

**(29) FAIR VALUE OF FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE**

Financial assets consist of cash balances, deposits at banks, notes and accounts receivables, reinsurance receivables financial investments. Cheques under collection, and financial assets at amortized cost.

Financial liabilities consist of accounts payables, accrued expenses, reinsurance payables and other liabilities.

Fair value for those financial instruments is not materially different from their book value.

**(30) RISK MANAGEMENT**

The Group is exposed to different kinds of risks such as the insurance contract, insurance type, compensation for risk and disasters, political and economic factors, regulations, legislation and laws imposed on the insurance companies in Jordan.

The Group manages risk through its strategy as follows:

Focusing on the quality in selecting the risk and ensure that insurance risk is consistent with the risk type and value.

The Group monitors through its technical management the claims and their developments on quarterly basis in order to reduce the risks surrounding them to reflect the actual information for the Group in its quarterly financial statements and to mitigate risks that may result from unexpected developments.

The Investment Committee of the Board of Directors monitors the investments to keep diversification in the investment portfolio through the purchase of preferred shares and real estate investments. The Committee also review hedging, risk reduction and controls in accordance with the instructions of the Insurance Authorities.

The management of the Group holds reinsurance agreements with major reinsurers in the world to protect the Company in case of these risks.

Maintaining effective internal control system through the department heads and the internal audit and Group's management.

Regarding the motor insurance department, the Group has a special insurance policy so that it does not insure any car that has a date of manufacturing prior to 2000. Also, it avoids insurances that may result in a large number of claims such as insurance of rental cars. In addition, the Company has a policy is to pay the claims within a month after the claim and obtain a final reconciliation.

The Group mitigates risks by diversifying its insurance policies and selecting the type of risks consistence with the reinsurance agreements.

**(A) Insurance Risk**

**1. Insurance risk**

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

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

The Group mitigates the above risks by diversifying its insurance policies, as well as the improvement of risk changes by carefully selecting and implementing insurance strategies and guidelines and using reinsurance agreements.

**Duplicate Claims**

Claims can be duplicated and their amounts can be affected due to different factors. The Company's main insurance business is fire, general accident, motor and marine risk insurance. These insurance policies are considered short term and are usually paid within one year from the date of the accident. This helps to reduce the risk of insurance.

**NATIONAL INSURANCE COMPANY**  
**PUBLIC SHAREHOLDING COMPANY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**2. Claims Development**

The schedules below show the actual claims (based on management's estimates at year - end) compared to the expectations for the past four years based on the year in which the accident has occurred as follows:

**Total - Motor Insurance:**

The accident year	2015 and before JD	2016 JD	2017 JD	2018 JD	2019 JD	Total JD
At the end of the year	20,955,023	3,280,795	4,399,018	4,007,009	3,837,551	-
After one year	21,341,105	4,927,097	4,769,161	4,907,489	-	-
After two years	21,821,230	5,568,977	5,148,443	-	-	-
After three years	23,160,471	5,748,370	-	-	-	-
After four years	23,278,868	-	-	-	-	-
Present expectations for the accumulated claims	23,278,868	5,748,370	5,148,443	4,907,489	3,837,551	42,920,721
Accumulated claims	22,127,338	5,474,063	4,535,395	3,259,969	-	35,396,765
Liability as stated in the statement of financial position						
Reported claims	1,151,530	274,307	613,048	1,647,520	2,487,242	6,173,647
Unreported claims	-	-	-	-	1,350,309	1,350,309
Deficit in the preliminary estimate for the reserve	(2,323,845)	(2,467,575)	(749,425)	(900,480)	-	(6,441,325)

**Total – marine and transportation:**

The accident year	2015 and before JD	2016 JD	2017 JD	2018 JD	2019 JD	Total JD
At the end of the year	1,378,499	63,165	59,659	69,779	282,323	-
After one year	1,592,929	184,873	108,206	64,420	-	-
After two years	1,560,694	192,352	106,447	-	-	-
After three years	1,549,188	192,781	-	-	-	-
After four years	1,574,248	-	-	-	-	-
Present expectation for the accumulated claims	1,574,248	192,781	106,447	46,420	282,323	2,220,219
Accumulated payments	1,484,036	160,101	79,121	17,203	-	1,740,461
Liability as stated in the statement of financial position:						
Reported claims	90,212	32,680	27,326	47,217	276,163	473,598
Unreported claims	-	-	-	-	6,160	6,160
Surplus (deficit) in the preliminary estimate for reserve	(195,749)	(129,616)	(46,788)	5,359	-	(366,794)

**NATIONAL INSURANCE COMPANY**  
**PUBLIC SHAREHOLDING COMPANY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**Total - fire and properties:**

	2015 and before	2016	2017	2018	2019	Total
The accident year	JD	JD	JD	JD	JD	JD
At the end of the year	6,812,070	581,600	58,316	163,756	190,144	-
After one year	6,524,601	1,277,471	219,876	354,623	-	-
After two years	6,746,770	1,287,343	135,936	-	-	-
After three years	6,797,999	1,355,929	-	-	-	-
After four years	6,898,245	-	-	-	-	-
Present expectation for the accumulated claims	6,898,245	1,355,929	135,936	354,623	190,144	8,934,877
Accumulated payments	4,346,323	1,244,584	107,204	128,548	-	5,826,659
Liability as stated in the statement of financial position						
Reported claims	2,551,922	111,345	28,732	226,075	170,681	3,088,755
Unreported claims	-	-	-	-	19,463	19,463
Surplus (deficit) in the preliminary estimate for reserve	(86,175)	(774,329)	(77,620)	(190,867)	-	(1,128,991)

**Total – liability:**

	2015 and before	2016	2017	2018	2019	Total
The accident year	JD	JD	JD	JD	JD	JD
At the ended of the year	179,556	158,529	3,722	39,087	5,286	-
After one year	177,917	135,824	5,300	71,900	-	-
After two years	352,356	132,374	21,000	-	-	-
After three years	326,714	164,374	-	-	-	-
After four years	285,360	-	-	-	-	-
Present expectation for the accumulated claims	285,360	164,374	21,000	71,900	5,286	547,920
Accumulated payments	183,793	127,374	8,219	2,000	-	321,386
Liability as stated in the statement of financial position						
Reported claims	101,567	37,000	12,781	69,900	4,700	225,948
Unreported claims	-	-	-	-	586	586
Surplus (deficit) in the preliminary estimate for reserve	(105,804)	(5,845)	(17,278)	(32,813)	-	(161,740)

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2019**

**Total – medical:**

	2015 and before	2016	2017	2018	2019	Total
The accident year	JD	JD	JD	JD	JD	JD
At the ended of the year	1,354,320	514,226	665,804	655,371	729,313	-
After one year	1,354,320	1,052,277	665,804	655,371	-	-
After two years	1,354,320	1,052,277	665,804	-	-	-
After three years	1,354,320	1,052,277	-	-	-	-
After four years	1,354,320	-	-	-	-	-
Present expectation for the accumulated claims	1,354,320	1,052,277	665,804	655,371	729,313	4,457,085
Accumulated payments	1,354,320	1,052,277	665,804	655,371	-	3,727,772
Liability as stated in the statement of financial position						
Reported claims	-	-	-	-	571,166	571,166
Unreported claims	-	-	-	-	158,147	158,147
Surplus (deficit) in the preliminary estimate for reserve	-	(538,051)	-	-	-	(538,051)

**Total – life:**

	2015 and before	2016	2017	2018	2019	Total
The accident year	JD	JD	JD	JD	JD	JD
At the end of the year	269,237	32,304	92,967	46,890	67,447	-
After one year	266,863	22,336	50,643	59,924	-	-
After two years	277,731	23,351	55,318	-	-	-
After three years	238,388	23,516	-	-	-	-
After four years	238,388	-	-	-	-	-
Present expectation for the accumulated claims	238,388	23,516	55,318	59,924	67,447	444,593
Accumulated payments	224,570	22,616	52,682	45,957	-	345,825
Liability as stated in the statement of financial position						
Reported claims	13,818	900	2,636	13,967	42,719	74,040
Unreported claims	-	-	-	-	24,728	24,728
Surplus (deficit) in the preliminary estimate for reserve	30,849	8,788	37,649	(13,034)	-	64,252

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2019**

**3. INSURANCE RISK CONCENTRATIONS**

A- The Company distributes insurance based on the technical provisions for each insurance type as presented in the schedule below:

	2019		2018	
	Net	Gross	Net	Gross
	JD	JD	JD	JD
<b>Insurance types</b>				
Motor	11,789,850	13,021,018	11,414,393	12,623,646
Marine and transportation	67,049	556,127	96,540	391,737
Fire and properties	264,828	4,045,826	215,071	4,507,260
Liabilities	107,108	250,513	91,724	321,258
Medical	505,840	1,390,589	1,040,874	1,562,166
Life	74,895	184,693	83,416	196,887
<b>Total</b>	<b>12,809,570</b>	<b>19,448,766</b>	<b>12,942,018</b>	<b>19,602,954</b>

All assets, liabilities and off-statement of financial position of insurance policies are concentrated based on geographical and sector distribution as follows:

\*Excluding Middle East countries:

	2019			2018		
	Assets	Liabilities	Off-Statement of Financial Position	Assets	Liabilities	Off-Statement of Financial Position
	JD	JD	JD	JD	JD	JD
<b>According to sector:</b>						
Public	1,739,070	5,083,197	-	1,744,765	5,123,496	-
Private						
Corporate	4,079,566	11,501,128	-	4,092,925	11,592,308	-
Individuals	820,559	2,864,441	-	823,246	2,887,150	-
<b>Total</b>	<b>6,639,195</b>	<b>19,448,766</b>	<b>-</b>	<b>6,660,936</b>	<b>19,602,954</b>	<b>-</b>

Assets are represented with the reinsurance portion of the provision, liabilities represent the total of provision.

**4. RISK OF REINSURANCE**

As with other insurance companies, and in order to reduce exposure to financial losses that may result from large insurance claims, the Group enters into reinsurance agreements in the ordinary course of business with third parties.

In order to reduce the exposure to large losses as a result of the reinsurance companies' insolvency, the Group evaluates the financial condition of its reinsurers and monitors the credit risk arising from geographical regions and similar economic activities or components. Reinsurance policies do not exempt the Group from its obligations towards the policyholders, and as a result, the Group remains committed to the balance of reinsured claims if reinsurers are unable to meet their obligations under reinsurance policies.

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2019**

**5. INSURANCE RISK SENSITIVITY**

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

<b>Insurance activities</b>	<b>Change</b>	<b>Effects on</b>	<b>Effects on the</b>	<b>Effects on</b>
		<b>the</b>	<b>current year</b>	<b>the equity*</b>
	<b>%</b>	<b>underwriting</b>	<b>pre-</b>	
		<b>premiums</b>	<b>tax profit</b>	
		<b>JD</b>	<b>JD</b>	<b>JD</b>
Motor	10	1,069,692	1,062,619	807,590
Marine and transportation	10	61,602	21,220	16,127
Fire and property	10	194,633	32,646	24,811
Liabilities	10	5,858	2,891	2,197
Medical	10	469,682	218,520	166,075
Life	10	41,214	15,422	11,721
<b>Total</b>		<b>1,842,681</b>	<b>1,353,318</b>	<b>1,028,521</b>

\* Net after deducting income tax effect.

In case of negative change the effect equals the change above with opposite sign.

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

<b>Insurance activities</b>	<b>Change</b>	<b>Effects on</b>	<b>Effects on the</b>	<b>Effects on</b>
		<b>the paid</b>	<b>current year</b>	<b>the equity*</b>
	<b>%</b>	<b>claims</b>	<b>pre-</b>	
		<b>JD</b>	<b>tax profit</b>	
		<b>JD</b>	<b>JD</b>	<b>JD</b>
Motor	10	1,217,881	982,360	746,594
Marine and transportation	10	17,972	(2,505)	(1,904)
Fire and property	10	56,229	7,603	5,778
Liabilities	10	6,679	2,826	2,148
Medical	10	457,830	193,127	146,776
Life	10	18,910	3,761	2,858
<b>Total</b>		<b>1,775,501</b>	<b>1,187,172</b>	<b>902,250</b>

\* Net after deducting income tax effect.

In case of negative change the effect equals the change above with opposite the sign.

**(B) FINANCIAL RISKS**

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

The Group follows a hedging policy for each of its assets and liabilities when required, the hedging policy is related to future expected risks.

**1) Market Risks**

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

Market risk and its related controls are measured through sensitivity analysis.

**- Interest Rate Risk**

The Group is exposed to interest rate risk on its assets and liabilities which holds interest such as deposits with banks.

Interest rates on bank deposits balances in Jordanian Dinars range from 3.3% to 6.7% in 2019.

The following table shows the sensitivity of the income statement to reasonably possible changes on interest rates as at 31 December, with all other variables held constant.

The sensitivity of the statement of income is the effect of the assumed changes with interest rates on the group's profit for one year and is calculated on financial assets and liabilities which holds a variable interest rate price as at 31 December.

2019-	Increase in interest rate (Percentage)	Effect on the current year pre-tax loss JD
<b>Currency</b>		
Jordanian Dinar	1%	77,841
<b>2018-</b>		
	Increase in interest rate (Percentage)	Effect on the current year pre-tax loss JD
<b>Currency</b>		
Jordanian Dinar	1%	102,424

In case of negative change, the effect is equal to the above change with an opposite sign.

### **Share price risk**

The table below shows the sensitivity of the accumulated change in the fair value as a result of the reasonable changes of stock prices, with all other variables fixed:

<b>2019-</b>		
Indicator	<u>Increase indicator (Percentage)</u>	<u>Effect on equity after tax JD</u>
Amman Stock Exchange	5%	142,677
<b>2018-</b>		
Indicator	<u>Increase in interest rate (Percentage)</u>	<u>Effect on equity after tax JD</u>
Amman Stock Exchange	5%	131,798

In case of negative change, the effect is equal to the above change with an opposite sign.

### **Foreign Currencies Risks**

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Jordanian Dinar is the base currency of the company. The Board of Directors sets limits on the financial position of each currency in the company. The Forex Center is monitored on a daily basis and strategies are adopted to ensure that the FX position is maintained within the approved limits.

Most of the Group's transactions are in Jordanian Dinars and US Dollars. The Jordanian Dinars exchange rate is pegged against the US Dollar (US\$ 1/41 for 1 JD). Accordingly, the Company is not exposed to significant currency risk, that would materially change the financial statements.

### **2) Liquidity Risk**

Liquidity risk is the risk that the Group will not be able to provide the necessary funding to meet its obligations at maturity. To prevent these risks, management diversifies its sources of finance, manages and adjusts assets and liabilities and maintains sufficient cash and cash equivalents and trading securities.

The Group monitors its liquidity requirements on a monthly basis and the management ensures that sufficient funds are available to meet any liabilities as they arise. Significant amounts of the company's funds are invested in local traded shares.

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2019**

The table below summarizes the maturity profile of the Group's financial liabilities (based on the remaining year's maturity from the date of the financial statements):

	Less than month	1 month to 3 months	3-6 months	6 months to 1 year	1-3 years	More than 3 years	Without maturity	Total
	JD	JD	JD	JD	JD	JD	JD	JD
<b>2019 -</b>								
Unearned premium revenue, net	468,178	936,413	1,404,592	2,809,183	-	-	-	5,818,366
Outstanding claims, net	596,069	1,192,210	1,788,279	3,576,558	-	-	-	7,153,116
Mathematical reserve, net	3,174	6,348	9,522	19,044	-	-	-	38,088
Accounts payable	-	2,222,922	-	-	-	-	-	2,222,922
Accrued expenses	80,658	-	-	-	-	-	-	80,658
Reinsurance payables	-	236,574	709,724	-	-	-	-	946,298
Other provisions	3,630	14,522	12,101	-	-	-	-	30,253
Income tax provision	-	-	32,147	-	-	-	-	32,147
Other payables	129,024	467,713	387,072	628,993	-	-	-	1,612,802
<b>Total liabilities</b>	<b>1,280,733</b>	<b>5,076,702</b>	<b>4,343,437</b>	<b>7,033,778</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,734,650</b>
Total Assets based on expected maturing	4,559,591	4,291,380	10,728,450	4,827,803	1,609,267	804,634	-	26,821,125
<b>2018 -</b>								
Unearned premium revenue, net	533,864	1,067,793	1,601,657	3,203,313	-	-	-	6,406,627
Outstanding claims net	540,203	1,080,470	1,620,673	3,241,345	-	-	-	6,482,691
Mathematical reserve net	4,391	8,784	13,175	26,350	-	-	-	52,700
Accounts payable	-	2,319,230	-	-	-	-	-	2,319,230
Accrued expenses	99,250	-	-	-	-	-	-	99,250
Reinsurance payables	-	282,896	848,687	-	-	-	-	1,131,583
Other provisions	4,465	17,862	14,885	-	-	-	-	37,212
Income tax provision	-	-	14,130	-	-	-	-	14,130
Other payables	104,155	377,562	312,466	507,759	-	-	-	1,301,942
<b>Total liabilities</b>	<b>1,286,328</b>	<b>5,154,597</b>	<b>4,425,673</b>	<b>6,978,767</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,845,365</b>
Total Assets based on expected maturing	4,507,303	4,242,167	10,605,418	4,772,438	1,590,813	795,406	-	26,513,545

### 3) Credit Risk

Credit risk is the risk that may arise from the default or inability of debtors and other parties to meet their obligations to the Group.

The Group sees that it is not exposed to credit risk significantly as it establishes a credit ceiling for customers and monitors outstanding receivables on a continuous basis. The Group also maintains balances and deposits with reputable financial institutions.

36% of account receivables are composed from the 10 biggest clients as of 31 December 2019 (38% in 2018).

The customer base consists of a large number of clients and are categorized by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The group does not grant the accounts receivable long term or significant financing, accordingly, the loss allowance for such trade receivables is always measured using the simplified approach at an amount equal to lifetime time expected credit losses. To determine the expected credit losses for the portfolio, the Group uses a provision matrix. The provision matrix is based on its historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The schedule below shows information related to credit risk on accounts receivable using provision matrix:

Receivables	Account receivables balance	Provision for expected credit loss	Expected credit loss rate
2019	JD	JD	%
Not due	1,173,202	25,279	2%
1-30 days	748,589	14,972	2%
31-60 days	972,189	19,443	2%
61-90 days	367,447	7,349	2%
91-365 days	2,013,323	100,666	5%
365 days and more	1,242,856	845,144	68%
Total	6,517,606	1,012,853	

  

	Account receivables balance	Provision for expected credit loss	Expected credit loss rate
2018	JD	JD	%
Not due	1,038,490	28,649	3%
1-30 days	1,031,162	23,188	2%
31-60 days	517,159	10,366	2%
61-90 days	409,338	9,139	2%
91-365 days	2,259,961	122,080	5%
365 days and more	1,128,705	769,431	68%
Total	6,384,815	962,853	

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2019**

**(31) ANALYSIS OF MAJOR SEGMENTS INFORMATION**

**A- Business segments**

For administrative purposes, the Group has been organized into two segments of business, the general insurance segment which include (fire and property, medical, marine, transportation, motor, liability), and life which includes (life insurance and investment). These two key segments that are used by the group to show information related to segment reporting. The above two segments also include investments and cash management for the Group's own account. Transactions between business segments are carried out on the basis of estimated market prices and on the same terms as those with which they are dealing with.

**B-Geographical segment**

This note represents the geographical distribution of the Group's business. The Group mainly conduct operations in Jordan.

The Group's revenues, assets and capital expenditures distributed by geographical segment as follows:

	Inside Jordan		Outside Jordan		Total	
	2019	2018	2019	2018	2019	2018
	JD	JD	JD	JD	JD	JD
Total revenues	16,004,949	17,591,070	-	-	16,004,949	17,591,070
Total assets	25,490,975	25,282,810	1,330,150	1,230,735	26,821,125	26,513,545
Capital expenditure	15,360	11,075	-	-	15,360	11,075

**(32) MANAGEMENT OF CAPITAL**

The capital requirements are regulated by the insurance authority. These requirements have been established to ensure an appropriate margin. Additional objectives were set by the company to maintain strong credit ratings and high capital ratios in order to support its business and maximize shareholders' equity.

The Group manages the capital structure and makes the necessary adjustments in light of changes in working conditions. The company has made no changes to the objectives, policies and procedures relating to capital structure during the current year and the previous year.

The capital structure includes paid in capital, statutory reserve, voluntary reserve, fair value reserve (accumulated losses) and retained earnings as of 31 December 2019 totaling to JD 9,086,475 (2018: JD 8,668,180).

In the opinion of the management, regulatory capital is sufficient to meet future risks or liabilities.

**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2019**

- The schedule below shows the capital and the margin:

	2019 JD	2018 JD
Total available capital	9,743,900	9,306,305
<b>Capital requirements:</b>		
Capital requirement against asset risks	3,767,151	3,441,156
Capital requirement against underwriting liabilities	1,919,221	1,894,241
Capital requirement against the reinsurance risk	18,651	29,662
Capital requirement for life insurance risk	179,855	224,643
Total required capital	5,884,878	5,589,702
Solvency margin ratio	166%	166%

**(33) MATURITY ANALYSIS OF ASSETS AND LIABILITIES**

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

2019 -	Within 1 year JD	More than 1 year JD	Total JD
<b>Assets:</b>			
Deposits at banks	7,784,091	-	7,784,091
Financial assets at fair value through other comprehensive income	3,636,513	-	3,636,513
Financial assets at amortized cost	-	4,727,962	4,727,962
Investment property	459,826	-	459,826
Cash on hand and at banks	318,811	-	318,811
Cheques under collection and notes receivables	995,353	-	995,353
Accounts receivables, net	5,504,753	-	5,504,753
Reinsurance receivables, net	1,194,673	-	1,194,673
Deferred tax assets	350,457	-	350,457
Property and equipment	34,654	580,054	614,708
Other assets, net	809,987	423,991	1,233,978
<b>Total Assets</b>	21,089,118	5,732,007	26,821,125
<b>Liabilities:</b>			
Unearned premiums reserve, net	5,618,366	-	5,618,366
Outstanding claims reserve, net	7,153,116	-	7,153,116
Mathematical reserve, net	38,088	-	38,088
Account payables	2,222,922	-	2,222,922
Accrued expenses	80,658	-	80,658
Reinsurance payables	946,298	-	946,298
Other provisions	30,253	-	30,253
Income tax provision	32,147	-	32,147
Other liabilities	1,612,802	-	1,612,802
<b>Total Liabilities</b>	17,734,650	-	17,734,650
<b>Net Assets</b>	3,354,468	5,732,007	9,086,475

**NATIONAL INSURANCE COMPANY**  
**PUBLIC SHAREHOLDING COMPANY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

2018 -	Within1 year	More than 1	Total
	JD	year	JD
	JD	JD	JD
<b>Assets:</b>			
Deposits at banks	10,242,422	-	10,242,422
Financial assets at fair value through other comprehensive income	3,440,376	-	3,440,376
Financial assets at amortized cost	-	2,612,949	2,612,949
Investment property	479,125	-	479,125
Cash on hand and at banks	260,548	-	260,548
Cheques under collection and notes receivables	1,319,584	-	1,319,584
Accounts receivables, net	5,421,962	-	5,421,962
Reinsurance receivables, net	1,127,913	-	1,127,913
Deferred tax assets	277,088	-	277,088
Property and equipment	34,654	598,191	632,845
Other assets, net	274,742	423,991	698,733
<b>Total Assets</b>	<b>22,878,414</b>	<b>3,635,131</b>	<b>26,513,545</b>
<b>Liabilities:</b>			
Unearned premiums reserve, net	6,406,627	-	6,406,627
Outstanding claims reserve, net	6,482,691	-	6,482,691
Mathematical reserve, net	52,700	-	52,700
Account payables	2,319,230	-	2,319,230
Accrued expenses	99,250	-	99,250
Reinsurance payables	1,131,583	-	1,131,583
Other provisions	37,212	-	37,212
Income tax provision	14,130	-	14,130
Other liabilities	1,301,942	-	1,301,942
<b>Total Liabilities</b>	<b>17,845,365</b>	<b>-</b>	<b>17,845,365</b>
<b>Net Assets</b>	<b>5,033,049</b>	<b>3,635,131</b>	<b>8,668,180</b>

**(34) LAWSUITS AGAINST THE GROUP**

The Group is defendant in a number of lawsuits of JD 2,438,737 (2018: JD 2,507,834) for which it took an adequate provision for and the opinion of the group's lawyers provision taken as of 31 December 2019 is sufficient to meet the obligation that may arise from these lawsuits.

**(35) CONTINGENT LIABILITIES**

As at 31 December 2019, the Company has contingent liabilities represented by bank guarantees amounting to JD 755,897 (2018: JD 755,633).

**(36) STANDARDS ISSUED BUT NOT YET EFFECTIVE**

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

**IFRS 17 Insurance Contracts**

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

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

**Amendments to IFRS 3: Definition of a Business**

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

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

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

The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments to the definition of material is not expected to have a significant impact on the Group's financial statements.

**(37) STATEMENT OF FINANCIAL POSITION FOR LIFE ASSURANCE BUSINESS**

	<u>2019</u> JD	<u>2018</u> JD
<b>Assets</b>		
Accounts receivable	110,671	99,713
<b>Total Assets</b>	<u>110,671</u>	<u>99,713</u>
<b>Liabilities and Equity</b>		
Outstanding claims reserve, net	36,807	30,716
Mathematical reserve, net	38,088	52,700
<b>Total Technical Reserves</b>	<u>74,895</u>	<u>83,416</u>
Accounts payable	10,319	20,807
Head Office current account	25,457	(4,510)
<b>Total Liabilities and Equity</b>	<u>110,671</u>	<u>99,713</u>

**(38) COMPARATIVE FIGURES**

Some of 2018 balances were reclassified to correspond with those of 2019 presentation. The reclassification has no effect on the loss and equity of the year 2018.