

# Annual Report 2021



**Arab War Risks Insurance Syndicate**



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# ARAB WAR RISKS INSURANCE SYNDICATE

## Profile of the Syndicate

US Dollars

### Registered in the Kingdom of Bahrain by Law Decree No. 8 of 1994

#### Technical Committee members

Ashraf Bseisu	- Chairman	Sultan AlKhomashi	- Member
Imad Abdel Khaleq	- Deputy Chairman	Bassam Hussein	- Member
Fateh Bekdache	- Member	Tareq Al-Sahhaf	- Member
Nabil Hajjar	- Member	Lamia Ben Mahmoud	- Member
Bassam Chilmeran	- Member		

#### Chief Executive Officer

Nabil J. Kotran

#### Subcommittees

##### Audit & Risk

Tareq Al-Sahhaf	- Chairman
Imad Abdel Khaleq	- Member
Bassam Hussein	- Member

##### Investment

Bassam Chilmeran	- Chairman
Fateh Bekdache	- Member
Tareq Al-Sahhaf	- Member
Sultan AlKhomashi	- Member
Nabil Kotran	- Ex-Officio

##### Nomination , Remunerations & Governance

Bassam Hussein	- Chairman
Lamia Ben Mahmoud	- Member
Fateh Bekdache	- Member
Sultan AlKhomashi	- Member

##### Reinsurance

Imad Abdel Khaleq	- Chairman
Lamia Ben Mahmoud	- Member
Bassam Chilmeran	- Member
Nabil Hajjar	- Member
Nabil Kotran	- Ex-Officio

##### IT system development

Bassam Chilmeran	- Chairman
Imad Abdel Khaleq	- Member
Nabil Kotran	- Ex-Officio

#### Registered office

P.O. Box 10009  
Platinum Tower 8<sup>th</sup> Floor  
Al Seef District  
Manama -Kingdom of Bahrain

#### E-mail

awris@awris.com

#### Web Site

www.awris.com

#### Auditors

KPMG Fakhro  
P.O. Box 710  
Manama  
Kingdom of Bahrain

### Distinguished Members of the Arab War Risks Insurance Syndicate (AWRIS)

We are pleased to present the 42<sup>nd</sup> annual report of the Technical Committee of the Syndicate for the financial year ended December 31, 2021, which highlights the achievements made during 2021, in addition to the Independent auditors' reports, Syndicate's Statement of Financial Position, Statement of Profit or Loss, Statement of Cash flows, changes in Members' equity and the latest developments concerning the growth and development of the Syndicate's operations.

- 1- As regards the insurance industry, the Syndicate has made an intensive technical and marketing efforts that have resulted in maintaining the same level in premiums despite the continuing economic slowdown in the Arab region, as well as the repercussions of the spread of the Coronavirus (Covid 19) epidemic in the world.
- 2- On the investment side, the Syndicate continued to follow a conservative investment policy and implement the investment policy endorsed by the Investment Committee and approved by the Technical Committee for the purpose of achieving good results and minimizing risk. In addition, the Syndicate continues to keep pace with the funds frozen in the Lebanese market and study the best options to safeguard those funds through investing in a portfolio that buys economically viable companies and reselling them after restructuring and buying a real estate in a tourist coastal project to benefit from rent income in the future.
- 3- As part of continuous efforts to put Corporate Governance into effect, the Technical Committee held five meetings during the year. In addition, Investment Committee held Five meetings, Nomination, Remunerations and Governance Committee held three meetings while the Audit & Risk Committee held two meetings. A new Information Technology Committee was established and held four meetings during the year.
- 4- Seeking to strengthen the managerial & technical staff, the Technical Committee continues to study the Syndicate's organizational structure and conducted a comprehensive restructuring to ensure the strengthening of all departments by attracting new specialized competent professionals which will contribute to the improvement the Syndicate business in the foreseeable future. New hires in 2021 were Financial Controller, Assistant Manager - HR & administration, Compliance Officer and Digital Transformation Manager.
- 5- The Syndicate has taken the necessary steps towards establishing and executing its digital transformation program that aims to enhance the Syndicate's business by increasing its productivity, efficiency as well as the overall technological infrastructure in a way that will keep up with the latest technological developments in the regional and global markets. For that, SAP International company was selected for paving the way and delivering a best of breed information system implementation project that will commence in the first quarter of 2022 and go live in the beginning of 2023.
- 6- In willingness to improve the performance of the Syndicate and to be in line with best practice, the Syndicate contracted with an international company specialized in Risk Management (Enterprise Risks Management ERM) to make an intensive study on the subject for the purpose of raising awareness about corporate risks and updating the risk registers for each department and the impact on the overall performance of risk management.
- 7- The number of Member companies in the Syndicate reached 189 at the end of 2021 compared with 190 in 2020, an increase of 5 new members and the withdrawal of 6 members.
- 8- The Syndicate Management and the Reinsurance Committee are regularly reviewing the reinsurance covers and have decided to renew the current coverages. The Syndicate managed to obtain additional improvements in the Sabotage, Terrorism and Political Violence Agreement by increasing the maximum coverage limit from USD 100 to USD 125 million dollars starting from 01/01/2022.

# ARAB WAR RISKS INSURANCE SYNDICATE

## Report of the Technical Committee of the Syndicate for the financial year ended December 31, 2021

US Dollars

### Insurance activity

#### Net premiums

The net premium of the Syndicate for 2021 stands at US\$ 16,731,408 compared to US\$ 16,700,033 for 2020, an increase of US\$ 31,375 (0.2 %).

The following table shows the net premiums per line of business (in US dollars)

Line of business	2021	2020	Change (%)
Aviation	284,992	275,810	3.3%
Cargo	10,819,355	10,802,557	0.2%
Hull	1,843,913	1,760,442	4.7%
Sabotage and Terrorism	2,566,738	2,457,701	4.4%
War on Land	1,086,245	1,075,357	1.0%
Passive War	130,165	328,166	(60.3%)
<b>Total</b>	<b>16,731,408</b>	<b>16,700,033</b>	<b>0.2%</b>

#### Paid and outstanding claims

- The net settled claims amount during 2021 was US\$ 709,309 compared to US\$ 296,513 in 2020.
- The net outstanding claims amount under settlement stands at US\$ 3,764,489 in 2021 compared to US\$ 5,084,655 in 2020.

#### Profit commissions

The estimated profit commissions owed to Member companies in respect of the year 2020 and as shown in the 2021 balance sheet is US\$ 1,975,418 whereas the profit commission of US\$ 603,785 is due from reinsurers.

#### Year-end reserves

The unexpired risk reserve was calculated as at 31/12/2021 in accordance with the Syndicate's technical rules and practices. This reserve amounted to US\$ 17.5 million in 2021 compared with same amount in 2020.

# ARAB WAR RISKS INSURANCE SYNDICATE

## Report of the Technical Committee of the Syndicate for the financial year ended December 31, 2020

US Dollars

### Investment activity:

In the year 2021, the Syndicate achieved investment return of US\$ 5,130,789 compared to US\$ 7,974,874 last year. A decrease of US\$ 2,844,085 (35.7 %).

In addition, the Syndicate continued to implement the investment policies approved by the Investment Committee at its various meetings and ratified by the Technical Committee.

The Syndicate's net funds and investments until 31/12/2021 amounted to a total of US\$ 180,514,003 compared to US\$ 180,017,189 for the same period last year with an increase of US\$ 496,814 (0.28 %).

### Distribution of the Syndicate's funds and investments were as follows (in US dollars)

Investment type	2021	2020
Fixed deposits	66,152,995	97,436,237
Call accounts balances	35,279,768	4,971,220
Bahraini banks and companies Shares	10,788,201	8,924,607
Bonds	53,940,322	53,968,967
Current accounts balances	3,588,572	5,936,083
Cash on hand	7,167	10,051
Investment in Arab Insurance Institute	1	1
SICO Fund – Investment portfolio	8,349,693	8,770,023
IJARA Fund	1,225,910	-
Polestar Value Partners Capital	1,181,374	-
<b>Total</b>	<b>180,514,003</b>	<b>180,017,189</b>

### Distribution of Investment Return (in US dollars)

Investment type	2021	2020
Net interest on fixed deposits	1,475,640	4,028,873
Net income from bonds	2,983,918	2,978,120
Net Dividends of Bahraini banks and companies	262,381	504,702
SICO Fund – Investment portfolio	408,850	463,179
<b>Total</b>	<b>5,130,789</b>	<b>7,974,874</b>

### General and Administrative expenses

The general and administrative expenses for the year 2021 amounted to a total of US\$ 3,483,024 compared to US\$ 2,916,992 in 2020, an increase of US\$ 566,032 (19.14 %).

# ARAB WAR RISKS INSURANCE SYNDICATE

## Report of the Technical Committee of the Syndicate for the financial year ended December 31, 2020

US Dollars

### The Syndicate's Result for the year

The insurance and investment activities of the Syndicate for the year 2021 generated a surplus amount of US\$ 9,861,658 compared to US\$ 4,345,368 in 2020, after loading the profit and loss account with the standard usual expenses, an increase of US\$ 5,516,290.

Following the ratification of the General Assembly of the Syndicate of the final accounts for the year 2021 and the approval of the dividend distribution under paragraph (18) of the notes, which include the Technical Committee Chairman and Members remunerations and any other appropriations as decided by the General Assembly, then the profit will be distributed 20% to the Syndicate's General Reserve account and 80% dividends to Member companies in accordance with the Syndicate Agreement.

The Syndicate's General Reserve amounted US\$ 162,393,143 by the end of 2021 compared to the amount of US\$ 157,316,533 at the end of 2020, an increase of US\$ 5,076,610 (3.2%).

The results shown in the final accounts clearly indicate that this Arab insurance project continues to achieve its goals, namely the support of the Arab insurance market through the provision of various insurance coverages to its Member companies with reasonable conditions and prices.

We would like to extend our thanks to all Member Companies of the Syndicate as well as our various Brokers and Reinsurance partners. We would also like to extend our thanks and gratitude to the Syndicate's Management and Staff for achieving such commendable performance and results.

**Technical Committee**

# ARAB WAR RISKS INSURANCE SYNDICATE

## Report of the Technical Committee of the Syndicate for the financial year ended December 31, 2021

US Dollars

### Shares as at 31.12.2021

	Amount (US\$)
<b>Investment in Arab Insurance Institute</b>	<b>1</b>
Nos. 50,000 shares amounted US\$ 10 for each share (An impairment of US\$ 499,999 has been taken)	
<b>Banks &amp; Companies Shares</b>	<b>10,788,201</b>
<b>SICO Fund – Investment Portfolio</b>	<b>8,349,693</b>
<b>TOTAL</b>	<b>19,137,895</b>

### Fixed Deposits & Investments Comparison for the Years 2021 & 2020

#### Fixed Deposits & Investments as at 31.12.2021

Investment Type	Carrying Value US\$	Amount Invested %	Amount of Return US\$	Return Rate %
Fixed deposits	83,140,073	41.84	1,157,410	1.39
Call account balances	35,279,768	17.75	318,230	0.9
<b>Sub Total</b>	<b>118,419,841</b>	<b>59.60</b>	<b>1,475,640</b>	<b>1.25</b>
Bonds	53,940,322	27.15	2,965,508	5.5
Banks & companies shares	10,788,201	5.43	262,381	2.43
Current account balances	4,794,580	2.41	-	-
Cash on hand	7,167	0.01	-	-
Investment in Arab Insurance Institute - Damascus	1	-	-	-
SICO Fund - Investment Portfolio	8,349,693	4.2	408,850	4.9
IJARA Fund	1,225,910	0.62	18,410	1.5
Polestar Value Partners Capital	1,181,374	0.59	-	-
<b>Sub Total</b>	<b>198,707,089</b>	<b>100.00</b>	<b>5,130,789</b>	<b>2.58</b>
Impairment of fixed deposits	(16,987,078)	-	(3,559,680)	-
Impairment of Current accounts	(1,206,008)	-	(1,072,488)	-
<b>Total</b>	<b>180,514,003</b>	<b>100.00</b>	<b>498,621</b>	<b>0.28</b>

#### Fixed Deposits & Investments as at 31.12.2020

Investment Type	Carrying Value US\$	Amount Invested %	Amount of Return US\$	Return Rate %
Fixed deposits	115,713,985	58.32	4,013,514	3.47
Call account balances	4,971,220	2.51	15,359	0.31
<b>Sub Total</b>	<b>120,685,205</b>	<b>60.82</b>	<b>4,028,873</b>	<b>3.34</b>
Bonds	53,968,967	27.20	2,978,120	5.52
Bahraini banks & companies shares	8,924,607	4.50	504,702	5.66
Current account balances	6,069,603	3.06	-	-
Cash on hand	10,051	0.01	-	-
Investment in Arab Insurance Institute - Damascus	1	-	-	-
SICO Fund - Investment Portfolio	8,770,023	4.41	463,179	5.28
<b>Sub Total</b>	<b>198,428,457</b>	<b>100.00</b>	<b>7,974,874</b>	<b>4.02</b>
Impairment of fixed deposits	(18,277,748)	-	(12,890,583)	-
Impairment of investment	(133,520)	-	(133,520)	-
<b>Total</b>	<b>180,017,189</b>	<b>100.00</b>	<b>(5,049,229)</b>	<b>(2.80)</b>





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CR No. 6220

# Independent auditors' report

## To the Technical Committee

*Arab War Risks Insurance Syndicate  
Manama, Kingdom of Bahrain*

### Opinion

We have audited the financial statements of Arab War Risks Insurance Syndicate (the "Syndicate"), which comprise the statement of financial position as at 31st December 2021, and the statements of income, comprehensive income, changes in members' equity and cash flows for the year then ended, and notes comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements of the Syndicate for the year ended 31 December 2021 are prepared, in all material respects, in accordance with accounting policies approved by the Technical Committee as disclosed in note 2.

### 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Reserve in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Bahrain, 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.

### Emphasis of Matter - Basis of Accounting and Restriction on Use and Distribution

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared for the submission to the members of the Syndicate. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Technical Committee to present it to the members of the Syndicate and should not be used by or distributed to other parties. Our opinion is not modified in respect of this matter.

### Other Information

The Technical Committee is responsible for the other information. The other information obtained at the date of this auditors' report is the Technical Committee set out on pages 3 to 7.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



*Independent auditors' report (continued)*  
*Arab War Risks Insurance Syndicate*

### Responsibilities of Board of Directors for the Financial Statements

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

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

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the syndicate'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 Syndicate's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Syndicate to cease to continue as a going concern.

We communicate with the Technical Committee 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.



*Independent auditors' report (continued)*  
*Arab War Risks Insurance Syndicate*

## Report on Other Regulatory Requirements2

As required by the Amiri Decree No.8 for 1994 and Syndicate's memorandum we report that:

- a) The Syndicate has maintained proper accounting records and the financial statements are in agreement therewith;
- b) We are not aware of any violations during the year of the Amiri Decree No.8 for 1994 or the terms of the Syndicate's memorandum and articles of association that would have had a material adverse effect on the business of the Syndicate or on its financial position; and
- c) Satisfactory explanations and information have been provided to us by management in response to all our requests.

KPMG Fakhro  
Partner registration No. 83  
31<sup>st</sup> March 2022

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# Financial Statements 2021



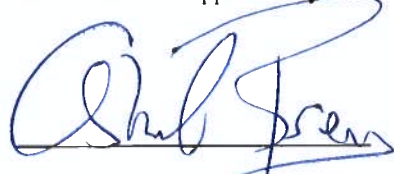
# ARAB WAR RISKS INSURANCE SYNDICATE

## Statement of Financial Position as at 31 December 2021

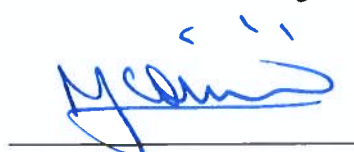
US Dollars

	Note	2021	2020
<b>ASSETS</b>			
Cash and bank balances	3	38,875,507	10,917,354
Bank term deposits	4	66,152,995	97,436,237
Investments	5	75,485,501	71,663,598
Balances due from ceding companies and reinsurers	6	6,193,297	6,646,532
Prepayments and other receivables	7	5,031,034	6,563,568
Property and equipment	8	1,680,463	1,723,097
Investment property	9	932,421	-
<b>Total assets</b>		<b>194,351,218</b>	<b>194,950,386</b>
<b>MEMBERS' EQUITY, TECHNICAL RESERVES AND LIABILITIES</b>			
<b>Members' equity (page 15)</b>			
Syndicate's General Reserve		162,393,143	157,316,533
Available-for-sale investments fair value reserve		2,372,375	2,280,584
<b>Total members' equity</b>		<b>164,765,518</b>	<b>159,597,117</b>
<b>Technical reserves</b>			
Reserve for unexpired risks	10	17,500,000	17,500,000
Reserve for outstanding claims	10	3,764,489	5,084,655
<b>Total technical reserves</b>		<b>21,264,489</b>	<b>22,584,655</b>
<b>Liabilities</b>			
Balances due to ceding companies and reinsurers	11	2,040,684	3,463,554
Other payables	12	4,781,227	7,548,557
Provision for profit commission (net)	13	1,277,806	1,113,026
Provision for employees' leaving indemnity	14	221,494	643,477
<b>Total technical reserves and liabilities</b>		<b>29,585,700</b>	<b>35,353,269</b>
<b>Total members' equity, technical reserves and liabilities</b>		<b>194,351,218</b>	<b>194,950,386</b>

The financial statements were approved by the Technical Committee on 31 March 2022 and signed on its behalf by:



**Ashraf Bseisu**  
Chairman of the Technical Committee



**Nabil J. Kotran**  
Chief Executive Officer

The notes on pages 17 to 31 form an integral part of these financial statements.

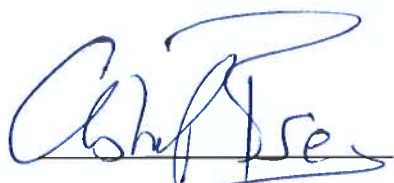
## ARAB WAR RISKS INSURANCE SYNDICATE

### Statement of Profit or Loss for the year ended 31 December 2021

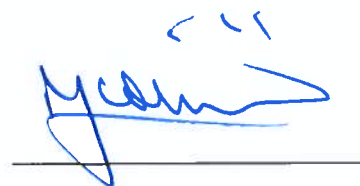
US Dollars

	Note	2021	2020
Net premiums ceded to Syndicate		16,731,408	16,700,033
Less Net reinsured premiums		(3,718,959)	(3,623,814)
Net premiums retained by the Syndicate		13,012,449	13,076,219
Commission income		1,089,353	1,056,757
<b>Underwriting revenue</b>		<b>14,101,802</b>	<b>14,132,976</b>
Claims incurred, net		(709,309)	(296,513)
Net movements in the technical reserves	15	1,155,386	460,238
Commission expense		(1,975,418)	(2,042,623)
<b>Net underwriting surplus</b>		<b>12,572,461</b>	<b>12,254,078</b>
General and administrative expenses	16	(3,483,024)	(2,916,992)
Interest and investment income	17	5,130,789	7,974,874
Impairment of fixed deposits	4, 7	(3,559,680)	(12,890,583)
Impairment of current accounts	3	(1,072,488)	(133,520)
Impairment of fixed assets	8	-	(257,819)
Other income	18	273,600	315,330
<b>Profit for the year</b>		<b>9,861,658</b>	<b>4,345,368</b>

The financial statements were approved by the Technical Committee on 31 March 2021 and signed on its behalf by:



**Ashraf Bseisu**  
Chairman of the Technical Committee



**Nabil J. Kotran**  
Chief Executive Officer

The notes on pages 17 to 31 form an integral part of these financial statements.

## ARAB WAR RISKS INSURANCE SYNDICATE

### Statement of comprehensive income for the year ended 31 December 2021

US Dollars

	2021	2020
<b>Profit for the year</b> (page 13)	<b>9,861,658</b>	<b>4,345,368</b>
<b>Other comprehensive income</b>		
Fair value changes of available-for-sale investments	91,791	(1,477,757)
<b>Other comprehensive income for the year</b>	<b>91,791</b>	<b>(1,477,757)</b>
<b>Total comprehensive income for the year</b>	<b>9,953,449</b>	<b>2,867,611</b>

*The notes on pages 17 to 31 form an integral part of these financial statements.*

## ARAB WAR RISKS INSURANCE SYNDICATE

### Statement of changes in members' equity for the year ended 31 December 2021

US Dollars

2021	General Syndicate's Reserve	Available-for-sale investments fair value reserve	Total members equity
<b>At 1 January</b>	<b>157,316,533</b>	<b>2,280,584</b>	<b>159,597,117</b>
<b>Profit for the year (page 13)</b>	<b>9,861,658</b>	-	<b>9,861,658</b>
<b>Other comprehensive income</b>			
Fair value changes of available-for-sale investments	-	91,791	91,791
<b>Other comprehensive income</b>	-	<b>91,791</b>	<b>91,791</b>
<b>Total comprehensive income for the year (page 14)</b>	<b>9,861,658</b>	<b>91,791</b>	<b>9,953,449</b>
Amounts settled to withdrawn members (net) & adjustments	(1,919,850)	-	(1,919,850)
Amounts deducted from profits of members	1,480,170	-	1,480,170
Dividend paid during the year	(4,160,368)	-	(4,160,368)
Technical committee members remunerations for 2020	(185,000)	-	(185,000)
<b>Subtotal</b>	<b>(4,785,048)</b>	-	<b>(4,785,048)</b>
<b>At 31 December</b>	<b>162,393,143</b>	<b>2,372,375</b>	<b>164,765,518</b>
<b>2020</b>	<b>General Syndicate's Reserve</b>	<b>Available-for-sale investments fair value reserve</b>	<b>Total members equity</b>
<b>At 1 January</b>	<b>157,835,818</b>	<b>3,758,341</b>	<b>161,594,159</b>
<b>Profit for the year (page 13)</b>	<b>4,345,368</b>	-	<b>4,345,368</b>
<b>Other comprehensive income</b>			
Fair value changes of available-for-sale investments	-	(1,477,757)	(1,477,757)
<b>Other comprehensive income</b>	-	<b>(1,477,757)</b>	<b>(1,477,757)</b>
<b>Total comprehensive income for the year (page 14)</b>	<b>4,345,368</b>	<b>(1,477,757)</b>	<b>2,867,611</b>
Amounts settled to withdrawn members (net) & adjustments	2,805,030	-	2,805,030
Amounts deducted from profits of members	3,318,079	-	3,318,079
Dividend paid during the year	(10,768,007)	-	(10,768,007)
Technical committee members remunerations for 2019	(219,755)	-	(219,755)
<b>Subtotal</b>	<b>(4,864,653)</b>	-	<b>(4,864,653)</b>
<b>At 31 December</b>	<b>157,316,533</b>	<b>2,280,584</b>	<b>159,597,117</b>

The notes on pages 17 to 31 form an integral part of these financial statements.



## ARAB WAR RISKS INSURANCE SYNDICATE

### Statement of cash flows for the year ended 31 December 2021

US Dollars

	Note	2021	2020
<b>OPERATING ACTIVITIES</b>			
Profit for the year (page 13)		9,861,658	4,345,368
<i>Adjustments</i>			
Depreciation	8	132,926	160,588
Impairment of fixed deposits	4.7	3,559,680	12,890,583
Impairment of current accounts	3	1,072,488	133,520
Impairment of fixed assets		-	257,819
Net interest and investment income		(5,130,789)	(7,974,874)
<i>Changes in the operating assets and liabilities</i>			
Provision for profit commission (net)		164,780	7,413
Provision for employees' terminal benefits		(421,983)	44,588
Reserve for outstanding claims		(1,320,166)	(467,651)
Balances due from ceding companies and reinsurers		453,235	562,729
Prepaid expenses and Other receivables		542,272	51,690
Balances due to ceding companies and reinsurers		(1,422,870)	2,614,695
Other payables		(2,767,330)	(6,890,958)
Technical committee remuneration		(185,000)	(219,755)
Loss on disposal of fixed assets		4,794	-
<b>Net cash from operating activities</b>		<b>4,543,695</b>	<b>5,515,755</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of investments		(8,253,287)	(10,372,116)
Purchase of Investment property		(932,421)	-
Proceeds from maturity /sale of investments		4,523,175	4,054,600
Net interest and investment income received		6,121,051	10,282,111
Purchase of property and equipment		(95,086)	(35,465)
Decrease in bank balances and term deposits		27,723,562	5,618,413
<b>Net cash from investing activities</b>		<b>29,086,994</b>	<b>9,547,543</b>
<b>FINANCING ACTIVITIES</b>			
(Amounts paid)/ settlement to withdrawn member companies from Syndicate's General Reserve (net)		(1,919,850)	2,805,030
Amounts deducted from profit of new members from Syndicate's General Reserve		1,480,170	3,318,079
Dividends paid		(4,160,368)	(10,768,007)
<b>Net cash used in financing activities</b>		<b>(4,600,048)</b>	<b>(4,644,898)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>29,030,641</b>	<b>10,418,400</b>
Cash and cash equivalents at the beginning of the year		11,050,874	632,474
<b>Cash and cash equivalents at the end of the year *</b>	<b>3</b>	<b>40,081,515</b>	<b>11,050,874</b>

\* Excluding provision of USD 1,206,008 (2020: 133,520)

The notes on pages 17 to 31 form an integral part of these financial statements.

# ARAB WAR RISKS INSURANCE SYNDICATE

## Notes to the financial statements for the year ended 31 December 2021

US Dollars

### 1 ORGANIZATION AND ACTIVITIES

Arab War Risks Insurance Syndicate ("the Syndicate") is an independent entity with limited liability and registered in the Kingdom of Bahrain pursuant to Amiri Decree No. 8 of 1994. The Syndicate was constituted by a number of Arab Insurance and Reinsurance Companies on 1 July 1980. The Syndicate's objective is to protect the interests of the Arab insurance markets in the Arabian Gulf area and other Arab regions, in respect of marine cargo and marine hull war risks insurance, in addition to the other classes of business it writes.

### 2 SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The financial statements have been prepared in accordance with the accounting policies approved by the Technical Committee. The significant accounting policies of the Syndicate are set out below.

#### 2.2 Foreign currency transactions

##### a) Functional and presentation currency

Items included in the financial statements of the Syndicate are measured and recorded in US Dollars ('the functional currency'). The financial statements are presented in US Dollars, which also is the Syndicate's presentation currency.

##### b) Transactions and balances

Monetary assets and liabilities are translated into US dollars at exchange rates ruling at the reporting date. Transactions in foreign currencies during the year are converted at the exchange rates at the dates of the transactions. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the profit or loss, except for differences arising on the retranslation of available-for-sale investments, which are recognised in other comprehensive income and presented within equity in the fair value reserve.

#### 2.3 Financial instruments

Financial instruments comprise financial assets and financial liabilities which are non derivative by nature. Financial assets comprise cash and cash equivalents, bank balances and term deposits, investments, balances due from ceding companies and reinsurers and certain other receivables. Financial liabilities comprise balances due to ceding companies and reinsurers and certain other payables.

The Syndicate initially recognises financial assets and financial liabilities on the date at which they are originated. Regular way purchases and sales of financial assets are recognised on the trade date at which the Syndicate commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Syndicate becomes a party to the contractual provisions of the instrument.

The Syndicate derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Syndicate neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition financial instruments are measured as described below.

### 2.4 Investments

#### a) Available-for-sale investments

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. These comprise investments in quoted shares and managed funds. Available-for-sale investments are initially recognized at fair value plus transaction costs, and subsequently measured to fair value. Unrealized gains and losses arising from changes in fair values are recognized in other comprehensive income and presented within equity in the fair value reserve until the investment is derecognized or impaired. At this time, the cumulative gain or loss previously recognized in equity is transferred to statement of profit or loss.

The fair values of the quoted available-for-sale investments in an active market are based on current bid prices. The fair values of managed funds are based on prices provided by the funds' managers. Fair values are based on market values for quoted investments. For unquoted investments, these are carried at cost less any impairment provisions.

#### b) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Syndicate has the positive intention and ability to hold to maturity. These include investments in bonds. Held-to-maturity investments are carried at cost less impairment, if any.

### 2.5 Cash and bank balances and term deposits

Cash and bank balance comprise cash in hand, current accounts with banks and bank deposits with maturities of less than three months. For the purpose of the cash flow statement, cash and cash equivalents comprise of cash on hand, current and call accounts. Bank term deposits are deposits with maturities after 3 months.

Bank balances and deposits are recognised at cost less impairment (note (2.9), 3 and 4).

### 2.6 Receivables

Receivables include balances due from reinsurers, dues from ceding companies, prepaid expenses and other receivables, are stated at cost less provision for doubtful accounts.

### 2.7 Reserve for unexpired risks

A provision for unexpired risks is created for liabilities in respect of business in force at the yearend which is calculated in accordance with the reinsurance protection in place and risks retained for net account.

### 2.8 Claims

Provision is made for the estimated cost of all outstanding claims in respect of incidents that occurred up to the reporting date, and notified to the Syndicate. Any difference between estimated cost of claims and subsequent settlements are dealt with in the results of the year in which settlement is made. Claims settled in the year are charged to profit or loss, net of reinsurance.

### 2.9 Provisions

The Syndicate recognises provisions when it has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

### 2.10 Insurance

The Syndicate issues contract that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. As a general guideline, the Syndicate defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event.

### 2.11 Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the insurance liabilities, net of related deferred acquisition costs using current estimates of future cash flows under insurance contracts. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to the statement of profit or loss by establishing a provision for losses arising from liability adequacy tests.

### 2.12 Reinsurance contracts

Reinsurance contracts are contracts entered into by the Syndicate with reinsurers under which the Syndicate is compensated for losses on insurance contracts issued. The benefits to which the Syndicate is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consists of balances due from reinsurers on settlement of claims and other receivables such as profit commissions and reinsurers share of outstanding claims that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are recognized consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due.

### 2.13 Net premium

Net premium represents the net premium ceded to the Syndicate after excluding all expenses that were due. The same applies to reinsurance premium. Premiums are recognized in the statement of Profit or Loss from the date of attachment of risk over the policy period, net of any reinsurance. The earned proportion of contributions is recognized as revenue based on statements submitted by cedants. The Syndicate does not account for the unexpired portion of such premiums as all risks are considered to expire as at the financial year end.

### 2.14 Investment income

Investment income comprises income from financial assets. Income from financial assets comprises contractually determined and quantifiable income at the commencement of the transaction and dividend income, and realized gains/losses on financial assets. Income from financial assets, which are both contractually determined and quantifiable at the commencement of the transaction, is accrued on the straight-line basis over the period of the transaction. Income which is not contractually determined or quantifiable, is recognized when reasonably certain of realization or when realized. Gains and losses on disposal of investments are determined on the basis of the difference between net disposal proceeds and the carrying amount of the investment at the date of sale and are recognized at the time of disposal.

### 2.15 Property and Equipment

Furniture, equipment and vehicles are carried at cost less accumulated depreciation and any impairment provision. Depreciation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives are as follows:

Assets category	Estimated useful life in years
Furniture & office equipment	4
Computers	4
Motor vehicles	4
Building	25

The residual values and useful lives of assets are reviewed, and adjusted, if appropriate, at the reporting date.

### 2.16 Investment Property

Property held to earn rentals which can be leased out separately are accounted for as investment property. Investment property initially is measured at cost and subsequently is remeasured at the end of each year. Changes in fair value are recognized in profit or loss as they occur. Any gain or loss on disposal of investment property is recognised in profit or loss.

Rental income from investment property is recognised as income from investment property on a straight-line basis over the term of lease.

### 2.17 Employees' benefits

#### a) Bahraini employees

Pensions and other social benefits for Bahraini employees are covered by the Social Insurance Organisation scheme, which is a "defined contribution scheme" in nature under IAS 19 'Employee Benefits', and to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis.

#### b) Expatriate employees

Eligible employees are entitled to leaving indemnities payable under the Bahraini Labour Law for the Private Sector of 2012, based on length of service and final remuneration. Provision for this unfunded commitment, which is a "defined benefit scheme" in nature under IAS 19, has been made by calculating the notional liability had all employees left at the reporting date.

### 2.18 Impairment

The carrying amounts of the Syndicate's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. All impairment losses are recognized in the statement of profit or loss. Impairment losses are reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

### 2.19 Critical accounting estimates and judgments in applying accounting policies

The Syndicate makes estimates and assumptions that affect the reported amount of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### a) Impairment of financial assets

The Syndicate assesses at each reporting date whether there is objective evidence that a financial asset is impaired. In the case of available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in other comprehensive income and presented in the fair value reserve in equity, is transferred to statement of profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in statement of profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income. Impairment losses on held-to-maturity investments are measured as the difference between the carrying amount of the financial asset and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses, if any, are recognised in the statement of profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the profit or loss.

Impairment losses on the Syndicate's exposure on the bank deposits and balance with banks located in Lebanon is measured by the technical committee at 70.25% (2020:50.0%) of the total exposures. An amount of USD 3,750,000 representing investment commitment has been excluded from the balance of the deposits and bank accounts in Lebanon calculating impairment provision. Losses, if any, are recognised in the statement of profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the profit or loss.

#### b) Estimation of reserve for outstanding claims

The estimation of the ultimate liability arising from claims made under insurance contracts requires judgment. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Syndicate will ultimately pay for such claims. The estimation for claims include an estimation made to meet certain contingencies such as unexpected and unfavourable court judgments which may require a higher payout than originally estimated and settlement of claims, which may take longer than expected, resulting in actual payouts being higher than estimated.

#### c) Reserve for unexpired risks

The reserve for unexpired risks is created for liabilities estimated on a maximum loss basis in respect of business in force at the year end in accordance with the reinsurance protection in place and risks retained for net account.

# ARAB WAR RISKS INSURANCE SYNDICATE

## Notes to the financial statements for the year ended 31 December 2021

US Dollars

### 3 CASH AND BANK BALANCES

	2021	2020
Cash on hand	7,167	10,051
Current account balances	4,794,580	6,069,603
Call account balances	35,279,768	4,971,220
	<b>40,081,515</b>	<b>11,050,874</b>
Impairment of current accounts*	<b>(1,206,008)</b>	<b>(133,520)</b>
	<b>38,875,507</b>	<b>10,917,354</b>

\* Including current accounts in Lebanese banks in amount of US\$ 1.816.281 (2020: US\$ 267.040)

The movement of impairment of current accounts is as follows:

	2021	2020
As at the beginning of the year	133,520	-
Additions	1,072,488	133,520
Ending Balance	<b>1,206,008</b>	<b>133,520</b>

### 4 BANK TERM DEPOSITS

	2021	2020
Term deposits due within 12 months	83,140,073	113,488,332
Term deposits due within more than 12 months	-	2,225,653
	<b>83,140,073</b>	<b>115,713,985</b>
Impairment of fixed deposits *	<b>(16,987,078)</b>	<b>(18,277,748)</b>
	<b>66,152,995</b>	<b>97,436,237</b>

\* Bank balances include term deposits with Lebanese banks of USD 27,828,575 (2020: USD 36,555,495), where restrictions have been imposed on the transfer of these deposits outside Lebanon by the Bank of Lebanon. The Syndicate's Technical Committee made an assessment of these deposits under the existing circumstances and above provision is made for any future losses that may arise on these deposits.

The movement of impairment of fixed deposits is as follows:

	2021	2020
As at the beginning of the year	18,277,748	5,167,974
Additions	3,559,330	13,109,774
Transferred to investment property (note 9)	(4,850,000)	-
As at the ending of the year	<b>16,987,078</b>	<b>18,277,748</b>

### 5 INVESTMENTS

	Available- for-sale	Held-to- maturity	Total 2021	Total 2020
At 1 January	17,694,631	53,968,967	71,663,598	66,823,839
Purchased during the year	3,758,757	4,494,530	8,253,287	10,372,116
Matured during the year	-	(4,523,175)	(4,523,175)	(4,054,600)
	<b>21,453,388</b>	<b>53,940,322</b>	<b>75,393,710</b>	<b>73,141,355</b>
Fair value changes	91,791	-	91,791	(1,477,757)
Impairment allowances	-	-	-	-
Sale during the year	-	-	-	-
<b>At 31 December</b>	<b>21,545,179</b>	<b>53,940,322</b>	<b>75,485,501</b>	<b>71,663,598</b>

# ARAB WAR RISKS INSURANCE SYNDICATE

## Notes to the financial statements for the year ended 31 December 2021

US Dollars

The categories of the above investments are as follows:

<b>2021</b>	<b>Available- for- sale</b>	<b>Held-to- maturity</b>	<b>Total</b>
Interest bearing securities*	1,225,910	53,940,322	55,166,232
Quoted equity securities	19,137,895	-	19,137,895
Unquoted equity securities**	1,181,374	-	1,181,374
<b>At 31 December</b>	<b>21,545,179</b>	<b>53,940,322</b>	<b>75,485,501</b>
<b>2020</b>	<b>Available- for- sale</b>	<b>Held-to- maturity</b>	<b>Total</b>
Interest bearing securities*	-	53,968,967	53,968,967
Quoted equity securities	17,694,630	-	17,694,630
Unquoted equity securities**	1	-	1
<b>At 31 December</b>	<b>17,694,631</b>	<b>53,968,967</b>	<b>71,663,598</b>

\* The fair value of investments in securities is US\$ 55,627,450 (2020: US\$ 55,627,450) Investments in unquoted equities are carried at cost less impairment in the absence of a reliable measure of fair value.

\*\* Unquoted investments include investment in an equity participation fund in Lebanon. Fair value has been determined based on the gross amount of net asset value calculated by the fund manager.

### Commitments:

The Syndicate has commitments in respect of uncalled capital in available for sale investments amounting to US\$ 3,750,000 (2020:US\$ Nil).

## 6 BALANCES DUE FROM CEDING COMPANIES AND REINSURERS

	<b>2021</b>	<b>2020</b>
Balance due from ceding companies	6,150,442	6,243,505
Balance due from re-insurers	42,855	403,027
	<b>6,193,297</b>	<b>6,646,532</b>

## 7 PREPAYMENTS AND OTHER RECEIVABLES

	<b>2021</b>	<b>2020</b>
Premium reserve retained by ceding companies	2,612,065	2,533,367
Accrued interest	1,291,958	2,282,220
Adjusted premiums due from reinsurers	69,197	136,070
Accrued profit commission due from re-insurers	603,785	544,838
Other receivables	94,514	768,805
Due from re-insurers	367,820	306,223
	<b>5,039,339</b>	<b>6,571,523</b>
Provision for impairment *	(8,305)	(7,955)
	<b>5,031,034</b>	<b>6,563,568</b>

\* Related to the impairment allowance on accrued interest on deposits with Lebanese banks, refer to note 4.

# ARAB WAR RISKS INSURANCE SYNDICATE

## Notes to the financial statements for the year ended 31 December 2021

US Dollars

### 8 PROPERTY AND EQUIPMENT

	Furniture & office equipment	Computers	Motor vehicles	Building	2021 Total	2020 Total
<b>Cost</b>						
At 1 January	208,841	192,982	237,412	3,361,852	4,001,087	3,971,064
Additions	9,478	64,526	21,082	-	95,086	35,465
Disposals	-	-	(94,160)	-	(94,160)	(5,442)
<b>At 31 December</b>	<b>218,319</b>	<b>257,508</b>	<b>164,334</b>	<b>3,361,852</b>	<b>4,002,013</b>	<b>4,001,087</b>
<b>Accumulated depreciation and impairment</b>						
At 1 January	207,717	158,594	230,656	1,681,023	2,277,990	1,865,025
Charge for the year	2,063	15,615	3,233	112,015	132,926	160,588
Disposals / Write-off	-	-	(89,366)	-	(89,366)	(5,442)
Impairment	-	-	-	-	-	257,819
<b>At 31 December</b>	<b>209,780</b>	<b>174,209</b>	<b>144,523</b>	<b>1,793,038</b>	<b>2,321,550</b>	<b>2,277,990</b>
<b>Net book value</b>						
<b>At 31 December 2021</b>	<b>8,539</b>	<b>83,299</b>	<b>19,811</b>	<b>1,568,814</b>	<b>1,680,463</b>	<b>-</b>
<b>At 31 December 2020</b>	<b>1,124</b>	<b>34,388</b>	<b>6,756</b>	<b>1,680,829</b>	<b>1,723,097</b>	<b>1,723,097</b>

### 9 INVESTMENT PROPERTY

	2021	2020
<b>Cost at 1 January</b>	-	-
Additions	5,782,421	-
Less: Impairment	(4,850,000)	-
<b>At 31 December</b>	<b>932,421</b>	<b>-</b>

The movement of impairment of investment property is as follows:

	2021	2020
As at the beginning of the year	-	-
Transferred from accumulated impairment of fixed deposits	4,850,000	-
As at the ending of the year	<b>4,850,000</b>	<b>-</b>

During the year, the Syndicate acquired an investment property for USD 5,782,421 by transferring the amount from its USD deposits inside Lebanon. The impairment at the end of the year was recognised based on a valuation of the property by an independent valuer.



# ARAB WAR RISKS INSURANCE SYNDICATE

## Notes to the financial statements for the year ended 31 December 2021

US Dollars

### 10 TECHNICAL PROVISIONS

Movements in insurance liabilities as follows:

	2021	2020
	(Net)	(Net)
<b>Claims</b>		
At 1 January	23,697,681	24,157,919
Reversal during the year	(323,559)	(163,725)
Claims settled during the year (net)	(709,309)	(296,513)
<b>At 31 December</b>	<b>22,664,813</b>	<b>23,697,681</b>
Reserve for unexpired risks	17,500,000	17,500,000
Reserves for outstanding reported claims	3,764,489	5,084,655
Provision for profit commission (Net)	1,277,806	1,113,026
	<b>22,542,295</b>	<b>23,697,681</b>

### 11 BALANCES DUE TO CEDING COMPANIES AND REINSURERS

	2021	2020
<b>Due within 12 months</b>		
Balances due to ceding companies *	1,958,914	2,883,461
Balances due to re-insurers	81,770	580,093
	<b>2,040,684</b>	<b>3,463,554</b>

\* This balance represents amounts due to member companies, being their share of accumulated profits, return premiums and profit commission.

### 12 OTHER PAYABLES

	2021	2020
<b>Due within 12 months</b>		
Provisional profit commission due to members for the previous year	1,975,418	2,042,623
Adjusted premiums due to reinsurers	1,219,095	971,854
Amounts due to withdrawing members	624,533	1,170,566
Sundry payables for members	93,960	2,948,290
Accruals and other payables	868,221	415,224
	<b>4,781,227</b>	<b>7,548,557</b>

### 13 PROVISION FOR PROFIT COMMISSION (NET)

The provision for profit commission (net) US\$ 1,277,806 (2020: US\$ 1,113,026) represents the net commission due to and from the Syndicate for the year 2021. The profit commission reserve due to members was calculated at the highest level of what the Syndicate might pay to its members for the financial year with the profit commission due to the Syndicate being calculated on the basis of what it expects to receive from re-insurers in view of actual accounts.

### 14 PROVISION FOR EMPLOYEES' LEAVING INDEMNITY

	2021	2020
As at the beginning of the year	643,477	598,889
Charge for the year	61,567	60,925
Adjustments	-	(16,337)
Payment	(483,550)	-
	<b>221,494</b>	<b>643,477</b>

The number of staff employed by the Syndicate at 31 December 2021 was 26 employees (2020: 24 employees). Charges for the year include benefits provided to employees working for the Syndicate as per the Syndicate's Human Resource Manual clause 18.

# ARAB WAR RISKS INSURANCE SYNDICATE

## Notes to the financial statements for the year ended 31 December 2021

US Dollars

### 15 NET MOVEMENTS IN THE TECHNICAL RESERVES

Technical reserve and provisions as at 31 December	2021	2020
Reserve for unexpired Risks	(17,500,000)	(17,500,000)
Reserve for outstanding claims	(3,764,489)	(5,084,655)
Provision for profit commission (net)	(1,277,806)	(1,113,026)
<b>Sub Total</b>	<b>(22,542,295)</b>	<b>(23,697,681)</b>
<b>Technical reserves and provisions as at 1 January</b>		
Reserve for unexpired risks	17,500,000	17,500,000
Reserve for outstanding claims	5,084,655	5,552,306
Provision for profit commission (net)	1,113,026	1,105,613
<b>Sub Total</b>	<b>23,697,681</b>	<b>24,157,919</b>
<b>Net movements in the technical reserves</b>	<b>1,155,386</b>	<b>460,238</b>

### 16 GENERAL AND ADMINISTRATIVE EXPENSES

	2021	2020
Staff salaries and related costs	2,684,938	2,324,852
Insurance expenses	144,031	111,459
Depreciation and write - off of fixed assets	132,926	160,588
Other general and administrative expenses	521,129	320,093
	<b>3,483,024</b>	<b>2,916,992</b>

### 17 INTEREST AND INVESTMENT INCOME (Net)

	2021	2020
Interest on time deposits and call accounts (Net)	1,475,640	4,028,873
Dividend income from equity securities	262,381	504,702
Interest on interest bearing securities (Net)	2,983,918	2,978,120
Income from Fund Investment	408,850	463,179
	<b>5,130,789</b>	<b>7,974,874</b>

### 18 OTHER INCOME

	2021	2020
Interests on premium reserve - Cargo and Hull	30,979	32,822
Government Covid-19 Supports	-	220,048
Release of provision (net)	120,665	62,460
Miscellaneous Income	121,956	-
	<b>273,600</b>	<b>315,330</b>

### 19 APPROPRIATIONS

Article no. 14 of the agreement states that 80% of the profits be distributed to the members and transfer the remaining 20% to the syndicate reserve account.

The distributions will be in accordance with syndicate agreement after appropriating the technical committee's remuneration for the year 2021 or any other appropriations as decided by the general assembly.

20 INSURANCE RISK MANAGEMENT

a) Insurance risks

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The principal risk that the Syndicate faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by frequency and severity of claims and subsequent development of long term claims. The Syndicate's risk profile is improved by diversification of these risks of losses to a large portfolio of contracts as a diversified portfolio is less likely to be affected by an unexpected event in single subset. Underwriting and retention guidelines and limits and clear underwriting authorities precisely regulate who is authorized and accountable for concluding insurance and reinsurance contracts and at what conditions. Compliance with these guidelines is regularly checked and developments in the global, regional and local markets are closely observed, reacting where necessary with appropriate measures that are translated without delay into underwriting guidelines if required.

A further important risk control measure in the field of underwriting is the cession of a portion of the risks to third parties via reinsurance. The majority of reinsurance business ceded by the Syndicate is placed on a non-proportional basis with retention limits varying by lines of business. This is diversified so that the Syndicate is not dependent on a single reinsurer or a reinsurance contract. Reinsurance does not, however, discharge the Syndicate's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Syndicate remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. Reserve risks are controlled by constantly monitoring the provisions for insurance claims that have been submitted but not yet settled and by amending the provisions, if deemed necessary.

b) Terms and conditions of insurance contracts

An overview of the terms and conditions of various contracts written by the Syndicate, and the key factors upon which the timing and uncertainty of future cash flows of these contracts depends on, and are detailed in the table below:

Type of contract	Terms and conditions	Key factors affecting future cash flows
Main cover (Hull, cargo & aviation) aggregate	This insurance covers loss of or damage to the subject matter insured caused by war, civil war, revolution, rebellion, insurrection or civil strife etc. The carrying conveyance (Ships or Aircrafts) can be also covered against the same risks.	The member shall be entitled to recover for insured loss occurring during the period covered by this insurance, notwithstanding that the loss occurred before the contract of insurance was concluded unless the Assured was aware of the loss and the Insurers were not. When loss or damage is imminent or has occurred, the Assured shall immediately notify the Syndicate.
Passive war (each person)	This insurance covers death or disablement directly arising out of war, invasion, acts of foreign enemies, hostilities or war like operations whether declared or not, civil war, rebellion, revolution, insurrection, military or usurped power or martial law.	The amount of any compensation payable under this insurance in respect of the consequences of the accident shall be the amount which is reasonably considered would have been payable if such consequences had not been so aggravated.
Sabotage and Terrorism (each claim & aggregate)	This insurance insures buildings and contents against physical loss or physical damage by an act of Terrorism, as herein defined, occurring during the period of the Policy.	The assured upon occurrence of the event likely to give rise to a claim shall notify the Syndicate.
War & SRCC on Land	This insurance covers all types of cargoes carried by trucks or trains against war, strikes and civil commotion risks. The carrying conveyance (Trucks) can be also covered against the same risks.	As risks are accepted on pure facultative basis, claims if any, shall be controlled fully by the Syndicate from the date of reporting until final settlement.

# ARAB WAR RISKS INSURANCE SYNDICATE

## Notes to the financial statements for the year ended 31 December 2021

US Dollars

### c) Concentration of insurance risk

The Syndicate does not have any insurance contracts covering risks for single incidents that expose the Syndicate to multiple insurance risks. The Syndicate has adequately reinsured for insurance risks that may involve significant litigation. The sectoral concentration of insurance risk by line of business and net maximum insured loss is as follows:

Type of Insurance	2021	2020
Sabotage & terrorism / PV XL – aggregate	5,000,000	5,000,000
Main cover (hull, cargo & aviation) aggregate	1,750,000	1,750,000
War on land – aggregate	250,000	250,000
War on land & PV - specific	9,750,000	9,750,000
Passive war (each event)	750,000	750,000
<b>Total</b>	<b>17,500,000</b>	<b>17,500,000</b>

## 21 FINANCIAL RISK MANAGEMENT

### Overview

The Syndicate has exposure to the following risks from its use of financial instruments:

- credit risk
- market risk
- liquidity risk

### 21.1 Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. Key areas where the Syndicate is exposed to credit risk as a part of its operations are:

- reinsurers' share of insurance liabilities
- amounts due from reinsurers in respect of claims already paid
- amounts due from ceding companies
- recoverability of balances held with banks

The Syndicate structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparty, and to geographical and industry segments. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category and territory are approved by the Technical Committee. Cash is placed with national and multinational banks with good credit ratings. Receivables are carried net of impairment allowances.

#### (i) Overall exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2021	2020
Balances due from ceding companies and reinsurers	6,193,297	6,646,532
Term deposits	66,152,995	97,436,237
Investments	75,485,501	71,663,598
Other receivables	5,031,034	6,563,568
Cash and bank balances	38,875,507	10,907,303
<b>Total</b>	<b>191,738,334</b>	<b>193,217,238</b>

# ARAB WAR RISKS INSURANCE SYNDICATE

## Notes to the financial statements for the year ended 31 December 2021

US Dollars

### (ii) *Assets that are past due*

The Syndicate has re-insurance and other receivables that are past due but not impaired at the reporting date (as indicated by the overall credit risk exposure analysis). The Syndicate believes that impairment of these receivables is not appropriate on the basis of stage of collection of amounts owed to the Syndicate. An age analysis of the carrying amounts of these re-insurance and other receivables is presented below.

Financial assets	Less than 365 days	More than 365 days	Total
<b>31 December 2021</b>			
Balances due from ceding companies and reinsurers	4,824,354	1,368,943	<b>6,193,297</b>
<b>31 December 2020</b>			
Balances due from ceding companies and reinsurers	4,022,680	2,623,852	<b>6,646,532</b>

### 21.2 Market risk

Market risk is the risk that the value of financial instrument will fluctuate as a result of changes in market prices on account of factors specific to the individual security or to its issuer or factors affecting the securities market. The Syndicate is exposed to market risk with respect to its investments in securities. The Syndicate limits market risk by maintaining a well-diversified portfolio and by continuous monitoring of relevant developments in international securities markets. In addition, the Syndicate actively monitors the key factors that are likely to affect the prices of securities, including operational and financial performance of investees.

#### (i) *Sensitivity analysis to market risks*

The table below shows the results of sensitivity testing on the Syndicate's statement of Profit or Loss and equity by type of business. The sensitivity analysis indicates the effect of changes in market risk factors arising from the impact of the changes in these factors on the Syndicate's financial assets and liabilities and its insurance assets and liabilities.

Equity price risk	Statement of Profit or Loss	Equity
<b>31 December 2021</b>		
10 percent increases in equity prices	-	1,913,789
10 percent decrease in equity prices	-	(1,913,789)
<b>31 December 2020</b>		
10 percent increases in equity prices	-	1,769,463
10 percent decrease in equity prices	-	(1,769,463)

## ARAB WAR RISKS INSURANCE SYNDICATE

### Notes to the financial statements for the year ended 31 December 2021

US Dollars

#### (ii) Currency rate risk

Currency rate risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The currency rate risk is not considered significant for balances due from ceding companies denominated in other currencies. The Syndicate has bank balances and term deposits in United States dollars, Euro and other currencies as follows:

	Foreign Currency		US\$	
	2021	2020	2021	2020
US Dollars	152,307,729	154,575,069	152,307,729	154,575,069
Bahraini Dinar	5,595,381	5,321,398	14,878,119	14,149,597
Kuwaiti Dinar	2,061,146	544,829	6,817,273	1,790,696
EURO	80,314	59,488	91,370	72,742
Sudanese Pound	24,826,981	21,058,878	56,769	381,166
Emirati Dirham	3,258,765	-	889,554	-
Saudi Riyal	687,326	-	183,582	-
Jordanian Dinar	3,563,040	6,321,306	5,025,445	8,915,805
Lebanese Pound	398,223,677	199,161,839	264,162	132,114
<b>Total</b>			<b>180,514,003</b>	<b>180,017,189</b>

#### (iii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Syndicate's term deposits bear fixed rates of interest and mature normally within a short period. Thus repricing only occurs when the funds are being reinvested on maturity. The Syndicate's investment in bonds bear fixed rates of interest and mature after more than one year.

### 21.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risks may arise from inability to sell financial assets as soon as possible for a price equal to its fair value. Liquidity risk is managed by rigorous monitoring on a regular basis to ensure that sufficient funds are available to meet any future commitments. The Syndicate has sufficient liquidity and therefore does not resort to borrowings in the normal course of business.

An analysis of the contractual maturities of the Syndicate's financial liabilities is presented below:

	Estimated undiscounted cash flows		
	Carrying amount	Total cash outflows	Under 1 year
<b>31 December 2021</b>			
Balances due to ceding companies	1,958,914	1,958,914	1,958,914
Balances due to re-insurers	81,770	81,770	81,770
Outstanding claims	3,764,489	3,764,489	3,764,489
	<b>5,805,173</b>	<b>5,805,173</b>	<b>5,805,173</b>
<b>31 December 2020</b>			
Balances due to ceding companies	2,883,461	2,883,461	2,883,461
Balances due to re-insurers	580,093	580,093	580,093
Outstanding claims	5,084,655	5,084,655	5,084,655
	<b>8,548,209</b>	<b>8,548,209</b>	<b>8,548,209</b>

# ARAB WAR RISKS INSURANCE SYNDICATE

## Notes to the financial statements for the year ended 31 December 2021

US Dollars

### 21.4 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1:  
Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2:  
Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3:  
Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2021	Level 1	Level 2	Level 3	Total
Available-for-sale investments	19,137,895	-	2,407,284	<b>21,545,179</b>
<b>Total</b>	<b>19,137,895</b>	<b>-</b>	<b>2,407,284</b>	<b>21,545,179</b>
31 December 2020	Level 1	Level 2	Level 3	Total
Available-for-sale investments	17,694,630	-	1	17,694,631
<b>Total</b>	<b>17,694,630</b>	<b>-</b>	<b>1</b>	<b>17,694,631</b>

### 21.5 Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. As the Syndicate's financial instruments are compiled under the historical cost method, except for available-for-sale investments which are stated at their fair values, differences can arise between the book amounts and the fair value estimates. Fair values of the Syndicate's assets and liabilities are not materially different from their carrying amounts.

### 21.6 Classification of financial instruments

	Available-for-sale	Held-to-maturity	Loans and receivables	Other amortised cost	Total carrying value	Total fair value
<b>2021</b>						
<b>Assets</b>						
Cash and cash equivalents	-	-	38,875,507	-	38,875,507	38,875,507
Bank balances and term deposits	-	-	66,152,995	-	66,152,995	66,152,995
Investments *	21,545,179	53,940,322	-	-	75,485,501	75,485,501
Balances due from ceding companies and reinsurers	-	-	6,193,297	-	6,193,297	6,193,297
Other receivables	-	-	5,031,034	-	5,031,034	5,031,034
<b>Total financial assets</b>	<b>21,545,179</b>	<b>53,940,322</b>	<b>116,252,833</b>	<b>-</b>	<b>191,738,334</b>	<b>191,738,334</b>
<b>Liabilities</b>						
Balances due to ceding companies and reinsurers				2,040,684	2,040,684	2,040,684
Other payables				4,781,227	4,781,227	4,781,227
<b>Total financial liabilities</b>				<b>6,821,911</b>	<b>6,821,911</b>	<b>6,821,911</b>

\*Excluding share of Arab Insurance Institute, Damascus, Syria for USS 1 (2020: USS 1).

## ARAB WAR RISKS INSURANCE SYNDICATE

### Notes to the financial statements for the year ended 31 December 2021

US Dollars

2020	Available-for-sale	Held-to-maturity	Loans and receivables	Other amortised cost	Total carrying value	Total fair value
<b>Assets</b>						
Cash and cash equivalents	-	-	10,917,354	-	10,917,354	10,917,354
Bank balances and term deposits	-	-	97,436,237	-	97,436,237	97,436,237
Investments *	17,694,630	53,968,967	-	-	71,663,597	71,663,597
Balances due from ceding companies and reinsurers	-	-	6,646,532	-	6,646,532	6,646,532
Other receivables	-	-	6,456,529	-	6,456,529	6,456,529
<b>Total financial assets</b>	<b>17,694,630</b>	<b>53,968,967</b>	<b>121,456,652</b>	<b>-</b>	<b>193,120,249</b>	<b>193,120,249</b>
<b>Liabilities</b>						
Balances due to ceding companies and reinsurers	-	-	-	3,463,554	3,463,554	3,463,554
Other payables	-	-	-	7,548,557	7,548,557	7,548,557
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,012,111</b>	<b>11,012,111</b>	<b>11,012,111</b>

\*Excluding share of Arab Insurance Institute, Damascus, Syria for US\$ 1 (2019: US\$ 1).

#### 22 MATURITY PROFILE OF INVESTMENTS

Held to maturity	Less than 1 year	1-5 years	More than 5 years	Total
2021		44,819,532	9,120,790	<b>53,940,322</b>
2020	-	16,563,820	37,405,147	<b>53,968,967</b>

#### 23 RELATED PARTY TRANSACTIONS

##### a) Transactions with related parties

The Syndicate provides marine cargo and marine hull war risks insurance services to its members.

##### b) Transactions with key management personnel

Key management personnel of the Syndicate comprise the Technical Committee and key members of management having authority and responsibility for planning, directing and controlling the activities of the Syndicate. Remuneration paid to the previous Technical Committee of the Syndicate for the year 2020 amounts to US\$ 185,000 in the year 2021 (2019: US\$ 219,755 paid in 2020). Salaries and benefits paid to key management personnel amounts to US\$ 615,276 (2020: US\$ 628,654). End of service benefits payable to key management personnel amounts to US\$ 208,974 (2020: US\$ 165,378).

#### 24 CAPITAL MANAGEMENT

The Syndicate Reserve serves as the capital of the Syndicate. The Technical Committee's policy is to maintain a Syndicate reserve so as to maintain members and market confidence, and to sustain future development of the Syndicate. The Syndicate's objectives for managing its Syndicate Reserve are to safeguard the entity's ability to continue as a going concern, and to provide an adequate return to members by pricing services commensurately with the level of risk. There were no significant changes in the Syndicate's approach to capital management during the year. The Syndicate is not subject to externally imposed capital requirements.