

**LIVA INSURANCE COMPANY  
(FORMERLY KNOWN AS AL ALAMIYA FOR COOPERATIVE  
INSURANCE COMPANY)  
(A SAUDI JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2023**

**LIVA INSURANCE COMPANY  
(FORMERLY KNOWN AS AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY)  
(A SAUDI JOINT STOCK COMPANY)**

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## KPMG Professional Services

Roshn Front, Airport Road  
P. O. Box 92876  
Riyadh 11663  
Kingdom of Saudi Arabia  
Commercial Registration No 1010425494  
Headquarters in Riyadh



**PKF**  
Ibrahim Ahmed Al-Bassam  
& Co. Certified Public Accountants

Sulimanyiah – prince Abdul-aziz Ibn Musa'ed  
P. O. Box 69658  
Riyadh 11557  
Kingdom of Saudi Arabia  
CR:1010385804

### INDEPENDENT AUDITORS' REPORT

#### TO THE SHAREHOLDERS OF LIVA INSURANCE COMPANY (FORMERLY KNOWN AS AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY) (A SAUDI JOINT STOCK COMPANY)

##### *Opinion*

We have audited the financial statements of Liva Insurance Company (formerly known as Al Alamiya for Cooperative Insurance Company) (the "Company"), which comprise the statement of financial position as at 31 December 2023, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

##### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. 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 Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. 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 judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



## INDEPENDENT AUDITORS' REPORT

## TO THE SHAREHOLDERS OF LIVA INSURANCE COMPANY (FORMERLY KNOWN AS AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY) (A SAUDI JOINT STOCK COMPANY) (CONTINUED)

<b>Insurance contract liabilities</b>	
See notes 2(e)(ii), 2(e)(iii), 3(i) and 5.1 to the financial statements.	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>On 1 January 2023, the Company adopted the new accounting standard IFRS 17, Insurance Contracts. The Company has evaluated the requirements of IFRS 17 and exercised judgement to develop accounting policies and related disclosures and in determining appropriate methodologies to comply with IFRS 17, which, represents a material change to the recognition, measurement and presentation of insurance contracts.</p> <p>As at 31 December 2023, the Company's insurance contract liabilities amount to SAR 308.5 million; of which there are two components:</p> <ol style="list-style-type: none"> <li>liability for incurred claims ("LIC") amounting to SAR 146.5 million; and</li> <li>liability for remaining coverage ("LRC") amounting to SAR 162 million.</li> </ol> <p>Actuarial projection methods, based on both historical information and assumptions on future developments, are used to measure the insurance contract liabilities. For liability for incurred claims, estimates include assumptions related to the amount of the expected settlement and claim payment patterns.</p> <p>Due to their nature, there is a significant degree of uncertainty, and a change in assumptions could significantly impact the financial statements. Therefore, this has been considered a key audit matter.</p>	<p>Together with our actuarial specialists, on a sample basis, we:</p> <ul style="list-style-type: none"> <li>Assessed the design and implementation and tested the operating effectiveness of key controls over management's processes for estimating the liability for incurred claims and key assumptions, including controls over the completeness and accuracy of the claims estimate recorded.</li> <li>Tested the amounts recorded for claims notified and paid, together with the outstanding claims amount to appropriate source documentation to evaluate the valuation of ultimate expected claims.</li> <li>Assessed the reasonableness of the actuarial models and assumptions used to calculate the present value of the future cash flows of the liability for incurred claims and the risk adjustment. We also analysed the actuarial reserve report issued by the Company's appointed actuary.</li> <li>Evaluated the completeness and accuracy of data used by management in their calculation of liability for incurred claims.</li> <li>Assessed the adequacy of the disclosures in the financial statements in respect of the transition and insurance contract liabilities, considering the disclosure requirements of IFRS 17.</li> </ul>



**KPMG Professional Services**



**PKF**  
Ibrahim Ahmed Al-Bassam  
& Co., certified Public Accountants

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE SHAREHOLDERS OF LIVA INSURANCE COMPANY (FORMERLY KNOWN AS AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY) (A SAUDI JOINT STOCK COMPANY) (CONTINUED)**

#### ***Other Information***

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' 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.

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, and the Company's By-Laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, the Board of Directors of the Company, is responsible for overseeing the Company's financial reporting process.

#### ***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 auditors' 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 that are endorsed in the Kingdom of Saudi Arabia 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



**KPMG Professional Services**



**PKF**  
Ibrahim Ahmed Al-Bassam  
& Co.- Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT**

**TO THE SHAREHOLDERS OF LIVA INSURANCE COMPANY (FORMERLY KNOWN AS AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY) (A SAUDI JOINT STOCK COMPANY) (CONTINUED)**

*Auditors' Responsibilities for the Audit of the Financial Statements (continued)*

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditors' 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 Auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

**KPMG Professional Services**

**Dr. Abdullah Hamad Al Fozan**  
Certified Public Accountant  
License No. 348



**Al-Bassam & Co.**

**Ibrahim A. Al-Bassam**  
Certified Public Accountant  
License No. 337



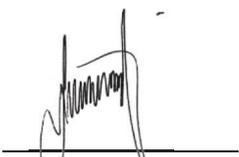
Riyadh on 28 March 2024  
Corresponding to: 18 Ramadhan 1445H

**LIVA INSURANCE COMPANY**  
**(FORMERLY KNOWN AS AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY)**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2023**  
**(All amounts in Saudi Riyals thousands unless otherwise stated)**

	Notes	31 December 2023	31 December 2022 (Restated)*	1 January 2022 (Restated)*
<b>ASSETS</b>				
Bank balances and cash	6	105,128	37,443	41,292
Term deposits	7	340,345	477,995	433,999
Insurance contract assets	5.1	73	-	105
Reinsurance contract assets	5.2	59,263	66,534	60,855
Prepaid expenses and other assets		41,041	37,336	25,890
Investments	8	249,089	121,927	127,766
Deferred tax asset	14	-	-	1,206
Due from related parties	13	52	14	-
Property and equipment	11	1,460	1,550	1,695
Intangible assets	11	714	1,772	3,659
Statutory deposit	21	39,985	40,000	40,000
Accrued commission income on statutory deposit		1,535	5,873	5,572
<b>TOTAL ASSETS</b>		<b>838,685</b>	<b>790,444</b>	<b>742,039</b>
<b>LIABILITIES</b>				
Accrued expenses and other liabilities	12	33,866	54,494	50,550
Insurance contract liabilities	5.1	308,500	307,814	218,641
Reinsurance contract liabilities	5.2	30,946	9,017	11,531
Due to related parties	13	4,420	16,290	10,419
Provision for end-of-service benefits (EOSB)	16	6,926	7,202	11,106
Provision for zakat and income tax	14	62,500	56,331	53,815
Accrued income payable to Insurance		1,535	5,873	5,572
<b>TOTAL LIABILITIES</b>		<b>448,693</b>	<b>457,021</b>	<b>361,634</b>
<b>EQUITY</b>				
Share capital	15	400,000	400,000	400,000
Statutory reserve		1,161	1,161	1,161
Accumulated losses		(55,148)	(66,251)	(23,306)
Investments fair value reserve		41,561	(4,109)	1,829
Actuarial gain on retirement benefit		2,418	2,622	721
<b>TOTAL EQUITY</b>		<b>389,992</b>	<b>333,423</b>	<b>380,405</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>838,685</b>	<b>790,444</b>	<b>742,039</b>
<b>COMMITMENTS AND CONTINGENCIES</b>				
	10			

\*Comparative information has been restated (Refer Note 3)

The accompanying notes 1 to 24 form an integral part of these financial statements.

  
Mohamed Al Tooblani  
Chief Financial Officer

  
Kamran Mazhar  
Chief Executive Officer

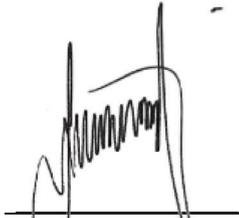
  
Tariq Al Naeem  
Chairman

**LIVA INSURANCE COMPANY**  
**(FORMERLY KNOWN AS AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY)**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF INCOME**  
**For the year ended 31 December 2023**  
**(All amounts in Saudi Riyals thousands unless otherwise stated)**

	Notes	2023	2022 (Restated)*
Insurance revenue	5.1	513,629	337,947
Insurance service expenses	5.1	(432,830)	(305,389)
Net expenses from reinsurance contracts held	5.2	(86,688)	(80,565)
<b>Insurance service result</b>		<b>(5,889)</b>	<b>(48,007)</b>
Commission income		24,931	12,120
Net reversal of impairment loss on financial assets		11	-
<b>Investment return</b>		<b>24,942</b>	<b>12,120</b>
Net finance expenses from insurance contracts	5.1	(7,024)	(1,473)
Net finance income from reinsurance contracts	5.2	3,460	1,152
<b>Net financial result</b>		<b>(3,564)</b>	<b>(321)</b>
Other operating expenses	17	(17,456)	(18,996)
Other income	9	19,394	17,964
<b>Income / (loss) for the year before zakat and income tax</b>		<b>17,427</b>	<b>(37,240)</b>
Provision for zakat and tax	14	(6,169)	(5,705)
<b>Net income / (loss) for the year after zakat and income tax</b>		<b>11,258</b>	<b>(42,945)</b>
<b>Basic and diluted earnings / (loss) per share</b> <b>(expressed in SAR per share)</b>		<b>0.28</b>	<b>(1.07)</b>

\*Comparative information has been restated (Refer Note 3)

The accompanying notes 1 to 24 form an integral part of these financial statements.

  
 Mohamed Al Tooblani  
 Chief Financial Officer

  
 Kamran Mazhar  
 Chief Executive Officer

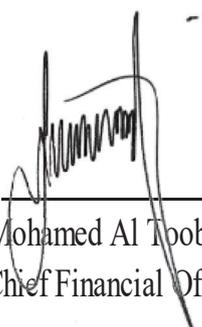
  
 Tariq Al Naem  
 Chairman

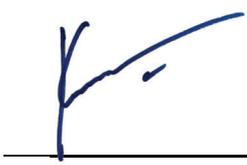
**LIVA INSURANCE COMPANY**  
**(FORMERLY KNOWN AS AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY)**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2023**  
**(All amounts in Saudi Riyals thousands unless otherwise stated)**

	Notes	2023	2022 (Restated)*
<b>Net income / (loss) for the year after zakat and income tax</b>		<b>11,258</b>	<b>(42,945)</b>
<b>Other comprehensive income:</b>			
<i>Items that are or may be reclassified subsequently to statement of income</i>			
Changes in fair value of available-for-sale investments	8.1	-	(5,938)
<i>Items that will not be reclassified to statement of income</i>			
Remeasurement (loss) / gain on end-of-service benefits	16	<b>(204)</b>	1,901
Equity investments at FVOCI – net change in fair value	8.2	<b>3,781</b>	-
<b>Other comprehensive income / (loss) for the year</b>		<b>3,577</b>	<b>(4,037)</b>
<b>Total comprehensive income / (loss) for the year</b>		<b>14,835</b>	<b>(46,982)</b>

\*Comparative information has been restated (Refer Note 3)

The accompanying notes 1 to 24 form an integral part of these financial statements.

  
 Mohamed Al Tooblani  
 Chief Financial Officer

  
 Kamran Mazhar  
 Chief Executive Officer

  
 Tariq Al Naem  
 Chairman

**LIVA INSURANCE COMPANY**  
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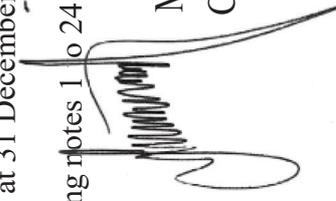
**STATEMENT OF CHANGES IN EQUITY**

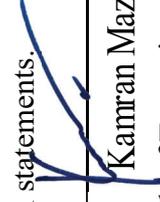
**For the year ended 31 December 2023**

**(All amounts in Saudi Riyals thousands unless otherwise stated)**

	Notes	Share capital	Statutory reserve	Accumulated losses	Investments fair value reserve	Actuarial gain on retirement benefit schemes	Total equity
<b>2023</b>							
<b>Restated balance at 31 December 2022</b>		400,000	1,161	(66,251)	(4,109)	2,622	333,423
Adjustment on initial application of IFRS 9	3	-	-	(155)	41,889	-	41,734
Restated balance at 1 January 2023		400,000	1,161	(66,406)	37,780	2,622	375,157
<u>Total comprehensive income for the year</u>		-	-	11,258	-	-	11,258
Net income for the year after zakat		-	-	-	-	(204)	(204)
Remeasurement loss on end-of-service benefits		-	-	-	3,781	-	3,781
Equity investments at FVOCI – net change in fair value		-	-	-	-	-	-
Transfer to statutory reserve		-	-	-	-	-	-
<b>Balance at 31 December 2023</b>		<b>400,000</b>	<b>1,161</b>	<b>(55,148)</b>	<b>41,561</b>	<b>2,418</b>	<b>389,992</b>
<b>2022</b>							
Balance at 31 December 2021		400,000	1,161	(36,880)	1,829	721	366,831
Adjustment on initial application of IFRS 17	3	-	-	13,574	-	-	13,574
Restated balance at 1 January 2022		400,000	1,161	(23,306)	1,829	721	380,405
<u>Total comprehensive loss for the year</u>		-	-	-	(5,938)	-	(5,938)
Changes in fair value of available for sale investments		-	-	-	-	-	-
Restated net loss after zakat and income tax for the year		-	-	(42,945)	-	-	(42,945)
Remeasurement gain on end-of-service benefits		-	-	-	-	1,901	1,901
Restated balance at 31 December 2022		400,000	1,161	(66,251)	(4,109)	2,622	333,423

The accompanying notes 1 to 24 form an integral part of these financial statements.

  
 Mohamed Al Tooblani  
 Chief Financial Officer

  
 Kamran Mazhar  
 Chief Executive Officer

  
 Tariq Al Naeem  
 Chairman

**LIVA INSURANCE COMPANY**  
**(FORMERLY KNOWN AS AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY)**  
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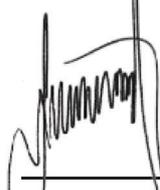
**STATEMENT OF CASH FLOWS**

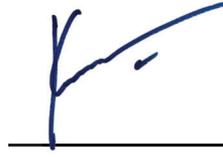
**For the year ended 31 December 2023**

**(All amounts in Saudi Riyals thousands unless otherwise stated)**

	Notes	2023	2022 (Restated)*
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income / (loss) for the year before zakat and income tax		17,427	(37,240)
<u>Adjustments for:</u>			
Amortisation of intangible assets		1,149	1,979
Depreciation of property and equipment		1,003	1,232
Amortisation of investments		270	568
Net reversal of impairment on financial assets		(11)	-
Provision for end-of-service benefits		1,651	1,064
		<u>21,489</u>	<u>(32,397)</u>
<u>Changes in:</u>			
Insurance contract assets		(73)	105
Insurance contract liabilities		686	89,173
Reinsurance contract assets		7,271	(5,679)
Reinsurance contract liabilities		21,929	(2,514)
Due from related parties		(38)	(14)
Prepaid expenses and other assets		(3,705)	(11,446)
Accrued expenses and other liabilities		(20,628)	3,944
Due to related parties		(11,870)	5,871
		<u>15,061</u>	<u>47,043</u>
Zakat paid	14	-	(1,983)
End-of-service benefits paid		(2,131)	(3,067)
		<u>12,930</u>	<u>41,993</u>
<b>Net cash generated from operating activities</b>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Placement in term deposits		(1,001,288)	(786,469)
Proceeds from term deposits		1,138,933	742,473
Acquisition of intangible assets		(91)	(92)
Acquisition of property and equipment		(913)	(1,087)
Investments in Sukuk		(135,860)	(64,792)
Proceeds on maturity of Sukuk		54,000	64,125
		<u>54,781</u>	<u>(45,842)</u>
<b>Net cash generated from / (used in) investing activities</b>			
Net changes in cash and cash equivalents		67,711	(3,849)
Cash and cash equivalents at the beginning of the year	6	36,743	40,592
<b>Cash and cash equivalents at end of the year</b>	6	<u><u>104,454</u></u>	<u><u>36,743</u></u>

The accompanying notes 1 to 24 form an integral part of these financial statements.

  
 Mohamed Al Tooblani  
 Chief Financial Officer

  
 Kamran Mazhar  
 Chief Executive Officer

  
 Tariq Al Naem  
 Chairman

**LIVA INSURANCE COMPANY**  
**(FORMERLY KNOWN AS AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY)**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2023**  
**(All amounts in Saudi Riyals thousands unless otherwise stated)**

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**1. ORGANISATION AND PRINCIPAL ACTIVITIES**

Liva Insurance Company (formerly known as Al Alamiya for Cooperative Insurance Company) (the "Company") is a Saudi joint stock Company registered on 29 Dhu-al Qu'dah, 1430H (17 November 2009) under commercial registration (CR) number 4030194978. The registered head office of the Company is in Riyadh under CR number of 1010287831 with branches in Jeddah (CR 4030194978) and Khobar (CR 2051042939). The registered address of the Company's head office is as follows:

Liva Insurance Company,  
8428 King Fahad Road, Al Muhammadiyah District,  
Grand Tower, Floor 20, P.O. Box: 6393,  
Riyadh 11442, Kingdom of Saudi Arabia.

The activities of the Company are to transact cooperative insurance and reinsurance operations and all related activities in accordance with the Law on Supervision of Cooperative Insurance Companies and its implementing regulations in the Kingdom of Saudi Arabia. On 26 Dhu Al Hijjah, 1430H (13 December 2009), the Company received the license from the Insurance Authority (formerly Saudi Central Bank "SAMA") to transact insurance business in the Kingdom of Saudi Arabia. During the year, the Insurance Authority has been established by a royal decree as the insurance regulator. Previously issued regulations by SAMA will be upheld until the Insurance Authority issued updated regulations.

**(a) Statement of compliance**

The financial statements of the Company have been prepared in accordance with IFRS Accounting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") and in compliance with Regulations for Companies in the Kingdom of Saudi Arabia and By-Laws of the Company. The Company adopted IFRS 17 "Insurance Contracts" and IFRS 9 "Financial Instruments" as endorsed in Kingdom of Saudi Arabia and the resulting changes to the material accounting policies are described in Note 3.

The Company is required to distribute 10% of the net surplus from insurance operations to policyholders and the remaining 90% is to be allocated to the shareholders of the Company in accordance with the Insurance Law and Implementation Regulations issued by Insurance Authority. Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

**b) Basis of measurement**

The financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement of investments at fair value through other comprehensive income (FVOCI), provision for end-of-service benefits recorded at the present value using the projected unit credit method and liability of incurred claims (LIC) and assets for incurred claims (AIC) recorded at the present value at the current discount rates.

**c) Functional and presentation currency**

The financial statements have been presented in Saudi Riyals (SAR), which is the functional and presentational currency of the Company.

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**2. BASIS OF PREPARATION**

**d) Fiscal year**

The Company follows a fiscal year ending December 31.

**e) Use of accounting judgments, estimates and assumptions**

The preparation of financial statements requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as at the reporting date and the reported amounts of revenue and expenses during the reporting year. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

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

**i) Measurement Model Application and PAA Eligibility Assessment**

The Company has calculated Liability for remaining coverage (LRC) and Asset for remaining coverage (ARC) for all groups of insurance contracts written and reinsurance contracts held respectively where the coverage period was more than one year. After calculating the liabilities / assets applying PAA and GMM approach respectively, Company then checks for any material differences for the contracts with coverage period of more than one year. Since there were no material differences, the Company has opted for PAA approach across all its insurance and reinsurance contracts issued and reinsurance contracts held.

**ii) Liability for remaining coverage**

**Significant financing component**

The Company has assessed its Liability for Remaining Coverage (LRC) and Assets for remaining coverage (ARC) and concluded that no significant financing component exists within LRC and ARC respectively. Therefore, the Company has not adjusted the carrying amount of the LRC and ARC to reflect the time value of money and the effect of financial risk using the discount rates.

**Expected premium receipts adjustment**

Insurance revenue is adjusted with the amounts of expected premium receipts adjustment calculated on premiums not yet collected as at date of the statement of financial position. The computation is performed using IFRS 9 simplified approach to calculate Expected Credit Loss (ECL) allowance. The corresponding impact of this adjustment is recorded to LRC.

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**2 BASIS OF PREPARATION (CONTINUED)**

**(e) Use of accounting judgments, estimates and assumptions (continued)**

**iii) Liability for incurred claims**

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate given the level of subjectivity inherent in estimating the impact of claim events that have occurred and incurred but not reported for which the ultimate outcome remains uncertain. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimates are made at the end of the reporting period both for the expected ultimate cost of claim reported and for the expected ultimate costs of claims incurred but not reported. Both of these estimates are recorded under the liability for incurred claims ("LIC"). Moreover, the Company includes claims payable to or on behalf of policyholders under LIC.

Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

The Company has appointed a qualified actuary who supports in reviewing and providing recommendation with regards to the expected ultimate claims and the associated claims reserves. The Company booked reserves following the recommendation of the appointed actuary who is external and independent from the Company. A range of methods were used by the appointed actuary to determine these claims. A range of methods such as Chain Ladder Method, Bornhuetter-Ferguson Method and Expected Loss Ratio Method are used by the actuaries to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

**iv) Expense attribution**

The Company identifies expenses which are directly attributable towards acquiring insurance contracts (acquisition costs) and fulfilling / maintaining (other attributable expenses) such contracts and those expenses which are not directly attributable to the aforementioned contracts (non-attributable expenses). Acquisition costs, such as underwriting costs including other expenses except for initial commission paid, are no longer recognized in the statement of income when incurred and instead spread over the lifetime of the group of contracts based on the passage of time.

Other attributable expenses are allocated to the groups of contracts using an allocation mechanism considering the activity-based costing principles. The Company has determined costs directly identified to the groups of contracts, as well as, costs where a judgement is applied to determine the share of expenses as applicable to that group. On the other hand, non-directly attributable expenses, overheads and one-off exceptional expenses are recognized in the statement of income immediately when incurred.

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**2 BASIS OF PREPARATION (CONTINUED)**

**(e) Use of accounting judgments, estimates and assumptions (continued)**

**v) Insurance acquisition cash flows**

Commissions and other acquisition related expenses are deferred and amortized over the term of the insurance contracts to which these relate, similar to premiums earned. The Company uses a systematic and rational method to allocate such expenses. Insurance acquisition cash flows that are directly attributable to a group of insurance contracts are allocated:

- to that group; and
- to groups that include insurance contracts that are expected to arise from the renewals of the insurance contracts in that group.

**vi) Discounting methodology**

Insurance contract liabilities and reinsurance contracts assets are calculated by discounting expected future cash flows at a discount rate that reflects the characteristics of the cash flows and the liquidity characteristics of the insurance contracts. The Company applied a bottom-up approach to derive the applicable yield curve when determining the discount rate, where the curve is based on the European Insurance and Occupational Pensions Authority (EIOPA) volatility adjusted risk-free curve denominated in United States Dollars while applying certain adjustments for factors under IFRS 17.

Discount rates applied for discounting of future cash flows are listed below:

<b>Reporting date</b>	<b>1 year</b>	<b>2 year</b>	<b>3 year</b>	<b>4 year</b>	<b>5 year</b>
31 December 2023	7.04%	6.08%	5.56%	5.53%	5.59%
31 December 2022	6.81%	5.98%	5.21%	5.16%	5.29%

**vii) Risk Adjustment**

The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value of claims.

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 75th percentile. That is, the Company has assessed its indifference to uncertainty for all product lines, as an indication of the compensation that it requires for bearing non-financial risk as being equivalent to the 75th percentile confidence level less the mean of an estimated probability distribution of the future cash flows.

The Company's appointed actuary supports in reviewing and providing recommendation with regards to the expected ultimate claims and the associated claims reserves. The Company booked reserves following the recommendation of the appointed actuary who is external and independent from the Company.

The methodology is based on a mix of results of Company's own experience variability and the Value at Risk ("VaR") approach. The appointed actuary calibrated the parameters of the distribution based on the experience and credibility of the historical data. To estimate the risk adjustment, Company used a method derived from the risk margin calculation methodology used in Solvency II.

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**2. BASIS OF PREPARATION (CONTINUED)**

**(e) Use of accounting judgments, estimates and assumptions (continued)**

**viii) Onerosity determination**

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. A group of contracts is onerous at initial recognition if there is a net outflow of fulfilment cash flows. As a result, a liability for the net outflow is recognised as a loss component within the liability for remaining coverage and a loss is recognized immediately in the statement of income in insurance service expense. The loss component is measured on a gross basis but may be mitigated by a loss recovery component if the contracts are covered by reinsurance.

**viii) Fair value of financial instruments**

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values. Refer note 18 for details.

**3. CHANGES IN MATERIAL ACCOUNTING POLICIES**

The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2022 except as mentioned in notes below:

**a) New IFRS standards and amendments thereof, adopted by the Company**

<b><u>Standard, interpretation, amendments</u></b>	<b><u>Description</u></b>	<b><u>Effective date</u></b>
Narrow scope amendments to IAS 1, IFRS Practice Statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after January 1, 2023
Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after January 1, 2023
IFRS 17	Insurance Contracts	Annual periods beginning on or after January 1, 2023
IFRS 9	Financial Instruments	Annual periods beginning on or after January 1, 2023

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**3. CHANGES IN MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**b) Standards issued but not yet effective**

The Company has chosen not to early adopt the following new standards, which have been issued but not yet effective for the Company's accounting year beginning on or after January 1, 2024, and is currently assessing their impact:

<u>Standard, interpretation, amendments</u>	<u>Description</u>	<u>Effective date</u>
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities as current or non-current	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.	January 1, 2024
Amendments to IFRS 10 and IAS 28	Amendments to IFRS 10 consolidated financial statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	The effective date of the amendments has yet to be set by The IASB.
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	It requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains.	Annual periods beginning on or after January 1, 2024
Amendments to IAS 21 - Lack of Exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. No material impact is expected for the Company.	Annual periods beginning on or after January 1, 2025 (early adoption is available)
Amendment to IAS 7 and IFRS 7 Supplier finance	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis. No material impact is expected for the Company.	Annual periods beginning on or after January 1, 2024 (with transitional reliefs in the first year)

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**3 CHANGES IN MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**i) IFRS 17 Insurance Contracts**

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a Contractual Service Margin ("CSM").

In preparing its opening IFRS 17 statement of financial position, the Company has adjusted amounts reported previously in financial statements under IFRS 4.

For contracts issued before 1 January 2021, the Company has applied a modified retrospective approach as prior to transition, it grouped its contracts from multiple cohorts and years into a single unit for accounting purposes. The application of the full retrospective approach on transition for these portfolios was determined to be impracticable for the Company, as obtaining all required historical data for its existing products was not possible. Therefore, the Company has used reasonable and supportable information from its existing reporting systems, which has resulted in the closest outcome to the full retrospective approach. Consequently, any resulting net difference is recognised in equity.

Measurement model

The premium allocation approach ("PAA") is a simplified approach for the measurement of the liability for remaining coverage, that an entity may choose to use when the premium allocation approach provides a measurement which is not materially different from that under the general measurement model or if the coverage period of each contract in the group of insurance contracts is one year or less. Under the premium allocation approach, the liability for remaining coverage is measured as the amount of premiums received net of acquisition cash flows paid, less the net amount of premiums and acquisition cash flows that have been recognized in statement of income over the expired portion of the coverage period based on the passage of time.

The Company applies PAA to all its insurance contracts issued and reinsurance contracts held to simplify the measurement of these contracts. The coverage period of most of the insurance contracts issued and reinsurance contracts held by the Company is one year or less and hence are automatically eligible for the simplified measurement model. For contracts with a coverage period of more than a year, the Company has performed the PAA eligibility assessment based on which it reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the group that would not differ materially from the one that would be produced applying the General Measurement Model (GMM).

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**3 CHANGES IN MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**i) IFRS 17 Insurance Contracts (continued)**

Level of aggregation

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts (i.e., by year of issue) and each annual cohort into three groups based on the profitability of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts.

Contracts within a portfolio that would fall into different groups only because law or regulation specifically constrains the Company's practical ability to set a different price or level of benefits for policyholders with different characteristics are included in the same group.

For reinsurance contracts held, the Company distinguishes between different types of reinsurance arrangements when defining the terms 'similar risks' and 'managed together'.

Reinsurance contracts - Treaty reinsurance

By the nature and definition of a reinsurance programme, similar risks are often already grouped in reinsurance contracts. Where reinsurance treaties cover different type of risks arising from multiple underlying contracts, the lowest level of aggregation for a portfolio aligns to the reinsurance structure at a treaty level. For the definition of 'portfolio', the reinsurance programme has been split to be aligned with corresponding gross insurance contract, to establish one-to-one mapping between gross group of contracts.

Reinsurance contracts - Non-treaty reinsurance

This covers a single underlying insurance contract or related insurance contracts and mirrors its coverage period and contract boundary. As with the underlying individual insurance contracts they cover, such reinsurance contracts can be grouped together with other reinsurance contracts (that are managed together and cover broadly similar risks) to form groups and portfolios. These reinsurance portfolios and groups would naturally align with the portfolios and groups of the underlying gross contracts.

Groups of reinsurance contracts held do not contain reinsurance contracts issued more than one year apart.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Company aggregates reinsurance contracts held into annual cohorts into groups of: (i) contracts for which there is a net gain at initial recognition, if any; (ii) contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and (iii) remaining contracts in the portfolio, if any.

Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis.

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**3 CHANGES IN MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**i) IFRS 17 Insurance Contracts (continued)**

Initial recognition and subsequent measurement

Groups of insurance contracts issued are initially recognised from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- when the Company determines that a group of contracts becomes onerous.

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition minus any insurance acquisition cash flows allocated to the group at that date and adjusted for any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows). The Company has chosen not to expense insurance acquisition cash flows when they are incurred.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received and the amortisation of insurance acquisition cash flows recognised as expenses and decreased by the amount recognised as insurance revenue for services provided and any additional insurance acquisition cash flows allocated after initial recognition. On initial recognition of each group of contracts, the Company expects that the time between providing each part of the services and the related premium due date is no more than a year. Accordingly, the Company has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company recognises a loss in profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage.

The Company recognises a group of reinsurance contracts held it has entered into from the earlier of the following:

- For reinsurance contracts that provide proportionate coverage, at the later of:
  - (i) the beginning of the coverage period of the group of reinsurance contracts and
  - (ii) the initial recognition of any underlying contract.
- All other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the group of reinsurance contracts.

For reinsurance contracts held, on initial recognition, the Company measures the remaining coverage at the amount of ceding premiums paid.

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

- a. increased for ceding premiums paid in the period; and
- b. decreased for the expected amounts of ceding premiums recognised as reinsurance expenses for the services received in the period.

Liability for Incurred Claims (LIC)

For contracts measured under the PAA, the LIC is measured similarly to the LIC's measurement under the GMM. The Company estimates the liability for incurred claims and expenses as the fulfilment cash flows related to incurred claims and expenses.

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**3 CHANGES IN MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**i) IFRS 17 Insurance Contracts (continued)**

Liability for Incurred Claims (LIC) (continued)

The Company estimates the liability for incurred claims and expenses as the fulfillment cash flows related to incurred claims and expenses. The fulfillment cash flows are an explicit, unbiased, and probability-weighted estimate of the present value of the future cash flows, within the contract boundary of a group of contracts, that will arise as the entity fulfills its obligation under the insurance contracts, including a risk adjustment for non-financial risk. The Company has disaggregated the change in risk adjustment for non – financial risk between the insurance service result and insurance finance income or expense.

The Company establishes insurance claim liabilities to cover the estimated liability for the cash flows associated with incurred losses as at the balance sheet date, including claims incurred but not reported (“IBNR”) and loss adjustment expenses incurred with respect to insurance contracts underwritten and reinsurance contracts placed by the Company. The ultimate cost of claims liabilities is estimated by using generally accepted standard actuarial techniques.

The main assumption underlying these techniques is that the Company’s past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim (severity) and average number of claims (frequency) based on the observed development of earlier years and expected loss ratios. Historical claims development is analyzed by accident year, as well as claim type.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) to arrive at the estimated ultimate cost of claims that present the probability-weighted expected value outcome from the range of possible outcomes, taking into account all the uncertainties involved.

The Company discounts its liability for incurred claims using a bottom – up approach. The Company has used risk-free European Insurance and Occupational Pensions Authority (EIOPA) USD rates and has adjusted it for volatility and country risk premium.

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and it reflects the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils insurance contracts. The Company has chosen a confidence level based on the 75th percentile of the distribution of the claim reserves, considering the confidence level is adequate to cover sources of uncertainty about the amount and timing of the cash flows.

Insurance acquisition costs and directly attributable expenses

Insurance acquisition cash flows are the costs that are directly associated with selling, underwriting and starting a group of insurance contracts issued and that are directly attributable to a portfolio of insurance contracts.

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**3 CHANGES IN MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**i) IFRS 17 Insurance Contracts (continued)**

Insurance acquisition costs and directly attributable expenses (continued)

Directly attributable expenses are the costs that can be fully or partially attributed to the fulfillment of the groups of insurance contracts. The Company allocates the attributable costs based on a number of drivers.

Both acquisition and attributable expenses fall under the insurance service expense while the non-attributable expenses are reported under other operating expenses. The Company amortises the insurance acquisition expenses over the contract period.

Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. The impact of seasonality is not considered material in relation to recording the insurance revenue.

Insurance revenue is adjusted to allow for policyholders' default on future premiums. The default probability is derived from the expected loss model prescribed under IFRS 9.

Insurance service expenses

Insurance service expense includes the following:

- a) incurred claims for the period;
- b) other incurred directly attributable expenses;
- c) amortization of insurance acquisition cash flows;
- d) changes that relate to past service – changes in the FCF relating to the LIC; and
- e) changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

Onerous contract / loss component

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. A group of contracts is onerous at initial recognition if there is a net outflow of fulfilment cash flows. As a result, a liability for the net outflow is recognized as a loss component within the liability for remaining coverage and a loss is recognized immediately in the statement of income in insurance service expense. The loss component is measured on a gross basis but may be mitigated by a loss recovery component if the contracts are covered by reinsurance.

Insurance finance income and expense / reinsurance finance income and expenses

Insurance / reinsurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts issued / reinsurance contracts held arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

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**3 CHANGES IN MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**ii) IFRS 9 Financial instruments**

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after 1 January 2018. However, the Company had met the relevant criteria and applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. Consequently, the Company has applied IFRS 9 for the first time on 1 January 2023.

Classification and measurement

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through statement of income (FVSI). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVSI:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (“SPPI”).

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVSI:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are SPPI.

The Company exercises judgment in determining whether the contractual terms of financial assets it originates or acquires give rise on specific dates to cash flows that are solely payments of principal and interest income on the principal outstanding and so may qualify for amortised cost measurement. In making the assessment, the Company considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets, terms that change the amount and timing of cash flows and whether the contractual terms contain leverage.

Debt instruments

Classification and subsequent measurement of debt instruments depend on:

- the Company’s business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial assets.

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**3 CHANGES IN MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**ii) IFRS 9 Financial instruments (continued)**

Classification and measurement (continued)

The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified measured at FVSI.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the Company considers whether the contractual cash flows are consistent with the financing agreement i.e., profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.

Business model assessment

The Company assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the application of those policies in practice.
- whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets.
- how the performance of the portfolio is evaluated and reported to the Company's management.
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- how managers of the business are compensated- e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume, and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

The solely payments of principal and interest (SPPI) test

As part of the classification process, the Company also assesses the contractual terms to identify whether they meet the SPPI test.

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

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

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**3 CHANGES IN MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**ii) IFRS 9 Financial instruments (continued)**

Based on these factors, the Company has classified its debt instruments as carried at amortised cost. These assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest and are not designated at FVSI. The carrying amount of these assets is adjusted by any expected credit loss allowance (“ECL”). Interest income from these financial assets is included in ‘commission income’ using the effective interest method.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer’s perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer’s net assets.

The Company classifies all equity investments at FVSI, except where the Company’s management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company’s policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, transaction costs are made part of the cost at initial recognition and subsequent fair value gains and losses (unrealized) are recognized in OCI and are not subsequently reclassified to the statement of income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in the statement of income as ‘dividend income’ when the Company’s right to receive payments is established.

As at 31 December 2023, all the equity investments of the Company are classified at FVOCI.

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**3 CHANGES IN MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**ii) IFRS 9 Financial instruments (continued)**

*Subsequent measurement*

Debt instrument at amortised cost

After initial measurement, financial assets are measured at amortised cost, using the effective interest rate (EIR) method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. Expected Credit Losses are recognised in the statement of income and deducted from the gross carrying amount of an asset.

Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

On derecognition of a financial asset, the difference between the carrying amount at the date of derecognition and the consideration received (including any new asset obtained less any new liability assumed) is recognised in the statement of income or statement of comprehensive income as the case may be.

Recognition of commission income

Under IFRS 9, the Company records commission income using the effective interest rate (EIR) method for all debt instruments measured at amortised cost.

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**3 CHANGES IN MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**iii) Transition**

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Comparative periods have not been restated. A difference in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as at 1 January 2023. Accordingly, the information presented for 2022 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2022 under IAS 39. For accounting policy of the comparative periods, refer Note 4 (ix).
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:
  - i. The determination of the business model within which a financial asset is held.
  - ii. The designation of certain investments in equity instruments not held for trading as FVOCI.

The adoption of IFRS 9 has not had a material impact on the Company's basic or diluted EPS for the year ended 31 December 2023.

Details of the changes and implications resulting from the adoption of IFRS 9 are presented below.

**iv) Effect of initial application**

*Classification of financial assets and financial liabilities on the date of initial application of IFRS 9:*

The following table below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2023:

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Bank Balances and Cash	Loans and receivables	Amortized cost	37,443	37,424
Term deposits including accrued special commission income from time deposits	Loans and receivables	Amortized cost	477,995	477,911
Statutory deposits including accrued commission income on statutory deposits	Loans and receivables	Amortized cost	45,873	45,859
Investments - sukuk	Available for sale investment	Amortised cost	120,004	124,075
Investments - equity	Available for sale investment	FVOCI	1,923	39,703
<b>Total financial assets</b>			<b>683,238</b>	<b>724,972</b>

Financial liabilities	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Accrued expenses and other liabilities	Amortized cost	Amortised cost	54,310	54,310
Accounts payable	Amortized cost	Amortised cost	184	184
Due to related parties	Amortized cost	Amortised cost	16,290	16,290
<b>Total financial liabilities</b>			<b>70,784</b>	<b>70,784</b>

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**3 CHANGES IN MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**IFRS 9 Financial instruments (continued)**

**iv) Effect of initial application (continued)**

*Classification of financial assets and financial liabilities on the date of initial application of IFRS 9: (continued)*

The investment in Sukuk were classified as available for sale investments under IAS 39. On initial application of IFRS 9, the Company has assessed that these investments meet the conditions of amortised cost classification on the basis of the facts and circumstances that exist at that date. The resulting classification has been applied retrospectively irrespective of the Company's business model in the prior reporting periods.

*Reconciliation of carrying amounts under IAS 39 to carrying amounts under IFRS 9 at the adoption of IFRS 9*

Financial assets	IAS 39 carrying amount as at 31 December 2022	Reclassification	Remeasurement	IFRS 9 carrying amount as at 1 January 2023
<b>Amortized cost</b>				
<i>Bank Balances and cash</i>				
Opening balance	37,443	-	-	-
Movement	-	-	(19)	-
Closing balance	<b>37,443</b>	-	<b>(19)</b>	<b>37,424</b>
<i>Term deposits including accrued special commission income from term deposits</i>				
Opening balance	477,995	-	-	-
Movement	-	-	(84)	-
Closing balance	<b>477,995</b>	-	<b>(84)</b>	<b>477,911</b>
<i>Statutory deposits including accrued commission income on statutory deposits</i>				
Opening balance	45,873	-	-	-
Movement	-	-	(14)	-
Closing balance	<b>45,873</b>	-	<b>(14)</b>	<b>45,859</b>
<i>Investment</i>				
Opening balance	120,004	-	-	-
Movement	-	4,109	(38)	-
Closing balance	<b>120,004</b>	<b>4,109</b>	<b>(38)</b>	<b>124,075</b>
<b>Total amortized cost</b>	<b>681,315</b>	<b>4,109</b>	<b>(155)</b>	<b>685,269</b>
<b>FVOCI</b>				
<i>Investments</i>				
Opening balance	1,923	-	-	-
Movement	-	-	37,780	-
Closing balance	<b>1,923</b>	-	<b>37,780</b>	<b>39,703</b>
<b>Total FVOCI</b>	<b>1,923</b>	-	<b>37,780</b>	<b>39,703</b>
<b>Total financial assets</b>	<b>683,238</b>	<b>4,109</b>	<b>37,625</b>	<b>724,972</b>

There has not been any reclassification or remeasurement under financial liabilities.

*Impact on retained earnings and other reserves*

	Accumulated losses	Other reserves
Restated balance as at 31 December 2022	(66,251)	(4,109)
Recognition of expected credit losses under IFRS 9	(155)	-
Reclassification under IFRS 9	-	4,109
Remeasurement under IFRS 9	-	37,780
<b>Opening balance as at 1 January 2023</b>	<b>(66,406)</b>	<b>37,780</b>

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**3 CHANGES IN MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**iii) Transition**

**IFRS 17 - Insurance Contracts**

As stated in note 2, these financial statements are prepared in accordance with the requirements of IFRS as endorsed in the Kingdom of Saudi Arabia. The Company has adopted IFRS 17 from its effective date i.e 1 January 2023.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31 December 2023 and in the preparation of an opening IFRS 17 and IFRS 9 statement of financial position at 1 January 2022 (the Company's date of transition) and 31 December 2022.

In preparing its opening IFRS 17 statement of financial position, the Company has adjusted amounts reported previously in financial statements under IFRS 4 and IAS 39.

Presentation and disclosures

For presentation in the statement of financial position, the line items for insurance contracts issued and reinsurance contracts held have been changed significantly compared with last year. The previously reported line items including premium receivable, net, deferred policy acquisition costs, outstanding claims reserve, claims incurred but not reported, other technical reserves and unearned premiums are presented by a single line item called insurance contract liabilities or assets.

The previously reported line items including reinsurer's receivable, net, reinsurer's share of unearned premiums, reinsurer's share of outstanding claims, reinsurer's share of claims incurred but not reported, reinsurer's balances payable and unearned reinsurance commission are presented by a single line item called reinsurance contract assets or liabilities.

Under IFRS 17, the Company aggregates insurance contracts issued, and reinsurance contracts held, respectively and presents separately on the balance sheet.

- Portfolios of insurance contracts issued that are assets;
- Portfolios of insurance contracts issued that are liabilities;
- Portfolios of reinsurance contracts held that are assets; and
- Portfolios of reinsurance contracts held that are liabilities.

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**3 CHANGES IN MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**iii) Transition (continued)**

**Reconciliation of statement of financial position as at 1 January, 2022**

	Pre-adoption of IFRS 17	IFRS 17		Post-adoption of IFRS 17
		Reclassification	Remeasurement	
<b>ASSETS</b>				
Bank balances and cash	41,292	-	-	41,292
Term deposits	433,071	-	-	433,071
Premiums and reinsurers' receivable, net	37,575	(37,575)	-	-
Reinsurers' share of unearned premiums	25,843	(25,843)	-	-
Reinsurers' share of outstanding claims	99,384	(99,384)	-	-
Reinsurers' share of claims incurred but not reported	6,844	(6,844)	-	-
Deferred policy acquisition costs	3,006	(3,006)	-	-
Insurance contract assets	-	105	-	105
Reinsurance contract assets	-	54,103	6,752	60,855
Prepaid expenses and other assets	26,818	-	-	26,818
Investments	127,766	-	-	127,766
Deferred tax asset	1,206	-	-	1,206
Due from related parties	-	-	-	-
Property and equipment, net	1,695	-	-	1,695
Intangible assets	3,659	-	-	3,659
Statutory deposit	40,000	-	-	40,000
Accrued commission income on statutory deposit	5,572	-	-	5,572
<b>TOTAL ASSETS</b>	<b>853,731</b>	<b>(118,444)</b>	<b>6,752</b>	<b>742,039</b>

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**3 CHANGES IN MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**iii) Transition (continued)**

**Reconciliation of statement of financial position as at 1 January, 2022**

	Pre-adoption of IFRS 17	IFRS 17		Post-adoption of IFRS 17
		Reclassification	Remeasurement	
Outstanding claims reserve	131,242	(131,242)	-	-
Claims incurred but not reported	22,228	(22,228)	-	-
Other technical reserves	6,752	(6,752)	-	-
Accrued expenses and other liabilities	41,813	8,737	-	50,550
Insurance contract liabilities	-	225,463	(6,822)	218,641
Reinsurance contract liabilities	-	11,531	-	11,531
Reinsurers' balances payable	91,117	(91,117)	-	-
Unearned premiums	100,305	(100,305)	-	-
Accounts payables	1,932	(1,932)	-	-
Unearned reinsurance commission	2,376	(2,376)	-	-
Due to related parties	10,419	-	-	10,419
Provision for end-of-service benefits (EOSB)	11,106	-	-	11,106
Provision for zakat and income tax	53,815	-	-	53,815
Accrued income payable to Insurance Authority	5,572	-	-	5,572
Accumulated surplus	8,223	(8,223)	-	-
<b>TOTAL LIABILITIES</b>	<b>486,900</b>	<b>(118,444)</b>	<b>(6,822)</b>	<b>361,634</b>
<b>EQUITY</b>				
Share capital	400,000	-	-	400,000
Statutory reserve	1,161	-	-	1,161
Accumulated losses	(36,880)	-	13,574	(23,306)
Investments fair value reserve	1,829	-	-	1,829
Actuarial gain on retirement benefit schemes	721	-	-	721
<b>TOTAL EQUITY</b>	<b>366,831</b>	-	<b>13,574</b>	<b>380,405</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>853,731</b>	<b>(118,444)</b>	<b>6,752</b>	<b>742,039</b>

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**3 CHANGES IN MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**iii) Transition (continued)**

**Reconciliation of statement of financial position as at 31 December, 2022**

	Pre-adoption of IFRS 17	IFRS 17		Post-adoption of IFRS 17
		Reclassification	Remeasurement	
<b>ASSETS</b>				
Bank balances and cash	37,443	-	-	37,443
Term deposits	472,533	-	-	472,533
Premiums and reinsurers' receivable, net	68,306	(68,306)	-	-
Reinsurers' share of unearned premiums	29,727	(29,727)	-	-
Reinsurers' share of outstanding claims	74,346	(74,346)	-	-
Reinsurers' share of claims incurred but not reported	9,060	(9,060)	-	-
Deferred policy acquisition costs	8,381	(8,381)	-	-
Insurance contract assets	-	-	-	-
Reinsurance contract assets	-	67,190	(656)	66,534
Prepaid expenses and other assets	42,798	-	-	42,798
Investments	121,927	-	-	121,927
Deferred tax asset	-	-	-	-
Due from related parties	14	-	-	14
Property and equipment, net	1,550	-	-	1,550
Intangible assets	1,772	-	-	1,772
Statutory deposit	40,000	-	-	40,000
Accrued commission income on statutory deposit	5,873	-	-	5,873
<b>TOTAL ASSETS</b>	<b>913,730</b>	<b>(122,630)</b>	<b>(656)</b>	<b>790,444</b>

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**3 CHANGES IN MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**iii) Transition (continued)**

**Reconciliation of statement of financial position as at 31 December, 2022**

	Pre-adoption of IFRS 17	IFRS 17		Post-adoption of IFRS 17
		Reclassification	Remeasurement	
<b>LIABILITIES</b>				
Outstanding claims reserve	126,893	(126,893)	-	-
Claims incurred but not reported	46,731	(46,731)	-	-
Other technical reserves	7,020	(7,020)	-	-
Accrued expenses and other liabilities	46,135	8,359	-	54,494
Insurance contract liabilities	-	327,874	(20,060)	307,814
Reinsurance contract liabilities	-	9,017	-	9,017
Reinsurers' balances payable	57,644	(57,644)	-	-
Unearned premiums	216,031	(216,031)	-	-
Accounts payables	2,040	(2,040)	-	-
Unearned reinsurance commission	3,346	(3,346)	-	-
Due to related parties	16,290	-	-	16,290
Provision for end-of-service benefits (EOSB)	7,202	-	-	7,202
Provision for zakat and income tax	56,331	-	-	56,331
Accrued income payable to Insurance Authority	5,873	-	-	5,873
Accumulated surplus	8,175	(8,175)	-	-
<b>TOTAL LIABILITIES</b>	<b>599,711</b>	<b>(122,630)</b>	<b>(20,060)</b>	<b>457,021</b>
<b>EQUITY</b>				
Share capital	400,000	-	-	400,000
Statutory reserve	1,161	-	-	1,161
Accumulated losses	(85,655)	-	19,404	(66,251)
Investments fair value reserve	(4,109)	-	-	(4,109)
Actuarial gain on retirement benefit schemes	2,622	-	-	2,622
<b>TOTAL EQUITY</b>	<b>314,019</b>	<b>-</b>	<b>19,404</b>	<b>333,423</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>913,730</b>	<b>(122,630)</b>	<b>(656)</b>	<b>790,444</b>

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**3 CHANGES IN MATERIAL ACCOUNTING POLICIES (CONTINUED)**

iii) Transition (continued)

Reconciliation of statement of income for the year ended 31 December, 2022

	Pre-adoption of IFRS 17	IFRS 17		Post-adoption of IFRS 17
		Reclassification	Remeasurement	
Insurance revenue	-	339,803	(1,856)	337,947
Insurance service expense	-	(323,940)	18,551	(305,389)
Net expenses from reinsurance contracts held	-	(70,021)	(10,544)	(80,565)
<b>Insurance service result</b>	-	<b>(54,158)</b>	<b>6,151</b>	<b>(48,007)</b>
Gross premiums written - Direct	455,162	(455,162)	-	-
Gross premiums written - Reinsurance	367	(367)	-	-
Reinsurance premiums ceded – local	(5,057)	5,057	-	-
Reinsurance premiums ceded – foreign	(110,415)	110,415	-	-
Excess of loss premium - local	(507)	507	-	-
Excess of loss premium - foreign	(11,986)	11,986	-	-
<b>Net premium written</b>	<b>327,564</b>	<b>(381,722)</b>	<b>6,151</b>	<b>(48,007)</b>
Changes in unearned premiums	(115,726)	115,726	-	-
Changes in reinsurer's share of unearned premiums	3,884	(3,884)	-	-
<b>Net premium earned</b>	<b>215,722</b>	<b>(269,880)</b>	<b>6,151</b>	<b>(48,007)</b>
Reinsurance commissions	11,321	(11,321)	-	-
<b>TOTAL REVENUES</b>	<b>227,043</b>	<b>(281,201)</b>	<b>6,151</b>	<b>(48,007)</b>

**UNDERWRITING COSTS AND EXPENSES**

Gross claims paid	(217,941)	217,941	-	-
Reinsurer's share of claims paid	61,659	(61,659)	-	-
<b>NET CLAIMS PAID</b>	<b>(156,282)</b>	<b>156,282</b>	-	-
Changes in outstanding claims	4,349	(4,349)	-	-
Changes in reinsurers' share of outstanding claims	(18,920)	18,920	-	-

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**3 CHANGES IN MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**iii) Transition (continued)**

**Reconciliation of statement of income for the year ended 31 December, 2022 (continued)**

	Pre-adoption of IFRS 17	IFRS 17		Post-adoption of IFRS 17
		Reclassification	Remeasurement	
Changes in claims incurred but not reported, net	(22,287)	22,287	-	-
Changes in other technical reserves	(268)	268	-	-
<b>NET CLAIMS INCURRED</b>	<b>(193,408)</b>	<b>193,408</b>	-	-
Policy acquisition costs	(20,406)	20,406	-	-
Other underwriting expenses	(27,770)	27,770	-	-
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(241,584)</b>	<b>241,584</b>	-	-
Investment income	-	12,120	-	12,120
Net reversal of impairment loss on financial assets	-	-	-	-
<b>Net insurance and investment results</b>	-	<b>(269,081)</b>	-	<b>(35,887)</b>
Finance expense from insurance contracts issued	-	-	(1,473)	(1,473)
Finance income from reinsurance contracts held	-	-	1,152	1,152
<b>Net insurance finance income</b>	-	-	<b>(321)</b>	<b>(321)</b>
<b>OTHER OPERATING (EXPENSES) / INCOME</b>				
Allowance for impairment of receivables	(2,084)	2,084	-	-
General and administrative expenses	(56,529)	37,533	-	(18,996)
Investment income on term deposits	8,601	(8,601)	-	-
Investment income on bonds and sukuk	3,519	(3,519)	-	-
Other income	17,964	-	-	17,964
<b>TOTAL OPERATING EXPENSES</b>	<b>(28,529)</b>	<b>27,497</b>	-	<b>(1,032)</b>
<b>Income / (loss) for the year before zakat and income tax</b>	<b>(43,070)</b>	-	<b>5,830</b>	<b>(37,240)</b>
Provision for zakat and tax	(5,705)	-	-	(5,705)
<b>Net income / (loss) for the year after zakat and income tax</b>	<b>(48,775)</b>	-	<b>5,830</b>	<b>(42,945)</b>

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**3 CHANGES IN MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**iii) Transition (Continued)**

Re-classification and re-measurement impact on the statement of financial position on adoption of IFRS 17

<b>Impact on Equity:</b>	<b>Impact on equity transition to IFRS 17 on 1 January 2022</b>
<u>Drivers of changes in equity</u>	
Changes in measurement of insurance contract liabilities	6,822
Changes in measurement of reinsurance contract assets	6,752
<b>Total impact</b>	<b>13,574</b>
<b>Impact on Insurance Contract Liabilities:</b>	
<u>Drivers of changes</u>	
Loss component	(4,095)
Reversal of other technical reserves	6,752
Risk adjustment - undiscounted	(15,975)
Risk adjustment - discounting	553
Discounting (Incurred Claims, Expenses )	4,407
Deferred Acquisition Costs	15,180
<b>Total impact</b>	<b>6,822</b>
<b>Impact on Reinsurance Contract Assets:</b>	
<u>Drivers of changes</u>	
Risk adjustment - undiscounted	10,966
Risk adjustment - discounting	(418)
Reinsurers Bad Debt	(489)
Discounting (Incurred Claims, Expenses )	(3,307)
	<b>6,752</b>

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**4 MATERIAL ACCOUNTING POLICIES**

**i) Bank balances and cash**

Bank balances and cash comprise cash on hand and with banks and other short-term highly liquid investments with original maturities of three months or less from the date of acquisition.

**ii) Provision for end-of-service benefits (EOSB)**

Accruals are made at the present value of expected future payments in respect of services provided by the employees up to the end of the reporting period using the projected unit credit method. Consideration is given to the expected future wages and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. The benefit payments obligation is discharged as it falls due. Re-measurement (actuarial gains / losses) as a result of experience adjustments and changes in actuarial assumptions are recognised in the statement of other comprehensive income.

**iii) Commission income**

Commission income is recognised under effective interest method. The effective interest rate is calculated on initial recognition of a financial instrument and is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset.

**iv) Income from pool arrangements**

The Company participates in pool arrangement of Medical Umrah and General Accident Hajj and Umrah (the arrangement) which is managed by The Company for Cooperative Insurance. The Company does not have control over the arrangement and therefore does not account for this as a joint arrangement. The Company recognises its net share from the arrangement as 'other income' in its statement of income.

**v) Other operating expenses**

Other operating expenses include non-attributable expenses which are administrative expenses and are not linked to insurance contracts.

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**4 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**vi) Available For Sale Investments (AFS) - for comparative information under IAS 39**

Available for sale investments include equity and debt securities. Equity investments classified as AFS are those which are neither classified as held for trading nor designated at fair value through income statement. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, AFS investments are subsequently measured at fair value.

Return on debt securities is recognised on an effective yield method. Profit or loss on sale of investments is recognised at the time of sale. Dividend income is recognised when right to receive such dividend is established.

Unrealised gains and losses are recognised directly in equity (through other comprehensive income) captioned under 'fair value reserve for available for sale investments'. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the statement of comprehensive income.

Any significant or prolonged decline in value of investments is adjusted for and reported in the statement of income as impairment charges. Fair values of investments are based on quoted prices for marketable securities or estimated fair values.

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**5 INSURANCE AND REINSURANCE CONTRACTS**

**5.1 Analysis by remaining coverage and incurred claims for insurance contracts**

	31 December 2023				Total
	Liability for remaining coverage (LRC)		Liability for incurred claims (LIC)		
	Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
<i>Insurance contracts issued:</i>					
Opening insurance contract liabilities	122,126	10,725	167,028	7,935	307,814
Opening insurance contract assets	-	-	-	-	-
Net opening balance	122,126	10,725	167,028	7,935	307,814
<b>Insurance revenue</b>	<b>(513,629)</b>	-	-	-	<b>(513,629)</b>
<i>Insurance service expenses:</i>					
Incurred claims and other directly attributable expenses	-	-	376,437	3,922	380,359
Losses on onerous contracts and reversal of those losses	-	894	-	-	894
Changes that relate to past service - adjustments to the LIC	-	-	(27,745)	(6,695)	(34,440)
Amortisation of insurance acquisition cash flows	86,017	-	-	-	86,017
<b>Insurance service expenses</b>	<b>86,017</b>	<b>894</b>	<b>348,692</b>	<b>(2,773)</b>	<b>432,830</b>
<b>Insurance service result</b>	<b>(427,612)</b>	<b>894</b>	<b>348,692</b>	<b>(2,773)</b>	<b>(80,799)</b>
<b>Net finance expenses from insurance contracts</b>	-	-	<b>6,627</b>	<b>397</b>	<b>7,024</b>
<i>Cash flows:</i>					
Premiums received	515,773	-	-	-	515,773
Claims and other directly attributable expenses paid	-	-	(381,404)	-	(381,404)
Insurance acquisition cash flows	(59,981)	-	-	-	(59,981)
<b>Total cash flows</b>	<b>455,792</b>	-	<b>(381,404)</b>	-	<b>74,388</b>
<b>Closing insurance contract liabilities</b>	<b>150,378</b>	<b>11,619</b>	<b>140,943</b>	<b>5,560</b>	<b>308,500</b>
<b>Closing insurance contract assets</b>	<b>(73)</b>	-	-	-	<b>(73)</b>
<b>Closing net insurance contract liabilities</b>	<b>150,306</b>	<b>11,619</b>	<b>140,943</b>	<b>5,559</b>	<b>308,427</b>

Closing insurance contract liabilities represent LRC of SR 162 million and LIC of SR 146.5 million.

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**5 INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)**

**5.1 Analysis by remaining coverage and incurred claims for insurance contracts (continued)**

31 December 2022 (Restated)				
Liability for remaining coverage (LRC)		Liability for incurred claims (LIC)		Total
Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	

*Insurance contracts issued:*

Opening insurance contract liabilities	54,586	4,095	144,977	14,983	218,641
Opening insurance contract assets	(4,570)	-	4,026	439	(105)
Net opening balance	50,016	4,095	149,003	15,422	218,536
Insurance revenue	(337,947)	-	-	-	(337,947)

*Insurance service expenses:*

Incurred claims and other directly attributable expenses	-	-	293,056	5,847	298,903
Losses on onerous contracts and reversal of those losses	-	6,630	-	-	6,630
Changes that relate to past service - adjustments to the LIC	-	-	(41,054)	(13,667)	(54,721)
Amortisation of insurance acquisition cash flows	54,577	-	-	-	54,577
Insurance service expenses	54,577	6,630	252,002	(7,820)	305,389
Insurance service result	(283,370)	6,630	252,002	(7,820)	(32,558)
Net finance expense from insurance contracts	-	-	1,140	333	1,473

*Cash flows:*

Premiums received	424,131	-	-	-	424,131
Claims and other directly attributable expenses paid	-	-	(235,117)	-	(235,117)
Insurance acquisition cash flows paid	(68,651)	-	-	-	(68,651)
Total cash flows	355,480	-	(235,117)	-	120,363

Closing Insurance Contract Liabilities	122,126	10,725	167,028	7,935	307,814
Closing Insurance Contract Assets	-	-	-	-	-
Closing net insurance contract liabilities	122,126	10,725	167,028	7,935	307,814

Closing net insurance contract liabilities represent LRC of SR 132.8 million and LIC of SR 175 million.

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**5 INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)**

**5.2 Analysis by remaining coverage and incurred claims for reinsurance contracts**

	31 December 2023				
	Asset for remaining coverage (ARC)		Asset for incurred claims (AIC)		Total
	Excluding loss-recovery component	Loss-recovery component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
<i>Reinsurance contracts held:</i>					
Opening reinsurance contract assets	10,348	-	(72,346)	(4,536)	(66,534)
Opening reinsurance contract liabilities	14,933	-	(5,645)	(271)	9,017
<b>Net opening balance</b>	<b>25,281</b>	<b>-</b>	<b>(77,991)</b>	<b>(4,807)</b>	<b>(57,517)</b>
<i>Allocation of reinsurance premium paid</i>	101,707	-	-	-	101,707
Claims recovered and other directly attributable expenses	-	-	(32,701)	(672)	(33,373)
Changes that relate to past service - adjustments to the asset for incurred claims	-	-	14,740	3,614	18,354
<b>Net expense / (income) from reinsurance contracts held</b>	<b>101,707</b>	<b>-</b>	<b>(17,961)</b>	<b>2,942</b>	<b>86,688</b>
<b>Net finance income from reinsurance contracts</b>	<b>-</b>	<b>-</b>	<b>3,231</b>	<b>229</b>	<b>3,460</b>
<i>Cash flows:</i>					
Premiums paid	(123,860)	-	-	-	(123,860)
Amounts received	-	-	69,832	-	69,832
<b>Total cash flows</b>	<b>(123,860)</b>	<b>-</b>	<b>69,832</b>	<b>-</b>	<b>(54,028)</b>
<b>Closing reinsurance contract assets</b>	<b>(36,714)</b>	<b>-</b>	<b>(20,948)</b>	<b>(1,601)</b>	<b>(59,263)</b>
<b>Closing reinsurance contract liabilities</b>	<b>39,842</b>	<b>-</b>	<b>(8,403)</b>	<b>(493)</b>	<b>30,946</b>
<b>Net closing balance</b>	<b>3,128</b>	<b>-</b>	<b>(29,351)</b>	<b>(2,094)</b>	<b>(28,317)</b>

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**5 INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)**

**5.2**

**Analysis by remaining coverage and incurred claims for reinsurance contracts (continued)**

	31 December 2022 (Restated)				
	Asset for remaining coverage (ARC)		Asset for incurred claims (AIC)		Total
	Excluding loss-recovery component	Loss-recovery component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
<i>Reinsurance contracts held:</i>					
Opening reinsurance contract assets	42,526	-	(93,179)	(10,202)	(60,855)
Opening reinsurance contract liabilities	15,042	-	(3,165)	(346)	11,531
Net opening balance	<u>57,568</u>	<u>-</u>	<u>(96,344)</u>	<u>(10,548)</u>	<u>(49,324)</u>
<i>Allocation of reinsurance premium paid</i>	113,607	-	-	-	113,607
Claims recovered and other directly attributable expenses	-	-	(69,846)	(3,212)	(73,058)
Changes that relate to past service - adjustments to the asset for incurred claims	-	-	30,835	9,181	40,016
Net expense / (income) from reinsurance contracts held	<u>113,607</u>	<u>-</u>	<u>(39,011)</u>	<u>5,969</u>	<u>80,565</u>
Net finance income from reinsurance contracts	-	-	924	228	1,152
<i>Cash flows:</i>					
Premiums paid	(145,894)	-	-	-	(145,894)
Amounts received	-	-	58,288	-	58,288
Total cash flows	<u>(145,894)</u>	<u>-</u>	<u>58,288</u>	<u>-</u>	<u>(87,606)</u>
Closing reinsurance contract assets	10,348	-	(72,346)	(4,536)	(66,534)
Closing reinsurance contract liabilities	14,933	-	(5,645)	(271)	9,017
Net closing balance	<u>25,281</u>	<u>-</u>	<u>(77,991)</u>	<u>(4,807)</u>	<u>(57,517)</u>

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**6. BANK BALANCES AND CASH**

Bank balances and cash comprise of the following:

	<b>31 December 2023</b>	31 December 2022	1 January 2022
Bank balances	<b>58,018</b>	36,733	40,582
Short term deposits	<b>46,385</b>	-	-
Cash in hand	<b>10</b>	10	10
Accrued income on short term deposits	<b>41</b>	-	-
<b>Cash and cash equivalents in statement of cashflows</b>	<b>104,454</b>	36,743	40,592
Deposits against letters of guarantee (note 6.2)	<b>700</b>	700	700
	<b>105,154</b>	37,443	41,292
Less: Impairment allowance	<b>(26)</b>	-	-
<b>Total bank balances and cash</b>	<b>105,128</b>	37,443	41,292

6.1 The deposits are held with banks and financial institution registered with Capital Market Authority in the Kingdom of Saudi Arabia. These deposits are denominated in Saudi riyals and have an original maturity of less than three months from the date of original placement. The average yield on these deposits is 4.5% per annum (31 December 2022: Nil).

6.2 The Company holds an amount of SR 0.7 million (31 December 2022: SR 0.7 million) in the statement of financial position as letters of guarantee in favor of the Company's service providers.

6.3 Bank balances are placed with counterparties with sound credit ratings of AA to BBB+ (as per S&P and Fitch) and A2 to Baa1 (as per Moody's).

**7. TERM DEPOSITS**

Term deposits are placed with counterparties which have credit ratings of A- to Baa1 ratings under Standards and Poor's and Fitch ratings methodology. Term deposits are placed with local banks with a maturity of more than three months from the date of original placement and earn investment income at weighted average of 5.47% per annum (31 December 2022: 1.89% per annum).

	<b>31 December 2023</b>	31 December 2022 (Restated)	1 January 2022 (Restated)
Term deposits	<b>336,183</b>	472,533	433,071
Accrued investment income	<b>4,205</b>	5,462	928
Less: Impairment allowance	<b>(43)</b>	-	-
<b>Total</b>	<b>340,345</b>	477,995	433,999

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**8. INVESTMENTS**

Investments are classified as follows:

	<b>31 December</b>	31 December	
	<b>2023</b>	2022	1 January 2022
Investments in Sukuk carried at amortised cost	<b>201,762</b>	-	-
Accrued investment income	<b>3,903</b>	-	-
Less: Impairment allowance	<b>(60)</b>	-	-
	<b>205,605</b>	-	-
Investments in equity carried at fair value through OCI	<b>43,484</b>	-	-
Investments in Sukuk carried at fair value - available-for-sale	-	120,004	125,843
Investments in equity carried at cost - available-for-sale	-	1,923	1,923
<b>Total investments</b>	<b>249,089</b>	121,927	127,766

Investments in Sukuk of SAR 205.6 million are reported at amortised cost under IFRS 9 and these were previously reported as available-for-sale at fair value under IAS 39 (31 December 2022: SAR 120 million).

The investment in equity security represents the 3.45% (2022: 3.45%) shareholding in Najm for Insurance Services, a Saudi Closed Joint Stock Company, which provides loss determination services in Saudi Arabia. This investment is in unquoted shares and is reported at fair value of SAR 43.5 million as at the reporting date in comparison to being reported at cost under IAS 39 of SAR 1.9 million for the previous reporting years.

**8.1 Movement in investments in Sukuk are as follows:**

	<b>31 December</b>	31 December	
	<b>2023</b>	2022	1 January 2022
Opening balance as previously reported	<b>120,004</b>	125,843	128,093
Impact on adoption of IFRS - 9 (note 3(v))	<b>4,071</b>	-	-
Purchases	<b>131,957</b>	64,792	-
Maturity	<b>(54,000)</b>	(64,125)	-
Amortization of investments	<b>(270)</b>	(568)	(311)
Changes in fair value of Sukuk	-	(5,938)	(1,939)
Accrued investment income	<b>3,903</b>	-	-
Movement in allowance for expected credit losses	<b>(60)</b>	-	-
<b>Closing balance</b>	<b>205,605</b>	120,004	125,843

**8.2 The following changes in fair value have been recognised for these investments.**

	<b>31 December</b>	31 December
	<b>2023</b>	2022
Opening balance as previously reported	(4,109)	(4,109)
Impact of adopting IFRS 9	41,889	-
Change for the year	3,781	-
<b>Closing balance</b>	<b>41,561</b>	(4,109)

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**9. OTHER INCOME**

The other income includes the Company's share of net income from the Hajj and Umrah insurance and Travel and COVID-19 insurance amounting to SR 19.39 million (2022: SR 17.69 million). The Hajj and Umrah insurance provides coverage of medical and general accidents to Hajj and Umrah visitors in the Kingdom of Saudi Arabia, whereas the Travel and COVID-19 insurance relate to compulsory travel insurance for Saudi citizens in addition to the coverages associated with COVID-19. Both of these arrangements are co-insurance arrangements along with other insurance companies in the Kingdom of Saudi Arabia.

**10. COMMITMENTS AND CONTINGENCIES**

The Company's commitments and contingencies are as

	<b>31 December</b>	31 December	
	<b>2023</b>	2022	1 January 2022
Letters of guarantee	<b>700</b>	700	700
Commitments for the rents	<b>276</b>	229	800
	<b>976</b>	929	1,500

The Company is subject to legal proceedings in the ordinary course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management believes that such proceedings (including litigations) will not have a material effect on its results and financial position. The Company did not have any significant outstanding legal proceedings as at the reporting date.

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**11. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS**

	<b>Furniture and fixtures</b>	<b>Office Equipment</b>	<b>Motor vehicles</b>	<b>Total</b>	<b>Intangible assets</b>
<b><u>Cost:</u></b>					
As at 1 January 2023	5,332	10,143	315	15,790	6,440
Additions during the year	93	820	-	913	91
As at 31 December 2023	<u>5,425</u>	<u>10,963</u>	<u>315</u>	<u>16,703</u>	<u>6,531</u>
<b><u>Accumulated depreciation / amortization:</u></b>					
As at 1 January 2023	(4,242)	(9,683)	(315)	(14,240)	(4,668)
Charge during the year	(612)	(391)	-	(1,003)	(1,149)
As at 31 December 2023	<u>(4,854)</u>	<u>(10,074)</u>	<u>(315)</u>	<u>(15,243)</u>	<u>(5,817)</u>
<b><u>Net Book Value:</u></b>					
As at 31 December 2023	<u>571</u>	<u>889</u>	<u>-</u>	<u>1,460</u>	<u>714</u>

	<b>Furniture and fixtures</b>	<b>Office Equipment</b>	<b>Motor vehicles</b>	<b>Total</b>	<b>Intangible assets</b>
<b><u>Cost:</u></b>					
As at 1 January 2022	4,745	9,643	315	14,703	6,348
Additions during the year	587	500	-	1,087	92
As at 31 December 2022	<u>5,332</u>	<u>10,143</u>	<u>315</u>	<u>15,790</u>	<u>6,440</u>
<b><u>Accumulated depreciation / amortization:</u></b>					
As at 1 January 2022	(3,600)	(9,093)	(315)	(13,008)	(2,689)
Charge during the year	(642)	(590)	-	(1,232)	(1,979)
As at 31 December 2022	<u>(4,242)</u>	<u>(9,683)</u>	<u>(315)</u>	<u>(14,240)</u>	<u>(4,668)</u>
<b><u>Net Book Value:</u></b>					
As at 31 December 2022	<u>1,090</u>	<u>460</u>	<u>-</u>	<u>1,550</u>	<u>1,772</u>

Depreciation and amortisation is charged to insurance service expense and other operating expenses in the statement of income based on expense attribution model as mentioned in note 17.

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**12. ACCRUED EXPENSES AND OTHER LIABILITIES**

	<b>2023</b>	2022 (Restated)
Accrued salaries and benefits	1,400	3,545
Accrued supervision fees	-	675
Board of Directors' remuneration	950	630
Accrued withholding tax	12,045	12,952
Provision for levy on insurance policies	2,856	2,856
Accrued IT related services	476	1,658
Accrued legal and professional fees	1,261	2,617
Outsourced service charges payable	-	6,678
Training and recruitments	-	47
Hotels and travelling	-	50
Value Added Tax payable	2,293	5,195
Accumulated Surplus	8,564	8,175
Others	4,021	9,416
<b>Total</b>	<b>33,866</b>	<b>54,494</b>

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**13 RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties represent shareholders with significant influence, directors and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled, or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors. The following are the details of the related party transactions during the year and the related balances:

	<b>Transactions for the year ended</b>	
	<b>31-Dec-23</b>	<b>31-Dec-22</b>
<b>Shareholder with significant influence</b>		
Premium written	46,343	87,586
Claims paid	55,805	49,729
Brokerage commission paid	2,500	6,507
Investment income on term deposits	8,652	3,789
<b>Shareholder having control over the Company</b>		
Technical service charges	6,570	6,678
Other expenses	497	-
Brand fees	30	30
Operational expenses paid on behalf of related party and reinsurance placements	3,237	3,009
Operational expenses paid by related party on behalf of the Company	5,719	3,523
Reinsurance premium ceded	1,241	17,573
Claims received from reinsurer	-	5,023
Reinsurance commission income	67	6,910
<b>Balance (payable) / receivable as at</b>		
	<b>31-Dec-23</b>	<b>31-Dec-22</b>
<b>Shareholder with significant influence</b>		
Outstanding claims reserves	(21,855)	(76,825)
Premium receivable	3,995	12,191
Bank balances	2,052	4,340
Term deposits	134,539	162,942
Statutory deposit including accrued income	41,535	45,873
Accrued commission income receivable on term deposits	2,290	1,917
Accrued expenses and other liabilities	(7,808)	(7,579)
<b>Shareholder having control over the Company</b>		
Due from related parties	52	14
Due to related parties	(4,420)	(16,290)

These due from and due to related party balances pertain to inter-company transactions during the year.

The compensation of key management personnel during the year is as follows:

	<b>Transactions for the year ended</b>	
	<b>31-Dec-23</b>	<b>31-Dec-22</b>
Salaries and other allowances	5,945	5,928
End of service indemnities	205	306
	<b>6,150</b>	<b>6,234</b>

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**14 ZAKAT AND INCOME TAX**

**Status of assessments**

The Company has submitted its zakat and tax returns up till the year ended 31 December 2022.

During the year, Company's zakat and tax calculations and corresponding accruals for the current period are based on the effective annual ownership percentages which are 100% for zakat (2022: 87.24% for zakat and 12.76% for tax).

Zakat, Tax and Custom Authority (ZATCA) has raised assessments for the years ended 2009 to 2013 with additional Zakat and withholding tax (WHT) liabilities amounting to SR 11.2 million and SR 8.9 million (together with 1% delay fine for each 30 days of delay) respectively. The Tax Violations and Disputes Resolution Committee (TVDR) of the General Secretariat of Tax Committees (GSTC) has issued its decision on the above years accepting certain points and reducing the zakat liability to SR 7.1 million and no change in WHT liability. The Company has submitted an appeal to Appellate Committee for Tax Violations and Disputes Resolution ("ACTVDR") against TVDR's decision. Based on ZATCA's amnesty scheme, the Company settled additional WHT of SR 8.9 million to remove associated delay fines, such settled liability will be refunded by ZATCA in case of a favorable decision by ACTVDR. ACTVDR's decision is awaited.

In respect of the assessment for the year 2014, the ZATCA has issued a revised assessment with an additional zakat liability of SR 1.98 million. The Company has escalated the appeal case to the GSTC, and the TVDR has issued its decision where the TVDR has rejected the Company's appeal and supported ZATCA's assessment for all disputed items. The Company has settled the additional zakat liability of SR 1.98 million and the case is closed.

The ZATCA issued assessments for the years 2015 through 2018 with additional zakat liability of SR 21 million. The Company escalated its appeal case to the GSTC. TVDR rejected Company's appeal and issued its resolution. The Company submitted an appeal to TVDAC on TVDR's decision. TVDAC decision is awaited

The ZATCA also issued assessments for the years 2019 and 2020 with additional zakat and income tax liability amounting to SR 17 million and SR 0.72 million and penalties of SR 0.09 million till the date of the assessment (the penalties will increase by 1% for every 30 days of delay) respectively. The Company filed an appeal against the ZATCA's assessment which was rejected by ZATCA. Thus, the Company escalated its appeal to the TVDR. TVDR issued its decision on the above years accepting certain points which reduce the Zakat liability by SAR 125k Approx. The Company has submitted an appeal to TVDAC on the partial rejection of TVDR's. TVDAC decision is awaited.

The zakat and income tax charge for the year are as follows:

	<b>31 December 2023</b>	31 December 2022
Charge for zakat for the year	<b>6,169</b>	5,430
Reversal for income tax charge for prior year	-	(931)
Deferred tax expense for the year	-	1,206
	-	275
<b>Zakat and tax charge for the year</b>	<b>6,169</b>	<b>5,705</b>

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**14 ZAKAT AND INCOME TAX (CONTINUED)**

	<b>31 December 2023</b>	31 December 2022
<b>Deferred tax</b>		
Opening deferred tax asset	-	1,206
Deferred tax expense	-	(1,206)
<b>Closing deferred tax asset</b>	-	-
	<b>31 December 2023</b>	31 December 2022
Opening zakat, income tax liability and deferred tax asset	<b>56,331</b>	52,609
Current charge for zakat for the year	<b>6,169</b>	5,430
Reversal for income tax charge for prior year	-	(931)
Deferred tax expense for the year	-	1,206
Settled during the year	-	(1,983)
<b>Closing zakat, income tax liability and deferred tax asset</b>	<b>62,500</b>	56,331

**15 SHARE CAPITAL**

The authorized, issued and paid-up share capital of the Company is SAR 400 million divided into 40 million shares of SAR 10 each (31 December 2022: SAR 400 million divided into 40 million shares of SAR 10 each).

Shareholding structure of the Company is as below. The shareholders of the Company are subject to zakat and income tax.

	<b>31 December 2023</b>	
	<b>No. of shares in '000</b>	<b>Share capital SAR '000</b>
<b>Liva Insurance B.S.C. (formerly known as Royal &amp; Sun Alliance Insurance - Middle East)</b>	<b>20,028</b>	<b>200,280</b>
<b>Riyad Bank</b>	<b>7,968</b>	<b>79,680</b>
<b>Others</b>	<b>12,004</b>	<b>120,040</b>
	<b>40,000</b>	<b>400,000</b>
	31 December 2022	
	<b>No. of shares in '000</b>	<b>Share capital SAR '000</b>
Liva Insurance B.S.C. (formerly known as Royal & Sun Alliance Insurance - Middle East)	20,028	200,280
Riyad Bank	7,968	79,680
Others	12,004	120,040
	40,000	400,000

The Company's ultimate parent company is Oman International Development and Investment Company SAOG.

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**16. END OF SERVICE BENEFITS**

The movement in provision for end-of-service benefits for the year ended December 31 as follows:

	<b>2023</b>	2022
<b>Balance as 1 January</b>	<b>7,202</b>	11,106
Current service cost	<b>1,328</b>	749
Interest cost	<b>323</b>	315
Amount recognised in statement of income	<b>1,651</b>	1,064
Re-measurement loss / (gain) recognized in other comprehensive	<b>204</b>	(1,901)
Benefits paid during the year	<b>(2,131)</b>	(3,067)
<b>Balance as 31 December</b>	<b>6,926</b>	7,202

a) Re-measurement gain recognized in statement of changes in equity for the year ended December 31 as follows:

	<b>2023</b>	2022
Effect of experience adjustment	<b>204</b>	(1,901)

b) Net defined benefit as at year-end as follows:

	<b>2023</b>	2022
Present value of defined benefit obligation	<b>6,926</b>	7,202

c) Principal actuarial assumptions

The following were the principal actuarial assumptions:

	<b>2023</b>	2022
Discount rate used	<b>5.10%</b>	4.90%
Future growth in salary	<b>3.00%</b>	3.00%
Retirement Age	<b>60 Year</b>	60 Year

**Discount rate used**

This is the rate used to obtain the actuarial present value of the projected benefits. As per International Accounting Standard 19 "Employee Benefits", the rate used to discount post employment benefit obligations shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The discount rate is derived with reference to the rates available in the market for the duration allowed as per the Company's investment policy. Due to the lack of liquidity and the deep market constraints of local corporate bonds, the Company has determined the discount rate based on the KSA Government Bond rates.

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**16. END OF SERVICE BENEFITS (CONTINUED)**

**Salary escalation**

With regards to the past trend, it is assumed that the salaries would increase at a rate of 3% per annum compound in the long range. The valuation is sensitive to the gap between the interest and salary increase assumptions. Salary increments are assumed to be given on 1st of April every year.

**Employee withdrawal rate**

This is the weighted average duration of the Scheme. The higher the employee withdrawal rate, the lower will be the duration of the Scheme and vice versa.

**Mortality**

This demographic assumption determines the rate at which in-service employees under the Scheme are assumed to die. The EOSGB Scheme pays a one-off lump sum benefit on death and therefore a post retirement mortality assumption is not required. The Company has used the mortality rates in the Permanent Assurance 2000 tables, AMC00 and AFC00, for male and female employees respectively.

**Sensitivity analysis**

Reasonably possible changes as to one of the relevant actuarial assumptions, holding other assumptions constant, the amount of defined benefit obligations would have been:

	<u>2023</u>	<u>2022</u>
Discount rate		
- Increase by 0.5%	7,210	7,494
- Decrease by 0.5%	(7,881)	(8,150)
Salary escalation rate		
- Increase by 0.5%	(7,887)	(8,155)
- Decrease by 0.5%	7,202	7,487
Withdrawal rate		
- Increase by 20%	(7,829)	(7,588)
- Decrease by 20%	7,779	7,470
Mortality rate		
- Increase by 20%	(7,545)	(7,810)
- Decrease by 20%	7,531	7,808

**Longevity risks**

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

**Salary increase risk**

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual salary increases are higher than expectation and impacts the liability accordingly.

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**17. OTHER OPERATING EXPENSES**

	<b>2023</b>	<b>2022</b> <b>(Restated)</b>
Staff cost	35,700	28,448
Department operations cost	54,548	36,274
Legal and tax	8,136	9,872
IT costs	8,310	6,044
Depreciation and amortization	2,152	3,211
Premises cost	1,525	1,652
Communications	688	462
	<b>111,059</b>	<b>85,963</b>

**Allocation of expenses is as follows:**

	<b>2023</b>	<b>2022</b> <b>(Restated)</b>
<b>Other attributable expenses</b>	<b>23,338</b>	20,503
<b>Policy acquisition cost</b>	<b>70,265</b>	46,378
<b>Other operating expenses</b>	<b>17,456</b>	18,996
	<b>111,059</b>	<b>85,877</b>

Policy acquisition cost and other attributable expenses are reported as part of insurance service expense. Other operating expenses include non-attributable expenses which are administrative expenses and are not linked to insurance contracts.

**17.1** Auditors' remuneration for the statutory audit of the Company's financial statements and the financial statements for the year ended 31 December 2023 amounts to SR 1.43 million (2022: SR 0.69 million). Auditors' remuneration for the review of the Company's interim financial information during the year ended 31 December 2023 amounts to SR 0.56 million (2022: SR 0.32 million). Fee for other statutory and related services provided by the auditors to the Company amounts to SR 0.81 million (2022:SR 0.09 million).

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**18. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

**a) Determination of fair value and fair value hierarchy**

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

**b) Carrying amounts and fair value**

	Carrying Value	Fair value		
		Level 1	Level 2	Level 3
<b>Financial assets</b>				
- Investments in Sukuk carried at amortised cost	201,762	-	198,858	-
- Investment at FVOCI – Equity	43,484	-	-	43,484
	<b>245,246</b>	<b>-</b>	<b>198,858</b>	<b>43,484</b>
	Carrying Value		Fair value	
		Level 1	Level 2	Level 3
31 December 2022				
Financial assets				
- Investments in Sukuk carried at fair value - available-for-sale	120,004	-	120,004	-
- Investments in equity carried at cost - available-for-sale	1,923	-	-	39,703
	<b>121,927</b>	<b>-</b>	<b>120,004</b>	<b>39,703</b>

The fair values of statutory deposits, accrued investment income on statutory deposit, term deposits, bank balances and other financial assets in the statement of financial position which are carried at amortised cost, are not significantly different from the carrying values included in the financial statements due to the short term nature of balances or they are repayable on demand.

The investment in equity security represents shareholding in Najm for Insurance Services. Its fair value has been calculated using a combination of discounted cash flow technique and comparable peer multiples.

There were no transfers between the levels of fair value hierarchies during the period.

Type	Valuation technique	Significant unobservable input	Inter-relationship between significant unobservable inputs and fair value measurement
Equity security	Discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the investment, taking into account the expected growth rate. The expected net cash flows are discounted using risk adjusted discount rates.	-Weighted Average Cost of Capital (WACC)- 16.50% - Terminal Value Growth Rate (TVGR)- 1.5% - Earnings multiple (EV/EBIDTA) - 7 times	The estimated fair value would increase (decrease) if: -- the WACC was lower (higher); --the TVGR was higher (lower); or --the earnings multiple were higher (lower).
	Market multiples: Acquisition multiples of comparable private precedent transactions were used.		

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**18. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurement in level 3 of the fair value hierarchy:

	<u>2023</u>
	<u>SAR '000</u>
Balance at the beginning of the year	1,923
Impact on adoption of IFRS - 9 (note 3(v))	37,780
Net changes in fair value of investments carried at FVOCI – equity instruments	3,781
<b>Closing balance</b>	<b><u>43,484</u></b>

**Sensitivity analysis of Level 3 investments**

31 December 2023	<u>Sensitivity factor</u>	<u>Impact on fair value due to increase in sensitivity factor</u>	<u>Impact on fair value due to decrease in sensitivity factor</u>
	+/- 10% change in price	4,348	(4,348)

**19. OPERATING SEGMENTS**

Operating segments are identified based on internal reports about components of the Company that are regularly reviewed by the Company's Chief Executive Officer in his function as chief operating decision maker to allocate resources to the segments and to assess their performance.

Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the Board is measured in a manner consistent with that in the statement of income.

Segment assets and liabilities only include the insurance and reinsurance contract liabilities and assets while the other accounts are not allocated.



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19. OPERATING SEGMENTS (CONTINUED)

	For the year ended 31 December 2023							Total
	Property	Motor	Engineering	Medical	Marine	Group Life	Others	
Insurance revenue	58,944	369,579	13,646	-	14,999	38,743	17,718	513,629
Insurance service expense	(23,625)	(382,978)	(9,091)	-	(11,508)	(2,176)	(3,392)	(432,830)
Net expenses from reinsurance contracts held	(36,178)	(4,897)	(3,410)	-	(2,434)	(27,449)	(12,320)	(86,688)
Insurance service result	(859)	(18,296)	1,145	-	997	9,118	2,006	(5,889)
Investment income	-	-	-	-	-	-	-	24,931
Net reversal of impairment loss on financial assets	-	-	-	-	-	-	-	11
Net insurance and investment results	(859)	(18,296)	1,145	-	997	9,118	2,006	24,942
Finance expense from insurance contracts issued	(587)	(2,660)	(216)	-	(233)	(3,267)	(61)	(7,024)
Finance income / (expense) from reinsurance contracts held	556	-	177	-	178	2,590	(41)	3,460
Net insurance finance expense	(31)	(2,660)	(39)	-	(55)	(677)	(102)	(3,564)
Other operating expenses								(17,456)
Other income								19,394
Income for the year before zakat and income tax								17,427
Provision for zakat and tax								(6,169)
Net income for the year after zakat and income tax								11,258

	For the year ended 31 December 2022 (Restated)							Total
	Property	Motor	Engineering	Medical	Marine	Group Life	Others	
Insurance revenue	49,949	188,516	6,254	-	12,685	67,326	13,217	337,947
Insurance service expense	(6,848)	(243,588)	(2,746)	(78)	(8,647)	(40,984)	(2,498)	(305,389)
Net expenses from reinsurance contracts held	(37,884)	(8,085)	(4,285)	875	322	(24,145)	(7,363)	(80,565)
Insurance service result	5,217	(63,157)	(777)	797	4,360	2,197	3,356	(48,007)
Investment income	-	-	-	-	-	-	-	12,120
Net insurance and investment results	5,217	(63,157)	(777)	797	4,360	2,197	3,356	12,120
Finance expense from insurance contracts issued	(499)	(149)	(74)	-	(16)	(647)	(88)	(1,473)
Finance income / (expense) from reinsurance contracts held	469	-	72	(5)	-	611	5	1,152
Net insurance finance expense	(30)	(149)	(2)	(5)	(16)	(36)	(83)	(321)
Other operating expenses	-	-	-	-	-	-	-	(18,996)
Other income	-	-	-	-	-	-	-	17,964
Loss for the year before zakat and income tax	-	-	-	-	-	-	-	(37,240)
Provision for zakat and tax	-	-	-	-	-	-	-	(5,705)
Net loss for the year after zakat and income tax	-	-	-	-	-	-	-	(42,945)

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**19. OPERATING SEGMENTS (CONTINUED)**

The details of gross written premium is as follows:

<b>For the year ended 31 December 2023</b>				
	<b>Motor</b>	<b>Property, General Accident &amp; Others</b>	<b>Protection (Group Life) &amp; Savings</b>	<b>Total</b>
<b><u>Gross written premium</u></b>				
<b>Large</b>	<b>10,427</b>	<b>78,899</b>	<b>38,717</b>	<b>128,043</b>
<b>Medium</b>	<b>10,195</b>	<b>22,030</b>	<b>39</b>	<b>32,264</b>
<b>Micro</b>	<b>805</b>	<b>1,701</b>	<b>-</b>	<b>2,506</b>
<b>Small</b>	<b>9,294</b>	<b>16,654</b>	<b>-</b>	<b>25,948</b>
<b>Individual</b>	<b>332,913</b>	<b>434</b>	<b>-</b>	<b>333,347</b>
	<b>363,634</b>	<b>119,718</b>	<b>38,756</b>	<b>522,108</b>

<b>For the year ended 31 December 2022</b>				
	<b>Motor</b>	<b>Property, General Accident &amp; Others</b>	<b>Protection (Group Life) &amp; Savings</b>	<b>Total</b>
<b><u>Gross written premium</u></b>				
<b>Large</b>	<b>35,785</b>	<b>69,361</b>	<b>66,952</b>	<b>172,098</b>
<b>Medium</b>	<b>6,927</b>	<b>19,485</b>	<b>24</b>	<b>26,436</b>
<b>Micro</b>	<b>690</b>	<b>1,735</b>	<b>-</b>	<b>2,425</b>
<b>Small</b>	<b>2,966</b>	<b>5,227</b>	<b>29</b>	<b>8,222</b>
<b>Individual</b>	<b>246,039</b>	<b>309</b>	<b>-</b>	<b>246,348</b>
	<b>292,407</b>	<b>96,117</b>	<b>67,005</b>	<b>455,529</b>

Gross written premiums comprise the total premiums receivable for the whole period of cover provided by the contracts entered into during the accounting period, regardless of whether these are wholly due for payment in the accounting period, together with any adjustments arising in the accounting period to such premiums receivable in respect of business written in prior accounting periods.

Gross written premiums is not defined in IFRS Accounting Standard as endorsed in the Kingdom of Saudi Arabia.

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**20 CAPITAL MANAGEMENT**

The Company manages its capital to ensure that it is able to continue as going concern and comply with the regulator’s capital requirements of the market in which the Company operates while maximizing the return to stakeholders through the optimization of equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital and reserves. The operations of the Company are subject to local regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g., capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise. In order to maintain or adjust the capital structure, the Company may issue right shares. As per guidelines laid out by Insurance Authority in Article 66 table 3 and 4 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained, the Company maintains solvency margin equivalent to the highest of the three methods as per Insurance Implementing Regulations issued by Insurance Authority.

The Company has fully complied with the externally imposed capital requirements during the reported financial period.

**21 STATUTORY DEPOSIT**

In compliance with Insurance Implementing Regulations of Insurance Authority, the Company deposited 10% of its paid-up capital, amounting to SR 40 million (2022: SR 40 million) in a bank designated by Insurance Authority. The accrued return on investment of statutory deposit as at 30 September, 2023 amounts to SR 1.5 million (31 December 2022: SR 5.9 million) and has been disclosed in assets as “Accrued commission income on statutory deposit” and the corresponding amount is shown in the liabilities as “Accrued commission income payable to Insurance Authority” as this deposit cannot be withdrawn without Insurance Authority’s consent.

	<b>31 December 2023</b>	31 December 2022	1 January 2022
Statutory deposit	<b>40,000</b>	40,000	40,000
Less: Impairment allowance	<b>(15)</b>	-	-
	<b>39,985</b>	40,000	40,000

**22 STATUTORY RESERVE**

In accordance with its by-laws, the Company shall allocate 20% of its net income and after setting off the accumulated losses, each year to a statutory reserve until it has built up a reserve equal to the share capital.

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## **23 RISK MANAGEMENT**

### **Risk Governance**

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organisational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and strategic plan approved by the Board. The Company is exposed to insurance, claims management, reserving and ultimate reserves, reinsurance, regulatory framework, credit, liquidity, foreign currency, commission income rate and market rate risks.

### **Risk management structure**

A cohesive organisational structure is established within the Company in order to identify, assess, monitor and control risks.

### **Board of Directors**

The apex of risk governance is the centralised oversight of the Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

### **Senior management**

Senior management is responsible for the day to day operations towards achieving the strategic goals within the Company's predefined risk appetite.

### **Audit Committee and Internal Audit Department**

Risk management processes throughout the Company are audited annually by the Internal Audit Department which examines both the adequacy of the procedures and the Company's compliance with such procedures. The Internal Audit Department discusses the results of all assessments with senior management and reports its findings and recommendations directly to the Audit Committee.

#### **a) Insurance risk**

Insurance risk is the risk that actual claims payable to policy holders in respect of insured events exceed expectations. This could occur because the frequency or amounts of claims are more than expected. Insurance risk is monitored regularly by the Company to make sure the levels are within the projected frequency bands. The Company underwrites mainly property, motor, casualty, engineering, group life and marine risks.

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information is available.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

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**23 RISK MANAGEMENT (CONTINUED)**

**a) Insurance risk (continued)**

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risks, civil riots etc. The Company has limited its risk by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management.

The key source of estimation uncertainty at the balance sheet date relates to the valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

**Reinsurance risk**

In order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for reinsurance purposes.

To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

Reinsurers are selected using the following parameters and guidelines set by the Company's Board of Directors and Reinsurance Committee.

The criteria may be summarized as follows:

- a. Minimum acceptable credit rating by recognised rating agencies (e.g. S&P) that is not lower than BBB or equivalent
- b. Reputation of particular reinsurance companies
- c. Existing or past business relationship with the reinsurer.

Furthermore, the financial strength and managerial and technical expertise as well as historical performance of the reinsurers, wherever applicable, are thoroughly reviewed by the Company and agreed to pre-set requirements of the Company's Board of Directors and Reinsurance Committee before approving them for exchange of reinsurance business. As at December 31, 2023, December 31, 2022 and January 1, 2022 there is no significant concentration of reinsurance balances.

Reinsurance ceded contracts do not relieve the Company from its obligation to policyholders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligation under the reinsurance agreements.

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**23 RISK MANAGEMENT (CONTINUED)**

**a) Insurance risk (continued)**

Concentration of insurance risk

The Company monitors concentration of insurance risks primarily by class of business. The major concentration lies in property and motor. The Company also monitors concentration of risk by evaluating multiple risks covered in the same geographical location or by the same party. For flood or earthquake risk, a complete city is classified as a single location. For fire and property risk a particular building and neighboring buildings, which could be affected by a single claim incident, are considered as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk. The Company evaluate the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company. Since the Company does not have any foreign operations, hence, all the insurance risks relate to policies written in Saudi Arabia.

**Claims development table**

The following reflects the cumulative incurred claims, including both claims notified and incurred but not reported for each successive accident year at each financial position date, together with the cumulative payments to date. The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of the claims.

The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences will be eliminated which results in the release of reserves from earlier accident years. In order to maintain adequate reserves, the Company transfers much of this release to the current accident year reserves when the development of claims is less mature and there is much greater uncertainty attached to the ultimate cost of claims. During each year, the estimate of ultimate claim cost for respective year presented net of payments. Claims triangulation analysis (gross and net) by accident year spanning a number of financial years is set out as below.

**Gross undiscounted liabilities for incurred claims**

Accident year	31 December 2023				
	2020 & Prior	2021	2022	2023	Total
At the end of accident year	105,223	103,552	137,314	111,090	457,179
One year later	99,330	88,860	116,932		305,122
Two year later	77,272	76,046			153,317
Three year later	62,557				62,557
Gross estimates of the undiscounted amount of the claims reported	62,557	76,046	116,932	111,090	366,624
Cumulative payments to date	60,103	70,508	91,285	-	221,895
Gross undiscounted liabilities for incurred claims	<u>2,454</u>	<u>5,538</u>	<u>25,646</u>	<u>111,090</u>	<u>144,729</u>
Risk Adjustment					5,559
Discounting					(3,786)
Total LIC less AIC included in the statement of financial position					<u>146,502</u>

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**23 RISK MANAGEMENT (CONTINUED)**

**a) Insurance risk (continued)**

**Claims development table (continued)**

Net undiscounted liabilities for incurred claims

Accident year	31 December 2023				
	2020 & Prior	2021	2022	2023	Total
At the end of accident year	41,549	38,542	73,422	102,048	255,561
One year later	36,537	40,640	91,216		168,393
Two year later	22,266	35,709			57,975
Three year later	9,299				9,299
Gross estimates of the undiscounted amount of the claims reported	9,299	35,709	91,216	102,048	238,273
Cumulative payments to date	27,462	34,315	62,332	-	124,109
Gross undiscounted liabilities for incurred claims	<u>(18,163)</u>	<u>1,394</u>	<u>28,884</u>	<u>102,048</u>	<u>114,164</u>
Risk Adjustment					3,465
Discounting & default adjustment					(2,572)
Total LIC less AIC included in the statement of financial position					<u>115,057</u>

Gross undiscounted liabilities for incurred claims

Accident year	31 December 2022				
	2019 & Prior	2020	2021	2022	Total
At the end of accident year	74,307	61,226	103,552	137,314	376,399
One year later	206,677	70,217	88,860		365,755
Two year later	191,796	52,783			244,579
Three year later	173,272				173,272
Gross estimates of the undiscounted amount of the claims reported	173,272	52,783	88,860	137,314	452,229
Cumulative payments to date	173,417	42,171	63,018	-	278,605
Gross undiscounted liabilities for incurred claims	<u>(145)</u>	<u>10,612</u>	<u>25,843</u>	<u>137,314</u>	<u>173,624</u>
Risk Adjustment					7,935
Discounting					(6,596)
Total LIC less AIC included in the statement of financial position					<u>174,963</u>

Net undiscounted liabilities for incurred claims

Accident year	31 December 2022				
	2019 & Prior	2020	2021	2022	Total
At the end of accident year	37,903	21,962	38,542	73,422	171,830
One year later	113,988	27,955	40,086		182,029
Two year later	102,500	33,586			136,086
Three year later	94,387				94,387
Gross estimates of the undiscounted amount of the claims reported	94,387	33,586	40,086	73,422	241,481
Cumulative payments to date	99,334	20,894	31,036	-	151,263
Gross undiscounted liabilities for incurred claims	<u>(4,947)</u>	<u>12,692</u>	<u>9,050</u>	<u>73,422</u>	<u>90,217</u>
Risk Adjustment					3,134
Discounting & default adjustment					(1,187)
Total LIC less AIC included in the statement of financial position					<u>92,165</u>

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**23 RISK MANAGEMENT (CONTINUED)**

**a) Insurance risk (continued)**

Claims management risk

Claims management risk may arise within the Company in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs. These risks may damage the Company and undermine its ability to win and retain business, or incur punitive damages. These risks can occur at any stage of the claims life cycle. The Company's claims teams are focused on delivering quality, reliability and speed of service to the policyholders. Their aim is to adjust and process claims in a fair, efficient and timely manner, in accordance with the policy's terms and conditions, the regulatory environment, and the business' broader interests. Prompt and accurate case reserves are set for all known claims liabilities, including provisions for expenses, as soon as a reliable estimate can be made of the claims liability.

Reserving and ultimate reserves risk

Reserving and ultimate reserves risk occurs within the Company where established insurance liabilities are insufficient through inaccurate forecasting, or where there is inadequate allowance for expenses and non-performance of reinsurer. To manage reserving and ultimate reserves risk, the Company's actuarial team uses a range of recognized techniques to project gross premiums written, monitor claims development patterns and stress-test ultimate insurance liability balances. The objective of the Company's reserving policy is to produce accurate and reliable estimates that are consistent over time and across classes of business.

Sensitivity analysis

The liability for incurred claims is sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

	<u>2023</u>	<u>2022</u>
<b><u>Impact on equity, insurance contract liability and profit or loss due to change in claims ratio</u></b>		
5% increase	12,683	14,521
5% decrease	(12,632)	(14,511)
<b><u>Impact on equity, insurance contract liability and profit or loss due to change in risk adjustment</u></b>		
5% increase	313	384
5% decrease	(640)	(886)
<b><u>Impact on equity, insurance contract liability and profit or loss due to change in direct expense ratio</u></b>		
2% increase	2,364	2,452
2% decrease	(2,350)	(2,191)

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**23 RISK MANAGEMENT (CONTINUED)**

**(b) Regulatory framework risk**

The operations of the Company are subject to local regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise.

**(c) Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Company, the maximum exposure to credit risk to the Company is the carrying value as disclosed in the statement of financial position.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk

- The Company only enters into insurance and reinsurance contracts with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to credit losses.
- The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Company's investment portfolio is managed by the management in accordance with the investment policy established by the investment committee.
- The Company, with respect to credit risk arising from other financial assets, is restricted to commercial banks having strong financial positions and credit ratings.

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**23 RISK MANAGEMENT (CONTINUED)**

**(c) Credit risk (continued)**

The table below shows the maximum exposure to credit risk for the relevant components of the statement of financial position:

	<b>31 December 2023</b>	<b>31 December 2022</b> (Restated)	<b>1 January 2022</b> (Restated)
Bank balances and cash	105,144	37,433	41,282
Term deposits	340,388	477,995	433,999
Investments	205,665	121,927	127,766
Statutory deposit	40,000	40,000	40,000
Accrued commission income on statutory deposit	1,535	5,873	5,572
	<b>692,732</b>	<b>683,228</b>	<b>648,619</b>

***Credit exposure by credit rating***

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties. Investment grade ratings refers to companies with sound credit standing of AA to BBB- (as per S&P) and/or Aaa to Baa3 (as per Moody's). Ratings below the mentioned threshold are considered non-investment grade with a higher default risk.

**31 December 2023**

	<b>Investment grade</b>	<b>Non-investment grade</b>	<b>Not rated</b>	<b>Total</b>
Bank balances and cash	105,128	-	-	105,128
Term deposits	340,345	-	-	340,345
Investments	68,481	-	137,184	205,665
Due from related parties	52	-	-	52
Statutory deposit	39,985	-	-	39,985
Accrued commission income on statutory deposit	1,535	-	-	1,535
	<b>555,526</b>	<b>-</b>	<b>137,184</b>	<b>692,710</b>

**31 December 2022**

	<b>Investment grade</b>	<b>Non-investment grade</b>	<b>Not rated</b>	<b>Total</b>
Bank balances and cash	37,443	-	-	37,443
Term deposits	477,995	-	-	477,995
Investments	64,673	-	57,254	121,927
Due from related parties	14	-	-	14
Statutory deposit	40,000	-	-	40,000
Accrued commission income on statutory deposit	5,873	-	-	5,873
	<b>625,998</b>	<b>-</b>	<b>57,254</b>	<b>683,252</b>

**(d) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet obligation and commitments associated with financial liabilities when they become full due. The Company has a proper cash management system, where daily cash collection and payments are monitored and reconciled at the end of the day. The Company manages this risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Company's assets in highly liquid financial assets.

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**23. RISK MANAGEMENT (CONTINUED)**

**(d) Liquidity risk (continued)**

*Maturity table*

The table below summarizes the maturity profile of the financial assets and liabilities of the Company based on remaining expected undiscounted contractual obligations except for portfolios of insurance contracts issued that are liabilities and portfolios of reinsurance contracts held that are liabilities of the Company and are based on the estimates of the present value of the future cash flows expected to be paid out in the periods presented.

	2023		
	Less than one year	More than one year	Total
<b>ASSETS</b>			
Bank balances and cash	105,128	-	105,128
Term deposits	340,345	-	340,345
Investments	6,702	242,447	249,149
Due from related parties	52		52
Statutory deposit	-	39,985	39,985
Accrued commission income on statutory deposit	-	1,535	1,535
	<b>452,227</b>	<b>283,967</b>	<b>736,194</b>
	2022		
	Less than one year	More than one year	Total
<b>ASSETS</b>			
Bank balances and cash	37,443	-	37,443
Term deposits	477,995	-	477,995
Investments	53,505	68,422	121,927
Due from related parties	14	-	14
Statutory deposit	-	40,000	40,000
Accrued commission income on statutory deposit	-	5,873	5,873
	<b>568,957</b>	<b>114,295</b>	<b>683,252</b>
	2023		
	Less than one year	More than one year	Total
<b>LIABILITIES</b>			
Accrued expenses and other liabilities	8,108	-	8,108
Due to related parties	4,420	-	4,420
Accrued income payable to Insurance Authority	1,535	-	1,535
	<b>14,063</b>	<b>-</b>	<b>14,063</b>

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**23. RISK MANAGEMENT (CONTINUED)**

**(d) Liquidity risk (continued)**

*Maturity table (continued)*

LIABILITIES	2022		
	Less than one year	More than one year	Total
Accrued expenses and other liabilities	25,316	-	25,316
Due to related parties	16,290	-	16,290
Accrued income payable to Insurance Authority	5,873	-	5,873
	<b>61,542</b>	<b>-</b>	<b>61,542</b>

**Maturity analysis for insurance and reinsurance contract assets and liabilities (present value of future cash flows basis) - discounted cashflows**

The following table summarises the maturity profile of insurance contracts liabilities and reinsurance contract assets of the Company based on remaining discounted cash flows. Portfolios of insurance contracts issued that are liabilities and portfolios of reinsurance contracts held that are liabilities of the Company are based on the estimates of the present value of the future cash flows expected to be paid out in the periods presented.

	31 December 2023							Total
	Up to 1 year	1-2 year	2-3 year	3-4 year	4-5 year	>5 years	No maturity	
<b>Insurance contract liabilities</b>								
Motor	244,802	3,595	624	-	-	-	-	249,021
Accident & Liability	8,468	241	29	-	-	-	-	8,738
Property	8,766	3,693	98	-	-	-	-	12,557
Marine	4,165	757	470	243	104	37	-	5,776
Engineering	9,084	1,755	259	-	-	-	-	11,098
Health Insurance	2	-	-	-	-	-	-	2
Group Life	16,691	3,937	607	-	-	-	-	21,235
<b>Total</b>	<b>291,978</b>	<b>13,978</b>	<b>2,087</b>	<b>243</b>	<b>104</b>	<b>37</b>	<b>-</b>	<b>308,427</b>

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**23. RISK MANAGEMENT (CONTINUED)**

**(d) Liquidity risk (continued)**

*Maturity table (continued)*

**Maturity analysis for insurance and reinsurance contract assets and liabilities (present value of future cash flows basis) - discounted cashflows (continued)**

	31 December 2023							Total
	Up to 1 year	1-2 year	2-3 year	3-4 year	4-5 year	>5 years	No maturity	
<b>Reinsurance contract assets</b>								
Motor	(3,129)	-	-	-	-	-	-	3,129
Accident & Liability	24,396	22	5	-	-	-	-	24,423
Property	(9,480)	1,204	37	-	-	-	-	8,239
Marine	(5,396)	269	188	24	35	8	-	4,872
Engineering	(2,606)	759	185	-	-	-	-	1,662
Health Insurance	-	-	-	-	-	-	-	-
Group Life	17,483	3,556	714	43	-	-	-	21,796
<b>Total</b>	<b>21,268</b>	<b>5,810</b>	<b>1,129</b>	<b>67</b>	<b>35</b>	<b>8</b>	<b>-</b>	<b>28,317</b>
<b>31 December 2022</b>								
	Up to 1 year	1-2 year	2-3 year	3-4 year	4-5 year	>5 years	No maturity	Total
<b>Insurance contract liabilities</b>								
Motor	196,143	5,480	-	-	-	-	-	201,623
Accident & Liability	10,805	275	31	-	-	-	-	11,111
Property	18,647	3,658	151	-	-	-	-	22,456
Marine	1,565	555	266	120	20	13	-	2,539
Engineering	4,721	326	35	-	-	-	-	5,082
Health Insurance	1	-	-	-	-	-	-	1
Group Life	37,253	17,949	5,862	3,358	580	-	-	65,002
<b>Total</b>	<b>269,135</b>	<b>28,243</b>	<b>6,345</b>	<b>3,478</b>	<b>600</b>	<b>13</b>	<b>-</b>	<b>307,814</b>
<b>31 December 2022</b>								
	Up to 1 year	1-2 year	2-3 year	3-4 year	4-5 year	>5 years	No maturity	Total
<b>Reinsurance contract assets</b>								
Motor	(3,744)	-	-	-	-	-	-	(3,744)
Accident & Liability	12,547	30	4	-	-	-	-	12,581
Property	11,189	6,330	334	-	-	-	-	17,853
Marine	5,153	823	178	105	27	12	-	6,298
Engineering	2,870	642	51	1	-	-	-	3,564
Health Insurance	1	-	-	-	-	-	-	1
Group Life	(7,274)	19,222	5,655	1,913	1,448	-	-	20,964
<b>Total</b>	<b>20,742</b>	<b>27,047</b>	<b>6,222</b>	<b>2,019</b>	<b>1,475</b>	<b>12</b>	<b>-</b>	<b>57,517</b>

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**23. RISK MANAGEMENT (CONTINUED)**

**(e) Foreign currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management believes that there is minimal risk of significant losses due to exchange rate fluctuation as the majority of monetary assets and liabilities are in currencies pegged to the Saudi Riyal.

**(f) Commission rate risk**

Commission rate risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract or reinsurance contract will fluctuate because of changes in market interest rates.

The Company invests in securities and has deposits that are subject to commission rate risk. Commission rate risk to the Company is the risk of changes in commission rates reducing the overall return on its fixed commission rate bearing securities. The company monitors its commission rate risk exposure through periodic reviews of asset and liability positions. The Company has no significant concentration of commission rate risk. The commission and non-commission bearing investments of the Company and their maturities as at December 31, 2023 and 2022 are as follows:

	Less than 1 year	More than 1 year	Non-commission bearing	Total
<b>31 December 2023</b>				
Bank balances and cash	46,385	-	58,769	105,154
Term deposits	297,921	38,262	-	336,183
Investments in Sukuk carried at amortised cost	6,702	195,060	-	201,762
Investments in equity carried at fair value through OCI	-	-	43,484	43,484
<b>Total</b>	<b>351,009</b>	<b>233,321</b>	<b>102,253</b>	<b>686,583</b>

	Less than 1 year	More than 1 year	Non-commission bearing	Total
<b>31 December 2022</b>				
Bank balances and cash	36,743	-	-	36,743
Term deposits	472,533	-	-	472,533
Investments in Sukuk carried at fair value - available-for-sale	53,505	66,499	-	120,004
Investments in equity carried at cost - available-for-sale	-	-	1,923	1,923
<b>Total</b>	<b>562,781</b>	<b>66,499</b>	<b>1,923</b>	<b>631,203</b>

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**23. RISK MANAGEMENT (CONTINUED)**

**(g) Equity Price Risk**

Price risk is the risk that the fair value or future cash flows of financial instruments or insurance contract assets and/or liabilities will fluctuate because of changes in market prices (other than those arising from interest rate or foreign exchange rate risk), whether those changes are caused by factors specific to the individual financial instrument or contract, or by factors affecting all similar contracts or financial instruments traded in the market. The Company's price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices. The Company does not issue any participating contracts. Therefore, there are no insurance or reinsurance contracts which are exposed to price risk.

The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on individual and total equity instruments. Company's risk committee regularly monitors equity price risk and manages material investments on an individual basis. Investment limits require business units to hold diversified portfolios of assets and restrict concentrations to geographies and industries. The Company does not have a significant concentration of equity price risk.

**24. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statement have been approved by the Board of Directors on 20 March 2024, corresponding to 10 Ramadan 1445.