

Union Insurance Company P.J.S.C.

**Condensed interim financial information (Unaudited)
For the nine months period ended 30 September 2022**

Union Insurance Company P.J.S.C.
Condensed interim financial information (Unaudited)

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Report on review of condensed interim financial information To the Board of Directors of Union Insurance Company P.J.S.C.

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Union Insurance Company P.J.S.C. (the "Company") as at 30 September 2022 and the related condensed interim statement of income, condensed interim statement of comprehensive income for the three and nine month period ended 30 September 2022, condensed interim statement of changes in equity and condensed interim statement of cash flows for the nine months period ended 30 September 2022 and explanatory notes. Management is responsible for the preparation and presentation of these condensed interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed interim financial information based on our review.

Scope of review


We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information are not prepared, in all material respects, in accordance with IAS 34.

Other matter

The condensed interim financial information for the nine months period ended 30 September 2021 and the financial statements for the year ended 31 December 2021 were reviewed and audited by another auditor who expressed unmodified review conclusion and audit opinion on 16 December 2021 and 28 March 2022 respectively.



Grant Thornton
Farouk Mohamed
Registration No: 86
Sharjah, November 11, 2022



Union Insurance Company P.J.S.C.
Condensed interim financial information (Unaudited)

Condensed interim statement of financial position
As at 30 September 2022

	Notes	30 September 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
ASSETS			
Property and equipment	4	68,618	70,446
Intangible assets		9,714	14,574
Right-of-use assets		7,610	637
Unit linked assets	5	313,026	368,887
Investment securities	5	82,904	47,888
Statutory deposit	6	10,000	10,000
Reinsurance contract assets	7	720,611	831,514
Insurance and other receivables	8	381,962	356,202
Bank deposits with original maturities of more than three months	9.2	117,225	205,965
Cash and cash equivalents	9.1	160,355	91,881
Total assets		1,872,025	1,997,994
EQUITY AND LIABILITIES			
Equity			
Share capital	10	330,939	330,939
Statutory reserve	11.1	16,187	16,187
Special reserve	11.2	16,187	16,187
Reinsurance reserve	11.3	6,869	4,885
Fair value reserve	11.4	166	156
Accumulated losses		(108,863)	(132,869)
Total equity		261,485	235,485
Liabilities			
Provision for employees' end of service benefit		13,942	12,873
Insurance contract liabilities	7	989,257	1,105,249
Insurance and other payables	12	294,315	275,500
Payables to policyholders of unit-linked products	13	313,026	368,887
Total liabilities		1,610,540	1,762,509
Total equity and liabilities		1,872,025	1,997,994


Abdul Mutaleb M H M Aljaede
Chief Executive Officer

The accompanying notes from 1 to 23 form an integral part of these condensed interim financial information.

Union Insurance Company P.J.S.C.
Condensed interim financial information (Unaudited)

Condensed interim statement of income
For the nine months period ended 30 September 2022

	Notes	Three months period ended 30 September		Nine months period ended 30 September	
		2022 AED'000 (Unaudited)	2021 AED'000 (Unaudited)	2022 AED'000 (Unaudited)	2021 AED'000 (Unaudited)
UNDERWRITING INCOME					
Gross written premiums	14	238,670	220,252	682,361	721,178
Reinsurance premiums ceded	14	<u>(131,965)</u>	<u>(148,484)</u>	<u>(396,677)</u>	<u>(418,791)</u>
Net retained premiums		106,705	71,768	285,684	302,387
Net change in unearned premiums, mathematical reserve and policyholders' reserve	14	<u>(25,344)</u>	<u>317</u>	<u>(48,374)</u>	<u>(79,859)</u>
Net earned premium		81,361	72,085	237,310	222,528
Gross commission earned		<u>23,809</u>	<u>27,797</u>	<u>59,068</u>	<u>77,667</u>
Total underwriting income		<u>105,170</u>	<u>99,882</u>	<u>296,378</u>	<u>300,195</u>
UNDERWRITING EXPENSES					
Gross claims incurred		(99,455)	(225,342)	(283,333)	(394,950)
Insurance claims recovered from reinsurers		<u>55,067</u>	<u>188,706</u>	<u>169,735</u>	<u>290,994</u>
Net claims incurred		(44,388)	(36,636)	(113,598)	(103,956)
Commission incurred		(20,483)	(23,738)	(59,328)	(69,550)
Administrative expenses		(22,590)	(21,719)	(68,741)	(66,241)
Other operational costs related to underwriting activities		<u>(9,749)</u>	<u>(13,258)</u>	<u>(31,791)</u>	<u>(34,166)</u>
Total underwriting expenses		<u>(97,210)</u>	<u>(95,351)</u>	<u>(273,458)</u>	<u>(273,913)</u>
UNDERWRITING PROFIT					
Interest income		7,960	4,531	22,920	26,282
Other net investment income/(loss)		1,634	1,490	3,992	4,927
Provision for impairment of doubtful debts		2,303	(3,672)	2,710	(2,246)
Directors' remuneration	17	<u>(1,977)</u>	<u>(3,253)</u>	<u>(1,977)</u>	<u>(3,257)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>(255)</u>	<u>-</u>	<u>(1,655)</u>	<u>(2,800)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>9,665</u>	<u>(904)</u>	<u>25,990</u>	<u>22,906</u>
Basic earnings per share (AED)	15	<u>0.029</u>	<u>(0.003)</u>	<u>0.079</u>	<u>0.069</u>

The accompanying notes from 1 to 23 form an integral part of these condensed interim financial information.

Union Insurance Company P.J.S.C.
Condensed interim financial information (Unaudited)

Condensed interim statement of comprehensive income
For the nine months period ended 30 September 2022

	Three months period ended		Nine months period ended	
	2022	2021	2022	2021
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(loss) for the period	9,665	(904)	25,990	22,906
Other comprehensive profit/(loss)				
<i>Items that will not be reclassified</i>				
<i>subsequently to</i>				
<i>profit or loss:</i>				
Net change in fair value of				
investments at fair value through				
other comprehensive income	3	(404)	10	(432)
Other comprehensive				
income/(loss) for the period	3	(404)	10	(432)
Total comprehensive				
income/(loss) for the period	9,668	(1,308)	26,000	22,474

The accompanying notes from 1 to 23 form an integral part of these condensed interim financial information.

Union Insurance Company P.J.S.C.
Condensed interim financial information (Unaudited)

Condensed interim statement of changes in equity
For the nine months period ended 30 September 2022

	Share capital AED'000	Statutory reserve AED'000	Special reserve AED'000	Reinsurance reserve AED'000	Fair value reserve AED'000	Accumulated losses AED'000	Total AED'000
Balance at 1 January 2022 (Audited)	330,939	16,187	16,187	4,885	156	(132,869)	235,485
Profit for the period	-	-	-	-	-	25,990	25,990
Other comprehensive income for the period	-	-	-	-	10	-	10
Total comprehensive income for the period	-	-	-	-	10	25,990	26,000
Transfer to reinsurance reserve	-	-	-	1,984	-	(1,984)	-
Balance at 30 September 2022 (Unaudited)	330,939	16,187	16,187	6,869	166	(108,863)	261,485
Balance at 1 January 2021 (Audited)	330,939	14,865	14,865	2,266	(11,274)	(129,617)	222,044
Profit for the period	-	-	-	-	-	22,906	22,906
Other comprehensive loss for the period	-	-	-	-	(432)	-	(432)
Total comprehensive income for the period	-	-	-	-	(432)	22,906	22,474
Transfer to reinsurance reserve	-	-	-	2,094	-	(2,094)	-
Balance at 30 September 2021 (Unaudited)	330,939	14,865	14,865	4,360	(11,706)	(108,805)	244,518

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Union Insurance Company P.J.S.C.
Condensed interim financial information (Unaudited)

Condensed interim statement of cash flows
For the nine months period ended 30 September 2022

		Nine months period ended 30 September 2022	Nine months period ended 30 September 2021
		AED'000	AED'000
	Notes	(Unaudited)	(Unaudited)
Cash flows from operating activities			
Profit for the period		25,990	22,906
Adjustments for:			
Depreciation and amortisation		6,238	6,220
Depreciation on right-of-use assets		2,267	2,049
Gain on disposal of investments at FVTPL		(2,841)	(569)
Unrealised loss on investments at FVTPL		1,332	2,323
Provision for impairment of doubtful debts	8	1,977	3,257
Impairment of work in progress	4	1,478	-
Directors' remunerations	17	1,655	2,800
Interest income		(3,992)	(4,927)
Dividend income	18	(2,005)	(495)
Gain on sale of property and equipment		-	(27)
Interest on lease liabilities		293	98
Interest on margin trading account		21	-
Provision for employees' end of service benefits		2,303	3,538
Other net investment loss		783	-
		35,499	37,173
Change in working capital			
Reinsurance contract assets		110,903	(195,806)
Insurance and other receivables		(27,737)	(23,089)
Insurance contract liabilities		(115,992)	228,418
Insurance and other payables		11,192	(38,419)
Unit linked assets		55,861	(73,390)
Unit linked liabilities		(55,861)	73,390
		13,865	8,277
Cash generated from operating activities		13,865	8,277
Directors' remuneration paid		(1,655)	(2,800)
Employees' end of service indemnity paid		(1,234)	(2,242)
		10,976	3,235
Cash flows from investing activities			
Additions of property and equipment and intangibles		(1,028)	(980)
Purchase of investments held at FVTPL (excluding unit linked assets)		(62,124)	(4,910)
Proceeds from sale of property and equipment		-	27
Proceeds from disposal of investments held at FVTPL (excluding unit linked assets)		28,627	13,709
Interest received		3,992	3,714
Dividends received		2,005	495
Movement in fixed deposit with banks with maturity greater than three months		88,740	1,278
Other net investment loss paid		(783)	-
		59,429	13,333
Net cash generated from investing activities		59,429	13,333

The accompanying notes from 1 to 23 form an integral part of these condensed interim financial information.

Union Insurance Company P.J.S.C.
Condensed interim financial information (Unaudited)

Condensed interim statement of cash flows (continued)
For the nine months period ended 30 September 2022

		Nine months period ended 30 September 2022 AED'000 (Unaudited)	Nine months period ended 30 September 2021 AED'000 (Unaudited)
	Notes		
Cash flows from financing activities			
Payment of principal portion of lease liabilities		(1,878)	(1,906)
Interest paid on lease liabilities		(32)	(98)
Interest paid on margin trading account		(21)	-
Net cash used in financing activities		(1,931)	(2,004)
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		68,474	14,564
		91,881	4,558
Cash and cash equivalents at the end of the period	9.1	160,355	19,122
Non-cash transactions:			
Right-of-use assets		9,240	-
Lease liabilities		(9,240)	-

The accompanying notes from 1 to 23 form an integral part of these condensed interim financial information.

Union Insurance Company P.J.S.C.

Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information

For the nine months period ended 30 September 2022

1. General information

Union Insurance Company P.J.S.C. (the "Company") is incorporated as a public shareholding company and operates in the United Arab Emirates under a trade license issued by the Government of Dubai. The Company is registered under the UAE Federal Law No. (2) of 2015, as amended, relating to commercial companies. The Company is subject to the regulations of U.A.E. Federal Law No. 6 of 2007, as amended, concerning establishment of the Insurance Authority and Organisation of its Operations, and is registered with the Insurance Companies Register of the Central Bank of the UAE ("CBUAE") (formerly, the Insurance Authority of the UAE), under registration number 67. The Company's registered corporate office is at Single Business Tower, Sheikh Zayed Road, P.O. Box 119227, Dubai, United Arab Emirates ("UAE"). The Company's ordinary shares are listed on the Abu Dhabi Securities Exchange ("ADX").

The principal activity of the Company is the writing of insurance of all types including life assurance. The Company operates through its Head Office in Dubai and Branch Offices in Abu Dhabi, Dubai, Sharjah, Ajman, and Ras Al Khaimah.

Federal Law Decree No. 32 of 2021 on Commercial Companies (the "New Companies Law") was issued on 20 September 2021 with an effective date of 2 January 2022, and will entirely replace Federal Law No. 2 of 2015, as amended, on Commercial Companies, as amended. The Company has twelve months from the effective date to comply with the provisions of the New Companies Law.

The Federal Decree-Law No. 25 of 2020 which amends certain provisions of the U.A.E Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. Effective 2 January 2021, the Insurance Sector became under the supervision and authority of the Central Bank of the UAE, which commenced its operational procedures to assume the supervisory and regulatory responsibility of the insurance sector.

2. Application of new and revised International Financial Reporting Standards ("IFRS")

There are no new and revised IFRS that has a material impact for the Company during the period.

New and revised IFRS not yet effective

The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 17 Insurance Contracts

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2023.

Management anticipates that IFRS 17 will be adopted in the Company's financial statements for the annual period beginning 1 January 2023 together with IFRS 9 *Financial Instruments*. The application of IFRS 17 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of its insurance contracts. However, it is not practicable to provide a reasonable estimate of the effects of the application of this standard until the Company performs a detailed review. Management is in the process of performing a detailed assessment as required by the CBUAE on implementation of IFRS 17.

There are no other standards and amendments that are not yet effective and have not been adopted early by the Company.

Union Insurance Company P.J.S.C.
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information (continued)
For the nine months period ended 30 September 2022

3. Summary of significant accounting policies

Basis of preparation

These condensed interim financial information have been prepared in accordance with International Accounting Standard (IAS) no. 34, *Interim Financial Reporting* and also comply with the applicable requirements of the laws in the U.A.E.

The condensed interim financial information are presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Company's transactions are denominated, and all values are rounded to nearest thousand ("AED'000) except when otherwise indicated.

These condensed interim financial information have been prepared on the historical cost basis, except for the revaluation of financial instruments.

The accounting policies, presentation and methods in these condensed interim financial information are consistent with those used in the audited financial statements for the year ended 31 December 2021.

These condensed interim financial information do not include all the information required for full annual financial information and should be read in conjunction with the Company's audited annual financial statements as at and for the year ended 31 December 2021. In addition, results for the nine months period ended 30 September 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022. The Company's financial risk management objectives, policies and procedures are consistent with those disclosed in the audited annual financial statements of the Company as at and for the year ended 31 December 2021.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed interim financial information, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the financial statements for the year ended 31 December 2021.

4. Property and equipment

	30 September 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Operating assets (note 4.1)	66,517	67,331
Capital work in progress*	2,101	3,115
	<u>68,618</u>	<u>70,446</u>

* Capital work in progress includes additions amounting to AED 996 thousand. During the period, capital work in progress amounted to AED 1,478 thousand were impaired in the condensed interim statement of income.

Union Insurance Company P.J.S.C.
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information (continued)
For the nine months period ended 30 September 2022

4. Property and equipment (continued)

4.1 Operating assets

Cost:	Freehold land AED'000	Furniture and fixtures AED'000	Office equipment AED'000	Motor vehicles AED'000	Computer equipment AED'000	Total AED'000
At 1 January 2021 (Audited)	61,067	16,226	2,725	872	9,698	90,588
Additions	-	727	81	-	183	991
Disposals	-	-	-	(50)	-	(50)
At 31 December 2021 (Audited)	61,067	16,953	2,806	822	9,881	91,529
Additions	-	-	3	44	296	343
At 30 September 2022 (Unaudited)	61,067	16,953	2,809	866	10,177	91,872
Accumulated depreciation:						
At 1 January 2021 (Audited)	-	10,711	2,546	613	8,858	22,728
Charge for the year	-	968	83	138	331	1,520
Disposals	-	-	-	(50)	-	(50)
At 31 December 2021 (Audited)	-	11,679	2,629	701	9,189	24,198
Charge for the period	-	758	55	104	240	1,157
At 30 September 2022 (Unaudited)	-	12,437	2,684	805	9,429	25,355
Net carrying amounts:						
At 31 December 2021 (Audited)	61,067	5,274	177	121	692	67,331
At 30 September 2022 (Unaudited)	61,067	4,516	125	61	748	66,517

The Board of Directors of the Company has passed a resolution to construct the Company's head-office on the freehold land. The freehold land is carried at cost.

Union Insurance Company P.J.S.C.
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information (continued)
For the nine months period ended 30 September 2022

5. Investment in securities and unit linked assets

	30 September 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Investment at fair value through profit or loss (Note 5.1)	82,877	47,871
Investment at fair value through other comprehensive income (Note 5.2)	27	17
	<u>82,904</u>	<u>47,888</u>
Unit linked assets (Note 5.3)	<u>313,026</u>	<u>368,887</u>

5.1 Investment at fair value through profit or loss

	30 September 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Quoted equity securities in U.A.E	64,327	19,668
Quoted equity securities outside U.A.E	574	570
Quoted bonds in U.A.E	15,627	16,450
Investment in funds outside U.A.E	-	7,364
Unquoted equity securities outside U.A.E	312	426
Unquoted equity securities in U.A.E	2,037	3,393
	<u>82,877</u>	<u>47,871</u>

Investments classified at fair value through profit or loss are designated in this category upon initial recognition.

5.2 Investment at fair value through other comprehensive income

	30 September 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Quoted equity securities in U.A.E	<u>27</u>	<u>17</u>

Investments classified at fair value through other comprehensive income are designated in this category upon initial recognition.

Union Insurance Company P.J.S.C.
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information (continued)
For the nine months period ended 30 September 2022

5. Investment in securities and unit linked assets (continued)

5.3 Unit linked assets

	30 September 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Investments held on behalf of policyholders of unit linked products carried at FVTPL	126,874	231,059
Financial assets from reinsurers towards policyholders of unit-linked products carried at FVTPL	105,232	124,474
Cash held on behalf of policyholders of unit linked products carried at amortised cost	80,920	13,354
	<u>313,026</u>	<u>368,887</u>

6. Statutory deposit

In accordance with the requirements of Federal Law No. 6 of 2007 on Establishment of Insurance Companies register of the CBUAE and Organization of its operations, the Company maintains a bank deposit of AED 10 million (31 December 2021: AED 10 million) as a statutory deposit.

7. Insurance contract liabilities and reinsurance contract assets

	30 September 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Insurance contract liabilities – gross		
Claims reported unsettled	504,891	579,170
Claims incurred but not reported	107,175	100,358
Unallocated loss adjustment expense reserve	7,466	6,974
Unexpired risk reserve	8,750	8,048
Third party recoveries	3,921	3,544
Mathematical reserve	73,400	139,040
Unearned premiums	269,325	253,786
Provision for default claims and refunds	14,329	14,329
	<u>989,257</u>	<u>1,105,249</u>
Reinsurance contract assets – recoverable from reinsurers		
Claims reported unsettled	(440,453)	(506,533)
Claims incurred but not reported	(72,122)	(65,379)
Unexpired risk reserve	(326)	2,672
Third party recoveries	(8,000)	(8,163)
Mathematical reserve	(50,954)	(119,373)
Unearned premiums	(148,756)	(134,738)
	<u>(720,611)</u>	<u>(831,514)</u>

Union Insurance Company P.J.S.C.
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information (continued)
For the nine months period ended 30 September 2022

7. Insurance contract liabilities and reinsurance contract assets (continued)

	30 September 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Net		
Claims reported unsettled	64,438	72,637
Claims incurred but not reported	35,053	34,979
Unallocated loss adjustment expense reserve	7,466	6,974
Unexpired risk reserve	8,424	10,720
Third party recoveries	(4,079)	(4,619)
Mathematical reserve	22,446	19,667
Unearned premiums	120,569	119,048
Provision for default claims and refunds	14,329	14,329
	<u>268,646</u>	<u>273,735</u>

The gross and net insurance contract liabilities of AED 947,049 thousand and AED 252,664 thousand respectively as at 30 September 2022 (31 December 2021: AED 1,068,194 thousand and AED 258,330 thousand respectively) were certified by the Company's external appointed actuary. The difference in actuarial certification and the above amounts is on account of provision for default claims and refunds, third party recoveries against outstanding claims and paid claims. The actuarial valuation methodologies used in these condensed interim financial information are consistent with those used in the audited financial statements for the year ended 31 December 2021.

8. Insurance and other receivables

	30 September 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Due from policyholders and brokers	282,560	280,295
Due from insurance companies	43,400	22,595
Due from reinsurance companies	22,017	23,422
Provision for doubtful debts (due from policyholders, brokers, insurance and reinsurance companies)*	(36,407)	(34,499)
Due from related parties (note 17)	26,936	26,508
Provision for doubtful debts – (Due from related parties) (note 17)*	(26,362)	(26,310)
	<u>312,144</u>	<u>292,011</u>
Other receivables	38,160	38,946
Provision for doubtful debts	(271)	(271)
Deferred acquisition cost	27,205	19,061
Prepaid expenses	4,724	6,455
	<u>381,962</u>	<u>356,202</u>

*During the period, additional provision for doubtful debts charged to the condensed interim statement of income amounting to AED 1.977 million. (period ended 30 September 2021: AED 3.257 millions). During the current period, there was direct write off amounting to AED 17 thousand. (the period ended 30 September 2021: Nil)

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Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information (continued)
For the nine months period ended 30 September 2022

9. Bank balances and cash

9.1 Cash and cash equivalents for statement of cashflows

	30 September 2022 AED'000 (Unaudited)	30 September 2021 AED'000 (Unaudited)
Cash on hand	50	50
Bank balances:		
Current accounts with banks	43,928	12,864
Fixed deposits with original maturities of three months or less	116,377	7,925
	<u>160,355</u>	<u>20,839</u>
Less: Bank overdraft	-	(1,717)
	<u>160,355</u>	<u>19,122</u>
In U.A.E.	158,380	19,180
Outside U.A.E.	1,975	(58)
	<u>160,355</u>	<u>19,122</u>

9.2 Bank deposits with original maturities of more than three months

	30 September 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Deposits with original maturities greater than three months	<u>117,225</u>	<u>205,965</u>
In U.A.E.	84,270	172,760
Outside U.A.E.	32,955	33,205
	<u>117,225</u>	<u>205,965</u>

Bank deposits carried interest rates ranging from 0.10% to 8.5% per annum (31 December 2021: 0.15% to 8.5% per annum). Bank deposits of AED 46.4 million (31 December 2021: AED 46.4 million) have been pledged as security against the overdraft facility which is to manage the liquidity position.

Union Insurance Company P.J.S.C.
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information (continued)
For the nine months period ended 30 September 2022

10. Share capital

	30 September 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Issued and fully paid 330,939,180 shares of AED 1 each (2021: 330,939,180 of AED 1 each)	330,939	330,939

11 Reserves

Nature and purpose of reserves

11.1 Statutory reserve

In accordance with the UAE Commercial Companies Law and the Company's Article of Association, the Company has resolved not to increase the statutory reserve above an amount equal to 50% of its paid-up share capital. The Company transfers 10% of the profits for each year to the statutory reserve. Accordingly, no transfers have been made during the nine months period ended 30 September 2022. There were no transfers to statutory reserves as at 31 December 2021 because the Company incurred net losses as at 31 December 2021. The reserve is not available for distribution except in the circumstances stipulated by the law.

11.2 Special reserve

In accordance with the Company's Articles of Association, the Board of Directors may transfer 10% of annual net profits, if any, to a special reserve until an Ordinary General Meeting upon a proposal suspends it. The special reserve can be utilized for the purposes determined by the Ordinary General Meeting upon recommendations of the Board of Director. No transfers were made during the nine months period ended 30 September 2022 and the year ended 31 December 2021.

11.3 Reinsurance reserve

In accordance with the requirements of CBUAE's Board of Directors Decision No, 23 of 2019 Article 34 of 2019, the Company has transferred AED 1,984 thousand from accumulated losses to the reinsurance reserve being 0.5% of the total insurance premium ceded to reinsurers during the nine months period ended 30 September 2022 (30 September 2021: 2,094 thousand). The Company shall accumulate such provision period on period and shall not dispose of the reserve without the written approval of the assistant governor of the banking and insurance supervision department within CBUAE.

11.4 Fair value reserve

The fair value reserve comprises the cumulative net change in fair value of financial assets designated as fair value through other comprehensive income.

Union Insurance Company P.J.S.C.
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information (continued)
For the nine months period ended 30 September 2022

12. Insurance and other payables

	30 September 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Trade payables	92,824	76,039
Due to insurance and reinsurance companies	122,492	121,457
Reinsurance premium reserve held	28,444	28,906
	<u>243,760</u>	<u>226,402</u>
Other payables:		
Unclaimed dividends	1,977	1,998
Accrued expenses and other payables	40,923	47,068
Lease liabilities	7,655	32
	<u>294,315</u>	<u>275,500</u>

13. Payables to policyholders of unit-linked products

The Company issued unit linked policies which have both risk and investment components. The investment portion is invested on behalf of the policyholders as disclosed in note 5.3 of this condensed interim financial information. Movement during the period / year are as follows:

	30 September 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
As at 1 January	368,887	286,798
Purchase	74,394	108,368
Sales	(40,504)	(58,521)
Other charges	(717)	(2,436)
Change in fair value of the unit linked products	(89,034)	34,678
	<u>313,026</u>	<u>368,887</u>

14. Net earned premium

	Three months period ended 30 September		Nine months period ended 30 September	
	2022 AED'000 (Unaudited)	2021 AED'000 (Unaudited)	2022 AED'000 (Unaudited)	2021 AED'000 (Unaudited)
Gross premiums				
Gross premium written	238,670	220,252	682,361	721,178
Change in unearned premiums	(17,774)	(936)	(15,539)	(54,787)
Change in mathematical reserve	(9,944)	1,459	65,640	(23,292)
Unit linked investments	(23,863)	2,552	(79,968)	(52,363)
Movement in reserve of unit linked liabilities	(26,746)	9,280	(89,034)	12,657
Movement in reserve of unit linked assets	26,746	(9,280)	89,034	(12,657)
Total change in gross unearned premium	(51,581)	3,075	(29,867)	(130,442)
Gross earned premium	<u>187,089</u>	<u>223,327</u>	<u>652,494</u>	<u>590,736</u>

Union Insurance Company P.J.S.C.
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information (continued)
For the nine months period ended 30 September 2022

14. Net earned premium (continued)

	Three months period ended 30 September		Nine months period ended 30 September	
	2022 AED'000 (Unaudited)	2021 AED'000 (Unaudited)	2022 AED'000 (Unaudited)	2021 AED'000 (Unaudited)
<i>Reinsurance premiums ceded</i>				
Reinsurance premiums ceded	(131,965)	(148,484)	(396,677)	(418,791)
Change in unearned premiums	6,443	(1,341)	14,018	29,996
Change in mathematical reserve	8,692	(1,417)	(68,419)	20,587
Unit linked investments	11,102	-	35,894	-
Total change in reinsurance unearned premium	26,237	(2,758)	(18,507)	50,583
Total reinsurance earned premium	(105,728)	(151,242)	(415,184)	(368,208)
Net earned premium	81,361	72,085	237,310	222,528
<i>Net change in unearned premiums</i>				
Total change in gross unearned premium	(51,581)	3,075	(29,867)	(130,442)
Total change in reinsurance unearned premium	26,237	(2,758)	(18,507)	50,583
Net change in unearned premiums, mathematical reserve and policyholders' reserve	(25,344)	317	(48,374)	(79,859)

15. Earnings per share

	Three months period ended 30 September		Nine months period ended 30 September	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Profit for the period (AED'000)	9,665	(904)	25,990	22,906
Weighted average number of shares outstanding during the period ('000)	330,939	330,939	330,939	330,939
Basic earnings per share (AED)	0.029	(0.003)	0.079	0.069

There were no potentially dilutive shares outstanding at any time during the period. Therefore, the diluted earnings per share are equal to the basic earnings per share.

Union Insurance Company P.J.S.C.
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information (continued)
For the nine months period ended 30 September 2022

16. Segment information

For management purposes the Company is organized into two operating segments, general insurance, and life assurance. These segments are the basis on which the Company reports its primary segment information.

	<i>General Insurance</i>		<i>Life Insurance</i>		<i>Total</i>	
	30 September 2022	31 December 2021	30 September 2022	31 December 2021	30 September 2022	31 December 2021
	AED'000 (Unaudited)	AED'000 (Audited)	AED'000 (Unaudited)	AED'000 (Audited)	AED'000 (Unaudited)	AED'000 (Audited)
ASSETS						
Property and equipment	51,463	52,835	17,155	17,611	68,618	70,446
Intangible assets	3,703	5,198	6,011	9,376	9,714	14,574
Right-of-use assets	5,707	478	1,903	159	7,610	637
Unit linked assets	-	-	313,026	368,887	313,026	368,887
Investment securities	67,809	35,066	15,095	12,822	82,904	47,888
Statutory deposit	6,000	6,000	4,000	4,000	10,000	10,000
Reinsurance contract assets	572,269	629,558	148,342	201,956	720,611	831,514
Insurance and other receivables	289,186	277,410	92,776	78,792	381,962	356,202
Bank deposits with original maturities of more than three months	51,559	113,086	65,666	92,879	117,225	205,965
Cash and cash equivalents	120,266	68,911	40,089	22,970	160,355	91,881
Total assets	1,167,962	1,188,542	704,063	809,452	1,872,025	1,997,994
LIABILITIES						
Provision for employees' end of service benefit	10,456	9,655	3,486	3,218	13,942	12,873
Insurance contract liabilities	789,699	858,287	199,558	246,962	989,257	1,105,249
Insurance and other payables	245,963	218,479	48,352	57,021	294,315	275,500
Payables to policyholders of unit-linked products	-	-	313,026	368,887	313,026	368,887
Total liabilities	1,046,118	1,086,421	564,422	676,088	1,610,540	1,762,509

Union Insurance Company P.J.S.C.
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information (continued)
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16. Segment information (continued)

	<i>General Insurance</i>		<i>Life Insurance</i>		<i>Total</i>	
	Nine months period ended 30 September 2022	Nine months period ended 30 September 2021	Nine months period ended 30 September 2022	Nine months period ended 30 September 2021	Nine months period ended 30 September 2022	Nine months period ended 30 September 2021
	AED'000 (Unaudited)	AED'000 (Unaudited)	AED'000 (Unaudited)	AED'000 (Unaudited)	AED'000 (Unaudited)	AED'000 (Unaudited)
UNDERWRITING INCOME						
Gross written premiums	477,180	534,575	205,181	186,603	682,361	721,178
Reinsurance premiums ceded	(289,710)	(320,809)	(106,967)	(97,982)	(396,677)	(418,791)
Net retained premiums	187,470	213,766	98,214	88,621	285,684	302,387
Net change in unearned premium, mathematical reserve and policyholders' reserve	(957)	(24,559)	(47,417)	(55,300)	(48,374)	(79,859)
Net earned premium	186,513	189,207	50,797	33,321	237,310	222,528
Gross commission earned	58,420	63,502	648	14,165	59,068	77,667
Total underwriting income	244,933	252,709	51,445	47,486	296,378	300,195
UNDERWRITING EXPENSES						
Net claims incurred	(103,415)	(92,120)	(10,183)	(11,836)	(113,598)	(103,956)
Commission incurred	(42,489)	(50,073)	(16,839)	(19,477)	(59,328)	(69,550)
Administrative expenses	(47,500)	(45,270)	(21,241)	(20,971)	(68,741)	(66,241)
Other operational costs related to underwriting activities	(21,988)	(26,905)	(9,803)	(7,261)	(31,791)	(34,166)
Total underwriting expenses	(215,392)	(214,368)	(58,066)	(59,545)	(273,458)	(273,913)
Total underwriting profit/(loss)	29,541	38,341	(6,621)	(12,059)	22,920	26,282
Net investment gain					6,702	2,681
Provision for impairment					(1,977)	(3,257)
Directors' remuneration					(1,655)	(2,800)
Profit for the period					25,990	22,906

Union Insurance Company P.J.S.C.
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information (continued)
For the nine months period ended 30 September 2022

17. Related party balances and transactions

The Company, in the normal course of business, collects premiums, settles claims and enters into transactions with other business enterprises that fall within the definition of a related party. Related parties include the Company's major Shareholders, Directors and businesses controlled by them and their families over which they exercise significant management influence as well as key management personnel.

At the end of the reporting period, amounts due from/to related parties which are included in the respective account balances are detailed below:

	30 September 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
<i>Balances with former major shareholder</i>		
Premium receivable	26,936	26,508
Allowance for doubtful receivables	<u>(26,362)</u>	<u>(26,310)</u>
Net premium receivables	<u>574</u>	<u>198</u>
Gross outstanding claims	<u>466</u>	<u>444</u>
Investment properties reclassified to "Advance paid for purchase of real estate properties"	72,270	72,270
Reversal of net fair value gains recorded in prior years	<u>(35,770)</u>	<u>(35,770)</u>
Advance paid for purchase of real estate properties *	36,500	36,500
Provision on advance paid for purchase of real estate properties	<u>(36,500)</u>	<u>(36,500)</u>
	<u>-</u>	<u>-</u>

The amounts outstanding are unsecured, interest free and repayable on demand. No guarantees have been given to the related parties.

*The amount under the advance paid for real estate properties (AED 36.5 million) was represented as Investment Properties with a carrying value in the books of AED 72.3 million in the audited financial statements for the year ended 31 December 2020. The said asset represents purchased assets from related parties during the years 2013 and 2014. The purchased assets comprise a 60 residential unit in a single building and a plot of land of 150,000 square feet with integrated infrastructure. For one of the assets, the agreement was entered in 2013 to purchase 150,000 square feet of the land, which was reduced to 56,800 square feet and later amended to 78,900 square feet based on the instruction received from the former Chairman who was also the representative of the related party.

The counterparties (related parties) to the above transactions never fulfilled their obligations to the Company (the Buyer), and as a result the Company did not obtain the title deeds nor obtain possession of the said assets. This has resulted in the incorrect recognition of fair value gains of AED 35.8 million on investment properties in respect of which the Company never obtained possession or legal title, and the misappropriation of advances amounting to AED 36.5 million paid to a related party towards the acquisition of the investment properties. Accordingly, the Board of Directors of the Company decided to book a full provision (AED 72.3 million) against the said assets and proceed with legal action against all involved parties, to recover the Company's rights, in accordance with the resolution of Shareholders Assembly Meeting held on 30 September 2021.

Union Insurance Company P.J.S.C.
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information (continued)
For the nine months period ended 30 September 2022

17. Related party balances and transactions (continued)

During the period, the Company entered into the following transactions with related parties:

	Three months period ended 30 September		Nine months period ended 30 September	
	2022 AED'000 (Unaudited)	2021 AED'000 (Unaudited)	2022 AED'000 (Unaudited)	2021 AED'000 (Unaudited)
Transactions with former major shareholder				
Premiums written	228	6	1,136	1,083
Claims paid	(119)	(89)	(385)	(665)
Compensation of key management personnel				
Short-term benefits	(1,485)	(1,472)	(4,455)	(4,416)
Long-term benefits	(50)	(50)	(150)	(150)
Directors' remuneration*	(255)	-	(1,655)	(2,800)

*The Board of Director's fees amounted to AED 2.8 million represents fees paid to the previous Board of Directors on which AED 1.2 million has already recovered subsequently and a recovery legal action has been initiated for the remaining balance, based on Shareholders' resolution on 30 September 2021.

The Assembly General meeting held on 27 April 2022 approved and paid the remuneration for Board of Directors of AED 1,400 thousand for 2021.

18. Seasonality of results

Dividend income amounted to AED 2,005 thousand and AED 495 thousand for the nine months periods ended 30 September 2022 and 30 September 2021, respectively. Dividend income depends on market conditions, investment activities of the Company and declaration of profits by investee companies, which are of a seasonal nature. Accordingly, results for the nine months period ended 30 September 2022 are not comparable to those relating to the comparative period and are not indicative of the results that might be expected for the year ending 31 December 2022.

19. Legal cases and Commitments and contingent liabilities

	30 September 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Letters of guarantee*	12,491	15,790

*Includes AED 10 million (31 December 2021: AED 10 million) issued in favour of the CBUAE (Note 6).

The Company, in common with the majority of insurers, is subject to litigation in the normal course of its business. Based on independent legal advice, the Company considers that the outcome of the outstanding court cases will not have a material impact on the Company's condensed interim financial information. As at 30 September 2022, the legal case against the former major shareholder is still ongoing (Note 17).

Union Insurance Company P.J.S.C.
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information (continued)
For the nine months period ended 30 September 2022

20. Fair value measurement

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value of financial instruments carried at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the condensed interim financial information approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of assets and liabilities are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2021.

Union Insurance Company P.J.S.C.
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information (continued)
For the nine months period ended 30 September 2022

20. Fair value measurement (continued)

Fair value of the Company's financial assets and liabilities that are measured at fair value on recurring basis

Some of the Company's financial assets and liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and liabilities are determined:

	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	30 September 2022 (Unaudited)	31 December 2021 (Audited)				
Financial assets						
Financial assets measured at FVTPL						
Quoted equity securities	64,901	20,238	Level 1	Quoted bid prices in an active market	None	Not applicable
Quoted bonds	15,627	16,450	Level 1	Prices as per the portfolio bank statement	None	Not applicable
Unquoted equity securities	2,349	3,819	Level 3	Based on net assets value of underlying investments and last traded price	Yes	Increase in net asset value increases fair value
Investment in funds	-	7,364	Level 2	Quoted prices in secondary market	None	Not applicable
Investments held on behalf of policyholders' unit linked products at FVTPL	126,874	231,059	Level 2	Quoted prices in secondary market	None	Not applicable
Due from reinsurers towards policyholders of unit linked products	105,232	124,474	Level 2	Quoted prices in secondary market	None	Not applicable
Financial assets measured at FVTOCI						
Quoted equity securities	27	17	Level 1	Quoted bid prices in an active market	None	Not applicable
Financial liabilities measured at FVTPL						
Unit linked liabilities	232,106	355,533	Level 2	Quoted prices in secondary market	None	Not applicable

There were no transfers between levels during the period. There are no other financial liabilities apart from the liabilities disclosed above which should be categorised under any levels in the above table.

Union Insurance Company P.J.S.C.
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information (continued)
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20. Fair value measurement (continued)

Movement of level 3 instruments is as below:

30 September 2022 (Unaudited)

Level 3	Opening balance AED'000	Additions/ (Disposals) AED'000	Change in fair value AED'000	Ending balance AED'000
<i>Financial assets at FVTPL</i>				
Unquoted equity securities	3,819	(1,470)	-	2,349
31 December 2021 (Audited)				
<i>Financial assets at FVTPL</i>				
Unquoted Equity securities	7,396	(3,577)	-	3,819

21. Comparative figures

Certain figures have been reclassified as shown in the below table in the condensed interim statement of income for the period ended 30 September 2021, to match the presentation of the current period. Such a reclassification had no impact on net profit, or equity.

	As previously reported AED'000	Effect of reclassification AED'000	As reclassified AED'000
For the three months period ended 30 September 2021			
Net change in unearned premiums, mathematical reserve and policyholders' reserve	(8,963)	9,280	317
Net movement in reserve of unit linked products	9,280	(9,280)	-
For the nine months period ended 30 September 2021	AED'000	AED'000	AED'000
Net change in unearned premiums, mathematical reserve and policyholders' reserve	(92,516)	12,657	(79,859)
Net movement in reserve of unit linked products	12,657	(12,657)	-

Union Insurance Company P.J.S.C.
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Notes to the condensed interim financial information (continued)
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22. Significant event during the period

On 31 January 2022, the UAE Ministry of Finance announced the introduction of a 9% federal corporate tax rate effective for fiscal years commencing on or after 1 June 2023. There is no impact of this announcement on the condensed interim financial information of the Company for the nine months period ended 30 September 2022. Management will commence the process of assessing the implications of this federal corporate tax on the Company.

23. Approval of condensed interim financial information

The condensed interim financial information were approved by the Board of Directors and authorised for issue on November 10, 2022.