

Union Insurance Company P.J.S.C.

**Condensed interim financial statements (Unaudited)
For the nine months period ended 30 September 2023**

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

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Independent Auditor's Report on review of condensed interim financial statements

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 2023 and the related condensed interim statement of income, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows for the nine months period then ended 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 this 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 condensed 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 statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".


GRANT THORNTON
Farouk Mohamed
Registration No: 86
Sharjah, 14 November 2023



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

Condensed interim statement of financial position
As at 30 September 2023

	Notes	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Unaudited) Restated	1 January 2022 AED'000 (Unaudited) Restated
Assets				
Property and equipment	4	65,105	66,929	70,446
Intangible assets		4,614	8,723	14,574
Right-of-use-assets		4,613	6,861	637
Unit linked assets	5.3	367,978	349,613	368,887
Investment securities	5	75,645	76,779	47,888
Statutory deposit	6	10,000	10,000	10,000
Reinsurance contract assets	7	592,820	623,899	666,186
Insurance contract assets	7	56,150	8,070	2,293
Other receivables	8	36,057	47,131	45,400
Bank deposits with original maturities of more than three months	9	281,343	68,888	205,965
Cash and cash equivalents	10	19,162	205,667	91,881
Total assets		1,513,487	1,472,560	1,524,157
Equity and liabilities				
Equity				
Share capital	11	330,939	330,939	330,939
Statutory reserve	12.1	18,020	18,020	16,187
Special reserve	12.2	18,020	18,020	16,187
Reinsurance reserve	12.3	9,147	7,406	4,885
Fair value reserve	12.4	166	166	156
Accumulated losses		(166,621)	(167,045)	(163,362)
Total equity		209,671	207,506	204,992
Liabilities				
Provision for employees' end of service benefit		13,959	14,424	12,873
Insurance contract liabilities	7	841,828	823,151	884,789
Reinsurance contract liabilities	7	21,805	18,168	422
Other payables	13	88,066	78,516	68,275
Unit linked liabilities	5.4	338,158	330,795	352,806
Total liabilities		1,303,816	1,265,054	1,319,165
Total equity and liabilities		1,513,487	1,472,560	1,524,157



Abdul Mutaleb M H M Aljaede
Chief Executive Officer

The notes from 1 to 26 form an integral part of this condensed interim financial information.

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

Condensed interim statement of income
For the period ended 30 September 2023

	Notes	Three months period ended 30 September		Nine months period ended 30 September	
		2023 AED'000 (Unaudited)	2022 AED'000 (Unaudited) Restated	2023 AED'000 (Unaudited)	2022 AED'000 (Unaudited) Restated
Insurance revenue	14	152,001	209,443	471,890	603,742
Insurance service expenses	15	(159,139)	(163,763)	(320,208)	(445,144)
Insurance service result before reinsurance contracts held		(7,138)	45,680	151,682	158,598
Allocation of reinsurance premiums		(90,589)	(118,632)	(293,955)	(357,971)
Amounts recoverable from reinsurance for incurred claims		85,017	91,240	144,757	233,186
Net expenses from reinsurance contracts held		(5,572)	(27,392)	(149,198)	(124,785)
Insurance service result		(12,710)	18,288	2,484	33,813
Interest revenue calculated using the effective interest method		3,713	1,634	9,431	3,992
Net fair value gain on financial assets at FVTPL		5,110	1,931	2,525	(1,332)
Other investment income		(116)	372	3,131	4,042
Total investment income		8,707	3,937	15,087	6,702
Insurance expenses from insurance contracts issued	16	(3,287)	(5,488)	(14,394)	(1,025)
Reinsurance finance income/(expense) from reinsurance contracts held	16	4,290	(854)	12,618	400
Net insurance financial result		1,003	(6,342)	(1,776)	(625)
Net insurance and investment results		(3,000)	15,883	15,795	39,890
Other operating expenses		(8,302)	(2,444)	(13,630)	(8,892)
(Loss)/profit for the period		(11,302)	13,439	2,165	30,998
Basic and diluted earnings per share	17	(0.034)	0.041	0.007	0.094

The notes from 1 to 26 form an integral part of this condensed interim financial information.

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

Condensed interim statement of comprehensive income
For the period ended 30 September 2023

	Three months period ended 30		Nine months period ended 30	
	September		September	
	2023	2022	2023	2022
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		Restated		Restated
(Loss)/profit for the period	(11,302)	13,439	2,165	30,998
Other comprehensive income:				
<i>Items that will not be reclassified</i>				
<i>subsequently to profit or loss:</i>				
Net change in fair value of equity investments designated at FVTOCI	-	7	-	7
Total other comprehensive income for the period	-	7	-	7
Total comprehensive (loss)/income for the period	(11,302)	13,446	2,165	31,005

The notes from 1 to 26 form an integral part of this condensed interim financial information.

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

**Condensed interim statement of changes in equity
For the period ended 30 September 2023**

	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 equity AED'000
Balance at 1 January 2022, as previously reported	330,939	16,187	16,187	4,885	156	(132,869)	235,485
Adjustment on initial application of IFRS 17	-	-	-	-	-	(30,493)	(30,493)
Restated balance at 1 January 2022	330,939	16,187	16,187	4,885	156	(163,362)	204,992
Profit for the period (restated)	-	-	-	-	-	30,998	30,998
Other comprehensive income for the period	-	-	-	-	7	-	7
Total comprehensive income for the period	-	-	-	-	7	30,998	31,005
Transfer to reinsurance reserve	-	-	-	1,984	-	(1,984)	-
Balance at 30 September 2022 (unaudited)	330,939	16,187	16,187	6,869	163	(134,348)	235,997
Balance at 1 January 2023, as previously reported	330,939	18,020	18,020	7,406	166	(120,728)	253,823
Impact of initial application of IFRS 17	-	-	-	-	-	(35,695)	(35,695)
Impact of initial application of IFRS 9	-	-	-	-	-	(10,622)	(10,622)
Restated balance as at 1 January 2023	330,939	18,020	18,020	7,406	166	(167,045)	207,506
Profit for the period	-	-	-	-	-	2,165	2,165
Total comprehensive income for the period	-	-	-	-	-	2,165	2,165
Transfer to reinsurance reserve	-	-	-	1,741	-	(1,741)	-
Balance at 30 September 2023 (Unaudited)	330,939	18,020	18,020	9,147	166	(166,621)	209,671

The notes from 1 to 26 form an integral part of this condensed interim financial information.

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

Condensed interim statement of cash flows
For the period ended 30 September 2023

	Notes	Nine months period ended 30 September 2023 AED'000 (Unaudited)	Nine months period ended 30 September 2022 AED'000 (Unaudited) (Restated)
Cash flows from operating activities			
Profit for the period		2,165	30,998
Adjustments for:			
Depreciation and amortisation		7,762	8,505
Loss on disposal of property and equipment		634	-
Gain on disposal of investments at FVTPL		(679)	(2,841)
Unrealised (gain)/loss on investments at FVTPL		(2,525)	1,329
Impairment of financial assets		673	-
Interest income		(9,431)	(3,992)
Dividend income		(3,219)	(2,005)
Interest on lease liabilities		286	293
Provision for employees' end of service benefits		1,497	2,303
		<u>(2,837)</u>	<u>34,590</u>
Change in working capital			
Reinsurance contract assets		34,716	37,779
Other receivables		11,074	2,516
Insurance contract liabilities		(29,403)	(58,085)
Other payables		11,726	(5,824)
Unit linked assets		(18,365)	55,861
Unit linked liabilities		7,363	(56,909)
		<u>14,274</u>	<u>9,928</u>
Employees' end of service indemnity paid		<u>(1,962)</u>	<u>(1,234)</u>
Net cash generated from operating activities		<u>12,312</u>	<u>8,694</u>
Cash flows from investing activities			
Purchase of property and equipment and intangibles		(888)	(1,531)
Proceeds from sale of property and equipment		-	1,981
Purchase of investments held at FVTPL (excluding unit linked assets)		(8,936)	(62,124)
Proceeds from disposal of investments held at FVTPL (excluding unit linked assets)		13,274	28,627
Interest received		9,431	3,992
Dividends received		3,219	2,005
Change in fixed deposit with banks with maturity greater than three months		(212,455)	88,740
		<u>(196,355)</u>	<u>61,690</u>
Net cash (used in)/generated from investing activities		<u>(196,355)</u>	<u>61,690</u>
Cash flows from financing activities			
Payment of lease liabilities		(2,462)	(1,910)
Net cash used in financing activities		<u>(2,462)</u>	<u>(1,910)</u>
Net decrease in cash and cash equivalents		<u>(186,505)</u>	<u>68,474</u>
Cash and cash equivalents at the beginning of the period		205,667	91,881
Cash and cash equivalents at the end of the period	10	<u>19,162</u>	<u>160,355</u>

The notes from 1 to 26 form an integral part of this condensed interim financial information.

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

Notes to the condensed interim financial statements
For the period ended 30 September 2023

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. (32) of 2021, 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.

This condensed interim financial information has been prepared in accordance with the requirements of the applicable laws and regulations, including UAE Federal Law No. (32) of 2021.

Basis of preparation

These condensed interim financial statements 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 statements 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 statements 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 statements are consistent with those used in the audited financial statements for the year ended 31 December 2022.

These condensed interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the Company's audited annual financial statements as at and for the year ended 31 December 2022. In addition, results for the nine months period ended 30 September 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

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, except for the ones mentioned below.

The Company has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

Standards, interpretations, and amendments to existing standards – Impact of new IFRS

IFRS 17 Insurance Contracts

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.

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

Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2023

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

Standards, interpretations, and amendments to existing standards – Impact of new IFRS

IFRS 17 Insurance Contracts (continued)

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. In addition, investment components are no longer included in insurance revenue and insurance service expenses.

The Company applies the PAA to simplify the measurement of contracts in the non-life segment. When measuring liabilities for remaining coverage, the PAA is similar to the Company's previous accounting treatment. However, when measuring liabilities for incurred claims, the Company now discounts the future cash flows (unless they are expected to occur in one year or less from the date on which the claims are incurred) and includes an explicit risk adjustment for non-financial risk.

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods on or after 1 January 2023. The Company has restated comparative information applying the transitional provisions to IFRS 17.

Recognition

Recognition requirements are slightly different for issued contracts and held contracts. For groups of issued contracts, a group should be recognised at the earliest of the following:

- Beginning of the coverage period;
- Date when the first payment from a policyholder becomes due; and
- For a group of onerous contracts, when the group becomes onerous.

Reinsurance contracts held by an entity are recognised on the earlier of:

- Beginning of the coverage period of the group of reinsurance contracts held; and
- Date the entity recognises an onerous group of underlying insurance contracts provided the reinsurance contract was in force on or before that date.

Regardless of the first point above, the recognition of proportional reinsurance contracts held shall be delayed until the recognition of the first underlying contract issued under that reinsurance contract.

Level of Aggregation

Level of aggregation relates to the unit of account under IFRS 17. The unit of account under IFRS 17 is referred to as a 'Group of Contracts' and requirements relating to level of aggregation define how groups of contracts have to be determined.

The standard has set out the following requirements to determine a group of contracts:

- Portfolio – contracts that have similar risks and that are managed together can be grouped.
- Profitability – contracts with similar expected profitability (at inception or initial recognition) can be grouped.

For this purpose, the standard has mandated at least the following three classifications however it is permitted to use more granular classifications:

- Contracts that are onerous at inception;
- Contracts that are not onerous and have no significant possibility of becoming onerous; and
- All other contracts

Cohorts

Contracts issued more than 12 months apart cannot be grouped together. However, in certain circumstances a one-time simplification upon transition for contracts as at the transition is allowed.

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

Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2023

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

Standards, interpretations, and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 Insurance Contracts (continued)

Cohorts (continued)

A unique combination of the above three requirements forms a group of contracts i.e., contracts with same portfolio, same expected profitability and issued in the same year can be grouped together. This grouping is permanent and cannot be changed once assigned, regardless of how the actual experience emerges after initial recognition. For instance, as experience emerges an entity may realise that a contract which was thought to be onerous at initial recognition is not onerous, but the grouping will not be changed.

Measurement Models

Measurement model, in rudimentary terms, refers to the basis or a set of methodologies for the computation of insurance contract assets and liabilities and associated revenues and expenses. IFRS 17 has provided the following three measurement models:

Premium Allocation Approach (“PAA”)

PAA is an optional simplification that an entity can apply to contracts that have a coverage period of up to 12 months or to contracts for which it can demonstrate that the liability for remaining coverage will not be materially different under PAA and GMM. In terms of computations, the major simplification relates to LRC. Under PAA, it is not required to consider each component of the premium separately instead a single liability can be set up. The components of liability under PAA as at any valuation date can be summarised as follows:

Liability for Remaining Coverage (“LRC”)

- Excluding Loss Component
- Loss Component, if any

Liability for Incurred Claims (“LIC”)

- Estimates of future cashflows
- Risk adjustment
- Discounting of estimates of future cashflows

All of the Company’s short-term business is eligible for this simplification and the Company has adopted this simplification for the eligible business. Under PAA, loss component and claim reserves requires an explicit provision of risk adjustment this would increase the liabilities whereas discounting will generally decrease the liabilities. The net effect of PAA depends on whether the impact of risk adjustment is greater than the impact of discounting or the impact deferring additional expenses that are currently not deferred.

General Measurement Model (“GMM”)

GMM is the default measurement model and is applied to all contracts to which Premium Allocation Approach (“PAA”) and Variable Fees Approach (“VFA”) are not applied. GMM is based on the premise that premiums (or considerations) for insurance contracts comprises of certain components (such claims, expenses and profits) and that each component needs to be considered according to its nature. The liability under GMM as at any valuation date comprises of the following:

Liability for Remaining Coverage (“LRC”)

- Estimates of future cashflows
- Risk adjustment
- Discounting of estimates of future cashflows
- Contractual Service Margin (“CSM”)

Liability for Incurred Claims (“LIC”)

- Estimates of future cashflows
- Risk adjustment
- Discounting of estimates of future cashflows

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

Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2023

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

Standards, interpretations, and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 Insurance Contracts (continued)

Measurement Models (continued)

Variable Fees Approach (“VFA”)

VFA is a mandatory modification to contracts with direct participation features. A contract is a contract with direct participation feature if it meets all three of the following requirements:

- Contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items.
- The entity expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items.
- The entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in the fair value of the underlying items.

The components of the liability under VFA are same as GMM and their calculations are quite similar too except for the computation of CSM. Under VFA, CSM calculations reflect the variability related to underlying items, but GMM does not reflect this variability. Similarly, there are some other aspects related to financial risk that impact the CSM under VFA but, not under GMM.

Above, the measurement models have been discussed in terms of insurance contract issued and associated liabilities, but same principles are applicable to reinsurance contract held and associated assets (except for VFA). Similarly, both LRC and LIC components are mentioned however, at initial recognition only LRC will be applicable.

Estimates of future cashflows, risk adjustment and discounting are collectively referred to as the Fulfilment Cashflows (“FCF”). In terms of revenues and expense GMM and VFA are quite similar however, a significant difference exists between GMM/VFA and PAA. The revenues under GMM and VFA show each component of the premium separately (such as expected claims and expenses) whereas under PAA, the revenue shows just an aggregate amount.

Company’s unit-linked business is measured using VFA, all other long-term business is measured using GMM. There are fundamental differences between GMM / VFA and the current methodologies for the long-term business. The key differences are discussed below:

- Under IFRS 17 assets or liabilities will be determined using gross premium calculations as opposed to risk premium calculations. This implies that under IFRS 17 all components of assets or liabilities such as expenses or profits will be computed explicitly. This also implies that expenses or costs that occur only at the start will be deferred implicitly. The impact of this difference cannot be generalised as it depends on whether the implicit margins within risk-premium based calculations are higher or lower than those required in gross-premium based calculations.
- Similar to PAA, GMM and VFA also require an explicit risk adjustment. Risk adjustment is a new requirement, and it does not exist under the current standard. Risk adjustment will increase the liabilities for insurance contracts issued and increases the asset for the reinsurance contracts held.

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

Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2023

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

Standards, interpretations, and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 Insurance Contracts (continued)

Measurement Models (continued)

Variable Fees Approach (“VFA”) (continued)

- IFRS 17 also introduces substantial changes to the pattern in which profits are recognised for long-term contracts it requires that the profits to be recognised in relation to the service provided. The new standard introduces a new measure, ‘coverage units’, to quantify the services provided in any period. Given that single premium contracts recognise all expected profits at the start of the coverage whereas services are provided throughout that coverage period, it is expected that under IFRS 17 profit recognition for single premium contracts will be delayed and therefore the net liabilities will increase because of this requirement. Similarly, for limited-payment plans, all expected profits are recognised by the end of the payment term and therefore the profits for these will also be relatively delayed in IFRS 17. The impact for regular payment plans will depend on how close the service pattern is to the one currently implied under the plans.
- The definition of revenue under GMM and VFA is quite different for long-term contracts. Under IFRS 17 revenue (or consideration) is more direct and separately includes each component of the premium (i.e., expected claims and expenses and the portion of the profits relating to the period).

Estimates of Future Cashflows

The standard requires that future cashflows should be estimated till the end of the contract boundary. End of contract boundary is defined as the point at which an entity can either reassess the risk or consideration i.e., premium. The standard does not provide the methodology for the estimation of future cashflows however, it does provide detailed guidance on the cashflows that are within and beyond the contract boundary. It also provides certain principles in relation to the estimates of future cashflows.

Risk Adjustment

Risk adjustment reflects the compensation that an entity requires for bearing the uncertainty about the amount and timing of the cashflows that arises from non-financial risk. Risk adjustment does not consider financial risk. The standard does not set out the methodology for the computation of risk adjustment, but it has provided certain principles.

Discounting

The standard requires the estimates of future cashflows should be discounted to reflect the effect of time value of money and financial risks. Similar to other provisions it does not specify a methodology for discounting or the derivation of discount rates however, it sets out certain principles. The standard does recognise the following two approaches for the derivation of the discount rates:

- Bottom-Up: An approach where a risk-free rate or yield curve is used and an illiquidity premium is added to reflect the characteristics of the cashflows.
- Top-Down: An approach where the expected yield on a reference portfolio is used and adjustments are applied to reflect the differences between the liability cashflow characteristics and the characteristics of the reference portfolio.

For cashflows that are linked to the underlying items for contracts with direct participation features, the discount rates must be consistent with other estimates used to measure insurance contracts. The above two approaches may have to be adjusted to reflect the variability in the underlying items for such cashflows.

Union Insurance Company P.J.S.C.
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Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2023

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

Standards, interpretations, and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 Insurance Contracts (continued)

Contractual Service Margin (“CSM”)

Contractual Service Margin (CSM) represents the unearned profit the entity will recognise as it provides insurance contract services in the future. At initial recognition CSM is computed using the FCF whereas at subsequent measurement CSM is computed using the opening CSM balance and various adjustments relating to the period. A portion of CSM is released to Profit & Loss as revenue in every period using coverage units.

Onerous Contracts and Loss Components

When a group of contracts, whether at initial recognition or subsequently, is or becomes onerous a loss component liability must be maintained. Under GMM and VFA this liability is implicitly included in the FCFs for LRC but for PAA an explicit loss component over the base LRC must be computed and set aside.

Transition

The default transition approach under IFRS 17 is the Full Retrospective Approach (“FRA”) which requires that upon transition IFRS 17 should be applied from inception of the groups of contracts as if IFRS 17 has always been applicable. However, if FRA is impracticable the following methods may be adopted:

- Modified Retrospective Approach (“MRA”): Under this approach the objective is to achieve the closest possible approximation to the FRA using the modifications allowed within the standard and without undue cost and effort.
- Fair Value Approach (“FVA”): Under this approach the fair value of the groups of contracts is computed and compared with the FCF. The CSM or loss component is the difference between the fair value and the FCF. Fair values for this purpose must be computed applying IFRS 13.

Key Accounting Policy Choices

IFRS 17 requires Company to make various accounting policy choices. The key accounting policy choices made by the Company are described below.

Accounting Policy	Company
Level of Aggregation – Adopting more granular profitability	Company has adopted the minimum three classifications provided in the standard and not use more granular classifications.
Level of Aggregation – Adopting more granular cohort	Company is using annual cohorts and not shorter cohorts.
PAA – Deferring insurance acquisition cashflows	Under PAA, in some circumstances, it is allowed to recognise insurance acquisition cashflows as expense when incurred however, the Company does not utilise this choice instead it defers all insurance acquisition cashflows.
PAA – Discounting LIC	Under PAA, in some circumstances, it is allowed not to discount the LIC, but Company is not using this option and discounts all LIC.
Interest Accretion – OCI Option	The standard allows that finance expense to be split between OCI, and P&L. Company aims to reflect entire finance expense in the P&L and plans not split between OCI and P&L.
Transition Approach	The Company is using Modified Retrospective Approach.

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

Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2023

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

Standards, interpretations, and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 Insurance Contracts (continued)

Key Accounting Policy Choices (continued)

Assumptions

While requirements relating to assumptions are within the requirements relating to measurement models, some aspects of the assumptions have been presented separately in this section due to their significance. IFRS 17, unlike IFRS 4, sets out detailed guidance on the basis to derive the assumptions (underlying the calculations of insurance and reinsurance contract assets and liabilities and associated revenues and expenses). The key assumptions are provided below:

- IFRS 17 requires separate estimation of a best estimate liability and an explicit risk adjustment.
- Financial variables (such as discount rates) have to be market consistent.

Presentation and Disclosures

IFRS 17 also contains comprehensive requirements related to presentation and disclosures. One of the key requirements is the presentation of revenue. For contracts under GMM and VFA, premiums will not be presented as revenues instead each component of the premium (such as expected claims and expenses) will be shown separately. Another key requirement relates to the presentation of reinsurance contracts held. Under IFRS 17 amounts related to insurance contract issued will be reported and net effect of reinsurance contracts held will be reported separately.

In addition to the above requirements, the new standard also introduces various new disclosures related to the insurance and reinsurance contract assets and liabilities and associated revenues and expenses.

Judgements and estimates

The preparation of this condensed interim financial information requires management to make judgements, estimates and assumptions that effect 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 accounting policies and the key sources of estimation uncertainty were the same as those that were applied in the audited financial statements as at and for the year ended 31 December 2022. Except for the below judgements.

Insurance and reinsurance contracts

The Company applies the PAA to simplify the measurement of insurance contracts. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Company's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Company now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

Liability for remaining coverage

For insurance acquisition cash flows, the Company is eligible to recognise the payments as an expense immediately (coverage period of a year or less). However, the Company chooses to recognize acquisition costs over time.

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

Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2023

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

Standards, interpretations, and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 Insurance Contracts (continued)

Key Accounting Policy Choices (continued)

Judgements and estimates (continued)

Liability for remaining coverage (continued)

The effect of recognising insurance acquisition cash flows as an expense on initial recognition of group of insurance contracts is to increase the liability for remaining coverage on initial recognition and reduce the likelihood of any subsequent onerous contract loss. There would be an increased charge to profit or loss on initial recognition, due to expensing acquisition cash flows, offset by an increase in profit released over the coverage period. For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows.

Liability for incurred claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in 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, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Some of the insurance contracts that have been written in the property line of business permit the Company to sell property acquired in settling a claim. The Company also has the right to pursue third parties for payment of some or all costs. Estimates of salvage recoveries and subrogation reimbursements are considered as an allowance in the measurement of ultimate claims costs.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency exchange rates.

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

Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2023

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

Standards, interpretations, and amendments to existing standards – Impact of new IFRS (continued)
 IFRS 17 *Insurance Contracts (continued)*

Key Accounting Policy Choices (continued)

Judgements and estimates (continued)

Discount rates

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the yields of highly liquid AAA-rated sovereign securities in the currency of the insurance contract liabilities. The illiquidity premium is determined by reference to observable market rates.

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

	1 year		3 years		5 years		10 years	
	2023	2022	2023	2022	2023	2022	2023	2022
Discount rate used	6.810%	4.541%	6.720%	4.744%	6.042%	4.540%	5.847%	4.288%

Risk adjustment for non-financial risk

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 amount.

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 has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

Insurance and financial risk management

The Company's insurance and financial risk management objectives and policies are consistent with those disclosed in the audited financial statements as at and for the year ended 31 December 2022. There have been no changes in any risk management policies since the year end.

Impairment of financial assets

The Company recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.
- no impairment loss is recognised on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for those financial instruments on which credit risk has not increased significantly since their initial recognition, in which case 12-month ECL are measured.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after reporting date.

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

Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2023

3 Summary of significant accounting policies

Critical accounting judgements and key sources of estimation uncertainty

The preparation of condensed interim financial statements 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 2022.

4 Property and equipment

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Operating assets (note 4.1)	64,966	66,322
Capital work in progress*	139	607
	<u>65,105</u>	<u>66,929</u>

* Capital work in progress includes additions amounted to AED 205 thousand. During the period, capital work in progress amounted to AED 673 thousand were impaired in the condensed interim statement of income.

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

Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2023

4 Property and equipment (continued)

4.1 Operating assets

	Freehold land AED'000	Furniture and fixtures AED'000	Office equipment AED'000	Motor vehicles AED'000	Computer equipment AED'000	Total AED'000
Cost:						
At 1 January 2022 (Audited)	61,067	16,953	2,806	822	9,881	91,529
Additions	-	12	124	43	366	545
Disposals	-	-	-	-	(3)	(3)
At 31 December 2022 (Audited)	61,067	16,965	2,930	865	10,244	92,071
Additions	-	-	3	-	319	322
Disposals	-	(1,582)	-	-	-	(1,582)
At 30 September 2023 (Unaudited)	61,067	15,383	2,933	865	10,563	90,811
Accumulated depreciation:						
At 1 January 2022 (Audited)	-	11,679	2,629	701	9,189	24,198
Charge for the year	-	1,011	95	127	319	1,552
Disposals	-	-	-	-	(1)	(1)
At 31 December 2022 (Audited)	-	12,690	2,724	828	9,507	25,749
Charge for the period	-	758	56	10	220	1,044
Disposals	-	(948)	-	-	-	(948)
At 30 September 2023 (Unaudited)	-	12,500	2,780	838	9,727	25,845
Net carrying amounts:						
At 31 December 2022 (Audited)	61,067	4,275	206	37	737	66,322
At 30 September 2023 (Unaudited)	61,067	2,883	153	27	836	64,966

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 statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2023

5 Investment in securities and unit linked assets and liabilities	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Financial assets at fair value through profit or loss (Note 5.1)	75,618	76,752
Financial assets at fair value through other comprehensive income (Note 5.2)	27	27
	<u>75,645</u>	<u>76,779</u>
Unit linked assets (Note 5.3)	<u>367,978</u>	<u>349,613</u>

5.1 Investment at fair value through profit or loss

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Quoted equity securities in U.A.E.	67,375	61,953
Quoted equity securities outside U.A.E.	557	464
Unquoted equity securities outside U.A.E.	266	327
Unquoted equity securities in U.A.E.	1,351	2,037
Quoted bond securities in U.A.E.	6,069	11,971
	<u>75,618</u>	<u>76,752</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 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Quoted equity securities in U.A.E.	<u>27</u>	<u>27</u>

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

5.3 Unit linked assets

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Investments held on behalf of policyholders of unit linked products carried at FVTPL	220,599	215,180
Financial assets from reinsurers towards policyholders of unit-linked products carried at FVTPL	133,771	122,490
Cash held on behalf of policyholders of unit linked products carried at amortised cost	13,608	11,943
	<u>367,978</u>	<u>349,613</u>

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

Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2023

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

5.4 Unit linked liabilities

Unit linked liabilities is presented in the statement of financial position within the following accounts:

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Unaudited) (Restated)
Payables to policyholders' of unit-linked products	367,978	349,613
Payables classified under insurance contract liabilities*	<u>(29,820)</u>	<u>(18,818)</u>
Unit linked liabilities	<u>338,158</u>	<u>330,795</u>

*Under IFRS 17, the liabilities for unit linked policies with significant insurance risk are included within the calculation of the insurance contract liabilities amounting to AED 29,820 thousand (31 December 2022: 18,818 thousand).

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 Organisation of its operations, the Company is required to maintain a bank deposit of AED 10 million (31 December 2022: AED 10 million) as a statutory deposit.

7 Insurance and reinsurance contracts

The breakdown of groups of insurance and reinsurance contracts issued, and reinsurance contracts held, that are in an asset position and those in a liability position is set out in the table below:

	30 September 2023 (Unaudited)			31 December 2022 (Unaudited) (Restated)		
	Assets	Liabilities	Net	Assets	Liabilities	Net
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Insurance contracts issued						
Life	(5,052)	221,501	216,449	(4)	184,752	184,748
General	<u>(51,098)</u>	<u>620,327</u>	<u>569,229</u>	<u>(8,066)</u>	<u>638,399</u>	<u>630,333</u>
Total insurance contracts issued	<u>(56,150)</u>	<u>841,828</u>	<u>785,678</u>	<u>(8,070)</u>	<u>823,151</u>	<u>815,081</u>
Reinsurance contracts held						
Life	(154,472)	2,594	(151,878)	(138,998)	480	(138,518)
General	<u>(438,348)</u>	<u>19,211</u>	<u>(419,137)</u>	<u>(484,901)</u>	<u>17,688</u>	<u>(467,213)</u>
Total reinsurance contracts held	<u>(592,820)</u>	<u>21,805</u>	<u>(571,015)</u>	<u>(623,899)</u>	<u>18,168</u>	<u>(605,731)</u>

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims, is disclosed in the table below:

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

Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2023

7 Insurance and reinsurance contracts (continued)

Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims
Contracts measured under the PAA

	Liabilities for remaining coverage		Liabilities for incurred claims		Total Unaudited AED'000
	Excluding loss component Unaudited AED'000	Loss component Unaudited AED'000	Estimates of the present value of future cash flows Unaudited AED'000	Risk adjustment Unaudited AED'000	
30 September 2023					
Insurance Contract Liabilities as at 1 January	(14,939)	1,892	671,433	26,702	685,088
Insurance Contract Assets as at 1 January	(30,606)	-	22,346	190	(8,070)
Net Insurance contract liabilities as at 1 January 2023	(45,545)	1,892	693,779	26,892	677,018
Insurance revenue	(446,702)	-	-	-	(446,702)
Insurance service expenses					
Incurred claims and other expenses	-	-	351,246	-	351,246
Amortisation of insurance acquisition cash flows	44,859	-	-	-	44,859
Losses on onerous contracts and reversals	-	2,054	-	-	2,054
Changes to liabilities for incurred claims	-	-	(85,074)	(2,677)	(87,751)
Insurance service result	(401,843)	2,054	266,172	(2,677)	(136,294)
Insurance finance expenses	-	-	19,972	-	19,972
Total changes in the statement of comprehensive income	(401,843)	2,054	286,144	(2,677)	(116,322)
<i>Cash flows</i>					
Premiums received	477,735	-	-	-	477,735
Claims and other expenses paid	-	-	(351,244)	-	(351,244)
Insurance acquisition cash flows	(51,313)	-	-	-	(51,313)
Total cash flows	426,422	-	(351,244)	-	75,178
Insurance Contract Liabilities as at 30 September	123,776	3,833	541,394	23,021	692,024
Insurance Contract Assets as at 30 September	(144,742)	113	87,285	1,194	(56,150)
Net insurance contract liabilities as at 30 September 2023	(20,966)	3,946	628,679	24,215	635,874
<i>31 December 2022 (restated)</i>					
Insurance Contract Liabilities as at 1 January	(11,519)	3,843	742,611	29,315	764,250
Insurance Contract Assets as at 1 January	(43,924)	-	41,096	535	(2,293)
Insurance contract liabilities as at 1 January 2022	(55,443)	3,843	783,707	29,850	761,957
Insurance revenue	(751,935)	-	-	-	(751,935)
Insurance service expenses					
Incurred claims and other expenses	-	-	559,239	-	559,239
Amortisation of insurance acquisition cash flows	81,080	-	-	-	81,080
Losses on onerous contracts and reversals	-	(1,951)	-	-	(1,951)
Changes to liabilities for incurred claims	-	-	(85,968)	(2,583)	(88,551)
Insurance service result	(670,855)	(1,951)	473,271	(2,583)	(202,118)
Insurance finance expenses	-	-	(3,960)	(375)	(4,335)
Total changes in the statement of comprehensive income	(670,855)	(1,951)	469,311	(2,958)	(206,453)
<i>Cash flows</i>					
Premiums received	763,321	-	-	-	763,321
Claims and other expenses paid	-	-	(559,239)	-	(559,239)
Insurance acquisition cash flows	(82,568)	-	-	-	(82,568)
Total cash flows	680,753	-	(559,239)	-	121,514
Insurance Contract Liabilities as at 31 December	(14,939)	1,892	671,433	26,702	685,088
Insurance Contract Assets as at 31 December	(30,606)	-	22,346	190	(8,070)
Net insurance contract liabilities as at 31 December 2022	(45,545)	1,892	693,779	26,892	677,018

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

Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2023

7 Insurance and reinsurance contracts (continued)

Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)

Analysis by measurement component – Contracts not measured under the PAA

30 September 2023	Estimates of present value of future cash flows Unaudited AED'000	Risk adjustment for non- financial risk Unaudited AED'000	CSM Contracts under modified retrospective transition approach Unaudited AED'000	Total Unaudited AED'000
Insurance contract liabilities as at 1 January 2023	64,773	18,034	55,256	138,063
Changes that relate to current services				
CSM recognised for services provided	-	-	(2,089)	(2,089)
Change in risk adjustment for non-financial risk for risk expired	-	(1,318)	-	(1,318)
Experience adjustments	(17,902)	-	-	(17,902)
Changes that relate to future services				
Contracts initially recognised in the year	(3,616)	1,706	2,663	753
Changes in estimates that adjust the CSM	37,248	(3,632)	(33,616)	-
Changes in estimates that result in losses and reversals of losses on onerous contracts	4,297	(679)	-	3,618
Changes that relate to past services				
Adjustments to liabilities for incurred claims	1,550	-	-	1,550
Insurance service result	21,577	(3,923)	(33,042)	(15,388)
Net finance expenses from insurance contracts	1,028	440	1,466	2,934
Total changes in the statement of profit or loss and OCI	22,605	(3,483)	(31,576)	(12,454)
Cash flows				
Premiums received	31,215	-	-	31,215
Claims and other directly attributable expenses paid	(5,795)	-	-	(5,795)
Insurance acquisition cash flows paid	(1,225)	-	-	(1,225)
Total cash flows	24,195	-	-	24,195
Net insurance contract liabilities as at 30 September 2023	111,573	14,551	23,680	149,804

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

Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2023

7 Insurance and reinsurance contracts (continued)

Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)

Analysis by measurement component – Contracts not measured under the PAA (continued)

31 December 2022	Estimates of present value of future cash flows Unaudited AED'000	Risk adjustment for non-financial risk Unaudited AED'000	CSM Contracts under modified retrospective transition approach Unaudited AED'000	Total Unaudited AED'000
Insurance contract liabilities as at 1 January 2022	105,306	14,497	736	120,539
Changes that relate to current services				
CSM recognised for services provided	-	-	(5,595)	(5,595)
Change in risk adjustment for non-financial risk for risk expired	-	(2,063)	-	(2,063)
Experience adjustments	(4,690)	-	-	(4,690)
Changes that relate to future services				
Contracts initially recognised in the year	(30,519)	9,454	28,330	7,265
Changes in estimates that adjust the CSM	(26,862)	(3,501)	30,363	-
Changes in estimates that result in losses and reversals of losses on onerous contracts	(584)	(510)	-	(1,094)
Changes that relate to past services				
Adjustments to liabilities for incurred claims	6,164	-	-	6,164
Insurance service result	(56,491)	3,380	53,098	(13)
Net finance expenses from insurance contracts	(14,563)	157	1,422	(12,984)
Total changes in the statement of profit or loss and OCI	(71,054)	3,537	54,520	(12,997)
Cash flows				
Premiums received	59,946	-	-	59,946
Claims and other directly attributable expenses paid	(29,326)	-	-	(29,326)
Insurance acquisition cash flows paid	(99)	-	-	(99)
Total cash flows	30,521	-	-	30,521
Net insurance contract liabilities as at 31 December 2022	64,773	18,034	55,256	138,063

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

Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2023

7 Insurance and reinsurance contracts (continued)

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims

Contracts measured under the PAA

	Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss recovery component Unaudited AED'000	Loss component Unaudited AED'000	Estimates of the present value of future cash flows Unaudited AED'000	Risk adjustment Unaudited AED'000	Total Unaudited AED'000
30 September 2023					
Reinsurance contract assets as at 1 January 2023	25,911	(1,576)	(528,154)	(23,410)	(527,229)
Reinsurance contract liabilities as at 1 January 2023	23,665	-	(5,959)	(18)	17,688
Net reinsurance contract liabilities / (assets) as at 1 January 2023	49,576	(1,576)	(534,113)	(23,428)	(509,541)
An allocation of reinsurance premiums	224,002	1,576	-	-	225,578
Amounts recoverable from reinsurers for incurred claims	-	-	-	-	-
Amounts recoverable for incurred claims and other expenses	-	-	(161,973)	-	(161,973)
Loss-recovery on onerous underlying contracts and adjustments	-	(1,905)	-	-	(1,905)
Changes to amounts recoverable for incurred claims	-	-	75,949	2,451	78,400
Net income or expense from reinsurance contracts held	224,002	(329)	(86,024)	2,451	140,100
Reinsurance finance income	-	-	(17,898)	(2)	(17,900)
Total changes in the statement of comprehensive income	224,002	(329)	(103,922)	2,449	122,200
<i>Cash flows</i>					
Premiums paid	(254,433)	-	-	-	(254,433)
Amounts received	-	-	161,974	-	161,974
Total cash flows	(254,433)	-	161,974	-	(92,459)
Reinsurance contract assets as at 30 September 2023	(41,478)	(1,905)	(437,056)	(20,230)	(500,669)
Reinsurance contract liabilities as at 30 September 2023	60,623	-	(39,005)	(749)	20,869
Net reinsurance contract liabilities / (assets) as at 30 September 2023	19,145	(1,905)	(476,061)	(20,979)	(479,800)

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

Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2023

7 Insurance and reinsurance contracts (continued)

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)

Contracts measured under the PAA (continued)

31 December 2022	Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss recovery component Unaudited AED'000	Loss component Unaudited AED'000	Estimates of the present value of future cash flows Unaudited AED'000	Risk adjustment Unaudited AED'000	Total Unaudited AED'000
Reinsurance contract assets as at 1 January 2022	57,159	(2,484)	(610,925)	(25,804)	(582,054)
Reinsurance contract liabilities as at 1 January 2022	15,802	-	(14,685)	(695)	422
Net reinsurance contract liabilities / (assets) as at January 2022	72,961	(2,484)	(625,610)	(26,499)	(581,632)
An allocation of reinsurance premiums	374,959	2,454	-	-	377,413
Amounts recoverable from reinsurers for incurred claims					
Amounts recoverable for incurred claims and other expenses	-	-	(278,317)	-	(278,317)
Loss-recovery on onerous underlying contracts and	-	(1,546)	-	-	(1,546)
Changes to amounts recoverable for incurred claims	-	-	82,933	2,538	85,471
Net income or expense from reinsurance contracts held	374,959	908	(195,384)	2,538	183,021
Reinsurance finance income	-	-	8,564	533	9,097
Total changes in the statement of comprehensive income	374,959	908	(186,820)	3,071	192,118
<i>Cash flows</i>					
Premiums paid	(398,344)	-	-	-	(398,344)
Amounts received	-	-	278,317	-	278,317
Total cash flows	(398,344)	-	278,317	-	(120,027)
Reinsurance contract assets as at 31 December 2022	25,911	(1,576)	(528,154)	(23,410)	(527,229)
Reinsurance contract liabilities as at 31 December 2022	23,665	-	(5,959)	(18)	17,688
Net reinsurance contract liabilities / (assets) as at 31 December 2022	49,576	(1,576)	(534,113)	(23,428)	(509,541)

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

Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2023

7 Insurance and reinsurance contracts (continued)

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)

Analysis by measurement component – Contracts not measured under the PAA

	Estimates of present value of future cash flows	Risk adjustment for non- financial risk	CSM Contracts under modified retrospective transition approach	Total
30 September 2023	Unaudited AED'000	Unaudited AED'000	Unaudited AED'000	Unaudited AED'000
Reinsurance contract assets as at 1 January 2023	(47,245)	(8,136)	(41,289)	(96,670)
Reinsurance contract liabilities as at 1 January 2023	174	(420)	726	480
Net reinsurance contract assets	(47,071)	(8,556)	(40,563)	(96,190)
Changes that relate to current services				
CSM recognised for services provided	-	-	694	694
Change in risk adjustment for non-financial risk for risk expired	-	693	-	693
Experience adjustments	10,715	-	-	10,715
Changes that relate to future services				
Contracts initially recognised in the year	2,715	(300)	(3,022)	(607)
Changes in estimates that adjust the CSM	(42,265)	3,246	39,019	-
Changes in estimates that relate to losses and reversals of losses on onerous underlying contracts	(1,749)	713	-	(1,036)
Changes that relate to past services				
Adjustments to assets for incurred claims	(1,361)	-	-	(1,361)
Net expenses from reinsurance contracts	(31,945)	4,352	36,691	9,098
Net finance income from reinsurance contracts	7,038	(346)	(1,410)	5,282
Total changes in the statement of profit or loss and OCI	(24,907)	4,006	35,281	14,380
Cash flows				
Premiums received	(11,057)	-	-	(11,057)
Claims and other directly attributable expenses paid	1,652	-	-	1,652
Total cash flows	(9,405)	-	-	(9,405)
Reinsurance contract assets as at 30 September	(80,049)	(3,715)	(8,387)	(92,151)
Reinsurance contract liabilities as at 30 September	(1,334)	(835)	3,105	936
Net reinsurance contract assets as at 30 September 2023	(81,383)	(4,550)	(5,282)	(91,215)

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

Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2023

7 Insurance and reinsurance contracts (continued)

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)

Analysis by measurement component – Contracts not measured under the PAA (continued)

	Estimates of present value of future cash flows Unaudited AED'000	Risk adjustment for non-financial risk Unaudited AED'000	CSM Contracts under modified retrospective transition approach Unaudited AED'000	Total Unaudited AED'000
31 December 2022				
Net reinsurance contract assets as at 1 January 2022	(78,034)	(8,218)	2,120	(84,132)
Changes that relate to current services				
CSM recognised for services provided	-	-	4,001	4,001
Change in risk adjustment for non-financial risk for risk expired	-	899	-	899
Experience adjustments	(3,028)	-	-	(3,028)
Changes that relate to future services				
Contracts initially recognised in the year	24,504	(2,725)	(27,083)	(5,304)
Changes in estimates that adjust the CSM	17,122	1,110	(18,232)	-
Changes in estimates that relate to losses and reversals of losses on onerous underlying contracts	(1,995)	501	-	(1,494)
Changes that relate to past services				
Adjustments to assets for incurred claims	(6,679)	-	-	(6,679)
Net expenses from reinsurance contracts	29,924	(215)	(41,314)	(11,605)
Net finance income from reinsurance contracts	4,132	(123)	(1,369)	2,640
Total changes in the statement of profit or loss and OCI	34,056	(338)	(42,683)	(8,965)
Cash flows				
Premiums received	(22,137)	-	-	(22,137)
Claims and other directly attributable expenses paid	19,044	-	-	19,044
Total cash flows	(3,093)	-	-	(3,093)
Reinsurance contract assets as at 31 December	(47,245)	(8,136)	(41,289)	(96,670)
Reinsurance contract liabilities as at 31 December	174	(420)	726	480
Net reinsurance contract assets as at 31 December 2022	(47,071)	(8,556)	(40,563)	(96,190)

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

Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2023

7 Insurance and reinsurance contracts (continued)

Expected recognition of the contractual service margin - An analysis of the expected recognition of the CSM remaining at the end of the reporting period in profit or loss is provided in the following table (number of years until expected to be recognised)

	1 year AED'000	2 year AED'000	3 year AED'000	4 year AED'000	5 year AED'000	>6 year AED'000	Total AED'000
30 September 2023 (unaudited)							
Total CSM for insurance contracts issued	466	1,786	1,669	1,514	1,391	16,854	23,680
Total CSM for reinsurance contracts held	(100)	(341)	(355)	(336)	(330)	(3,820)	(5,282)
	<u>366</u>	<u>1,445</u>	<u>1,314</u>	<u>1,178</u>	<u>1,061</u>	<u>13,034</u>	<u>18,398</u>
31 December 2022 (unaudited) (restated)							
Total CSM for insurance contracts issued	5,742	5,282	4,871	4,433	4,018	30,910	55,256
Total CSM for reinsurance contracts held	(4,644)	(4,271)	(3,944)	(3,589)	(3,256)	(20,859)	(40,563)
	<u>1,098</u>	<u>1,011</u>	<u>927</u>	<u>844</u>	<u>762</u>	<u>10,051</u>	<u>14,693</u>

Reconciliation of the measurement components of insurance and reinsurance contract balances measured under both PAA and Non-PAA as at:

	PAA AED'000	Non-PAA AED'000	Total AED'000
30 September 2023 (unaudited)			
Insurance contract assets	(56,150)	-	(56,150)
Insurance contract liabilities	692,024	149,804	841,828
Reinsurance contract assets	(500,669)	(92,151)	(592,820)
Reinsurance contract liabilities	20,869	936	21,805
	<u>156,074</u>	<u>58,589</u>	<u>214,663</u>
31 December 2022 (unaudited) (restated)			
Insurance contract assets	(8,070)	-	(8,070)
Insurance contract liabilities	685,088	138,063	823,151
Reinsurance contract assets	(527,229)	(96,670)	(623,899)
Reinsurance contract liabilities	17,688	480	18,168
	<u>167,477</u>	<u>41,873</u>	<u>209,350</u>

*The above balances include outstanding claims and insurance receivables related to Board members and major shareholders amounting to AED 468 thousand (31 December 2022: AED 468 thousand) and AED 89 thousand (31 December 2022: AED 243 thousand) respectively.

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

Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2023

8 Other receivables

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Other receivables	31,910	40,687
Prepaid expenses	4,147	6,444
	<u>36,057</u>	<u>47,131</u>

9 Bank deposits with original maturities of more than three months

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Deposits with original maturities greater than three months	<u>281,343</u>	<u>68,888</u>
In U.A.E.	281,020	45,210
Outside U.A.E.	323	23,678
	<u>281,343</u>	<u>68,888</u>

Bank deposits carried interest rates ranging from 4.75% to 5.50% per annum (31 December 2022: 1.5% to 8% per annum). Bank deposits of AED 45 million (31 December 2022: AED 45 million) have been pledged as security against the overdraft facility which is to manage the liquidity position.

*The above balances include AED 45,408 thousand deposited with National Bank of Um Al Quwain being a common directorship (31 December 2022: AED 45,256 thousand).

10 Cash and cash equivalents

	30 September 2023 AED'000 (Unaudited)	30 September 2022 AED'000 (Unaudited)
Cash on hand	35	50
Bank balances:		
Current accounts with banks	19,127	43,928
Fixed deposits with original maturities of three months or less	-	116,377
	<u>19,162</u>	<u>160,355</u>
In U.A.E.	19,162	158,380
Outside U.A.E.	-	1,975
	<u>19,162</u>	<u>160,355</u>

*The above balances include AED 4,179 thousand deposited in current bank account with National Bank of Um Al Quwain being a common directorship (31 December 2022: AED 3,537 thousand).

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

Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2023

11 Share capital

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Issued and fully paid 330,939,180 shares of AED 1 each (2022: 330,939,180 of AED 1 each)	<u>330,939</u>	<u>330,939</u>

12 Reserves

12.1 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 at the end of the year to the statutory reserve. Accordingly, no transfers have been made during the nine months period ended 30 September 2023 (31 December 2022: nil).

12.2 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 2023 (31 December 2022: AED 1,833 thousand).

12.3 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 1,741 thousand from the profit for the period to the reinsurance reserve being 0.5% of the total insurance premium ceded to reinsurers during the nine months period ended 30 September 2023 (30 September 2022: AED 1,984 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.

12.4 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.

13 Other payables

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Unaudited) (Restated)
Other payables	68,240	58,873
Provision for default claims	14,329	14,329
Non-unit reserve	5,497	5,314
	<u>88,066</u>	<u>78,516</u>

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

Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2023

14 Insurance revenue

	General AED'000	Life AED'000	Total AED'000
For the three months period ended 30 September 2023 (Unaudited)			
Contracts not measured under the PAA			
<i>Amounts relating to changes in liabilities for remaining coverage</i>			
CSM recognised for services provided	-	357	357
Change in risk adjustment for non-financial risk for risk expired	-	419	419
Expected incurred claims and other insurance service expenses	-	6,989	6,989
Recovery of insurance acquisition cash flows	-	433	433
	-	8,198	8,198
Contracts measured under the PAA	133,141	10,662	143,803
	133,141	18,860	152,001
For the three months period ended 30 September 2022 (Restated)			
Contracts not measured under the PAA			
<i>Amounts relating to changes in liabilities for remaining coverage</i>			
CSM recognised for services provided	-	162	162
Change in risk adjustment for non-financial risk for risk expired	-	968	968
Expected incurred claims and other insurance service expenses	-	14,804	14,804
Recovery of insurance acquisition cash flows	-	106	106
	-	16,040	16,040
Contracts measured under the PAA	148,113	45,290	193,403
	148,113	61,330	209,443
For the nine months period ended 30 September 2023 (Unaudited)			
Contracts not measured under the PAA			
<i>Amounts relating to changes in liabilities for remaining coverage</i>			
CSM recognised for services provided	-	2,089	2,089
Change in risk adjustment for non-financial risk for risk expired	-	1,277	1,277
Expected incurred claims and other insurance service expenses	-	21,034	21,034
Recovery of insurance acquisition cash flows	-	788	788
	-	25,188	25,188
Contracts measured under the PAA	409,488	37,214	446,702
	409,488	62,402	471,890
For the nine months period ended 30 September 2022 (Restated)			
Contracts not measured under the PAA			
<i>Amounts relating to changes in liabilities for remaining coverage</i>			
CSM recognised for services provided	-	1,557	1,557
Change in risk adjustment for non-financial risk for risk expired	-	1,551	1,551
Expected incurred claims and other insurance service expenses	-	24,118	24,118
Recovery of insurance acquisition cash flows	-	130	130
	-	27,356	27,356
Contracts measured under the PAA	457,499	118,887	576,386
	457,499	146,243	603,742

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

Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2023

15 Insurance service expenses

	General AED'000	Life AED'000	Total AED'000
For the three months period ended 30 September 2023 (Unaudited)			
Incurring claims and other expenses	82,933	8,180	91,113
Amortisation of insurance acquisition cash flows	13,624	1,010	14,634
Losses on onerous contracts and reversals of those losses	(92)	6,816	6,724
Changes to liabilities for incurred claims	48,958	(2,290)	46,668
	<u>145,423</u>	<u>13,716</u>	<u>159,139</u>
For the three months period ended 30 September 2022 (Restated)			
Incurring claims and other expenses	105,822	24,342	130,164
Amortisation of insurance acquisition cash flows	14,618	6,031	20,649
Losses on onerous contracts and reversals of those losses	-	6,465	6,465
Changes to liabilities for incurred claims	(10,964)	17,449	6,485
	<u>109,476</u>	<u>54,287</u>	<u>163,763</u>
For the nine months period ended 30 September 2023 (Unaudited)			
Incurring claims and other expenses	297,816	57,203	355,019
Amortisation of insurance acquisition cash flows	40,500	5,148	45,648
Losses on onerous contracts and reversals of those losses	(1,201)	6,943	5,742
Changes to liabilities for incurred claims	(73,374)	(12,827)	(86,201)
	<u>263,741</u>	<u>56,467</u>	<u>320,208</u>
For the nine months period ended 30 September 2022 (Restated)			
Incurring claims and other expenses	366,062	102,527	468,589
Amortisation of insurance acquisition cash flows	42,489	16,526	59,015
Losses on onerous contracts and reversals of those losses	-	14,753	14,753
Changes to liabilities for incurred claims	(105,406)	8,193	(97,213)
	<u>303,145</u>	<u>141,999</u>	<u>445,144</u>

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

Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2023

16 Net insurance financial result

	General AED'000	Life AED'000	Total AED'000
For the three months period ended 30 September 2023 (Unaudited)			
Insurance finance income from insurance contracts issued	<u>(5,161)</u>	<u>1,874</u>	<u>(3,287)</u>
Reinsurance finance expense from reinsurance contracts held	<u>5,955</u>	<u>(1,665)</u>	<u>4,290</u>
For the three months period ended 30 September 2022 (Restated)			
Insurance finance income from insurance contracts issued	<u>7,475</u>	<u>(12,963)</u>	<u>(5,488)</u>
Reinsurance finance expense from reinsurance contracts held	<u>(6,399)</u>	<u>5,545</u>	<u>(854)</u>
For the nine months period ended 30 September 2023 (Unaudited)			
Insurance finance expenses from insurance contracts issued	<u>(17,545)</u>	<u>3,151</u>	<u>(14,394)</u>
Insurance expense related to investment from unit linked	<u>-</u>	<u>(8,512)</u>	<u>(8,512)</u>
	<u>(17,545)</u>	<u>(5,361)</u>	<u>(22,906)</u>
Reinsurance finance income from reinsurance contracts held	<u>15,973</u>	<u>(3,355)</u>	<u>12,618</u>
For the nine months period ended 30 September 2022 (Restated)			
Insurance finance income from insurance contracts issued	<u>3,808</u>	<u>(4,833)</u>	<u>(1,025)</u>
Reinsurance finance income from reinsurance contracts held	<u>(3,479)</u>	<u>3,879</u>	<u>400</u>

17 Basic and diluted earnings per share

	Three months period ended 30 September 2023 (Unaudited)	Three months period ended 30 September 2022 (Unaudited) (Restated)	Nine months period ended 30 September 2023 (Unaudited)	Nine months period ended 30 September 2022 (Unaudited) (Restated)
(Loss)/profit for the period (AED'000)	<u>(11,302)</u>	13,439	<u>2,165</u>	30,998
Weighted average number of shares outstanding during the period ('000)	<u>330,939</u>	330,939	<u>330,939</u>	330,939
Basic earnings per share (AED)	<u>(0.034)</u>	0.041	<u>0.007</u>	0.094

No figures for diluted earnings per share are presented as the Company has not issued any instruments which would have an impact on earnings per share when exercised, as such diluted earnings per share is equivalent to basic earnings per share.

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

Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2023

18 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 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Unaudited) (Restated)	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Unaudited) (Restated)	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Unaudited) (Restated)
Assets						
Property and equipment	48,829	50,197	16,276	16,732	65,105	66,929
Intangible assets	2,744	3,676	1,870	5,047	4,614	8,723
Right-of-use-assets	3,460	5,146	1,153	1,715	4,613	6,861
Unit linked assets	-	-	367,978	349,613	367,978	349,613
Investment securities	61,124	62,292	14,521	14,487	75,645	76,779
Statutory deposit	6,000	6,000	4,000	4,000	10,000	10,000
Reinsurance contract assets	438,348	484,901	154,472	138,998	592,820	623,899
Insurance contract assets	51,098	8,066	5,052	4	56,150	8,070
Other receivables	18,544	27,227	17,513	19,904	36,057	47,131
Bank deposits with original maturities of more than three months						
Cash and cash equivalents	211,008	31,952	70,335	36,936	281,343	68,888
	14,371	154,250	4,791	51,417	19,162	205,667
Total assets	855,526	833,707	657,961	638,853	1,513,487	1,472,560
Liabilities						
Provision for employees' end of service benefit	10,469	10,818	3,490	3,606	13,959	14,424
Insurance contract liabilities	620,327	638,399	221,501	184,752	841,828	823,151
Reinsurance contract liabilities	19,211	17,688	2,594	480	21,805	18,168
Other payables	29,870	18,660	58,196	59,856	88,066	78,516
Unit linked liabilities	-	-	338,158	330,795	338,158	330,795
Total liabilities	679,877	685,565	623,939	579,489	1,303,816	1,265,054

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

**Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2023**

18 Segment information (continued)

	<i>General Insurance</i>		<i>Life Insurance</i>		<i>Total</i>	
	Nine months period ended 30 September 2023	Nine months period ended 30 September 2022	Nine months period ended 30 September 2023	Nine months period ended 30 September 2022	Nine months period ended 30 September 2023	Nine months period ended 30 September 2022
	AED'000 (Unaudited)	AED'000 (Unaudited) (Restated)	AED'000 (Unaudited)	AED'000 (Unaudited) (Restated)	AED'000 (Unaudited)	AED'000 (Unaudited) (Restated)
Insurance revenue	409,488	457,499	62,402	146,243	471,890	603,742
Insurance service expenses	(263,741)	(303,145)	(56,467)	(141,999)	(320,208)	(445,144)
Insurance service result before reinsurance contracts held	145,747	154,354	5,935	4,244	151,682	158,598
Allocation of reinsurance premiums	(255,003)	(276,249)	(38,952)	(81,722)	(293,955)	(357,971)
Amounts recoverable from reinsurance for incurred claims	119,619	140,189	25,138	92,997	144,757	233,186
Net expenses from reinsurance contracts held	(135,384)	(136,060)	(13,814)	11,275	(149,198)	(124,785)
Insurance service result	10,363	18,294	(7,879)	15,519	2,484	33,813
Interest revenue calculated using the effective interest method	7,073	2,994	2,358	998	9,431	3,992
Net fair value (losses) / gains on financial assets at FVTPL	1,894	(999)	631	(333)	2,525	(1,332)
Other investment income	2,348	3,032	783	1,011	3,131	4,042
Total investment income	11,315	5,027	3,772	1,675	15,087	6,702
Insurance finance (expense)/income from insurance contracts issued	(17,545)	(4,833)	3,151	3,808	(14,394)	(1,025)
Reinsurance finance income/(expense) from reinsurance contracts held	15,973	3,879	(3,355)	(3,479)	12,618	400
Net insurance financial result	(1,572)	(954)	(204)	329	(1,776)	(625)
Net insurance and investment results	20,106	22,367	(4,311)	17,523	15,795	39,890
Other operating expenses	(1,740)	(1,655)	(11,890)	(7,237)	(13,630)	(8,892)
Profit/(loss) for the period	18,366	20,712	(16,201)	10,286	2,165	30,998
Basic and diluted earnings per share					0.007	0.094

Union Insurance Company P.J.S.C.
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Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2023

19 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 as defined by International Accounting Standard 24 - (Revised). 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 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Balances with Board members		
Fixed deposits	45,408	45,256
Bank account	4,179	3,537
Insurance receivables	-	91
Balance with former major shareholder		
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	(35,770)	(35,770)
Advance paid for purchase of real estate properties *	36,500	36,500
Provision on advance paid for purchase of real estate properties	(36,500)	(36,500)
	-	-

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 statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2023

19 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	
	2023 AED'000 (Unaudited)	2022 AED'000 (Unaudited)	2023 AED'000 (Unaudited)	2022 AED'000 (Unaudited)
Transactions with Board members				
Insurance revenue	-	242	10	241
Claims paid	55	15	176	71
FD interest income from Bank of Umm Al Quwain	536	216	973	225
Bank charges	7	6	97	96
Rental paid	-	-	344	344
Compensation of key management personnel				
Short-term benefits	600	600	1,800	1,800
Long-term benefits	50	50	150	150

20 Commitments and contingent liabilities

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Letters of guarantee*	11,791	13,186

*Includes AED 10 million (31 December 2022: 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 financial statements.

21 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 2022.

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Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2023

21 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 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000				
Financial assets						
Financial assets measured at FVTPL						
Quoted equity securities	67,932	62,417	Level 1	Quoted bid prices in an active market.	None	Not applicable
Quoted bonds	6,069	11,971	Level 1	Prices as per the portfolio bank statement	None	Not applicable
Unquoted equity securities	1,617	2,364	Level 3	Based on net assets value of underlying investments and last traded price	Yes	Increase in net asset value increases fair value
Investments held on behalf of policyholders' unit linked products at FVTPL	220,599	215,180	Level 2	Quoted prices in secondary market	None	Not applicable
Due from reinsurers towards policyholders of unit linked products	133,771	122,490	Level 2	Quoted prices in secondary market	None	Not applicable
Financial assets measured at FVTOCI						
Quoted equity securities	27	27	Level 1	Quoted bid prices in an active market	None	Not applicable
Financial liabilities measured at FVTPL						
Unit linked liabilities	354,370	337,670	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 categorized under any levels in the above table.

Union Insurance Company P.J.S.C.
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Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2023

22 Capital risk management

The solvency regulations identify the required Solvency Margin to be held in addition to insurance liabilities. The Solvency Margin (presented in the table below) must be maintained at all times throughout the period. The Company is subject to solvency regulations which it has complied with during the year. The Company has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with such regulations. The table below summarises the Minimum Capital Requirement, Minimum Guarantee Fund and Solvency Capital Requirement of the Company and the total capital held to meet these required Solvency Margins.

The following disclosure has been prepared based on financial information prepared in accordance with IFRS 4.

	30 September 2023	31 December 2022
	AED'000	AED'000
	(Unaudited)	(Unaudited)
Minimum Capital Requirement (MCR)	100,000	100,000
Solvency Capital Requirement (SCR)	114,201	142,664
Minimum Guarantee Fund (MGF)	84,895	90,252
Basic Own Funds	154,355	162,756
MCR Solvency Margin - Minimum Capital Requirement (Surplus)	54,355	62,756
MCR Solvency Margin - Solvency Capital Requirement (Surplus)	40,154	20,092
MGF Solvency Margin – Minimum Guarantee Fund (Surplus)	69,460	72,504

23 Dividends

During the period, the Board of Directors has decided not to propose any dividend for 2022. (30 June 2022: nil).

24 Corporate income tax

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime is effective from 1 June 2023 and accordingly, it has an income tax related impact on the financial statements for accounting periods beginning on or after 1 June 2023.

The Cabinet of Ministers Decision No. 116 of 2022 specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted from the perspective of IAS 12 - Income Taxes. A rate of 9% will apply to taxable income exceeding AED 375,000 and a rate of 0% will apply to taxable income not exceeding AED 375,000 and a rate of 0% on qualifying income of free zone entities.

The Company has assessed the possible impact on the financial statements and concluded that the results for the nine months period ended 30 September 2023 are not impacted by the transition requirements.

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Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2023

25 Significant events

There have been no events subsequent to the condensed interim financial position date that would significantly affect the amounts reported in the condensed interim financial information as at and for the nine months period ended 30 September 2023.

26 Approval of condensed interim financial statements

The condensed interim financial statements were approved by the Board of Directors and authorized for issue on 14 November 2023.