

BOARD OF DIRECTORS



Saeed Mohammed AlBahhar

Chairman of the Board and member of the Nomination and Remuneration Committee



Mohamed Saif AlHameli

Vice Chairman of the Board



Mohamed Saif AlSuwaidi

Director and member of the Nomination and Remuneration Committee



Ahmed Saeed AlMahri

Director and Chairman of the Audit and Risk Committee and member of the Nomination and Remuneration Committee



Dr. Bader Abdulla AlJaberi

Director and Chairman of the Nomination and Remuneration Committee and member of the Audit and Risk Committee



Wael Ibrahim Abu Khzam

Director and member of the Audit and Risk Committee and Nomination and Remuneration Committee

REPORT OF THE BOARD OF DIRECTORS

DEAR SHAREHOLDERS,

The Directors of the Arab Insurance Group (B.S.C.) (Arig or Group) presents the Company's 39th Annual Report along with the audited Consolidated Financial Statements for the year ended 31 December 2019.

GROUP PERFORMANCE

2019 was a year where the Company's financial performance moved from an abysmal low to a net profit of US\$ 17.5 million attributable to shareholders (2018: Net loss US\$ 55.3 million). The profit is mainly due to combination of lower reinsurance loss experience, positive investment performance and an emphasis on reducing costs.

The Group reported total investment income of US\$ 26.3 million (2018: US\$ 10.0 million). The result reflects the direction given by the Board and Management's close monitoring of the movements of the equity markets.

The Group continued its efforts to reduce its operating expenses which resulted in reducing the overall operating expenses from US\$ 22.5 million in 2018 to US\$ 16.5 million in 2019.

ARIG'S REINSURANCE POSITION

The Group's gross written premium decreased to US\$ 194.6 million (2018: US\$ 262.8 million) due to the adverse circumstances surrounding the Company. Non-Life business decreased to US\$ 187.5 million (2018: US\$ 244.2 million) and Life business too experienced a reduction of gross written premium to US\$ 7.1 million (2018: US\$ 18.6 million).

The overall technical result¹ of the Group was a positive of US\$ 15.9 million (2018: loss of US\$ 19.4 million). The consolidated combined ratio² as at the end of the reporting period 2019 was 97.2% (2018: 115.2 %).

ARIG'S INVESTMENT POSITION

The Group's investment income increased to US\$ 26.3 million (2018: US\$ 10.0 million). Equities had a stellar year which resulted in an income of US\$ 11.9 million (2018: loss of US\$ 2.0 million) from the equity portfolio. The fixed-income portfolio benefitted from declining yields and rising prices generating an income of US\$ 11.6 million (2018: US\$ 8.6 million).

Group Investment Assets stood at US\$ 629.0 million in December 2019 (2018: US\$ 613.9 million). The investment portfolio of Arig parent was US\$ 510.0 million in December 2019 (2018: US\$ 491.2 million).

REVIEW OF REINSURANCE OPERATIONS AND BOARD RECOMMENDATION

The Board evaluated Arig's past performance, the current state-of-affairs and future prospects in relation to shareholders expectations and recommended cessation of reinsurance business in May 2019. The Board is actively working with the Central Bank of Bahrain (CBB) to hold an Extraordinary General Meeting for the Shareholders to decide on the recommendation to cease writing further reinsurance business.

DELISTING FROM DUBAI FINANCIAL MARKET

The Shareholders had passed a resolution at the last AGM for delisting from DFM. An application was sent to CBB in April 2019. CBB has indicated that the delisting matter should be explained to the shareholders in the proposed EGM.

SUSPENSION OF ARIG SHARES FROM TRADING

Following the inspection by Central Bank of Bahrain, trading in Arig shares was suspended from 14 May 2019 till 6 October 2019. The share trading resumed on 7 October 2019 after the CBB completed its inspection and Arig responded to the issues raised in the CBB's examination report.

ACKNOWLEDGEMENTS

The Board takes this opportunity to express its gratitude to His Majesty the King, His Royal Highness the Prime Minister and His Royal Highness the Crown Prince for their wise leadership of the Kingdom of Bahrain. The Directors further extend their thanks to our business partners, clients, staff and shareholders for their support and cooperation throughout the year.

On behalf of the Board of Directors

Mr. Saeed Mohammed AlBahhar

Chairman

13 February 2020

¹ technical result: net earned premiums less claims and acquisition costs

² combined ratio: aggregate of expenses and losses over net earned premiums



Saeed Mohammed AlBahhar

Chairman