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About IGIH

International General Insurance Holdings Limited (IGIH) is registered in the Dubai International Financial Centre with operations in Bermuda (IGI Bermuda), the United Kingdom, Jordan and Malaysia.

IGI Bermuda is a class 3B (Re)insurer regulated by the Bermuda Monetary Authority and is rated A-("Excellent") by A.M. Best Company Inc. This subsidiary is the principal underwriting entity for the Group with the Jordan office providing all management, underwriting and operational functions. The Group also has subsidiary companies in the United Kingdom, Dubai and in Labuan, Malaysia registered as a first tier reinsurer.

IGI Group (companies) underwrite a worldwide portfolio of energy, property, marine, construction and engineering, financial institutions, general aviation, casualty and non-proportional reinsurance treaty business with the main geographical focus on the Afro-Asian markets.

IGIH has assets of more than US\$ 488 million as at 31st December, 2010.





International General Insurance Holdings Limited Board of Directors as of December 31st, 2010

Mr. Mohammed Abu Ghazaleh

Chairman (Chairman and CEO, Fresh Del Monte Produce Inc. – Miami)

Mr. Wasef Jabsheh

CEO & Vice Chairman

Mr. Khalifa Al Mulhem

Director (Chairman, National Polypropylene Company Limited – Saudi Arabia)

Mr. Hani Tarazi

Director (Saba IP & Co. – Dubai, UAE)

Mr. Khaled Sifri

Director (CEO, Arab Emirates Investment Bank – Dubai, UAE)

Mr. Hani Jabsheh

Director (CEO, Al Bawaba.com)

Letter from the Board of Directors

2010 witnessed a combination of good and bad news. On the positive side, it has been pleasing to see some initial signs of recovery in the world economy. However, during the course of the year, we did observe some fluidity in the strength of this recovery. Nonetheless, we have confidence that the anticipated recovery process will consolidate and gather more momentum during 2011.

Recovery in the Middle East and North Africa (MENA) region, which represents the largest geographical segment in IGIH's portfolio, outpaced that in other parts of the world. This has been largely driven by rising oil prices and increased spending budgets, especially on infrastructure projects, allocated by various countries, but particularly in the GCC region where economic resources remain buoyant. We do expect this development to continue at an impressive pace, and in saying this, we are encouraged by recent announcements made by these governments. The IGI Group stands to benefit greatly from these developments in view of our lead position in various core lines of business in the region.

Turning to the bad news, 2010 witnessed a high level of natural catastrophe losses along with significant risk losses such as the sinking of the Transocean Deep Water Horizon rig in the Gulf of Mexico. The financial impact of these losses to the insurance market was substantial, and although IGI were affected by some of these, our exposures remain comfortably within our risk and catastrophe loss tolerances avoiding any impact to our capital. This is clearly reflected in the Company's results and comparisons shown within the financial highlights hereafter.

On a more uplifting note, we are pleased to share with you major developments that have been achieved during 2010:

- We have been granted licensing for International General Insurance Company (U.K.) Limited enabling our Company to participate on business derived from the European Union and facilitating licensing in other parts of the world. Our U.K. Company is a wholly owned subsidiary of IGI Bermuda and is mandated to underwrite certain niche lines of business for the Group.
- In the Company's commitment to grow its regional offices, we took practical measures to add underwriting capabilities in our Dubai operation in the Dubai International Financial Centre. In time, we plan to further strengthen said operations as and when market conditions become more attractive.
- As mentioned in last year's annual report, IGI entered into a Managing General Underwriting agreement with Energy Insurance Oslo (EIO), an underwriting agency specializing in Norwegian and Scandinavian energy and utility business. We are pleased to report that this has proved to be a rewarding decision. This arrangement has generated a healthy volume of profitable new business to the Company from 'blue chip' entities in Norway. We hope that we will be able to expand our cooperation with EIO in other areas where we are confident that we will be able to achieve similar success.

Turning to the Company's financial results, we are glad to report that we have once again exceeded net income targets. We are confident that with the expansion plans now in place and the expected turnaround of economic conditions, especially in the MENA region, our Group will continue to achieve its planned, measured growth with commensurately rewarding results going forward.

We give hereunder financial highlights of 2010 results:

- Gross written premium in 2010 was US\$ 179.33 million, an increase of 17.32 % compared to US\$ 152.87 million for 2009.
- Net underwriting profit grew to US\$ 22.4 million for 2010, an increase of 67.7 % from US\$ 13.35 million in 2009. This net underwriting profit represents 22.92 % of the gross earned premium for the period, against 13.73 % for 2009.
- Investment income for the year stood at US\$ 9.88 million, an increase of 36.4 % compared to US\$ 7.24 million for 2009.
- The combined ratio for 2010 was 92.52 %, compared to 98.12 % for 2009.
- Total assets were US\$ 488.9 million at the end of 2010, an increase of 7.1 % compared to US\$ 456.6 million as of 31st December, 2009.
- Shareholders' equity rose to US\$ 187.8 million at the end of 2010, an increase of 9.6 % compared to US\$ 171.3 million as of 31st December, 2009.

We would like to welcome Mrs. Rawan Al Said, Chief Executive Officer of Oman National Investment Corporation, to the Board of Directors of IGIH. We have no doubt that her experience in the region will provide a positive contribution to the existing Board.

We would like to thank all our clients and producers for their continued support throughout 2010. We would also like to thank all our employees for their significant effort and contribution this year.

We look forward to working together in 2011 to fulfill the visions and ambitions of the Company and to further establish IGI as the (Re)insurer of choice for the region.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
INTERNATIONAL GENERAL INSURANCE HOLDINGS LIMITED

We have audited the accompanying consolidated financial statements of International General Insurance Company Holdings Limited ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2010 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the Companies Law pursuant to DIFC Law No. 3 of 2006, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the shareholders of the Company as a body, for our audit work, for this report, or for the opinions we have formed. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

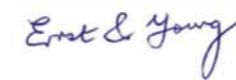
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2010 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

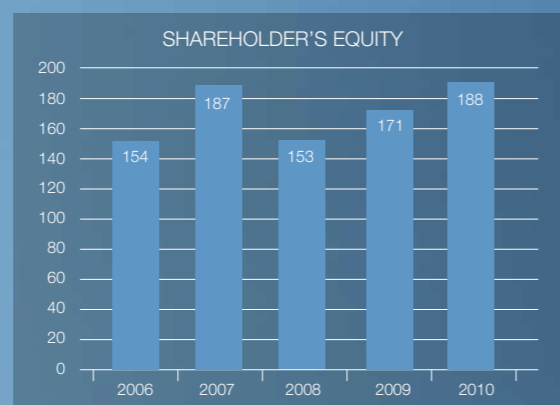
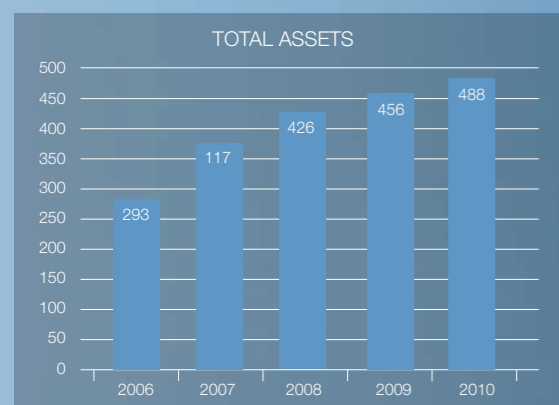
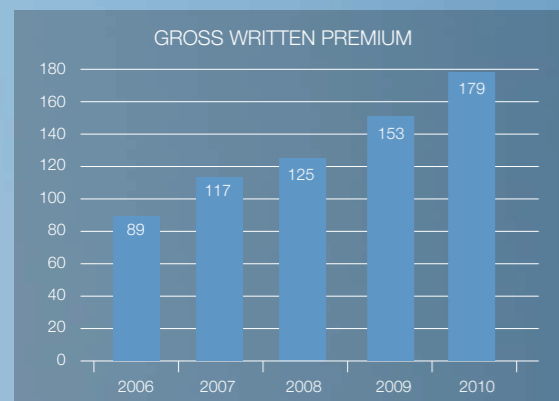
Report on other legal and regulatory requirements

We also confirm that, in our opinion, the consolidated financial statements include, in all material respects, the applicable requirements of the Companies Law pursuant to DIFC Law No. 3 of 2006. We have obtained all the information and explanations which we required for the purpose of our audit. To the best of our knowledge and belief, no violations of the companies law pursuant to DIFC Law No. 3 of 2006 have occurred during the period which would have had a material effect on the business of the Company or on its financial position.



Dubai, United Arab Emirates

Financial Results



	Notes	2010 USD	2009 USD
ASSETS			
Premises and equipment	3	3,735,073	3,720,305
Intangible assets	4	298,990	475,438
Investment in associated companies	5	11,280,888	11,032,729
Investment property	6	28,996,126	28,672,789
Investments	7	154,998,453	123,656,287
Deferred policy acquisition costs	8	25,730,470	20,003,250
Insurance receivables	9	85,985,756	94,330,538
Trade receivables	10	1,037,660	-
Other assets	11	12,185,890	4,778,040
Reinsurers' share of insurance reserves	12	62,863,007	61,063,626
Cash and bank balances	13	101,689,289	108,855,584
TOTAL ASSETS		488,801,602	456,588,586
EQUITY AND LIABILITIES			
Equity			
Issued share capital	14	143,375,678	143,375,678
Foreign currency translation reserve		(269,090)	(208,050)
Cumulative changes in fair value of investments		6,576,750	4,389,708
Retained earnings		38,097,808	23,769,816
Total equity		187,781,146	171,327,152
Liabilities			
Insurance reserves	12	259,462,447	235,220,774
Other liabilities	16	2,698,012	1,310,846
Reinsurance payable		31,083,276	24,755,439
Reinsurance deposit		-	17,318,875
Unearned commissions	17	7,776,721	6,655,500
Total liabilities		301,020,456	285,261,434
TOTAL EQUITY AND LIABILITIES		488,801,602	456,588,586

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 20 March 2011.



		2010	2009
	Notes	USD	USD
Gross earned premiums		159,169,279	148,366,598
Reinsurers' share of gross earned premiums		(61,466,935)	(51,106,248)
Net premiums	18	97,702,344	97,260,350
Claims	12	(94,168,856)	(89,879,032)
Reinsurers' share of claims	12	37,614,741	20,087,962
Commission income	17	13,268,394	9,733,389
Policy acquisition costs		(32,024,216)	(23,849,829)
Net underwriting result		22,392,407	13,352,840
Investment income	19	9,510,260	5,589,866
Share of profit from associated companies	5	575,159	1,240,368
Gain on sale of premises equipment		-	3,815
General and administrative expenses		(15,079,396)	(10,683,787)
Provision for doubtful debts		-	(847,800)
Gain on exchange		84,562	409,811
Goodwill impaired	4	(287,486)	-
PROFIT FOR THE YEAR		17,195,506	9,065,113
Attributable to:			
Equity holders of the parent		17,195,506	9,095,131
Non-controlling interest		-	(30,018)
		17,195,506	9,065,113

		2010	2009
		USD	USD
Profit for the year		17,195,506	9,065,113
Other comprehensive income			
Fair value changes during the year		2,187,042	9,399,751
Currency translation differences		(61,040)	38,123
Other comprehensive income for the year		2,126,002	9,437,874
Total comprehensive income for the year		19,321,508	18,502,987

		2010	2009
	Notes	USD	USD
OPERATING ACTIVITIES			
Profit for the year		17,195,506	9,065,113
Adjustments for:			
Depreciation and amortisation		1,071,959	578,999
Gain on sale of available-for-sale investments	19	(1,463,230)	(368,524)
Provision for doubtful debts		-	847,800
Impairment of available-for-sale investments	19	1,280,060	526,290
Gain on sale of premises and equipment		-	(3,815)
Loss on revaluation of held for trading investments	19	42,060	1,109,941
Dividends and interest income		(8,579,242)	(6,857,573)
Share of profit from associated companies		(575,159)	(1,240,368)
Reinsurers' share of insurance reserves	5	(1,799,381)	2,035,256
Insurance reserves		24,241,673	15,445,292
		31,414,246	21,138,411
Deferred policy acquisition costs		(5,727,220)	(1,929,806)
Insurance receivables		(2,707,296)	13,787,107
Trade receivables		(1,037,660)	-
Other assets		(7,407,850)	(2,541,354)
Unearned commission		1,121,221	3,069,619
Held for trading investments		109,231	949,281
Other liabilities		1,387,166	(545,849)
Net cash from operating activities		17,151,838	33,927,409
INVESTING ACTIVITIES			
Purchase of premises and equipment	3	(706,468)	(2,511,150)
Proceeds from sale of premises equipment		-	3,815
Purchase of intangible assets	4	(203,811)	(9,845)
Purchase of available-for-sale investments		(44,384,574)	(23,079,200)
Proceeds from sale of available-for-sale investments		18,261,329	4,613,939
Purchase of held to maturity investments		(3,000,000)	-
Purchase of investment property		(323,337)	(20,767,749)
Dividends received from associated companies	5	327,000	405,351
Deposits maturing after three months		(5,505,342)	2,386,183
Dividends and interest income		8,579,242	6,857,573
Net cash used in investing activities		(26,955,961)	(32,101,083)
FINANCING ACTIVITIES			
Dividends paid	15	(2,867,514)	-
Net cash used in financing activities		(2,867,514)	-
NET CHANGE IN CASH AND CASH EQUIVALENTS		(12,671,637)	1,826,326
Cash and cash equivalents at the beginning of the year		107,156,372	105,330,046
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	13	94,484,735	107,156,372

	Attributable to equity holders of the parent						
	Issued share capital	Foreign currency translation reserve	Cumulative change in fair value of investments	Retained earnings	Total	Non- controlling interests	Total equity
	USD	USD	USD	USD	USD	USD	USD
At 1 January 2009	143,375,678	(231,658)	(5,010,043)	14,674,685	152,808,662	529,981	153,338,643
Profit for the year	-	-	-	9,095,131	9,095,131	(30,018)	9,065,113
Other comprehensive income	-	23,608	9,399,751	-	9,423,359	14,515	9,437,874
Total comprehensive income (loss)	-	23,608	9,399,751	9,095,131	18,518,490	(15,503)	18,502,987
Acquisition of non controlling interest	-	-	-	-	-	(514,478)	(514,478)
At 31 December 2009	143,375,678	(208,050)	4,389,708	23,769,816	171,327,152	-	171,327,152
Profit for the year	-	-	-	17,195,506	17,195,506	-	17,195,506
Other comprehensive income	-	(61,040)	2,187,042	-	2,126,002	-	2,126,002
Total comprehensive income	-	(61,040)	2,187,042	17,195,506	19,321,508	-	19,321,508
Dividends paid during the year (note 15)	-	-	-	(2,867,514)	(2,867,514)	-	(2,867,514)
At 31 December 2010	143,375,678	(269,090)	6,576,750	38,097,808	187,781,146	-	187,781,146

1. ACTIVITIES

International General Insurance Holdings Limited [the Company] is incorporated as a company limited by shares under the Companies Law, DIFC Law No. 2 of 2004 on 7 May 2006 and is engaged in the business of re-insurance and insurance. The Company's registered office is in Dubai International Financial Centre.

The Company and its subsidiaries [together the Group] operate in the United Arab Emirates, Bermuda, Jordan and Malaysia.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements have been presented in United States Dollars "USD" which is the Group's functional currency.

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of financial assets available-for-sale, financial assets held for trading and investment properties.

Basis of consolidation

The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group balances, transactions, income and expenses and profits and losses, including dividends resulting from intra-group transactions, are eliminated in full.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2010:

IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions

IFRS 2 Share-based Payment (Revised)

The International Accounting Standards Board (IASB) issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as of 1 January 2010. It did not have an impact on the financial position or performance of the Group.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

AS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010.

The change in accounting policy was applied prospectively and had no impact on the financial position or the performance of the Group.

IFRIC 17 Distributions of Non-cash Assets to Owners

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either, the financial position or performance of the Group.

Standards issued but not effective

Standards issued but not yet effective up to the date of issuance of the Group financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Group does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

2. BASIS OF PREPARATION (continued)

Changes in accounting policies (continued)

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Group after initial application.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Group.

Summary of significant accounting policies

Premiums earned

Premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unearned period of coverage. The change in the provision for unearned premiums is taken to the consolidated statement of income in order that revenue is recognised over the period of risk.

Premiums written include adjustments to premiums written in prior accounting periods and estimates for "pipeline" premiums. An estimate is made at the consolidated statement of financial position date to recognise retrospective adjustments to premiums or commissions. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or inwards reinsurance business.

Claims

Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to income as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Group and those not reported at the consolidated statement of financial position date.

The Group generally estimates its claims based on appointed loss adjusters or leading underwriters' recommendations. In addition a provision based on management's judgement and the Group's prior experience is maintained for the cost of settling claims incurred but not reported at the consolidated statement of financial position date. Any difference between the provisions at the statement of financial position date and settlements and provisions for the following year is included in the underwriting account for that year.

Policy acquisition costs

Commissions paid to intermediaries and other direct costs incurred in relation to the acquisition and renewal of insurance contracts are capitalised as an intangible asset. The deferred policy acquisition costs are subsequently amortised over the terms of the insurance contracts to which they relate as premiums are earned.

Liability adequacy test

At each consolidated statement of financial position date the Group assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred policy acquisition costs) is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in income and an unexpired risk provision created.

Reinsurance

The Group cedes insurance risk in the normal course of business for all classes of business. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are calculated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the consolidated statement of income.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

Premiums and claims on assumed reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are calculated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Interest revenue

Interest revenue is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividend revenue

Dividend revenue is recognised when right to receive the payment is established.

Premises and equipment

Premises and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets ranging between 3 to 10 years.

The assets' residual values, useful lives and method of depreciation are reviewed and adjusted if appropriate at each financial year-end. Impairment reviews take place when events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment losses are recognised in the consolidated statement of income as an expense.

Intangible assets

a) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill arising from the investment in subsidiaries is separately shown under intangible assets, while that arising from the investment in associates is shown as part of investment in associates and subsequently adjusted for any impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is from the date of acquisition allocated to each of the Group's cash-generating units, or groups of cash-generating units. Where the recoverable amount of the cash-generating unit is less than the carrying value, an impairment loss is recognised.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the estimated recoverable amount of a cash-generating unit or group of cash-generating units is less than their carrying amount. Impairment losses are charged to the consolidated statement of income.

b) Intangible assets

Intangible assets acquired through business combinations are recorded at their fair value on that date. Other intangible assets are measured on initial recognition at cost.

Intangible assets with finite lives are amortised over the useful economic lives, while intangible assets with indefinite useful lives are assessed for impairment at each reporting date or when there is an indication that the intangible asset may be impaired.

Internally generated intangible assets are not capitalised and are expensed in the consolidated statement of income.

Indications of impairment of intangible assets are reviewed and their useful economic lives are reassessed at each reporting date. Adjustments are reflected in the current and subsequent periods.

Intangible assets include computer software and software licenses. These intangible assets are amortised on a straight line basis over their estimated economic useful lives of 5 years.

Impairment and uncollectibility of financial assets

An assessment is made at each consolidated statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of income.

Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value;
- For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
- For assets carried at amortised cost, impairment is based on estimated cash flows discounted at the effective interest rates.

2. BASIS OF PREPARATION (continued)

Summary of significant accounting policies (continued)

Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Investment in associated companies

Investments in associated companies are carried in the consolidated statement of financial position at cost plus post – acquisition changes in the Group's share of net assets of associates, less any impairment in value. The consolidated statement of income reflects the share of the results of the operations of the associates.

Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of income in the period in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of income in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Investments

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, held-to-maturity investments or available-for-sale financial assets. The Group determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated statement of income. The Group has not designated any financial assets upon initial recognition as at fair value through profit or loss.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest rate method, less impairment. Impairment losses are recognised in the consolidated statement of income.

Available-for-sale financial investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is recognised in the consolidated statement of income and removed from the available-for-sale reserve.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less.

Provisions

Provisions are recognised when the Group has an obligation (legal or constructive) as a result of a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation.

Foreign currencies

The Group's consolidated financial statements are presented in United States Dollars, which is also the functional currency of the Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Group companies

The assets and liabilities of foreign operations are translated into United States Dollars at the rate of exchange prevailing at the reporting date and their statements of income are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.

Leases

The Group has no finance leases.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Fair values

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the consolidated statement of financial position date. If quoted market prices are not available, reference is also be made to broker or dealer price quotations.

For financial instruments where there is not an active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same and/or discounted cash flow analysis. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the financial statements:

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held for trading or available for sale or held to maturity.

The group classifies investments as trading if they are acquired primarily for the purpose of making a short term profit by the dealers.

Financial assets are classified as held to maturity if the Group has the positive intention and ability to hold up till maturity.

All other investments are classified as financial assets available -for- sale.

Impairment of investments

The group treats financial assets available-for-sale as impaired when there has been a significant or prolonged decline in the fair value below cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. In addition, the Group evaluates other factors, including normal volatility in share prices for quoted equities and the future cash flows and discount factors for unquoted equities.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the consolidated statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

2. BASIS OF PREPARATION (continued)

Summary of significant accounting policies (continued)

Valuation of outstanding claims, whether reported or not

Considerable judgement by management is required in the estimation of amounts due to contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the consolidated statement of financial position date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the consolidated statement of financial position date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjustors normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

Investment properties

Investment properties are stated at fair value which is determined based on valuations performed by professional independent valuers.

Reinsurance

The Group is exposed to disputes with, and possibility of defaults by, its reinsurers. The Group monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

3. PREMISES AND EQUIPMENT

	Office building	Office furniture	Computers	Equipment	Leasehold improvements	Vehicles	Total
	USD	USD	USD	USD	USD	USD	USD
Cost							
At 1 January 2010	1,826,810	1,053,063	385,408	146,330	743,382	253,571	4,408,564
Additions	9,378	231,302	61,139	39,227	244,485	120,937	706,468
At 31 December 2010	1,836,188	1,284,365	446,547	185,557	987,867	374,508	5,115,032
Depreciation							
At 1 January 2010	-	146,197	246,803	72,768	72,139	150,352	688,259
Additions	99,413	201,155	98,807	35,929	208,944	47,452	691,700
At 31 December 2010	99,413	347,352	345,610	108,697	281,083	197,804	1,379,959
Net carrying amount							
At 31 December 2010	1,736,775	937,013	100,937	76,860	706,784	176,704	3,735,073
Cost							
At 1 January 2009	-	482,000	273,011	136,601	946,447	198,832	2,036,891
Additions	1,826,810	184,646	112,397	18,518	314,040	54,739	2,511,150
Transfers	-	466,225	-	-	(466,225)	-	-
Write off and disposals	-	(79,808)	-	(8,789)	(50,880)	-	(139,477)
At 31 December 2009	1,826,810	1,053,063	385,408	146,330	743,382	253,571	4,408,564
Depreciation							
At 1 January 2009	-	69,165	138,035	39,692	45,288	86,964	379,144
Charge for the year	-	156,840	108,768	41,865	77,731	63,388	448,592
Write off	-	(79,808)	-	(8,789)	(50,880)	-	(139,477)
At 31 December 2009	-	146,197	246,803	72,768	72,139	150,352	688,259
Net carrying amount							
At 31 December 2009	1,826,810	906,866	138,605	73,562	671,243	103,219	3,720,305

The depreciation charge for the year of USD 691,700 (2009: USD 448,592) has been included in general and administrative expenses.

4. INTANGIBLE ASSETS

	Goodwill	Computer software	2010 Total	2009 Total
	USD	USD	USD	USD
Cost				
Opening balance	287,486	561,987	849,473	804,108
Additions	-	203,811	203,811	76,195
Foreign currency transaction adjustment	-	-	-	(30,830)
Closing balance	287,486	765,798	1,053,284	849,473
Amortization				
Opening balance	-	374,035	374,035	243,628
Additions	287,486	92,773	380,259	130,407
Closing balance	287,486	466,808	754,294	374,035
Net book value	-	298,990	298,990	475,438

Goodwill has been allocated to North Star Underwriting Limited which is considered to be a cash generating unit. The recoverable amount of the cash generating unit has been determined by calculating cash flow projections based on financial budgets approved by senior management covering a five year period. Goodwill allocated to the cash generating unit has been tested for impairment, and since the recoverable amount of the cash generating unit during the year was nil, the goodwill was impaired in full.

5. INVESTMENT IN ASSOCIATED COMPANIES

In 2002, the Group acquired a 33% equity ownership interest in companies registered in Lebanon as shown below:

	Country of incorporation	Ownership	2010	2009
Star Rock SAL Lebanon	Lebanon	33%	33%	33%
Sina SAL Lebanon	Lebanon	33%	33%	33%
Silver Rock SAL Lebanon	Lebanon	33%	33%	33%
Golden Rock SAL Lebanon	Lebanon	33%	33%	33%

Movement on investment in associates was as follows:

	2010 USD	2009 USD
Opening balance	11,032,729	10,197,712
Share of profit of associated companies	575,159	467,264
Share of fair value gain on investment properties	-	773,104
Dividends received	(327,000)	(405,351)
	11,280,888	11,032,729

5. INVESTMENT IN ASSOCIATED COMPANIES (continued)

The following table includes summarised information of the Group's investments in associates:

	2010	2009
	USD	USD
<i>Share of associates' statement of financial position</i>		
Current assets	604,829	549,809
Non-current assets	16,955,064	16,915,258
Current liabilities	(6,279,005)	(6,432,338)
Net assets	11,280,888	11,032,729
<i>Share of associates' revenues and results</i>		
Revenues	829,018	1,492,587
Profit	575,159	1,240,368

Investment properties of the associates are stated at fair value, which has been determined based on valuations performed by professional independent valuers who are specialists in valuing these types of investment properties. The fair value represents the amount, which the assets could be exchanged between a knowledgeable, willing seller in an arm's length transaction at the date of valuation. All the investment properties generated rental income during the current period and the prior years.

6. INVESTMENT PROPERTY

The following table includes summarised information of the Group's investment property:

	2010	2009
	USD	USD
Commercial building	20,534,276	20,429,402
Land*	8,461,850	8,243,387
	28,996,126	28,672,789

*The land is registered in the name of the Directors of the Company. The Company has obtained an irrevocable proxy over this investment property.

There is no significant difference between the carrying amount and fair value of the investment property based on valuations performed by independent valuer.

7. INVESTMENTS

	2010	2009
	USD	USD
<i>Held to maturity</i>		
Unquoted bonds	4,690,141	1,690,141
<i>Held for trading</i>		
Quoted funds	1,679,234	1,830,525
<i>Available-for-sale</i>		
Quoted bonds and debt securities with fixed interest rate	71,847,200	59,362,794
Quoted equities	61,360,659	43,511,474
Quoted funds and alternative investments	5,623,167	7,463,301
Unquoted government bonds and debt securities with fixed interest rate	1,410,934	1,410,934
Unquoted equities*	8,387,118	8,387,118
	148,629,078	120,135,621
	154,998,453	123,656,287

*Carried at cost on account of the unpredictable nature of future cash flows and lack of suitable alternative methods to arrive at a reliable fair value. There is no market for these investments and the Group intends to hold them for the long term. Provision for impairment for equity investments charged to the consolidated statement of income amounted to USD 1,280,060 (2009: USD 526,290).

8. DEFERRED POLICY ACQUISITION COSTS

	2010	2009
	USD	USD
Opening balance	20,003,250	18,073,444
Acquisition costs	37,751,436	25,779,635
Charged to consolidated statement of income	(32,024,216)	(23,849,829)
	25,730,470	20,003,250

9. INSURANCE RECEIVABLES

	2010	2009
	USD	USD
Receivables from insurance companies and intermediaries	84,555,470	76,948,231
Reinsurers – amounts due in respect of claims paid	1,430,286	17,382,307
	85,985,756	94,330,538

The management believes that the insurance receivables are not impaired and will be recovered in full. For the aging details please refer to note 23 "credit risk".

10. TRADE RECEIVABLES

This amount represents the balances due from the Specialty Mall customers against rental income. There are no impaired trade receivables and management believes that the trade receivables will be recovered in full.

For the aging details please refer to note 23 "credit risk".

11. OTHER ASSETS

	2010	2009
	USD	USD
Deferred XOL premium	6,288,817	2,590,449
Accrued interest income	1,338,608	1,137,314
Advance payment on investments	2,782,299	126,027
Prepaid expenses	246,432	530,330
Accrued dividend income	1,032,728	262,240
Refundable deposits	74,827	37,316
Employees receivables	187,294	31,003
Others	234,885	63,361
	12,185,890	4,778,040

12. INSURANCE RESERVES

	2010			2009		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	USD	USD	USD	USD	USD	USD
Unearned premiums	103,402,699	(28,106,769)	75,295,930	83,238,624	(21,561,486)	61,677,138
Outstanding claims	156,059,748	(34,756,238)	121,303,510	151,982,150	(39,502,140)	112,480,010
	259,462,447	(62,863,007)	196,599,440	235,220,774	(61,063,626)	174,157,148

a) Unearned premiums

	2010			2009		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	USD	USD	USD	USD	USD	USD
Opening balance	83,238,624	(21,561,486)	61,677,138	78,743,301	(13,427,326)	65,315,975
Premiums written	179,333,354	(68,012,218)	111,321,136	152,861,921	(59,240,408)	93,621,513
Premiums earned	(159,169,279)	61,466,935	(97,702,344)	(148,366,598)	51,106,248	(97,260,350)
	103,402,699	(28,106,769)	75,295,930	83,238,624	(21,561,486)	61,677,138

b) Outstanding claims

Movement in outstanding claims

	2010			2009		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	USD	USD	USD	USD	USD	USD
<i>At the beginning of the year</i>						
Reported claims	112,482,150	(39,502,140)	72,980,010	110,800,288	(48,439,663)	62,360,625
Claims incurred but not reported	39,500,000	-	39,500,000	30,231,893	(1,231,893)	29,000,000
	151,982,150	(39,502,140)	112,480,010	141,032,181	(49,671,556)	91,360,625
Claims paid	(90,091,258)	42,360,643	(47,730,615)	(78,929,063)	30,257,378	(48,671,685)
Provided during the year	94,168,856	(37,614,741)	56,554,115	89,879,032	(20,087,962)	69,791,070
At the end of the year	156,059,748	(34,756,238)	121,303,510	151,982,150	(39,502,140)	112,480,010
<i>At the end of the year</i>						
Reported claims	114,059,748	(34,756,238)	79,303,510	112,482,150	(39,502,140)	72,980,010
Claims incurred but not reported	42,000,000	-	42,000,000	39,500,000	-	39,500,000
	156,059,748	(34,756,238)	121,303,510	151,982,150	(39,502,140)	112,480,010

Claims development

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each statement of financial position date, together with cumulative payments to date.

	2006	2007	2008	2009	2010	Total
	USD	USD	USD	USD	USD	USD
At end of accident year	6,958,339	21,043,300	48,321,100	28,528,100	48,892,848	153,743,687
One year later	33,226,096	59,651,500	63,821,433	64,953,900	-	221,652,929
Two years later	49,255,000	79,736,254	68,920,200	-	-	197,911,454
Three years later	47,765,268	79,324,900	-	-	-	127,090,168
Four years later	47,922,100	-	-	-	-	47,922,100
Current estimate of cumulative claims incurred	47,922,100	79,324,900	68,920,200	64,953,900	48,892,848	310,013,948
Cumulative payments to date	(41,739,000)	(57,941,600)	(47,886,600)	(30,656,500)	(25,383,200)	(203,606,900)
Liability recognised in the statement of financial position	6,183,100	21,383,300	21,033,600	34,297,400	23,509,648	106,407,048
Liability in respect of years prior to 2006						7,652,700
						114,059,748
Incurred but not reported claims						42,000,000
Total liability included in the consolidated statement of financial position						156,059,748

13. CASH AND BANK BALANCES

	2010	2009
	USD	USD
Cash and bank balances	24,495,024	34,002,791
Time deposits	69,989,711	73,153,581
Cash and cash equivalents	94,484,735	107,156,372
Demand deposits	7,204,554	1,699,212
	101,689,289	108,855,584

The time deposits, which are substantially denominated in US Dollars, are made for varying periods of time between one month to two years depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

14. ISSUED SHARE CAPITAL

	Authorised, issued and fully paid	
	2010	2009
	USD	USD
Shares of USD 1 each	143,375,678	143,375,678

15. DIVIDENDS PAID

At a meeting held on 19 April 2010, the shareholders resolved to pay dividend of USD 0.02 per share amounting to USD 2,867,514 related to the year ended 31 December 2009 (2009: no dividend paid or proposed).

16. OTHER LIABILITIES

	2010	2009
	<i>USD</i>	<i>USD</i>
Accounts payable	1,342,525	780,360
Accrued expenses	1,355,487	530,486
	2,698,012	1,310,846

17. UNEARNED COMMISSIONS

	2010	2009
	<i>USD</i>	<i>USD</i>
Opening balance	6,655,500	3,585,881
Commissions received	14,389,615	12,803,008
Commissions earned	(13,268,394)	(9,733,389)
	7,776,721	6,655,500

18. NET INSURANCE PREMIUM REVENUE

	2010	2009
	<i>USD</i>	<i>USD</i>
Gross premiums	179,333,354	152,861,921
Change in unearned premiums	(20,164,075)	(4,495,323)
Gross earned premiums	159,169,279	148,366,598
Reinsurers' share of insurance premiums	(68,012,218)	(59,240,408)
Reinsurers' share of change in unearned premiums	6,545,283	8,134,160
Reinsurers' share of gross earned premiums	(61,466,935)	(51,106,248)
	97,702,344	97,260,350

19. INVESTMENT INCOME

	2010	2009
	<i>USD</i>	<i>USD</i>
Interest	6,178,579	5,924,319
Dividends	2,400,663	933,254
Gain on sale of available-for-sale investments	1,463,230	368,524
Loss on revaluation of held for trading investments	(42,060)	(1,109,941)
Impairment on available-for-sale investments (note 7)	(1,280,060)	(526,290)
Rental income, net	789,908	-
	9,510,260	5,589,866

20. INVESTMENT IN SUBSIDIARIES

	Country of incorporation	Ownership	
		2010	2009
International General Insurance Company Limited	Bermuda	100%	100%
International General Insurance Underwriting	Jordan	100%	100%
North Star Underwriting Limited ¹	United Kingdom	100%	100%
Specialty Malls Investment Co. ²	Jordan	100%	100%

1. During the previous year, an employment and contractual dispute arose between Mr Stephen Bishop and North Star Underwriting Limited (previously known as SR Bishop Underwriting Limited) during August 2009. This culminated in Mr Bishop and Skalama issuing legal proceedings against the Company, North Star Underwriting Limited and three directors of the Board of North Star in the English court in October 2009.

Based on legal advice received to date, the law suit was settled in March 2011 with no significant financial impact on the Group.

2. In 2009, the Group acquired 100% of the ownership of Specialty Malls Investment Company, a real estate company in Amman owning and managing a commercial building treated as "investment property" as per IAS 40. The fair value of the identifiable assets and liabilities of Specialty Malls Investment Company as at the date of acquisition were:

	Fair value on acquisition
	<i>USD</i>
Premises and equipment	1,826,810
Investment property	20,338,628
Cash and bank balances	93,891
Other liabilities	(3,117)
	22,256,212
Purchase consideration	22,256,212

The building has generated rental income during the year.

As at 31 December 2010, financial statements of the subsidiary are consolidated with the Group's financial statements.

21. COMMITMENTS AND CONTINGENCIES

As of the date of the financial statements, the Company is contingently liable for the following:

- Letters of Guarantee amounting to USD 12,225 (31 December 2009: USD 7,125) to the order of the Jordanian Ministry of Trade and Industry with margin of USD 1,222 (31 December 2009: USD 713).
- Letters of Credit amounting to USD 30,030,741 to the order of reinsurance companies (31 December 2009: USD 42,883,867).

22. Related party transactions

Related parties represent major shareholders, associates, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties included in the consolidated financial statements are as follows:

	2010	2009
<i>Consolidated statement of financial position</i>	<i>USD</i>	<i>USD</i>
Purchase of subsidiary (note 20)	-	22,256,212
	2010	2009
<i>Consolidated statement of income</i>	<i>USD</i>	<i>USD</i>
Commission paid	63,054	50,332

Compensation of key management personnel of the Group, consisting of salaries and benefits was USD 3,386,601 (31 December 2009: USD 2,651,913).

23. RISK MANAGEMENT

The risks faced by the Group and the way these risks are mitigated by management are summarised below.

Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed the carrying amount of insurance liabilities. This could occur because the frequency or amounts of claims are more than expected. The Group only issues insurance contracts in connection with property and energy (collectively known as fire and accident), and marine risks.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Group underwrites mainly fire and accident and marine risks. These are regarded as insurance contracts as claims are normally advised. This helps to mitigate insurance risk.

Property and energy

Property and energy insurance is designed to compensate contract holders for damage suffered to properties or for the value of property lost. Contract holders could also receive compensation for the loss of earnings caused by the inability to use the insured properties.

For property and energy insurance contracts the main risks are fire and business interruption. In recent years the Group has mostly underwritten policies for properties containing fire detection equipment.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims.

Marine

Marine insurance is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea resulting in the total or partial loss of cargoes.

For marine insurance the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered.

Geographical concentration of risks

Approximately, 59%, 19%, 4% and 18% of the Group's insurance risk relates to policies written in the Middle/Far East and Asia, Europe, USA and the rest of the world respectively. (2009: 38%, 19%, 15% and 28% respectively)

Reinsurance risk

In common with other insurance companies, in order to minimise financial exposure arising from large claims, the Group, in the normal course of business, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess-of-loss reinsurance contracts.

To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers. The Group only deals with reinsurers approved by the board of directors, which are generally rated A or above by international rating agencies.

Financial risk

The Group's principal financial instruments are financial assets available-for-sale, financial assets held for trading, financial assets held to maturity, receivables arising from insurance and reinsurance contracts, trading investments and cash and cash equivalents.

The Group does not enter into derivative transactions.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, market price risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk on certain of its investments and cash and cash equivalents. The Group limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and interest bearing investments and borrowings are denominated.

Details of maturities of the major classes of financial assets are as follows:

2010	Less than	1 to 5	More than	Non-interest	Total	Effective Interest
	1 year	years	5 years	bearing items		
	USD	USD	USD	USD	USD	(%)
Trading investments	-	-	-	1,679,234	1,679,234	
Available-for-sale investments	12,553,656	43,472,492	15,821,051	76,781,879	148,629,078	5.23
Held to maturity investments	-	1,690,141	3,000,000	-	4,690,141	5.98
Cash and short term deposits	96,245,129	5,444,160	-	-	101,689,289	2.20
	108,798,785	50,606,793	18,821,051	78,461,113	256,687,742	
2009						
Trading investments	-	-	-	1,830,525	1,830,525	
Available-for-sale investments	2,707,380	56,235,842	-	61,192,399	120,135,621	4.77
Held to maturity investments	-	1,690,141	-	-	1,690,141	9.50
Cash and short term deposits	108,855,584	-	-	-	108,855,584	2.55
	111,562,964	57,925,983	-	63,022,924	232,511,871	

There is no significant difference between contractual repricing or maturity dates.

The following table demonstrates the sensitivity of consolidated statement of income to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the Group's profit for the year, based on the floating rate financial assets and financial liabilities held at 31 December:

	Increase/ decrease in basis points	Effect on profit for the year
		USD
2010	+25	445,567
	-50	(891,134)
2009	+25	419,197
	-50	(838,994)

23. RISK MANAGEMENT (continued)

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of significant losses due to exchange rate fluctuations since most of the Group's transactions are in US Dollars and consequently the Group does not hedge its foreign currency exposure.

Credit risk

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

The Group only enters into insurance and reinsurance contracts with recognised, credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Group's exposure to bad debts.

The Group portfolio is managed by the Vice-Chairman and CEO in accordance with the investment policy established by the board of directors.

The Group's bank balances are maintained with a range of international and local banks in accordance with limits set by the board of directors.

There are no significant concentrations of credit risk within the Group. The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit rating of counterparties:

	<i>Neither past due nor impaired</i>				Total
	Investment grade	Non investment grade (satisfactory)	Non investment grade (un-satisfactory)	Past due or impaired	
	USD	USD	USD	USD	
2010					
Financial assets available-for-sale	75,145,910	73,483,168	-	-	148,629,078
Financial assets held for trading	-	1,679,234	-	-	1,679,234
Financial assets held to maturity	3,000,000	1,690,141	-	-	4,690,141
Insurance receivables	-	85,985,756	-	-	85,985,756
Trade receivables	-	1,037,660	-	-	1,037,660
Reinsurers' share of unearned premium	-	28,106,769	-	-	28,106,769
Reinsurers' share of outstanding claims	27,246,336	7,509,902	-	-	34,756,238
Cash and bank balances	42,584,763	59,104,526	-	-	101,689,289
	147,977,009	258,597,156	-	-	406,574,165

	<i>Neither past due nor impaired</i>				Total
	Investment grade	Non investment grade (satisfactory)	Non investment grade (un-satisfactory)	Past due or impaired	
	USD	USD	USD	USD	
2009					
Financial assets available-for-sale	54,447,039	65,688,582	-	-	120,135,621
Financial assets held for trading	-	1,830,525	-	-	1,830,525
Financial assets held to maturity	-	1,690,141	-	-	1,690,141
Insurance receivables	-	94,330,538	-	-	94,330,538
Reinsurers' share of unearned premium	-	21,561,486	-	-	21,561,486
Reinsurers' share of outstanding claims	35,175,897	4,326,243	-	-	39,502,140
Cash and bank balances	66,153,710	42,701,874	-	-	108,855,584
	155,776,646	232,129,389	-	-	387,906,035

The following table provides an aging analysis of receivables arising from insurance and reinsurance contracts past due but not impaired:

	<i>Past due but not impaired</i>						Total
	Neither past due nor impaired	Up to 90 days	91 to 180 days	181 to 270 days	271 to 360 days	above 360 days	
	USD	USD	USD	USD	USD	USD	
31 December 2010	59,491,199	13,407,158	6,581,777	2,249,866	2,536,041	1,719,715	85,985,756
31 December 2009	65,792,501	9,891,422	4,620,417	8,270,366	4,759,999	995,833	94,330,538

The following table provides an aging analysis of trade receivables arising from Specialty Mall customers past due but not impaired:

	<i>Past due but not impaired</i>		
	Neither past due nor impaired	Up to 90 days	Total
	USD	USD	USD
31 December 2010	647,737	389,923	1,037,660

For assets to be classified as 'past due and impaired' contractual payments are in arrears for more than 360 days and an impairment adjustment is recorded in the consolidated statement of income for this. When the credit exposure is adequately secured, arrears more than 360 days might still be classified as 'past due but not impaired', with no impairment adjustment recorded.

Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The company's equity price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices.

The following table demonstrates the sensitivity of the profit for the period and the cumulative changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

	2010			2009		
	Change in equity price	Effect on equity	Effect on profit	Change in equity price	Effect on equity	Effect on profit
	USD	USD	USD	USD	USD	USD
Amman Stock Exchange	5%	472,882	-	5%	459,050	-
Saudi Arabia	5%	480,134	-	5%	749,931	-
Dubai International Financial Exchange	5%	1,205,183	-	5%	455,109	-
Other quoted	5%	909,834	83,962	5%	511,484	91,526

The Group also has unquoted investments carried at cost where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired, when the consolidated statement of income will be impacted.

The Group limits market risk by maintaining a diversified portfolio and by monitoring of developments in equity markets.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its commitments associated with insurance contracts and financial liabilities as they fall due.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

All liabilities are non-interest bearing liabilities.

23. RISK MANAGEMENT (continued)

The table below summarizes the maturity profile of the company's financial liabilities at 31 December based on contractual undiscounted payments:

	Less than one year	More than one year	No term	Total
2010	USD	USD	USD	USD
Insurance reserves	194,596,835	64,865,612	-	259,462,447
Other liabilities	2,698,012	-	-	2,698,012
Reinsurance payable	31,083,276	-	-	31,083,276
Reinsurance deposits	-	-	-	-
Unearned commissions	5,832,541	1,944,180	-	7,776,721
Total liabilities	234,210,664	66,809,792	-	301,020,456
2009				
Insurance reserves	165,363,926	69,856,848	-	235,220,774
Other liabilities	1,310,846	-	-	1,310,846
Reinsurance payable	24,755,439	-	-	24,755,439
Reinsurance deposits	-	17,318,875	-	17,318,875
Unearned commissions	4,991,625	1,663,875	-	6,655,500
Total liabilities	196,421,836	88,839,598	-	285,261,434

Maturity analysis of assets and liabilities

The table below shows analysis of assets and liabilities analysed according to when they are expected to be recovered or settled:

2010	Less than one year	More than one year	No term	Total
	USD	USD	USD	USD
ASSETS				
Premises and equipment	-	3,735,073	-	3,735,073
Intangible assets	-	298,990	-	298,990
Investment in associated companies	-	11,280,888	-	11,280,888
Investment property	-	-	28,996,126	28,996,126
Investments	12,553,656	63,983,684	78,461,113	154,998,453
Deferred policy acquisition costs	19,297,853	6,432,617	-	25,730,470
Insurance receivables	84,266,041	1,719,715	-	85,985,756
Trade receivables	1,037,660	-	-	1,037,660
Other assets	12,185,890	-	-	12,185,890
Reinsurers' share of insurance reserves	47,147,255	15,715,752	-	62,863,007
Cash and bank balances	96,245,129	5,444,160	-	101,689,289
TOTAL ASSETS	272,733,484	108,610,879	107,457,239	488,801,602
EQUITY AND LIABILITIES				
Equity				
Issued share capital	-	-	143,375,678	143,375,678
Foreign currency translation reserve	-	-	(269,090)	(269,090)
Cumulative changes in fair values of investments	-	-	6,576,750	6,576,750
Retained earnings	-	-	38,097,808	38,097,808
Total equity	-	-	187,781,146	187,781,146
Liabilities				
Insurance reserves				
Other liabilities	194,596,835	64,865,612	-	259,462,447
Reinsurance payable	2,698,012	-	-	2,698,012
Reinsurance deposits	31,083,276	-	-	31,083,276
Unearned commissions	5,832,541	1,944,180	-	7,776,721
Total liabilities	234,210,664	66,809,792	-	301,020,456
TOTAL EQUITY AND LIABILITIES	234,210,664	66,809,792	187,781,146	488,801,602

23. RISK MANAGEMENT (continued)

2009	Less than one year	More than one year	No term	Total
	USD	USD	USD	USD
ASSETS				
Premises and equipment	-	3,720,305	-	3,720,305
Intangible assets	-	475,438	-	475,438
Investment in associated companies	-	11,032,729	-	11,032,729
Investment property	-	-	28,672,789	28,672,789
Investments	3,683,154	43,782,095	76,191,038	123,656,287
Deferred policy acquisition costs	14,715,250	5,288,000	-	20,003,250
Insurance receivables	94,330,538	-	-	94,330,538
Other assets	4,778,040	-	-	4,778,040
Reinsurers' share of insurance reserves	45,807,726	15,255,900	-	61,063,626
Cash and bank balances	108,855,584	-	-	108,855,584
TOTAL ASSETS	272,170,292	79,554,467	104,863,827	456,588,586
EQUITY AND LIABILITIES				
Equity				
Issued share capital	-	-	143,375,678	143,375,678
Foreign currency translation reserve	-	-	(208,050)	(208,050)
Cumulative changes in fair values of investments	-	-	4,389,708	4,389,708
Retained earnings	-	-	23,769,816	23,769,816
Total equity	-	-	171,327,152	171,327,152
Liabilities				
Insurance reserves	165,363,926	69,856,848	-	235,220,774
Other liabilities	1,310,846	-	-	1,310,846
Reinsurance payable	24,755,439	-	-	24,755,439
Reinsurance deposits	17,318,875	-	-	17,318,875
Unearned commissions	4,991,625	1,663,875	-	6,655,500
Total liabilities	213,740,711	71,520,723	-	285,261,434
TOTAL EQUITY AND LIABILITIES	213,740,711	71,520,723	171,327,152	456,588,586

Capital management

The Group manages its capital by 'Enterprise Risk Management' techniques, using a dynamic financial analysis model. The Asset Liability match is reviewed and monitored on regular basis to maintain a strong credit rating and healthy capital adequacy ratios to support its business objectives and maximise shareholders' value.

Adjustments to capital levels are made in light of changes in market conditions and risk characteristics of the Group's activities.

Fair value

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	31 December 2010		
	Level 1	Level 2	Total
	USD	USD	USD
Held for trading	1,679,234	-	1,679,234
Available-for-sale	138,831,026	-	138,831,026
	140,510,260	-	140,510,260

	31 December 2009		
	Level 1	Level 2	Total
	USD	USD	USD
Held for trading	1,830,525	-	1,830,525
Available-for-sale	110,337,569	-	110,337,569
	112,168,094	-	112,168,094

There were no transfers between Level 1 and 2 during the year or in either the years ended 31 December 2010 or 31 December 2009.

There are no level 3 investments.

Unquoted investments amounting to USD 14,488,193 (2009: USD 9,798,052) have been carried at cost in the absence of market price or other appropriate method from which to derive a fair value.



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