ANNUAL REPORT **2015**

gig
GULF
INSURANCE
GROUP

Dar al-Athar al-Islamiyyah, one of Kuwait's leading cultural organizations, was created to manage activities related to The al-Sabah Collection. The collection includes one of the world's finest assemblages of arts from the Islamic world. The collection consists of over 30,000 priceless objects, including manuscripts, scientific instruments, carpets, fabrics, jewelry, ceramics, ivory, metalwork and glass from countries such as Spain, India, China and Iran.

This year, the annual reports of KIPCO Group companies each feature a key ancient carpet from The al-Sabah Collection. The images used within the reports reflect KIPCO's commitment to protecting and promoting Kuwait's heritage, while helping to build the nation's future.

The item pictured here (LNS 1 R) is a Floral carpet made out of wool. It was made in Karabagh, Caucasus in the 18th century CE. The image is reproduced with the kind permission of The al-Sabah Collection, Dar al-Athar al-Islamiyyah.

H.H. Sheikh Sabah
Al-Ahmad Al-Jaber Al-Sabah
Amir of the State of Kuwait

H.H. Sheikh Nawaf
Al-Ahmad Al-Jaber Al-Sabah
Crown Prince of the State of Kuwait

This year, the annual reports of KIPCO Group companies each feature a key ancient carpet from Dar al-Athar al-Islamiyyah - one of the world's finest collections of Islamic art. These images are reproduced with the kind permission of The al-Sabah Collection, Dar al-Athar al-Islamiyyah.

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GROUP BRIEF

Gulf Insurance Group K.S.C.P (gig)

Was established in 1962. It is a public shareholding company listed in the Kuwait Stock Exchange and a consistent market leader in Kuwait in terms of Premiums Written, both in life and Non-Life insurance.

Gulf Insurance offers innovative and comprehensive insurance solutions and covers a variety of risks related to Motor, Marine & Aviation, Property & Casualty, and Life & Health Insurance both in conventional and Takaful (Islamic insurance based on Shariah principles) basis. The group prides itself in its distinguished quality of products and superior customer service. Our products and services are designed and developed in collaboration with leading international insurance and reinsurance companies. Gulf Insurance enjoys lending utmost professional and personalized attention to both individual and corporate clients in their current and future insurance needs.

Gulf Insurance Group is amongst the largest and most diversified insurance groups in the Middle East and North Africa region. Its activities are further supported by first class reinsurance security which allows the Group to successfully maintain its credit rating from A.M. Best Europe - Rating Services Limited of ‘A-‘ (Excellent) and issuer credit rating of “a-“ with a positive outlook as well as Standard & Poor’s financial strength rating of “BBB+” with stable outlook. The ratings of Gulf Insurance Group reflect its strong regional business profile, good level of profitability and adequate level of risk-adjusted capitalization.

In 2012, after 50 successful years of operation, a decision was made to unite the Group companies in the MENA region under one name and brand. Gulf Insurance Company became Gulf Insurance Group (gig) with a clear vision “to be the most admired insurance brand in the MENA region.” The objective in doing so was to be recognized as a regional Arabian Insurance group with world-class offerings and standards.

gig’s Main Shareholders:

Kuwait Projects Co. (KIPCO)
The KIPCO Group is one of the biggest holding companies in the Middle East and North Africa, with consolidated assets of US$ 32 billion as at 31 December, 2015. The Group has significant ownership interests in over 60 companies operating across 24 countries. The group’s main business sectors are financial services, media, real estate and manufacturing. Through its core companies, subsidiaries and affiliates, KIPCO also has interests in the education and medical sectors. The Group’s core operating companies include Burgan Bank, United Gulf Bank and Gulf Insurance Company. In the media sector, the Group has a presence through the Orbit Showtime Network, the leading pay-tv operator in the region.

Fairfax Financial Holdings Limited
is a financial services holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and investment management. Fairfax subsidiaries provide a full range of property and casualty products, maintaining a diversified portfolio of risks across all classes of business, geographic regions, and types of insured. Fairfax’s corporate objective is to achieve a high rate of return on invested capital and build long-term shareholder value. The company has been under present management since 1985 and is headquartered in Toronto, Canada. Its common shares are listed on the Toronto Stock Exchange under the symbol FFH and in U.S. dollars under the symbol FFH.U.

Group Insurers of choice

By cultivating a team of around 300 local proficient and over 1000 life and Non-Life insurance consultants regionally, they are capable to offer clients the most practical advice and dedicated attention and with a growing network of over 13 branches accessible throughout Kuwait and having more than 50 branches across MENA region, the group has been able to realize its pledge to be the "insurer of choice".

Over the years, Gulf Insurance has grown from being a leading personal and commercial insurer in Kuwait into a regional insurance solutions provider in Middle East and North Africa.

Subsidiaries	Country of Incorporation	Ticker (Stock Exchange)
AMIG: Arab Misr Insurance Group	Egypt	
AOIC: Arab Orient Insurance Company	Jordan	AOIC (ASE)
BKIC: Bahrain Kuwait Insurance Company	Bahrain	BKIC (BSE), BKIKWT (KSE)
DAIC: Dar Al Salam Insurance Company	Iraq	NDSA (ISX)
ELTC: Egyptian Life Takaful Company	Egypt	
FAJR: Fajr Al-Gulf Insurance & Reinsurance Company	Lebanon	
GIRI: Gulf Insurance & Reinsurance Company	Kuwait	
SKIC: Syrian Kuwaiti Insurance Company	Syria	SKIC (XDSE)
2A: L' Algerienne Des Assurances	Algeria	
Associates		
Alliance insurance company	UAE	ALLIANCE (DFM)
Al Argan International Real Estate Company	Kuwait	ARGAN (KSE)
BURUJ: Buruj Cooperative Insurance Company	KSA	BURUJ (SSE)
ET: Egyptian Takaful - Property & Liability	Egypt	
UN: United Networks	Kuwait	
AGLIC: Algerian Gulf Life Insurance Company	Algeria	

Awards & Certifications

Gulf Insurance is the first insurance company in Kuwait and the region to be awarded with the 'ISO 27001 Certification' in Information Security Management Systems by the British Standards Institution (BSI). In 2015, Gulf Insurance won numerous awards including "The Best Insurance Brand of the Year – 2015" from World Branding Awards, London, Obtained the leading Brand in Kuwait "Super Brands 2015 Certificate" for the fourth year after it passed the selection criteria developed by the Council of Brands and announced by Super Brand Organization and "The Best Group Company – 2015" from Kuwait Projects Company (Holding), Kuwait.

Technology edge

gig's capitalization and usage of the latest technologies has immensely contributed to the company's operational efficiency, customer service satisfaction, and company profitability. gig's state-of-the art web based information technology applications link of all its operations and that of subsidiaries in one unified universe. A comprehensive database of clients has been built over the years allowing improved customer relationship management, customer service and support, and cross selling all of which are crucial steps in customer retention.

As part of our continued efforts to promote customer convenience, gig was the first insurance company in Kuwait to launch online sales of insurance products over the internet (www.Clickgic.com). Applying the latest technologies with better, safer and easier access to various customer insurance product round the clock, this service was deployed in 2008 which allows customers to issue and renew Motor and Boat TPL insurance, renew Motor comprehensive insurance, and issue Travel Assist insurance and many other services on the move. The services can be obtained locally and abroad via K-NET or credit cards and customers can collect their policy from any of our branches or can utilize the gig delivery service, guaranteeing delivery within 48 hours. Gig launched its latest online services portal exclusively for individual life customers to pay premiums online, review and update personal details, view policy information, generate premium/loan statements, and to register their queries and complaints. The application too is integrated with bank payment gateways to accept K-NET and credit card payments.

In our continued efforts to introduce innovative technology solutions geared toward servicing our customers, gig was also the first insurance company in Kuwait and the region to introduce the sale and renewal of insurance product over smart phones. The iPhone application was launched in 2012 and recently Android application in 2014 offering online sale of Motor, Marine, Travel and Domestic Helper policies.

gig is also the first company in Kuwait to introduce the first online medical adjudication application in 2010. Serving more than 58,000 customers over 200 medical providers with over 1000 users connected online, the state of the art application has revolutionized the medical process shifting from the traditional paper based claims to fully electronic claims. The application allows medical providers to inquire about customer medical policy details, create new medical claims, obtain necessary approvals, and process treatments electronically with any use of paper. The application is connected online with a 24/7 call center to provide any assistance to customers and medical providers.

A document archival solution was implemented and seamlessly integrated with core insurance systems. In addition to eliminating the huge volume of physical documents, the solution has well transformed various back office functions including claim auditing and approval to become more efficient and productive.

In an effort to keep pace with the technology changes and to scale up with the growing business demands, gig successfully implemented Server Virtualization using VMware on latest range of HP Blade Servers and HP Storage. gig also put into operations latest Core Switch, Firewalls and Intrusion Prevention Systems to enhance its network and security infrastructure..

The Information Technology Department of Gulf Insurance, Kuwait is certified for BS 7799 / ISO 27001 for information security, since 2005. This has streamlined the internal IT operations and reassured the customers of the security of their information. Gulf Insurance is also the first company in Kuwait to be upgraded for ISO 27001:2013 from ISO 27001:2005.

gig's technology mission is to be the insurance leader in using innovative solutions to better serve our customer.

A story of success and promising growth

"Corporate Social Responsibility"

In line with our mission and Group's ethics and beliefs, Gulf Insurance is always committed to coordinating and supporting initiatives that benefit society and functions as a dynamic member of the community.

Gulf Insurance's CSR involvement covers a broad spectrum of activities. Its various participations and sponsorships reflect its ongoing dedication toward Corporate Social Responsibility and its active commitment and support for social causes.

Throughout 2015, Gulf Insurance has been involved in supporting numerous local causes and events spanning from health to education, sports, and more. These causes include Annual Charity Day by Kuwait National English School, supporting Kuwait Cycling Committee, Gulf Studies Symposium by the Center for Gulf Studies at AUK, civil engineering students graduation project at Kuwait University, The Protégés youth program, supporting Kuwaiti youths in wakeboarding events, Masharee Alkhair Charity Organization, KIPCO Tmkeen award for the youth empowerment symposium, Dhuwa Al Yaddah center's children cultural festival and other major initiatives.

Moreover, Gulf Insurance is the first insurance company to build a partnership with Metal & Recycling Co. (MRC) on a waste management program called "Newair" where paper and plastic are recycled within the company to promote environmental awareness. Gulf Insurance built a recycling structure committed to Go Green and to lead the way in such concept.

gig works extensively to implement ambitious projects in order to meet the ever-changing customer requirements and exceed their expectations. The group is not only committed to the development of the insurance industry in Kuwait and MENA region; but also plans to continue its journey as an active member of society, giving back to its people in order to grow together.

Vision

"To be the most admired insurance brand, in the MENA region"

Mission

Achieving our vision will be through Investing in the best fit people, practices, processes and technology in ways that will add value to our clients.

The journey ahead

gig intends to implement many ambitious and futuristic projects in order to meet the ever-changing customer needs and exceed their expectations. Its dynamic leadership continuously strives to train and support human resources in order to develop the technical and administrative capabilities within its group of companies. Apart from being committed to the advancement of insurance industry both in Kuwait and in the Middle East region, gig plans to continue the regional expansion strategy towards establishing itself as a major player in the regional insurance markets and increasing its business portfolio. In this concern, gig intends to strengthen its presence in the regional markets, emerge as a consolidator of businesses and developed a unified branding strategy. Gulf Insurance celebrates 54 years since its establishment and looks forward to many more, growing from origin to excellence.

"Committed to the advancement of the insurance industry both in Kuwait and the MENA Region"

GIG Timeline Achievements

1962
Commenced operations; 2nd private insurance company in Kuwait.

1977
Government acquired 82% stake from share capital of Gulf Insurance Company.

1997
KIPCO became the major stake holder.

2000
Acquired majority stake in Saudi Pearl Insurance (SPI) and in International Trust Insurance (ITI)

2003
Formed Fajr Al Gulf Insurance and Reinsurance Company by merger of ITI with Al-Fajr Insurance and Reinsurance Company. Gulf Insurance holds the majority stake post-merger.

2005
Acquired majority stake in Egypt's Arab Misr Insurance Group (AMIG).

2006
- Acquired majority stake in Bahrain Kuwait Insurance Company (BKIC).
- Increased stake in SPI.
- Established Syrian Kuwaiti Insurance Company (SKIC).

2007
- Increased its stake in BKIC to be the major shareholder of the company.
- Increased stake in AMIG.
- Established Gulf Life Insurance Company (GLIC).
- Established Takaful Insurance Unit at Gulf Insurance, Kuwait.

2008

• Increased stake in BKIC.

• Obtained official approval for Buruj Cooperative Insurance Company (BCIC), Saudi Arabia.

2009

• Acquired the majority stake in Arab Orient Insurance Company (Jordan).

• Increased stakes in Arab Misr Insurance Group (AMIG), Syrian Kuwaiti Insurance Co. (SKIC) and Fajr Al Gulf Insurance & Reinsurance co. (FAJR).

2010

• Fairfax acquired a significant stake in Gulf Insurance.

• Acquired Egyptian Life Takaful Insurance Company through GLIC.

• Increased Stakes in AOIC, BKIC, GIC Life, BURUJ and AMIG.

2011

• Acquired the majority stake in an Iraqi Composite insurer DAIC “Dar Assalam Insurance Company”, listed in Baghdad Stock Exchange.

• Established Globe-Med , Kuwait (Third Party Administrator).

• Increased stake in SKIC.

2012

• gig celebrated 50 years of success.

• Participate in the shares of Alliance Insurance Company – UAE and becomes an associate to GIG.

• Became the 1st insurance company in Kuwait to launch “iPhone Application” for its customers.

• Became the 1st insurance company in Kuwait having Double ‘A’ rating from S&P and A.M.BEST Europe (A-).

2013

• Successfully established a Group , Gulf Insurance Group (gig).

• Increased our stake in Arab orient Insurance Co., Jordan, Fajr Al Gulf Insurance & Re insurance Co, Lebanon and Egyptian Life Takaful Co, Egypt.

• Switched the investment in Egyptian Takaful /Property& Liability from available for sale to an Associate Company.

2014

• Successfully established the composite insurer, Gulf Insurance & Reinsurance (GIRI/ gig – Kuwait).

• Increased our stakes in Arab Orient insurance company-Jordan.

• Increased our stakes in Syrian Kuwaiti Insurance Company-Syria.

• Increased our stakes in our associate “Egyptian Takaful Property & Liability – Egypt”.

• United Networks became associate company to gig.

2015

• Successfully acquired majority stake in Algerian non-life insurer, L’Algerienne Des Assurances (2A).

• Successfully established a life insurance company in Algeria, Algerian Gulf Life Insurance Company (AGLIC) & becomes an associate to gig.

• Increased our stake in Arab Orient insurance company-Jordan.

Our presence across the MENA Region & Local Branches Network

GIG's Regional presence & Main Targets

		Insurance Segments			
		Conventional		Takaful/Cooperative	
MENA	Country	General	Life	General	Life
GCC	Kuwait	●	●	●	●
	KSA			●	●
	UAE	●	●		
	Bahrain	●	●	●	
Non-GCC	Jordan	●	○		
	Egypt	●	●	●	●
	Algeria	●	●		
	Lebanon	●	●		
	Syria	●	●		
	Iraq	●	●		
	Turkey	○		○	

● Existing Operations ○ Target Operations

WE COVER KUWAIT

Reaching your protection

13 locations for your insurance:

- Shuwaikh Branch
- Airport Branch
- Farwaniya Branch
- Police Co-Op Branch South Surra
- Shamiya Branch
- Nugra Branch
- Salmiya Branch
- Al-Eqaila Branch
- Qurtoba Branch
- Fahahel Branch
- KNPC Branch (Ahmadi)
- Jahra Branch
- Khaitan Branch

Dear Shareholders,

Challenges and Indicators

On behalf of the Board of Directors of the Group, I would like to welcome you and to express my pleasure to present to you the 52nd annual report of the Group which includes an overview of the most important achievements, local and global significant events that the Group's operations was affected by it during the financial year ended December 31, 2015.

Year 2015 was a hard year for investors in all fields , emerging markets equity and its currencies were at its worst and developed markets equity were not better off, and the same with commodity markets that overshadowed by the sharp and persistent decline in oil prices.

Alone, the US dollar index benefited from the markets awaited to raise the US interest rate which was achieved in December 16, 2015. The US dollar ended the year 2015 on a gain of more than 9% against a basket of major currencies.

2015 departed, leaving behind some changes and severe losses in Kuwait's Stock Exchange index; notably the capital value losses with 12% which settled at 26.2 Billion KD compared with 29.7 Billion KD at end of 2014. The three indexes recorded sharp declines during a difficult year for Kuwait Financial Market while the most important index which measures the performance of the top 15 Kuwaiti Listed Companies in terms of liquidity and market capitalization declined with 15% achieving losses with 160 points to settle at 900 points (100 points less than the level of index launched in May 2013) and the weighted index declined with 13% with losses of 57 points and settling at 381 points retreating from 438 points and speculative momentum is no longer the market driver as in the past since the price index declined with 14% and settled at level of 5,615 points falling from 6,535 points with losses of 920 points, considering the liquidity that realistically reflects the market's performance; it declined in 2015 with 36% reaching 3.9 Billion KD declining from 6.1 Billion KD. Several factors have combined with each other and resulted into these sharp declines in stock market indices, most notably:

- Kuwaiti oil barrel declined with 46% during 2015, where the barrel began in the range of $ 50 and ended at the range of $ 27.
- Optional withdrawal for many Kuwaiti companies from the Kuwait Stock Exchange.
- Kuwait's Central Bank decision of raising the discount rate for Kuwaiti Dinar from 2% to 2.25% with increase of 25bps, which came quickly following the decision of US Federal Reserve.

GCC market's performance were not better than Kuwait's market during 2015, where the Saudi market closed at level of 6,859 points decline alling with 17.7% and with decline in trading values with 20%, Qatar market also declined with 14.95% and with decline in trading values with 50%, Bahrain market settled at level of 1,216 points decline with 14.8% but with increase in trading values with 253%, Muscat market ended year 2015 at level of 5,406 points with decline of 14.8% but trading values increased with 286%, and in Dubai the market index achieved 3,151 points with decline of 16.5% and trading values increased with 232%, Abu Dhabi index recorded the lowest index decline with decline of 5.1% where it settled at 4,297 points but the trading values increased with 248%.

The Arab Monetary Fund has announced in the monitoring of performance of the Arab stock markets in 2015 that these markets together lost about 143.6 billion dollars of their market value, which represents 12% of this value to arrive at the end of December 2015 to 1059.5 billion dollars, and the decline in world oil prices was the most prominent factor in the decline in the performance of Arab stock markets during 2015, especially in the oil-exporting Arab countries.

With regard to precious metals; investors showed interest in selling the yellow metal, which decline with 10% this year due to fears that the raise of US interest rates might decrease the attractiveness of gold, which does not generate interest, and other precious metals have been affected from the strength of the dollar and the decline in the gold prices where silver ended the year with decline around 11%, while platinum tended to decline 27% to record its worst annual performance since 2008 and palladium was the worst performer among precious metals with annual losses of up to 31%.

Absolute Commitment To The Regulatory Requirements and Legislation

2015 witnessed the release of a number of laws and resolutions that are closely related to our business, summarized as follows:-

- Law No. (22) of 2015 amending some provisions of Law No. (7) of 2010 on the establishment of the Capital Markets Authority and regulating the activity of the securities dated 04/05/2015.
- Resolution No. (72) for the year 2015 concerning the issuance of the executive regulations of Law No. (7) of 2010 on the establishment of the Capital Markets Authority and regulating the activity of securities.
- Decree No. (78) for the year 2015 issuing the executive regulations of Law No. (116) for the year 2014 on the partnership between the public and private sectors.
- Ministerial Decree No. (48) for the year 2015 on the initial guiding instructions to apply the requirements of the law, "FATCA" in Kuwait.
- Law (109) for the year 2015 to approve the agreement between the Government of the State of Kuwait and the Government of the United States to improve international tax compliance and the application of tax compliance for foreign accounts Law "FATCA".
- Law No. (63) for the year 2015 on combating Information Technology Crimes.
- Tender No. 16/2015/2016 concerning providing health insurance coverage for retired citizens in accordance with law No. (114) for the year 2014.
- Ministerial Decree No. (149) for the year 2015 concerning organizing the profession of insurance brokers, reinsurance brokers and insurance agents.
- Ministerial Decree No. (158) for the year 2015 concerning branches of foreign insurance companies.
- Ministerial Decree No. (1767) of 2015 concerning the amendment of some provisions of Ministerial Decree No.(1976/81) with executive regulations for traffic law and its amendments.

Stability and Expansion

Regarding the events and developments in the Group, the year 2015 was as an extension of previous years full of achievements which can be summarized as follows:-

- Continuing our interest in regional expansions by acquiring 49% of the Algerian General Insurance , 2A's Share Capital where its Share Capital amounted 2 billion Algerian Dinars.
- Strengthen the capital of subsidiaries and affiliates of our Group where the share capital of Buruj Cooperative Insurance Company raised from 130 million Saudi Riyals to 250 million Saudi Riyals, and increasing the share capital of Arab Misr Insurance Group by 9.375%, and increasing the share capital of Dar Es Salam Insurance Company - Iraq by 10%, which increases the capital efficiency of those companies.
- Our subsidiary company Egyptian Life Takaful Insurance Company had obtained a credit rating from Standard & Poor's for the first time with rating of B+ with a stable outlook, which considered an approach for all the Group companies, and by that the Egyptian Life Takaful Insurance Company joins each of Bahrain Kuwait Insurance Company, Arab Orient Insurance Company, Gulf Insurance and Reinsurance Company and Arab Misr Insurance Group in obtaining a rating from international agencies.
- Starting in the fourth program to prepare future leaders where there are now thirteen Kuwaitis holders of modern higher qualifications in various fields needed by the group and currently engaged in specialized training courses to qualify these young people in a scientific manner to participate in the technical, financial and administrative Group's operation.
- The Group's bid has been accepted in the tender related to providing health insurance for retired citizens in accordance with law No. (114) for the year 2014.
- Achieving double growth rates according to our expectations where net underwriting income increased 44.1%, and net profit increased by 17.4% ..... etc.

Positive and strong results

The positive financial results achieved by your Group this year demonstrates unequivocally good achievements, which were represented as follows:-

- 7.1% Growth in written premiums to reach KD 185,916,313
- 10.8% Growth in earned premiums to reach KD 99,544,445
- 44.1% Growth in net underwriting income to reach KD 12,312,571
- 5.5% Growth in net technical reserves to reach KD 112,678,013
- 6.4% Growth in shareholders' equity to reach KD 89,582,977
- 6.1% Growth in total assets to reach KD 368,424,457
- 17.4% Growth in net profit to reach KD 14,089,207

The following are additional details of the Group's financial results during year 2015:

First: Non-Life Insurance Operations:

Marine and Aviation Operations

Gross written premiums increased from KD 8,491,058 to KD 8,787,667 with KD 296,609 despite the drop in oil prices and the shrinking in international trading activity but the net profit was affected with the intense competition between companies and decreased with 9.7% and amount of KD 194,987 to reach KD 1,821,123.

Motor Operations

A significant improvement occurs to the motor business both in terms of premiums written which increased from KD 37,871,945 to KD 42,624,770 and in the amount of KD 4,752,825 and 12.5% growth rate, as well as with respect to profitability which sharply increased from KD 170,706 to KD 1,904,802 amounted KD 1,734,096 with a rate of 1015.8%, and we hope to continue our well performance in this important type of insurance.

Property Operations

Although premiums written increased in a limited way from KD 24,210,975 to KD 24,779,026 amounted KD 568,051 and by a limited growth rate of 2.3%, however, the net underwriting profit significantly increased from KD 490,449 to KD 916.196 amounted KD 425.747 and growth rate of 86.8%.

Contracting and Engineering Operations

This branch realized acceptable increase in both written premiums which increased from KD 11,855,667 to KD 13,818,369 and in the amount of KD 1,962,702 and rate of 16.6%, and net underwriting profit which increased from KD 614,456 to KD 740,223 and in the amount of KD 125,767 KD and rate of 20.5%.

General Accident Operations

This branch continued to achieve good growth rates, where premiums written increased from KD 12,035,773 to KD 12,809,921 amounted KD 774,148 at the rate of 6.4%, while net underwriting profit increased from KD 2,509,048 to KD 2,939,582 amounted KD 430,534 with growth rate of 17.2% compared to the previous year.

Second: Life and Medical Operations:

Life Operations

This line of business achieved growth in both premiums volume and underwriting profits where premiums increased from KD 18,917,511 to KD 19,786,622 amounted KD 869,111 and rate of 4.6% and net underwriting profits increased from KD 352,696 to KD 828,703 amounted KD 476,007 and rate of 135%.

Medical Operations

This dynamic and promising line of business achieved a significant increase in written premiums, which increased sharply from KD 60,219,426 to KD 63,309,938 amounted KD 3,090,512 and rate of 5.1%, as net underwriting profits increased from KD 2,391,559 to KD 3,161,942 amounted KD 770,383 and rate of 32.2%, after the improvement in the loss ratio for this line of business to reach 82% compared to 85.6% for the previous year.

GIG Financial Position and Investment Activities

By looking at the Group's financial position in the end of year 2015, we can notice the following:-

- Increase in the Group's assets with amount of KD 21,205,126 and rate of 6.1%.
- Increase in total investments and cash with amount of KD 2,279,734 and rate of 1.1%.
- Increase in total equity with amount of KD 9,151,478 and rate of 9%.
- Increase in shareholder's equity with amount of KD 5,403,503 and rate of 6.4%.
- Increase in the banks overdraft with amount of KD 4,849,565 and rate of 22.5%.
- Increase in premiums received in advance with amount of KD 3,184,987 and rate of 418.3%.
- Strengthen the technical reserves with amount of KD 5,895,359 and rate of 5.5%.

Overall, these are positive indicators showing the strength of the financial position of the Group.

With regard to investment activity and despite the sharp declines in the Arab and international capital markets this year, the group achieved a net investment income of KD 12,124,652, compared to KD 11,641,181 with an increase of KD 483,471 and rate of 4.2%, while the value of the investment portfolio reached KD 214,746,352 of which 57.1% bonds, cash and deposits with banks. Bank overdrafts reached KD 26,381,565 representing

23.75% of the total equity and 12.25% of the total investments, we should also note that the group continued to deduct 10% of the profit for the year to maximize statutory reserve and voluntary reserve which totaling as of 31/12/2015 KD 41,101,565 which is equivalent to 219.75% of the share capital (99.3% statutory reserve, 120.45% voluntary reserve).

Governance and Risk Management Culture

There is no doubt that the success of Gulf Insurance Group in facing local and regional challenges, reflects the effectiveness of corporate governance and risk management applications adopted by the Group. Conservative policy pursued by Gulf Insurance Group and its wise management toward risks and strict corporate governance standards has led to protect the group from the repercussions of the political, economic and social developments. The principles of transparency, justice and responsibility remains on our top priority.

The Board of Directors & The Executive Management

- The board of directors consists of ten board members…… and the board of directors have five committees initiated from it, Board Executive and Investment Committee, Board Audit Committee, Board Risk Committee, Board Corporate Governance Committee and Board Nomination & Remuneration Committee.
- The board of directors member's remuneration for this year is KD 155,000 (2014: KD 155,000).
- The amount of salaries and other short-term benefits and end of service benefits obtained by the executive management amounted to KD 944,534 compared to KD 1,101,049 in 2014.
- The company allocated two cars for the services related to the board.
- The Group and any of its subsidiaries were not imposed to any sanctions from the supervising authorities during the year 2015.

Recommendations and Suggestions

It is the pleasure of Board of Directors to recommend to your esteemed General Assembly to distribute the available profits for the financial year amounted in KD 36,160,907 in the following manner:

KD 1,492,163	10% for the statutory Reserve.
KD 1,492,163	10% for the voluntary Reserve.
KD 7,163,932	40% of the Share Capital as cash dividends for the shareholders representing 40 fils per share (compared to 33% in previous year) taking into consideration the number of treasury shares at the time of the general assembly.

The remaining amount KD 26,012,649 is to be retained forward to the next year.

Thanks and Appreciation

at the end, and on behalf of the Members of the Board of Directors and its Executive Management, we would like to express our sincere appreciation to his highness the Amir, the Crown Prince, and to his highness the Prime Minister to their wise guidance of the state towards greater advancement, prosperity and stability. We would like also to take this opportunity to congratulate you and the Kuwaiti people on the National Celebrations of Independence and Liberation. We also would like to express our deepest appreciation to the Ministry of Commerce and Industry and its Department of Insurance Companies for their understanding to the situation of the local market and for seeking its best interests.

A thank also goes to the Ministry of Interior represented by the General Traffic Department for their constant efforts to improve the compulsory traffic accident insurance sector. We also would like to thank the Capital Markets Authority (CMA), of course, we also would like to deeply thank and appreciate our distinguished clients and as well as local and international reinsurers and insurance brokers for giving us their trust and constant support and cooperation. We also thank our management and employees for their great effort and dedication which contributed in achieving the targeted goals, and finally we thank Kuwait Projects Company (Holding), our largest shareholder and Fairfax Financial Holding Limited, our second largest shareholder for their constant cooperation and support. We hope that 2016 will see the achievement of the goals for which we aspire.

May peace and Allah's mercy and blessings.

Farqad A. Al-Sane
Chairman

GWP increased from KD 173,602,355 to KD 185,916,313 with an increase of KD 12,313,958 and growth rate 7.1%. but with increase by the rate of 0.4% than the expected which is distributed as follows:-

Company	Contribution %	year 2015 KD	year 2014 KD	Difference KD	Change %
Gulf Insurance Group	--	--	16,094,145	(16,094,145)	--
Gulf Insurance & Reinsurance	46.1	85,691,148	66,876,402	18,814,746	28.1
Bahrain Kuwait Insurance	16.4	30,416,706	30,053,856	362,850	1.2
Arab Orient Insurance	23.4	43,532,679	38,209,189	5,323,490	14
Arab Misr Insurance Group	10.4	19,419,496	16,113,971	3,305,525	20.5
Algerian Insurance Co.	2.8	5,166,819	--	5,166,819	--
Syrian Kuwaiti Insurance	0,3	636,941	751,379	(114,438)	(15.2)
Dar El-Salam Insurance Co.	0.1	214,829	392,626	(177,797)	(45.3)
Fajr Al Gulf Ins. & Reinsu.	0.5	837,695	5,110,788	(4,273,093)	(83.6)
Total	100%	185,916,313	173,602,356	12,313,957	7.1

- Increase in Net Underwriting Results after it is charged with all company's direct and indirect expenses from KD 5,063,921 to KD 7,457,886 with an increase of KD 2,393,965 and ratio of 47.3% and decreased from the expected with 21%. The reason for this is due to the increase in the expense ratio from 21.8% to 23.7%.

Following is the Group's Net Underwriting Results distributed on the company's group :-

Company	Contribution %	Net U/W Results KD		Difference	Combined Ratio	
		2015	2014	KD	2015	2014
Gulf Insurance Group	--	--	379,142	(379,142)	--	89
Gulf Insurance & Reinsurance	40.8	3,047,255	1,574,154	1,473,101	95.6	94.7
Bahrain Kuwait Insurance	23.1	1,719,408	1,589,799	129,609	83.7	83.5
Arab Orient Insurance	27	2,010,241	1,667,194	343.047	91.1	91.6
Arab Misr Insurance Group	17.6	1,315,261	1,272,849	42,412	86.5	83.9
Algerian Insurance Co.	6	447,911	--	447,911	92	--
Syrian Kuwaiti Insurance	0.6	42,488	2,029	40,459	93.2	100.4
Dar El-Salam Insurance Co.	0,8	57,539	116,624	(59,085)	72.4	33
Fajr Al Gulf Ins. & Reinsu.	(15.9)	(1,182,217)	(1,537,870)	355,653	143.3	141.2
Total	100	7,457,886	5,063,921	2,393,965	93.9	95.1

- Limited decrease in Net Investments and Cash Value from KD 190,934,618 to KD 188,364,747 by an amount of KD 2,569,831 a ratio of 1.3%........and limited increase in the investments profits from KD 11,641,181 to KD 12,124,652 by the amount of KD 483,471 a ratio of 4.1%.

Following, a table shows the Group's Investments Distributed by Investment Category:

Company	Cash & Deposits	Bonds & T. Bills	HFT Investments	AFS Investments	Investment in Assoc.	Loans & Others	Total
Gulf Insurance – Parent Without Subsidiaries	235,141	--	--	8,149,784	37.857,792	--	46,242,717
Gulf Insurance & Reinsurance	25,253,006	18,047,621	20,558,805	4,785,504	--	1,341,161	69,986,079
Bahrain Kuwait Insurance	24,984,054	3,056,438	--	8,346,756	1,775,878	--	38,163,126
Arab Orient Insurance	16,589,654	428	2,785,810	--	--	--	19,375,892
Arab Misr Insurance Group	2,047,988	19,775,539	1,178,182	3,023	--	49,927	23,054,659
Algerian Insurance Co.	2,023,210	3,048,066	8,538	--	--	3,217,292	8,297,106
Syrian Kuwaiti Insurance	3,742,911	--	4,164	224,000	--	25,222	3,996,298
Dar El-Salam Insurance Co.	729,552	--	--	295,601	--	186,333	1,211,487
Fajr Al Gulf Ins. & Reinsu.	1,642,130	--	--	1,929	--	59,719	1,703,778
Egyptian Takaful - Life	1,385,866	--	1,329,327	--	--	--	2,715,193
Total Investments 31/12/2015	78,633,512	43,928,092	25,864,826	21,806,597	39,633,670	4,879,654	214,746,352
Less: Banks Liabilities	26,381,565	--	--	--	--	--	26,381,565
Net Inv 31/12/2015	52,251,947	43,928,092	25,864,826	21,806,597	39,633,670	4,879,654	188,364,787
% From Net Inv. 31/12/2015	27.7%	23.3%	13.7%	11.6%	21.1%	2.6%	100%
Net Inv. 31/12/2014	75,209,668	31,004,724	19,854,424	35,170,682	28,142,091	1,553,029	190,934,618
% From Net Inv. 31/12/2014	39.4%	16.2%	10.4%	18.4%	14.7%	0.9%	100%

Following, a table shows the contribution of each company in the group in increase / decrease investments value:

Company	Investments Value 31/12/2015 KD	Investments Value 31/12/2014 KD	Value KD Increase / Decrease KD	Increase / Decrease %
Gulf Insurance Group – Parent	19,861,152	23,095,039	(788,332,3)	(41)
Gulf Insurance & Reinsurance	69,986,097	77,746,138	(7,760,041)	(10)
Bahrain Kuwait Insurance	38.163.126	40.040.996	(1,877,870)	(4.7)
Arab Orient Insurance	19,375,892	19,110,034	265,858	1,4
Arab Misr Insurance Group	23,054,659	21,212,021	1,842,638	8.7
Algerian Insurance Co.	8,297,106	--	601,792,8	--
Syrian Kuwaiti Insurance	892,699,3	039,794,3	863,894	2,41
Dar El-Salam Insurance Co.	1,211,487	1,200,673	10,814	0.9
Fajr Al Gulf Ins. & Reinsu.	1,703,778	1,472,052	231,726	15.7
Egyptian Takaful - Life	2,715,193	3,559,734	(145,448)	(7.32)
Total	**188,364,787**	**190,934,617**	**(2,569,830)**	**(1.3)**

The Following table illustrates the details of the Company’s Net Profit.

	Contribution	For the period from 01/01/2015 up to 31/12/2015		Difference
		2015 KD	2014 KD	
of the Group’s Insurance Operations	--	--	379,142	(379,142)
Of Group’s Investments Operations W/out Subsidiaries	35.8	5,041,109	3,812,154	1,228,955
The Company’s share from GIRI’s Net Profit	41.3	5,815,059	3,893,045	1,922,014
The Company’s share from BKIC’s Net Profit	8.6	1,211,684	1,791,088	(579,404)
The Company’s share from AOIC’s Net Profit	11.8	1,667,537	1,821,483	(153,946)
The Company’s Share from AMIG’s Net Profit	15.9	2,239,824	2,342,863	(103,039)
The Company’s share from Algerian Ins. Net Profit	1.2	176,115	--	176,115
The Company’s share from SKIC’s Profit	4.4	614,842	298,836	316,006
The Company’s share from Dar Es Salam’s Net Profit	0.3	42,382	64,256	(21,874)
The Company’s share from Egyptian Takaful - Life - Net Profit	0.2	22,848	(18,148)	40,996
The Company’s share from FAJR’s Net Loss	(5.9)	(829,572)	(1,369,528)	539,956
The Company’s share from Saudi Pearl’s Net Profit Less:	--	--	31,002	(31,002)
Taxes	(3)	(418,100)	(245,468)	(172,632)
Group’s Direct Expenses	(9.5)	(1,339,523)	(644,334)	(695,189)
The Board’s Reward	(1.1)	(155,000)	(155,000)	--
Company’s Net Profit	**100**	**14,089,207**	**12,001,391**	**2,087,816**
Earnings Per Share (EPS)		**78.6 Fils**	**66.42 Fils**	

- The treasury shares quantity up to 31/12/2015 was 7,940,828 shares that is a ratio of 4.24% from capital…. and the book value / share amount 500 Fils against 469.3 Fils as of 31/12/2014.

Introduction

Gulf Insurance Group, is committed to effective corporate governance for the benefit of its shareholders, customers, employees and other stakeholders based on the principles of fairness, transparency and accountability. Structures, rules and processes are designed to provide for the proper organization and conduct of business within Gulf Insurance Group and to define the powers and responsibilities of its corporate bodies and employees.

This report describes Gulf Insurance Group's approach to corporate governance and illustrates the key elements of corporate governance within the Group. It includes the information required by the following rules, with which Gulf Insurance Group complies:

- Resolution No. (72) of 2015 regarding issuance of Executive Regulations of Law No. (7) of 2010 concerning the establishment of the Capital Markets Authority and regulating securities activities& its amendments – Volume (15) : Corporate Governance.
- Companies law decree number 1/2016 dated 24 January 2016.

Gulf Insurance Group is subject to several regulatory authorities as follow " not limited to":-

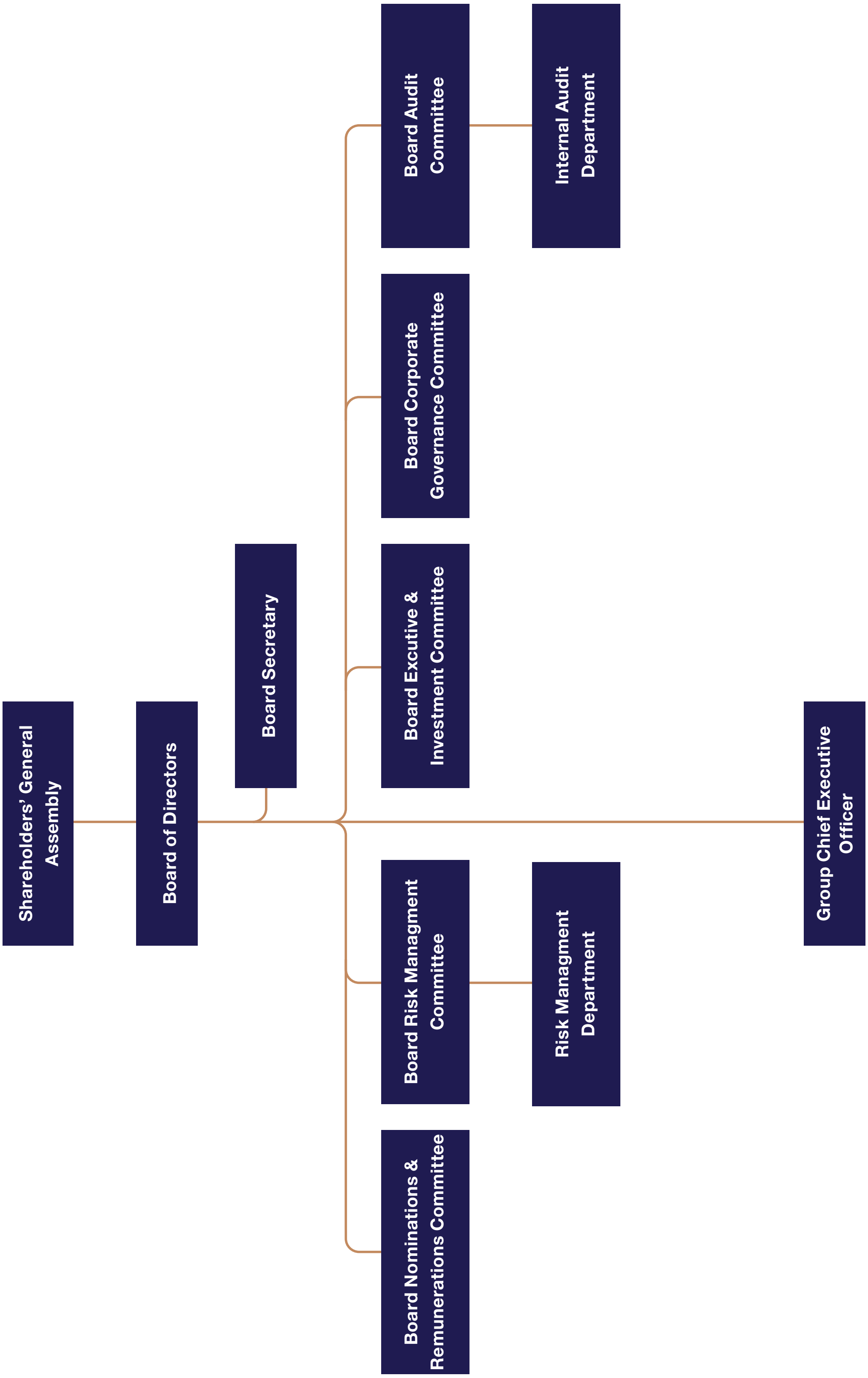
- The Capital Markets Authority: As set out in its Law No. (7) of 2010 regarding the establishment of and regulating securities activities and its amendments.
- Ministry of Commerce And Industry: As set out in the companies law decree number 1/2016, the Anti-Money Laundering and Combating Terrorism Financing law No. (106) of 2013, decision No. (37) of 2013 on executive regulation for the Anti-Money Laundering and Combating Terrorism Financing law No. (106) of 2013 & the ministerial resolution No. (48) of 2015 dated September 3, 2015 regarding the preliminary guidelines for the implementation of FATCA requirements in the State of Kuwait.

The principles of corporate governance and the standards described above are incorporated and are reflected in a number of corporate documents, in particular the articles of incorporation, the organizational rules and the charters of the committees of the Board of Directors. The Governance Committee, which is responsible for the governance of the group, regularly reviews the group's corporate governance against best practice standards and ensures compliance with corporate governance requirements.

An effective structure is in place providing for cooperation between the Board of Directors of Gulf Insurance Group, management and internal control functions. This structure is designed to provide for institutional independence of the Board from the Group Chief Executive Officer (CEO) who is responsible for managing the Group on a day-to-day basis.

Corporate Governance Structure

The following diagram summarizes the governance structure of the Group, which is characterized by transparency and efficiency in addition to the initiated committees from the Board of Directors:-



Significant Shareholders

According to the Capital Market Law No. (7) of 2010 regarding the establishment of the Capital Markets Authority and regulating securities activities and its amendments - Chapter (10) Disclosure of Interests " Any shareholding company listed on an exchange shall disclose the names of the shareholders who own (5%) or more of its capital or any change of such percentage."

Based on that , the following table shows Gulf Insurance Group shareholders' details & shares distribution as of 31 December 2015:-

Name	Number of shares	Percentage	Country
Kuwait Projects Company Holding - KIPCO	82,377,301	44.04%	Kuwait
Fairfax Financial Holding Limited (Fairfax - Middle East)	77,484,031	41.42%	Canada
Treasury Shares	7,940,828	4.246%	Kuwait
Others	19,236,965	10.29%	-
Total	**187,039,125**	**100.00%**	

Board Composition & Meeting

Diversity is a key success factor in today's fast-changing global environment, Gulf Insurance Group's Board consists of individuals with wide-ranging relevant backgrounds, experiences, skills and knowledge resulting in a favorable balance that enables the Board as a group to exercise its tasks and responsibilities while fully taking into account contemporary business needs.

Gulf Insurance Group's Board Of Directors have a structure suitable to the size & nature of the group's activity in addition to the roles & responsibilities entrusted to them, taken into account when forming the board the diversification of practical & professional experience, as well as technical skills.

GIG's Board of Director is composed of (10) members, (3) of them are executives and (7) are non-executives (including (3) independents); All the Board of Directors' members are professionals with proven history of membership in the board of many companies and possess the necessary skills for this position, in addition to the experience & knowledge in the insurance industry, as well all Board of Directors' members are elected by the general assembly every (3) years, During 2015, the Board Of Directors held (6) meetings & The following table shows the Board of Directors meetings attended by each member during the year:

BOD Members / Meetings	Annual Serial			1	2	3	4	5	6
	Accumulated Serial			353	354	*355	356	*357	*358
	Designation / Date	Dependency	Executive / Non Exec.	11/02/2015	06/05/2015	27/07/2015	03/11/2015	14/12/2015	27/12/2015
Farqad Abdulla Al-Sane	Chairman	KIPCO	Executive	√	-	√	√	√	√
Faisal Hamad Al-Ayyar	Vice-Chairman	KIPCO	Executive	-	√	√	√	√	√
Khaled Saoud Al-Hassan	Chief Executive Officer	KIPCO	Executive	√	√	√	√	√	√
Mahmoud Ali Al-Sane	Member	KIPCO	Non-Exec.	√	√	√	√	√	√
Robert Quinn McLean	Member	Fairfax	Non-Exec.	√	-	√	√	√	√
Jean Cloutier	Member	Fairfax	Non-Exec.	√	√	√	√	√	√
Bijan Khosrowshahi	Member	Fairfax	Non-Exec.	√	√	√	√	√	√
Abdullah Mohammed Al-Mansour	Member	Independent	Non-Exec.	√	√	√	√	√	√
Abdul Ilah Mohammed Marafie	Member	Independent	Non-Exec.	√	-	√	-	√	√
Abdul Aziz Saoud Al-Fulaij	Member	Independent	Non-Exec.	√	√	√	√	√	√
Rafat Atiyya Al-Salamony	Board Secretary	Senior DGM-Finance	Executive	√	√	√	√	√	√

* The Board of Directors meeting No. (355-357-358) was held by circulation.

Independent Board of Directors Members

Gulf Insurance Group considers the independence of its Board members to be an essential feature of good corporate governance. Gulf Insurance Group's independence criteria comply with applicable laws and reflect best-practice standards such as Resolution No. (72) of 2015 regarding issuance of executive regulations of law No. (7) of 2010 concerning the establishment of the Capital Markets Authority and regulating securities activities & its amendments – Volume (15): Corporate Governance.

Accordingly, the Board includes directors who are non-executive, independent from the management , in addition the nominations & remuneration committee will reviews the independence of the Board members annually and provide reports to the Board in that regards. Board members are also subject to rules and regulations to avoid conflicts of interest and the use of inside information as Resolution No. (72) of 2015 regarding issuance of Executive Regulations of Law No. (7) of 2010 concerning the establishment of the Capital Markets Authority and regulating securities activities& its amendments – Volume (10): Disclosure & transparency.

Board Of Directors Roles

The Board's main roles includes (but not limited to) the following:-

1- Adopting the important objectives, strategies, plans and policies of the Group, and that includes, at a minimum:
    - The comprehensive strategy of the Group , major action plans and reviewing and guiding it.
    - The optimal capital structure of the Group and its financial objectives.
    - Clear policy for the distribution of profits regardless of its nature (cash/non-cash), which is in line with the interests of the shareholders and the Group.
    - Performance objectives, monitoring execution and the overall performance of the Group.
    - The organizational and functional structures of the Group and reviewing them periodically.

2- Adopting annual estimated budgets and interim and annual financial statements.

3- Overseeing major capital expenditures for the Group and the ownership and disposal of assets.

4- Ensuring the degree of compliance of the Group to the policies and procedures that ensure respecting the Group's applicable bylaws and internal regulations.

5- Ensuring the accuracy and soundness of the data and information that should be disclosed and that is according to the applicable policies and laws of disclosure and transparency.

6- Disclosing and publishing the Group's progress on a regular basis along with all the influential developments on it.

7- Laying down effective channels of communication that enables the Group's shareholders to continuously and periodically be informed of the various activities of the Group and any substantial development.

8- Implementing a corporate governance system for the Group and perform general supervision and monitoring over the degree of its effectiveness and amending it when needed.

9- Forming committees specialized arising from it according to a charter defining the duration of the committee, authorities, responsibilities and how the board monitors it, The decision to form a committee also includes the members and defining their roles, rights and duties, as well as evaluating the performance and actions of these committees and its primary members.

10- Ensuring that the organizational structure of the Group is transparent and clear, which allows for a process of decision making and achieving the principles of sound corporate governance and the segregation of powers and authorities between both the Board of Directors and the Executive Management, and in this light the board perform the following:
    - Adopting regulations and internal control systems relating to the Group and developing it and what follows that from defining roles, specialties, duties and responsibilities among the different organizational levels.
    - Adopting a delegation and execution policy for the tasks entrusted to the Executive Management.

11- Defining the authorities that have been delegated to the Executive Management , the procedures of decision making, the duration of the delegation, The board also defines the topics that it retains the authority to decide upon & The executive managements reports the authorities delegated to it on a periodical basis.

12- Monitoring and supervising the performance of Executive Management members and ensuring that they perform the roles entrusted to them and the Board of Directors is required to perform the following:
    - Ensuring that the Executive Management is operating according to the policies and regulations approved by the Board of Directors.
    - Holding periodical meetings with Executive Management to discuss the course of action and any obstacles or issues and reviewing and discussing the important information related to the Group's activity.
    - Implementing performance standards for the Executive Management which is in-line with the objective and strategies of the Group.

13- Identifying the remunerations that will be provided to the employees.

14- Appointment or dismissal of any member of the Executive Management, including the chief executive officer.

15- Implementing a policy organizing the relationship with stakeholders in order to protect their rights.

16- Implementing a mechanism to organize dealing with related parties, in order to limit conflict of interest.

17- Ensuring on a periodical basis the effectiveness and adequacy of internal control systems applicable in the Group and that includes;
  - Ensuring the soundness of the financial and accounting systems, including the systems related to preparing financial statements.
  - Ensuring the implementation of proper internal control systems to measure and manage risks and also through identifying the scope of risks the Group may face, establishing a convenient cultural environment to limit risks Group wide and raising it transparently with stakeholders and Group related parties.

Chairman Of The Board Of Directors & Group Chief Executive Officer

Roles of the chairman and Group Chief Executive Officer are distinct and fully separated, As both functions are independent of each other and there is a clear segregation of duties and responsibilities assigned to both positions.

The Roles And Responsibilities Of The Chairman Of The Board Of Directors

The chairman of the Board of Directors is responsible for the proper functioning of the Board of Directors in a suitable and effective manner and that includes the members of the Board of Directors and independent members obtaining the complete and correct information in timely manner, The roles and responsibilities of the chairman of the Board of Directors Include but are not limited to the following:-

1- Ensuring that the board discusses all the major issues in an effective and timely manner.
2- Representing the Group and that is according to what is stipulated in the Group's bylaw.
3- Encouraging all board members in contributing fully and effective in all affairs of the board to ensure that the board is performing its functions in the interest of the Group .
4- Ensuring effective communication with shareholders and communicating their opinions to the Board of Directors.
5- Encouraging constructive relations and effective contribution between the board and the Executive Management and among the executive, non-executive and independent members.
6- Creating a culture that encourages constructive criticism revolving issues in which there is divergence of opinions between board members.

The Roles And Responsibilities Of The Executive Management:-

The executive management of the Group consists of a group of individuals who have been entrusted with performing the day to day operations of the Group. The primary role entrusted to the executive management is the following:

- Executing the Group's strategic plans, the policies and internal regulations relating to it and ensuring its adequacy and effectiveness.
- Complete responsibility on the overall performance of the Group and its results and that is through establishing an organizational structure that promotes accountability and transparency.

The following are some of the roles and responsibilities of the Executive Management that should be complied with, in light of the powers and authorities delegated to them from the Board of Directors:-

1- Execution of all the various policies, regulations and internal control systems of the Group, approved by the Board of Directors.
2- Executing strategies and annual plans approved by the Board of Directors.
3- Preparing periodical reports (financial and non-financial) regarding the advancements performed in the Group's activity in light of the strategic plans and goals of the Group and presenting these reports to the Board of Directors.
4- Implementing a complete accounting system that maintains ledgers, registers and accounts that views accurately and in details the financial data and income accounts, which allows maintaining the Group's assets and preparing financial statements according to the international accounting standards.
5- Managing day to day activities, as well as managing the Group's resources optimally and working on increasing profits and reducing expenditures and that is in accordance to the objectives and strategies of the Group.
6- Effective contribution in the establishment and development of ethical standards in the Group.
7- Implementing internal control and risk management systems and ensuring its effectiveness and adequacy, while taking into account and complying with Group's risk appetite that is approved by the Board of Directors.

Code Of Conduct

The Group's code of conduct covers the behavior of the Group's Board of Directors members and executive management, which binds all signatories to perform their job in accurate and professional way, It also covers conflicts of interest, disclosure and confidentiality of insider information & Insider trading Policies which complies with the Resolution No. (72) of 2015 regarding issuance of executive regulations of Law No. (7) of 2010 concerning the establishment of the Capital Markets Authority and regulating securities activities & its amendments – volume (10): Disclosure & transparency.

Board Committees

The committees are formed and their members are appointed by the Board of Directors after each election cycle for the Board, The ramified committees from Board of Directors is creating the link between the Executive Management and the Board of Directors, The purpose of the formation of these committees is to assist the Board of Directors in the conduct of the Group's business by examining many issues provided from the management to the Board & submit its recommendations to the Board of Directors with respect to that.

The Board may also set up temporary committees for specific tasks from time to time as required and the work of this committees end once the assigned task is completed, and the Board of Directors has set up five committees as follow:-

1- Board Executive & Investment Committee.
2- Board Audit Committee.
3- Board Risk Management Committee.
4- Board Corporate Governance Committee.
5- Board Nominations and Remunerations Committee.

The main roles of the initiated committees from the Board of Directors have been clarified in a specific charter for each committee, in addition the duties and authorities of the committees have been identified and delegated by the Board of Directors.

Board Executive & Investment Committee

The Board has delegated the following responsibilities to the Committee which held its meetings regularly and whenever it's necessary to be held, The committee comprises from Five members: The Chairman, Vice Chairman, Chief Executive Officer and two Board of Director's members.

Duties And Responsibilities

The main roles of the committee are as following:-

1- Developing and recommending of the strategic plans that reflect the long-terms objectives and the Group's priorities to be presented to Board of Director to take the necessary decision.
2- Follow up and monitoring the implementation of the strategies and policies approved by the Board.
3- Monitoring of the operating and financial results against the plans and budgets.
4- Monitoring the quality and effectiveness of the investment process against objectives.
5- Prioritizing allocation of capital, technical and human resources.
6- Ensuring the existence of efficient & effective management.
7- Monitoring the markets shares, trends and penetration.
8- Overseeing the persistence periodically and combined loss ratio, and to take the corrective actions on the right time.
9- Monitoring the implementation of Group expansion.
10- Monitoring the general position, performance of the Group's investments and its strategic investments in relation to investments in subsidiaries and associates.
11- Reviewing and monitoring the movements in the investment portfolio.
12- Following up & reviewing the investment portfolio diversification in light of the Group's investment strategy.
13- Discussing the proposals and recommendations presented by the Group's investment officers in light of the Group's investment strategy and raising its feedback to the Board for the necessary actions and approvals.
14- Monitoring the efficiency and quality of the investment process in light with the objectives and raising its feedback to the Board for the necessary actions and approvals.

The committee was held three times during 2015 as follows:-

Committee Members / Meetings	Annual Serial	1	2	3
	Accumulated Serial	56	57	58
	Designation / Date	11/02/2015	06/05/2015	03/11/2015
Farqad Abdulla Al-Sane	Chairman	√	-	√
Faisal Hamad Al-Ayyar	Member	√	√	√
Khaled Saoud Al-Hassan	Member	√	√	√
Robert Quinn McLean	Member	√	-	√
Bijan Khosrowshahi	Member	√	√	√
Rafat Atiyya Al-Salamony	Secretary of the committee	√	√	√

Board Audit Committee

The Audit Committee initiated from the Board of Directors is responsible for ensuring the adequacy & effectiveness of the internal control on behalf of the Board of Directors and to report the following to the Board of Directors:-

(a) The quality and integrity of financial reporting,
(b) The audit of the accuracy of such report,
(c) The soundness of Group internal controls,
(d) The methods of monitoring compliance with laws, regulations and internal policies.

The Audit Committee consist of four members, two of them are independent members & the chairman of the committee from the non-executive members of the Board , The Internal Audit officer attend the meetings and other Board members whether executives or non-executives can attend. The Financial Manager and a representative of the external auditor could attend as necessary and as per the committee request.

The Audit Committee oversees the audit matters on behalf of the Board, it has a responsibility to satisfy that the internal audit is being conducted with proper professionalism and that its scope of work is appropriate.

Board Audit Committee meetings are held to allow the timely consideration of the issuance of the Group financial reports to the external parties, and the meetings held not less than four times a year.

Duties And Responsibilities

The duties and responsibilities of the Audit Committee include but are not limited to the following:-

1- Review the financial statements periodically before submitting to the Board of Directors, and submitting its opinions and recommendations in this regard to the Board of Directors and that's to ensure transparency and fairness in the financial reports.
2- The audit committee shall submit its recommendations to the board regarding appointment and reappointment of external auditor, as well as determining and changing their fees, taking into account when recommending, that independence is ensured and reviewing their engagement letter.
3- Monitoring the external auditor's performance, to ensure that they are not providing services to Group except for services required by the audit profession.
4- Studying the external auditor's observations regarding the financial statements and following-up on its status.
5- Studying the accounting policies followed and provides its opinion and recommendation to the board regarding it.
6- Evaluate the adequacy of the internal control systems in the Group and prepares a report including the opinion and recommendation of the committee in this regard.
7- Supervising the internal audit department in the Group in order to verify the extent of its effectiveness in preforming its prescribed duties defined by the Board of Directors.
8- Recommend the recruitment, shifting and termination of the chief internal auditor, and evaluate his performance and the performance of the internal audit department.
9- Revision and adaptation of the proposed audit plan, which is prepared by the internal auditor and provides its opinion on the same.
10- Reviewing the results of internal audit reports, and ensures that the corrective procedures have been taken regarding the observations which are contained in the report.
11- Reviewing the results of the regulatory authorities reports, and ensures that the necessary procedures have been taken in this regard.
12- Ensure the Group is complying with the regulations, policies, and instructions that are of relation to it.
13- Reviewing the proposed deals and transactions the Group performs with related parties and provide the proper recommendations to the board.

The committee was held four times during 2015 as follows:-

Committee Members / Meetings	Annual Serial	1	2	3	4
	Accumulated Serial	35	36	37*	38
	Designation / Date	11/02/2015	06/05/2015	22/07/2015	03/11/2015
Mahmoud Ali Al-Sane	Chairman	√	√	√	√
Abdul Ilah Mohammed Marafie	Member	√	-	√	-
Jean Cloutier	Member	√	√	√	√
Abdullah Mohammed Al-Mansour	Member	√	√	√	√
Mohamed Ahmed Ibrahim	Deputy Manager - Internal Audit Department	√	√	√	√

* The Audit Committee meeting No. (37) was held by circulation.

Board Risk Management Committee

The purpose of the Risk Management Committee is to oversee & verify that the management is implementing the Group's policy in accordance with risk management framework and conducting risk management activities. The main purpose of the Risk Management Committee is to assist the Board in implementation of its responsibilities with regards to the following:-

1- Review and approval of the Group's Risk Management Strategy.
2- Review and approval of the Risk Management policies & procedures.
3- Review and approval of risk limits and submit the necessary recommendations to the Board of Directors.
4- Review the adequacy of the Group's capital (economic, required from government & regulatory entities and rating agency) and how to allocate it to achieve the best return of the assessed risks .
5- Review and assess the performance and responsibilities of Risk Management department.

The Risk Management Committee consists of four members, two of them are independent members & the chairman of the committee from the non-executive members of the Board Of Directors.

Duties And Responsibilities

The Risk Management Committee shall responsible for but are not limited to:-

1- Preparing and reviewing the strategies and policies of risk management before it's approved by the Board of Directors and ensuring the execution of these strategies and policies and the same is consistent with the nature and size of the Group's activity.
2- Providing sufficient resources and adequate systems for the risk management department.
3- Evaluate the systems and mechanisms for identifying and monitoring various risks that the Group may be exposed to, in order to determine the weaknesses in this regard.
4- Assist the Board of Directors in identifying and assessing the acceptable level of the risks, to ensure that the Group does not breach this level of the risk after approval from the Board of Directors.
5- Reviewing the organization structure of the risk management department and submitting its recommendations in this regard, prior to its approval from the Board of Directors.
6- Ensuring that the staff of the risk management department are independent from the activities that leads to risk exposure.
7- Ensuring that the staff of the risk management department completely understand the risks surrounding the Group and work on increasing awareness of the employees regarding the risk culture.
8- Preparing periodic reports regarding the nature of the risks that the Group may be exposed to and submitting the same to the Board of Directors.
9- Reviewing the related issues raised by the audit committee which may affect managing the Group's risks.
10- The risk management committee convene its meetings on periodical basis, at least four times annually and the minutes of the meetings must be recorded.

The committee was held four times during 2015 as follows:-

Committee Members / Meetings	Annual Serial	1	2	3	4
	Accumulated Serial	16	17	18*	19
	Designation / Date	11/02/2015	06/05/2015	22/07/2015	03/11/2015
Mahmoud Ali Al-Sane	Chairman	√	√	√	√
Abdul Ilah Mohammed Marafie	Member	√	-	√	-
Jean Cloutier	Member	√	√	√	√
Abdullah Mohammed Al-Mansour	Member	√	√	√	√
Ahmed Galal Ragab	Assistant Manager - Risk Management Department	√	√	√	√

* The Risk Management Committee meeting No. (18) was held by circulation.

Corporate Governance Committee

Corporate Governance Committee specialized in corporate governance applications & its primary role setting a Corporate Governance framework and guideline and supervise its implementation and amend it, when necessary.

The Board Of Directors form a Corporate Governance Committee consisting of three members: one of them is an independent member of the audit committee & the chairman of the committee is the chairman of the Board Of Directors.

Duties And Responsibilities

The Corporate Governance Committee shall responsible for but not limited to:-

1- Ensuring that the corporate governance standards and implementations are approved by the Board of Directors and are consistent with Resolution No. (72) of 2015 regarding issuance of executive regulations of law No. (7) of 2010 concerning the establishment of the Capital Markets Authority and regulating securities activities & its amendments – volume (15): Corporate Governance.

2- Supervising the preparation and implementation of the corporate governance manual and reviewing and updating the same when necessary.

3- Coordinating with the audit committee to ensure compliance with the corporate governance manual.

4- Monitor the performance of the members of the Board of Directors and executive management based on the key performance indicators.

5- Monitor any subjects relating to corporate governance and providing the Board of Directors (annually at least) with the reports and recommendations based on the committee's results.

6- Prepare an annual report that includes the procedures and requirements regarding completion of the corporate governance rules and the extent of compliance with the same and this report is to be included in the annual report of the Group 's activity.

Nominations And Remunerations Committee

The availability of professional experience and technical skills as well as the personal qualities and ethical standards in the nominated person for a membership in the Board of Directors or Executive Management, are considered the main cornerstones for the Group's financial soundness and an important aspect to prevent risks that the Group may be exposed to. Also, The equitable allocation of the remuneration attracts highly qualified and technical labor, as well as strengthening the concept of loyalty to the Group and accordingly maintaining qualified labor, motivating employees in all various levels to achieve the Group's objective and improve the Group's performance.
The Nominations and Remunerations Committee consist of three members, one of them are independent members from the Board & the Chairman of the committee from the non-executive members of the Board.

Duties And Responsibilities
The Nominations and Remunerations Committee shall responsible for but not limited to:-

1- Recommending nominations and re-nominations for the membership of the Board of Directors, Board Committees and Executive Management, while taking into account not nominating any person who does not fulfill the regulatory requirements. taking into account the number of attendance, quality and effectiveness of contribution of the members in the Board of Directors meetings, the performance of their duties and responsibilities.
2- Annual review of the requirements for appropriate skills, in order to attract applicants seeking to fill executive position as needed, studying and reviewing these applications.
3- Preparing job descriptions for the executive, non-executive and independent members.
4- Recommending independent members for nomination and re-nomination through election from the general assembly and ensure the existence of independence for the independent member in the Board of Directors.
5- Establishing a clear policy for the remuneration of the board members, senior executives.
6- The annual revision of the remunerations policy and evaluation of its efficiency in achieving the objectives expected from it, such as attracting and maintaining highly qualified and technical labor that improve the Group's performance.

Effective Assurance Technique at Gulf Insurance Group

At Gulf Insurance Group, various governance and control functions help to ensure that risks are identified and appropriately managed and internal controls are in place and operating effectively. This coordination is referred to as 'Integrated Assurance Approach '. The Board is ultimately responsible for the supervision of these assurance activities. Although each assurance provider maintains its distinct mandate and responsibilities, the assurance providers are closely aligned and co-operate with each other through a regular exchange of information, planning and other activities.This approach supports management in its responsibilities and provides confidence that risks are appropriately addressed and that adequate mitigation actions are implemented.

The following diagram shows the effective assurance technique (Three Line Of Defense) at Gulf Insurance Group:-

Audit Committee	Board Of Directors	Risk Committee
1st Line (Management)	Involved in day to day internal controls & risk management - Follow an internal controls & risk management process – Apply internal controls & risk responses	External Audit
2nd Line (Risk) (Compliance)	Oversee & challenge controls & compliance & risk management process - Provide guidance & direction- Develop enterprise risk management framework	
3rd Line (Internal Audit)	Review 1st & 2nd lines – Provide an independent perspective & challenge the process – Objective & offer assurance	

Process Owner
Management:- Owns processes, controls and technical reviews related to assurance activities. This includes and is supported by assurance work provided by the management's technical functions (e.g., underwriting, actuarial, claims) and the legal and finance functions.

Oversight
Risk Management: Responsible for Gulf Insurance Group's Enterprise Risk Management framework.
Compliance: Responsible for providing assurance to management that compliance risks within its mandate are appropriately identified and managed.

Independent Assurance
Internal Audit: Responsible for auditing risk management, control and governance processes.
External Audit: Responsible for auditing the Group's financial statements.

The Board
The Board is ultimately responsible for the supervision of the assurance activities. Its Audit and Risk Committees receive regular updates from Internal Audit, Risk Management, Compliance and External Audit throughout the year.

Group Risk management Framework

Gulf Insurance Group (gig) executive management steers companies' business through three dimensions: Volume, Profitability and Risk; hence, gig recognizes the critical importance of having a productive and effective risk management framework in place, supported by a robust risk governance structure, adequate processes and controls as are appropriate to manage its key business risks and achieve its planned results with acceptable deviations.

The group's risk management main objective is to protect the shareholders from events that hinder the sustainable achievement of financial objectives, including failing to exploit opportunities, protect the policyholders' rights by ensuring that all liabilities towards them are fulfilled in duly matter.

During 2015, it was essential for the group RM department to utilize a unified RM approach; a new strategy has been developed and articulated for the purpose of unifying risk management frameworks, policies & procedures across the group companies besides integrating risk opinion into the decision-making processes which eventually promotes a strong risk management culture.

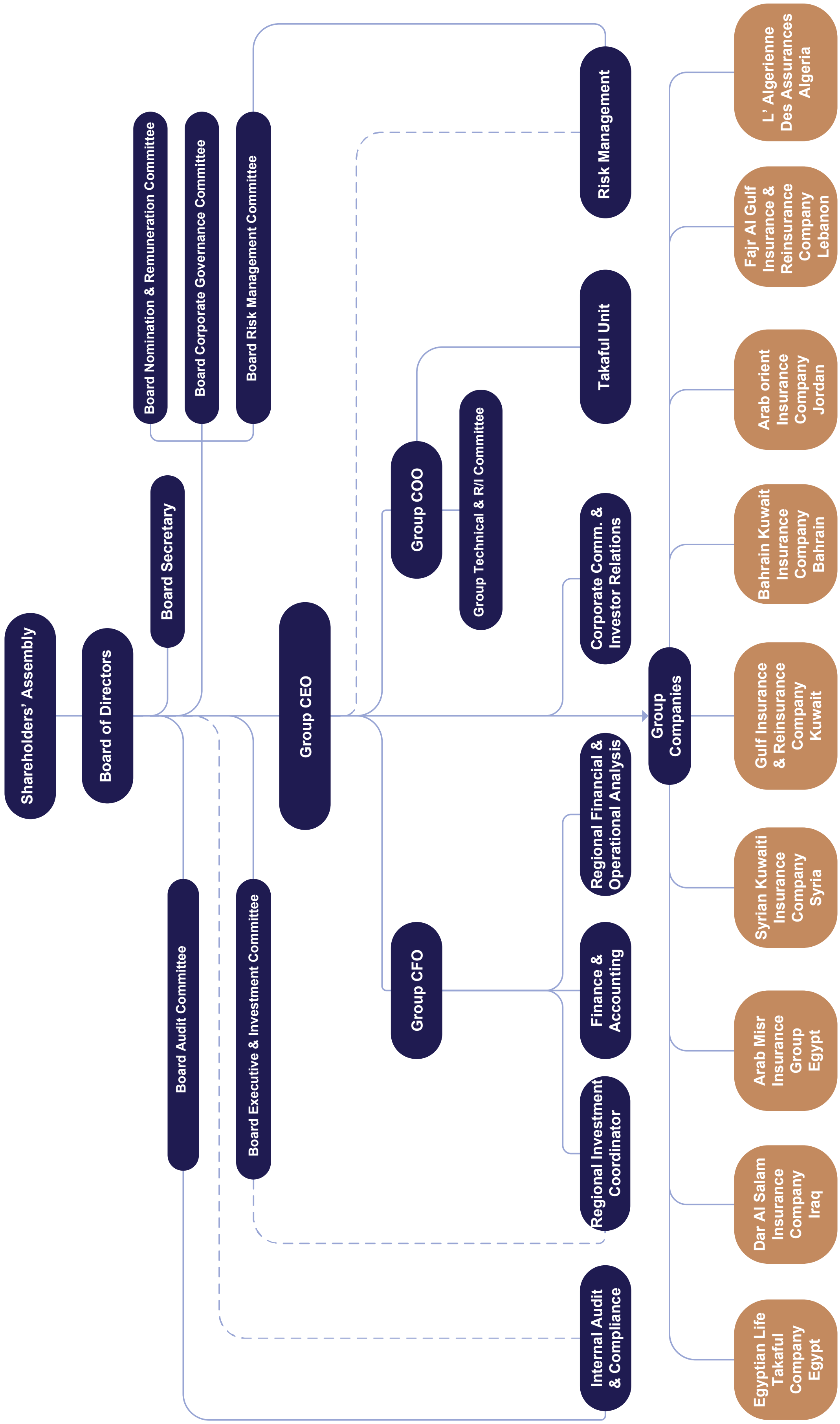
Risk management is considered as an integral part of gig's overall corporate structure; which helped the group to be in a stronger position to deliver its objectives, provide improved services to stakeholders, maintain adequate financial strength ratings, work together as a partner with other organizations and achieve a better value of money.

gig's RM is committed to adopt the best practice in identifying, assessing, controlling, mitigating and monitoring all types of risks, on a continuous basis. It is the group's responsibility to deliver the core principles and tools necessary to do this mission with active participation of all parties. The board has the ultimate responsibility for the establishment, oversight and implementation of effective risk management systems.

Risk management is a day-to-day process which requires active involvement of various parties, common understanding of risks, clear organization strategy and targets, supported by the independence of the department to be able to meet all challenges of the rapidly deviated environment.

"The art of good risk management is to combine planning for what we already know might happen with preparation for unknown situations".

Group Organization Chart



Board of Directors

Farqad Abdullah Al Sane (KIPCO)
Group Chairman

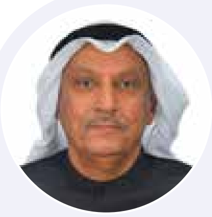
Mr. Al-Sane holds a Bachelor degree of Commerce in Accounting from Cairo University – Egypt. He held various management and board level positions for more than 30 successive years in Kuwait. He joined The Gulf Insurance Company (GIC) in 2001. Currently he is the Group Chairman of Gulf Insurance Group. Mr. Al-Sane has diversified professional career started as Internal Auditor at the Kuwait Oil Company, Deputy General Manager of Wafra Real Estate Company; General Manager of Commercial Real Estate Company, Board Member of KIPCO Group; Board Member of United Real Estate Company; and the Chairman of Commercial Markets Complexes Company and Board Member in ALARGAN INTERNATIONAL REAL ESTATE COMPANY.

Faisal Hamad Al Ayyar (KIPCO)
Vice Chairman

Mr Faisal Al Ayyar is Vice Chairman of the Kuwait Projects Company (Holding). He joined the company in 1990 when it was a US$ 220 million regional investment company. Under his stewardship, KIPCO has developed into one of MENA's leading holding companies with interests in financial services, media, real estate, manufacturing and education with operations in 24 countries and consolidated assets of US$ 32 billion. Of note is his leading role in the creation and development of OSN, the region's largest pay-TV company, the development of SADAFCO, a leading dairy and foodstuff producer in Saudi Arabia, and the expansion and subsequent sale of Wataniya Telecom, a major regional mobile operator. Mr Al Ayyar is Chairman of Panther Media Group - Dubai UAE (OSN). He is Vice Chairman of Gulf Insurance Group – Kuwait, United Gulf Bank – Bahrain, Jordan Kuwait Bank – Jordan, and Mashare'a Al-Khair Establishment - Kuwait. He is a Board Member of Saudia Dairy & Foodstuff Company – KSA, and Gulf Egypt for Hotels & Tourism Company – Egypt. He is a Trustee of the American University of Kuwait – Kuwait, and Honorary Chairman of the Kuwait Association for Learning Differences – Kuwait. Mr Al Ayyar began his career as a fighter pilot with the Kuwait Air Force. Honors include the Arab Bankers Association of North America's 2005 Achievement Award, the Tunis Arab Economic Forum and the Beirut Arab Economic Forum 2007 Achievement Awards and the Kuwait Economic Forum 2009 Award for his contribution to the investment sector and successes in the global financial market.

Khalid Saoud Al Hasan (KIPCO)
Board Member and Group CEO

Mr. Al- Hasan holds a Bachelor degree in Political Science and Economics from Kuwait University. His Professional Insurance and Administrative experience exceeds 30 years in different executive positions. He joined GIC in 1978. He is currently the Board Member & CEO of the GIG, and the chairman of Syrian Kuwait Insurance Company - (Syria). Vice Chairman of Arab Orient Insurance Company (Jordan), Arab Misr Insurance Group – AMIG - (Egypt), Bahrain Kuwait Insurance Company (Bahrain), and Board member in Arab Reinsurance Company (Lebanon), Egyptian Takaful Property & Liability (ETP) – (Egypt), MD of Buruj Cooperative Insurance Company – (KSA).

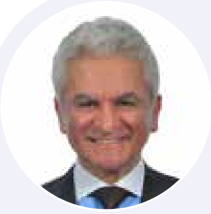


Mahmoud Ali Al Sanea (Amaken)
Board Member

Mr. Mahmoud Al-Sanea holds a Master's degree in Business Administration and Higher Diploma & a Bachelor degree in the same field. For over four decades of his professional experience in number of executive positions. He started as Head of External Accounts, General Manager - Planning in Ministry of Communications. Director of Commercial Divisions and a member and secretary of the Operating Board, Vice Chairman & MD of Communication & Information Group of Mobile Telecommunication Company (Zain). Currently Mr. Al Sanea is the chairman & CEO of United Networks Company.

Abdul Ilah Mohammed Rafie Marafie (Independent)
Board Member

Mr. Marafie holds Diploma in Computer Science. He is presently the Managing Director of the successful Marafie Group and held several positions in the Marafie Group of Companies (1977 – 2016). He was the Chairman & Managing Director of Watanyia Telecom KSC (Oreedoo) from May to Oct.1998. Since April 2005, Mr. Marafie is the Chairman of First Hotels Co. KSCC.



Bijan Khosrowshahi (Fairfax)

Board Member

Bijan Khosrowshahi is born in 1961, had his MBA, 1986 and Bachelor degree in Mechanical Engineering, Drexel University-USA, 1983, he is currently the President & CEO of Fairfax International, London and the Board member, Representative of Fairfax Financial Holdings Limited for the following companies: Gulf Insurance Group – Kuwait, Bahrain Kuwait Insurance – Bahrain, Arab Misr Insurance – Egypt, Commercial International Bank (CIB) – Egypt, Arab Orient Insurance Company – Jordan, Jordan Kuwait Bank – Jordan, Alliance Insurance P.S.C. – Dubai. Mr. Bijan previously held the position of President & CEO, Fuji Fire and Marine Insurance Company, Japan, President, AIG's General Insurance operations, Seoul, Korea (2001-2004), Vice Chairman and Managing Director, AIG Sigorta, Istanbul, Turkey (1997-2001), Regional Vice President, AIG's domestic property and casualty operations for the Mid-Atlantic region, USA, and held various underwriting and management positions with increasing responsibilities, AIG, USA since 1986, Board member, Foreign Affairs Council, Board member, Insurance Society of Philadelphia, Council member, USO, Korea, Chairman, Insurance committee of the American Chamber of Commerce, Korea, Member, Turkish Businessmen's Association.

Jean Cloutier (Fairfax)

Board Member

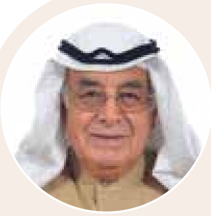
Mr. Cloutier received his bachelor's degree in actuarial sciences from Laval University in 1986. He is a fellow of the Casualty Actuarial Society and a member of the Canadian Institute of Actuaries. Mr. Cloutier joined Fairfax in 1999 as Vice President and Chief Actuary, becoming Vice President, International Operations in 2009 and is Chairman of Fairfax International from 2013 to present. From 1990 – 1999, he was Vice President Actuarial Services of Lombard Canada Limited, a Canadian property and casualty insurance company. Mr. Cloutier serves on the Board of a number of Fairfax Subsidiaries as well as Industry Organizations on behalf of Fairfax.

Quinn McLean (Fairfax)

Board Member

Quinn McLean is an Investment Analyst at Hamblin Watsa Investment Counsel, a wholly owned subsidiary of Fairfax Financial. Quinn is the International Manager for Fairfax insurance subsidiary investment portfolios in the Middle East/Africa (Gulf Insurance Group), Singapore (First Capital) and Malaysia (Pacific Insurance). His work involves frequent travel to the above regions to perform due diligence on potential and existing investments. Quinn is currently on the board of Gulf Insurance Group, Afgri Ltd (Agricultural company based in South Africa – Fairfax has a 40% stake) and First Capital (Singapore).

Quinn graduated with a Masters in Business Administration from the University of Toronto. Initial work experience was in the public accounting profession with three and a half years work experience in audit and tax (Obtained Chartered Accountant designation (CA, CPA) in 2004). Subsequently Quinn entered the investment management profession as an investment analyst working for an Institutional Investment Manager in Toronto, Canada focusing on international equities (Europe and Asia) for five years. Chartered Financial Analyst (CFA designation) obtained in 2008. Quinn joined Hamblin Watsa in July 2011 with a focus on international investments.



Mr. Abdulaziz Saoud Al Fulaij (Independent)

Board Member

Mr. Al- Fulaij is a prominent businessperson in Kuwait, running his own company called "Abdulaziz Saud Al-Fulaij Establishment" he's actively involved in the social and community services and activities in Kuwait.

Abdullah Mohammed Al Mansour (Independent)

Board Member

Mr. Al-Mansour Holds bachelor degree in Accounting from Cairo University- Egypt, he held managerial roles in several banks like Commercial Bank of Kuwait CBK, Kuwait Finance House KFH and was a board member of several leading companies such as External Investments Company (1987-1994) National Investments Company (1990-1994), and Hotels Company (1988-2000), CapCorp Investment Company (2010-2013). Currently Mr. Al-Mansour is the vice chairman of Al-Aman Investment Company (2014-2017).

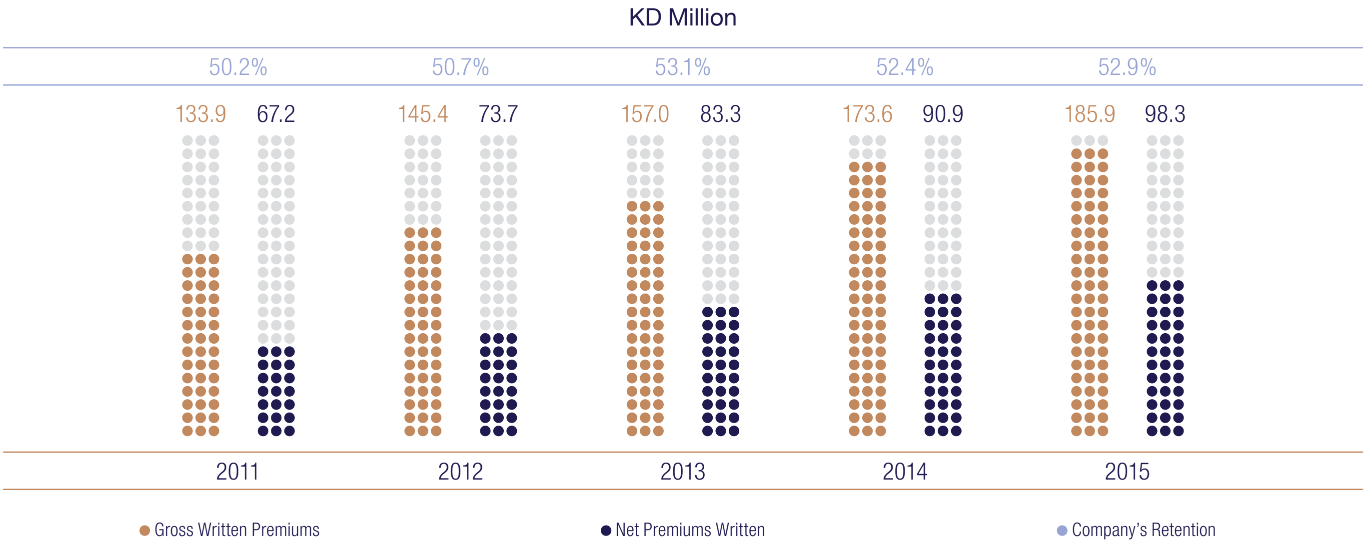
Khalid Saoud Al Hasan

Member of the Board and Group Chief Executive Officer

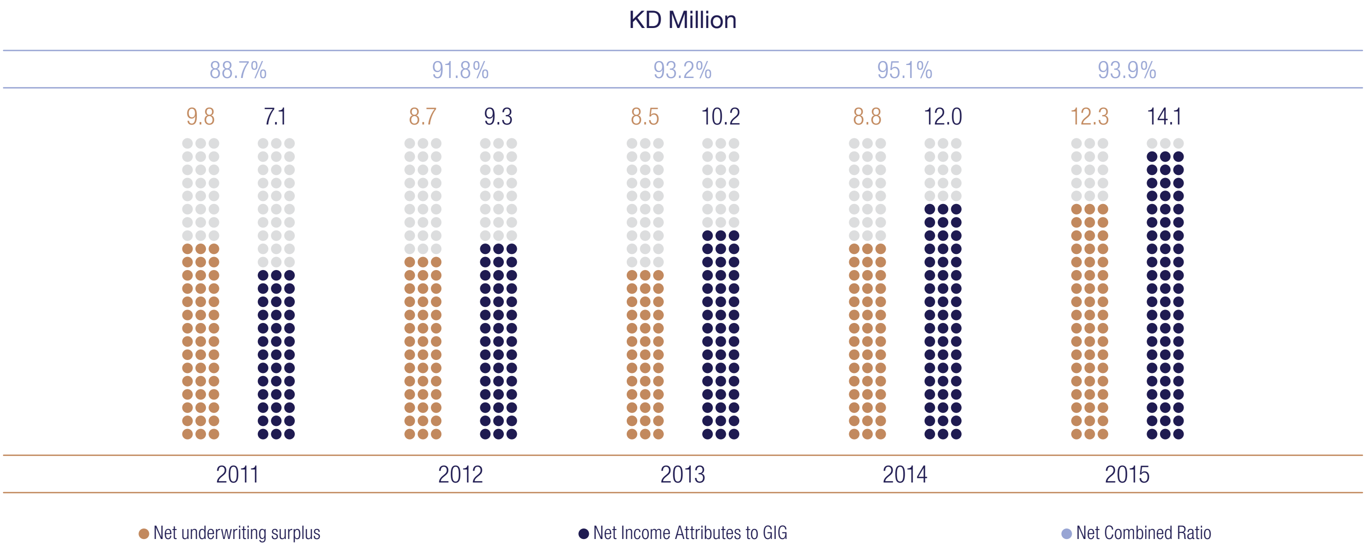
Qualification: Bachelor of Political Science, Faculty of Commerce, Economics & Political Science, Kuwait University; and successfully completed the course in Leadership and the Management of Change from Harvard University-USA.

Professional Experience: Mr. Al-Hasan joined GIC in November 1978. Since July 2014 he is the Group Chief Executive Officer, Gulf Insurance Group. Before, he was Assistant Manager – Fire and General Accident Department from 1979 to 1981, Manager – Fire and General Accident Department from 1981 to 1983, Deputy General Manager – Fire and General Accident Department from 1983 to 1991, General Manager from 1991 to 2002, Managing Director & CEO from February 2002 to July 2013, and Chief Executive Officer from July 2013.

Financial Highlights

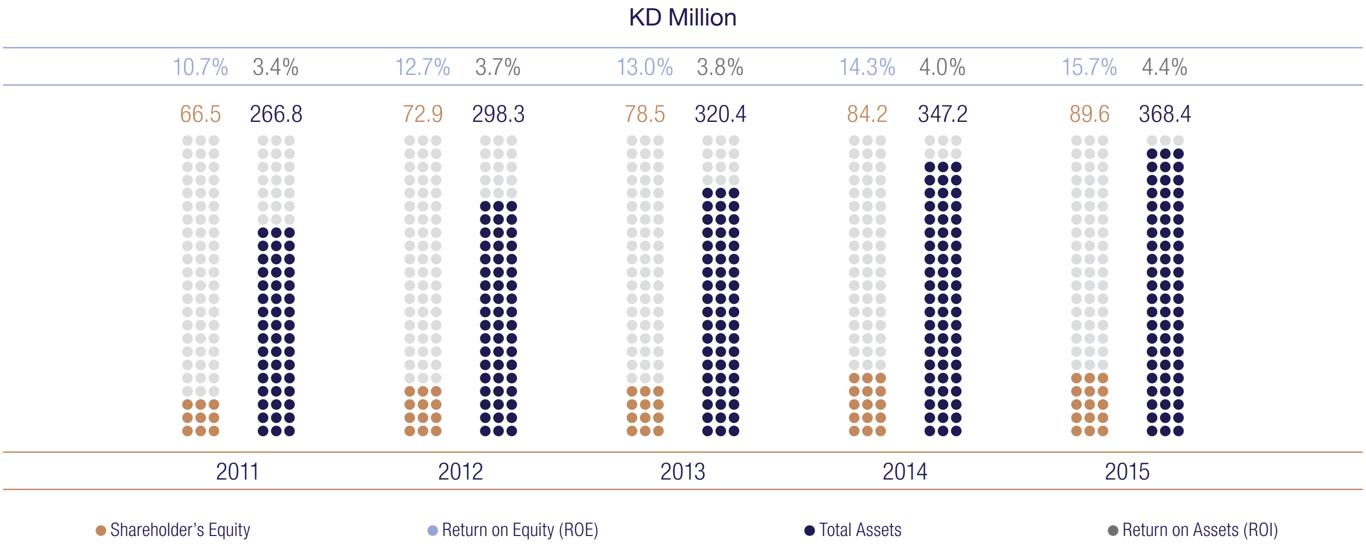


	2011	2012	2013	2014	2015	GR% 14/15	CAGR
Gross Written Premiums	133.9	145.4	157.0	173.6	185.9	7.1%	8.6%
Net Premiums Written	67.2	73.7	83.3	90.9	98.3	8.1%	10.0%
Company's Retention	50.2%	50.7%	53.1%	52.4%	52.9%	0.5%	

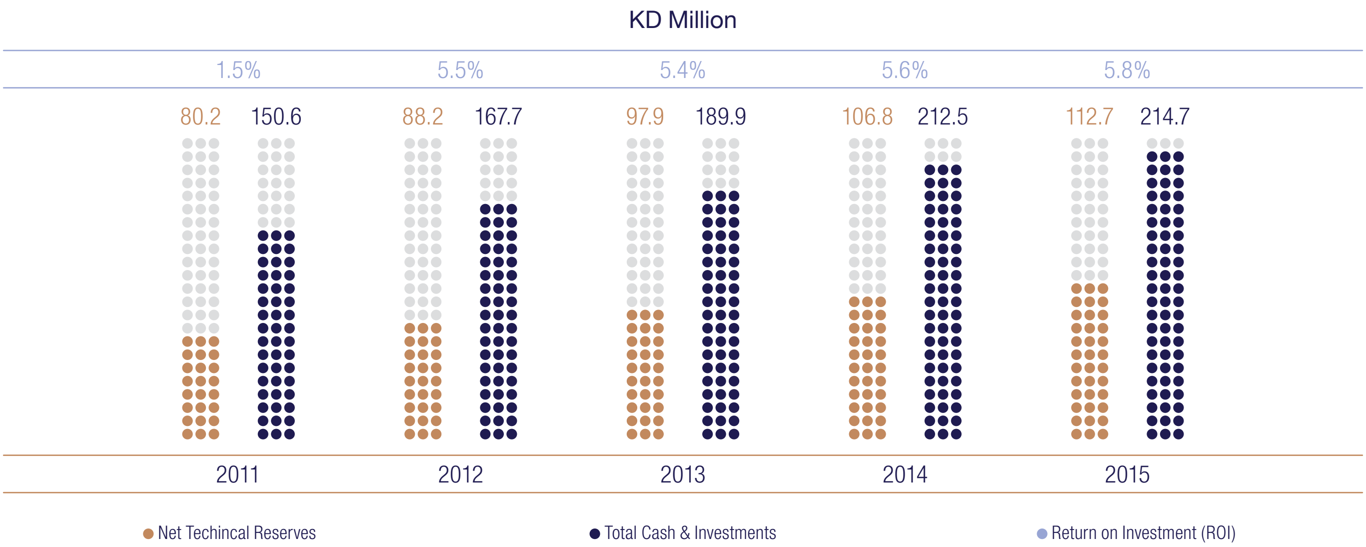


	2011	2012	2013	2014	2015	GR% 14/15	CAGR
Net underwriting surplus	9.8	8.7	8.5	8.8	12.3	40.7%	5.7%
Net Income Attributes to GIG	7.1	9.3	10.2	12.0	14.1	17.4%	18.6%
Net Combined Ratio*	88.7%	91.8%	93.2%	95.1%	93.9%	-1.2%	

*Net Combined Ratio: includes the unallocated expenses of the group along with GIG expenses.



	2011	2012	2013	2014	2015	GR% 14/15	CAGR
Shareholder's Equity	66.5	72.9	78.5	84.2	89.6	6.4%	7.7%
Return on Equity (ROE)	10.7%	12.7%	13.0%	14.3%	15.7%	1.5%	
Total Assets	266.8	298.3	320.4	347.2	368.4	6.1%	8.4%
Return on Assets (ROI)	3.4%	3.7%	3.8%	4.0%	4.4%	0.4%	



	2011	2012	2013	2014	2015	GR% 14/15	CAGR
Net Techincal Reserves	80.2	88.2	97.9	106.8	112.7	5.5%	8.9%
Total Cash & Investments	150.6	167.7	189.9	212.5	214.7	1.1%	9.3%
Return on Investment (ROI)	1.5%	5.5%	5.4%	5.6%	5.8%	0.2%	

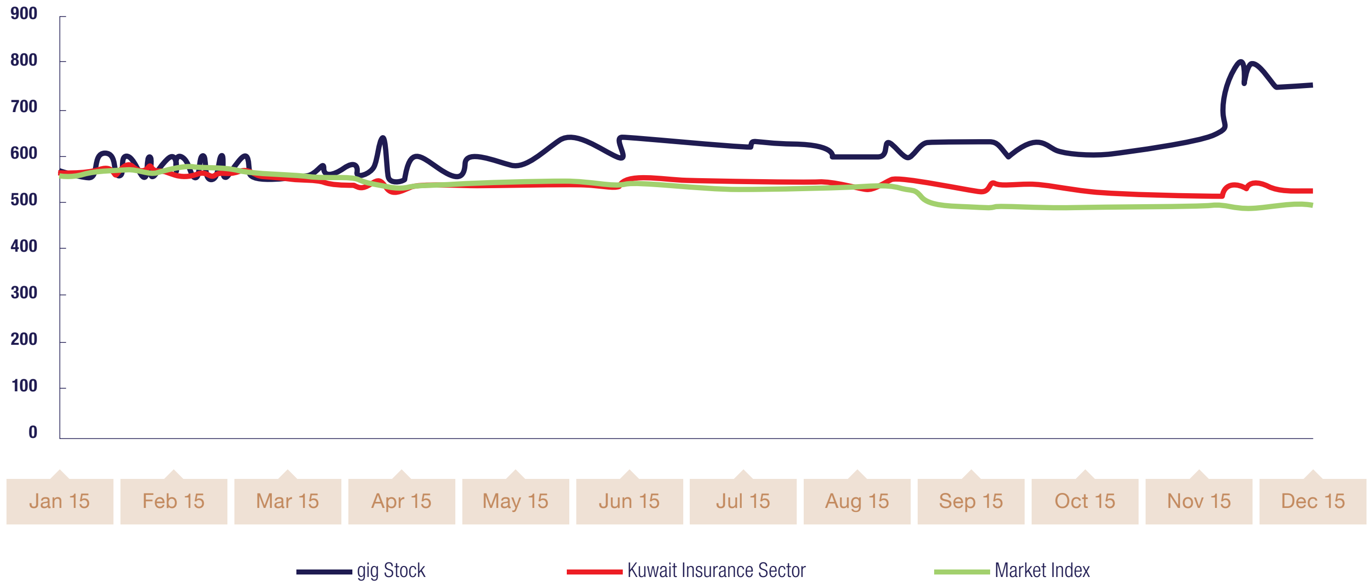
Business Strategy

gig strategy aims to serve ,develop and strengthen the insurance sector in MENA region, raise awareness of insurance for individuals and institutions in order to raise the impotency of the insurance sector role to serve and support the National and Arabian economies in effective & professional manner.

gig is performing an in-depth and periodic studies and analysis to determine the real needs of the domestic and regional markets. gig is working to post the markets with the best ,innovative and high quality insurance solutions and services. This will be achieved by using the modern and latest technology, the most advanced advertising methods and marketing campaigns. as well as develop plans & programs to promote human resources and strengthen the employees experiences, marketing capabilities, monitor changes in the international insurance industry and competition in the domestic and regional markets that will allow gig to become the best insurance leader in the insurance industry with a unique benchmark in the Arab world and MENA region, distinguish gig from others, reinforce our leadership position in the markets that we operates in and to give us the ability to serve our customers professionally.

gig strategy also aims to maximize the added value for customers and stakeholders, continue our expansion plan, development and career path plans for our employees to strengthen their technical capabilities and experiences, maximize the technical and investment income and develop the insurance and investment plans to ensure the optimal utilization of our assets while reducing exposure to risk in conformity with international standards of the insurance industry. And to support and serve the Kuwaiti investments in MENA region and offer our services to Kuwaiti and non-Kuwaiti investors.

2015 - gig's Share Price Performance, Insurance Sector & Market Index

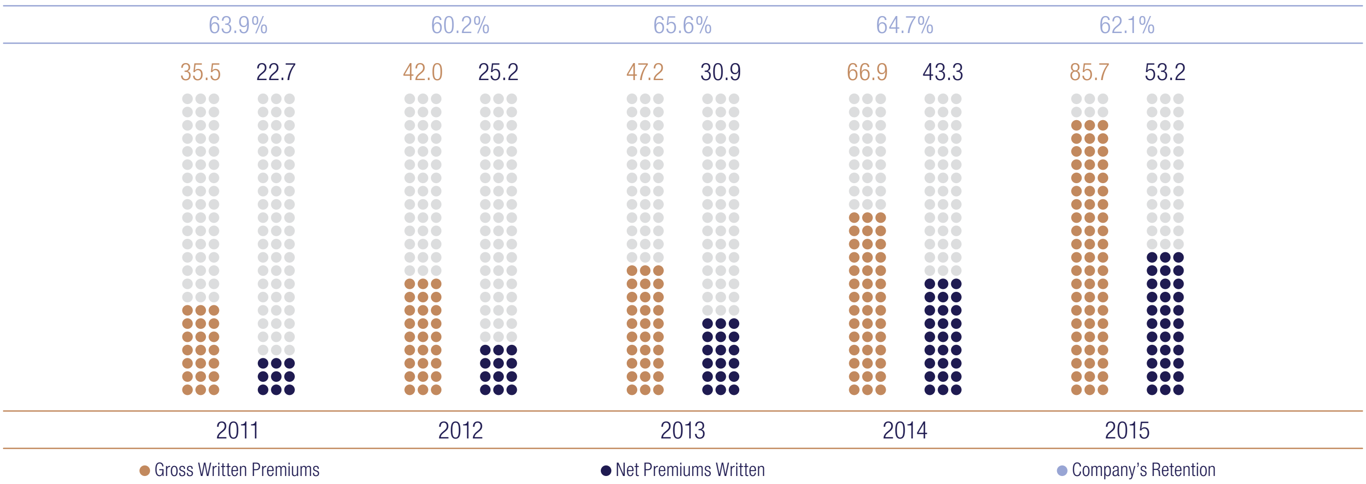


SUBSIDIARIES

Gulf Insurance &Reinsurance | gig GULF INSURANCE GROUP

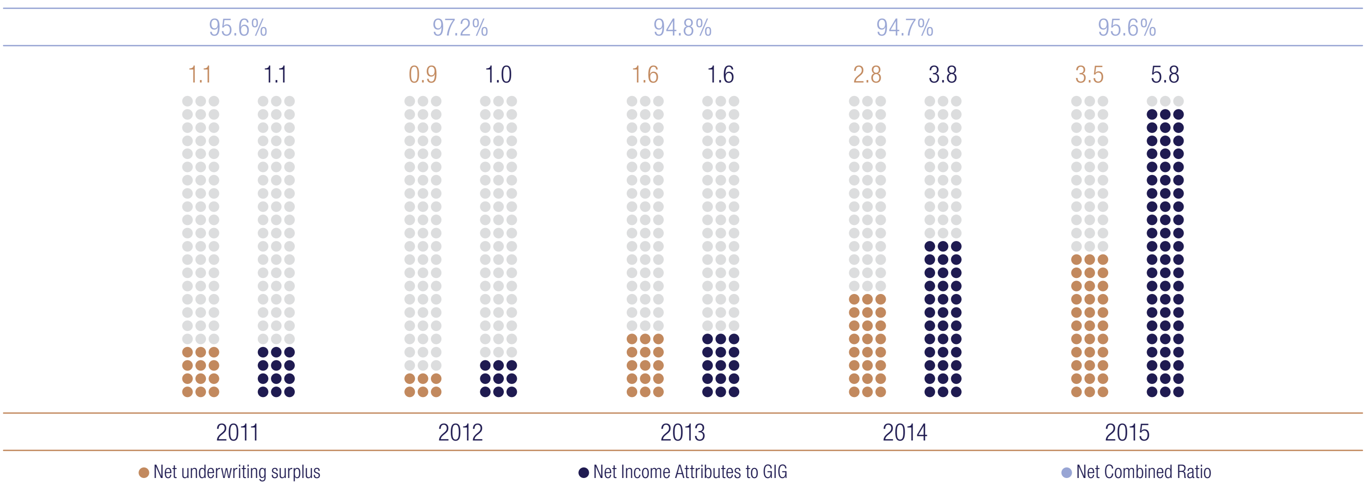
Tel: +965 1802080
Website: www.gulfins.com.kw

KD Million



	2011	2012	2013	2014	2015	GR 14/15	CAGR
Gross Written Premiums	35.5	42.0	47.2	66.9	85.7	28.1%	24.6%
Net Premiums Written	22.7	25.2	30.9	43.3	53.2	23.1%	23.8%
Company's Retention	63.9%	60.2%	65.6%	64.7%	62.1%	-2.5%	

KD Million



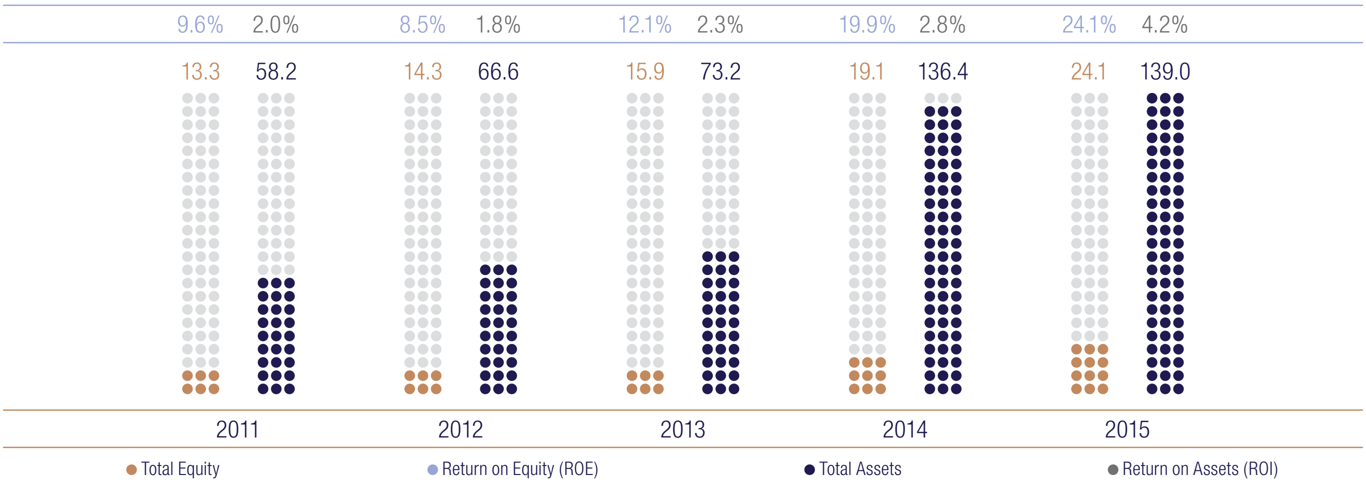
	2011	2012	2013	2014	2015	GR 14/15	CAGR
Net underwriting surplus	1.1	0.9	1.6	2.8	3.5	28.8%	33.5%
Net Income Attributes to GIG	1.1	1.0	1.6	3.8	5.8	53.1%	52.4%
Net Combined Ratio*	95.6%	97.2%	94.8%	94.7%	95.6%	1.0%	

*Net Combined Ratio: includes the company's unallocated expenses and its portion of GIG expense

Gulf Insurance and Reinsurance Company (GIRI)

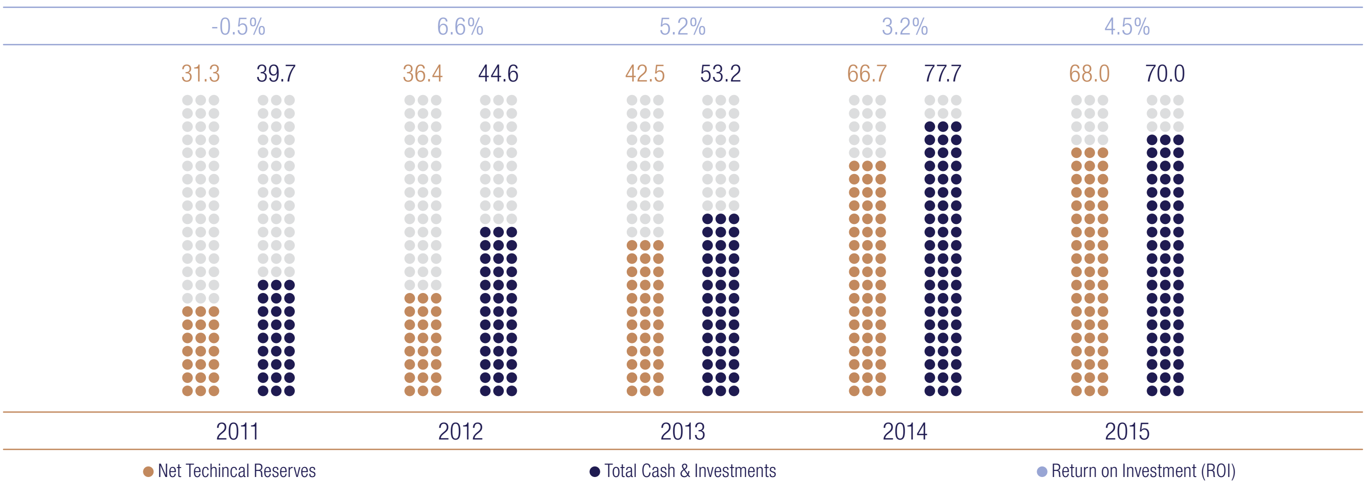
established at the end of 2007 in Kuwait under the name of Gulf Life Insurance Company (GLIC) operates in Life & Medical business. On September 2014 the company has successfully changed its name to be Gulf Insurance and Reinsurance Company (GIRI) and transferred the Non-life Insurance portfolio of GIC to GIRI effectively from July 1st 2014. GIRI had changed its license to practices all lines of business through 13 branches distributed across Kuwait. GIRI is now operating with paid-up capital of KD 12 million from being KD 5 million in 2007. GIRI is the largest insurance company in Kuwait in terms of written and retained premiums and its activities are further supported by first class reinsurance security. The company's headcount is 288 employees . A.M. Best has affirmed the financial strength rating of A- (Excellent) and the issuer credit ratings of "a-" of Gulf Insurance and Reinsurance Company K.S.C. (GIRI) with positive outlook and 'A- with Stable outlook from Standard and Poor's.

KD Million



	2011	2012	2013	2014	2015	GR 14/15	CAGR
Total Equity	13.3	14.3	15.9	19.1	24.1	26.3%	16.0%
Return on Equity (ROE)	9.6%	8.5%	12.1%	19.9%	24.1%	4.2%	
Total Assets	58.2	66.6	73.2	136.4	139.0	1.9%	24.3%
Return on Assets (ROA)	2.0%	1.8%	2.3%	2.8%	4.2%	1.4%	

KD Million



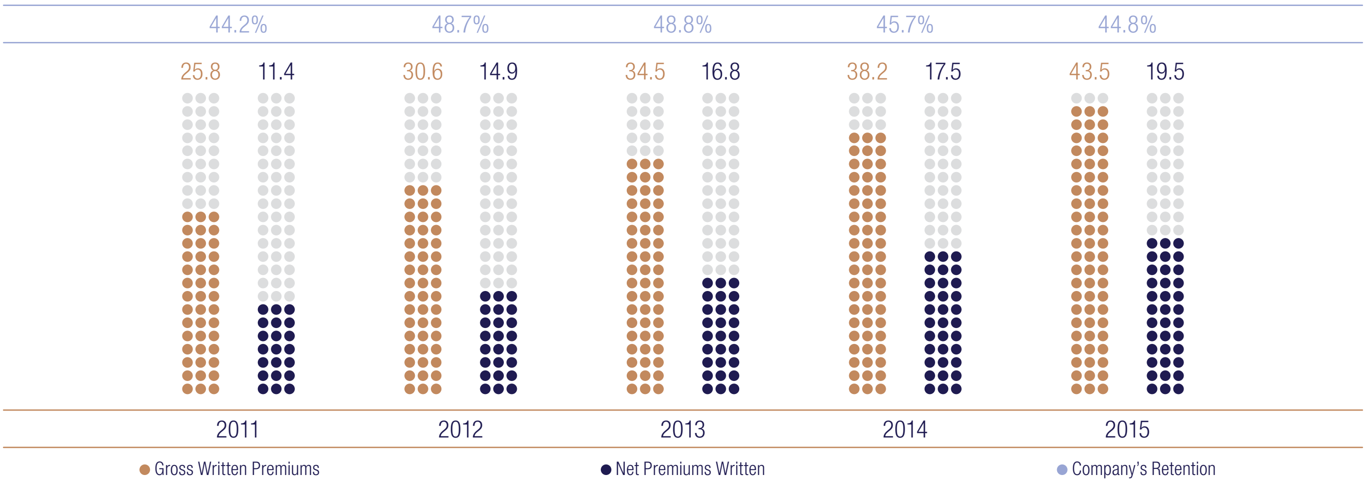
	2011	2012	2013	2014	2015	GR 14/15	CAGR
Net Techincal Reserves	31.3	36.4	42.5	66.7	68.0	1.9%	21.4%
Total Cash & Investments	39.7	44.6	53.2	77.7	70.0	-10.0%	15.2%
Return on Investment (ROI)	-0.5%	6.6%	5.2%	3.2%	4.5%	1.3%	

Subsidiaries

Arab Orient Insurance | gig GULF INSURANCE GROUP

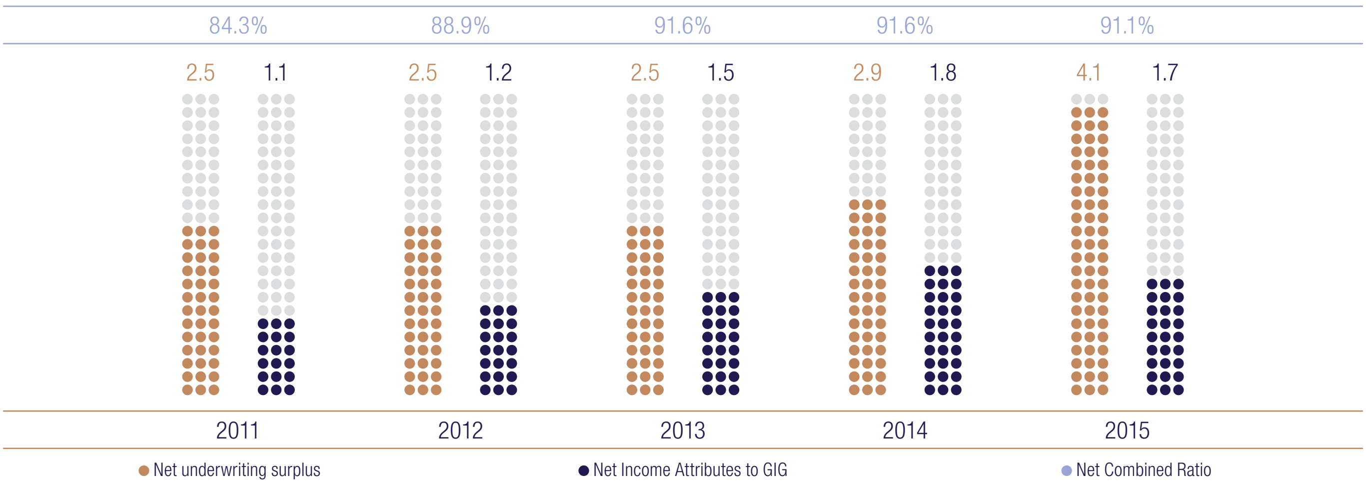
Tel: +962 6 5654550
Website: www.gig.com.jo

KD Million



	2011	2012	2013	2014	2015	GR 14/15	CAGR
Gross Written Premiums	25.8	30.6	34.5	38.2	43.5	13.9%	13.9%
Net Premiums Written	11.4	14.9	16.8	17.5	19.5	11.8%	14.4%
Company's Retention	44.2%	48.7%	48.8%	45.7%	44.8%	-0.9%	

KD Million



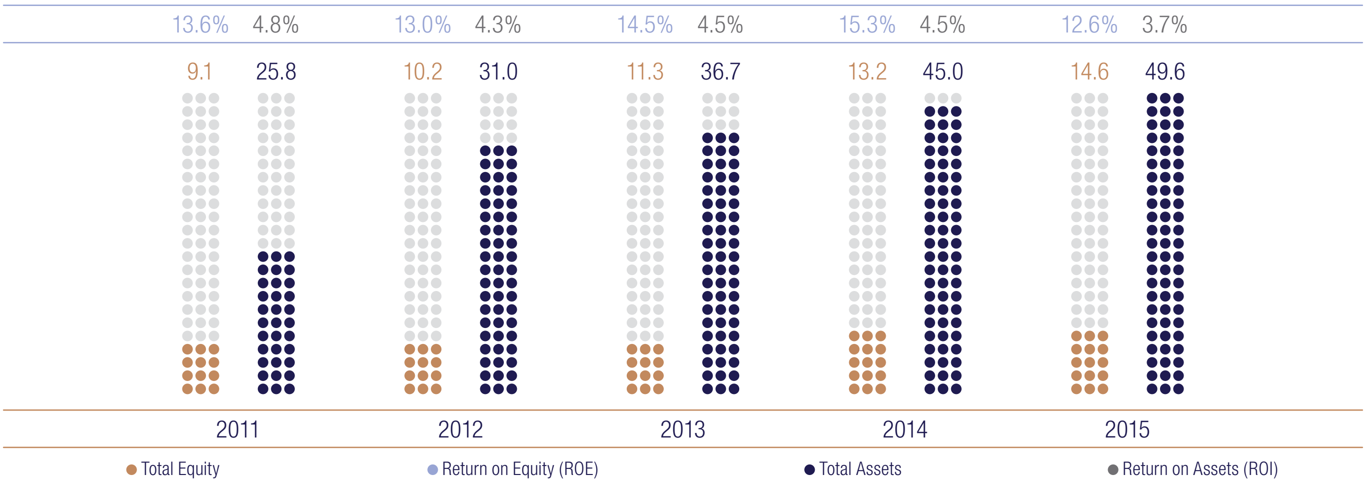
	2011	2012	2013	2014	2015	GR 14/15	CAGR
Net underwriting surplus	2.5	2.5	2.5	2.9	4.1	40.2%	13.2%
Net Income Attributes to GIG	1.1	1.2	1.5	1.8	1.7	-8.5%	11.1%
Net Combined Ratio*	84.3%	88.9%	91.6%	91.6%	91.1%	-0.5%	

*Net Combined Ratio: includes the company's unallocated expenses and its portion of GIG expense

Arab Orient Insurance Company (AOIC)

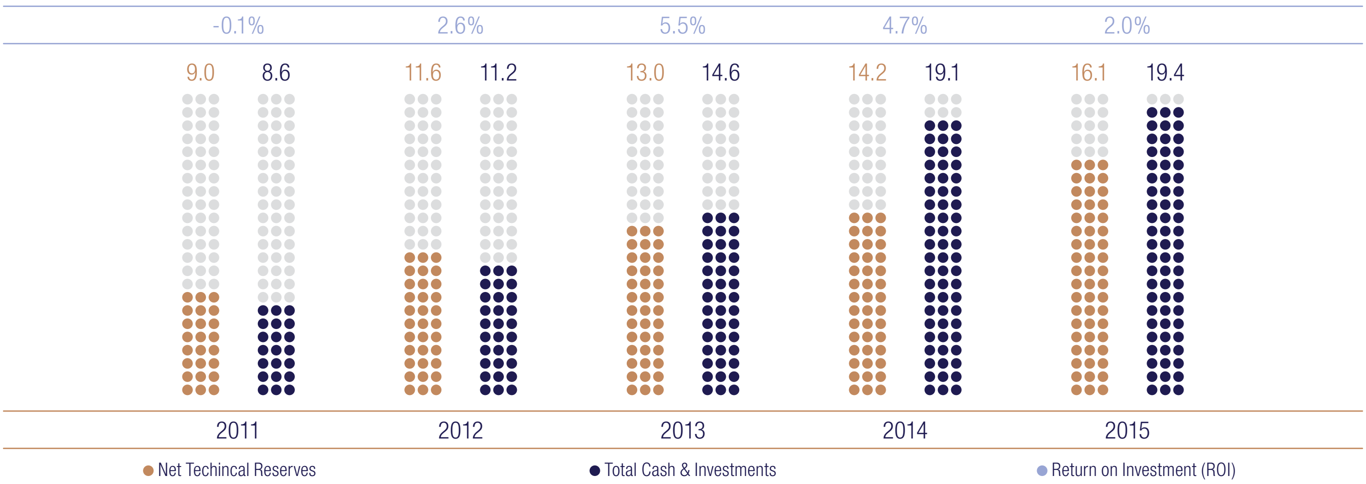
established in 1996 in Jordan and licensed to underwrite all the general insurance business. It has eight branches distributed in all over the kingdom of Jordan in addition to the Head Quarter in Jabal Amman, and employing 312 employees. AOIC experiences strong and consistent growth coupled with excellent reinsurance security, AOIC is proud to enjoy the status of being (accredited insurer). A.M. Best has affirmed the financial strength rating of B++ (Good) and issuer credit rating of bbb+, the outlook for both ratings remains stable. This is making it the one of two companies in Jordan to be rated B++ (Good) for the fourth consecutive year. The paid up capital is JD 21.44 million. AOIC ranked as the Jordanian market Leader in terms of gross written premiums for the 10th consecutive year and market lead in terms of underwriting results. The Company is listed in the Jordanian stock exchange market.

KD Million



	2011	2012	2013	2014	2015	GR 14/15	CAGR
Total Equity	9.1	10.2	11.3	13.2	14.6	10.6%	12.7%
Return on Equity (ROE)	13.6%	13.0%	14.5%	15.3%	12.6%	-2.7%	
Total Assets	25.8	31.0	36.7	45.0	49.6	10.2%	17.7%
Return on Assets (ROA)	4.8%	4.3%	4.5%	4.5%	3.7%	-0.8%	

KD Million

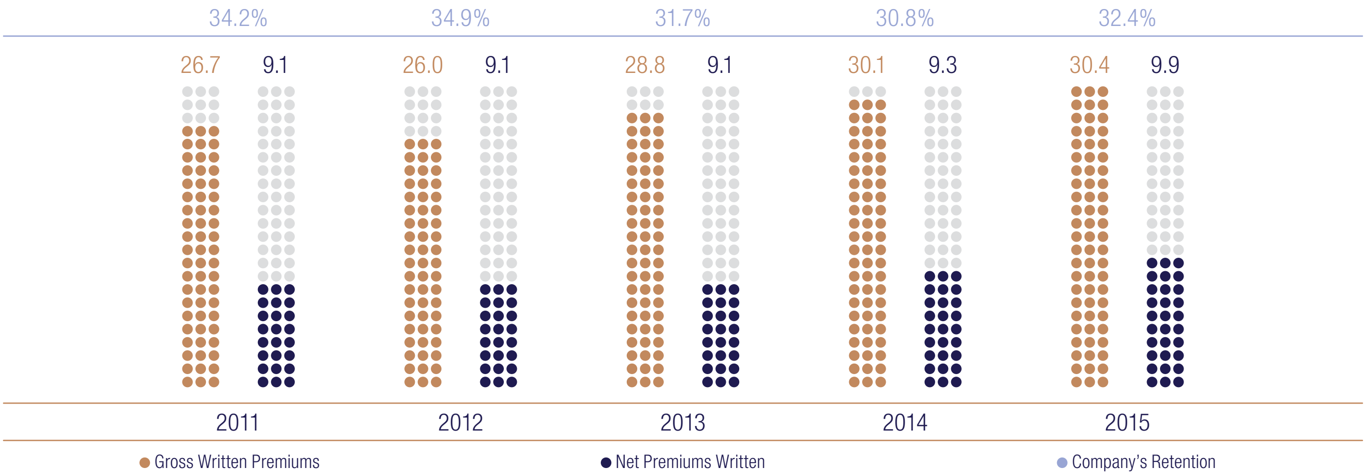


	2011	2012	2013	2014	2015	GR 14/15	CAGR
Net Techincal Reserves	9.0	11.6	13.0	14.2	16.1	13.7%	15.5%
Total Cash & Investments	8.6	11.2	14.6	19.1	19.4	1.4%	22.4%
Return on Investment (ROI)	-0.1%	2.6%	5.5%	4.7%	2.0%	-2.7%	

Bahrain Kuwait Insurance | gig GULF INSURANCE GROUP

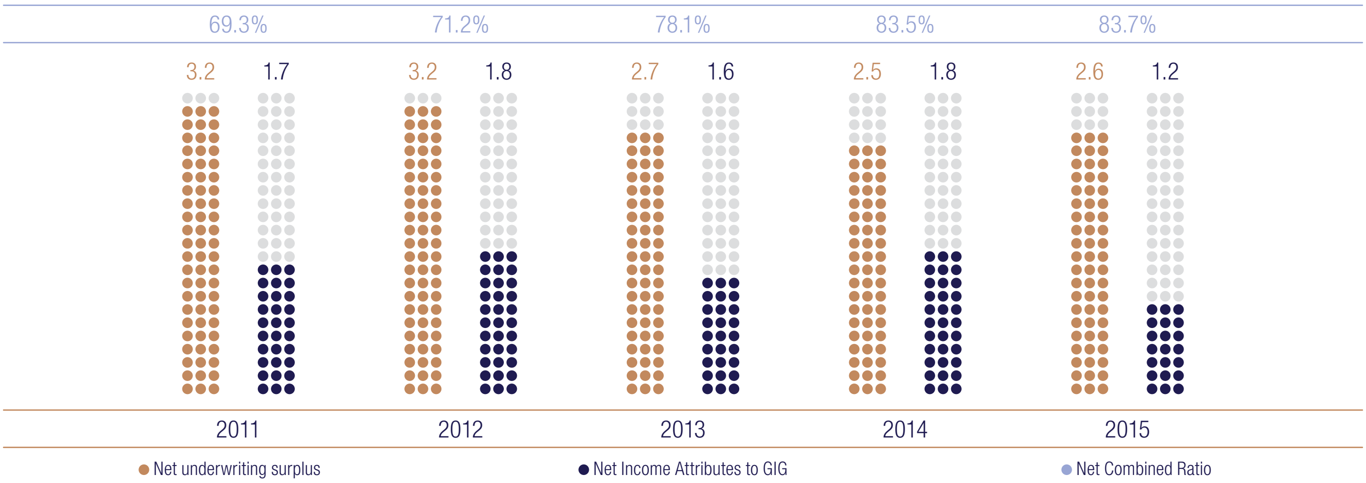
Tel: +973 17 119999
Website: www.bkic.com

KD Million



	2011	2012	2013	2014	2015	GR 14/15	CAGR
Gross Written Premiums	26.7	26.0	28.8	30.1	30.4	1.2%	3.4%
Net Premiums Written	9.1	9.1	9.1	9.3	9.9	6.5%	2.0%
Company's Retention	34.2%	34.9%	31.7%	30.8%	32.4%	1.6%	

KD Million



	2011	2012	2013	2014	2015	GR 14/15	CAGR
Net underwriting surplus	3.2	3.2	2.7	2.5	2.6	7.1%	-5.1%
Net Income Attributes to GIG	1.7	1.8	1.6	1.8	1.2	-32.3%	-8.3%
Net Combined Ratio*	69.3%	71.2%	78.1%	83.5%	83.7%	0.1%	

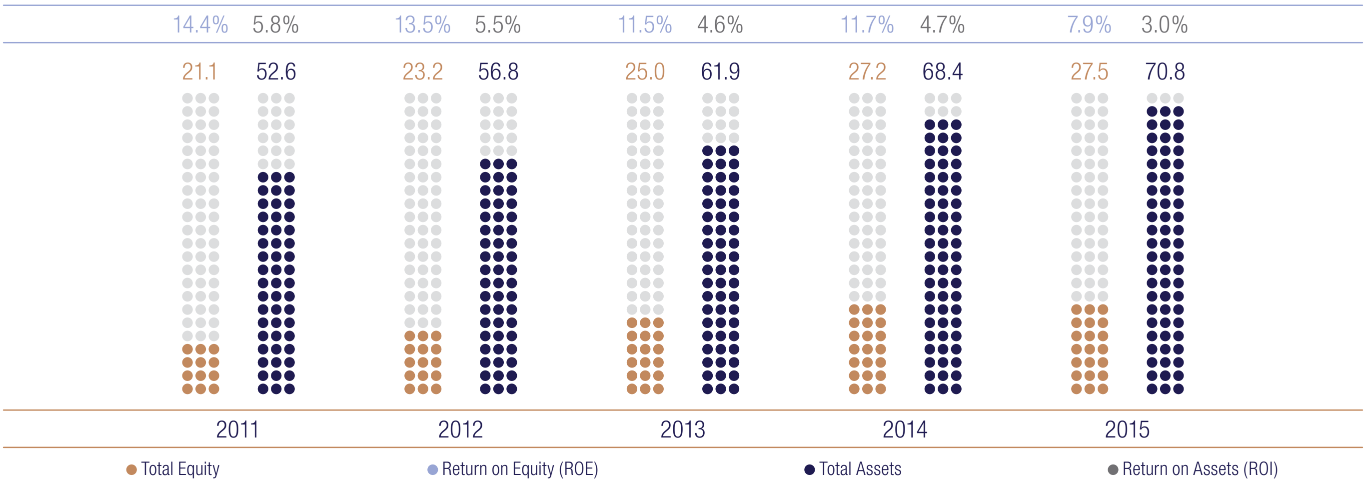
*Net Combined Ratio: includes the company's unallocated expenses and its portion of GIG expense

Bahrain Kuwait Insurance Company (BKIC)

established in 1975 with Bahraini and Kuwaiti shareholders. By virtue of its shareholding structure, BKIC enjoys national status in Bahrain as well as Kuwait, the only company to enjoy such a privilege. The company's shares are listed in the stock exchanges of both countries. Its authorized capital is Bahraini Dinars 10 million and issued and paid up capital is Bahraini Dinars 7.15 million.

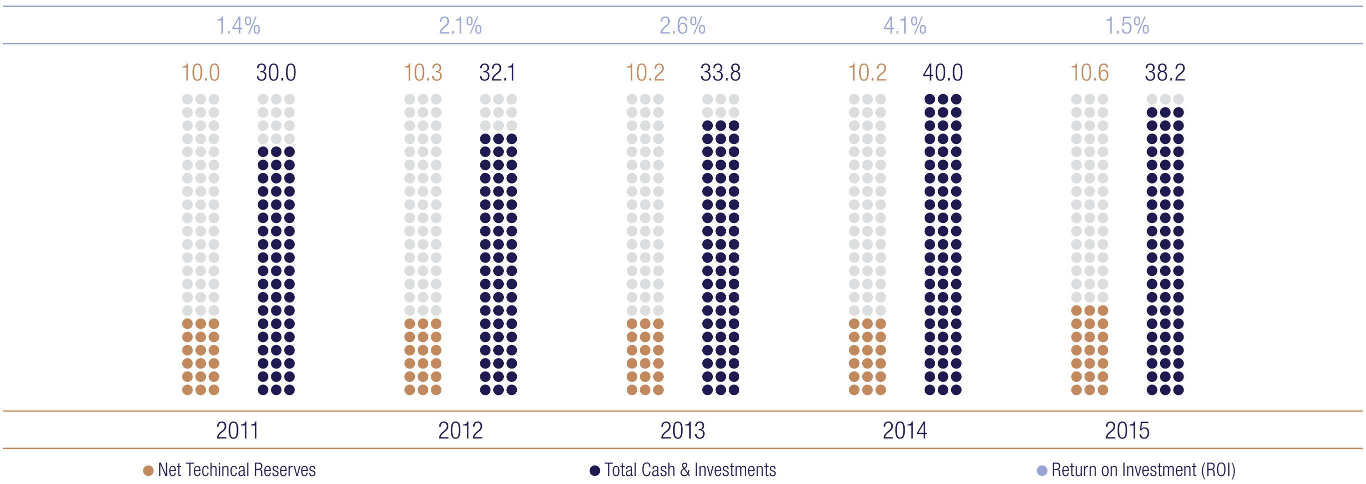
BKIC transacts all classes of insurance business, BKIC has 4 branches (3 in Bahrain and 1 in Kuwait) and employs 165 employees in its various operations. The company has grown to become the market leader in the Insurance Industry in Bahrain since the year 2008 in terms of gross written premiums and net profit, BKIC was the first insurance company in Bahrain to have been interactively rated by an independent international rating agency and currently enjoys the financial strength rating of A- (Excellent) and the issuer credit rating of "A-" from A.M. Best. The outlook for both ratings is stable.

KD Million



	2011	2012	2013	2014	2015	GR 14/15	CAGR
Total Equity	21.1	23.2	25.0	27.2	27.5	1.1%	6.8%
Return on Equity (ROE)	14.4%	13.5%	11.5%	11.7%	7.9%	-3.9%	
Total Assets	52.6	56.8	61.9	68.4	70.8	3.6%	7.7%
Return on Assets (ROA)	5.8%	5.5%	4.6%	4.7%	3.0%	-1.6%	

KD Million



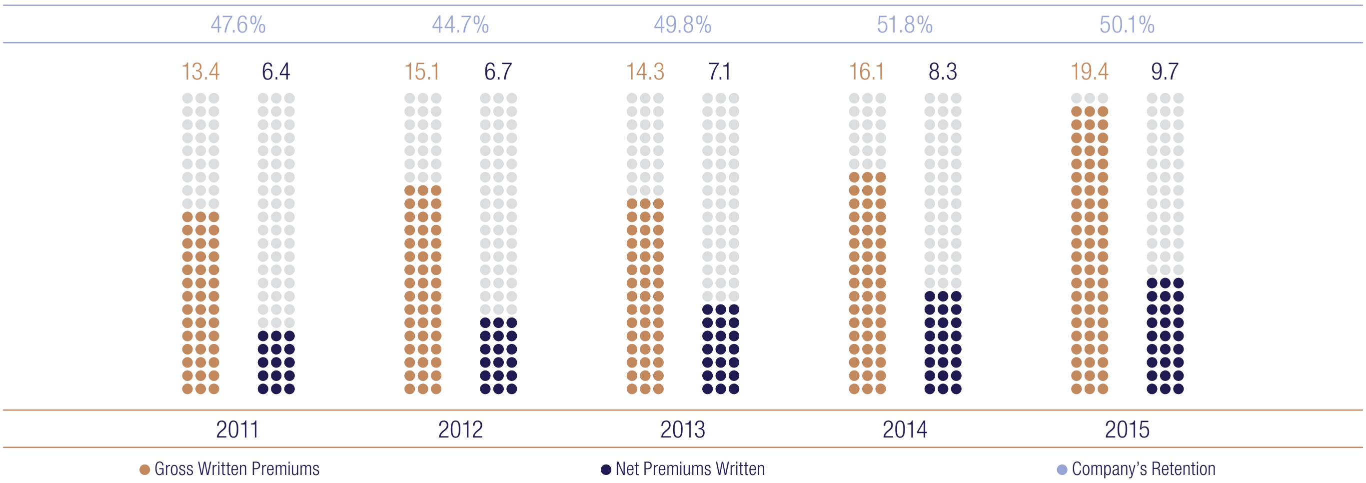
	2011	2012	2013	2014	2015	GR 14/15	CAGR
Net Techincal Reserves	10.0	10.3	10.2	10.2	10.6	3.6%	1.5%
Total Cash & Investments	30.0	32.1	33.8	40.0	38.2	-4.7%	6.2%
Return on Investment (ROI)	1.4%	2.1%	2.6%	4.1%	1.5%	-2.5%	

Subsidiaries

Arab Misr Insurance Group | gig GULF INSURANCE GROUP

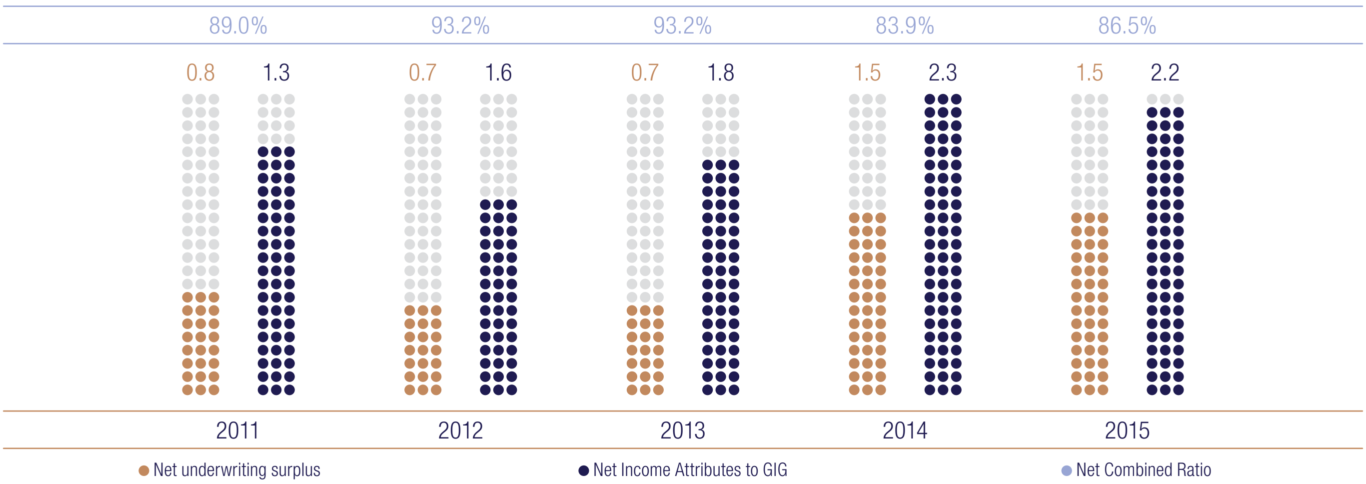
Tel: (002) (02) 24517620
Website: www.gig.com.eg

KD Million



	2011	2012	2013	2014	2015	GR 14/15	CAGR
Gross Written Premiums	13.4	15.1	14.3	16.1	19.4	20.5%	9.8%
Net Premiums Written	6.4	6.7	7.1	8.3	9.7	16.6%	11.2%
Company's Retention	47.6%	44.7%	49.8%	51.8%	50.1%	-1.7%	

KD Million



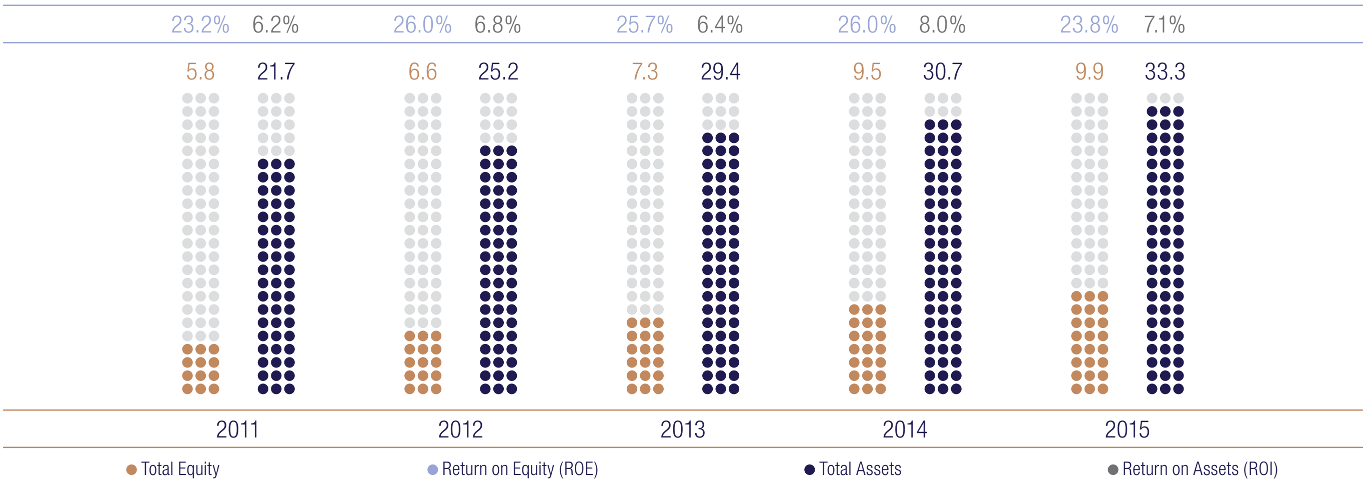
	2011	2012	2013	2014	2015	GR 14/15	CAGR
Net underwriting surplus	0.8	0.7	0.7	1.5	1.5	-0.5%	17.7%
Net Income Attributes to GIG	1.3	1.6	1.8	2.3	2.2	-4.4%	15.0%
Net Combined Ratio*	89.0%	93.2%	93.2%	83.9%	86.5%	2.6%	

*Net Combined Ratio: includes the company's unallocated expenses and its portion of GIG expense

Arab Misr Insurance Group (AMIG)

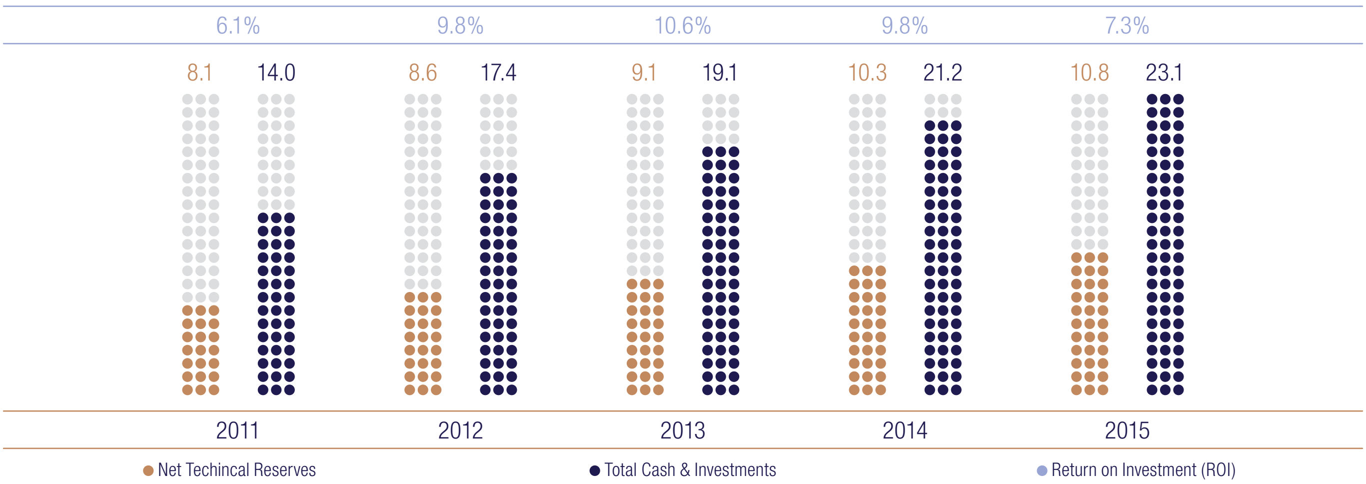
was established in 1993 in Egypt as an Egyptian Non-Life insurance company under the Egyptian Insurance Law No. 10 of 1980, The company is a member of the Egyptian Insurance Federation and started business since July 1st , 1994. Its authorized capital is EGP 500 million and paid-up capital is EGP 175 million. The company practices all lines of Non-Life insurance business through 16 branches covering most of Egypt and employing 261 employees . The company ranked as market Leader in the private sector in terms of underwriting insurance surplus plus the designated investment income and number 2 in terms of gross written premiums in the Egyptian insurance non-life private sector. During 2015, A.M. Best has revised the outlook to stable from negative and affirmed the financial strength rating of B++ (Good) and the issuer credit rating of “bbb” of Arab Misr Insurance Group.

KD Million



	2011	2012	2013	2014	2015	GR 14/15	CAGR
Total Equity	5.8	6.6	7.3	9.5	9.9	4.5%	14.3%
Return on Equity (ROE)	23.2%	26.0%	25.7%	26.0%	23.8%	-2.2%	
Total Assets	21.7	25.2	29.4	30.7	33.3	8.5%	11.4%
Return on Assets (ROA)	6.2%	6.8%	6.4%	8.0%	7.1%	-1.0%	

KD Million

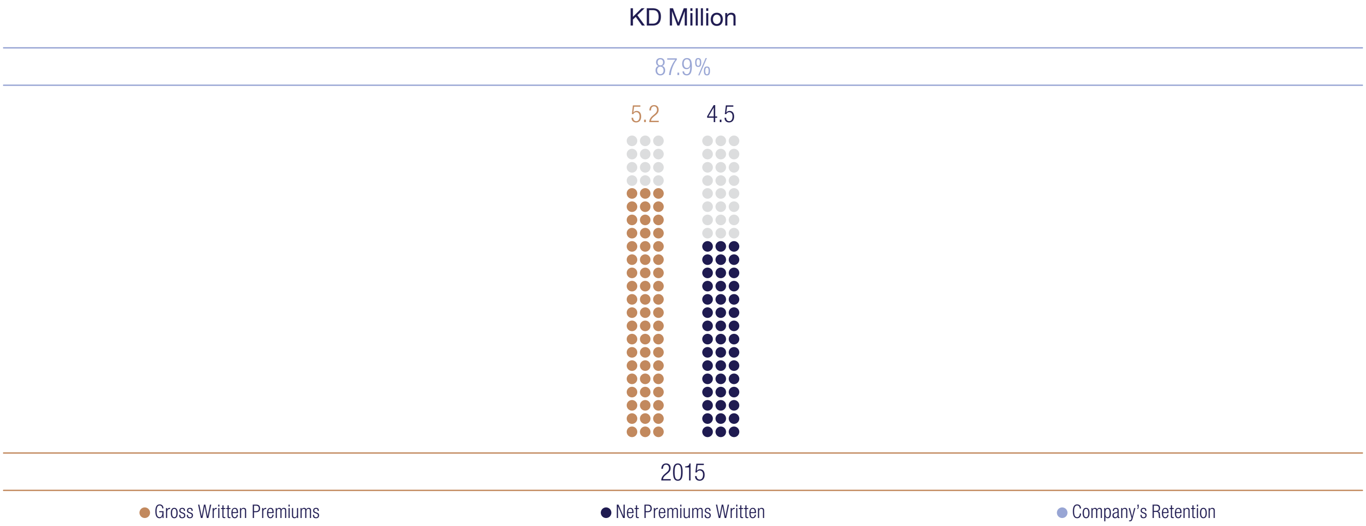


	2011	2012	2013	2014	2015	GR 14/15	CAGR
Net Techincal Reserves	8.1	8.6	9.1	10.3	10.8	4.2%	7.5%
Total Cash & Investments	14.0	17.4	19.1	21.2	23.1	8.7%	13.2%
Return on Investment (ROI)	6.1%	9.8%	10.6%	9.8%	7.3%	-2.5%	

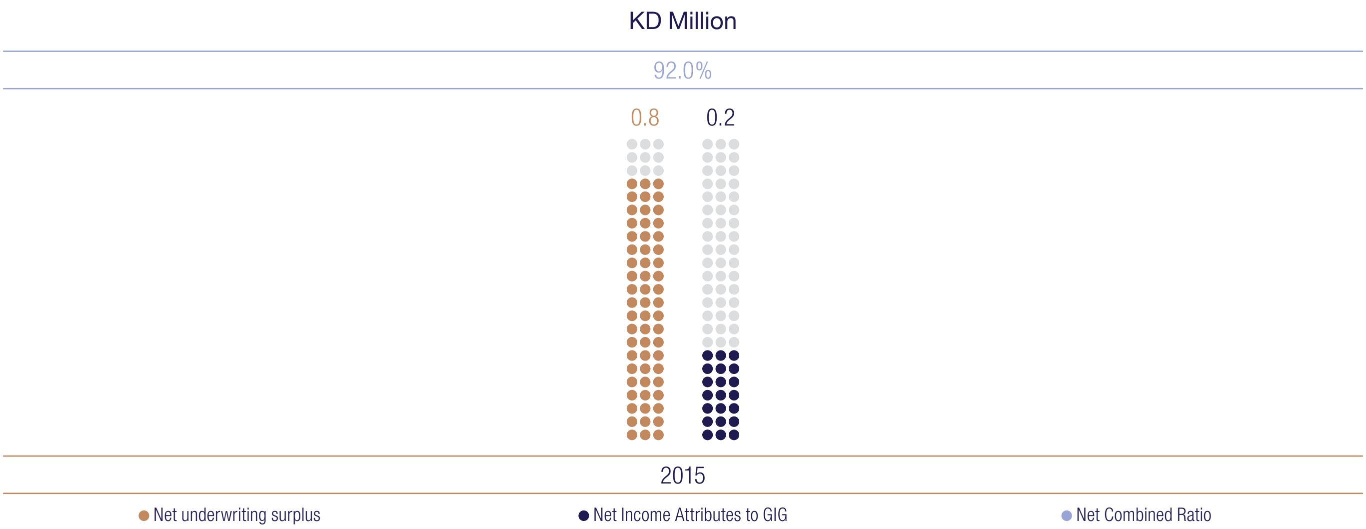
Subsidiaries

L'Algérienne des Assurances

Tel: +213 (0) 21476872
Website: www.2a.dz/



	2015
Gross Written Premiums	5.2
Net Premiums Written	4.5
Company's Retention	87.9%



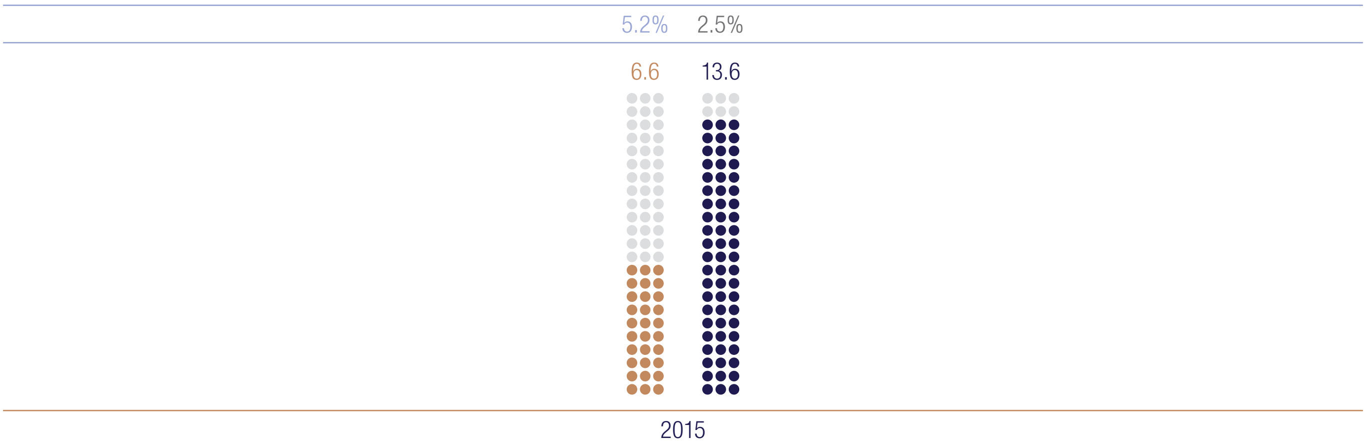
	2015
Net underwriting surplus	0.8
Net Income Attributes to GIG	0.2
Net Combined Ratio*	92.0%

*Net Combined Ratio: includes the company's unallocated expenses and its portion of GIG expense

L'Algerienne des Assurance (2A)

is an Algerian joint stock company established in 1998 and authorized to perform all kinds of insurance activities. Now it operates as non-life insurer with paid-up capital DZD 2 billion DZD .2A activities includes Property, Casualty, Motor, Marine, Agriculture business. The company has 8 branches distributed across Algeria along with the head office and network covers more than 250 agents. Company's headcount is 354 employees, during the second quarter of 2015, GIG succeeded to acquire significant stake in 2A.

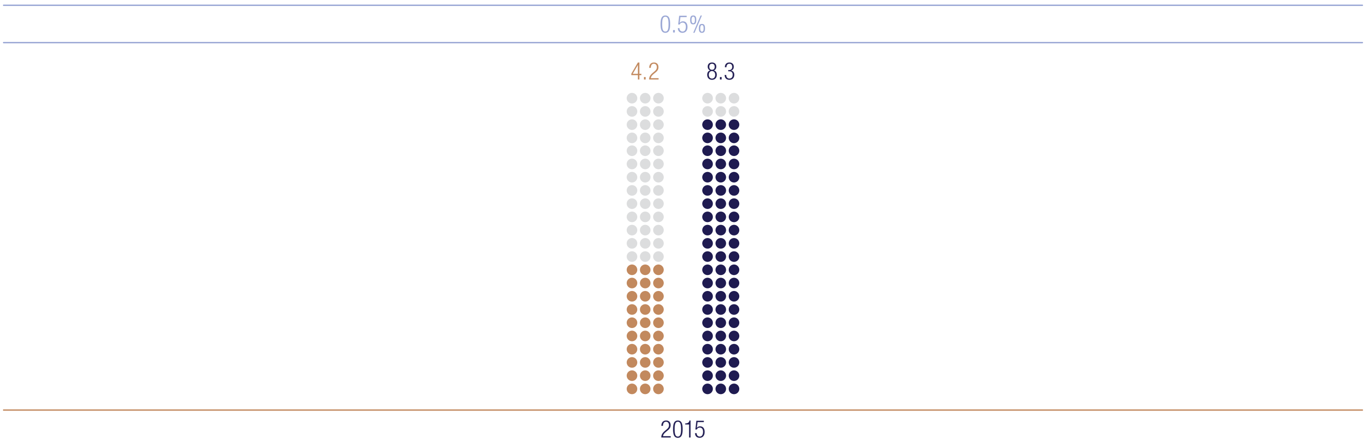
KD Million



● Total Equity ● Return on Equity (ROE) ● Total Assets ● Return on Assets (ROI)

	2015
Total Equity	6.6
Return on Equity (ROE)	5.2%
Total Assets	13.6
Return on Assets (ROA)	2.5%

KD Million



● Net Techincal Reserves ● Total Cash & Investments ● Return on Investment (ROI)

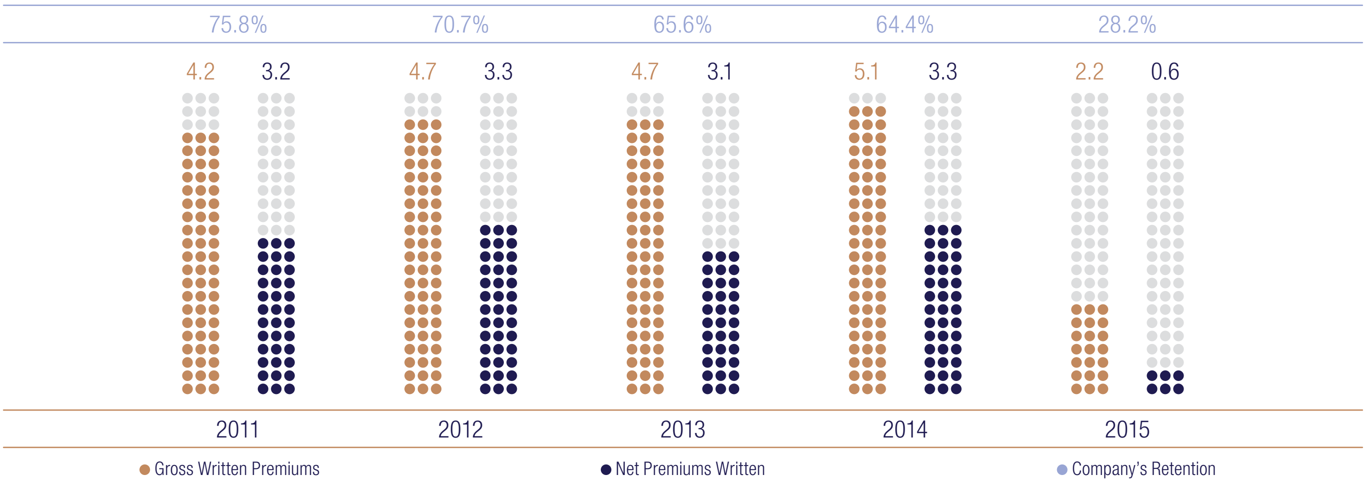
	2015
Net Techincal Reserves	4.2
Total Cash & Investments	8.3
Return on Investment (ROI)	0.5%

Subsidiaries

Fajr Al Gulf Insurance | gig GULF INSURANCE GROUP

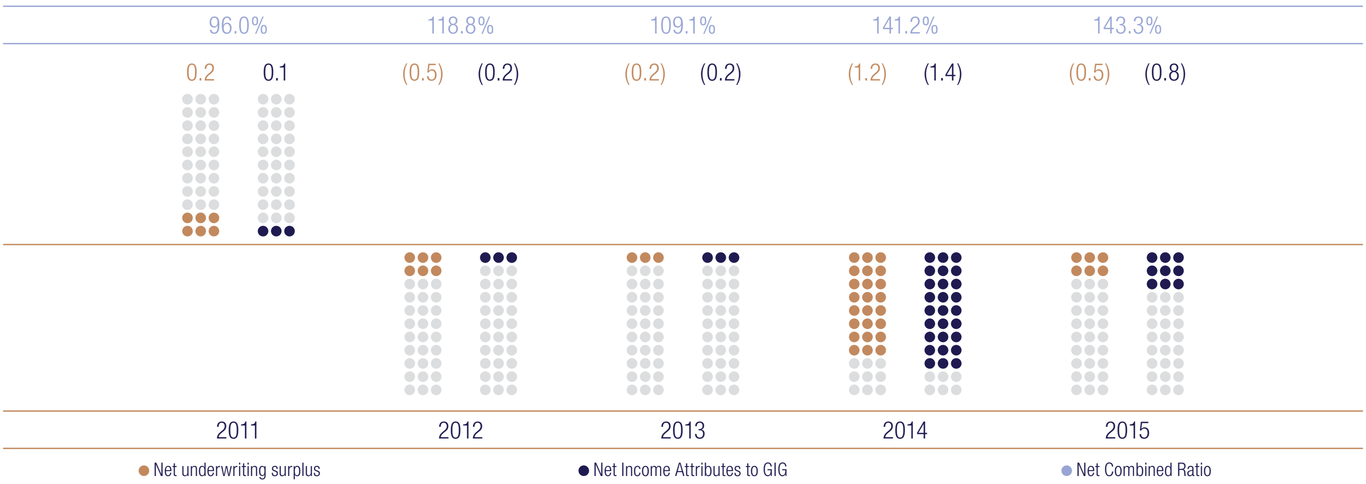
Tel: +961 1 423 323
Website: www.gig.com.lb

KD Million



	2011	2012	2013	2014	2015	GR 14/15	CAGR
Gross Written Premiums	4.2	4.7	4.7	5.1	2.2	-56.3%	-14.7%
Net Premiums Written	3.2	3.3	3.1	3.3	0.6	-80.9%	-33.3%
Company's Retention	75.8%	70.7%	65.6%	64.4%	28.2%	-36.2%	

KD Million



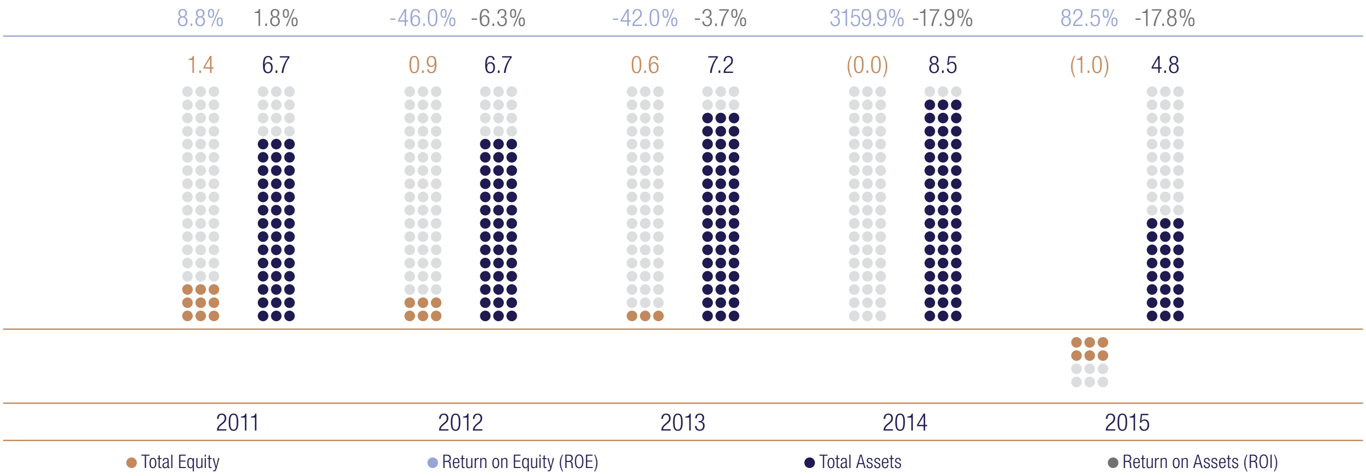
	2011	2012	2013	2014	2015	GR 14/15	CAGR
Net underwriting surplus	0.2	(0.5)	(0.2)	(1.2)	(0.5)	-58.8%	NA
Net Income Attributes to GIG	0.1	(0.2)	(0.2)	(1.4)	(0.8)	-39.4	NA
Net Combined Ratio*	96.0%	118.8%	109.1%	141.2%	143.3%	2.1%	

*Net Combined Ratio: includes the company's unallocated expenses and its portion of GIG expense

FAJR AL-GULF Insurance & Reinsurance Company (FAJR)

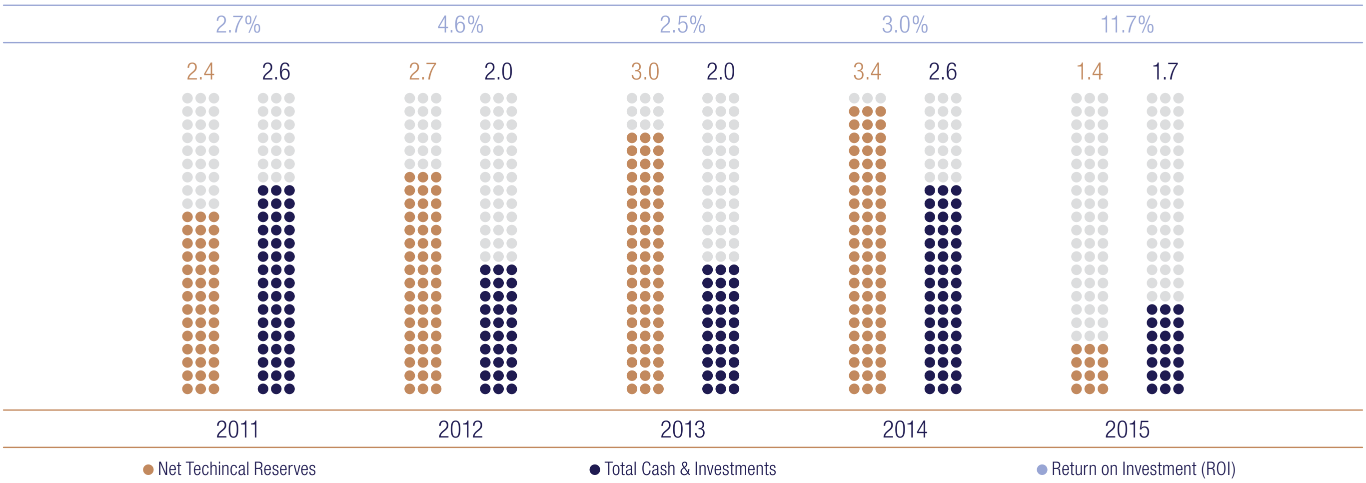
established in 1991 in Lebanon as a Lebanese shareholding company by a group of internationally known businessmen, On August 18th 2003 the company merged with International Trust Insurance Co, The company now operates with paid-up capital LL 7.14 billion . The company practices all lines of insurance and employs 16 employees in its various operations.

KD Million



	2011	2012	2013	2014	2015	GR 14/15	CAGR
Total Equity	1.4	0.9	0.6	(0.0)	(1.0)	2020.4%	NA
Return on Equity (ROE)	8.8%	-46.0%	-42.0%	3159.9%	82.5%	-3077.4%	
Total Assets	6.7	6.7	7.2	8.5	4.8	-44.3%	-8.3%
Return on Assets (ROA)	1.8%	-6.3%	-3.7%	-17.9%	-17.8%	0.1%	

KD Million



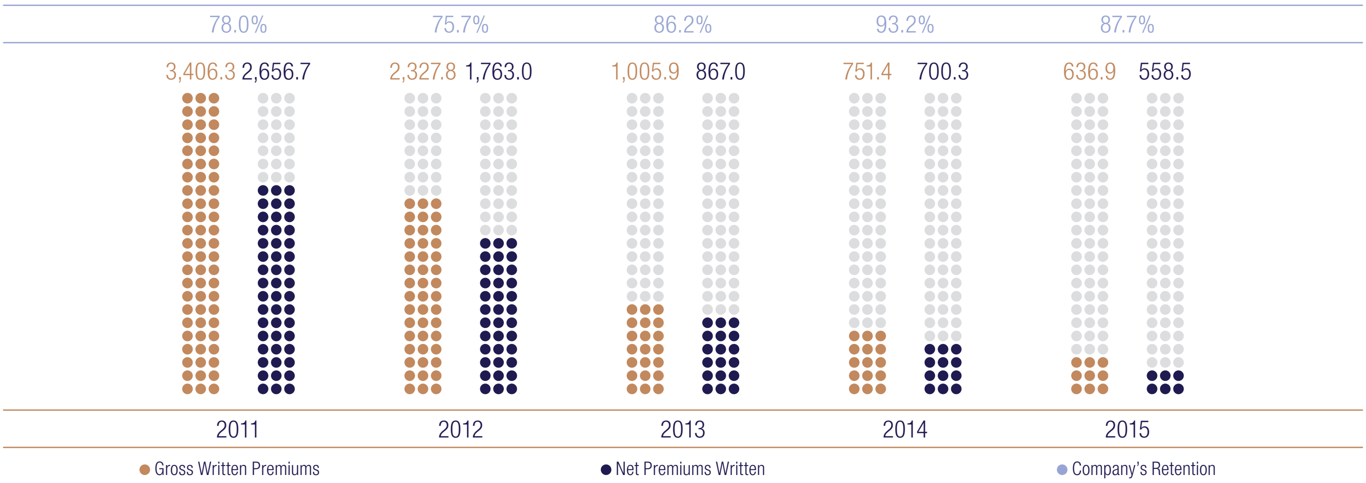
	2011	2012	2013	2014	2015	GR 14/15	CAGR
Net Techincal Reserves	2.4	2.7	3.0	3.4	1.4	-56.9%	-12.1%
Total Cash & Investments	2.6	2.0	2.0	2.6	1.7	-33.6%	-10.0%
Return on Investment (ROI)	2.7%	4.6%	2.5%	3.0%	11.7%	8.8%	

Subsidiaries

Syrian Kuwaiti Insurance | gig GULF INSURANCE GROUP

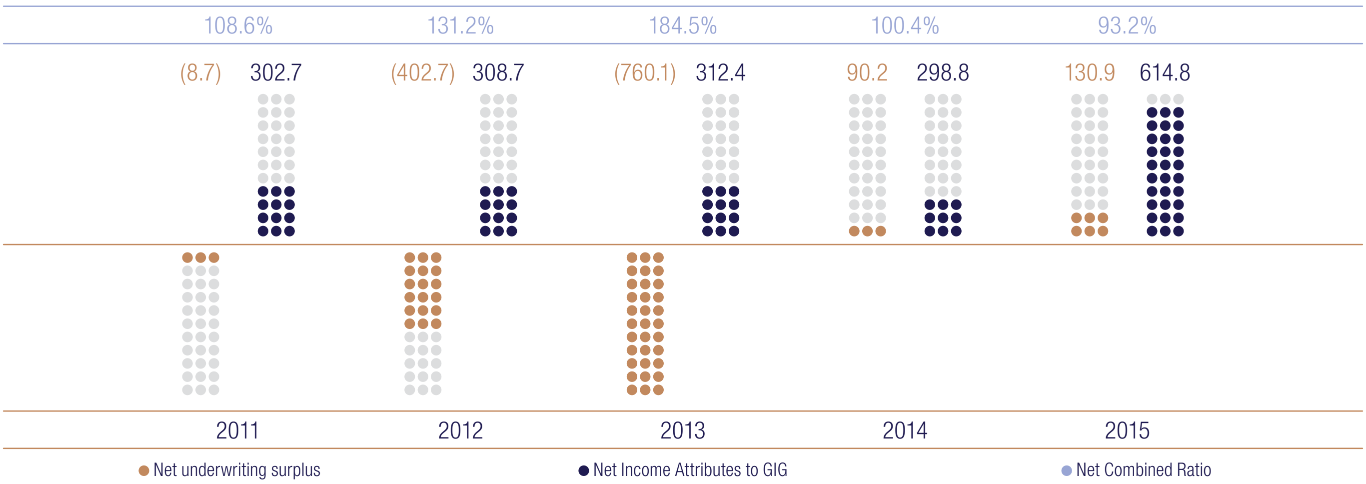
Tel: +963 11 9276
Website: www.gig.com.sy

KD Thousand



	2011	2012	2013	2014	2015	GR 14/15	CAGR
Gross Written Premiums	3,406.3	2,327.8	1,005.9	751.4	636.9	-15.2%	-34.2%
Net Premiums Written	2,656.7	1,763.0	867.0	700.3	558.5	-20.3%	-32.3%
Company's Retention	78.0%	75.7%	86.2%	93.2%	87.7%	-5.5%	

KD Thousand



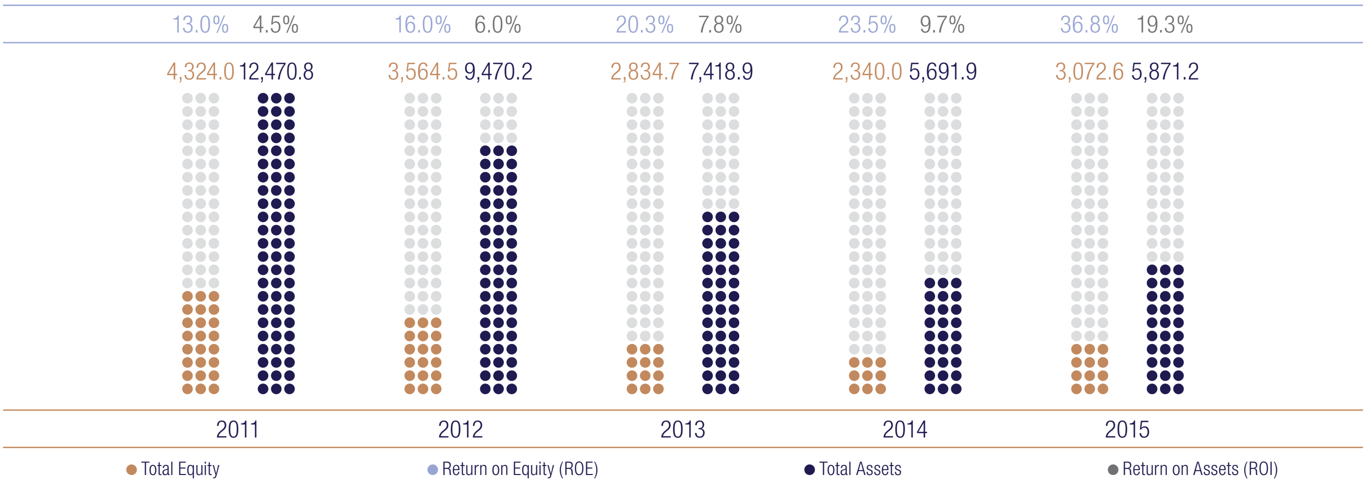
	2011	2012	2013	2014	2015	GR 14/15	CAGR
Net underwriting surplus	(8.7)	(402.7)	(760.1)	90.2	130.9	45.1%	NA
Net Income Attributes to GIG	302.7	308.7	312.4	298.8	614.8	105.7%	19.4%
Net Combined Ratio*	108.6%	131.2%	184.5%	100.4%	93.2%	-7.3%	

*Net Combined Ratio: includes the company's unallocated expenses and its portion of GIG expense

Syrian Kuwaiti Insurance Company (SKIC)

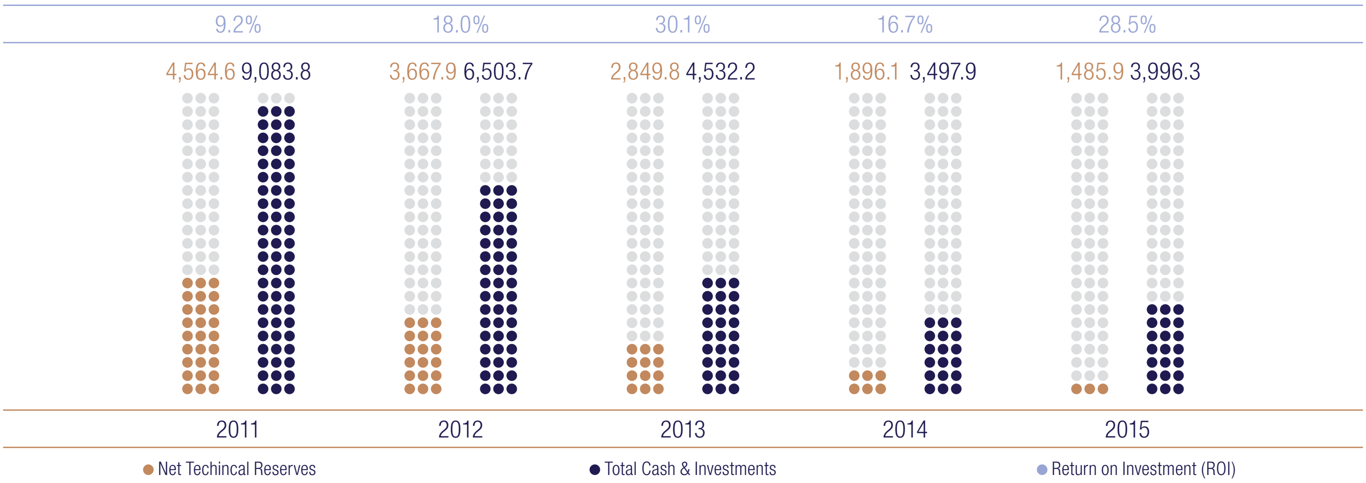
is a Syrian joint stock company established in February 6th 2006 following the ministerial decree number 13 and received its operating license number 44/100 from the Syrian Insurance Supervisory Commission in October 10th 2006. The Company started its operations with an authorized and fully paid-up capital of SYP 850 Million and the company was able to acquire 7% from Syrian insurance market during the first year of operations. The Syrian Kuwaiti Insurance is one of the pioneer insurance companies in the Syrian Market as a member of Gulf Insurance Group – Kuwait (GIG). The company is listed in Damascus Stock Exchange. The company practices all lines of business through 4 branches in Aleppo, Homs, Lattakia and Tartous in addition to the head quarter in Damascus . The Company employs 72 employees.

KD Thousand



	2011	2012	2013	2014	2015	GR 14/15	CAGR
Total Equity	4,324.0	3,564.5	2,834.7	2,340.0	3,072.6	31.3%	-8.2%
Return on Equity (ROE)	13.0%	16.0%	20.3%	23.5%	36.8%	13.3%	
Total Assets	12,470.8	9,470.2	7,418.9	5,691.9	5,871.2	3.1%	-17.2%
Return on Assets (ROA)	4.5%	6.0%	7.8%	9.7%	19.3%	9.6%	

KD Thousand

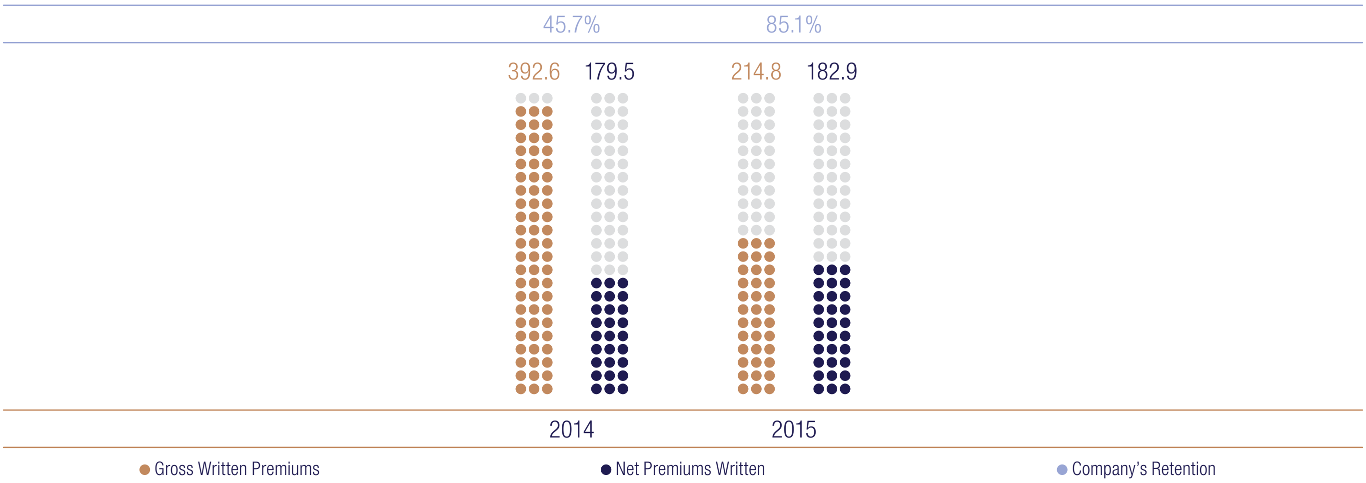


	2011	2012	2013	2014	2015	GR 14/15	CAGR
Net Techincal Reserves	4,564.6	3,667.9	2,849.8	1,896.1	1,485.9	-21.6%	-24.5%
Total Cash & Investments	9,083.8	6,503.7	4,532.2	3,497.9	3,996.3	14.2%	-18.6%
Return on Investment (ROI)	9.2%	18.0%	30.1%	16.7%	28.5%	11.8%	

Dar Al Salam Insurance | gig GULF INSURANCE GROUP

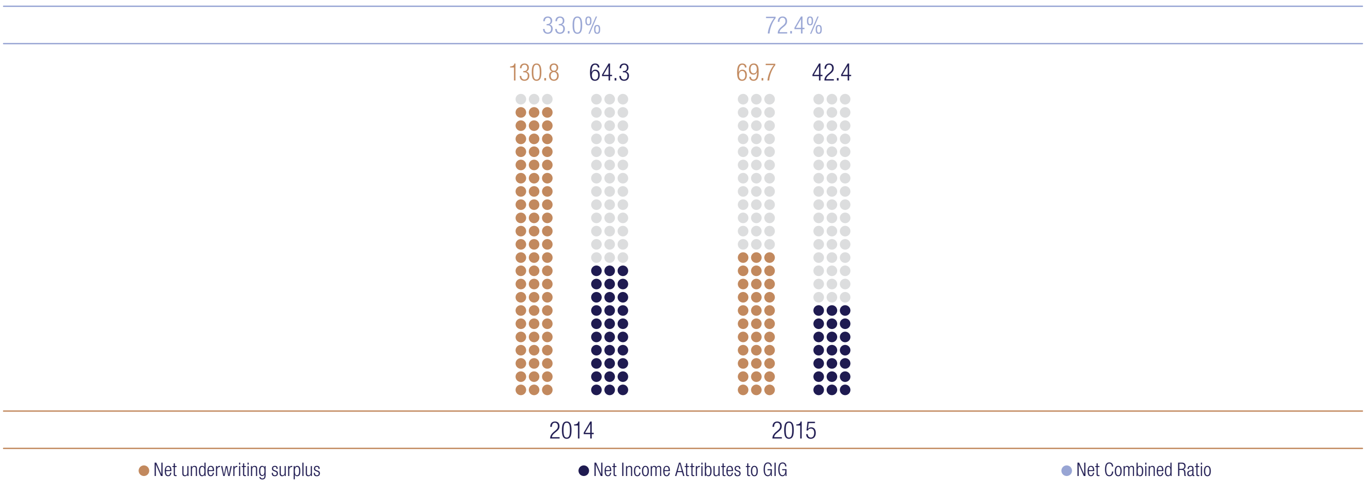
Tel: (+964) 7706607809

KD Thousand



	2014	2015	GR% 14/15
Gross Written Premiums	392.6	214.8	-45.3%
Net Premiums Written	179.5	182.9	1.9%
Company's Retention	45.7%	85.1%	39.4%

KD Thousand

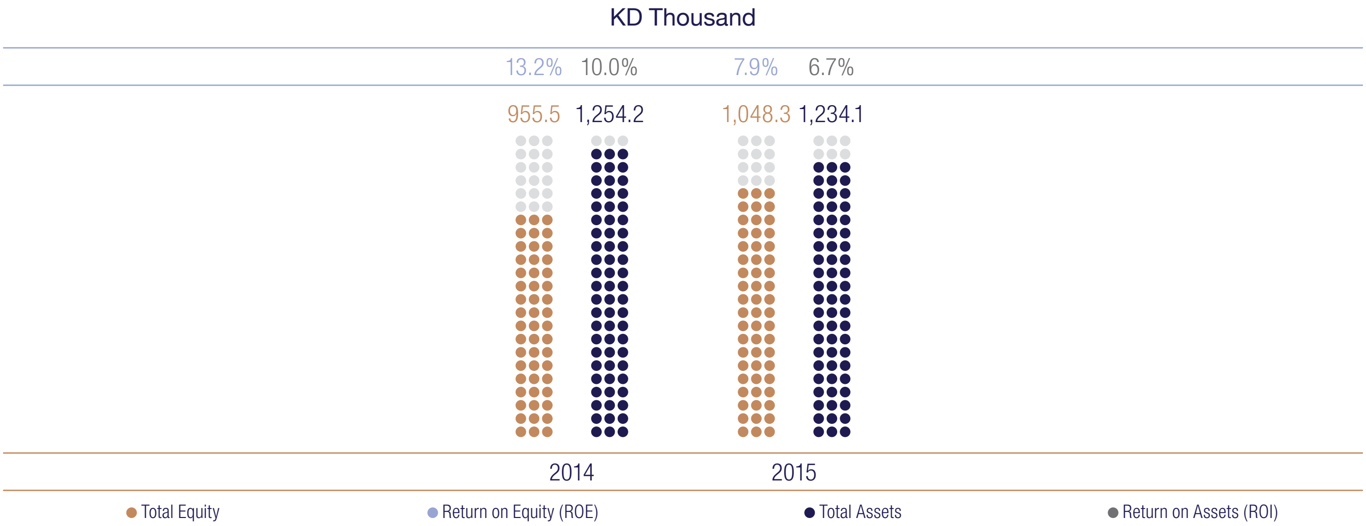


	2014	2015	GR% 14/15
Net underwriting surplus	130.8	69.7	-46.7%
Net Income Attributes to GIG	64.3	42.4	-34.0%
Net Combined Ratio*	33.0%	72.4%	39.4%

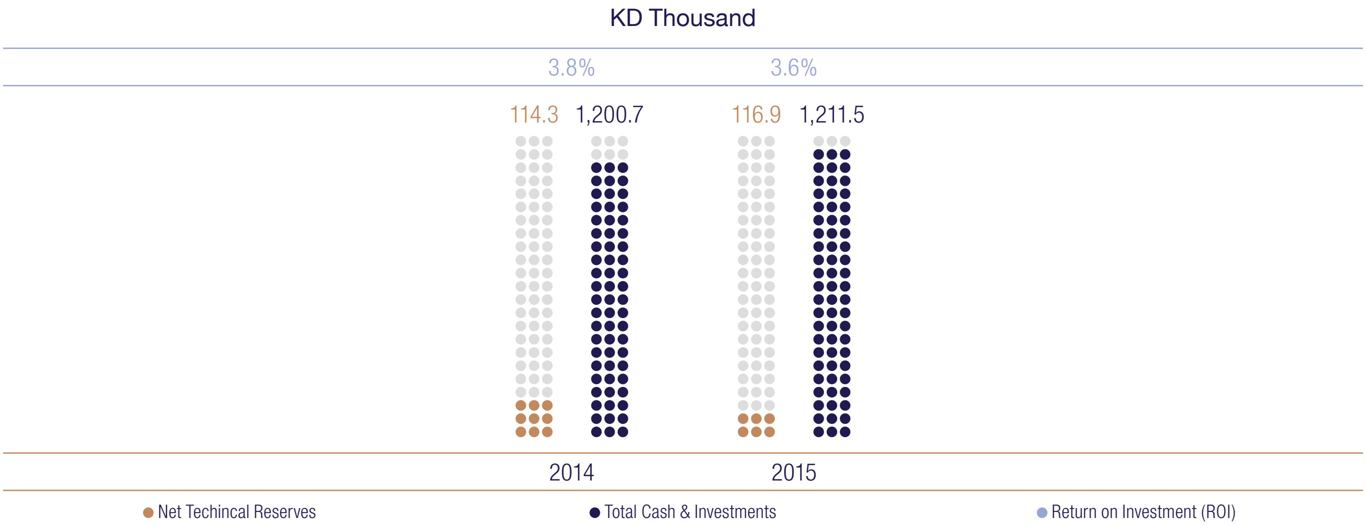
*Net Combined Ratio: includes the company's unallocated expenses and its portion of GIG expense

Dar Al Salam Insurance Company (DAS)

established In June 2000 as first privately owned Insurance Company in Iraq under license number 1/2000. The company started its operations in October of the same year. The company now operates with paid up capital IRD 3.5 Billion. It is licensed to operate in all insurance types. The company's head quarter is located in Baghdad and has two branches in Babil & Karbela'a plus an agent in AL-Mossel as well as many producers in Iraq. The Company employs 15 employees and it is listed in Baghdad Stock Exchange.



	2014	2015	GR% 14/15
Total Equity	955.5	1,048.3	9.7%
Return on Equity (ROE)	13.2%	7.9%	-5.3%
Total Assets	1,254.2	1,234.1	-1.6%
Return on Assets (ROA)	10.0%	6.7%	-3.3%



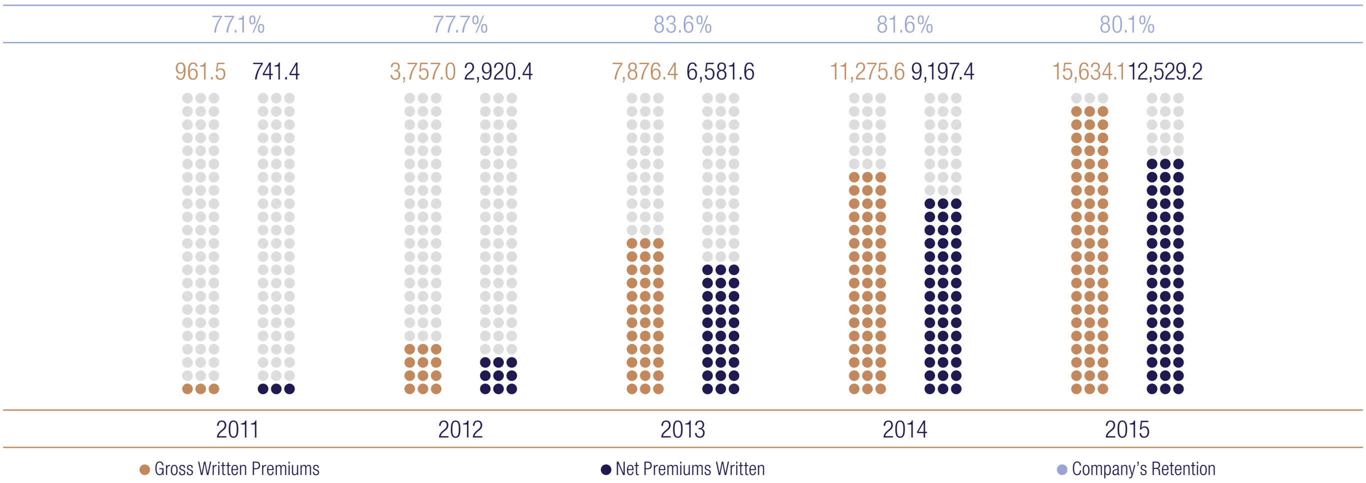
	2014	2015	GR% 14/15
Net Techincal Reserves	114.3	116.9	2.3%
Total Cash & Investments	1,200.7	1,211.5	0.9%
Return on Investment (ROI)	3.8%	3.6%	-0.2%

Subsidiaries

Egyptian Takaful-Life

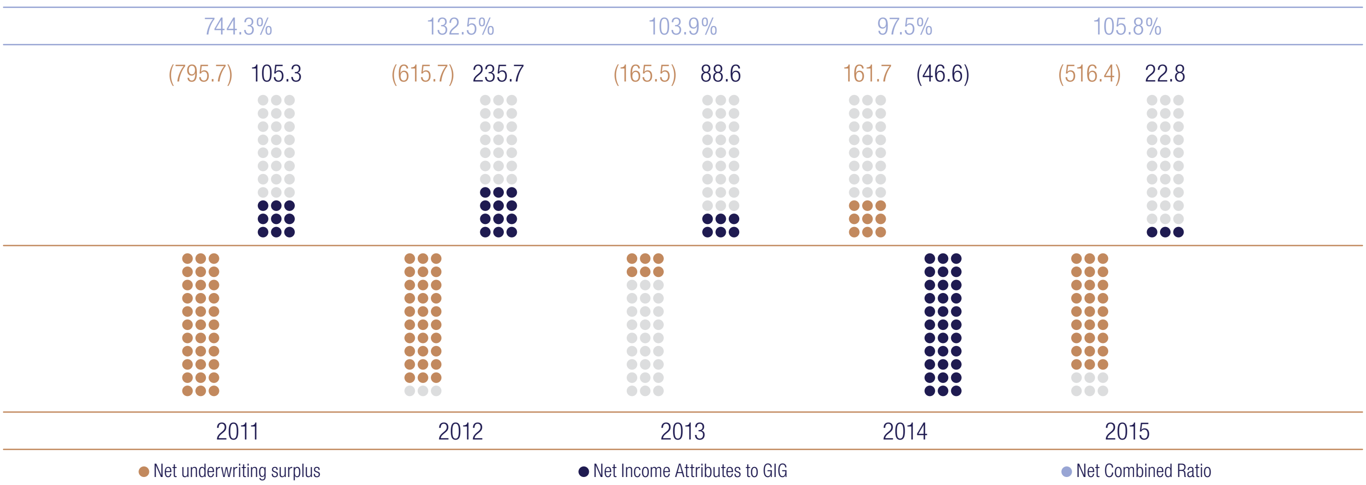
Tel: +202 16825
Website: www.giglt.com.eg

KD Thousand



	2011	2012	2013	2014	2015	GR 14/15	CAGR
Gross Written Premiums	961.5	3,757.0	7,876.4	11,275.6	15,634.1	38.7%	100.8%
Net Premiums Written	741.4	2,920.4	6,581.6	9,197.4	12,529.2	36.2%	102.8%
Company's Retention	77.1%	77.7%	83.6%	81.6%	80.1%	-1.4%	

KD Thousand

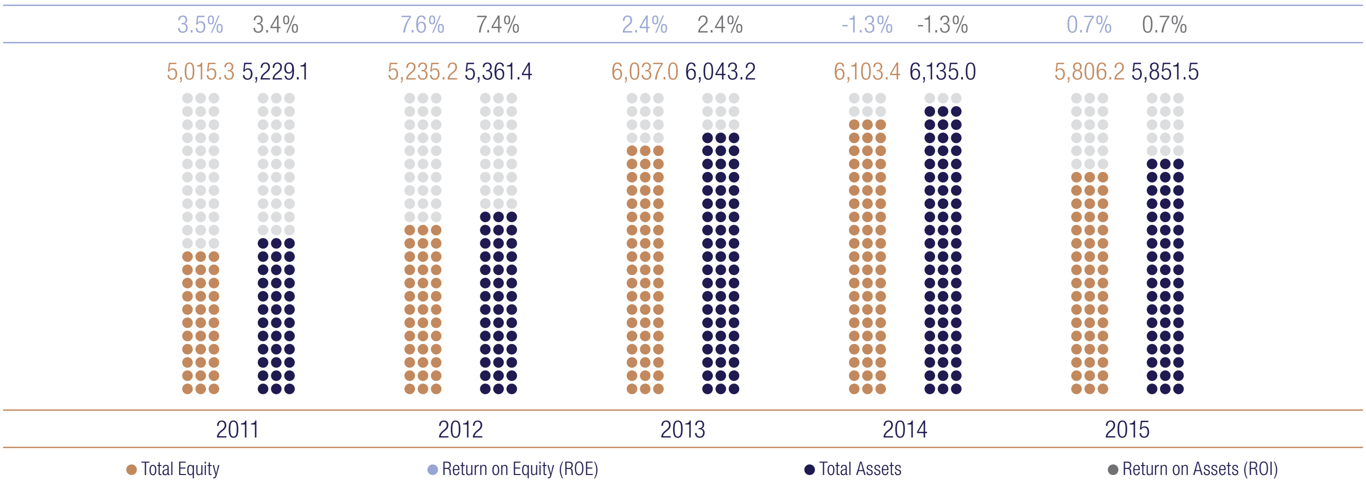


	2011	2012	2013	2014	2015	GR 14/15	CAGR
Net underwriting surplus	(795.7)	(615.7)	(165.5)	161.7	(516.4)	-419.3%	-10.2%
Net Income Attributes to GIG	105.3	235.7	88.6	(46.6)	22.8	-149.0%	-31.8%
Net Combined Ratio	744.3%	132.5%	103.9%	97.5%	105.8%	8.3%	

Egyptian Life Takaful Company (ELTC)

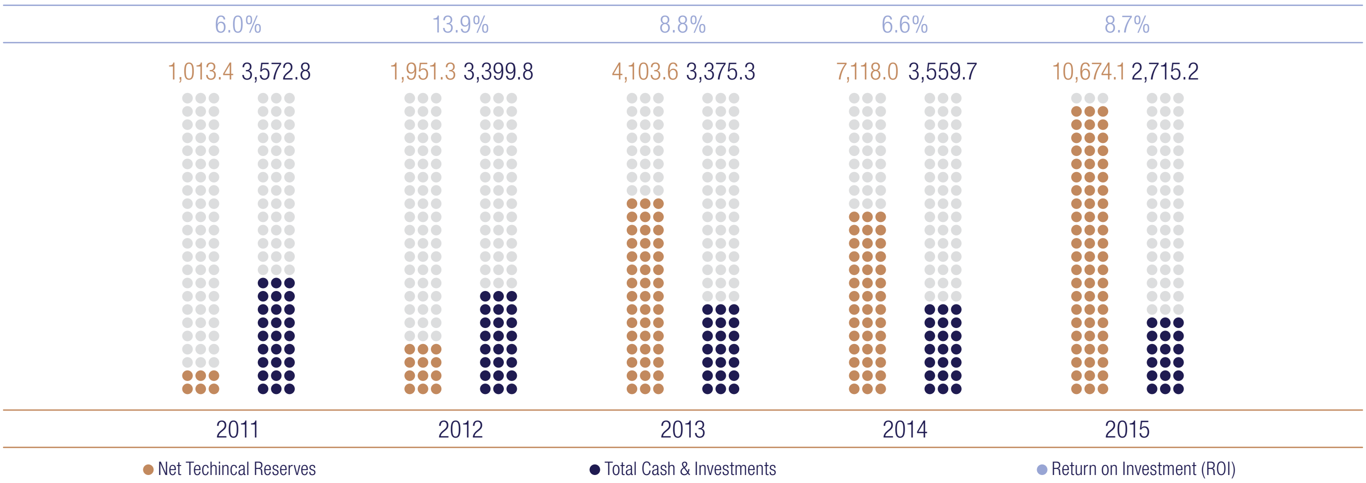
established in 2006 in Egypt as the first joint Takaful Insurance Company registered under the Insurance Companies' Registry number 22 for 2007. The company is regulated by the Egyptian Financial Supervisory Authority (EFSA) and a Shariaa Supervisory Committee. It is considered to be the first joint Takaful Insurance company in Egypt with an authorized capital of EGP 500 million, the issued and paid up capital is EGP 130 million. It has wide geographical distribution network & offering a wide range of highly innovative individual and corporate Takaful products. The adopted strategy of the company allows it to achieve rapid growth in the Egyptian Takaful insurance market through 9 branches and employs 180 employees. ETLC is being the first insurance company in Egypt to deal with S&P and its rating is "B+" with "Stable outlook".

KD Thousand



	2011	2012	2013	2014	2015	GR 14/15	CAGR
Total Equity	5,015.3	5,235.2	6,037.0	6,103.4	5,806.2	-4.9%	3.7%
Return on Equity (ROE)	3.5%	7.6%	2.4%	-1.3%	0.7%	2.0%	
Total Assets	5,229.1	5,361.4	6,043.2	6,135.0	5,851.5	-4.6%	2.9%
Return on Assets (ROA)	3.4%	7.4%	2.4%	-1.3%	0.7%	1.9%	

KD Thousand



	2011	2012	2013	2014	2015	GR 14/15	CAGR
Net Techincal Reserves	1,013.4	1,951.3	4,103.6	7,118.0	10,674.1	50.0%	80.2%
Total Cash & Investments	3,572.8	3,399.8	3,375.3	3,559.7	2,715.2	-23.7%	-6.6%
Return on Investment (ROI)	6.0%	13.9%	8.8%	6.6%	8.7%	2.0%	

Gulf Insurance Group K.S.C.P. and Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2015

EY
Building a better working world

Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18–21st Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/mena

BAKER TILLY KUWAIT
Audit, tax and consulting
P.O.Box 1486 Safat 13015
Kuwait

T: +965 1 88 77 99
F: +965 2294 2651

info@bakertillykuwait.com
www.bakertillykuwait.com

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GULF INSURANCE GROUP K.S.C.P.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Gulf Insurance Group K.S.C.P. (the "Parent Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audit. 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 about whether the consolidated financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GULF INSURANCE GROUP K.S.C.P. (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No 25 of 2012, as amended and its executive regulations, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No 25 of 2012, as amended and its executive regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2015 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

DR. SAUD HAMAD AL-HUMAIDI
LICENSE NO. 51 A
OF DR. SAUD HAMAD AL-HUMAIDI & PARTNERS
MEMBER OF BAKER TILLY INTERNATIONAL

11 February 2016
Kuwait

CONSOLIDATED STATEMENT OF INCOME

Year ended 31 December 2015

	Notes	***2015*** ***KD***	*2014* *KD*
Revenue:			
Premiums written		**185,916,313**	173,602,355
Reinsurance premiums ceded		**(87,647,992)**	(82,665,805)
Net premiums written		**98,268,321**	90,936,550
Movement in unearned premiums reserve		**1,513,191**	(919,895)
Movement in life mathematical reserve		**(237,067)**	(148,030)
Net premiums earned		**99,544,445**	89,868,625
Commission received on ceded reinsurance		**13,557,804**	11,900,829
Policy issuance fees		**3,446,475**	3,274,787
Net investment income from designated life insurance	3	**288,946**	222,658
		116,837,670	105,266,899
Expenses:			
Claims incurred	11	**72,270,862**	68,478,377
Commission and discounts		**11,102,153**	10,537,860
Increase in incurred but not reported reserve		**4,633**	219,605
Maturity and cancellations of life insurance policies		**2,363,716**	1,919,210
General and administrative expenses		**18,783,735**	15,566,823
		104,525,099	96,721,875
Net underwriting income		**12,312,571**	8,545,024
Net investment income	3	**5,350,941**	9,254,585
Share of results of associates	6	**6,484,765**	2,163,938
Net sundry income		**464,763**	395,910
		24,613,040	20,359,457
Other charges:			
Unallocated general and administrative expenses		**(7,716,968)**	(5,994,363)
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST), ZAKAT TAX AND DIRECTORS' FEES		**16,896,072**	14,365,094
Contribution to KFAS		**(182,641)**	(116,076)
NLST		**(331,533)**	(170,584)
Zakat tax		**(163,253)**	(66,102)
Directors' fees		**(155,000)**	(155,000)
PROFIT FOR THE YEAR		**16,063,645**	13,857,332
Attributable to:			
Equity holders of the Parent Company		**14,089,207**	12,001,391
Non-controlling interests		**1,974,438**	1,855,941
		16,063,645	13,857,332
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	4	**78.60 fils**	66.42 fils

The attached notes 1 to 30 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	Notes	**2015 KD**	*2014 KD*
Profit for the year		**16,063,645**	13,857,332
Other comprehensive (loss) income			
Other comprehensive(loss) income to be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of associates	6	**57,043**	207,384
Net unrealised (loss) gain on investments available for sale		**(3,317,701)**	375,421
Net realised loss (gain) transferred to statement of income on disposal of investments available for sale	3	**303,666**	(2,796,748)
Transfer to statement of income on impairment of investments available for sale	3	**495,162**	118,015
Exchange differences on translation of foreign operations		**(133,283)**	831,944
Other comprehensive income not to be reclassified to income statement in subsequent periods:			
Revaluation of freehold land and building	5	**-**	2,559,760
Other comprehensive (loss) income for the year		**(2,595,113)**	1,295,776
Total comprehensive income for the year		**13,468,532**	15,153,108
ATTRIBUTABLE TO:			
Equity holders of the Parent Company		**11,494,094**	13,297,167
Non-controlling interests		**1,974,438**	1,855,941
		13,468,532	15,153,108

The attached notes 1 to 30 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	**2015 KD**	2014 KD
ASSETS			
Property and equipment	5	**16,730,834**	15,682,210
Investment in associates	6	**39,633,670**	28,142,091
Goodwill	7	**12,931,332**	8,998,351
Financial instruments:			
Investments held to maturity		**25,880,471**	19,271,576
Debt securities (loans)		**18,047,621**	11,733,148
Investments available for sale	8	**21,806,598**	35,170,682
Investments carried at fair value through income statement	9	**25,864,826**	19,854,424
Loans secured by life insurance policies		**1,347,099**	1,266,153
Premiums and insurance balances receivable	10	**62,205,924**	47,164,201
Reinsurance recoverable on outstanding claims	11	**42,838,901**	50,140,310
Property held for sale		**3,532,554**	286,876
Other assets	12	**18,971,114**	12,767,641
Time deposits	13	**34,660,920**	23,565,538
Cash and cash equivalents	14	**43,972,593**	73,176,130
TOTAL ASSETS		**368,424,457**	347,219,331
LIABILITIES AND EQUITY			
LIABILITIES			
Liabilities arising from insurance contracts:	11		
Outstanding claims reserve (gross)		**97,460,110**	98,444,923
Unearned premiums reserve (net)		**34,462,862**	32,654,100
Life mathematical reserve (net)		**21,943,942**	21,697,645
Incurred but not reported reserve (net)		**1,650,000**	4,126,296
Total liabilities arising from insurance contracts		**155,516,914**	156,922,964
Premiums received in advance		**3,946,431**	761,444
Insurance payable	15	**49,180,466**	44,382,066
Other liabilities	16	**22,389,159**	21,762,413
Bank overdrafts	14	**26,381,565**	21,532,000
TOTAL LIABILITIES		**257,414,535**	245,360,887
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	17	**18,703,913**	18,703,913
Share premium		**3,600,000**	3,600,000
Treasury shares	18	**(4,136,617)**	(3,967,705)
Treasury shares reserve		**2,051,215**	2,051,215
Statutory reserve	19	**18,574,076**	17,081,913
Voluntary reserve	20	**22,527,489**	21,035,326
Other reserve		**(3,061,226)**	(3,054,726)
Cumulative changes in fair values		**(393,095)**	2,068,735
Foreign currency translation adjustments		**(4,019,119)**	(3,885,836)
Revaluation reserve		**2,559,760**	2,559,760
Retained earnings		**33,176,581**	27,986,879
Equity attributable to equity holders of the Parent Company		**89,582,977**	84,179,474
Non-controlling interests		**21,426,945**	17,678,970
Total equity		**111,009,922**	101,858,444
TOTAL LIABILITIES AND EQUITY		**368,424,457**	347,219,331

Farqad A. Al-Sane
Chairman

The attached notes 1 to 30 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Attributable to equity holders of the Parent Company													
	Share capital	*Share premium*	*Treasury shares*	*Treasury share reserve*	*Statutory reserve*	*Voluntary reserve*	*Other reserve*	*Cumulative changes in fair values*	*Foreign currency translation adjustments*	*Revaluation reserve*	*Retained earning*	*Sub total*	*Non-controlling interests*	*Total equity*
	KD	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*
Balance at 1 January 2015	18,703,913	3,600,000	(3,967,705)	2,051,215	17,081,913	21,035,326	(3,054,726)	2,068,735	(3,885,836)	2,559,760	27,986,879	84,179,474	17,678,970	101,858,444
Profit for the year	-	-	-	-	-	-	-	-	-	-	14,089,207	14,089,207	1,974,438	16,063,645
Other comprehensive (loss) income	-	-	-	-	-	-	-	(2,461,830)	(133,283)	-	-	(2,595,113)	-	(2,595,113)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	-	(2,461,830)	(133,283)	-	14,089,207	11,494,094	1,974,438	13,468,532
Dividend for 2014 (Note 17)	-	-	-	-	-	-	-	-	-	-	(5,915,179)	(5,915,179)	-	(5,915,179)
Purchase of treasury shares	-	-	(168,912)	-	-	-	-	-	-	-	-	(168,912)	-	(168,912)
Change in ownership of a subsidiary (Note 27)	-	-	-	-	-	-	(6,500)	-	-	-	-	(6,500)	-	(6,500)
Non-controlling interest arising on acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	3,336,764	3,336,764
Transfer to reserves	-	-	-	-	1,492,163	1,492,163	-	-	-	-	(2,984,326)	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,563,227)	(1,563,227)
Balance at 31 December 2015	**18,703,913**	**3,600,000**	**(4,136,617)**	**2,051,215**	**18,574,076**	**22,527,489**	**(3,061,226)**	**(393,095)**	**(4,019,119)**	**2,559,760**	**33,176,581**	**89,582,977**	**21,426,945**	**111,009,922**

The attached notes 1 to 30 form part of these consolidated financial statements.

Gulf Insurance Group K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2015

	Attributable to equity holders of the Parent Company													
	Share capital *KD*	*Share premium* *KD*	*Treasury shares* *KD*	*Treasury share reserve* *KD*	*Statutory reserve* *KD*	*Voluntary reserve* *KD*	*Other reserve* *KD*	*Cumulative changes in fair values* *KD*	*Foreign currency translation adjustments* *KD*	*Revaluation reserve* *KD*	*Retained earning* *KD*	*Sub total* *KD*	*Non-controlling interests* *KD*	*Total equity* *KD*
Balance at 1 January 2014	18,703,913	3,600,000	(1,837,125)	2,051,215	15,830,998	19,784,411	(3,015,966)	4,164,663	(4,717,780)	-	23,935,043	78,499,372	16,795,727	95,295,099
Profit for the year	-	-	-	-	-	-	-	-	-	-	12,001,391	12,001,391	1,855,941	13,857,332
Other comprehensive (loss) income	-	-	-	-	-	-	-	(2,095,928)	831,944	2,559,760	-	1,295,776	-	1,295,776
Total comprehensive (loss) income for the year	-	-	-	-	-	-	-	(2,095,928)	831,944	2,559,760	12,001,391	13,297,167	1,855,941	15,153,108
Dividend for 2013 (Note 17)	-	-	-	-	-	-	-	-	-	-	(5,447,725)	(5,447,725)	-	(5,447,725)
Purchase of treasury shares	-	-	(2,130,580)	-	-	-	-	-	-	-	-	(2,130,580)	-	(2,130,580)
Change in ownership of a subsidiary (Note 27)	-	-	-	-	-	-	(38,760)	-	-	-	-	(38,760)	-	(38,760)
Transfer to reserves	-	-	-	-	1,250,915	1,250,915	-	-	-	-	(2,501,830)	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(972,698)	(972,698)
Balance at 31 December 2014	18,703,913	3,600,000	(3,967,705)	2,051,215	17,081,913	21,035,326	(3,054,726)	2,068,735	(3,885,836)	2,559,760	27,986,879	84,179,474	17,678,970	101,858,444

The attached notes 1 to 30 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	*2015* *KD*	*2014* *KD*
OPERATING ACTIVITIES			
Profit before contribution to KFAS, NLST, Zakat tax and directors' fees		**16,896,072**	14,365,094
Adjustments for:			
Depreciation	5	**1,134,764**	4,115,133
Net investment income		**(6,135,049)**	(9,154,293)
Impairment losses	3	**495,162**	234,570
Share of results of associates	6	**(6,484,765)**	(2,163,938)
Gain arising on reclassification of investments available for sale to investment in associates	6	**-**	(127,614)
		5,906,184	7,268,952
Changes in operating assets and liabilities:			
Investments carried at fair value through income statement		**(566,682)**	(2,698,982)
Premiums and insurance balances receivable		**(11,511,047)**	1,429,995
Reinsurance recoverable on outstanding claims		**8,021,787**	(2,786,781)
Other assets		**(5,829,792)**	288,807
Liabilities arising from insurance contracts		**(5,522,423)**	11,711,774
Premiums received in advance		**3,184,987**	481,389
Insurance payable		**3,489,041**	3,054,161
Other liabilities		**(1,247,162)**	3,912,229
Cash from operations		**(4,075,107)**	22,661,544
Paid to KFAS		**(88,519)**	(107,213)
Paid to NLST		**(174,881)**	(183,807)
Paid to Zakat		**-**	(22,905)
Paid to directors		**(155,000)**	(155,000)
Net cash (used in) from operating activities		**(4,493,507)**	22,192,619
INVESTING ACTIVITIES			
Purchase of property and equipment	5	**(1,304,027)**	(4,478,145)
Proceeds from sale of property and equipment		**107,122**	144,559
Purchase of investment in a subsidiary	27	**(5,794,481)**	(188,025)
Purchase of investment in associates	6	**(5,906,337)**	(719,417)
Dividends received from associates	6	**1,434,580**	933,958
Movement in investment held to maturity		**(3,321,674)**	647,390
Movement in debt securities (loans)		**(6,314,473)**	24,889
Net movement on investments available for sale		**3,729,996**	(109,105)
Movement in loans secured by life insurance policies		**(80,946)**	(80,721)
Proceeds from sale of property held for sale		**327,799**	135,643
Time deposits		**(11,095,382)**	(2,244,492)
Interest received		**4,950,771**	3,915,200
Dividends received		**1,918,974**	1,435,858
Net cash used in investing activities		**(21,348,078)**	(582,408)
FINANCING ACTIVITIES			
Dividends paid		**(5,915,179)**	(5,447,725)
Purchase of treasury shares		**(168,912)**	(2,130,580)
Dividends to non-controlling interests		**(1,563,227)**	(972,698)
Net cash used in financing activities		**(7,647,318)**	(8,551,003)
Foreign currency translation adjustments		**(564,199)**	355,331
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(34,053,102)**	13,414,539
Cash and cash equivalents at beginning of the year		**51,644,130**	38,229,591
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	14	**17,591,028**	51,644,130

The attached notes 1 to 30 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statements of Gulf Insurance Group K.S.C.P. (the "Parent Company") and subsidiaries (the "Group") for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 11 February 2016. The Shareholders' General Assembly has the power to amend the consolidated financial statements after issuance.

The Parent Company was incorporated as a Kuwaiti Shareholding Company in accordance with the Amiri Decree No. 25 of 9 April 1962, and is listed on the Kuwait Stock Exchange. The Parent Company's objectives include all types of insurance, indemnities, compensations and investing its capital and assets in various financial and real estate investments, both locally and abroad.

The Parent Company is 44.04% (31 December 2014: 44.04%) owned by Kuwait Projects Company Holding K.S.C. (previously the "Ultimate Parent Company" and 41.42% (31 December 2014: 41.42%) by Fairfax Middle East Limited Company.

The address of the Parent Company's registered office is Khaled Ibn Al-Waleed Street, KIPCO Tower, Floor No 42, Office No 1 & 2, Shark, Kuwait City P.O. Box 1040 Safat, 13011 State of Kuwait.

The Group employs 1,676 employees as at 31 December 2015 (31 December 2014: 1,292 employees).

2.1 BASIS OF PREPERATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost convention modified to include the measurement at fair value of investments carried at fair value through income statement and investments available for sale. The consolidated financial statements are presented in Kuwaiti Dinars which is the functional and reporting currency of the Parent Company.

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 will not be offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2015.

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 when such control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

2.2 BASIS OF CONSOLIDATION (continued)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Product classification

Insurance contracts

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Investment contracts

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or the other variable.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can however be reclassified as insurance contracts after inception if insurance risk becomes significant.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be re-measured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Revenue recognition

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 unexpired 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.

Commissions earned and paid
Commissions earned and paid are recognised at the time of recognition of the related premiums.

Policy issuance fees
Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over those future periods.

Interest income
Interest income is recognised using the effective interest rate method.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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

Rental income
Rental income is recognised on a straight line basis over the term of the lease.

Realised gains and losses
Realised gains and losses include gain and loss on financial assets and are calculated as the difference between net sales proceeds and the carrying value, and are recorded on occurrence of the sale transactions.

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 consolidated statement of income as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Group and those not reported at the reporting date.

The Group generally estimates its claims based on previous experience. Independent loss adjusters normally estimate property claims. 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 reporting date. Any difference between the provisions at the reporting date and settlements and provisions for the following year is included in the underwriting account of that year.

Policy acquisition costs
Commissions paid to intermediaries and other (incremental) direct costs incurred in relation to the acquisition and renewal of insurance contracts are capitalised as an intangible asset. The Deferred policy Acquisition Costs (DAC) are subsequently amortized over the term of the insurance contracts to which they relate as premiums are earned.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amounts is less than the carrying value an impairment loss is recognised in the consolidated statement of income. DAC is also considered in the liability adequacy test for each reporting period.

DAC are derecognised when the related contracts are settled or disposed of.

Segment reporting
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

Liability adequacy test
At each reporting 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 light of estimated future cash flows, the entire deficiency is immediately recognised in the consolidated statement of income and an unexpired risk provision is created.

The Group does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the reporting date.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reinsurance contracts held
In order to minimise financial exposure from large claims the Group enters into agreements with other parties for reinsurance purposes. Claims receivable from reinsurers are estimated in a manner consistent with the claim liability and in accordance with the reinsurance contract. These amounts are shown as "reinsurance recoverable on outstanding claims" in the consolidated statement of financial position until the claim is paid by the Group. Once the claim is paid the amount due from the reinsurers in connection with the paid claim is transferred to "premiums and insurance balances receivables".

Premiums on reinsurance assumed are recognised as revenue in the same manner as they would be if the reinsurance were considered direct business.

At each reporting date, the Group assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

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

The Group also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts when applicable. 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 estimated 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.

Taxation
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat represent levies/taxes imposed on the entity at the flat percentage of net profits less permitted deductions under the prevalent respective fiscal regulations of the State of Kuwait. Under prevalent taxation/levy regulations no carry forward of losses is permitted and there are no significant differences between the tax /levy bases of assets and liabilities and their carrying amount for financial reporting purposes.

Property and equipment
Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Land is not depreciated. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value. A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Furniture and fixtures, motor vehicles and leasehold improvements are stated at cost less accumulated depreciation and any impairment in value.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Depreciation is provided on a straight line basis over the useful lives of the following classes of assets:

Building	20 – 50	Years
Furniture and fixtures	1 – 2	Years
Motor vehicles	1 – 4	Years
Leasehold improvements	Up to 7	Years

Investments in associates

The Group's investment in associates is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in associates is carried in the consolidated statement of financial position at cost plus post acquisition charges in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associates. When there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The Group's share of profit of associates is shown on the face of the consolidated statement of income. This is the profit attributable to equity holders of the associates and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognises the amount in the 'share of results of associates' in the consolidated statement of income.

Upon loss of significant influence over the associates, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associates upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, financial asset available for sale, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

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.

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

Investments held to maturity
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the intention and ability to hold until maturity. After initial measurement, held to maturity financial assets are measured at amortized cost, using the effective interest rate, less impairment. The effective interest rate, amortization is included in 'net investment income' in the consolidated statement of income. Gains and losses are recognised in the consolidated statement of income when the investments are derecognised or impaired, as well as through the amortization process.

Loans and other receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortized cost, using the effective interest rate, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in 'net investment income' in the consolidated statement of income. Gains and losses are recognised in the consolidated statement of income when the investments are derecognised or impaired, as well as through the amortization process.

Investments available for sale
Investments available for sale are those non-derivative financial assets that are designated as available for sale or are not classified as "loans and receivables". After initial measurement, financial assets available for sale are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recognised in other comprehensive income, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated statement of income. Financial assets available for sale whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

Investments carried at fair value through income statement
Investments carried at fair value through income statement include financial assets held for trading and those designated at fair value through income statement at inception. Investments typically bought for the purpose of selling in the near term are classified as held for trading. For investments designated as at fair value through income statement, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value.

Fair value adjustments and realised gain and loss are recognised in the consolidated statement of income.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement (continued)

Receivables
Accounts receivable are stated at their face value less impairment losses or provision for doubtful accounts.

Cash and cash equivalents
Cash includes cash on hand and at banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of placement and that are subject to an insignificant risk of change in value. Cash and cash equivalents in the consolidated statement of cash flows are presented net of bank overdrafts.

De-recognition of financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

a) The rights to receive cash flows from the asset have expired;
b) The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
c) The Group has transferred its rights to receive cash flows from the asset and either has transferred all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets
The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re-organization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Investments available for sale
For investments available for sale, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income - is removed from other comprehensive income and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognized directly in other comprehensive income.

Fair values of financial instruments and further details as to how they are measured are provided in Note 29.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities
Financial liabilities consist of insurance payable and certain items under other payables are derecognised when the obligation under the liability is discharged, cancelled or expired.

Initial recognition and measurement
Financial liabilities are initially recognised at fair value.

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification, as follows:

Insurance payables
Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method.

De-recognition of financial liabilities
A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of income.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expense will not be offset in the statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

Fair values
The Group measures certain financial instruments such as derivatives, and non-financial assets such as investment property, at fair value at the end of each reporting period. Also, fair values of financial instruments measured at amortized cost are disclosed in the financial statements.

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

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

The Group must be able to access the principal or the most advantageous market at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs significant to the fair value measurement as a whole:

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values (continued)
For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Investments with no reliable measure of their fair value and for which no fair value information could be obtained are carried at their initial cost less impairment in value.

Properties held for sale
Properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, are held as properties held for sale and are measured at lower of cost and net realisable value.

Cost includes free hold and leasehold rights for land, amount paid to contractors for construction, borrowing costs, planning and design costs, cost of site preparation , professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Net realisable value is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated cost of sale. Non refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

The cost of properties held for sale recognised in consolidated statement of income on disposal is determined with reference to the specific cost incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold. Write down of properties held for sale are charged to other operating expenses.

Outstanding claims reserve
Outstanding claims comprise the estimated cost of claims incurred and reported but not settled at the reporting date. Provisions for reported claims not paid as at the reporting date are made on the basis of individual case estimates.

Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the underwriting account for that year.

Unearned premium reserve
The reserve for unearned premiums includes premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognised as premium income.

Life mathematical reserve
The reserve for the life business at the reporting date represents the mathematical liability of policies in force at that date as determined by the Group's actuaries.

Incurred but not reported reserve
The incurred but not reported reserve includes amounts reserved for claims incurred but not reported at the financial position date in addition to other contingencies and any differences that may arise. 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.

End of service indemnity
Provision is made for amounts payable to employees under the Kuwaiti Labour Law, employee contracts and applicable labour laws in the countries where the subsidiaries operate. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on reporting date.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Treasury shares
Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in equity (Treasury shares reserve) which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Employees' share option reserve
Employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions").

Equity-settled transactions
The cost of equity-settled transactions with employees is measured under the intrinsic value method. Under this method, the cost is determined by comparing the market value of the Parent Company's shares at each reporting date and the date of final settlement to the exercise price with any change in intrinsic value recognised in the consolidated statement of income.

The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees exercise their rights. The cumulative expense recognised for equity-settled transactions at each reporting date until the exercise date reflects the extent to which the exercise period has expired and the number of awards that, in the opinion of the directors at that date, based on the best available estimate of the number of equity instruments that will ultimately vest.

Foreign currency transactions
The Group's consolidated financial statements are presented in Kuwaiti Dinars, which is also the Parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. The Group has elected to recycle the gain or loss that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

i) Transactions and balances
Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the consolidated statement of income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed, at which time, the cumulative amount is reclassified to the consolidated statement of income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive 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. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency transactions (continued)

ii) Group companies
On consolidation, assets and liabilities of foreign operations are translated into Kuwaiti dinars at the rate of exchange prevailing at the reporting date and their statements of income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation 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.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Other reserve
Other reserve is used to record the effect of changes in ownership interest in subsidiaries, without loss of control.

Contingencies
Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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:

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on one of the following:
- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

Non-life insurance contract liabilities (Insurance technical reserves)
For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date, provision for outstanding claims (OCR) and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

The main assumption underlying these techniques is that the Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimation uncertainty (continued)

Non-life insurance contract liabilities (Insurance technical reserves) (continued)
Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor 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 historic claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example 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 conditions and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved. A margin for adverse deviation may also be included in the liability valuation.

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

Life insurance contract liabilities (Life mathematical reserve)
The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group base mortality and morbidity tables on standard industry and national tables which reflect historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements, but epidemics, as well as wide ranging changes to life style, could result in significant changes to the expected future mortality exposure.

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.

Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Judgement
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 consolidated financial statements:

Classification of investments
Management decides on acquisition of an investment whether it should be classified as available for sale or investments carried at fair value through income statement or held to maturity investments. The Group classifies investments as carried at fair value through income statement if the fair value can be reliably determined. The Group classifies investment as "held to maturity" if they meet the relevant criteria for each classification. All other investments are classified as available for sale.

Impairment of investments
The Group treats investments available for sale as impaired when there has been a significant or prolonged decline in the fair value below its 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 price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Goodwill impairment testing
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating unit to which goodwill is allocated.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Judgement (continued)

Impairment of receivables
An estimate of the collectible amount of accounts receivable is made when collection of part of or the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Classification of real estate
Management decides on acquisition of a real estate whether it should be classified as trading or investment property. The Group classifies property as property held for sale if it is acquired principally for sale in the ordinary course of business. The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

2.4 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES

New and amended accounting policies, standards and interpretations
The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRSs recently issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) interpretations effective for annual periods beginning on or after 1 January 2015:

IFRS 3 Business Combinations
The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This is consistent with the Group’s current accounting policy and thus, this amendment did not impact the Group’s accounting policy.

IFRS 8 Operating Segments
The amendments are applied retrospectively and clarify that:
- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are ‘similar’
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Group has not applied the aggregation criteria in IFRS 8.12 and thus, this amendment did not impact the Group’s accounting policy.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2015 did not have any material impact on the accounting policies, financial position or performance of the Group.

2.4 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES (continued)

New and revised IASB Standards issued but not yet effective

IFRS 9 Financial Instruments (effective for annual periods on or after 1 January 2018)
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is in the process of quantifying the impact of this standard on the Group's consolidated financial statements, when adopted.

IFRS 15 – Revenue from Contracts with customers (effective for annual periods on or after 1 January 2018)
IFRS 15 was issued by IASB on 28 May 2014 is effective for annual periods beginning on or after 1 January 2018. IFRS 15 supersedes IAS 11 – Construction Contracts and IAS 18 – Revenue along with related IFRIC 13, IFRS 15, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The parent company is in the process of evaluating the effect of IFRS 15 on the Group and do not expect any significant impact on adoption of this standard

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

3 NET INVESTMENT INCOME

Net investment income for the year from life and medical insurance segments, analysed by category, is as follows:

	Debt securities (loans) KD	***Investments carried at fair value through income statement KD***	***Time and call deposits KD***	***2015 Total KD***	*2014 Total KD*
Realised gain	**-**	**53,346**	**-**	**53,346**	-
Unrealised loss	**-**	**(183,288)**	**-**	**(183,288)**	(200,287)
Dividend income	**-**	**29,436**	**-**	**29,436**	26,201
Interest income	**324,463**	**-**	**18,777**	**343,240**	293,258
Gain (loss) on financial instruments	**324,463**	**(100,506)**	**18,777**	**242,734**	119,172
Other investment income	**-**	**49,567**	**-**	**49,567**	107,029
Total investment income (loss)	**324,463**	**(50,939)**	**18,777**	**292,301**	226,201
Financial charges and other expenses	**-**	**(3,355)**	**-**	**(3,355)**	(3,543)
Total investment expense	**-**	**(3,355)**	**-**	**(3,355)**	(3,543)
Net investment income (loss)	**324,463**	**(54,294)**	**18,777**	**288,946**	222,658

3 NET INVESTMENT INCOME (continued)

Net investment income for the year general risk insurance segment, analysed by category, is as follows:

	Investments held to maturity KD	*Investments available for sale KD*	*Investments carried at fair value through income statement KD*	*Property held for sale KD*	*Time and call deposits KD*	*Other investment income KD*	*2015 Total KD*	*2014 Total KD*
Realised (loss) gain	**-**	**(303,666)**	**254,463**	**-**	**-**	**-**	**(49,203)**	4,688,968
Unrealised loss	**-**	**-**	**(1,007,201)**	**-**	**-**	**-**	**(1,007,201)**	(147,911)
Dividends income	**-**	**1,694,278**	**195,260**	**-**	**-**	**-**	**1,889,538**	1,450,727
Interest income	**2,549,043**	**-**	**-**	**-**	**2,058,488**	**1,477,163**	**6,084,694**	4,637,484
Gain (loss) on financial instruments	**2,549,043**	**1,390,612**	**(557,478)**	**-**	**2,058,488**	**1,477,163**	**6,917,828**	10,629,268
Gain arising on reclassification of investment available for sale (Note 6)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	127,614
Rental income	**-**	**-**	**-**	**22,161**	**-**	**-**	**22,161**	20,657
Other investment income	**-**	**-**	**-**	**-**	**-**	**345,504**	**345,504**	350,182
Total investment income	**2,549,043**	**1,390,612**	**(557,478)**	**22,161**	**2,058,488**	**1,822,667**	**7,285,493**	11,127,721
Financial charges	**(654,192)**	**-**	**(2,478)**	**-**	**(731)**	**-**	**(657,401)**	(489,392)
Impairment loss (Note 8)	**-**	**(495,162)**	**-**	**-**	**-**	**-**	**(495,162)**	(234,570)
Other investment expenses	**(282,237)**	**(279,488)**	**-**	**-**	**-**	**(220,264)**	**(781,989)**	(1,149,174)
Total investment expense	**(936,429)**	**(774,650)**	**(2,478)**	**-**	**(731)**	**(220,264)**	**(1,934,552)**	(1,873,136)
Net investment income (loss)	**1,612,614**	**615,962**	**(559,956)**	**22,161**	**2,057,757**	**1,602,403**	**5,350,941**	9,254,585

4 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Parent Company by the weighted average number of shares, less weighted average number of treasury shares outstanding during the year. Diluted earnings per share is calculated by dividing profit for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares, less weighted average number of treasury shares, outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares which is reserved from employees' share option scheme.

There are no dilutive potential ordinary shares. The information necessary to calculate basic and diluted earnings per share based on weighted average number of share outstanding during the year is as follow:

	2015	*2014*
Profit for the year attributable to equity holders of the Parent Company (KD)	**14,089,207**	12,001,391
	Shares	*Shares*
Number of shares outstanding at the beginning of the year	**187,039,125**	187,039,125
Weighted average number of treasury shares	**(7,795,201)**	(6,357,553)
Weighted average number of shares outstanding during the year	**179,243,924**	180,681,572
Basic and diluted earnings per share	**78.60 fils**	66.42 fils

5 PROPERTY AND EQUIPMENT

	Land KD	*Buildings* KD	*Leasehold improvements* KD	*Computers* KD	*Furniture and fixtures* KD	*Motor vehicles* KD	*Total* KD
Cost:							
At 1 January 2015	7,257,097	9,665,446	1,480,372	5,292,191	3,117,497	675,571	27,488,174
Additions	242,014	172,544	107,800	480,366	233,000	68,303	1,304,027
Arising on acquisition of subsidiary	355,462	614,661	343,538	121,756	515,307	-	1,950,724
Disposals	(22,426)	(5,800)	(67,875)	(7,840)	(9,261)	(85,678)	(198,880)
Foreign currency translation adjustment	(15,947)	70,887	(37,452)	(7,025)	8,790	(3,423)	15,830
At 31 December 2015	7,816,200	10,517,738	1,826,383	5,879,448	3,865,333	654,773	30,559,875
Accumulated depreciation:							
At 1 January 2015	-	3,888,738	739,737	4,302,891	2,515,365	359,233	11,805,964
Charge for the year	-	183,795	190,284	424,551	225,512	110,622	1,134,764
Arising on acquisition of subsidiary	-	273,341	244,336	32,961	366,505	-	917,143
On disposals	-	(5,800)	(10,182)	(6,553)	(2,469)	(63,164)	(88,168)
Foreign currency translation adjustment	-	41,384	(5,693)	15,676	11,641	(3,670)	59,338
At 31 December 2015	-	4,381,458	1,158,482	4,769,526	3,116,554	403,021	13,829,041
Net carrying amount:							
At 31 December 2015	7,816,200	6,136,280	667,901	1,109,922	748,779	251,752	16,730,834

Part of the Parent Company's premises with net carrying amount of KD 1,260,000 (2014: KD 1,260,000) have been mortgaged with the Ministry of Commerce and Industry.

5 PROPERTY AND EQUIPMENT (continued)

	Land *KD*	*Buildings* *KD*	*Leasehold improvements* *KD*	*Computers* *KD*	*Furniture and fixtures* *KD*	*Motor vehicles* *KD*	*Total* *KD*
Cost:							
At 1 January 2014	4,871,092	9,383,273	1,207,573	4,853,992	3,108,509	611,004	24,035,443
Additions	110,261	10,132	605,606	2,039,813	1,554,790	157,543	4,478,145
Fair value adjustment	2,220,000	339,760	-	-	-	-	2,559,760
Disposals	-	(56,748)	(333,262)	(1,699,555)	(1,490,467)	(96,009)	(3,676,041)
Foreign currency translation adjustment	55,744	(10,971)	455	97,941	(55,335)	3,033	90,867
At 31 December 2014	7,257,097	9,665,446	1,480,372	5,292,191	3,117,497	675,571	27,488,174
Accumulated depreciation:							
At 1 January 2014	-	3,601,110	900,719	3,825,074	2,547,575	278,782	11,153,260
Charge for the year	-	241,407	174,893	2,062,151	1,469,669	167,013	4,115,133
On disposals	-	-	(331,277)	(1,661,050)	(1,452,474)	(86,681)	(3,531,482)
Foreign currency translation adjustment	-	46,221	(4,598)	76,716	(49,405)	119	69,053
At 31 December 2014	-	3,888,738	739,737	4,302,891	2,515,365	359,233	11,805,964
Net carrying amount:							
At 31 December 2014	7,257,097	5,776,708	740,635	989,300	602,132	316,338	15,682,210

6 INVESTMENT IN ASSOCIATES

The Group has the following investment in associates:

	Country of incorporation	***Percentage of ownership 2015***	*Percentage of ownership 2014*	*Principal activity*
Al-Buruj Co-Operative Insurance Company (A Saudi Public Stock Company) ("Al-Buruj)*	Kingdom of Saudi Arabia	**27%**	27%	Insurance
Al-Argan International Real Estate Company K.S.C.P.	State of Kuwait	**20%**	20%	Real Estate
Alliance Insurance Company P.S.C.	United Arab Emirates	**20%**	20%	Insurance
Egyptian Takaful Property and Liability S.A.E.	Egypt	**25%**	25%	Insurance
United Networks Company K.S.C. (Closed)	State of Kuwait	**17%**	17%	Communication & Broadcasting
Algeria Gulf Life Insurance Company ("AGLIC") **	Algeria	**42.5%**	-	Insurance
Takaful International Insurance Company ***	Bahrain	**41%**	-	Takaful Insurance

* During the year the Group participated in the rights issue of its associate Al Buruj with an amount equivalent to KD 2,624,021.

** During the year the Group established Algeria Gulf Life Insurance Company ("AGLIC"), with an investment of KD 1,300,500 representing equity interest of 42.50%. The investment in AGLIC has been classified as investment in an associate and accounted for under the equity method in accordance with IAS 28 *Investments in Associates and Joint Ventures*.

*** During the year the Group's subsidiary, Bahrain Kuwaiti Insurance Company B.S.C., acquired a 41% stake in Takaful International Insurance Company with an investment equivalent to KD 1,982,689. The investment has been classified as investment in an associate and accounted for under the equity method in accordance with IAS 28 *Investments in Associates and Joint Ventures*.

Carrying amount of investment in associates

The movement of the investment in associates during the year is as follows:

	2015 KD	*2014 KD*
Carrying value at 1 January	**28,142,091**	24,242,332
Additions	**5,906,337**	719,417
Dividends received	**(1,434,580)**	(933,958)
Share of results of associates	**6,484,765**	2,163,938
Transfers from investments available for sale	**-**	1,138,750
Gain arising on reclassification of investment available for sale (Note 3)	**-**	127,614
Share of other comprehensive income of associates	**57,043**	207,384
Foreign currency translation adjustment	**478,014**	476,614
Carrying value at 31 December	**39,633,670**	28,142,091

6 INVESTMENT IN ASSOCIATES (continued)

	2015	*2014*
	KD	*KD*
Share of associates' financial position:		
Assets	**70,801,410**	59,649,720
Liabilities	**(33,767,446)**	(34,107,335)
	37,033,964	25,542,385
Goodwill	**2,599,706**	2,599,706
Net assets	**39,633,670**	28,142,091
Share of associates' revenues and net profit (loss):		
Revenues	**10,518,836**	2,741,277
Net profit	**6,484,765**	2,163,938

Investment in associates include quoted associate with a carrying value of KD 34,988,496 (2014: KD 25,054,771) having a market value of KD 27,796,948 (2014: KD 24,662,274).

7 GOODWILL

Goodwill has been allocated to five individual cash-generating units. The carrying amount of goodwill allocated to each of the cash-generating units is shown below:

	2015	*2014*
	KD	*KD*
Arab Misr Insurance Group Company S.A.E.	**308,340**	308,340
Bahrain Kuwaiti Insurance Company B.S.C.	**2,625,935**	2,625,935
Arab Orient Insurance Company J.S.C.	**5,292,099**	5,292,099
Dar Al-Salam Insurance Company	**604,073**	604,073
Egypt Life Takaful Insurance Company S.A.E.	**167,904**	167,904
L'Algerienne Des Assurance (2a)	**3,932,981**	-
	12,931,332	8,998,351

Movement on goodwill during the year is as follows:

	2015	*2014*
	KD	*KD*
At I January	**8,998,351**	8,998,351
Provisional goodwill on acquisition of a subsidiary (Note 27)	**3,932,981**	-
At 31 December	**12,931,332**	8,998,351

The recoverable amount of each segment unit has been determined based on a value in use calculation, using cash flow projections approved by senior management covering a five-year period. The average discount rate used was 15% (2014: 15%) applied to cash flow projections over a five years period. Cash flows beyond the five year period are extrapolated using a projected growth rate of 3% (2014: 3%).

The calculation of value in use for each segment unit is sensitive to the following assumptions:

- Interest margins;
- Discount rates;
- Market share assumptions
- Projected growth rates used to extrapolate cash flows beyond the budget period; and
- Inflation rates.

7 GOODWILL (continued)

Interest margins
Interest margins are based on average values achieved in the three years preceding the start of the budget period. These are increased over the budget period for anticipated market conditions.

Discount rates
Discount rates reflect management's estimate of return on capital employed (ROCE) required in each business. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. Discount rates are calculated by using the Weighted Average Cost of Capital (WACC).

Market share assumptions
These assumptions are important because, as well as using industry data for growth rates, management assess how the unit's relative position to its competitors might change over the budget period.

Projected growth rates and local inflation rates
Assumptions are based on published industry research.

Inflation rates
Estimates are obtained from published indices for countries where the Group operates.

Sensitivity to changes in assumptions
With regard to the assessment of value in use of the cash-generating unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

8 INVESTMENTS AVAILABLE FOR SALE

	2015	*2014*
	KD	*KD*
Quoted equity securities	**17,525,235**	21,697,303
Unquoted equity securities	**4,116,897**	13,310,002
Unquoted managed funds	**164,466**	163,377
	21,806,598	35,170,682

Included in investments available for sale are unquoted equity securities with a value of KD 97,710 (31 December 2014: KD 94,756) which are carried at cost as the fair value could not be reliably measured. Information for such investments is usually restricted to periodic investment performance reports from the investment managers. Management has performed a review of its unquoted investments to assess whether impairment has occurred in the value of these investments. Based on the latest financial information available in respect of these investments and their operations, management is of the view that the value of these investments is not impaired.

Impairment loss of KD 495,162 (31 December 2014: KD 118,015) has been made against quoted securities on which there has been a significant or prolonged decline in fair value below cost.

9 INVESTMENTS CARRIED AT FAIR VALUE THROUGH INCOME STATEMENT

	2015	*2014*
	KD	*KD*
Held for trading:		
Quoted securities	**11,538,502**	5,008,511
Designated upon initial recognition:		
Managed funds of quoted securities	**14,326,324**	14,845,913
	25,864,826	19,854,424

10 PREMIUMS AND INSURANCE BALANCES RECEIVABLE

	2015 *KD*	*2014* *KD*
Policyholders' accounts receivable		
Premiums receivable	**59,331,047**	45,649,423
Insured debts receivable	**318,402**	414,960
	59,649,449	46,064,383
Provision for doubtful debts	**(6,592,181)**	(5,417,592)
Net policyholders' accounts receivable	**53,057,268**	40,646,791

	2015 *KD*	*2014* *KD*
Insurance and reinsurers' accounts receivable		
Reinsures receivable	**9,919,077**	7,167,192
Provision for doubtful debts	**(770,421)**	(649,782)
Net insurance and reinsurers' accounts receivable	**9,148,656**	6,517,410
Total premiums and insurance balances receivable	**62,205,924**	47,164,201

The Group's terms of business require amounts to be paid within the underwriting year and as such these receivables are remeasured at cost. Arrangements with the reinsurance companies normally require settlement on a quarterly basis.

Movements in the allowance for impairment of policyholders' accounts receivable were as follows:

	2015 *KD*	*2014* *KD*
At 1 January	**5,417,592**	5,306,913
Charge for the year	**1,186,147**	253,088
Amounts written off	**(11,558)**	(142,409)
At 31 December	**6,592,181**	5,417,592

Movements in the allowance for insurance and reinsurers' accounts receivable were as follows:

	2015 *KD*	*2014* *KD*
At 1 January	**649,782**	582,866
Charge for the year	**120,639**	66,916
At 31 December	**770,421**	649,782

11 LIABILITIES AND ASSETS ARISING FROM INSURANCE CONTRACTS

31 December 2015	*Marine and aviation KD*	*Motor vehicles KD*	*Property KD*	*Engineering KD*	*General accidents KD*	*Life KD*	*Medical KD*	*Total KD*
OUTSTANDING CLAIMS RESERVE:								
Gross balance at beginning of the year	3,229,442	23,558,629	18,984,155	15,945,136	7,749,533	18,114,103	10,863,925	98,444,923
Reinsurance recoverable on outstanding claims	(2,634,926)	(4,715,919)	(17,362,174)	(14,543,440)	(3,440,981)	(2,975,734)	(4,467,136)	(50,140,310)
Net balance at beginning of the year	594,516	18,842,710	1,621,981	1,401,696	4,308,552	15,138,369	6,396,789	48,304,613
Foreign currency translation difference	162,885	322,404	105,596	151,087	482,352	(13,487)	56,046	1,266,883
Arising on acquisition of subsidiary	10,801	1,582,137	317,256	62,348	3,185	2,781	-	1,978,508
Incurred during the year (net)	434,540	29,496,822	1,389,538	1,071,979	1,100,042	13,218,333	25,559,608	72,270,862
Paid during the year (net)	(432,886)	(28,340,009)	(1,476,208)	(616,446)	(1,180,150)	(12,486,292)	(24,667,666)	(69,199,657)
NET BALANCE AT END OF THE YEAR	769,856	21,904,064	1,958,163	2,070,664	4,713,981	15,859,704	7,344,777	54,621,209
Represented in:								
Gross balance at end of the year	3,575,053	26,946,615	10,982,453	15,987,864	6,823,676	19,258,042	13,886,407	97,460,110
Reinsurance recoverable	(2,805,197)	(5,042,551)	(9,024,290)	(13,917,200)	(2,109,695)	(3,398,338)	(6,541,630)	(42,838,901)
NET BALANCE AT END OF THE YEAR	769,856	21,904,064	1,958,163	2,070,664	4,713,981	15,859,704	7,344,777	54,621,209
Unearned premiums reserve (net)	487,409	18,392,033	1,527,886	973,837	2,524,789	88,995	10,467,913	34,462,862
Life mathematical reserve (net)	-	-	-	-	-	19,789,672	2,154,270	21,943,942
Incurred but not reported reserve (net)	100,000	1,100,000	150,000	200,000	100,000	-	-	1,650,000

There are no material claims for which the amounts and timing of claims are not settled within one year of the consolidated statement of financial position date.

11 LIABILITIES AND ASSETS ARISING FROM INSURANCE CONTRACTS (continued)

31 December 2014	*Marine and aviation KD*	*Motor vehicles KD*	*Property KD*	*Engineering KD*	*General accidents KD*	*Life KD*	*Medical KD*	*Total KD*
OUTSTANDING CLAIMS RESERVE:								
Gross balance at beginning of the year	4,079,991	23,108,067	18,266,892	12,255,855	7,153,175	13,320,461	9,325,656	87,510,097
Reinsurance recoverable on outstanding claims	(3,622,801)	(6,371,140)	(16,540,898)	(11,228,875)	(2,771,447)	(2,791,962)	(4,026,406)	(47,353,529)
Net balance at beginning of the year	457,190	16,736,927	1,725,994	1,026,980	4,381,728	10,528,499	5,299,250	40,156,568
Foreign currency translation difference	(3,205)	(516,764)	(23,724)	85,250	(62,800)	13,209	(18,658)	(526,692)
Incurred during the year (net)	323,451	25,708,693	1,726,223	807,938	1,652,932	13,138,609	25,120,531	68,478,377
Paid during the year (net)	(182,920)	(23,086,146)	(1,806,512)	(518,472)	(1,663,308)	(8,541,948)	(24,004,334)	(59,803,640)
NET BALANCE AT END OF THE YEAR	594,516	18,842,710	1,621,981	1,401,696	4,308,552	15,138,369	6,396,789	48,304,613
Represented in:								
Gross balance at end of the year	3,229,442	23,558,629	18,984,155	15,945,136	7,749,533	18,114,103	10,863,925	98,444,923
Reinsurance recoverable	(2,634,926)	(4,715,919)	(17,362,174)	(14,543,440)	(3,440,981)	(2,975,734)	(4,467,136)	(50,140,310)
NET BALANCE AT END OF THE YEAR	594,516	18,842,710	1,621,981	1,401,696	4,308,552	15,138,369	6,396,789	48,304,613
Unearned premiums reserve (net)	502,672	16,762,122	1,226,883	988,694	2,552,624	102,400	10,518,705	32,654,100
Life mathematical reserve (net)	-	-	-	-	-	19,821,545	1,876,100	21,697,645
Incurred but not reported reserve (net)	248,295	2,373,930	395,169	415,776	687,586	-	5,540	4,126,296

12 OTHER ASSETS

	2015 KD	*2014 KD*
Accrued interest income	**760,631**	817,802
Inward reinsurance retentions	**152,464**	43,325
Refundable claims	**250,459**	187,426
Amounts due from related parties (Note 26)	**1,402,689**	1,402,689
Prepaid expenses and others	**16,404,871**	10,316,399
	18,971,114	12,767,641

13 TIME DEPOSITS

Time deposits of KD 34,660,920 (2014: KD 23,565,538) are placed with local and foreign banks and carry an average effective interest rate of 4% (2014: 4%) per annum. Time deposits mature within one year.

14 CASH AND CASH EQUIVALENTS

	2015 KD	*2014 KD*
Cash on hand and at banks	**10,025,885**	15,499,503
Short term deposits and call accounts	**33,946,708**	57,676,627
Cash and cash equivalents in the consolidated statement of financial position	**43,972,593**	73,176,130
Bank overdrafts	**(26,381,565)**	(21,532,000)
Cash and cash equivalents in the consolidated statement of cash flows	**17,591,028**	51,644,130

15 INSURANCE PAYABLE

	2015 KD	*2014 KD*
Policyholders and agencies payables	**16,405,832**	13,119,709
Insurance and reinsurance payables	**31,574,223**	30,984,002
Amount due to policyholders of Takaful unit (Note 28)	**1,200,411**	278,355
	49,180,466	44,382,066

16 OTHER LIABILITIES

	2015 KD	*2014 KD*
Accrued expenses and others	**14,720,190**	13,853,875
Reserve for reinsurance premiums	**977,650**	1,353,317
KFAS, NLST and Zakat payables	**677,427**	352,762
Provision for end of service indemnity	**5,858,892**	6,047,459
Proposed directors' fees	**155,000**	155,000
	22,389,159	21,762,413

17 SHARE CAPITAL

Authorised, issued and fully paid capital consists of 187,039,125 shares of 100 fils each (2014: 187,039,125 shares) which was fully paid in cash.

Cash dividends, bonus shares and directors' fees
The Ordinary Annual General Assembly of the Parent Company's shareholders held on 31 March 2015 approved the payment of cash dividends amounting to KD 5,915,179 for the year ended 31 December 2014 (2013: KD 5,447,725), which represents 33% of paid up share capital (2013: 30%).

On 11 February 2016, the Board of Directors of the Parent Company have proposed cash dividend of 40 fils per share (31 December 2014: 33 fils). This proposal is subject to the approval by Annual General Meeting of the shareholders of the Parent Company.

Directors' fees of KD 155,000 for the year ended 31 December 2015 is subject to approval by the Ordinary Annual General Assembly of the Parent Company's shareholders. Directors' fees of KD 155,000 for the year ended 31 December 2014 was approved by the Ordinary Annual General Assembly of the Parent Company's shareholders held on 31 March 2015.

18 TREASURY SHARES

	2015	*2014*
Number of shares (share)	**7,940,828**	7,661,966
Percentage of issued shares (%)	**4.245%**	4.096%
Market value (KD)	**5,955,621**	4,290,701

19 STATUTORY RESERVE

As required by the Companies' Law and the Parent Company's Articles of Association, 10% of profit for the year attributable to the equity holders of the Parent Company before contribution to KFAS, NLST, Zakat tax and directors' fees has been transferred to the statutory reserve. The Parent Company may resolve to discontinue such annual transfers since the reserve exceeds 50% of the share capital.

There are no restrictions on distribution of amounts in excess of 50% of the share capital. Distribution of the remaining balance of the reserve is limited to the amount required to enable the payment of a dividend of 5% of the share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of this amount.

20 VOLUNTARY RESERVE

In accordance with the Parent Company's Articles of Association, 10% of the profit for the year attributable to the equity holders of the Parent Company before contribution to KFAS, NLST, Zakat tax and directors' fees has been transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of shareholders' General Assembly upon a recommendation by the board of directors. Voluntary reserve is available for distribution.

21 SEGMENT INFORMATION

a) Segmental consolidated statement of income

The Group operates in two segments, general risk insurance and life and medical insurance; there are no inter-segment transactions. Following are the details of those two primary segments:

- The general risk insurance segment offers general insurance to individuals and businesses. General insurance products offered include marine and aviation, motor vehicles, property, engineering and general accidents. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of policyholder's accident.
- The life and medical insurance segment offers savings, protection products and other long-term contracts. It comprises a wide range of whole life insurance, term insurance, unitized pensions (Misk individual policies), pure endowment pensions, group life and disability, credit life (banks), group medical including third party administration (TPA), preferred global health and Balsam products. Revenue from this segment is derived primarily from insurance premium, fees, commission income, investment income and fair value gains and losses on investments.

Unallocated category comprises of assets and liabilities' relating to the Group's investing activities which do not fall under the Group's primary segments.

Executive Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment result and is measured consistently with the results in the consolidated financial statements.

21 SEGMENT INFORMATION (continued)

a) Segmental consolidated statement of income (continued)

	General risk insurance						Life and medical insurance			
Year ended 31 December 2015:	*Marine and aviation KD*	*Motor vehicles KD*	*Property KD*	*Engineering KD*	*General accidents KD*	*Total general risk insurance KD*	*Life KD*	*Medical KD*	*Total life and medical insurance KD*	*Total KD*
Revenue:										
Premiums written	8,787,667	42,624,770	24,779,026	13,818,369	12,809,921	102,819,753	19,786,622	63,309,938	83,096,560	185,916,313
Reinsurance premiums ceded	(6,891,008)	(3,267,990)	(22,093,108)	(11,797,614)	(8,286,040)	(52,335,760)	(3,386,343)	(31,925,889)	(35,312,232)	(87,647,992)
Net premiums written	1,896,659	39,356,780	2,685,918	2,020,755	4,523,881	50,483,993	16,400,279	31,384,049	47,784,328	98,268,321
Movement in unearned premiums	51,979	1,224,432	192,792	(61,487)	32,506	1,440,222	3,949	69,020	72,969	1,513,191
Movement in life mathematical reserve	-	-	-	-	-	-	41,103	(278,170)	(237,067)	(237,067)
Net premiums earned	1,948,638	40,581,212	2,878,710	1,959,268	4,556,387	51,924,215	16,445,331	31,174,899	47,620,230	99,544,445
Commission received on ceded reinsurance	1,991,022	473,298	3,348,703	2,086,259	1,679,901	9,579,183	1,104,882	2,873,739	3,978,621	13,557,804
Policy issuance fees	226,612	1,899,356	108,894	49,057	168,413	2,452,332	12,706	981,437	994,143	3,446,475
Net investment income from designated life insurance	-	-	-	-	-	-	275,533	13,413	288,946	288,946
Total revenue	4,166,272	42,953,866	6,336,307	4,094,584	6,404,701	63,955,730	17,838,452	35,043,488	52,881,940	116,837,670
Expenses:										
Claims incurred	434,540	29,496,822	1,389,538	1,071,979	1,100,042	33,492,921	13,218,333	25,559,608	38,777,941	72,270,862
Commission and discounts	826,615	5,151,513	1,769,713	900,541	1,140,808	9,789,190	412,467	900,496	1,312,963	11,102,153
Movement in incurred but not reported Reserve	39	6,371	514	(178)	497	7,243	-	(2,610)	(2,610)	4,633
Maturity and cancellations of life insurance Policies	-	-	-	-	-	-	2,363,716	-	2,363,716	2,363,716
General and administrative expenses	1,083,955	6,394,358	2,260,346	1,382,019	1,223,772	12,344,450	1,015,233	5,424,052	6,439,285	18,783,735
Total expenses	2,345,149	41,049,064	5,420,111	3,354,361	3,465,119	55,633,804	17,009,749	31,881,546	48,891,295	104,525,099
Net underwriting income	1,821,123	1,904,802	916,196	740,223	2,939,582	8,321,926	828,703	3,161,942	3,990,645	12,312,571
Net investment income						5,350,941			-	5,350,941
Share of results from associates						6,484,765			-	6,484,765
Net sundry income						101,900			362,863	464,763
Depreciation						(635,213)			(499,551)	(1,134,764)
Unallocated general and administrative expenses						(4,823,709)			(1,758,495)	(6,582,204)
Profit for the year before contribution to KFAS, NLST, Zakat tax and Directors' fees						14,800,610			2,095,462	16,896,072

21 SEGMENT INFORMATION (continued)

a) Segmental consolidated statement of income (continued)

	General risk insurance						*Life and medical insurance*			
Year ended 31 December 2014:	*Marine and aviation KD*	*Motor vehicles KD*	*Property KD*	*Engineering KD*	*General accidents KD*	*Total general risk insurance KD*	*Life KD*	*Medical KD*	*Total life and medical insurance KD*	*Total KD*
Revenue:										
Premiums written	8,491,058	37,871,945	24,210,975	11,855,667	12,035,773	94,465,418	18,917,511	60,219,426	79,136,937	173,602,355
Reinsurance premiums ceded	(6,694,146)	(3,354,404)	(21,722,335)	(10,307,770)	(7,164,307)	(49,242,962)	(3,032,127)	(30,390,716)	(33,422,843)	(82,665,805)
Net premiums written	1,796,912	34,517,541	2,488,640	1,547,897	4,871,466	45,222,456	15,885,384	29,828,710	45,714,094	90,936,550
Movement in unearned premiums	(8,383)	(673,928)	512	(164,468)	181,324	(664,943)	(12,108)	(242,844)	(254,952)	(919,895)
Movement in life mathematical reserve	-	-	-	-	-	-	95,621	(243,651)	(148,030)	(148,030)
Net premiums earned	1,788,529	33,843,613	2,489,152	1,383,429	5,052,790	44,557,513	15,968,897	29,342,215	45,311,112	89,868,625
Commission received on ceded reinsurance	2,010,153	483,150	3,379,187	1,752,486	1,309,642	8,934,618	832,364	2,133,847	2,966,211	11,900,829
Policy issuance fees	204,311	1,758,714	86,471	87,815	125,371	2,262,682	20,889	991,216	1,012,105	3,274,787
Net investment income from designated life Insurance	-	-	-	-	-	-	222,658	-	222,658	222,658
Total revenue	4,002,993	36,085,477	5,954,810	3,223,730	6,487,803	55,754,813	17,044,808	32,467,278	49,512,086	105,266,899
Expenses:										
Claims incurred	323,451	25,708,693	1,726,223	807,938	1,652,932	30,219,237	13,138,609	25,120,531	38,259,140	68,478,377
Commission and discounts	790,298	4,852,867	1,732,674	780,896	1,084,404	9,241,139	453,740	842,981	1,296,721	10,537,860
Movement in incurred but not reported reserve	(199,269)	550,004	(27,184)	38,636	(133,934)	228,253	-	(8,648)	(8,648)	219,605
Maturity and cancellations of life insurance policies	-	-	-	-	-	-	1,919,210	-	1,919,210	1,919,210
General and administrative expenses	1,072,403	4,803,207	2,032,648	981,804	1,375,353	10,265,415	1,180,553	4,120,855	5,301,408	15,566,823
Total expenses	1,986,883	35,914,771	5,464,361	2,609,274	3,978,755	49,954,044	16,692,112	30,075,719	46,767,831	96,721,875
Net underwriting income	2,016,110	170,706	490,449	614,456	2,509,048	5,800,769	352,696	2,391,559	2,744,255	8,545,024
Net investment income						9,254,585				9,254,585
Share of results from associates						2,163,938				2,163,938
Net sundry income						390,342			5,568	395,910
Depreciation						(3,644,816)			(470,317)	(4,115,133)
Unallocated general and administrative expenses						(739,937)			(1,139,293)	(1,879,230)
Profit for the year before contribution to KFAS, NLST, Zakat tax and Directors' fees						13,224,881			1,140,213	14,365,094

21 SEGMENT INFORMATION (continued)

b) Segment consolidated statement of financial position

31 December 2015	***General risk insurance KD***	***Life and medical insurance KD***	***Un-allocated KD***	***Total KD***
Total assets	**221,349,921**	**85,780,172**	**61,294,364**	**368,424,457**
Total liabilities	**158,288,901**	**68,629,421**	**30,496,213**	**257,414,535**

31 December 2014	*General risk insurance KD*	*Life and medical insurance KD*	*Un-allocated KD*	*Total KD*
Total assets	200,901,310	91,710,156	54,607,865	347,219,331
Total liabilities	139,265,117	74,980,649	31,115,121	245,360,887

Balances relating to investments activities are reported within unallocated category since these activities does not relate to any of the primary two segments.

21 SEGMENT INFORMATION (continued)

c) Geographic information

	Kuwait		*GCC Countries*		*Other ME Countries*		*Total*	
	2015	*2014*	***2015***	*2014*	***2015***	*2014*	***2015***	*2014*
	KD	*KD*	***KD***	*KD*	***KD***	*KD*	***KD***	*KD*
Segment revenue	**64,275,468**	59,572,309	**7,547,150**	7,363,677	**45,015,052**	38,330,913	**116,837,670**	105,266,899
Segment results (net underwriting income)	**4,838,703**	3,790,563	**1,340,471**	1,232,405	**6,133,397**	3,522,056	**12,312,571**	8,545,024
Profit for the year attributable to equity holders of the Parent Company	**9,593,814**	7,751,729	**561,416**	1,138,366	**3,933,977**	3,111,296	**14,089,207**	12,001,391
Total assets	**222,168,713**	215,427,749	**32,135,145**	34,879,176	**114,120,599**	96,912,406	**368,424,457**	347,219,331
Total liabilities	**169,309,164**	160,907,055	**18,330,903**	19,854,290	**69,774,468**	64,599,542	**257,414,535**	245,360,887

22 STATUTORY GUARANTEES

The following amounts are held in Kuwait as security for the order of the Minister of Commerce and Industry in accordance with the Ministerial Decree No. 27 of 1966 and its amendments:

	2015 ***KD***	*2014* *KD*
Current accounts and deposits at banks	**19,826,002**	20,996,188
Loans secured by life insurance policies	**1,263,444**	1,182,471
	21,089,446	22,178,659

Foreign deposits of KD 25,359,723 (2014: KD 25,796,759) held outside the State of Kuwait as security for the subsidiary companies' activities.

23 CONTINGENT LIABILITIES

At the reporting date, the Group is contingently liable in respect of letters of guarantee and other guarantees amounting to KD 9,556,897 (2014: KD 6,986,076).

The Group operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

24 COMMITMENTS

The Group does not have future commitments with respect to purchase financial instruments. (2014: Nil).

25 RISK MANAGEMENT

(a) Governance framework

The Group's risk and financial management objective is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Risk management also protects policyholders fund by ensuring that all liabilities towards the policyholders are fulfilled in duly matter. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Group established a risk management function with clear terms of reference from the Parent Company's board of directors, its committees and the associated executive management committees. The risk management function will support the Parent Company as well as the subsidiaries in all risk management practices. This supplemented with a clear organisational structure that document delegated authorities and responsibilities from the board of directors to executive and senior managers.

25 RISK MANAGEMENT (continued)

(b) Regulatory framework

Law No. 24 of 1961, Law No.13 of 1962, which were subsequently amended by decrees No.510 and 511 of 2011 and decrees No. 578 and 579 of 2013, and the rules and regulations issued by the Ministry of Commerce provide the regulatory framework for the insurance industry in Kuwait. All insurance companies operating in Kuwait are required to follow these rules and regulations.

The following are the key regulations governing the operation of the Group:

- For the life and capital insurance contracts issued in Kuwait, the full mathematical reserves are to be retained in Kuwait.
- For marine insurance contracts, at least 15% of the premiums collected in the previous year are to be retained in Kuwait.
- For all other types of insurance, at least 30% of the premiums collected in the previous year are to be retained in Kuwait.
- The funds retained in Kuwait should be invested as follows:
  - A minimum of 40% of the funds are to be in the form of cash deposits in a bank operating in Kuwait
  - A maximum of 25% may be invested in foreign securities (foreign government bonds or foreign securities - bonds and shareholding companies)
  - A maximum of 30% should be invested in Kuwaiti companies' shares or bonds
  - A maximum of 15% should be in a current account with a bank operating in Kuwait.

The residual value may be invested in bonds issued or guaranteed by the Government of Kuwait, properties based in Kuwait or loans secured by first mortgage of properties based in Kuwait.

The Group's internal audit and quality control department is responsible for monitoring compliance with the above regulations and has delegated authorities and responsibilities from the board of directors to ensure compliance.

(c) Capital management objectives, policies and approach

The Group has established the following capital management objectives, policies and approach to managing the risks that affect its capital position.

Capital management objectives

The capital management objectives are:

- To maintain the required level of financial stability of the Group thereby providing a degree of security to policyholders
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets
- To align the profile of assets and liabilities taking account of risks inherent in the business
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and shareholders
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.
- To allocate capital towards the regional expansion where the ultimate goal is to spread the risk and maximize the shareholders returns through obtaining the best return on capital.

The operations of the Group are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

In reporting financial strength, capital and solvency is measured using the rules prescribed by the Ministry of Commerce (MOC). These regulatory capital tests are based upon required levels of solvency capital and a series of prudent assumptions in respect of the type of business written.

25 RISK MANAGEMENT (continued)

(c) Capital management objectives, policies and approach (continued)

Capital management policies

The Group's capital management policy for its insurance and non-insurance business is to hold sufficient capital to cover the statutory requirements based on the Ministry of commerce, including any additional amounts required by the regulator as well as keeping a capital buffer above the minimum regulatory requirements, where the Group operates to maintain a high economic capital for the unforeseen risks.

Capital management approach

The Group seeks to optimize the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and secure the policyholders fund.

The Group's approach to managing capital involves managing assets, liabilities and risks in a co-ordinated way, assessing shortfalls between reported and required capital levels (by each regulated entity) on a regular basis and taking appropriate actions to influence the capital position of the Group in the light of changes in economic conditions and risk characteristics through the Group's internal Capital Model. An important aspect of the Group's overall capital management process is the setting of target risk adjusted rates of return which are aligned to performance objectives and ensure that the Group is focused on the creation of value for shareholders.

The capital requirements are routinely forecasted on a periodic basis using the Group's internal Capital Model, and assessed against both the forecasted available capital and the expected internal rate of return including risk and sensitivity analyses. The process is ultimately subject to approval by the board.

(d) Insurance risk

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, underwriting discipline, prudent claims management practices as well as the use of reinsurance arrangements.

The majority of insurance business ceded is placed on a reinsurance program covering the Group to benefit from high commission income derived from economy of scale in a portfolio which is well balanced and to spread the risk in which the Group is exposed.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

Insurance risk is divided into risk of life insurance contracts and risk of non-life insurance contracts as follows:

(1) Life insurance contracts

Life insurance contracts offered by the Group include whole life insurance, term insurance, unitized pensions (Misk individual policies), pure endowment pensions, group life and disability, credit life (banks), group medical including third party administration (TPA), preferred global health and Balsam.

Whole life and term assurance are conventional regular premium products when lump sum benefits are payable on death or permanent disability. Few contracts have a surrender value.

Pensions are contracts when retirement benefits are expressed in the form of an annuity payable at retirement age. If death occurs before retirement, contracts generally return the higher value of the fund accumulated or sum assured. Most contracts give the policyholder the option at retirement to take a cash sum at guaranteed conversion rates allowing the policyholders the option of taking the more valuable of the two. Under unitized pensions, a percentage of the premium is applied towards the purchase of accumulation units in one or more of the linked funds. Provision of additional death benefits may be provided by cancellation of units or through supplementary term assurance contracts. Certain personal pension plans also include contribution protection benefits that provide for payment of contributions on behalf of policyholders in periods of total disability. For contracts with discretionary participation features (DPF), changes in the level of pensions are based on the rate of return declared annually by the insurer which is not guaranteed.

Guaranteed annuities are single premium products which pay a specified payment to the policyholder whilst they and/or their spouse are still alive. Payments are generally either fixed or increased each year at a specified rate or in line with the rate of inflation. Most contracts guarantee an income for a minimum period usually of five years, irrespective of death.

Death benefits of endowment products are subject to a guaranteed minimum amount. The maturity value usually depends on the investment performance of the underlying assets. For contracts with DPF the guaranteed minimum may be increased by the addition of bonuses. These are set at a level that takes account of expected market fluctuations, such that the cost of the guarantee is generally met by the investment performance of the assets backing the liability. However in circumstances when there has been a significant fall in investment markets, the guaranteed maturity benefits may exceed investment performance and these guarantees become valuable to the policyholder. Certain pure endowment pensions contain the option to apply the proceeds towards the purchase of an annuity earlier than the date shown on the contract or to convert the contract to ‘paid up’ on guaranteed terms. The majority of the mortgage endowment contracts offered by the Group have minimum maturity values subject to certain conditions being satisfied.

For healthcare contracts the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvements.

The main risks that the Group is exposed to are as follows.

- Mortality risk - risk of loss arising due to policyholder death experience being different than expected.
- Morbidity risk - risk of loss arising due to policyholder health experience being different than expected.
- Longevity risk - risk of loss arising due to the annuitant living longer than expected.
- Investment return risk - risk of loss arising from actual returns being different than expected.
- Expense risk - risk of loss arising from expense experience being different than expected.
- Policyholder decision risk - risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

The Group's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs. The Group further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

For contracts where death or disability are the insured risks the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

The Group reinsures its annuity contracts to mitigate its risk, the reinsurers participating in the treaty are highly rated and the risk is spread with a number of reinsurers to minimize the risk of default.

The insurance risks described above are also affected by the contract holders' right to pay reduced or no future premiums, to terminate the contract completely or to exercise guaranteed annuity options. As a result, the amount of insurance risk is also subject to contract holder behaviour.

The table below sets out the concentration of life insurance and investment contracts by type of contract.

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

	2015			*2014*		
Type of contract	***Gross liabilities KD***	***Reinsurers' share of liabilities KD***	***Net liabilities KD***	*Gross liabilities KD*	*Reinsurers' share of liabilities KD*	*Net liabilities KD*
Whole life insurance	**79,227**	**60,148**	**19,079**	120,061	68,836	51,225
Term insurance	**32,334**	**2,604**	**29,730**	216,869	4,057	212,812
Pure endowment	**1,495,387**	**-**	**1,495,387**	1,589,774	-	1,589,774
Group life and disability	**774,227**	**291,733**	**482,494**	539,205	260,433	278,772
Group medical including TPA	**2,072,894**	**-**	**2,072,894**	1,772,904	495	1,772,409
Credit life (Banks)	**3,233,029**	**2,221,512**	**1,011,517**	4,114,302	2,741,511	1,372,791
Preferred global health	**54,019**	**-**	**54,019**	54,825	-	54,825
Balsam	**91,188**	**63,832**	**27,356**	83,400	34,461	48,939
Misk individual policies	**110,000**	**-**	**110,000**	300,000	-	300,000
Total life insurance contract	**7,942,305**	**2,639,829**	**5,302,476**	8,791,340	3,109,793	5,681,547
Unitised pensions (Misk individual policies)	**16,641,466**	**-**	**16,641,466**	16,016,098	-	16,016,098
Total investments contracts	**16,641,466**	**-**	**16,641,466**	16,016,098	-	16,016,098
Total life insurance and investment contracts	**24,583,771**	**2,639,829**	**21,943,942**	24,807,438	3,109,793	21,697,645
Other life insurance contract liabilities	**43,084,415**	**9,939,968**	**33,144,447**	28,983,566	7,442,869	21,540,697

The geographical concentration of the Group's life insurance and investment contracts with Discretionary Participation Feature (DPF) liabilities is noted below. The disclosure is based on the countries where the business is written.

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

	2015			*2014*		
	Gross liabilities KD	***Reinsurers' share of liabilities KD***	***Net liabilities KD***	*Gross liabilities KD*	*Reinsurers' share of liabilities KD*	*Net liabilities KD*
Kuwait	**7,942,305**	**2,639,829**	**5,302,476**	8,791,340	3,109,793	5,681,547

Investment contracts

	2015			*2014*		
	Gross liabilities KD	***Reinsurers' share of liabilities KD***	***Net liabilities KD***	*Gross liabilities KD*	*Reinsurers' share of liabilities KD*	*Net liabilities KD*
Kuwait	**5,615,844**	**-**	**5,615,844**	5,641,392	-	5,641,392
Europe	**11,025,622**	**-**	**11,025,622**	10,374,706	-	10,374,706
Total	**16,641,466**	**-**	**16,641,466**	16,016,098	-	16,016,098

The assumptions that have been provided by an external independent actuarial are as follows:

Key assumptions
Material judgment is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

Life insurance contract estimates are either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included. Assumptions are made in relation to future deaths, voluntary terminations, investment returns and administration expenses. If the liabilities are not adequate, the assumptions are altered to reflect the current estimates.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

•Mortality and morbidity rates
Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides, reflecting recent historical experience and are adjusted when appropriate to reflect the Group's own experiences. An appropriate but not excessive prudent allowance is made for expected future improvements. Assumptions are differentiated by gender, underwriting class and contract type.

An increase in rates will lead to a larger number of claims and claims could occur sooner than anticipated, which will increase the expenditure and reduce profits for the shareholders.

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

• Longevity
Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Group's own risk experience. An appropriate but not excessive prudent allowance is made for expected future improvements. Assumptions are differentiated by gender, underwriting class and contract type.

An increase in longevity rates will lead to an increase in the number of annuity payments made, which will increase the expenditure and reduce profits for the shareholders.

• Investment return
The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments.

An increase in investment return would lead to a reduction in expenditure and an increase in profits for the shareholders.

• Expenses
Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

An increase in the level of expenses would result in an increase in expenditure thereby reducing profits for the shareholders.

• Lapse and surrender rates
Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Group's experience and vary by product type, policy duration and sales trends.

An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

• Discount rate
Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on Central Bank of Kuwait rate, adjusted for the Group's own risk exposure.

A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

The assumptions that have the maximum effect on the consolidated financial position and consolidated statement of income of the Group are listed below.

Portfolio assumptions by type of business impacting net liabilities	*Mortality and morbidity rates*		*Investment return*		*Lapse and surrender rates*		*Discount rates*		*Renewal expenses*		*Inflation rate*	
	2015	*2014*	***2015***	*2014*	***2015***	*2014*	***2015***	*2014*	***2015***	*2014*	***2015***	*2014*
Investment contracts:												
With fixed and guaranteed terms	**A49/52**	A49/52	**4%**	3%	**N/A**	N/A	**3%**	3%	**5% of AP+1% of SA**	5% of AP+1% of SA	**2%**	2%
Non-guaranteed terms	**A49/52**	A49/52	**N/A**	N/A	**N/A**	N/A	**3%**	3%	**5% of AP+1% of SA**	5% of AP+1% of SA	**2%**	2%
Life term assurance:												
Males	**A49/52**	A49/52	**4%**	4%	**N/A**	N/A	**3%**	3%	**5% of AP+1% of SA**	5% of AP+1% of SA	**2%**	2%
Females	**A49/52 3yr**	A49/52 3yr	**4%**	4%	**N/A**	N/A	**3%**	3%	**5% of AP+1% of SA**	5% of AP+1% of SA	**2%**	2%

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

Sensitivities
The analysis below is performed, by an independent third party actuarial with experience and qualifications, for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and profit if significant. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist they are the main reason for the asymmetry of sensitivities.

Life insurance contracts

31 December 2015

	Change in assumptions	***Impact on gross liabilities***	***Impact on net liabilities***	***Impact on profit***
Mortality/morbidity	**Conservative**	**Reduction**	**Reduction**	**Positive**
Investment return	**-1%**	**-**	**-**	**(15,000)**
Expenses	**10%**	**230,000**	**230,000**	**(230,000)**
Discount rate	**-1%**	**90,000**	**90,000**	**(90,000)**
Longevity	**N/A**	**N/A**	**N/A**	**N/A**
Lapse and surrenders rate	**N/A**	**N/A**	**N/A**	**N/A**

31 December 2014

	Change in assumptions	*Impact on gross liabilities*	*Impact on net liabilities*	*Impact on profit*
Mortality/morbidity	Conservative	Reduction	Reduction	Positive
Investment return	-1%	-	-	(16,000)
Expenses	10%	203,000	203,000	(203,000)
Discount rate	-1%	110,000	110,000	(110,000)
Longevity	N/A	N/A	N/A	N/A
Lapse and surrenders rate	N/A	N/A	N/A	N/A

Investment contracts

31 December 2015

	Change in assumptions	***Impact on gross liabilities***	***Impact on net liabilities***	***Impact on profit***
Mortality/morbidity	**Conservative**	**Reduction**	**Reduction**	**Positive**
Investment return	**-1%**	**-**	**-**	**(49,000)**
Expenses	**10%**	**50,000**	**50,000**	**(50,000)**
Discount rate	**-1%**	**105,000**	**105,000**	**(105,000)**
Longevity	**N/A**	**N/A**	**N/A**	**N/A**
Lapse and surrenders rate	**N/A**	**N/A**	**N/A**	**N/A**

31 December 2014

	Change in assumptions	*Impact on gross liabilities*	*Impact on net liabilities*	*Impact on profit*
Mortality/morbidity	Conservative	Reduction	Reduction	Positive
Investment return	-1%	-	-	(45,000)
Expenses	10%	67,500	67,500	(67,500)
Discount rate	-1%	139,000	139,000	(139,000)
Longevity	N/A	N/A	N/A	N/A
Lapse and surrenders rate	N/A	N/A	N/A	N/A

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts

The Group principally issues the following types of general insurance contracts: marine and aviation, property, motor, and general accidents. Risks under non-life insurance policies usually cover twelve month duration.

For general insurance contracts the most significant risks arise from climate changes, natural disasters and terrorist activities which are only covered in fire line of business.

Insurance contracts at times also cover risk for single incidents that expose the Group to multiple insurance risks. The Group has adequately reinsured for insurance risk that may involve significant litigation.

These risks vary in relation to the type of risk insured, location of the risk insured and by industry.

These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured and by industry.

The below risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

The Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (i.e. fire line of business). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes to a pre-determined maximum amount based on the Group’s risk appetite as decided by management.

In additions; the Group also have an excess of loss agreements which cover both of the catastrophic and risk excess of loss.

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

The table below sets out the concentration of non-life insurance contract liabilities by type of contract.

	2015			*2014*		
Concentration of insurance contract liabilities by type of contract:	***Gross liabilities KD***	***Reinsurer's share of liabilities KD***	***Net liabilities KD***	*Gross liabilities KD*	*Reinsurer's share of liabilities KD*	*Net liabilities KD*
Marine and Aviation	**5,407,415**	**4,050,150**	**1,357,265**	5,082,262	3,736,779	1,345,483
Motor vehicles	**47,207,310**	**5,811,139**	**41,396,171**	43,444,378	5,465,616	37,978,762
Property	**21,717,392**	**18,081,342**	**3,636,050**	29,734,373	26,490,340	3,244,033
Engineering	**22,892,905**	**19,648,404**	**3,244,501**	22,874,374	20,068,208	2,806,166
General Accidents	**12,425,867**	**5,087,097**	**7,338,770**	13,270,007	5,721,245	7,548,762
Total	**109,650,889**	**52,678,132**	**56,972,757**	114,405,394	61,482,188	52,923,206

The geographical concentration of the Group's non-life insurance contract liabilities is noted below. The disclosure is based on the countries where the business is written.

	2015			*2014*		
Geographical concentration of insurance contract liabilities:	***Gross liabilities KD***	***Reinsurer's share of liabilities KD***	***Net liabilities KD***	*Gross liabilities KD*	*Reinsurer's share of liabilities KD*	*Net liabilities KD*
Kuwait	**51,816,887**	**22,816,295**	**29,000,592**	55,900,739	33,513,169	22,387,570
GCC and Middle East countries	**57,834,002**	**29,861,837**	**27,972,165**	58,504,655	27,969,019	30,535,636
Total	**109,650,889**	**52,678,132**	**56,972,757**	114,405,394	61,482,188	52,923,206

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

Key assumptions

The principal assumption underlying the estimates is the Group's past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example once-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities

The non-life insurance claims provision is sensitive to the above key assumptions. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and profit before contribution to KFAS, NLST, Zakat tax and directors' fees.

31 December 2015	***Change in assumption***	***Impact on gross liabilities KD***	***Impact on net liabilities KD***	***Impact on profit KD***
Average claim cost	**±15%**	**7,866,626**	**4,090,646**	**4,090,646**
Average number of claim	**±15%**	**29,874**	**25,274**	**471,779**
Average claim settlement paid	**Reduce from 18 months to 12 months**	**5,244,417**	**2,827,400**	**230,530**

31 December 2014	*Change in assumption*	*Impact on gross liabilities KD*	*Impact on net liabilities KD*	*Impact on profit KD*
Average claim cost	±15%	6,879,992	3,577,596	3,577,596
Average number of claim	±15%	27,620	23,368	436,192
Average claim settlement paid	Reduce from 18 months to 12 months	4,586,661	2,472,787	201,617

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

Claims development table

The following tables show the estimate of cumulative incurred claims for both Non-life and Life and Medical segments, including claims notified for each successive accident year at each statement of financial position date, together with cumulative payments to date. The cumulative claims estimates and cumulative payments are translated to the presentation currency at the spot rates of the current financial year.

31 December 2015

	2007 KD	*2008 KD*	*2009 KD*	*2010 KD*	*2011 KD*	*2012 KD*	*2013 KD*	*2014 KD*	*2015 KD*	***Total KD***
At end of accident year	**346,681,647**	**50,392,935**	**51,524,295**	**56,453,283**	**78,124,867**	**88,367,386**	**92,528,799**	**88,750,272**	**92,037,539**	
One year later	**164,695,080**	**56,859,685**	**62,274,940**	**62,730,493**	**84,303,220**	**105,856,376**	**122,997,291**	**116,511,746**	-	
Two years later	**167,616,555**	**58,440,069**	**61,699,883**	**65,213,797**	**84,813,749**	**107,674,648**	**121,043,313**	-	-	
Three years later	**161,887,924**	**55,919,644**	**59,751,989**	**63,223,120**	**84,020,624**	**107,617,050**	-	-	-	
Four years later	**160,839,184**	**54,617,117**	**58,481,591**	**63,610,147**	**84,742,547**	-	-	-	-	
Five years later	**159,202,316**	**52,626,676**	**58,208,029**	**64,308,998**	-	-	-	-	-	
Six years later	**156,639,955**	**52,490,772**	**58,870,348**	-	-	-	-	-	-	
Seven years later	**157,974,548**	**51,863,626**	-	-	-	-	-	-	-	
Eight years later	**159,132,623**	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	**159,132,623**	**51,863,626**	**58,870,348**	**64,308,998**	**84,742,547**	**107,617,050**	**121,043,313**	**116,511,746**	**92,037,539**	**856,127,790**

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

2) Non-life insurance contracts (continued)

	2007 KD	*2008 KD*	*2009 KD*	*2010 KD*	*2011 KD*	*2012 KD*	*2013 KD*	*2014 KD*	*2015 KD*	***Total KD***
At end of accident year	**(224,364,473)**	**(23,049,928)**	**(28,437,389)**	**(31,673,465)**	**(44,916,955)**	**(52,954,704)**	**(55,297,933)**	**(56,275,705)**	**(56,418,112)**	
One year later	**(130,036,501)**	**(41,262,147)**	**(48,591,990)**	**(53,302,980)**	**(72,733,259)**	**(89,033,837)**	**(97,455,251)**	**(102,323,961)**	-	
Two years later	**(141,675,040)**	**(45,069,439)**	**(52,043,337)**	**(58,634,355)**	**(77,428,615)**	**(95,754,517)**	**(106,758,901)**	-	-	
Three years later	**(144,762,539)**	**(50,237,063)**	**(53,529,541)**	**(59,228,139)**	**(80,139,899)**	**(101,644,006)**	-	-	-	
Four years later	**(146,476,513)**	**(51,146,402)**	**(53,182,787)**	**(60,827,144)**	**(81,651,303)**	-	-	-	-	
Five years later	**(148,368,623)**	**(49,981,678)**	**(54,115,644)**	**(62,024,101)**	-	-	-	-	-	
Six years later	**(148,122,562)**	**(50,327,025)**	**(54,847,192)**	-	-	-	-	-	-	
Seven years later	**(151,018,374)**	**(51,000,888)**	-	-	-	-	-	-	-	
Eight years later	**(153,183,424)**	-	-	-	-	-	-	-	-	
Cumulative payment to date	**(153,183,424)**	**(51,000,888)**	**(54,847,192)**	**(62,024,101)**	**(81,651,303)**	**(101,644,006)**	**(106,758,901)**	**(102,323,961)**	**(56,418,112)**	**(769,851,888)**
Gross insurance contract outstanding claims at 31 December 2015	**5,949,199**	**862,738**	**4,023,156**	**2,284,897**	**3,091,244**	**5,973,044**	**14,284,412**	**14,187,785**	**35,619,427**	**86,275,902**
Incurred but not reported reserve included into the outstanding claims reserve at 31 December 2015									**11,184,208**	**11,184,208**
Total gross insurance outstanding claims provision per statement of financial position at 31 December 2015	**5,949,199**	**862,738**	**4,023,156**	**2,284,897**	**3,091,244**	**5,973,044**	**14,284,412**	**14,187,785**	**46,803,635**	**97,460,110**

25 RISK MANAGEMENT (continued)

(e) Financial risks

(1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

- A Group credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Board Audit Committee (BAC).
- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.
- The credit risk in respect of customer balances, incurred on non-payment of premiums will only persist during the grace period specified in the policy document until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

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

	31 December 2015			
Exposure to credit risk by classifying financial assets according to type of insurance	***General KD***	***Life KD***	***Unit linked KD***	***Total KD***
Investments held to maturity	**25,880,471**	**-**	**-**	**25,880,471**
Debt securities (loans)	**-**	**13,047,621**	**5,000,000**	**18,047,621**
Loans secured by life insurance policies	**-**	**5,938**	**1,341,161**	**1,347,099**
Policyholders' accounts receivable (gross)	**47,205,529**	**12,443,920**	**-**	**59,649,449**
Reinsurers' accounts receivable (gross)	**9,563,700**	**355,377**	**-**	**9,919,077**
Reinsurance recoverable on outstanding claims	**36,983,840**	**5,855,061**	**-**	**42,838,901**
Other assets	**1,717,234**	**-**	**-**	**1,717,234**
Time deposits	**26,671,750**	**7,989,170**	**-**	**34,660,920**
Cash and cash equivalents	**36,037,147**	**7,935,446**	**-**	**43,972,593**
Total credit risk exposure	**184,059,671**	**47,632,533**	**6,341,161**	**238,033,365**

	31 December 2014			
Exposure to credit risk by classifying financial assets according to type of insurance	*General KD*	*Life KD*	*Unit linked KD*	*Total KD*
Investments held to maturity	19,271,576	-	-	19,271,576
Debt securities (loans)	-	6,828,083	4,905,065	11,733,148
Loans secured by life insurance policies	-	2,709	1,263,444	1,266,153
Policyholders' accounts receivable (gross)	35,268,262	10,796,121	-	46,064,383
Reinsurers' accounts receivable (gross)	6,804,850	362,342	-	7,167,192
Reinsurance recoverable on outstanding claims	45,085,249	5,055,061	-	50,140,310
Other assets	1,560,006	-	-	1,560,006
Time deposits	22,558,218	1,007,320	-	23,565,538
Cash and cash equivalents	46,974,219	26,201,911	-	73,176,130
Total credit risk exposure	177,522,380	50,253,547	6,168,509	233,944,436

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

The table below provides information regarding the credit risk exposure of the financial assets at 31 December 2015 by classifying assets according to International credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as not rated.

Exposure to credit risk by classifying financial assets according to international credit rating agencies	*AAA KD*	*AA KD*	*A KD*	*BBB KD*	*BB and below KD*	*Not rated KD*	*Total KD*
31 December 2015							
Investments held to maturity	-	94,717	651,636	1,667,353	23,272,562	194,203	25,880,471
Debt securities (loans)	-	-	-	11,979,621	6,068,000	-	18,047,621
Loans secured by life insurance policies	-	-	-	-	-	1,347,099	1,347,099
Policyholders' accounts receivable (gross)	-	1,091,476	836,731	19,684,597	807,467	37,229,178	59,649,449
Reinsurers accounts receivable (gross)	-	488,890	4,043,093	1,648,797	1,108,714	2,629,583	9,919,077
Reinsurance recoverable on outstanding claims	486,876	5,591,735	20,436,186	6,091,053	4,911,865	5,321,186	42,838,901
Other assets	-	-	-	-	-	1,717,234	1,717,234
Time Deposits	-	-	17,121,802	15,162,600	1,653,350	723,168	34,660,920
Cash and cash equivalents	147,691	498,422	21,942,884	11,179,577	9,159,940	1,044,079	43,972,593
Total credit risk exposure	634,567	7,765,240	65,032,332	67,413,598	46,981,898	50,205,730	238,033,365

Unrated responses are classified as follows using internal credit ratings.

	Neither past due nor impaired			
31 December 2015	*High grade KD*	*Standard grade KD*	*Past due or impaired KD*	*Total KD*
Investments held to maturity	428	193,775	-	194,203
Loan secured by life insurance policy	1,347,099	-	-	1,347,099
Policyholders' accounts receivable (gross)	22,680,006	11,165,886	3,383,286	37,229,178
Reinsurance accounts receivable (gross)	945,246	1,295,883	388,454	2,629,583
Reinsurance recoverable on outstanding claims	5,321,186	-	-	5,321,186
Other assets	1,662,234	55,000	-	1,717,234
Term deposits	723,168	-	-	723,168
Cash and cash equivalents	1,044,079	-	-	1,044,079
	33,723,446	12,710,544	3,771,740	50,205,730

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

Exposure to credit risk by classifying financial assets according to international credit rating agencies	*AAA KD*	*AA KD*	*A KD*	*BBB KD*	*BB and below KD*	*Not rated KD*	*Total KD*
31 December 2014							
Investments held to maturity	-	91,446	438,360	1,609,763	16,926,593	205,414	19,271,576
Debt securities (loans)	-	-	-	11,733,148	-	-	11,733,148
Loans secured by life insurance policies	-	-	-	-	-	1,266,153	1,266,153
Policyholders' accounts receivable (gross)		1,057,686	7,327,052	15,672,964	1,259,711	20,746,970	46,064,383
Reinsurers accounts receivable (gross)	230	221,692	2,047,386	1,422,793	591,197	2,883,894	7,167,192
Reinsurance recoverable on outstanding claims	31,776	9,495,224	28,520,435	4,244,781	2,728,092	5,120,002	50,140,310
Other assets	-	-	-	-	-	1,560,006	1,560,006
Time Deposits	-	41,000	6,454,524	12,785,679	3,312,002	972,333	23,565,538
Cash and cash equivalents	-	1,440,604	21,216,713	44,625,507	5,757,163	136,143	73,176,130
Total credit risk exposure	32,006	12,347,652	66,004,470	92,094,635	30,574,758	32,890,915	233,944,436

Unrated responses are classified as follows using internal credit ratings.

	Neither past due nor impaired			
31 December 2014	*High grade KD*	*Standard grade KD*	*Past due or impaired KD*	*Total KD*
Investments held to maturity	414	205,000	-	205,414
Loan secured by life insurance policy	1,266,153	-	-	1,266,153
Policyholders' accounts receivable (gross)	15,829,239	4,856,353	61,378	20,746,970
Reinsurance accounts receivable (gross)	2,368,467	515,427	-	2,883,894
Reinsurance recoverable on outstanding claims	4,971,897	148,105	-	5,120,002
Other assets	9,848	1,550,158	-	1,560,006
Term deposits	972,333	-	-	972,333
Cash and cash equivalents	136,143	-	-	136,143
	25,554,494	7,275,043	61,378	32,890,915

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

The following table represents the aging analysis of premiums and insurance balance receivable that are not past due nor impaired:

	Up to 1 month KD	***Within 1-3 months KD***	***Within 3-12 months KD***	***More than 1 year KD***	***Total KD***
31 December 2015:					
Policyholders' accounts receivable (net)	**17,092,763**	**12,762,305**	**22,869,905**	**332,295**	**53,057,268**
Reinsurance receivables (net)	**2,821,007**	**2,712,543**	**2,956,441**	**658,665**	**9,148,656**
Total	**19,913,770**	**15,474,848**	**25,826,346**	**990,960**	**62,205,924**

	Up to 1 month KD	*Within 1-3 months KD*	*Within 3-12 months KD*	*More than 1 year KD*	*Total KD*
31 December 2014:					
Policyholders' accounts receivable (net)	4,750,615	12,314,945	23,320,059	261,172	40,646,791
Reinsurance receivables (net)	1,810,457	721,715	2,502,677	1,482,561	6,517,410
Total	6,561,072	13,036,660	25,822,736	1,743,733	47,164,201

(2) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments.

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Management monitors liquidity requirements on a daily basis and ensures that sufficient funds are available. The Group has sufficient liquidity and, therefore, does not resort to borrowings in the normal course of business.

The table below summarises the maturity of the financial liabilities of the Group based on remaining undiscounted contractual obligations for 31 December. As the Group does not have any interest bearing liabilities (except bank overdrafts), the figures below agree directly to the consolidated statement of financial position.

	Up to 1 month KD	***Within 1-3 months KD***	***Within 3-12 months KD***	***Within 1-5 years KD***	***Within 5-10 years KD***	***Total KD***
31 December 2015						
Premiums received in advance	**-**	**438,790**	**2,069,528**	**1,438,113**	**-**	**3,946,431**
Insurance payable	**10,731,840**	**8,134,506**	**21,058,936**	**7,018,825**	**2,236,359**	**49,180,466**
Other liabilities	**3,936,758**	**1,747,663**	**9,278,706**	**7,426,032**	**-**	**22,389,159**
Bank overdrafts	**-**	**-**	**26,381,565**	**-**	**-**	**26,381,565**
	14,668,598	**10,320,959**	**58,788,735**	**15,882,970**	**2,236,359**	**101,897,621**

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(2) Liquidity risk (continued)

31 December 2014	*Up to 1 month KD*	*Within 1-3 months KD*	*Within 3-12 months KD*	*Within 1-5 years KD*	*Within 5-10 years KD*	*Total KD*
Premiums received in advance	-	24,016	451,839	285,589	-	761,444
Insurance payable	6,858,001	8,411,339	19,726,193	7,203,908	2,182,625	44,382,066
Other liabilities	4,367,520	1,953,302	8,726,727	6,714,864	-	21,762,413
Bank overdrafts	-	-	21,532,000	-	-	21,532,000
	11,225,521	10,388,657	50,436,759	14,204,361	2,182,625	88,437,923

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprises three types of risk: currency risk, interest rate risk and commodity and equity rate price risk.

The Group has developed its policies and procedures to enhance the Group's mitigation of market risk.

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's principal transactions are carried out in KD and its exposure to foreign exchange risk arises primarily with respect to US dollar, Bahraini dinar, Egyptian pound, Jordanian dinar, Euro, and Pound sterling.

The Group's financial assets are primarily denominated in the same currencies as its insurance and investment contract liabilities, which mitigate the foreign currency exchange rate risk. Thus the main foreign exchange risk arises from recognised assets and liabilities denominated in currencies other than those in which insurance and investment contract liabilities are expected to be settled. The currency risk is effectively managed by the Group through financial instruments as well as the Group's Asset Liability Management model.

The table below summarises the Group's exposure to foreign currency exchange rate risk at reporting date by categorising assets and liabilities by major currencies.

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2015: ASSETS	*Local currency KD equivalent*	*USD KD equivalent*	*BD KD equivalent*	*EGP KD equivalent*	*JD KD equivalent*	*Euro KD equivalent*	*GBP KD equivalent*	*Other KD equivalent*	*Total KD*
Property and equipment	5,794,266	-	2,705,920	2,772,438	2,516,091	-	-	2,942,119	16,730,834
Investments in associates	20,201,136	-	1,775,878	1,835,639	-	-	-	15,821,017	39,633,670
Goodwill	-	-	2,625,935	476,244	5,292,099	-	-	4,537,054	12,931,332
Investments held to maturity	500,520	1,209,041	1,346,877	19,775,539	428	-	-	3,048,066	25,880,471
Debt securities (loans)	5,800,000	12,247,621	-	-	-	-	-	-	18,047,621
Investments available for sale	5,833,738	2,260,497	5,089,578	-	4,355,190	-	-	4,267,595	21,806,598
Investments carried at fair value thorough income statement	9,489,896	2,046,360	-	2,203,909	2,785,810	-	-	9,338,851	25,864,826
Loans secured by life insurance policies	1,341,161	-	-	-	-	-	-	5,938	1,347,099
Premium and insurance balances receivable	25,306,963	4,530,351	6,468,156	3,180,224	18,453,249	128,499	9,831	4,128,651	62,205,924
Reinsurance recoverable on outstanding claims	21,549,489	8,321,036	3,191,841	3,603,757	5,402,530	210,378	71,203	488,667	42,838,901
Property held for sale	-	-	-	49,927	-	-	-	3,482,627	3,532,554
Other assets	10,526,915	277,833	754,250	2,896,002	3,799,926	-	-	716,188	18,971,114
Cash and cash equivalents and time deposits	39,545,260	7,261,662	4,662,640	5,662,958	16,603,533	751,801	12,820	4,132,839	78,633,513
Total assets	145,889,344	38,154,401	28,621,075	42,456,637	59,208,856	1,090,678	93,854	52,909,612	368,424,457

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2015 LIABILITIES	*Local currency KD equivalent*	*USD KD equivalent*	*BD KD equivalent*	*EGP KD equivalent*	*JD KD equivalent*	*Euro KD equivalent*	*GBP KD equivalent*	*Other KD equivalent*	*Total KD*
Liabilities arising from insurance contracts									
Outstanding claims reserve (gross)	**60,653,144**	**2,786,177**	**7,439,497**	**9,189,144**	**13,448,633**	**238,275**	**31,247**	**3,673,993**	**97,460,110**
Unearned premiums reserve (net)	**16,058,963**	**529,558**	**2,315,053**	**4,938,534**	**8,047,010**	**56,297**	**-**	**2,517,447**	**34,462,862**
Life mathematical reserve (net)	**12,554,489**	**12,903**	**-**	**-**	**-**	**-**	**-**	**9,376,550**	**21,943,942**
Incurred but not reported reserve (net)	**1,650,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,650,000**
Total liabilities arising from insurance contracts	**90,916,596**	**3,328,638**	**9,754,550**	**14,127,678**	**21,495,643**	**294,572**	**31,247**	**15,567,990**	**155,516,914**
Premiums received in advance	**3,761,694**	**45,122**	**139,615**	**-**	**-**	**-**	**-**	**-**	**3,946,431**
Insurance payable	**19,864,969**	**9,055,239**	**4,395,492**	**2,278,248**	**12,104,908**	**1,052**	**(41,858)**	**1,522,416**	**49,180,466**
Other liabilities	**15,200,697**	**227,842**	**1,445,099**	**2,465,217**	**1,307,768**	**-**	**2,701**	**1,739,835**	**22,389,159**
Bank overdrafts	**16,423,959**	**9,957,606**	**-**	**-**	**-**	**-**	**-**	**-**	**26,381,565**
Total liabilities	**146,167,915**	**22,614,447**	**15,734,756**	**18,871,143**	**34,908,319**	**295,624**	**(7,910)**	**18,830,241**	**257,414,535**

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2014: ASSETS	*Local currency KD equivalent*	*USD KD equivalent*	*BD KD equivalent*	*EGP KD equivalent*	*JD KD equivalent*	*Euro KD equivalent*	*GBP KD equivalent*	*Other KD equivalent*	*Total KD*
Property and equipment	5,934,905	-	2,746,129	2,721,295	2,443,750	-	-	1,836,131	15,682,210
Investments in associates	15,599,515	-	-	1,659,856	-	-	-	10,882,720	28,142,091
Goodwill	-	-	2,625,935	476,244	5,292,099	-	-	604,073	8,998,351
Investments held to maturity	-	1,459,745	1,300,356	16,511,061	414	-	-	-	19,271,576
Debt securities (loans)	5,800,000	5,933,148	-	-	-	-	-	-	11,733,148
Investments available for sale	16,597,484	5,214,483	5,043,985	-	3,590,314	-	-	4,724,416	35,170,682
Investments carried at fair value thorough income statement	3,928,454	903,765	-	2,341,804	2,138,487	-	-	10,541,914	19,854,424
Loans secured by life insurance policies	1,263,444	-	-	-	-	-	-	2,709	1,266,153
Premium and insurance balances receivable	21,841,640	2,669,736	2,904,199	2,714,458	13,091,906	136,826	27,669	3,777,767	47,164,201
Reinsurance recoverable on outstanding claims	27,007,184	7,386,259	5,580,658	2,481,487	6,051,030	17,285	-	1,616,407	50,140,310
Property held for sale	-	-	-	54,072	-	-	-	232,804	286,876
Other assets	4,654,343	246,423	726,905	2,459,746	3,904,587	-	-	775,637	12,767,641
Cash and cash equivalents and time deposits	48,569,328	11,484,232	5,825,346	7,805,492	17,075,176	1,148,854	15,975	4,817,265	96,741,668
Total assets	151,196,297	35,297,791	26,753,513	39,225,515	53,587,763	1,302,965	43,644	39,811,843	347,219,331

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2014 LIABILITIES	*Local currency KD equivalent*	*USD KD equivalent*	*BD KD equivalent*	*EGP KD equivalent*	*JD KD equivalent*	*Euro KD equivalent*	*GBP KD equivalent*	*Other KD equivalent*	*Total KD*
Liabilities arising from insurance contracts									
Outstanding claims reserve (gross)	63,428,764	2,141,388	9,587,013	6,132,340	12,274,596	18,535	19,016	4,843,271	98,444,923
Unearned premiums reserve (net)	16,334,619	224,802	2,177,882	4,303,609	7,931,098	65,743	-	1,616,347	32,654,100
Life mathematical reserve (net)	11,110,687	1,761	-	-	-	-	-	10,585,197	21,697,645
Incurred but not reported reserve (net)	1,650,000	-	-	2,017,512	-	-	-	458,784	4,126,296
Total liabilities arising from insurance contracts	92,524,070	2,367,951	11,764,895	12,453,461	20,205,694	84,278	19,016	17,503,599	156,922,964
Premiums received in advance	586,253	-	121,082	-	-	-	-	54,109	761,444
Insurance payable	20,183,937	5,240,297	2,870,808	3,179,788	10,076,245	12,181	61,719	2,757,091	44,382,066
Other liabilities	14,889,777	647,730	1,418,563	2,257,149	1,454,086	52,735	-	1,042,373	21,762,413
Bank overdrafts	20,439,802	-	-	-	-	-	-	1,092,198	21,532,000
Total liabilities	148,623,839	8,255,978	16,175,348	17,890,398	31,736,025	149,194	80,735	22,449,370	245,360,887

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit (due to changes in fair value of currency sensitive monetary assets and liabilities).

		2015		*2014*	
	Change in variables	***Impact on profit KD***	***Impact on equity KD***	*Impact on profit KD*	*Impact on equity KD*
USD	±5%	**663,973**	**113,025**	1,752,091	260,724
BD	±5%	**301,043**	**343,273**	528,908	252,199
EGP	±5%	**1,087,493**	**91,782**	1,066,756	82,993
JD	±5%	**997,267**	**217,760**	1,092,587	179,515

(ii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest rate risk, whereas fixed interest rate instruments expose the Group to fair value risk.

The Group's interest rate risk guideline requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The guideline also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. The Group is not exposed to interest rate risk with respect of its term deposits carrying fixed interest rates.

The Group has no significant concentration of interest rate risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	2015		*2014*	
Currency	***Change in variables***	***Impact on profit before tax KD***	*Change in variables*	*Impact on profit before tax KD*
KD	**±50 bps**	**104,194**	±50 bps	156,563
USD	**±50 bps**	**73,168**	±50 bps	1,550
BD	**±50 bps**	**23,903**	±50 bps	26,477
Others	**±50 bps**	**139,812**	±50 bps	132,885

The method used for deriving sensitivity information and significant variables did not change from the previous year.

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(iii) Equity price risk
The Group is exposed to equity price risk with respect to its equity investments. Equity investments are classified either as investments at fair value through income statement (including trading securities) or available for sale investments.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group management and the Investment Strategy and Policy.

The equity price risk sensitivity is determined on the following assumptions:

	2015	*2014*
	%	*%*
Kuwait market	**(14%)**	(14%)
Rest of GCC market	**(31%)**	6%
MENA	**(6%)**	14%
Other international markets	**4%**	11%

The above percentages have been determined based on basis of the average market movements over a year period from January to December 2015 and 2014. The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date. The analysis reflects the impact of changes to equity prices in accordance with the above-mentioned equity price risk sensitivity assumptions.

	Profit for the year		***Equity***	
	2015	*2014*	***2015***	*2014*
	KD	*KD*	***KD***	*KD*
Investment carried at fair value through income statement	**(1,984,987)**	153,085	-	-
Investments available for sale	-	-	**(4,434,708)**	758,790

The table below presents the geographical concentration of financial instruments exposed to equity price risk:

31 December 2015	***GCC***	***MENA***	***Europe***	***Total***
	KD	***KD***	***KD***	***KD***
Investments available for sale	**15,787,232**	**6,019,366**	**-**	**21,806,598**
Investments carried at fair value through income statement	**6,740,143**	**9,413,441**	**9,711,242**	**25,864,826**
	22,527,375	**15,432,807**	**9,711,242**	**47,671,424**

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(iii) Equity price risk (continued)

31 December 2014	*GCC* *KD*	*MENA* *KD*	*Europe* *KD*	*Total* *KD*
Investments available for sale	26,674,346	8,496,336	-	35,170,682
Investments carried at fair value through income statement	4,229,891	4,802,558	10,821,975	19,854,424
	30,904,237	13,298,894	10,821,975	55,025,106

26 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, 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 Parent Company's management.

Transactions with related parties included in the consolidated statement of income are as follows:

	2015		*2014*	
	Premiums ***KD***	***Claims*** ***KD***	*Premiums* *KD*	*Claims* *KD*
Directors and key management personnel	**255,440**	**100,643**	249,472	34,984
Other related parties	**3,875,121**	**444,054**	3,439,791	443,138
	4,130,561	**544,697**	3,689,263	478,122

Balances with related parties included in the consolidated statement of financial position are as follows:

	2015		*2014*	
	Amounts owed by related parties ***KD***	***Amounts owed to related parties*** ***KD***	*Amounts owed by related parties* *KD*	*Amounts owed to related parties* *KD*
Directors and key management personnel	**129,831**	**24,719**	193,447	-
Other related parties	**691,672**	**1,656,731**	592,514	958,727
	821,503	**1,681,450**	785,961	958,727

In addition to the above balances, the Group has also engaged with related parties in its investment activities as follows:

a) The Group holds certain deposits and call accounts with related entities under common control amounting to KD 7,619,836 (2014: KD 17,795,406). The Group also holds bonds issued by Kuwait Projects Company Holding Company K.S.C and other related entity amounting to KD 10,979,621 (2014: KD 10,733,148).

b) Included under other assets an amount of KD 1,402,689 (2014: KD 1,402,689) which represents loan granted to an entity under common control. This loan is interest free and repayable on demand.

26 RELATED PARTY TRANSACTIONS (continued)

Key management personnel compensation

	2015	*2014*
	KD	*KD*
Salaries and other short term benefits	**824,527**	895,662
Employees' end of service benefits	**120,007**	205,387
	944,534	1,101,049

27 SUBSIDIARIES COMPANIES

The consolidated financial statements include the following subsidiaries:

		% ownership 2015			*% ownership 2014*			
Entity	***Country of incorporation***	***Direct***	***In-direct***	***Total %***	*Direct*	*In-direct*	*Total %*	***Nature of operation***
Gulf Insurance and Reinsurance Company K.S.C.(closed)	Kuwait	**99.80%**	**-**	**99.80%**	99.80%	-	99.80%	Life and medical insurance and General risk
Fajr Al Gulf Insurance and Reinsurance Company S.A.L.	Lebanon	**92.51%**	**0.18%**	**92.69%**	92.51%	0.18%	92.69%	General risk and life insurance and Reinsurance
Arab Misr Insurance Group Company S.A.E.	Egypt	**94.85%**	**-**	**94.85%**	94.85%	-	94.85%	General risk insurance
Syrian Kuwait Insurance Company S.S.C.	Syria	**38.96%**	**15.39%**	**54.35%**	38.96%	15.39%	54.35%	General risk and life insurance
Bahrain Kuwaiti Insurance Company B.S.C.	Bahrain	**56.12%**	**-**	**56.12%**	56.12%	-	56.12%	General risk insurance
Arab Orient Insurance Company J.S.C. *	Jordan	**90.37%**	**-**	**90.37%**	90.18%	-	90.18%	General risk insurance
Egypt Life Takaful Insurance Company S.A.E.	Egypt	**8.75%**	**50.75%**	**59.50%**	8.75%	50.75%	59.50%	Life Takaful insurance
Dar Al-Salam Insurance Company	Iraq	**51.00%**	**-**	**51.00%**	51.00%	-	51.00%	General risk & life insurance
L'Algerienne Des Assurance (2a) **	Algeria	**49.00%**	**2.00%**	**51.00%**	-	-	-	General risk insurance

* During 2015, the Group acquired additional equity interest in Arab Orient Insurance Company J.S.C. for KD 31,834. Accordingly, the Group's ownership increased from 90.18% to 90.37% as at 31 December 2015. The excess of the consideration transferred over the fair value of net identifiable assets acquired of KD 6,500 has been recognised under other reserve within equity.

** During 2015, the Group acquired equity interest of 51% in L'Algerienne Des Assurances ("2a"), a company incorporated in Algeria and engaged in non-life insurance, for a consideration of KD 7,386,954. Having obtained control, the Group consolidated 2a from the acquisition date based on the provisional values assigned to the identifiable assets and liabilities as on the acquisition date. The management is in the process of determining the fair values of assets acquired and liabilities assumed. Provisional goodwill recorded amounts to KD 3,932,981.

28 TAKAFUL INSURANCE - POLICYHOLDERS' RESULT BY LINE OF BUSINESS AND FUND

The Group (Manager of Takaful Fund) conducts business on behalf of the policyholders and advances funds to the policyholders' operations as and when required. The Manager of Takaful Fund is responsible for liabilities incurred by policyholders in the event the policyholders' fund is in deficit and the operations are liquidated. The Manager holds the physical custody and title of all assets related to the policyholders' operations however such assets and liabilities together with the results of policyholders' lines of business are presented as due to policyholders of Takaful unit in the Parent Company's statement of financial position and the details are disclosed below.

Takaful business in the Group consists of the Takaful Insurance Unit established by the Parent Company and the Takaful fund of its subsidiary Egypt Life Takaful Insurance Company (S.A.E).

Policyholders' result by line of business:

The following tables summarise the consolidated policyholders' results by line of business and fund:

For the year ended 31 December 2015:

	Marine and aviation KD	***Property KD***	***Motor KD***	***Engineering KD***	***General accidents KD***	***Life and medical KD***	***Total KD***
Premium written	**121,099**	**245,850**	**197,934**	**31,371**	**98,269**	**16,728,034**	**17,422,557**
(Deficit) surplus from insurance operations	**(4,648)**	**26,610**	**(4,957)**	**(5,844)**	**29,889**	**(464,517)**	**(423,467)**

For the year ended 31 December 2014:

	Marine and aviation KD	*Property KD*	*Motor KD*	*Engineering KD*	*General accidents KD*	*Life and medical KD*	*Total KD*
Premium written	171,586	161,148	126,220	21,394	140,113	12,259,897	12,880,358
Surplus (deficit) from insurance operations	62,607	16,213	(2,886)	7,535	41,014	281,863	406,346

	2015 KD	*2014 KD*
Amounts due to policyholders (Note 15)	**1,200,411**	278,355

29 FAIR VALUE MEASUREMENT

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2015:

			Fair value measurement using		
	Date of valuation	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
		KD	***KD***	***KD***	***KD***
Assets measured at fair value					
Investments available for sale:					
Quoted equity securities	31 December 2015	**17,525,235**	**17,525,235**	**-**	**-**
Unquoted equity securities	31 December 2015	**4,019,187**	**-**	**-**	**4,019,187**
Unquoted managed funds	31 December 2015	**164,466**	**-**	**37,932**	**126,534**
Investments carried at fair value through income statements:					
Held for trading:					
Quoted securities	31 December 2015	**11,538,502**	**11,538,502**	**-**	**-**
Designated upon initial recognition:					
Managed funds of quoted Securities	31 December 2015	**14,326,324**	**14,326,324**	**-**	**-**
		47,573,714	**43,390,061**	**37,932**	**4,145,721**

29 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2014:

			Fair value measurement using		
	Date of valuation	Total *KD*	Quoted prices in active markets (Level 1) *KD*	Significant observable inputs (Level 2) *KD*	Significant unobservable inputs (Level 3) *KD*
Assets measured at fair value					
Investments available for sale:					
Quoted equity securities	31 December 2014	21,697,303	21,697,303	-	-
Unquoted equity securities	31 December 2014	13,215,246	-	8,851,050	4,364,196
Unquoted managed funds	31 December 2014	163,377	-	-	163,377
Investments carried at fair value through income statements:					
Held for trading:					
Quoted securities	31 December 2014	5,008,511	5,008,511	-	-
Designated upon initial recognition:	31 December 2014				
Managed funds of quoted securities		14,845,913	14,845,913	-	-
		54,930,350	41,551,727	8,851,050	4,527,573

29 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets which are recorded at fair value.

	At 1 January 2015 KD	***Transfer from Level 3 to Level 2 KD***	***Transfer from available for sale to investment in associate KD***	***Loss recorded in the consolidated statement of income KD***	***Gain recorded in the consolidated statement of comprehensive income KD***	***Net purchases and disposals KD***	***At 31 December 2015 KD***
Financial assets available for sale:							
Unquoted equity securities	**4,364,196**	**-**	**-**	**(189,722)**	**155,490**	**(310,777)**	**4,019,187**
Unquoted managed funds	**163,377**	**(37,932)**	**-**	**-**	**1,089**	**-**	**126,534**
	4,527,573	**(37,932)**	**-**	**(189,722)**	**156,579**	**(310,777)**	**4,145,721**

	At 1 January 2014 KD	*Transfer from carried at cost to Level 3 KD*	*Transfer from available for sale to investment in associate KD*	*Loss recorded in the consolidated statement of income KD*	*(Loss) / gain recorded in the consolidated statement of comprehensive income KD*	*Net purchases and disposals KD*	*At 31 December 2014 KD*
Financial assets available for sale:							
Unquoted equity securities	5,585,067	-	(1,138,750)	(11,210)	(66,734)	(4,177)	4,364,196
Unquoted managed funds	356,636	-	-	(84,230)	82,918	(191,947)	163,377
	5,941,703	-	(1,138,750)	(95,440)	16,184	(196,124)	4,527,573

The calculation of fair value of level 3 financial instruments is not materially sensitive to changes in assumptions.

Description of significant unobservable inputs to valuation of financial assets:
Local unquoted securities represent delisted securities on local stock exchange, which are valued based on last traded prices, adjusted for additional impairment losses recognised on a prudent basis. The Group is confident of realising the remaining amount and believes it to be reasonable estimates of fair value.

Unquoted equity investment is valued based on net book value method using latest available financial statement of the investee entity, wherein the underlying assets are fair valued.

30 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains strong capital base and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issues new shares or purchase/sale of treasury shares.

No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014. The Group monitors its capital at the Group level and at each of its subsidiaries.

The Group monitors capital using a gearing ratio "Financial Leverage Ratio", which is net debt divided by total capital plus net debt. The Group includes within net debt, credit facilities granted from banks (such as loans and bank overdrafts) and debt securities issued (if exist). Capital represents equity attributable to the equity holders of the Parent Company.

The Group's strategy is to keep its gearing ratio within the range of 20% to 30%. The Group's gearing ratio as at 31 December was as follows:

	2015	*2014*
	KD	*KD*
Credit facilities:		
Bank overdrafts	**26,381,565**	21,532,000
Net debt	**26,381,565**	21,532,000
Equity attributable to the equity holders of the Parent Company	**89,582,977**	84,179,474
Total capital and net debt	**115,964,542**	105,711,474
Gearing ratio	**22.7%**	20.4%

Liabilities arising from insurance contracts are usually checked against designated funds to policyholders as per the regulators of each country of the Group's operations, and is monitored on periodic basis through an adequate Asset Liability Model developed at Parent Company level as well as subsidiaries level.

Insurance and reinsurance payables are also monitored against insurance and reinsurance receivables.

All the above ratios are monitored on periodic basis and any breach (if exists) is directly reported to the key management for their information and immediate actions.

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