

HAYAH Insurance Company P.J.S.C.

Financial statements

31 December 2024

Principal business address:
HAYAH Insurance Company P.J.S.C.
P O Box: 63323
Abu Dhabi
UAE

HAYAH Insurance Company P.J.S.C.

Financial statements

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CHAIRPERSON'S REPORT

Dear Shareholders,

On behalf of the Board of Directors of Hayah Insurance Company P.J.S.C., I am pleased to present to you our annual report for the year ended 31 December 2024.

The year 2024 has been a pivotal year for our company, marking a significant turnaround in our financial performance. We registered a net profit of AED 4.6 million compared to a net loss of AED 5.7 million in the previous year. This remarkable improvement was driven by positive underwriting results arising from our Group Life business, increased investment income, and strengthened governance frameworks.

GOVERNANCE AND INSTITUTIONAL DISCIPLINE

The newly constituted Board of Directors, appointed this year, has been instrumental in setting a strong foundation for growth. We have placed a heightened focus on enhancing governance controls and institutional discipline. This commitment to rigorous governance practices has been a cornerstone of our strategic direction and has played a critical role in the turnaround of our performance.

Furthermore, we have implemented measures to strengthen risk management frameworks, enhance compliance systems, and reinforce our organizational discipline. The effectiveness of these enhancements is evident in the improved performance across all aspects of our business.

WAY FORWARD

Looking ahead, we are determined to build upon this positive momentum. Our strategic priorities will focus on enhancing institutional discipline, maintaining robust governance, pursuing financial sophistication, strengthening risk management, and expanding our digital offerings.

We believe these priorities will ensure sustainable growth, improve our competitive position, and create long-term value for our shareholders.

ACKNOWLEDGEMENTS

I would like to extend our deepest gratitude to the rulers of the United Arab Emirates for their visionary leadership and continued support. We also thank the Securities and Commodities Authority (SCA) and the Central Bank of the UAE for their invaluable guidance and oversight.

Additionally, I would like to recognize and thank our management team and employees for their hard work, dedication, and commitment throughout the year. Their relentless efforts have been pivotal in achieving these remarkable results.

Finally, to our shareholders, I express my sincere appreciation for your unwavering confidence and support. We remain dedicated to delivering consistent, long-term growth and value.

Sincerely,
Chairperson

INDEPENDENT AUDITOR’S REPORT

To the Shareholders of Hayah Insurance Company P.J.S.C.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hayah Insurance Company P.J.S.C. (the “Company”), which comprise the statement of financial position as at 31 December 2024, and the statement of profit or loss, statement of other comprehensive income, statement of changes in shareholders’ equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with IFRS accounting standards as issued by International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountant’s Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with the requirements of IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Company for the year ended 31 December 2024. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR’S REPORT
To the Shareholders of Hayah Insurance Company P.J.S.C.

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
Valuation of Insurance Contract Liabilities and Reinsurance Contract Assets	
<p>As at 31 December 2024, the Company’s Insurance Contract Liabilities and Reinsurance Contract Assets are valued at AED 47,114 thousands and AED 37,692 thousands, respectively. (Refer note 9).</p> <p>Valuation of insurance contract liabilities and reinsurance contract assets involves significant judgements and estimates particularly with respect to estimation of the present value of future cash flows, eligibility of the measurement model and estimation of the liabilities for incurred claims and its related reinsurance assets.</p> <p>These cash flows primarily include determination of expected premium receipts, expected ultimate cost of claims and allocation of insurance acquisition cash flows which are within the contract boundaries.</p> <p>The calculation for these liabilities includes significant estimation and involvement of actuarial experts in order to ensure appropriateness of discount rates, methodology, assumptions and data used to determine the estimated present value of future cash flows pertaining to liability for remaining coverage (LRC), liability for incurred claims (LIC) and risk adjustment for non-financial risk.</p> <p>As a result of the above factors, we consider valuation of insurance contract liabilities and reinsurance contract assets as a key audit matter.</p>	<p>We performed the following procedures in conjunction with our actuarial specialists:</p> <ul style="list-style-type: none"> - Understood, evaluated and tested key controls around claims and premium administration and valuation of technical insurance reserves; - Evaluated the competence, capabilities and objectivity of the management’s actuarial expert based on their professional qualifications and experience and assessed their independence; - Tested the completeness, and on sample basis, the accuracy and relevance of data used to determine future cashflows; - Tested and reconciled key data inputs into the IFRS 17 engine with primary insurance data and reconciled IFRS 17 engine output numbers to the financial statements and actuarial reports; - Engaged our actuarial specialist to assess the methodology and reasonableness of the key assumptions and judgments used by the management in determining the technical insurance reserves; - Evaluated the appropriateness of the methodology, significant assumptions including risk adjustment, PAA eligibility assessment, discount rates and expenses included within the fulfilment cashflows. This included consideration of the reasonableness of assumptions against actual historical experience and the appropriateness of any judgments applied; - Evaluated and tested the calculation of the allowance for expected credit loss including the data, key assumptions and judgments used; and - Assessed the adequacy and appropriateness of disclosures made in the financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Hayah Insurance Company P.J.S.C.

Report on the Audit of the Financial Statements (continued)

Other matter

The financial statements of the Company for the year ended 31 December 2023, were audited by another auditor who expressed an unmodified opinion on those financial statements on 25 March 2024.

Other Information

Management and directors are responsible for the other information. The other information comprises the information included in the Chairperson's report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS accounting standards as issued by IASB and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (32) of 2021, UAE Federal Law No. (48) of 2023, and Central Bank of the UAE Board of Director's Decision No. (25) of 2014 pertinent to Financial Regulations for Insurance Companies, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Hayah Insurance Company P.J.S.C.

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidenced obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosure is inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate to those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (32) of 2021, we report that for the year ended 31 December:

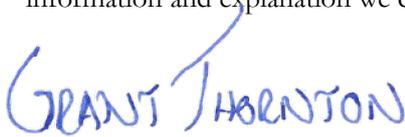
- i) We have obtained all the information we considered necessary for the purposes of our audit;
- ii) The financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (32) of 2021;
- iii) The Company has maintained proper books of account;
- iv) the financial information included in the Chairperson's report is consistent with the books of account of the Company;

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Hayah Insurance Company P.J.S.C

Report on other Legal and Regulatory Requirements (continued)

- v) investments in shares and stocks during the year ended 31 December 2024, are disclosed in note 7 and 8 to these financial statements;
- vi) Note 19 to the financial statements discloses material related party transactions and balances, and the terms under which they were conducted;
- vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has, during the financial year ended 31 December 2024, contravened any of the applicable provisions of the UAE Federal Law No. (32) of 2021, or its Articles of Association, which would materially affect its activities or its financial position as at 31 December 2024; and
- viii) The Company did not make any social contribution during the year ended 31 December 2024 as disclosed in note 28.

Further, as required by the UAE Federal Law No. (48) of 2023, we report that we have obtained all the information and explanation we considered necessary for the purpose of our audit.



GRANT THORNTON UAE

Dr. Osama El-Bakry
Registration No: 935
Abu Dhabi, United Arab Emirates

Date: 26 March 2025

HAYAH Insurance Company P.J.S.C.

Statement of financial position

As at

	<i>Note</i>	31 December 2024 AED'000	31 December 2023 AED'000
Assets			
Property and equipment	5	2,080	2,146
Intangible assets	6	9,878	11,650
Financial assets at fair value through other comprehensive income	7	74,029	86,386
Financial assets at fair value through profit or loss	8	19,478	16,522
Insurance contract assets	9	-	706
Reinsurance contract assets	9	37,692	34,833
Investment contract assets	14	26,400	18,900
Other receivables and prepayments	10	10,388	2,722
Statutory deposits	11	4,000	4,000
Time deposits	12	10,000	10,000
Cash and cash equivalents	12	8,448	6,154
Total assets		202,393	194,019
Equity and Liabilities			
Equity			
Share capital	15	200,000	200,000
Legal reserve	16(a)	1,155	690
Other reserve	16(b)	1,372	1,372
Reinsurance risk reserve	16(c)	455	340
Accumulated losses		(78,675)	(82,740)
Fair value reserve		93	(345)
Net equity		124,400	119,317
Liabilities			
Insurance contract liabilities	9	47,114	45,504
Provision for employees' end of service benefits	17	2,496	2,429
Investment contract liabilities	14	26,400	18,900
Other payables and accruals	13	1,983	7,869
Total liabilities		77,993	74,702
Total equity and liabilities		202,393	194,019

To the best of our knowledge, the financial statements fairly present, in all material respects, the financial position, results of operations and cash flows of the Company as of, and for, the year ended 31 December 2024.



Chairperson



Chief Executive Officer

The notes set out on pages 13 to 78 form an integral part of these financial statements.
The independent auditors' report on audit of the financial statements is set out on pages 2 to 6.

HAYAH Insurance Company P.J.S.C.

Statement of profit or loss for the year ended 31 December

	<i>Note</i>	2024 AED'000	2023 AED'000
Insurance revenue	9	94,242	88,944
Insurance service expenses	9	(87,425)	(103,107)
Insurance service result before reinsurance contracts held	9	6,817	(14,163)
Net results from reinsurance contracts held	9	(1,105)	6,665
Net insurance service result		5,712	(7,498)
Investment and other income – net*	8(i)	7,865	4,822
Insurance finance income and expenses	9	(1,218)	(631)
Reinsurance finance income and expenses	9	1,263	125
Net investment and insurance service result		7,910	4,316
Total income / (loss)		13,622	(3,182)
Other operating expenses	26	(8,827)	(2,516)
Profit / (loss) for the year before tax		4,795	(5,698)
Income tax expense	24	(150)	-
Profit / (loss) for the year after tax	18	4,645	(5,698)
Earnings / (loss) per share for the year - basic and diluted (AED)	18	0.023	(0.028)

The notes set out on pages 13 to 78 form an integral part of these statements.

The independent auditors' report on audit of the financial statements is set out on pages 2 to 6.

*This includes interest income calculated using effective interest rate.

HAYAH Insurance Company P.J.S.C.

Statement of other comprehensive income for the year ended 31 December

	2024 AED'000	2023 AED'000
Profit / (loss) for the year after tax	4,645	(5,698)
Other comprehensive income		
<i>Items that will not be reclassified subsequently to statement of profit or loss:</i>		
Equity investment at FVOCI - net change in fair value after tax	186	1,558
<i>Items that are or may be reclassified subsequently to statement of profit or loss:</i>		
Debt investment at FVOCI - net change in fair value after tax	252	2,064
Other comprehensive income for the year	438	3,622
Total comprehensive income / (loss) for the year	5,083	(2,076)

The notes set out on pages 13 to 78 form an integral part of these financial statements.

The independent auditors' report on audit of the financial statements is set out on pages 2 to 6.

HAYAH Insurance Company P.J.S.C.

Statement of changes in shareholders' equity for the year ended 31 December

	<i>Share capital AED'000</i>	<i>Legal reserve AED'000</i>	<i>Other reserve AED'000</i>	<i>Reinsurance risk reserve AED'000</i>	<i>Accumulated losses AED'000</i>	<i>Fair value reserve AED'000</i>	<i>Total AED'000</i>
At 1 January 2023	200,000	690	1,372	238	(76,940)	(3,967)	121,393
<i>Total comprehensive income:</i>							
Loss for the year	-	-	-	-	(5,698)	-	(5,698)
Other comprehensive income for the year	-	-	-	-	-	3,622	3,622
Total comprehensive (loss) / income for the year	-	-	-	-	(5,698)	3,622	(2,076)
Transfer from retained earnings to reinsurance risk reserve	-	-	-	102	(102)	-	-
At 31 December 2023	200,000	690	1,372	340	(82,740)	(345)	119,317
At 1 January 2024	200,000	690	1,372	340	(82,740)	(345)	119,317
<i>Total comprehensive income:</i>							
Profit for the year after tax	-	-	-	-	4,645	-	4,645
Other comprehensive income for the year	-	-	-	-	-	438	438
Total comprehensive income for the year	-	-	-	-	4,645	438	5,083
Transfer from retained earnings to legal reserve	-	465	-	-	(465)	-	-
Transfer from retained earnings to reinsurance risk reserve	-	-	-	115	(115)	-	-
At 31 December 2024	200,000	1,155	1,372	455	(78,675)	93	124,400

The notes set out on pages 13 to 78 form an integral part of these financial statements.

HAYAH Insurance Company P.J.S.C.

Statement of cash flows

for the year ended 31 December

	Note	2024 AED'000	2023 AED'000
Cash flows from operating activities			
(Loss) / profit for the period before tax		4,795	(5,698)
<i>Adjustments for:</i>			
Depreciation		858	885
Amortisation		511	281
Bonds premium amortisation	8(i)	887	(613)
Fair value gain / (loss) on financial assets at fair value through profit or loss	8	(2,632)	(753)
Charge of allowance of impairment loss on financial assets at FVOCI	8(i)	(9)	19
Loss on sale of financial assets		60	580
Provision for employees' end of service benefits	17	442	1,271
Finance cost on lease liability		20	36
Interest income	8(i)	(4,327)	(3,694)
Write-off from intangible assets	6	4,252	
Dividend income	8(i)	(935)	(361)
Cash generated / (used in) from operation		3,922	(8,047)
<i>Changes in:</i>			
Insurance contract assets		706	(246)
Reinsurance contract assets		(2,859)	(18,077)
Other receivables and prepayments		(7,610)	59
Insurance contract liabilities		1,610	1,301
Reinsurance contract liabilities		-	(39)
Investment contract assets		(7,500)	(7,431)
Investment contract liabilities		7,500	7,431
Other payable and accruals		(5,876)	2,886
Cash used in operating activities		(10,107)	(22,163)
Employees' end of service benefits paid	17	(375)	(585)
Net cash used in operating activities		(10,482)	(22,748)

(continued)

HAYAH Insurance Company P.J.S.C.

Statement of cash flows *(continued)*

for the year ended 31 December

	Note	2024 AED'000	2023 AED'000
Cash flows from investing activities			
Additions to property and equipment	5	(792)	(833)
Additions to intangible assets	6	(2,991)	(6,166)
Withdrawal of time deposits		-	27,028
Purchase of financial assets at fair value through other comprehensive income	7	(5,126)	(20,845)
Proceeds from sale of financial assets at fair value through other comprehensive income		16,983	14,961
Purchase of financial assets at fair value through profit or loss	8	(2,766)	(1,866)
Proceeds from sale of financial assets at fair value through profit or loss		2,442	855
Dividends received		935	361
Interest received		4,271	3,788
		<hr/>	<hr/>
Net cash generated from investing activities		12,956	17,283
		<hr/>	<hr/>
Cash flows from financing activities			
Payment for lease liability		(180)	(358)
		<hr/>	<hr/>
Net change in cash and cash equivalents		2,294	(5,823)
Cash and cash equivalents at 1 January	12	6,154	11,977
		<hr/>	<hr/>
Cash and cash equivalents at 31 December	12	8,448	6,154
		<hr/> <hr/>	<hr/> <hr/>

Non-cash transactions

The principal non-cash transactions were as follows:

- (i) Fair value gain on financial assets at fair value through OCI credited to fair value reserve of AED 438 thousand (31 December 2023: Fair value loss of AED 3,622 thousand).

The notes set out on pages 13 to 78 form an integral part of these financial statements.

The independent auditors' report on audit of the financial statements is set out on pages 2 to 6.

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

1 (a) Legal status and activities

HAYAH Insurance Company P.J.S.C. (the "Company") is a public joint stock company, registered and incorporated in the Emirate of Abu Dhabi, United Arab Emirates on 26 July 2008. The Company is registered in accordance with UAE Federal Law No. (48) of 2023 concerning Insurance Companies and Agents and is governed by the provisions of the Federal Law No. (32) of 2021 concerning the commercial companies, Central Bank of UAE Board decision No. (25) of 2014 pertinent to Financial Regulations for insurance companies and Insurance Authority's Board of Directors Decision No. (23) of 2019 concerning Instructions Organizing Reinsurance Operations, and is registered in the Insurance Companies Register under registration No. (83). The Company's ordinary shares are listed on Abu Dhabi Securities Exchange (ADX) and its principal activity is providing health and life insurance solutions.

The registered office of the Company is located at Floor 16, Sheikh Sultan Bin Hamdan Building, Corniche Road, P.O. Box 63323, Abu Dhabi, United Arab Emirates.

1 (b) Going concern

As at 31 December 2024, the Company had accumulated losses of AED 78,675 thousand (*31 December 2023: AED 82,740 thousand*). The validity of going concern assumptions is dependent upon future operations and the ability of the Company to generate sufficient cash flows to meet its future obligations. The Company has sufficient cash balances as at 31 December 2024, and future plans indicate that the Company will be profitable and will generate sufficient cash flows. The Company's directors are, therefore, confident that the Company will be able to meet its liabilities as and when they fall due and to carry on its business without a significant curtailment of operations. Accordingly, these financial statements have been prepared on a going concern basis.

1 (c) Accumulated losses

As at 31 December 2024, the Company's accumulated losses represent 39% of the share capital of the Company (*31 December 2023: 41%*). The history of these accumulated losses is analysed below:

- Carried-forward accumulated losses as at 31 December 2014 related to Green Crescent Insurance Company amounting to AED 28,438 thousand, which is prior to the formation of AXA Green Crescent Insurance Company P.J.S.C. in 2015;
- Net loss of AED 15,444 thousand incurred during the year ended 31 December 2015, was mainly attributable to a large expense base amounting to AED 20,852 thousand, offset by underwriting surplus and investments income of AED 4,632 thousand and AED 776 thousand respectively. Furthermore, accumulated losses were adjusted with an amount of AED 68 thousand as charges incurred on conversion of bonds into share capital of the Company;
- Net loss of AED 13,910 thousand incurred during the year ended 31 December 2016, was mainly attributable to the large expense base amounting to AED 21,220 thousand, offset by underwriting surplus and investment income of AED 3,613 thousand and AED 3,697 thousand respectively;
- Net loss of AED 18,904 thousand incurred during the year ended 31 December 2017, was mainly attributable to losses on termination of life and savings contract amounting to AED 15,352 thousand;
- Net loss of AED 2,205 thousand incurred during the year ended 31 December 2018, was mainly attributable to the large expense base amounting to AED 15,434 thousand, offset by underwriting surplus and investment income of AED 7,857 thousand and AED 5,372 thousand respectively.
- Furthermore, the balance of the accumulated losses for the year ended 31 December 2018 was re-stated with a downward adjustment amounting to AED 2,150 thousand related to the adoption of IFRS 9 "Financial Instruments";

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

1 (c) Accumulated losses *(continued)*

- Net profit of AED 162 thousand for the year ended 31 December 2019, was mainly attributable to prudent underwriting measures taken during the year;
- Net profit of AED 2,246 thousand for the year ended 31 December 2020, predominantly attributable to favorable underwriting margin and better loss ratios for most of its business.
- Net profit of AED 3,962 thousand (restated) for the year ended 31 December 2021, was attributable to better investment returns as compared to previous year.
- Net profit of AED 7,426 thousand (restated) for the year ended 31 December 2022, was attributable to positive underwriting results arising from Group Life business.
- Net loss of AED 5,698 thousand for the year ended 31 December 2023, is mainly attributable to negative underwriting results specifically arising from Medical business.
- Net profit of AED 4,645 thousand for the year ended 31 December 2024, is attributable to positive underwriting results arising from Group Life business.

2 Basis of preparation

(a) *Statement of compliance*

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and comply with applicable requirements of the Federal Law No. (48) of 2023 concerning the Establishment of the Insurance Authority & Organisation of the Insurance Operations, the Federal Law No. (32) of 2021 concerning the Commercial Companies, Insurance Authority Board of Directors' Decision No. (25) of 2014 Pertinent to Financial Regulations for Insurance Companies.

(b) *Basis of measurement*

These financial statements have been prepared under the historical cost convention except for revaluation of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income and insurance and reinsurance contracts which are measured at the estimated fulfillment cashflows that are expected to arise as the Company fulfills its contractual obligations.

(c) *Functional and reporting currency*

These financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the Company's functional currency. Except as indicated, financial information presented in AED has been rounded to the nearest thousand.

(d) *Use of estimates and judgement*

In preparing these financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates is recognised in the period in which the estimate is revised and in any future period affected. The significant judgments made by management that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

2 Basis of preparation *(continued)*

(i) *Estimation uncertainty*

Insurance and reinsurance contracts

Insurance and reinsurance contracts require several estimates and judgments to be made for recognition and measurement which are described in note 3.

Impairment of financial instruments

Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of Expected Credit Losses ("ECL") requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The financial asset is more than 30 days past due.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

(ii) *Judgments*

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations and assumptions, which have the most significant effect on the amounts recognised in the financial statements.

Classification of investments

Management decides on acquisition of an investment whether it should be classified as investments carried at fair value or amortised cost on the basis of both:

- (a) its business model for managing the financial assets; and
- (b) the contractual cash flow characteristics of the financial asset.

For equity investments carried at fair value, management decides whether it should be classified as investments carried at fair value through other comprehensive income or fair value through profit or loss.

Investments in equity instruments are classified and measured at fair value through profit or loss ("FVTPL") except if the equity investment is not held for trading and is designated by the Company at fair value through other comprehensive income ("FVOCI").

Further, even if the asset meets the amortised cost criteria the Company may choose at initial recognition to designate the financial asset as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

For debt securities acquired to match its business model of development of the line of business, the Company classified these investments as financial assets at fair value through other comprehensive income.

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

3 Material accounting policy information

Insurance contracts issued and reinsurance contracts held

The Company issues contracts that transfer significant insurance risk from the insured to the Company. Insurance contracts are contracts under which the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Company uses judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the Company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

In the normal course of business, the Company uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss. All references to insurance contracts in the financial statements apply to insurance contracts issued or acquired and reinsurance contracts held unless specifically stated otherwise.

The Company does not write any investment contracts with discretionary participation features or insurance contracts with direct participation features.

Level of aggregation

The Company identifies portfolios by aggregating insurance contracts that are subject to similar risks and managed together. In grouping insurance contracts into portfolios, the Company considers the similarity of risks rather than the specific labelling of product lines. The Company has determined that all contracts within each product line, as defined for management purposes, have similar risks. Therefore, when contracts are managed together, they represent a portfolio of contracts. Each portfolio is further disaggregated into group of contracts that are issued within a calendar year (annual cohorts) and are (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts. These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

Contracts within a portfolio that would fall into different groups only because law or regulation specifically constrains the Company's practical ability to set a different price or level of benefits for policyholders with different characteristics are included in the same group.

For reinsurance contracts, the risks that must be similar and managed together to those transferred from the underlying contract to the issuer of the reinsurance contract is required to be considered. When deciding whether these risks are similar, reference must be made to the risk profile of underlying contracts as well as the nature of the risks that are transferred.

If risks covered are not similar enough between different treaties, they will not be classified into the same portfolios. It is possible for a portfolio to consist of a single reinsurance treaty if there are no other reinsurance treaties that are deemed to have a similar risk and are managed together.

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

3 Material accounting policy information (continued)

Insurance contracts issued and reinsurance contracts held (continued)

Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundaries of each contract in a group. The period covered by the premiums within the contract boundary is the "coverage period".

For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligation that exist during the reporting period in which the Company can compel the policyholder to pay premium or has a substantive obligation to provide services. For reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligation that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

Judgement is required to assess the Company's practical ability to reprice the entire contract to determine if related cash flows are within the contract boundary.

Initial Recognition and Subsequent Measurement

General measurement model

The general measurement model ("GMM"), also known as the building block approach ('BBA'), consists of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows represent the risk-adjusted present value of an entity's rights and obligations to the policyholders, comprising estimates of expected cash flows, discounting and an explicit risk adjustment for non-financial risk. This risk adjustment represents compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk. The contractual service margin ("CSM") represents the unearned profit from in-force contracts that the Company will recognise as it provides services over the coverage period.

At inception, the contractual service margin cannot be negative. If the fulfilment cash flows lead to a negative contractual service margin at inception, it will be set to zero and the negative amount will be recorded immediately in the income statement. At the end of a reporting period, the carrying amount of a group of insurance contracts is the sum of the liability for remaining coverage and the liability of incurred claims. The liability for remaining coverage consists of the fulfilment cash flows related to future services and the contractual service margin, while the liability for incurred claims consists of the fulfilment cash flows related to past services.

The contractual service margin gets adjusted for changes in cash flows related to future services and for the interest accretion at interest rates locked-in at initial recognition of the group of contracts. A release from the contractual service margin is recognised in profit or loss each period to reflect the services provided in that period based on "coverage units". IFRS 17 only provides principle-based guidance on how to determine these coverage units.

The Company has measured the following lines of business under the GMM model: Credit Life, Term Life.

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

3 Material accounting policy information (continued)

Insurance contracts issued and reinsurance contracts held (continued)

Initial Recognition and Subsequent Measurement (continued)

Variable fee approach

The variable fee approach ("VFA") is a mandatory modification of the general measurement model regarding the treatment of the contractual service margin in order to accommodate direct participating contracts. An insurance contract has a direct participation feature if the following three requirements are met:

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

The contracts issued by the Company does not fall under the measurement requirements of Variable fee approach.

Premium allocation approach

The Company applies the premium allocation approach (PAA) to simplify the measurement of the groups of insurance contracts that it issues and the groups of reinsurance contracts it holds where the coverage period is 12 months or less.

Under the premium allocation approach, the liability for remaining coverage is measured as the amount of premiums received net of acquisition cash flows paid, less the net amount of premiums and acquisition cash flows that have been recognised in profit or loss over the expired portion of the coverage period based on the passage of time. When measuring liabilities for incurred claims, the Company discounts the future cash flows (unless they are expected to occur in one year or less from the date on which the claims are incurred) and includes an explicit risk adjustment for non-financial risk.

Insurance revenue and insurance service expenses are recognised in the income statement based on the concept of services provided during the period. The losses are required to be recognised immediately on contracts that are expected to be onerous. For insurance contracts measured under the PAA, it is assumed that contracts are not onerous at initial recognition, unless facts and circumstances indicate otherwise. The Company's focus is to grow a profitable and sustainable business and does not anticipate the recognition of onerous contracts except where the following have been identified:

- Relevant pricing decisions;
- Initial stages of a new business acquired where the underlying contracts are onerous; and
- Any other strategic decisions the management considers appropriate.

The measurement of the liability for incurred claims is identical under all three measurement models, apart from the determination of locked-in interest rates used for discounting. An explicit risk adjustment for non-financial risk is estimated separately from the other estimates for the liability for incurred claims. This risk adjustment represents compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk. The risk adjustment forms part of the fulfilment cash flows for a group of insurance contracts. The Company has measured the following lines of business under the PAA model: Medical, Group life and Short term individual life.

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

3 Material accounting policy information (continued)

Insurance contracts issued and reinsurance contracts held (continued)

Insurance revenue and insurance service expenses

As the Company provides insurance contract services under the group of insurance contracts, it reduces the Liability for Remaining Coverage and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the Company expects to be entitled to in exchange for those services.

For insurance contracts measured under the premium allocation approach, expected premium receipts are allocated to insurance revenue based on the passage of time.

Insurance service expenses include incurred claims and benefits, other incurred directly attributable expenses, insurance acquisition cash flows amortisation, changes that relate to past service i.e., changes in the Fulfilment cash flows (“FCF”) relating to the liability for incurred claims (“LIC”), changes that relate to future service (i.e., changes in the FCF that result in onerous contract losses or reversals of those losses).

Accounting policy choices

The following table sets out the accounting policy choices that the Company has adopted:

Description	Adopted approach
Insurance acquisition cash flows	The Company has adopted the policy choice of amortising the insurance acquisition cash flows over the contract’s period regardless of the total coverage period of the contracts.
Liability for remaining coverage (“LRC”) adjusted for financial risk and time value of money	The Company has adopted to disregard interest accretion on the LRC for PAA eligible contracts.
Liability for incurred claims (“LIC”) adjusted for financial risk and time value of money	The Company has adopted to discount and adjust the LIC for the time value of money except where the claim run off period is expected to be less than one year.

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

3 Material accounting policy information (continued)

Insurance contracts issued and reinsurance contracts held (continued)

Accounting policy choices (continued)

Description	Adopted approach
Insurance finance income and expenses	The Company has adopted to include changes in discount rates and other financial changes within the statement of profit or loss.
Disaggregation of risk adjustment	The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and plans to include the entire change within the insurance service result.
Recovery of insurance acquisition cash flows	The Company has adopted to consider the time value of money when allocating the portion of the premiums that relates to the recovery of insurance acquisition cash flows.

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

3 Material accounting policy information (continued)

Insurance contracts issued and reinsurance contracts held (continued)

Areas of significant judgements and estimates

The following are key judgements and estimates are applied by the Company.

Discount rates

The Company has used the bottom-up approach to derive the discount rates for all groups of contracts. Under the bottom-up approach, the discount rate is determined as the risk-free yield, adjusted for country risk premium and differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium'). The significant area of judgement is deriving the illiquidity premium which is required to adjust the risk-free yield curve. The risk-free curve itself will either be derived by the Company from risk free assets in the market, or the Company may choose to apply a published risk-free curve.

Where the Company is exposed to FCFs that vary with inflation (e.g. claims and expense cash flows), the Company has explicitly allowed for inflation in the FCFs measurement and has discounted these using nominal discount rates set using the bottom-up approach.

The yield curves that were used to discount the estimates of future cash flows are as follows:

Financial year	1 Year	5 Year	10 Year	20 year	30 Year
31 December 2024	5.29%	5.41%	5.54%	5.74%	5.83%
31 December 2023	5.95%	4.98%	5.03%	5.46%	5.15%

Risk adjustment

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach.

The methodology adopted is based on a mix of results of Company's own experience variability and the Value at Risk ("VaR") approach in line with Solvency II. The Appointed Actuary calibrates the parameters of the distribution based on the experience and credibility of the historical data. The Value at Risk (VaR) at the 75th percentile is calculated based on the lognormal distribution assumption, representing the expected loss at a 75% confidence level. The diversification benefit has been allowed for in the estimation of RA driven by the mix of business and the expected correlations between them.

Onerous contracts – loss component

The Company assumes that no contracts in the portfolio are onerous at initial recognition, unless facts and circumstances indicate otherwise. The Company assesses whether contracts that are not onerous at initial recognition have no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances.

If at any time during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, The Company shall calculate the difference between:

- (a) the carrying amount of the liability for remaining coverage; and
- (b) the fulfilment cash flows that related to the remaining coverage of the group.

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

3 Material accounting policy information (continued)

Insurance contracts issued and reinsurance contracts held (continued)

Areas of significant judgements and estimates (continued)

Onerous contracts – loss component (continued)

A contract is onerous if the fulfilment cash flows exceed the Liability for remaining coverage. Hayah will therefore use a combined ratio as a proxy for fulfilment cashflows, determined on the following basis (to ensure consistency with fulfilment cash flows):

- Based on expected claims and expenses rather than incurred amounts
- Includes the impact of the time value of money at locked-in rates
- Includes an allowance for the risk adjustment
- Includes an allowance for directly attributable expenses (which includes a portion of overheads) as required by IFRS 17
- Calculated at the most granular segmentation for which such assessments are available, which is currently at Actuarial Reserving class level

The key indicator that the Company has used for the purpose of this assessment is the forward-looking combined ratio derived as per the above points. Should this ratio exceed 100% for a given segment, this group shall be classified as onerous.

Modification and derecognition

An insurance contract may be modified, either by agreement between the parties or as result of regulation. If the terms are modified, an entity must derecognise the original insurance contract and recognise the modified contract as a new contract, if and only if certain conditions as prescribed in IFRS 17 are satisfied. The exercise of a right included in the terms of a contract is not a modification. Any contract modification that changes the accounting model or the applicable standard for measuring the components of the insurance contract, is likely to result in derecognition. If a contract modification meets none of the conditions for derecognition, any changes in cash flows caused by the modification are treated as changes in the estimates of the fulfilment cash flow.

Contractual Service Margin and Coverage units

For long term Individual Life contracts, measured under the GMM, the Company recognises a contractual service margin (CSM) which represents the unearned profit the Company will earn as it provides service under those contracts. A coverage units methodology will be used for the release of the CSM. Based on the benefit for the policy holders, the applicable CSM release pattern will be determined by using coverage unit methodology which will reflect the benefit defined in the insurance contracts with the policy holders. The coverage units will be determined based upon the sum assured.

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

3 Material accounting policy information (continued)

Insurance contracts issued and reinsurance contracts held (continued)

Areas of significant judgements and estimates (continued)

Measurement of expenses

The Company has defined acquisition expenses as the costs of selling, underwriting and started issuing a group of insurance contracts as per IFRS 17 requirements. The Company has defined acquisition costs as attributable to a contract (or group of contracts) if the cost is incurred to acquire a specific contract or group of contracts (as opposed to new business in general).

Insurance acquisition cash flows (commissions and premium taxes) allocated to a group are deferred and recognised over the coverage period of contracts.

The attributable costs refer to costs that are either fully or partially related to insurance operations. These costs are allocated to the group of insurance contracts level, while non-allocable expenses are recognised directly in the profit and loss account. The allocation of expenses is done systematically and rationally, reflecting the transfer of services provided by the insurer over the coverage period.

Both acquisition and attributable costs fall under the insurance service expense, while the non-attributable costs are reported under other operating expenses.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to write off the cost of assets to their estimated residual values over their expected useful lives for current and prior years and are charged as follows:

	<i>Years</i>
Leasehold improvements	5
Furniture and fixtures	3
Office and computer equipment	3
Motor vehicles	5

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of profit or loss.

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

3 Material accounting policy information (continued)

Intangible assets

Intangible assets are stated at historical costs less accumulated amortisation and any impairment losses. Amortisation for computer software is provided over the estimated useful life of five years using the straight-line method. Intangible assets classified under development costs relate to the Company's life platform development, software and website.

Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the product's development so that it will be available for use;
- management intends to complete the product and use or sell it;
- there is an ability to use or sell the product;
- it can be demonstrated how the product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- the expenditure attributable to the product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the life products and related software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. The expected useful life of the Company's intangible assets for current and prior years is 5 years.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

3 Material accounting policy information (continued)

Non derivative financial assets and liabilities

(i) Recognition

A financial asset or financial liability is initially measured at fair value plus, for an item not carried at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

All recognised financial assets and financial liabilities are subsequently measured in their entirety at either amortised cost or fair value.

(ii) Classification

Financial assets at amortised cost

At inception a financial asset is classified as measured at amortised cost or fair value.

A financial asset qualifies for amortised cost measurement only if it meets both of the following two conditions:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principle and interest on the principle amount outstanding.

If a financial asset does not meet both of these conditions, then it is measured at fair value.

The Company makes an assessment of a business model at portfolio level as this reflects the best way the business is managed and information is provided to the management.

In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Company considers:

- management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- how management evaluates the performance of the portfolio;
- whether management's strategy focus on earning contractual interest revenue;
- the degree of frequency of any expected asset sales;
- the reason of any asset sales; and
- whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

Financial assets at fair value through profit or loss

Financial assets held for trading are not held within a business model whose objective is to hold the asset in order to collect contractual cash flows.

The Company has designated certain financial assets at fair value through profit or loss because designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise.

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

3 Material accounting policy information (continued)

Non derivative financial assets and liabilities

(ii) Classification

Financial assets at fair value through other comprehensive income

At initial recognition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in certain equity instruments as at FVOCI. Designation to FVOCI is not permitted if the equity instrument is held for trading.

Gains and losses on such equity instruments are never reclassified to income statement and no impairment is recognised in profit or loss.

Financial assets are not reclassified subsequent to their initial recognition, except when the Company changes its business model for managing financial assets.

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these are measured at amortised cost using the effective interest method.

Loans and receivables comprise mainly insurance and other receivables.

Equity securities

Ordinary shares of the Company are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Non-derivative financial liabilities

All financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

Impairment

The impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The financial assets at amortised cost consist of premiums and insurance receivables, other receivables (excluding prepayments), cash and cash equivalents and due from related parties.

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

3 Material accounting policy information (continued)

Non derivative financial assets and liabilities (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, for which they are measured as 12-month ECLs:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

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

Credit loss allowances are measured using a three-stage approach based on the extent of credit deterioration since origination:

- *Stage 1* – Where there has not been a significant increase in credit risk ("SICR") since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.
- *Stage 2* – When a financial instrument experiences an increase in SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
- *Stage 3* – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The key inputs into the measurement of ECLs are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information.

The Company has adopted simplified approach in case of premiums and insurance receivables. In case of financial assets for which simplified approach is adopted lifetime expected credit loss is recognised.

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

3 Material accounting policy information (continued)

Non derivative financial assets and liabilities (continued)

Measurement of ECLs (continued)

Details of these statistical parameters/inputs are as follows:

- *PD* – The probability of default is an estimate of the likelihood of default over a given time horizon.
- *LGD* – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.
- *EAD* – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.

Forward-looking information

The measurement of expected credit losses considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

Macroeconomic factors

In its models, the Company relies on a broad range of forward-looking information as economic inputs, such as: GDP, GDP annual growth rate, inflation rates, interest rates, etc.

The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.

Definition of default

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of an amount due to the Company on terms that the Company would not otherwise consider, indication that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse change in the payment status of borrowers or issuers, or economic conditions that correlate with defaults in the Company.

In assessing whether a borrower is in default, the Company considers indicators that are:

- Qualitative – e.g. breaches of covenant;
- Quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Company; and
- Based on data developed internally and obtained from external sources.

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

3 Material accounting policy information (continued)

Non derivative financial assets and liabilities (continued)

Derecognition of financial assets and liabilities

The Company derecognises a financial asset when the contractual right to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risk and rewards of the ownership are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control on the financial asset. Any interest in transferred financial assets that qualify for derecognition that is carried or retained by the Company is recognised as a separate asset or liability in the statement of financial position. On derecognition of financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the financial assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions in which the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Company retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the services.

The Company derecognises a financial liability when its contractual obligation is discharged or cancelled or expire.

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

3 Material accounting policy information (continued)

Fair value measurement principles

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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in the statement of profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Employees benefits

The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is usually based upon the employees' length of service and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment and are not less than the liability arising under UAE Labour Law.

The Company contributes to the pension scheme for UAE nationals under the UAE pension and social security law. This is a defined contribution pension plan and the Company's contributions are charged to the statement of profit or loss in the period to which they relate. In respect of this scheme, the Company has a legal and constructive obligation to pay the fixed contributions as they fall due and no obligations exist to pay the future benefits.

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

3 Material accounting policy information (continued)

Investment income

Investment income mainly comprises of interest, dividend income, realised gains and losses on sale of investments at fair value through profit or loss and debt securities through other comprehensive income. Investment income is stated net of investment expenses and charges.

Interest income is recognised in the statement of profit or loss on an accrual basis. Interest includes interest earned on bank deposits and debt securities. Dividend receivables are included separately in dividend income when a dividend is declared. Realised gains and losses on investments are calculated as the difference between net sales proceeds and the carrying value of investments.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of profit or loss on a straight-line basis over the period of the lease.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the 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 asset and settle the liability simultaneously.

Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Leases

At inception of a contract, the Company assesses whether a contract is or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset of time in exchange for consideration.

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

3 Material accounting policy information (continued)

Leases (continued)

(a) As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and estimate of costs to dismantle and remove the underlying assets or to restore the underlying asset or the site on which it is located, less any lease incentives received. Subsequently, the right of use asset is measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgement to determine the lease term for lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

(b) As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

3 Material accounting policy information (continued)

Leases (continued)

(b) As a lessor (continued)

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

Insurance and reinsurance contracts

Insurance and reinsurance contracts The company offers insurance contract services and reduces its liability for remaining coverage while recognizing insurance revenue. The amount of insurance revenue recognized reflects the exchange of services for an amount that the company expects to be entitled to.

Taxation

On 9 December 2022, the UAE Ministry of Finance released the Federal Decree Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the Law) to enact a Federal Corporate Tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

For the Company, accounting for current and deferred taxes have become applicable from the period beginning 1 January 2024. Accordingly, management has applied following accounting policies to incorporate the applicable Corporate Tax in accordance with IAS 12 “Income Taxes”.

Current Taxation

Provision of current tax is based on the taxable income for the period determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the period.

Income tax expense is recognised in interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. Amounts accrued for income tax expense in interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual income tax rate changes.

Deferred Taxation

Deferred tax is accounted for in respect of all temporary differences at the statement of financial position date between the tax bases and carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

3 Material accounting policy information (continued)

Deferred Taxation (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date. Deferred tax is charged or credited to the statement of profit or loss, except in the case of items credited or charged to statement of other comprehensive income or equity in which case it is included in statement of other comprehensive income or equity.

4 New and amended standards and interpretations

New and revised IFRSs and interpretations applied on the financial statements

The following relevant standards, interpretations and amendments to existing standards were issued by the IASB:

Standard number	Title	Effective date
IAS 1	Amendment to IAS 1 – Non-current liabilities with covenants and classification of liabilities as current or non-current	1 January 2024
IAS 7	Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures—Supplier Finance Arrangements	1 January 2024
IFRS 16	Amendment to IFRS 16 – Leases on sale and leaseback	1 January 2024

These standards did not have a material impact on these financial statements.

Standards issued but not yet effective

The impact of the new standards, interpretations and amendments that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Standard number	Title	Effective date
IAS 21	Amendments to IAS 21 Lack of exchangeability Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2025
IFRS 9 & IFRS 7	Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures regarding the classification and measurement of financial instruments	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

5 Property and equipment

	Leasehold improvements AED'000	Furniture and fixtures AED'000	Office and computer equipment AED'000	Motor vehicles AED'000	Right-of-use of leased assets AED'000	Total AED'000
<i>Cost</i>						
At 1 January 2023	1,536	519	4,880	568	2,726	10,229
Additions	684	12	136	-	-	832
Disposals	-	-	(2)	-	-	(2)
At 31 December 2023	<u>2,220</u>	<u>531</u>	<u>5,014</u>	<u>568</u>	<u>2,726</u>	<u>11,059</u>
At 1 January 2024	2,220	531	5,014	568	2,726	11,059
Additions	-	59	733	-	-	792
At 31 December 2024	<u>2,220</u>	<u>590</u>	<u>5,747</u>	<u>568</u>	<u>2,726</u>	<u>11,851</u>
<i>Accumulated depreciation</i>						
At 1 January 2023	1,494	512	4,610	226	1,186	8,028
Charge for the year	130	7	152	164	432	885
At 31 December 2023	<u>1,624</u>	<u>519</u>	<u>4,762</u>	<u>390</u>	<u>1,618</u>	<u>8,913</u>
At 1 January 2024	1,624	519	4,762	390	1,618	8,913
Charge for the year	153	17	182	164	342	858
At 31 December 2024	<u>1,777</u>	<u>536</u>	<u>4,944</u>	<u>554</u>	<u>1,960</u>	<u>9,771</u>
<i>Net book value</i>						
31 December 2023	<u>596</u>	<u>12</u>	<u>252</u>	<u>178</u>	<u>1,108</u>	<u>2,146</u>
31 December 2024	<u>443</u>	<u>54</u>	<u>803</u>	<u>14</u>	<u>766</u>	<u>2,080</u>

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

6 Intangible assets

	Development costs AED'000	Computer software AED'000	Capital work in progress AED'000	Total AED'000
<i>Cost</i>				
At 1 January 2023	9,960	2,883	5,461	18,304
Additions	-	1,259	4,907	6,166
At 31 December 2023	<u>9,960</u>	<u>4,142</u>	<u>10,368</u>	<u>24,470</u>
At 1 January 2024	9,960	4,142	10,368	24,470
Additions	-	1,886	1,105	2,991
Write-off*	-	-	(4,252)	(4,252)
At 31 December 2024	<u>9,960</u>	<u>6,028</u>	<u>7,221</u>	<u>23,209</u>
<i>Accumulated amortisation</i>				
At 1 January 2023	9,960	2,579	-	12,539
Amortisation	-	281	-	281
At 31 December 2023	<u>9,960</u>	<u>2,860</u>	<u>-</u>	<u>12,820</u>
At 1 January 2024	9,960	2,860	-	12,820
Amortisation	-	511	-	511
At 31 December 2024	<u>9,960</u>	<u>3,371</u>	<u>-</u>	<u>13,331</u>
<i>Net book value</i>				
At 31 December 2023	<u>-</u>	<u>1,282</u>	<u>10,368</u>	<u>11,650</u>
At 31 December 2024	<u>-</u>	<u>2,657</u>	<u>7,221</u>	<u>9,878</u>

*During the year ended 31 December 2024, management conducted a thorough evaluation of the ongoing IT system implementation project. This evaluation uncovered that certain expenses incurred must be written off due to necessary adjustments in the system modules.

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

7 Financial assets at fair value through other comprehensive income

	31 December 2024 AED'000	31 December 2023 AED'000
<i>Quoted bonds:</i>		
UAE-based corporate	27,580	31,331
UAE-based government	23,845	26,886
	<u>51,425</u>	<u>58,217</u>
<i>Quoted sukuk:</i>		
UAE-based corporate	-	6,664
UAE-based government	11,151	10,240
	<u>11,151</u>	<u>16,904</u>
<i>Quoted equity instruments:</i>		
UAE-based quoted equities	1,231	1,070
UAE-based mutual funds	9,074	9,047
	<u>10,305</u>	<u>10,117</u>
<i>Non-UAE private debt fund:</i>	1,148	1,148
	<u>74,029</u>	<u>86,386</u>

The movement in the financial assets at fair value through other comprehensive income is as follows:

	2024 AED'000	2023 AED'000
At the beginning of the year	86,386	77,233
Purchased during the year	5,126	20,845
Maturity and disposals of investments	(17,043)	(15,908)
Reversal / (charge) of impairment loss during the year	9	(19)
Bonds premium / discount amortization	(887)	613
Net change in fair value	438	3,622
At the end of the year	<u>74,029</u>	<u>86,386</u>

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

8 Financial assets at fair value through profit or loss

	31 December 2024 AED'000	31 December 2023 AED'000
UAE-based quoted equities	12,021	9,087
UAE-based quoted corporate debt instruments	7,457	7,435
	<u>19,478</u>	<u>16,522</u>

The movement in the financial assets at fair value through profit or loss is as follows:

	2024 AED'000	2023 AED'000
At the beginning of the year	16,522	14,391
Purchased during the year	2,766	1,866
Maturity and disposals of investments	(2,442)	(488)
Change in fair value	2,632	753
	<u>19,478</u>	<u>16,522</u>

(i) Investment and other income, *net*

	2024 AED'000	2023 AED'000
Financial assets carried at fair value		
Dividend income	935	361
Interest income	3,724	3,034
Bonds premium / discount amortisation	(887)	613
Loss on sale of investments	(60)	(580)
Net change in fair value of financial assets at fair value through profit or loss (FVTPL)	2,632	753
Reversal / (charge) for impairment loss on debt instruments at fair value through other comprehensive income (FVOCI)	9	(19)
Term deposits		
Interest income	603	660
Other income	909	-
	<u>7,865</u>	<u>4,822</u>

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

9 Insurance and reinsurance contract assets and liabilities (continued)

The following reconciliations that are required by IFRS 17 are included below, for contracts issued and reinsurance contracts held.

*Reconciliation of the gross liability for remaining coverage and the liability for incurred claims – Applicable to contracts measured under the PAA and GMM as at:
31 December 2024*

	<i>LRC</i>		<i>LIC</i>			<i>Total</i> <i>AED'000</i>
	<i>Excluding loss component</i> <i>AED'000</i>	<i>Loss component</i> <i>AED'000</i>	<i>BBA</i> <i>AED'000</i>	<i>Present value of future cash flows</i> <i>AED'000</i>	<i>Risk adjustment for non-financial risk</i> <i>AED'000</i>	
Insurance contracts issued						
Opening insurance contract liabilities	19,127	6,510	2,722	15,969	1,176	45,504
Opening insurance contract assets	(1,706)	-	-	920	80	706
Opening balance as at 1 January	17,421	6,510	2,722	16,889	1,256	44,798
Insurance revenue	(94,242)	-	-	-	-	(94,242)
Insurance service expenses						
Incurring claims and other directly attributable expenses	-	(370)	2,908	71,175	(87)	73,626
Insurance acquisition cash flows amortisation	6,396	-	-	-	-	6,396
Increase in existing incurred claims reserves	-	-	(187)	8,449	318	8,580
Claims accrual	-	-	224	-	-	224
Losses on onerous contracts and reversals of losses	-	(1,400)	-	-	-	(1,400)
Total insurance service expenses	6,396	(1,770)	2,945	79,624	231	87,425
Investment components	-	-	-	-	-	-
Insurance service result	(87,846)	(1,770)	2,945	79,624	231	(6,817)
Insurance finance (income) and expenses	709	144	11	354	-	1,218
Total amounts recognised in comprehensive income	(87,137)	(1,626)	2,956	79,978	231	(5,598)
Premiums received	98,092	-	-	-	-	98,092
Claims and other expenses paid	-	-	(3,917)	(77,144)	(2)	(81,063)
Acquisition cash flows paid	(1,209)	-	-	-	-	(1,209)
Total cash flows	96,883	-	(3,917)	(77,144)	(2)	15,820
Total additional items	(7,906)	-	-	-	-	(7,906)
Closing balance as at 31 December						
Closing insurance contract liabilities	19,261	4,884	1,761	19,723	1,485	47,114
Closing insurance contract assets	-	-	-	-	-	-

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

9 Insurance and reinsurance contract assets and liabilities (continued)

Reconciliation of the measurement components of insurance contract balances - applicable to contracts measured under the GMM only as at:

31 December 2024

	<i>Present value of future cash flows AED'000</i>	<i>Risk adjustment for non- financial risk AED'000</i>	<i>CSM AED'000</i>	<i>Total AED'000</i>
Insurance contracts issued				
Opening insurance contract liabilities	6,649	2,018	13,387	22,054
Opening insurance contract assets	-	-	-	-
Net balance as at 01 January	<u>6,649</u>	<u>2,018</u>	<u>13,387</u>	<u>22,054</u>
CSM recognised in profit or loss for the services provided	-	-	(2,703)	(2,703)
Change in the risk adjustment for nonfinancial risk for the risk expired	-	(471)	-	(471)
Experience adjustments	(2,038)	-	-	(2,038)
Changes that relate to current service	<u>(2,038)</u>	<u>(471)</u>	<u>(2,703)</u>	<u>(5,212)</u>
Contracts initially recognised in the year	(4,715)	927	4,492	704
Experience adjustments	1,724	(476)	(1,141)	107
Changes in estimates that adjust the CSM	(158)	616	(458)	-
Changes in estimates that do not adjust the CSM	(33)	289	-	256
Changes that relate to future services	<u>(3,182)</u>	<u>1,356</u>	<u>2,893</u>	<u>1,067</u>
Adjustment to liabilities for incurred claims	(972)	-	-	(972)
Changes that relate to past service	<u>(972)</u>	<u>-</u>	<u>-</u>	<u>(972)</u>
Insurance service result	<u>(6,192)</u>	<u>885</u>	<u>189</u>	<u>(5,117)</u>
Total insurance finance expenses	(46)	180	730	864
Total amounts recognised in comprehensive income	<u>(6,238)</u>	<u>1,065</u>	<u>920</u>	<u>(4,253)</u>
Cash flows				
Premiums received	6,369	-	-	6,369
Claims and expenses paid	(3,917)	-	-	(3,917)
Insurance acquisition cash flows paid	(1,212)	-	-	(1,212)
Total cash flows	<u>1,240</u>	<u>-</u>	<u>-</u>	<u>1,240</u>
Net balance as at 31 December				
Closing insurance contract liabilities	<u>1,651</u>	<u>3,083</u>	<u>14,307</u>	<u>19,041</u>
Closing insurance contract assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

9 Insurance and reinsurance contract assets and liabilities (continued)

Reconciliation of the reinsurance contract liabilities and assets – Applicable to contracts measured under the PAA and GMM as at:

31 December 2024

	ARC		AIC			Total AED'000
	Excluding loss component AED'000	Loss component AED'000	BBA AED'000	Present value of future cash flows AED'000	Risk adjustment for non-financial risk AED'000	
Reinsurance contracts held						
Opening reinsurance contract liabilities	-	-	-	-	-	-
Opening reinsurance contract assets	4,199	2,263	-	27,828	543	34,833
Opening balance as at 1 January	4,199	2,263	-	27,828	543	34,833
Allocation of reinsurance premiums paid	20,410	736	-	-	-	21,146
Amounts recoverable from reinsurers						
Recoveries of incurred claims and other directly attributable expenses	-	900	-	(16,370)	49	(15,421)
Insurance acquisition cash flows amortisation	(897)	-	-	-	-	(897)
Adjustment to asset for incurred claims	-	-	(68)	(1,850)	(228)	(2,146)
Claims accrual	-	-	-	-	-	-
Recoveries and reversal of recoveries of losses on onerous underlying contracts	35	(1,612)	-	-	-	(1,577)
Total	(862)	(712)	(68)	(18,220)	(179)	(20,041)
Investment components	-	-	-	-	-	-
Net income from reinsurance contracts held	19,548	24	(68)	(18,220)	(179)	1,105
Reinsurance finance (income) and expenses	386	(742)	-	(908)	-	(1,263)
Total amounts recognised in comprehensive income	19,935	(718)	(68)	(19,128)	(179)	(159)
Premiums paid	(22,981)	-	-	-	-	(22,981)
Amounts received	-	-	68	18,410	-	18,479
Total cash flows	(22,981)	-	68	18,410	-	(4,502)
Total additional items	1,802	-	-	-	-	1,802
Closing balance as at 31 December						
Closing reinsurance contract liabilities	-	-	-	-	-	-
Closing reinsurance contract assets	5,443	2,981	-	28,546	722	37,692

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

9 Insurance and reinsurance contract assets and liabilities (continued)

Reconciliation of the measurement components of reinsurance contract balances - applicable to contracts measured under the GMM only as at:

31 December 2024

	<i>Present value of future cash flows AED'000</i>	<i>Risk adjustment for non- financial risk AED'000</i>	<i>CSM AED'000</i>	<i>Total AED'000</i>
Reinsurance contracts held				
Opening reinsurance contract liabilities	(399)	860	3,099	3,560
Opening reinsurance contract assets	-	-	-	-
Net balance as at 01 January	(399)	860	3,099	3,560
CSM recognised in profit or loss for the services provided	-	-	668	668
Change in the risk adjustment for nonfinancial risk for the risk expired	-	157	-	157
Experience adjustments	1,898	-	-	1,898
Changes that relate to current service	1,898	157	668	2,722
Contracts initially recognised in the year	2,284	(604)	(2,247)	(567)
Experience adjustments	(1,094)	296	423	(375)
Changes in estimates that adjust the CSM	-	(654)	654	-
Changes in estimates that do not adjust the CSM	-	235	-	235
Changes that relate to future services	1,190	(727)	(1,170)	(708)
Adjustment to assets for incurred claims	-	-	-	-
Changes that relate to past service	-	-	-	-
Insurance service result	3,088	(570)	(502)	2,014
Total insurance finance income	(1)	(89)	(265)	(356)
Total amounts recognised in comprehensive income	3,087	(659)	(767)	1,659
Cash flows				
Premiums paid	(2,468)	-	-	(2,466)
Amounts received	68	-	-	68
Total cash flows	(2,399)	-	-	(2,397)
Net balance as at 31 December				
Closing reinsurance contract liabilities	-	-	-	-
Closing reinsurance contract assets	(1,087)	1,519	3,866	4,298

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

9 Insurance and reinsurance contract assets and liabilities (continued)

The following reconciliations that are required by IFRS 17 are included below, for contracts issued and reinsurance contracts held.

Reconciliation of the gross liability for remaining coverage and the liability for incurred claims – Applicable to contracts measured under the PAA and GMM as at:
31 December 2023

	<i>LRC</i>		<i>LIC</i>			<i>Total</i> <i>AED'000</i>
	<i>Excluding loss component</i> <i>AED'000</i>	<i>Loss component</i> <i>AED'000</i>	<i>BBA</i> <i>AED'000</i>	<i>Present value of future cash flows</i> <i>AED'000</i>	<i>Risk adjustment for non-financial risk</i> <i>AED'000</i>	
Insurance contracts issued						
Opening insurance contract liabilities	25,172	2,209	1,953	14,091	778	44,203
Opening insurance contract assets	(460)	-	-	-	-	(460)
Opening balance as at 1 January	24,712	2,209	1,953	14,091	778	43,743
Insurance revenue	(88,944)	-	-	-	-	(88,944)
Insurance service expenses						
Incurred claims and other directly attributable expenses	-	(137)	1,868	78,948	407	81,086
Insurance acquisition cash flows amortisation	6,280	-	-	-	-	6,280
Increase in existing incurred claims reserves	-	-	2,200	8,143	70	10,413
Claims accrual	-	-	931	-	-	931
Losses on onerous contracts and reversals of losses	-	4,397	-	-	-	4,397
Total insurance service expenses	6,280	4,260	4,999	87,091	477	103,107
Investment components	-	-	-	-	-	-
Insurance service result	(82,664)	4,260	4,999	87,091	477	14,163
Insurance finance (income) and expenses	508	41	(2)	84	-	631
Total amounts recognised in comprehensive income	(82,156)	4,301	4,997	87,175	477	14,794
Premiums received	80,668	-	-	-	-	80,668
Claims and other expenses paid	-	-	(4,228)	(84,377)	1	(88,604)
Acquisition Cash Flows Paid	(219)	-	-	-	-	(219)
Total cash flows	80,449	-	(4,228)	(84,377)	1	(8,155)
Total additional items	(5,584)	-	-	-	-	(5,584)
Closing balance as at 31 December						
Closing insurance contract liabilities	19,127	6,510	2,722	15,969	1,176	45,504
Closing insurance contract assets	1,706	-	-	(920)	(80)	706

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

9 Insurance and reinsurance contract assets and liabilities (continued)

Reconciliation of the measurement components of insurance contract balances - applicable to contracts measured under the GMM only as at:

31 December 2023

Insurance contracts issued	Present value of future cash flows AED'000	Risk adjustment for non- financial risk AED'000	CSM AED'000	Total AED'000
Opening insurance contract liabilities	13,094	1,620	11,970	26,684
Opening insurance contract assets	(1,806)	251	1,095	(460)
Net balance as at 01 January	11,288	1,871	13,065	26,224
CSM recognised in profit or loss for the services provided	-	-	(2,405)	(2,405)
Change in the risk adjustment for nonfinancial risk for the risk expired	-	(381)	-	(381)
Experience adjustments	(830)	-	-	(830)
Changes that relate to current service	(830)	(381)	(2,405)	(3,616)
Contracts initially recognised in the year	(3,178)	673	3,083	578
Experience adjustments	2,877	(448)	(772)	1,657
Changes in estimates that adjust the CSM	-	143	(143)	-
Changes in estimates that do not adjust the CSM	-	40	-	40
Changes that relate to future services	(301)	408	2,168	2,275
Adjustment to liabilities for incurred claims	772	-	-	772
Changes that relate to past service	772	-	-	772
Insurance service result	(359)	27	(237)	(569)
Total insurance finance expenses	(132)	120	559	547
Total amounts recognised in comprehensive income	(491)	147	322	(22)
Cash flows				
Premiums received	299	-	-	299
Claims and expenses paid	(4,228)	-	-	(4,228)
Insurance acquisition cash flows paid	(219)	-	-	(219)
Total cash flows	(4,148)	-	-	(4,148)
Net balance as at 31 December				
Closing insurance contract liabilities	6,649	2,018	13,387	22,054
Closing insurance contract assets	-	-	-	-

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

9 Insurance and reinsurance contract assets and liabilities (continued)

Reconciliation of the reinsurance contract liabilities and assets – Applicable to contracts measured under the PAA and GMM as at:
31 December 2023

	ARC		AIC			Total AED'000
	Excluding loss component AED'000	Loss component AED'000	BBA AED'000	Present value of future cash flows AED'000	Risk adjustment for non-financial risk AED'000	
Reinsurance contracts held						
Opening reinsurance contract liabilities	(39)	-	-	-	-	(39)
Opening reinsurance contract assets	3,532	423	-	12,433	368	16,756
Opening balance as at 1 January	3,493	423	-	12,433	368	16,717
Allocation of reinsurance premiums paid	(19,883)	-	-	-	-	(19,883)
Amounts recoverable from reinsurers						
Recoveries of incurred claims and other directly attributable expenses	-	(188)	-	23,254	145	23,211
Insurance acquisition cash flows amortisation	723	-	-	-	-	723
Adjustment to asset for incurred claims	-	-	-	669	30	699
Claims accrual	-	1,915	-	-	-	1,915
Recoveries and reversal of recoveries of losses on onerous underlying contracts	-	-	-	-	-	-
Total	723	1,727	-	23,923	175	26,548
Investment components	-	-	-	-	-	-
Net income from reinsurance contracts held	(19,160)	1,727	-	23,923	175	6,665
Reinsurance finance (income) and expenses	(36)	113	-	48	-	125
Total amounts recognised in comprehensive income	(19,196)	1,840	-	23,971	175	6,790
Premiums paid	20,498	-	-	-	-	20,498
Amounts received	-	-	-	(8,576)	-	(8,576)
Total cash flows	20,498	-	-	(8,576)	-	11,922
Total additional items	(596)	-	-	-	-	(596)
Closing balance as at 31 December						
Closing reinsurance contract liabilities	-	-	-	-	-	-
Closing reinsurance contract assets	4,199	2,263	-	27,828	543	34,833

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

9 Insurance and reinsurance contract assets and liabilities (continued)

Reconciliation of the measurement components of reinsurance contract balances - applicable to contracts measured under the GMM only as at:

31 December 2023

	<i>Present value of future cash flows AED'000</i>	<i>Risk adjustment for non- financial risk AED'000</i>	<i>CSM AED'000</i>	<i>Total AED'000</i>
Reinsurance contracts held				
Opening reinsurance contract liabilities	17	5	(61)	(39)
Opening reinsurance contract assets	212	351	1,526	2,089
Net balance as at 01 January	195	346	1,587	2,128
CSM recognised in profit or loss for the services provided	-	-	(203)	(203)
Change in the risk adjustment for nonfinancial risk for the risk expired	-	(68)	-	(68)
Experience adjustments	(1,133)	-	-	(1,133)
Changes that relate to current service	(1,133)	(68)	(203)	(1,404)
Contracts initially recognised in the year	(1,594)	343	1,705	454
Experience adjustments	663	(55)	(69)	539
Changes in estimates that adjust the CSM	(1)	108	(107)	-
Changes in estimates that do not adjust the CSM	(2)	151	-	149
Changes that relate to future services	(934)	547	1,529	1,142
Adjustment to assets for incurred claims	-	-	-	-
Changes that relate to past service	-	-	-	-
Insurance service result	(2,067)	474	1,387	(262)
Total insurance finance income	(145)	36	186	77
Total amounts recognised in comprehensive income	(2,212)	515	1,512	(185)
Cash flows				
Premiums paid	1,618	(1)	-	1,617
Amounts received	-	-	-	-
Total cash flows	1,618	(1)	-	1,617
Net balance as at 31 December				
Closing reinsurance contract liabilities	-	-	-	-
Closing reinsurance contract assets	(399)	860	3,099	3,560

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

9 Insurance and reinsurance contract assets and liabilities *(continued)*

Impact of contracts initially recognised in the year ended

31 December 2024

	Non-onerous contracts originated AED'000	Onerous contracts originated AED'000	Total AED'000
Insurance contracts issued			
<i>Estimates of the present value of future cash outflows</i>			
Insurance acquisition cash flows	11,446	4,322	15,768
Claims and other directly attributable expenses	858	233	1,091
Total estimates of the present value of future cash outflows	12,304	4,555	16,859
Estimates of the present value of future cash inflows	17,472	4,102	21,574
Risk adjustment for non-financial risk	677	251	928
CSM	4,491	-	4,491
Increase in insurance contract liabilities from contracts recognised during the year	-	(704)	(704)

31 December 2023

	Non-onerous contracts originated AED'000	Onerous contracts originated AED'000	Total AED'000
Insurance contracts issued			
<i>Estimates of the present value of future cash outflows</i>			
Insurance acquisition cash flows	647	157	804
Claims and other directly attributable expenses	9,411	3,238	12,649
Total estimates of the present value of future cash outflows	10,058	3,395	13,453
Estimates of the present value of future cash inflows	13,643	2,987	16,630
Risk adjustment for non-financial risk	502	171	673
CSM	3,083	-	3,083
Increase in insurance contract liabilities from contracts recognised during the year	-	(579)	(579)

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

9 Insurance and reinsurance contract assets and liabilities *(continued)*

Impact of contracts initially recognised in the year ended

31 December 2024

	Contracts originated not in a net gain AED'000	Contracts originated in a net gain AED'000	Total AED'000
Reinsurance contracts held			
Estimates of the present value of future cash inflows	4,134	6,596	10,730
Estimates of the present value of future cash outflows	(4,152)	(4,294)	(8,446)
Risk adjustment for non-financial risk	(297)	(307)	(604)
CSM	315	(1,995)	(1,680)
	-----	-----	-----
Increase in reinsurance contract assets from contracts recognised in the year	-	-	-
	=====	=====	=====

31 December 2023

	Contracts originated not in a net gain AED'000	Contracts originated in a net gain AED'000	Total AED'000
Reinsurance contracts held			
Estimates of the present value of future cash inflows	5,324	3,042	8,366
Estimates of the present value of future cash outflows	(3,492)	(3,262)	(6,754)
Risk adjustment for non-financial risk	(175)	(163)	(338)
CSM	(1,657)	383	(1,274)
	-----	-----	-----
Increase in reinsurance contract assets from contracts recognised in the year	-	-	-
	=====	=====	=====

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

9 Insurance and reinsurance contract assets and liabilities *(continued)*

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

	1	2	3	4	5	>6
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
31 December 2024						
Total CSM (net of reinsurance contracts held)	<u>1,651</u>	<u>1,354</u>	<u>1,123</u>	<u>937</u>	<u>785</u>	<u>4,591</u>
31 December 2023						
Total CSM (net of reinsurance contracts held)	<u>1,798</u>	<u>1,432</u>	<u>1,155</u>	<u>956</u>	<u>793</u>	<u>4,154</u>

Management engaged an independent actuary for assessment of the average claim run-off period through construction of loss development triangles, which suggested that the claims run-off period is not more than 24 months. Further, as per past experience, management is of the view that uncertainty about the amount and timing of claims payments is typically resolved within one year of claims occurrence. Accordingly, the Company has not presented the claim development table in these financial statements.

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

9 Insurance and reinsurance contract assets and liabilities (continued)

Breakup of insurance and reinsurance contract balances measured under both PAA and GMM as at:

31 December 2024

AED'000

	<i>PAA</i>	<i>GMM</i>	<i>Total</i>
Insurance contract assets	-	-	-
Insurance contract liabilities	(28,073)	(19,041)	(47,114)
Reinsurance contract assets	33,394	4,298	37,692
Reinsurance contract liabilities	-	-	-
	5,321	(14,743)	(9,422)

31 December 2023

AED'000

	<i>PAA</i>	<i>GMM</i>	<i>Total</i>
Insurance contract assets	706	-	706
Insurance contract liabilities	(23,450)	(22,054)	(45,504)
Reinsurance contract assets	31,273	3,560	34,833
Reinsurance contract liabilities	-	-	-
	8,529	(18,494)	(9,965)

10 Other receivables and prepayments

	2024	2023
	AED'000	AED'000
Prepayments	1,233	1,462
Interest receivables	1,047	991
Staff receivables	343	269
Other receivables*	7,765	-
	10,388	2,722

*Other receivables include an amount of AED 4.8 million, which is due to be collected from the custodian of the Company's investment contract assets.

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

11 Statutory deposits

In accordance with the requirements of Federal Law No. (48) of 2023, concerning Insurance Companies and Agencies, the Company maintains bank deposits of AED 4,000 thousand (31 December 2023: AED 4,000 thousand), as a guarantee against its Insurance of Persons and Fund Accumulation Operations License (medical and life). These deposits cannot be utilized without the consent of Central Bank of UAE.

The statutory deposits are held with local commercial banks and carry interest at the rate of 0.25% to 4.37% per annum (31 December 2023: 0.25% to 4.37% per annum).

12 Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise the following:

	31 December 2024	31 December 2023
	AED'000	AED'000
Statutory deposits (11)	4,000	4,000
Time deposits	10,000	10,000
Demand deposits and cash	8,448	6,154
	<hr/>	<hr/>
Bank balances and cash	22,448	20,154
Less: statutory deposits	(4,000)	(4,000)
Less: deposits with original maturities of three months or more	(10,000)	(10,000)
	<hr/>	<hr/>
	8,448	6,154
	<hr/> <hr/>	<hr/> <hr/>

At 31 December 2024, bank deposits carry an effective interest rate of 0.25% to 5.01% per annum (31 December 2023: 0.25% to 4.37% per annum). All bank balances and deposits are held with local banks in United Arab Emirates.

13 Insurance payables and other accruals

	31 December 2024	31 December 2023
	AED'000	AED'000
VAT payable	84	22
Other payables	1,899	7,847
	<hr/>	<hr/>
	1,983	7,869
	<hr/> <hr/>	<hr/> <hr/>

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

14 Investment contract assets and liabilities

	31 December 2024	31 December 2023
	AED'000	AED'000
Investment contract asset and liability for employee saver product*	26,400	18,900

*During 2022, the Company initiated a savings product "Employee Secure Saver", whereby the Company receives contributions from third party companies ("policyholders") relating to the end of service benefits of its employees ("participants"). The product ensures a guaranteed fund to its participants and does not transfer a significant insurance risk to the Company. Therefore, this product has been classified as investment contract and accordingly, a financial liability has been created against the contributions received from its participants. This liability does not have a contractual maturity, and these funds can be withdrawn anytime upon the participant's death, retirement or resignation from the policyholder companies. Further, the Company has a contract with its reinsurer who is the ultimate guarantor of this fund and therefore all the contributions received are transferred to its reinsurer. Accordingly, an equivalent amount has been booked as a financial asset representing the funds transferred and receivable from its reinsurer with respect to this product.

A summary of contributions and redemptions from the above product is given below:

	31 December 2024	31 December 2023
	AED'000	AED'000
Balance at the beginning of the year	18,900	11,326
Contributions during the year	17,500	15,016
Redemptions during the year	(10,000)	(7,442)
Balance at the end of the year	26,400	18,900

15 Share capital

	2024	2023
	AED'000	AED'000
<i>Authorised, issued and fully paid-up capital</i> 200,000,000 shares of AED 1 each	200,000	200,000

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

16 Reserves

(a) Legal reserve

In accordance with Articles of Association of the Company and in line with the provisions of Article 241 of the UAE Federal Law No. (32) of 2021 (“Companies Law”), the Company is required to transfer annually to the legal reserve account an amount equal to 10% of its net profit until such reserve reaches 50% of the share capital of the Company. This reserve is not available for distribution. The Company has transferred AED 465 (31 December 2023: AED nil) to the legal reserve from its net profit during the year.

(b) Other reserve

Subscription issuance fee of AED 0.025 per share was paid on subscription to cover the incorporation expenses of the Company amounting to AED 650 thousand. The Company received a refund relating to incorporation expenses amounting to AED 1,372 thousand which was recognised directly in equity under other reserve.

(c) Reinsurance risk reserve

In accordance with Article (34) to Insurance Authority's Board of Directors Decision No. (23) of 2019, insurance companies incorporated in the State and licensed by the Insurance Authority shall bind in the preparation of its annual financial statements and its final accounts to allocate an amount equal to 0.5% (five per thousand) of the total reinsurance premiums ceded by them in all classes in order to create a provision for the probability of failure of any of the reinsurers with whom the Company deals to pay what is due to the Company or default in its financial position. The provision shall be accounted year after year based on the reinsurance premiums ceded and may not be disposed-off without the written approval of the Director General. The decision is effective from 1 December 2020. Accordingly, an amount of AED 455 thousand (31 December 2023: AED 340 thousand) has been recorded in equity as a reinsurance risk reserve.

17 Provision for employees' end of service benefits

The Company provides for end of service benefits for its expatriate employees in accordance with the employees' contracts of employment. The movement in the provision during the year is as follows:

	2024 AED'000	2023 AED'000
Balance as at 1 January	2,429	1,743
Charged during the year	442	1,271
Paid during the year	(375)	(585)
Balance as at 31 December	2,496	2,429

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

18 Earning / (loss) per share

Basic earnings / (loss) per share is calculated by dividing the profit / (loss) for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings / (loss) per share amounts are calculated by dividing the earning / (loss) for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares used to calculate basic earnings / (loss) per share, plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

The following reflects the earnings and shares data used in the earnings per share computations:

	31 December 2024 AED'000	31 December 2023 AED'000
Profit / (loss) for the year (AED'000)	4,645	(5,698)
Weighted average number of ordinary shares (shares in '000)	200,000	200,000
Earnings / (loss) per share for the year – basic and diluted (AED)	0.023	(0.028)

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

19 Related party transactions and balances

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the Company's management.

The Company maintains balances with these related parties which arise from commercial transactions in the ordinary course of business at commercial rates as follows:

	31 December 2024	31 December 2023
	AED'000	AED'000
Due from KANOO Group LLC (major shareholder)		
Medical premiums	4,518	3,633
<i>(Included in insurance contract liabilities as part of presentation requirement of IFRS 17)</i>		
Total due from related parties	4,518	3,633

Transactions with related parties during the year are as follows:

	31 December 2024	31 December 2023
	AED'000	AED'000
Medical business with KANOO Group LLC (major shareholder)		
- Gross written premiums	17,586	14,294
- Claims paid	(11,711)	(6,453)
Compensation of key management personnel:		
The remuneration of key management personnel during the year is as follows:		
Short term benefits	1,856	1,745
Employees' end of service benefits	122	72

20 Contingencies and commitments

Contingencies

As at 31 December 2024, the Company had contingent liabilities in respect of bank, other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to AED 2,000 thousand (31 December 2023: AED 2,000 thousand).

Commitments

Estimated capital call contracted for at the statement of financial position date but not provided for amounted to AED 99 thousand (31 December 2023: AED 105 thousand).

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

21 Risk management framework

The Company issues contracts that transfer insurance risk. This section summarises the insurance risks and the way the Company manages them.

(a) *Introduction and overview*

Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

Regulatory framework

Regulators are primarily interested in protecting the rights of insurance contract holders and shareholders and monitor closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks.

(b) *Underwriting risk*

The principal risk the Company 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 Company is to ensure that sufficient reserves are available to cover these liabilities.

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

The Company purchases reinsurance as part of its risk management mitigation programme. Reinsurance ceded is placed mainly on a proportional basis. The majority of reinsurance is quota-share and surplus reinsurance arrangements which is taken out to reduce the overall exposure of the Company.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims reserve and are in accordance with the reinsurance contracts. Although the Company 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.

Life insurance contracts

Life insurance contracts offered by the Company consist of term assurance.

Term assurance are conventional regular premium products when lump sum benefits are payable on death or permanent disability.

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits.

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

21 Risk management framework (continued)

(b) Underwriting risk (continued)

This is largely achieved through diversification across industry sectors, the use of medical screening in order to ensure that pricing takes accounts 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 Company 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 Company to pursue third parties for payment of some or all costs. The Company 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 Company.

For contracts when death or disability is the issued risk, the significant factors that should increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

Medical insurance contracts

The frequency and amounts of claims can be affected by several factors. The Company underwrites primarily insurance contracts for medical risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one to two years of the insured event taking place. This helps to mitigate insurance risk.

Medical insurance is designed to compensate contract holders for hospitalisation and medication expenses arising through illness and any other health issues.

For medical insurance the main risks are illnesses that require long-term hospitalisation and expensive medications. These contracts are underwritten by reference to the age and health status of the contract holder. Effective 1 January 2017, the Company is fully retaining the medical business.

The loss ratios determined by assessing net incurred claims in relation to net earned premium are analysed below by class of business for the current and previous year:

Type of risk	31 December 2024		31 December 2023	
	Gross loss ratio	Net loss ratio	Gross loss ratio	Net loss ratio
Group Life	62%	50%	78%	57%
Group Medical	74%	74%	101%	101%
Individual Medical	90%	90%	46%	46%
Individual Life	60%	47%	25%	33%

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

21 Risk management framework (continued)

(c) Financial risk management

The Company's financial assets comprise investments, insurance and reinsurance receivables, bank deposits, cash on hand and at bank and certain other receivables. Financial liabilities of the Company comprise of liabilities against due to related parties, trade and certain other payables.

The Company has exposure to the following primary risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk; and
- Operational risk

(i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2024 AED'000	2023 AED'000
Time deposits	10,000	10,000
Cash and cash equivalents	8,448	6,154
Statutory deposits	4,000	4,000
Investment contract assets	26,400	18,900
Other receivables	9,155	1,260
Financial assets at fair value through OCI	74,029	86,386
Financial assets at fair value through profit or loss	19,478	16,522
	<u>151,510</u>	<u>143,222</u>

The assets above are analysed in the table below using ratings of Standard & Poors (S&P), Moody's and Fitch. The concentration of credit risk is substantially unchanged compared to the prior year.

	At 31 December 2024					Total AED'000
	Cash and cash equivalents AED'000	Financial assets at FVOCI AED'000	Financial assets at FVTPL AED'000	Other receivables AED'000	Investment contract assets AED '000	
AAA to A	22,448	20,104	3,832	-	-	46,384
BBB to B	-	34,766	8,742	-	-	43,508
Not rated	-	19,159	6,904	9,155	26,400	61,618
Total	<u>22,448</u>	<u>74,029</u>	<u>19,478</u>	<u>9,155</u>	<u>26,400</u>	<u>151,510</u>

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

21 Risk management framework (continued)

(c) Financial risk management (continued)

(i) Credit risk (continued)

	At 31 December 2023						Total AED'000
	Cash and cash equivalents AED'000	Financial assets at FVOCI AED'000	Financial assets at FVTPL AED'000	Other receivables AED'000	Investment contract assets AED'000		
AAA to A	20,154	26,750	3,370	-		50,274	
BBB to B	-	41,524	1,188	-	-	42,712	
Not rated	-	18,112	11,964	1,260	18,900	50,236	
Total	20,154	86,386	16,522	1,260	18,900	143,222	

Management of credit risk

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- The Company only enters into insurance and reinsurance contracts with recognised, credit worthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Company's investment portfolio is managed in accordance with the investment policy established by the Investment Committee.
- The Company's bank balances are maintained with a range of international and local banks in accordance with limits set by the Investment Committee.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with insurance contracts and financial liabilities as they fall due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

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

The Company manages liquidity risk by maintaining adequate liquid reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Details of the Company's financial liabilities are summarised in the table below by the maturity profile of the Company's assets and liabilities based on the contractual repayment arrangements.

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

21 Risk management framework (continued)

(c) Financial risk management (continued)

(ii) Liquidity risk (continued)

The contractual maturities of liabilities have been determined on the basis of the remaining year at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

	Contractual cash outflows		
	Carrying amount AED'000	Up to 180 days AED'000	181 to 365 days AED'000
Financial liabilities at 31 December 2024			
Other payables	1,983	1,983	-
Investment contract liabilities	26,400	26,400	-
Total	28,383	28,383	-
<i>Financial liabilities at 31 December 2023</i>			
Other payables	7,869	7,869	-
Investment contract liabilities	18,900	18,900	-
Total	26,769	26,769	-

The expected maturity profile of the assets at 31 December 2024 and 2023 is as follows:

	Current AED '000	Non-current AED '000	Total AED '000
31 December 2024			
Cash and bank balances	8,448	-	8,448
Investments	19,478	74,029	93,507
	27,926	74,029	101,955
<i>31 December 2023</i>			
Cash and bank balances	6,154	-	6,154
Investments	16,522	86,386	102,908
	22,676	86,386	109,062

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

21 Risk management framework (continued)

(c) Financial risk management (continued)

(iii) Market risk

Market risk arises from fluctuations in currency rates, equity prices and interest rates. Management monitors the market risk on an ongoing basis and on any significant transaction. Market risk is further analysed into currency risk, equity price risk and interest rate risk.

Currency risk

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

The Company has limited transactional exposure to exchange rate risk as it generally enters into contracts in UAE Dirham, being the functional currency of the Company and US Dollar. The AED is pegged to the US Dollar.

Price risk

Price risk is the risk that the fair values of equities and other quoted instruments decrease as the result of changes in the levels of indices and the value of individual instruments. The price risk exposure arises from the Company's equity and debt instruments portfolio carried at fair value. The effect on 'total equity' and 'statement of profit or loss' (as a result of a change in the value of investments held at fair value at 31 December 2023 due to a reasonably possible change in indices, with all other variables held constant, is as follows. The effect of decreases in prices is expected to be equal and opposite to the effect of the increases shown.

	Change in index %	Effect on equity AED'000	Effect on statement of income AED'000
31 December 2024			
Indicator			
Quoted equities and mutual funds	10	2,232	1,202
Debt instruments classified at FVTPL	10	746	746
Debt instruments classified at FVOCI	10	6,257	-
31 December 2023			
Indicator			
Quoted equities and mutual funds	10	1,920	909
Debt instruments classified at FVTPL	10	743	743
Debt instruments classified at FVOCI	10	7,512	-

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Company is exposed to interest rate risk on its interest-bearing assets (debt securities, statutory deposits and bank deposits). The Company limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and interest-bearing investments are denominated.

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

21 Risk management framework (continued)

(c) Financial risk management (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

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

	Less than 1 year AED'000	1 to 5 years AED'000	Over 5 years AED'000	Non- interest bearing items AED'000	Total AED'000
31 December 2024					
Financial assets at fair value – equities	-	-	-	23,474	23,474
Financial assets at fair value - debt instruments	3,967	40,311	25,755	-	70,033
Statutory deposits	4,000	-	-	-	4,000
Time deposits	10,000	-	-	-	10,000
Other receivables (excluding prepayments, advances and VAT receivable)	9,155	-	-	-	9,155
Investment contract assets	26,400	-	-	-	26,400
Demand deposits and cash (excluding cash on hand)	-	-	-	8,448	8,448
	<u>53,522</u>	<u>40,311</u>	<u>25,755</u>	<u>31,922</u>	<u>151,510</u>

	Less than 1 year AED'000	1 to 5 years AED'000	Over 5 years AED'000	Non- interest bearing items AED'000	Total AED'000
31 December 2023					
Financial assets at fair value – equities	-	-	-	20,352	20,352
Financial assets at fair value - debt instruments	19,514	34,493	28,549	-	82,556
Statutory deposits	4,000	-	-	-	4,000
Time deposits	10,000	-	-	-	10,000
Other receivables (excluding prepayments, advances and VAT receivable)	1,260	-	-	-	1,260
Investment contract assets	18,900	-	-	-	18,900
Demand deposits and cash (excluding cash on hand)	-	-	-	6,154	6,154
	<u>53,674</u>	<u>34,493</u>	<u>28,549</u>	<u>26,506</u>	<u>143,222</u>

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

21 Risk management framework *(continued)*

(c) Financial risk management (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's statement of profit or loss based on the interest-bearing financial assets and financial liabilities held at 31 December 2024.

Effect on statement of profit or loss due to change in base points is as follows:

	2024	2023
	AED'000	AED'000
+ 50% change in base points	216	185
- 50% change in base points	(216)	(185)

(iv) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, human error, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

21 Risk management framework *(continued)*

(d) Insurance risk (continued)

Sensitivity of underwriting profit and losses

The underlying risk of any agreed insurance contract is the possibility that the insured event occurs and the level of certainty the insurer can project on any resulting claim. By the nature of an insurance contract, this risk is often random and the amount of payable claim even more unpredictable. Therefore, the Company applies the principle of probability across all pricing and provisioning. Despite this principle the risk that actual claims payments exceed the estimated amount of the insurance liabilities is still ever present due to the uncertainty of the frequency or severity of claims being greater than estimated. Whilst the Company applies the portfolio approach to understand its projected claims, events leading to actual claims vary and therefore profitability is impacted, either positively or negatively on an annual basis.

The Company has an overall risk retention level of 23% (*31 December 2023: 48%*) and this is mainly due to overall low retention levels in commercial lines. Despite these low retention levels on commercial lines, due to the unpredictability in events and their extreme volatility, large events stress the performance of the Company despite transferring risks to other parties. For all lines of business, the Company is adequately covered by excess of loss reinsurance programs to guard against any major financial impact.

The following tables present information on how reasonably possible changes in assumptions made by the Company with regard to underwriting risk variables impact product line insurance liabilities and profit or loss and equity before and after risk mitigation by reinsurance contracts held. The analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions might be correlated.

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

21 Risk management framework (continued)

Insurance risk (continued)

Sensitivity of underwriting profit and losses (continued)

Sensitivities for contracts measured under the GMM at 31 December 2024

	FCF as at 31 December AED'000	CSM as at 31 December AED'000	Total AED'000	Impact on FCF AED'000	Impact on CSM AED'000	Total increase / (decrease) in insurance contract liabilities AED'000	Remaining CSM AED'000	Impact on profit before income tax AED'000
Insurance contract liabilities	4,734	14,307	19,041					
Reinsurance contract assets	(433)	(3,866)	(4,299)					
Net insurance contract liabilities	4,301	10,441	14,742					
Discount rate +1%								
Insurance contract liabilities				(736)	122	(614)	14,429	4,868
Reinsurance contract assets				367	(140)	227	-	(1,885)
Net insurance contract liabilities				(369)	(18)	(387)	14,429	2,983
Discount rate -1%								
Insurance contract liabilities				877	(140)	737	14,167	3,518
Reinsurance contract assets				(450)	162	(288)	(3,704)	1,371
Net insurance contract liabilities				427	22	449	10,463	4,889
Mortality rate+15%								
Insurance contract liabilities				3,905	(2,347)	1,558	11,960	2,698
Reinsurance contract assets				(2,511)	3,568	1,057	(297)	(2,716)
Net insurance contract liabilities				1,394	1,221	2,615	11,663	(18)
Mortality rate-20%								
Insurance contract liabilities				(5,237)	3,622	(1,615)	17,929	5,870
Reinsurance contract assets				3,368	(4,788)	(1,420)	(8,653)	(239)
Net insurance contract liabilities				(1,869)	(1,166)	(3,035)	9,276	5,631

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

21 Risk management framework *(continued)*

Insurance risk (continued)

Sensitivity of underwriting profit and losses (continued)

Sensitivities for contracts measured under the GMM at 31 December 2024

	FCF as at 31 December AED'000	CSM as at 31 December AED'000	Total AED'000	Impact on FCF AED'000	Impact on CSM AED'000	Total increase / (decrease) in insurance contract liabilities AED'000	Remaining CSM AED'000	Impact on profit before income tax AED'000
Surrender rate+50%								
Insurance contract liabilities				(52)	(844)	(896)	13,463	5,151
Reinsurance contract assets				586	(687)	(101)	(4,553)	(1,558)
Net insurance contract liabilities				534	(1,531)	(997)	8,910	3,593
Surrender rate-50%								
Insurance contract liabilities				322	882	1,204	15,189	3,051
Reinsurance contract assets				(983)	1,380	397	(2,485)	(2,056)
Net insurance contract liabilities				(661)	2,262	1,601	12,704	995

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

21 Risk management framework (continued)

Insurance risk (continued)

Sensitivity of underwriting profit and losses (continued)

Sensitivities for contracts measured under the GMM at 31 December 2023

	FCF as at 31 December AED'000	CSM as at 31 December AED'000	Total AED'000	Impact on FCF AED'000	Impact on CSM AED'000	Total increase / (decrease) in insurance contract liabilities AED'000	Remaining CSM AED'000	Impact on profit before income tax AED'000
Insurance contract liabilities	8,666	13,388	22,054					
Reinsurance contract assets	(461)	(3,099)	(3,560)					
Net insurance contract liabilities	8,205	10,289	18,494					
Discount rate +1%								
Insurance contract liabilities				(761)	68	(693)	13,455	1,177
Reinsurance contract assets				297	(25)	272	(3,124)	(419)
Net insurance contract liabilities				(464)	43	(421)	10,331	758
Discount rate -1%								
Insurance contract liabilities				900	(77)	823	13,310	(339)
Reinsurance contract assets				(367)	29	(338)	(3,070)	(191)
Net insurance contract liabilities				533	(48)	485	10,240	(530)
Mortality rate+15%								
Insurance contract liabilities				3,539	(1,940)	1,600	11,448	(1,116)
Reinsurance contract assets				(1,909)	740	(1,169)	(2,359)	1,022
Net insurance contract liabilities				1,630	(1,200)	431	9,089	(94)
Mortality rate-20%								
Insurance contract liabilities				(4,746)	3,096	(1,650)	16,484	2,133
Reinsurance contract assets				2,558	(992)	1,566	(4,091)	(1,713)
Net insurance contract liabilities				(2,188)	2,104	(84)	12,393	420

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

21 Risk management framework *(continued)*

Insurance risk (continued)

Sensitivity of underwriting profit and losses (continued)

Sensitivities for contracts measured under the GMM at 31 December 2023

	FCF as at 31 December AED'000	CSM as at 31 December AED'000	Total AED'000	Impact on FCF AED'000	Impact on CSM AED'000	Total increase / (decrease) in insurance contract liabilities AED'000	Remaining CSM AED'000	Impact on profit before income tax AED'000
Surrender rate+50%								
Insurance contract liabilities				(125)	(482)	(606)	12,906	1,090
Reinsurance contract assets				411	18	429	(3,081)	(576)
Net insurance contract liabilities				286	(464)	(177)	9,825	514
Surrender rate-50%								
Insurance contract liabilities				389	628	1,017	14,016	(534)
Reinsurance contract assets				(715)	118	(597)	(2,981)	451
Net insurance contract liabilities				(326)	746	420	11,035	(83)

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

21 Risk management framework *(continued)*

Insurance risk (continued)

Sensitivity of underwriting profit and losses (continued)

Sensitivities for contracts measured under the PAA

	2024			2023		
	LIC as at 31 December	Impact on LIC	Impact on Liabilities	LIC as at 31 December	Impact on LIC	Impact on Liabilities
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Insurance contract liabilities	21,210			18,145		
Reinsurance contract assets	(29,270)			(28,373)		
Net insurance contract liabilities	<u>(8,060)</u>			<u>(10,228)</u>		
Discount rate +0.5%						
Insurance contract liabilities		21,191	28,053		(72)	(72)
Reinsurance contract assets		(29,228)	(33,352)		186	186
Net insurance contract liabilities		<u>(8,037)</u>	<u>(5,299)</u>		<u>114</u>	<u>114</u>
Discount rate -0.5%						
Insurance contract liabilities		21,229	28,092		72	72
Reinsurance contract assets		(29,312)	(33,436)		(186)	(186)
Net insurance contract liabilities		<u>(8,083)</u>	<u>(5,344)</u>		<u>(114)</u>	<u>(114)</u>
Risk adjustment+5%						
Insurance contract liabilities		21,284	28,147		63	101
Reinsurance contract assets		(29,306)	(33,430)		(27)	(27)
Net insurance contract liabilities		<u>(8,022)</u>	<u>(5,283)</u>		<u>36</u>	<u>74</u>
Risk adjustment-5%						
Insurance contract liabilities		21,136	27,998		(63)	(101)
Reinsurance contract assets		(29,234)	(33,358)		27	27
Net insurance contract liabilities		<u>(8,098)</u>	<u>(5,360)</u>		<u>(36)</u>	<u>(74)</u>

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

21 Risk management framework *(continued)*

Insurance risk (continued)

Sensitivity of underwriting profit and losses (continued)

Sensitivities for contracts measured under the PAA

	2024			2023		
	LIC as at 31 December	Impact on LIC	Impact on Liabilities	LIC as at 31 December	Impact on LIC	Impact on Liabilities
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Loss reserves+5%						
Insurance contract liabilities		22,215	29,078		907	907
Reinsurance contract assets		(29,674)	(33,798)		(1,419)	(1,419)
Net insurance contract liabilities		(7,459)	(4,720)		(512)	(512)
Loss reserves-5%						
Insurance contract liabilities		20,204	27,067		(907)	(907)
Reinsurance contract assets		(28,865)	(32,989)		1,419	1,419
Net insurance contract liabilities		(8,661)	(5,922)		512	512

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

21 Risk management framework *(continued)*

Capital risk management

The solvency regulations identify the required solvency margins to be held in addition to insurance liabilities. The solvency margins (presented in the table below) must be maintained at all times throughout the year. The Company is subject to solvency regulations which it has complied with during the year. The Company has incorporated in its policies and procedures, the necessary tests to ensure continuous and full compliance with such regulations.

The table below summarises the Minimum Capital Requirement, Minimum Guarantee Fund and Solvency Capital Requirement of the Company and the total capital held to meet these required Solvency Margins as defined in the regulations. In accordance with Circular No. CBUAE/BSN/2022/923 of CBUAE dated 28 February 2022, the Company has disclosed the solvency position for the immediately preceding year as the current year solvency position is not finalised.

	31 December 2024	<i>Unaudited</i> 31 December 2023
	AED'000	AED'000
Minimum Capital Requirement (MCR)	100,000	100,000
Minimum Guarantee Fund (MGF)	13,022	16,677
Solvency Capital Requirement (SCR)	25,016	75,291
Basic Own Funds	111,266	111,939
MCR Solvency Margin – Surplus	11,266	11,939
SCR Solvency Margin – Surplus	86,249	95,262
MGF Solvency Margin – Surplus	98,243	36,648

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

22 Fair value of financial instruments

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

22 Fair value of financial instruments (continued)

Financial assets measured at fair value

<i>At 31 December 2024</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
<i>At fair value through profit or loss</i>				
Quoted equities	12,021	-	-	12,021
Quoted debt instruments	3,668	3,789	-	7,457
	<u>15,689</u>	<u>3,789</u>	<u>-</u>	<u>19,478</u>
<i>At fair value through other comprehensive income</i>				
Quoted equities	1,231	-	-	1,231
Mutual funds	-	9,074	-	9,074
Quoted debt instruments	45,883	16,693	-	62,576
Private debt fund	-	-	1,148	1,148
	<u>47,114</u>	<u>25,767</u>	<u>1,148</u>	<u>74,029</u>
	<u>62,803</u>	<u>29,556</u>	<u>1,148</u>	<u>93,507</u>
<i>At 31 December 2023</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
<i>At fair value through profit or loss</i>				
Quoted equities	9,087	-	-	9,087
Quoted debt instruments	3,655	3,780	-	7,435
	<u>12,742</u>	<u>3,780</u>	<u>-</u>	<u>16,522</u>
<i>At fair value through other comprehensive income</i>				
Quoted equities	1,070	-	-	1,070
Mutual funds	-	9,047	-	9,047
Quoted debt instruments	50,382	24,739	-	75,121
Private debt fund	-	-	1,148	1,148
	<u>51,452</u>	<u>33,786</u>	<u>1,148</u>	<u>86,386</u>
	<u>64,194</u>	<u>37,566</u>	<u>1,148</u>	<u>102,908</u>

For investment in private fund, the fair values are based on Net Asset Values (NAV) calculated by the respective fund managers. The valuation of this debt fund qualifies as Level 3 fair value measurement. There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements during the year. Except for the above, management considers that the carrying amounts of financial assets recognised in the financial statements approximate their fair values.

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

23 Segment information

For management purposes, the Company is organised into business units based on their products and services and has two reportable operating segments as follows:

- The medical insurance segment that provides medical cover to policyholders; and
- The life insurance segment offers term life assurance products.

No inter-segment transactions occurred in 2024 and 2023.

Segment statement of income for the year ended 31 December 2024 is presented below:

<i>AED'000</i>	<i>Medical</i>	<i>Life</i>	<i>Total</i>
Insurance revenue	20,319	73,923	94,242
Insurance service expenses	(20,763)	(66,662)	(87,425)
Insurance service result before reinsurance contracts held	(444)	7,261	6,817
Net income from reinsurance contracts held	666	(1,771)	(1,105)
Total insurance service result	222	5,490	5,712
Insurance finance expense	(62)	(1,156)	(1,218)
Reinsurance investment result	-	1,263	1,263
Investment and other income - net			7,865
Other operating expenses			(8,827)
Profit for the year before tax			4,795
Income tax expense			(150)
Profit for the year after tax			4,645

For the year ended 31 December 2023 is presented below:

<i>AED'000</i>	<i>Medical</i>	<i>Life</i>	<i>Total</i>
Insurance revenue	14,933	74,011	88,944
Insurance service expenses	(19,797)	(83,310)	(103,107)
Insurance service result before reinsurance contracts held	(4,864)	(9,299)	(14,163)
Net income from reinsurance contracts held	-	6,665	6,665
Total insurance service result	(4,864)	(2,634)	(7,498)
Insurance finance expense	(30)	(601)	(631)
Reinsurance investment result	-	125	125
Investment and other income - net			4,822
Other expenses			(2,516)
Net loss for the year before and after tax			(5,698)

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

23 Segment information (continued)

Below is the breakup of insurance revenue as per PAA and GMM:

<i>AED' 000</i>	31 December 2024	31 December 2023
Expected claims and expenses excluding investment component over the year excluding loss component	5,609	4,929
Expected release of risk adjustment over the year excluding loss component	448	373
CSM Release	2,703	2,405
Acquisition Expenses recovered from premiums	473	203
Insurance revenue from contracts not measured under the PAA	9,233	7,910
Insurance revenue from contracts measured under the PAA	85,009	81,034
Total Insurance Revenue	94,242	88,944

Insurance and reinsurance assets and liabilities - Applicable to all measurement models as at

31 December 2024

<i>AED'000</i>	<i>Medical</i>	<i>Life</i>	<i>Total</i>
<i>Total assets</i>			
Reinsurance contract assets	2,352	35,340	37,692
Unallocated	-	-	164,701
Total			202,393
<i>Total liabilities</i>			
Insurance contract liabilities	9,458	37,656	47,114
Unallocated	-	-	30,879
Total			77,993

31 December 2023

<i>AED'000</i>	<i>Medical</i>	<i>Life</i>	<i>Total</i>
<i>Total assets</i>			
Insurance contract assets	-	706	706
Reinsurance contract assets	-	34,833	34,833
Unallocated	-	-	158,480
Total			194,019
<i>Total liabilities</i>			
Insurance contract liabilities	6,118	39,386	45,504
Unallocated	-	-	29,198
Total			74,702

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

24 Corporate tax

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal Corporate Tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

Decision No. 116 of 2022 (published in December 2022 and considered to be effective from 16 January 2023) specifies that taxable income not exceeding AED 375,000 would be subject to a 0% UAE CT rate, and taxable income exceeding AED 375,000 would be subject to the 9% UAE CT rate. With the publication of this Decision, the UAE CT Law is considered to have been substantively enacted for the purposes of accounting for Income Taxes.

Subsequently, the UAE CT Law has been supplemented by a number of Decisions of the Cabinet of Ministers of the UAE (Decisions). Such Decisions and other interpretive guidance of the UAE Federal Tax Authority provide important details relating to the interpretation of the UAE CT Law and are required to fully evaluate the impact of the UAE CT Law on the Company.

The Company is subject to the provisions of the UAE CT Law with effect from 1 July 2023, and current taxes have been accounted for as appropriate in the financial statements for the financial year beginning 1 September 2023.

The taxable income of the Company that are in-scope for UAE CT purposes will be subject to the rate of 9% corporate tax.

	31 December 2024	31 December 2023
	AED'000	AED'000
Condensed interim statement of comprehensive income		
Current tax	150	-
Deferred tax	-	-
	150	-

The charge for the year can be reconciled to the profit before tax as follows:

	2024	2023
	AED'000	AED'000
Profit / (loss) before tax	4,795	(5,698)
Tax at the UAE corporate tax rate of 9% (2023: 0%)	432	-
Impact of the initial exempt threshold of AED 375,000	(34)	-
Impact of permanent differences due to exempt income	(256)	-
Impact of disallowed entertainment expenses	8	-
Total tax expense for the year	150	-

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

25 Gross written premiums

Details relating to gross written premium are disclosed below to comply with the requirements of CBUAE and are not calculated as per the requirements of IFRS 17.

Description	Medical Insurance AED'000	Life Insurance AED'000	Total AED'000
Direct written premiums	24,869	75,453	100,322
Assumed business			
- Foreign	-	(289)	(289)
- Local	-	-	-
Total assumed business	24,869	75,164	100,033
Gross written premiums	24,869	75,164	100,033

26 Other operating expenses

	31 December 2024 AED'000	31 December 2023 AED '000
Staff costs	1,507	1,322
Business travel and entertainment	267	29
Communication and IT expenses*	4,622	243
Marketing and advertisement	476	159
Legal and professional expenses	1,033	245
Other expenses	922	518
Total	8,827	2,516

*These expenses include cost written off from the intangible assets (refer note 6).

27 Comparative information

The presentation for the investment contract assets and liabilities have been updated to reflect the requirements of the IFRS accounting standards. Accordingly, following presentation changes have occurred in the comparative statement of financial position:

	As previously presented AED'000	Adjustments AED'000	As currently presented AED'000
Other receivables and prepayments	21,622	(18,900)	2,722
Investment contract assets	-	18,900	18,900
Other payables	27,769	(18,900)	7,869
Investment contract liabilities	-	18,900	18,900

28 Social contributions

The social contribution made during the year amount to AED Nil (31 December 2023: AED Nil).

HAYAH Insurance Company P.J.S.C.

Notes to the financial statements

29 General

These financial statements of the Company were approved for issuance by the Board of Directors on 26 March 2025.