

American Home Assurance Company – Dubai Branch

**Independent auditor's report and financial statements
for the year ended 31 December 2024**

American Home Assurance Company – Dubai Branch

Independent auditor's report and financial statements for the year ended 31 December 2024

	Pages
Independent auditor's report	1 - 3
Statement of financial position	4
Statement of profit or loss and other comprehensive income	5
Statement of changes in Head office account	6
Statement of cash flows	7
Notes to the financial statements	8 - 66

**Independent Auditor's Report
To the Head office of American Home Assurance Company – Dubai Branch****Report on the Audit of the Financial Statements****Opinion**

We have audited the financial statements of American Home Assurance Company – Dubai Branch (the “Branch”) which comprise the statement of financial position as at 31 December 2024, and the statement of profit or loss and other comprehensive income, statement of changes in head office account and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Branch, as at 31 December 2024, and 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 (ISAs). 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 Branch in accordance with the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* (“*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 these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Branch for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on 29 March 2024.

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

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by International Accounting Standards Board (IASB) and their preparation in compliance with the applicable provisions of UAE Federal Decree Law No. (32) of 2021, UAE Federal Decree Law No. 48 of 2023 and the related Financial Regulations for Insurance Companies and Central Bank of the UAE Board of Directors' Decision No. (25) of 2014 pertinent to the 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 Branch'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 the directors either intend to liquidate the Branch or to cease operations, or have no realistic alternative but to do so.

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

Independent Auditor's Report**To the Head office of American Home Assurance Company – Dubai Branch****Report on the Audit of the Financial Statements (continued)****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.
- 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 Branch'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 evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch'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 disclosures are 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 Branch 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 with 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.



Independent Auditor's Report

To the Head office of American Home Assurance Company – Dubai Branch

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Decree Law No. (32) of 2021, we report that for the year ended 31 December 2024:

- 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 Decree Law No. (32) of 2021;
- iii. The Branch has maintained proper books of account in accordance with established accounting principles;
- iv. The Branch has not purchased or invested in any shares during the financial year ended 31 December 2024;
- v. The Branch has not made any social contributions during the financial year ended 31 December 2024;
- vi. Note 14 to the financial statements discloses material related party transactions, and the terms under which they were conducted; and
- 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 Branch has contravened during the financial year ended 31 December 2024 any of the applicable provisions of UAE Federal Decree Law No. (32) of 2021 which would materially affect its activities or its financial position as at 31 December 2024.

Further, as required by the UAE Federal Decree Law No. 48 of 2023 and the related Financial Regulations for Insurance Companies, we report that we have obtained all the required information and explanations we considered necessary for the purpose of the audit

GRANT THORNTON UAE

Osama El-Bakry

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



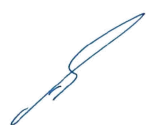
March 29, 2025

American Home Assurance Company – Dubai Branch

Statement of financial position

		As at 31 December 2024 AED	As at 31 December 2023 AED
	Notes		
Assets			
Cash and cash equivalents	5	137,003,477	165,279,399
Prepayments and other receivables	7	25,612,009	26,208,681
Financial investments	12	407,521,362	346,033,439
Reinsurance contract assets	10	518,053,547	440,144,883
Insurance contract assets	9	1,663,984	7,760,917
Property and equipment	8	512,320	641,277
Intangible assets	8	3,638,691	4,678,314
Statutory deposits	6	6,000,000	12,000,000
Total assets		1,100,005,390	1,002,746,910
Liabilities			
Accruals and other payables	13	45,235,797	50,350,278
Income tax payable	1	4,948,713	-
Insurance contract liabilities	9	651,638,718	611,919,815
Reinsurance contract liabilities	10	13,837,013	5,520,075
Provision for employees' end of service benefits	15	10,162,990	12,221,533
Total liabilities		725,823,231	680,011,701
Net assets attributable to the head office			
Reinsurance regulatory reserve		5,482,373	4,123,057
Head office account		368,699,786	318,612,152
		374,182,159	322,735,209

These financial statements were authorised for issue by the management on 29th March 2025 and were signed on their behalf by:



Asif Iqbal
Authorised Signatory

The accompanying notes 1 to 22 form an integral part of these financial statements.

American Home Assurance Company – Dubai Branch

Statement of profit or loss and other comprehensive income

		For the year ended 31 December	
		2024 AED	2023 AED
	Notes		
Insurance revenue	9	352,824,610	355,164,062
Insurance service expenses	9	(264,013,658)	(123,275,826)
Net expenses from reinsurance contracts held	10	(8,946,734)	(150,504,746)
Insurance service result		79,864,218	81,383,490
Interest income from financial assets	18	15,281,130	11,877,540
Net gains on investments in debt securities measured at fair value through other comprehensive income ("FVOCI") reclassified to profit or loss on disposal		1,977,703	2,982,418
Net investment income		17,258,833	14,859,958
Finance income /(expenses) from insurance contracts issued	9	(16,424,860)	(19,048,899)
Finance income /(expenses) from reinsurance contracts held	10	12,093,105	14,037,790
Net insurance finance (expenses) / income		(4,331,755)	(5,011,109)
Net insurance and investment result		92,791,296	91,232,339
Other operating income		2,807,259	2,072,653
Other operating expenses	16	(40,612,853)	(50,261,866)
Profit before tax		54,985,702	43,043,126
Income tax expense for the year	16	(4,948,713)	-
Profit for the year		50,036,989	43,043,126
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of post-employment benefit obligations	15	(76,394)	602,887
Items that are or may be reclassified to subsequently to profit or loss			
Net gains/(losses) on investments in debt securities measured at FVOCI	12	3,464,058	7,787,890
Net gains on investments in debt securities measured at FVOCI reclassified to profit or loss on disposal		(1,977,703)	(2,982,418)
Other comprehensive income/(loss) for the year		1,409,961	5,408,359
Total comprehensive income for the year		51,446,950	48,451,485

The accompanying notes 1 to 22 form an integral part of these financial statements.

American Home Assurance Company – Dubai Branch

Statement of Changes in Head office account For the year ended December 31, 2024

	Head office account*	Reinsurance regulatory reserve	Retained earnings*	Other reserves*	Total
	AED	AED	AED	AED	AED
At January 1, 2023	298,791,061	2,759,561	(31,260)	(8,893,602)	292,625,760
Profit for the year	-	-	43,043,126	-	43,043,126
Transfer to reinsurance regulatory reserve	-	1,363,496	(1,363,496)	-	-
Other comprehensive income for the year	-	-	-	5,408,359	5,408,359
Dividend paid during the year	-	-	(18,342,036)	-	(18,342,036)
At December 31, 2023	298,759,801	4,123,057	23,337,594	(3,485,243)	322,735,209
At January 1, 2024	298,759,801	4,123,057	23,337,594	(3,485,243)	322,735,209
Profit for the year	-	-	50,036,989	-	50,036,989
Transfer to reinsurance regulatory reserve	-	1,359,316	(1,359,316)	-	-
Other comprehensive income for the year	-	-	-	1,409,961	1,409,961
At December 31, 2024	298,759,801	5,482,373	72,015,267	(2,075,282)	374,182,159

*These balances have been presented as part of "Head Office Account" in the statement of financial position.

The accompanying notes 1 to 22 form an integral part of these financial statements.

American Home Assurance Company – Dubai Branch

Statement of cash flows

		For the year ended 31 December	
		2024 AED	2023 AED
	Notes		
Cash flows from operating activities			
Profit for the year before tax		54,985,702	43,043,126
Adjustments for:			
Depreciation and amortization expenses	16	1,383,294	806,720
Interest income from financial assets	18	(15,281,130)	(11,877,540)
Net gains on investments in debt securities measured at fair value through other comprehensive income ("FVOCI") reclassified to profit or loss on disposal		(1,977,703)	(2,982,418)
Provision for employees' end of service benefits	15	2,420,626	2,604,449
Operating cash flows before employees' end of service benefits paid and changes in working capital		41,530,789	31,594,337
Employees' end of service benefits paid	15	(4,555,563)	(732,214)
Changes in working capital balances:			
Changes in insurance contract assets	9	6,096,933	7,236,707
Changes in insurance contract liabilities	9	39,718,903	(18,794,837)
Changes in reinsurance contract assets	10	(77,908,664)	26,022,111
Changes in reinsurance contract liabilities	10	8,316,938	(1,940,125)
Decrease/(increase) in prepayments and other receivables	7	325,278	8,946,123
(Decrease)/increase in accruals and other payables	13	(5,114,481)	(11,342,409)
Net cash generated from operating activities		8,410,133	40,989,693
Investing activities			
Purchases of financial investments	12	(208,037,041)	(107,825,470)
Redemptions of financial investments	12	152,134,734	134,123,643
Purchase of property and equipment	8	(214,714)	(434,700)
Purchases of intangible assets	8	-	(2,907,360)
Release of statutory deposit	6	6,000,000	-
Interest received		13,430,966	11,683,571
Net cash generated from/(used in) investing activities		(36,686,055)	34,639,684
Financing activities			
Dividend paid during the year to the Head Office		-	(18,342,036)
Net cash generated from/(used in) financing activities		-	(18,342,036)
Net (decrease)/increase in cash and cash equivalents		(28,275,922)	57,287,341
Cash and cash equivalents at the beginning of the year		165,279,399	107,992,058
Cash and cash equivalents at the end of the year	5	137,003,477	165,279,399

Non-cash transactions

There were no major non-cash transactions during the years ended 31 December 2024 and 2023.

The accompanying notes 1 to 22 form an integral part of these financial statements.

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024

1 Legal status and principal activities

American Home Assurance Company (“the Company” or “Head office”) is a company incorporated in the State of New York in the United States of America and operates in Dubai, United Arab Emirates (“UAE”) as a Branch (“the Branch”). The ultimate holding company is American International Group Inc (“AIG”). The Branch is licensed by the Central Bank of the UAE (“CBUAE”) and the Department of Economic Development, Government of Dubai, UAE.

The Branch was granted a license to carry out general insurance business which represents its economic activities and operates under commercial license number 613392 and CBUAE (formerly, the IA) license number 79. The Branch commenced operations on 1 May 2009. The principal place of business and registered address of the Branch is The H Hotel – Complex, Trade Center First, 27th Floor, P.O. Box 40569, Dubai, UAE.

On 2 October 2023, the UAE Federal Decree Law No. 48 of 2023 regarding the regulation of Insurance Activities”) was issued and came into effect on 30 November 2023 (“New Insurance Law”) which repealed the UAE Federal Law No. 6 of 2007, as amended. The Companies must within a period not exceeding six months from the date of the enforcement of its provisions from 30 November 2023 (“the transitional period”) comply with the provisions of the UAE Federal Decree Law No 48 of 2023. The Branch complies with the requirements of New Insurance Law.

Corporate income tax

On 9 December 2022, the United Arab Emirates (UAE) Ministry of Finance (“MoF”) released Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law (“CT Law”) to enact a new CT regime in the UAE. The new CT regime has become effective for accounting periods beginning on or after 1 June 2023. As the Branch’s accounting year ends on 31 December, the first tax period will be the period from 1 January 2024 to 31 December 2024, with the respective tax return to be filed on or before 30 September 2025. For the year ended December 31, 2024, current tax has been calculated at 9% on profits, and deferred tax has not been recognized, as the Branch considers the impact of temporary differences to be immaterial.

On 9 December 2024, the UAE Ministry of Finance (MoF) announced further amendments to Federal Decree-Law No.47 of 2022, including the implementation of a Domestic Minimum Top-up Tax (DMTT) and the introduction of certain tax incentives. According to the MoF, these amendments aim to enhance the UAE’s business environment and promote greater compliance with global standards for transparency and fairness. Press reports indicate that the DMTT will impose a minimum effective tax rate of 15% on multinational enterprises (MNEs) with global revenues exceeding Euro 750 million in at least two of the last four financial years, effective from 1 January 2025. The MoF is expected to provide further details on the legislation.

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with IFRS Accounting Standards and interpretations issued by the IFRS Interpretations Committee (“IFRSIC”) applicable to companies reporting under IFRS Accounting Standards and the UAE Federal Decree Law No. 48 of 2023 and UAE Federal Decree Law No.32 of 2021 , and the UAE Insurance Authority Board of Directors’ Decision No (25) of 2014 pertinent to Financial Regulations for Insurance Companies.

(b) Basis of measurement

The Branch is not a separate legal entity but meets the definition of a reporting entity under the Conceptual Framework for IFRS Accounting Standards. All the operating activities of the Branch are clearly defined and separately managed from the other businesses of the Head office and accounting records are maintained on this basis. The assets of the Branch are for the sole use of the Branch and are registered in the name of the Branch. Similarly, the liabilities all relate to the Branch’s activities.

The financial statements have been prepared on a historical cost basis, except for financial investments, which are measured at fair value and the provision for employees’ end of service benefits which are measured using the projected unit credit method under IAS 19. The Branch’s statement of financial position is presented broadly in order of liquidity and is not presented using a current/ non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, prepayments and other receivables and accruals and other payables. The following balances would generally be classified as non-current: net assets attributable to the head office, statutory deposits, property and equipment and intangible assets. The following balances are of mixed nature (including both current and non-current portions): financial investments, provision for employees' end of service benefits, reinsurance contracts assets, insurance contract assets, insurance contract liabilities and reinsurance contract liabilities. The Branch did not issue any equity instruments and thus does not present a statement of changes in equity.

(c) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. In the process of applying the Branch’s accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the financial statements.

Management considers the accounting estimates and assumptions discussed below to be its critical accounting estimates and, accordingly, provides an explanation of each below

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

2 Basis of preparation (continued)

(c) Use of estimates and judgements (continued)

Areas of potential judgement	Applicability to the Branch
Definition and classification – Whether contracts are within the scope of IFRS 17 and, for contracts determined to be within the scope of IFRS 17, what measurement model is applicable	
For insurance contracts with a coverage period of more than one year and for which the Branch applies the Premium Allocation Approach (“PAA”), the eligibility assessment might involve significant judgement.	Contracts measured by the Branch with a coverage period of one year or less are measured under PAA. For groups which contain contracts with a coverage period longer than one year, PAA eligibility is determined by applying a range of future scenarios that the Branch would reasonably expect, within the context of the particular group. The carrying amount of the Liability for Remaining Coverage (“LRC”) at each reporting date under those scenarios is compared between the PAA and the General Measurement Model (“GMM”). The Branch applies judgement in selecting the scenarios for such testing. The Branch has applied such judgement for Extended Warranty, Plus (Extended Warranty) and Energy group of insurance contracts.
Unit of account – (a) Judgements involved in combination of insurance contracts and separation of distinct components	
Separation – whether components are distinct (that is, they meet the separation criteria)	The Branch applied judgement to a limited numbers of commercial property and energy groups of contracts to determine whether survey fees to carry out risk assessment of a physical premise is a separate component. Such fees are incurred even in the absence of the Branch underwriting the risk and hence is assessed as a separate component and out of scope for IFRS 17.
Unit of account – (b) Insurance contracts aggregation	
Judgements involved in the identification of portfolios of contracts, as required by paragraph 14 of IFRS 17 (that is, having similar risks and being managed together).	Not an area of significant judgement for the Branch. The Branch is a multi-line property and casualty insurer where each product line is managed independently. Property and Casualty product lines each have one group consisting of products that have similar risks and are managed together.

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

2 Basis of preparation (continued)

(c) Use of estimates and judgements (continued)

Areas of potential judgement	Applicability to the Branch
Unit of account – (b) Insurance contracts aggregation (continued)	
<p>Aggregation of insurance contracts issued on initial recognition into groups of onerous contracts, groups of contracts with no significant possibility of becoming onerous, and groups of other contracts.</p> <p>Similar grouping assessment for reinsurance contracts held. Areas of potential judgements include:</p> <ol style="list-style-type: none"> the determination of contract sets within portfolios and whether the Branch has reasonable and supportable information to conclude that all contracts within a set would fall into the same group, and judgements might be applied on initial recognition to distinguish between non-onerous contracts (those having no significant possibility of becoming onerous) and other contracts. <p>For contracts measured under the PAA, the assessment of the likelihood of adverse changes in applicable facts and circumstances is an area of potential judgement.</p>	<p>Refer to note 3.3. d for a description of judgements applied by the Branch.</p>
<p>For insurance contracts issued measured under the PAA, management judgement might be required to assess whether facts and circumstances indicate that a group of contracts has become onerous. Further, judgement is required to assess whether facts and circumstances indicate that any changes in the onerous group's profitability and whether any loss component remeasurement is required.</p>	<p>This has been considered and the Branch identified facts or circumstances that indicated that a group of contracts measured under the PAA had become onerous. There were certain Extended Warranty contracts measured by the Branch in 2023 and 2024 under the PAA that were determined to be onerous on initial recognition. The Branch has developed a methodology for identifying indicators of possible onerous contracts, which includes historical combined ratios, expense ratios and budgeted loss ratios. In addition, the Branch has developed models for measuring potential onerous contract losses.</p>

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

2 Basis of preparation (continued)

(c) Use of estimates and judgements (continued)

Areas of potential judgement	Applicability to the Branch
Measurement – Fulfilment cash flows	
<p>The concept of a contract boundary is used to determine which future cash flows should be considered in the measurement of a contract within the scope of IFRS 17. Judgements might be involved to determine when the Branch is capable of repricing the entire contract to reflect the reassessed risks, when policyholders are obliged to pay premiums, and when premiums reflect risks beyond the coverage period.</p> <p>Where features such as options and guarantees are included in the insurance contracts, judgement might be required to assess the Branch's practical ability to reprice the entire contract to determine if related cash flows are within the contract boundary.</p> <p>An entity can use judgement to determine which cash flows within the boundary of insurance contracts are those that relate directly to the fulfilment of the contracts.</p>	<p>No respective judgement is applicable to the Branch for the determination of contract boundary.</p> <p>Refer to note 3.3.f for a description of judgements applied by the Branch for measurement of fulfilment cash flows.</p> <p>The Branch performs regular expense studies and uses judgement to determine the extent to which fixed and variable overheads are directly attributable to fulfilling insurance contracts.</p>
Risk adjustment for non-financial risk	
<p>The risk adjustment represents compensation that is required for bearing uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. Estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Branch's degree of risk aversion. The Branch estimates an adjustment for non-financial risk separately from all other estimates.</p>	<p>The risk adjustment is calculated at the level of all AIG entities in scope of IFRS 17, and then allocated down to the Branch. Each group of insurance contracts of the Branch are assigned a value in accordance with their risk profiles. The gross risk adjustment estimation approach uses a statistical modelling tool to generate an independent risk coefficient of variation (CoV). The CoV is used as inputs and actuarial judgement is exercised to derive the gross risk adjustment for non-financial risk. The gross and ceded risk adjustment is calibrated at a 75% level of sufficiency after considering diversification benefits. The methods and assumptions used to determine the risk adjustment for non-financial risk were not changed in 2023 and 2024.</p>

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

2 Basis of preparation (continued)

(c) Use of estimates and judgements (continued)

Areas of potential judgement	Applicability to the Branch
Estimates of fulfilment cash flows to fulfil insurance contracts	
<p>The cash flows related to the Liability for Incurred Claims (“LIC”) can generally be categorized into two distinct groups. One group is short-tail classes of business consisting mainly of property, consumer lines, marine and energy. The other group is long-tail commercial lines of business consisting of excess and primary liability, Directors and Officers (D&O), professional liability, employers’ liability, general liability and related classes.</p>	<p>Short-tail classes do not have a significant delay from the date of accident to date of report to the Branch and then settled by the Branch. The estimates for these classes are more reliant on the case estimate on individual claims and utilize loss development methodologies in the projection of the future development of these case estimates.</p> <p>Long-tail classes generally relate to coverage where litigation is frequent or where there is an element of bodily injury, especially in situations with long term injury. For these classes it may take some time from the date of accident for the claim to emerge and for claims to be settled from notification date due to the time taken to establish liability. Estimation of ultimate net indemnity losses and loss expenses for long-tail lines of business is a complex process and depends on a number of factors, including the class and volume of business involved as well as the complexity of the individual claim and the uncertainty of the business environment. The actuarial methods used by the Branch for most long-tail commercial lines include loss development methods and expected loss ratio methods, including the Bornhuetter-Ferguson method. Exceptional large claims or events, to the extent that these distort the historical development, are often removed from the analysis and considered separately.</p>
Estimates of expenses-related cash flows	<p>Where estimates of expenses-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis, such as activity-based costing method. The Branch has determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature. Expenses of an administrative policy maintenance nature are allocated to groups of contracts based on the number of contracts in force within groups.</p>
Acquisition cash flows	<p>Acquisition cash flows are typically allocated to groups of contracts based on gross premiums written. This includes an allocation of acquisition cash flows among existing, as well as future, groups of insurance contracts issued.</p>

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

2 Basis of preparation (continued)

(c) Use of estimates and judgements (continued)

Areas of potential judgement	Applicability to the Branch
Estimates of fulfilment cash flows to fulfil insurance contracts (continued)	
Claims settlement-related expenses	Claims related attributable expenses are allocated proportionately to all groups based on earning pattern. Such costs are recorded by the Branch, within claim related cost centres for accurate identification.
Liability for unpaid claims and loss adjustment expenses	<p>Provision is made at the year-end for the estimated cost of claims incurred but not settled at the reporting date. The liability for outstanding claims includes the cost of claims reported but yet to be paid, claims incurred but not reported ('IBNR'), and the estimated expenses to be incurred in settling claims.</p> <p>The process of establishing liability estimates is subject to considerable variability as it requires the use of informed estimates and judgments. These estimates and judgments are based on numerous factors and may be revised as additional experience becomes available or as regulations change. The Branch takes all reasonable steps to ensure that it has appropriate information regarding the risk of major storm, tempest and flood scenarios that exist in the UAE to estimate its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the outcome will prove to be different from the original liability established.</p> <p>The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims, where more information about the claim event is available. Classes of business which have a longer reporting tail and where the IBNR proportion of the total reserve is therefore high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty in estimating these liabilities. For the short-tailed classes, claims are typically reported soon after the claim event and tend to display less variation. In calculating the required levels of provisions, the Branch uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience.</p>

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

2 Basis of preparation (continued)

(c) Use of estimates and judgements (continued)

Areas of potential judgement	Applicability to the Branch
Estimates of fulfilment cash flows to fulfil insurance contracts (continued)	
Liability for unpaid claims and loss adjustment expenses (continued)	<p>In arriving at booked claims provisions, management also make allowance for changes or uncertainties which may create distortions in the underlying statistics, or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:</p> <ul style="list-style-type: none"> • changes in patterns of claim incidence, reporting, processing, finalisation and payment. • changes in the legal environment. • the impact of inflation (both economic/wage and superimposed). • changes in the mix of business. • the impact of large losses. • the effects of inflation. • movements in industry benchmarks. • medical and technological developments; and • changes in policyholder behaviour. <p>The methods used to analyse past claim experience and to project future claim experience are largely determined by the available data and the nature of the portfolio. The projections given by the different methodologies assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.</p> <p>Large claims impacting each relevant business class are generally assessed separately, being measured on a case-by-case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.</p> <p>Incurred claims are calculated gross of reinsurance. A separate estimate is made of the amounts recoverable from reinsurers and third parties under reinsurance contracts.</p>

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

2 Basis of preparation (continued)

(c) Use of estimates and judgements (continued)

Areas of potential judgement	Applicability to the Branch
Estimates of fulfilment cash flows to fulfil insurance contracts (continued)	
Discount rates The LIC and AIC (“Asset for incurred claims”) for reinsurance contracts held are discounted where applicable.	<p>The Branch will apply a bottom-up approach to derive the discount rates applied to its insurance contracts based on the risk-free rates for the currency of each insurance contract with an illiquidity adjustment to adjust the risk-free yield curves (which requires interpolation between market observable points between the current date and the last observable point, and extrapolation beyond the last observable point) to reflect the illiquid nature of the insurance contracts. The illiquidity adjustment takes into account the difference between the liquidity characteristics of the group of insurance contracts and the liquidity characteristics of the assets used to determine the yield curve.</p> <p>Discount Rate (Bottom-up) = Risk-free yield curve + illiquidity premium. The Branch considers the following two bases for defining the risk-free yield curve:</p> <ul style="list-style-type: none"> - Government bond yields (USD risk free rates); and - Inter-bank swaps. <p>For bottom-up approach, observable market information is available for up to 25 years.</p>

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

31 December 2024						
	1 year	2 years	3 years	5 years	10 years	25 years
Risk free rate	4.35%	4.52%	4.59%	4.75%	5.38%	5.91%
Country risk premiums	0.72%	0.72%	0.72%	0.72%	0.72%	0.72%
Illiquidity premium	0.19%	0.26%	0.31%	0.36%	0.70%	0.94%
Total	5.07%	5.24%	5.31%	5.47%	6.10%	7.57%

31 December 2023						
	1 year	2 years	3 years	5 years	10 years	25 years
Risk free rate	4.98%	4.48%	4.31%	4.18%	4.62%	5.14%
Country risk premiums	0.72%	0.72%	0.72%	0.72%	0.72%	0.72%
Illiquidity premium	0.19%	0.26%	0.31%	0.36%	0.70%	0.00%
Total	5.70%	5.20%	5.03%	4.90%	5.34%	5.86%

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

3 Summary of material accounting policies

The material accounting policies applied in the preparation of these financial statements are summarised below. These policies have been consistently applied to each of the years presented, unless otherwise presented.

3.1 New and revised IFRS Accounting Standards and interpretations applied on the financial statements.

Amendment to IAS 1 – Non-current liabilities with covenants (Effective for annual periods beginning on or after 1 January 2024) - These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements (Effective for annual periods beginning on or after 1 January 2024 (with transitional reliefs in the first year)) - These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a Branch's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investor' analysis.

The above new and revised IFRS Accounting Standards and interpretations applied, did not have a material impact on these financial statements.

3.2 New and revised IFRS Accounting Standards issued but not yet effective and not early adopted

Amendments to IAS 21 – Lack of exchangeability (Effective for annual periods beginning on or after 1 January 2025 (early adoption is available)) – An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments (Effective for annual periods beginning on or after 1 January 2026) –

These amendments include: (a) clarification of the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system. (b) clarification and addition of further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion. (c) addition of new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets). (d) update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

3 Summary of material accounting policies (continued)

3.2 New and revised IFRS Accounting Standards issued but not yet effective and not early adopted (continued)

IFRS 19 Subsidiaries without Public Accountability: Disclosures (Effective for annual periods beginning on or after 1 January 2027) - IFRS 19 works alongside other IFRS Accounting Standards. An eligible subsidiary applies the requirements in other IFRS Accounting Standards except for the disclosure requirements and instead applies the reduced disclosure requirements in IFRS 19. IFRS 19's reduced disclosure requirements balance the information needs of the users of eligible subsidiaries' financial statements with cost savings for preparers. IFRS 19 is a voluntary standard for eligible subsidiaries.

Presentation and disclosures in financial statements (IFRS 18) (Effective for annual periods beginning on or after 1 January 2027) – The new standard contains requirements for all entities applying IFRS Accounting Standards for the presentation and disclosure of information in financial statements.

The Branch has not early adopted new and revised IFRS Accounting Standards that have been issued but are not yet effective. Management anticipates that these amendments will be adopted in the financial statements in the initial period when they become mandatorily effective. The impact of these standards and amendments are not expected to have a material impact on the Branch's financial statements.

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

3 Summary of material accounting policies (continued)

3.3 Accounting policies for insurance and reinsurance contracts

The Branch's material accounting policies for insurance and reinsurance contracts are set out in the below note.

(a) Summary for measurement approach

The Branch applies the simplified measurement model, the Premium Allocation Approach ("PAA") to all the insurance contracts it issues and reinsurance contracts that it holds. The Branch issues general insurance products to individuals and companies. The insurance contracts include Accident & Health – Miscellaneous, Accident & Health Group, Accident & Health Individual Travel, Commercial Property, Commercial Auto, Cyber, Energy, Excess Casualty, Extended Warranty, Fidelity, Marine, Miscellaneous Financial Lines, Management Liability Commercial, Management Liability Fidelity, Personal Consumer Group, Personal Auto, Personal Property, Professional Indemnity, Primary Casualty, Small Business Solutions ("SBS") – Casualty, Small Business Solutions – Property, Trade Credit, Plus (Extended Warranty) and Workmen Compensation. These products offer protection of a policyholder's assets and indemnification of other parties that have suffered damage as a result of a policyholder's accident. The reinsurance contracts include quota share proportional treaty, facultative reinsurance arrangement and accident year stop loss reinsurance arrangement.

(b) Definition and classification

A contract is recognized as an insurance contract if it involves the assumption by the Branch of significant insurance risk. Insurance risk is transferred to the Branch where it agrees to compensate a policyholder if a specified uncertain future event, other than those caused by changes in a financial variable such as interest and foreign exchange rates, adversely affects the policyholder. In making this assessment all substantive rights and obligations including those arising from law and regulation are considered on a contract-by-contract basis. The Branch uses judgement to assess whether a contract transfers insurance risk (i.e., if there is a scenario with commercial substance in which the Branch has the possibility of a loss on a present value basis) and whether the insurance risk accepted is significant. Once a contract has been classified as an insurance contract, it remains an insurance contract until derecognized even if the insurance risk becomes insignificant during this period. In the ordinary course of business, the Branch places reinsurance with affiliated and unaffiliated reinsurance companies to manage exposures by limiting its maximum net loss arising from large risks or catastrophic events and protect the capital position of the Branch. A reinsurance contract is deemed to transfer significant insurance risk if it transfers to the reinsurer substantially all the insurance risk from the reinsured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss. Contracts that have a legal form of insurance but do not transfer significant insurance risk and expose the Branch to financial risk are classified as investment contracts, and they follow financial instruments accounting under IFRS 9. The Branch does not have such investment contracts.

A variety of traditional reinsurance products are used in connection with the Branch's risk management strategy. These products include quota share reinsurance and accident year stop loss reinsurance contracts, which are designed to limit exposure to potentially substantial losses which cover all lines of business. Facultative reinsurance is also used to manage large policy specific individual risk exposures. All references to 'insurance contracts' in these financial statements apply equally to insurance contracts issued or acquired (including assumed reinsurance contracts from reinsurance and insurance companies) and reinsurance contracts held, unless specifically stated otherwise.

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

3 Summary of material accounting policies (continued)

3.3 Accounting policies for insurance and reinsurance contracts (continued)

(c) Combination and separation of insurance contracts

Before measuring an insurance contract under the requirements of IFRS 17, the Branch evaluates whether the contract contains components that should be separated. IFRS 17 distinguishes the following categories of non-insurance components that are required to be identified and accounted for separately:

- Cash flows related to embedded derivatives identified and, where applicable, measured applying IFRS 9.
- Cash flows related to distinct investment components measured applying IFRS 9; and
- Promises to transfer distinct goods or non-insurance services, measured applying IFRS 15, Revenue from Contracts with Customers (“IFRS 15”).

The Branch applies IFRS 17 to all remaining components of the contract that are not separated. Where multiple insurance components are incorporated into a single contract, these multiple insurance components are measured separately where facts and circumstances indicate that separation more appropriately reflects the economic substance of the contract.

A limited number of Energy and Commercial Property insurance contracts contain survey fees arrangements where the Branch will recoup the cost of performing risk assessment irrespective of the risk being accepted. The Branch assessed such fees be highly independent of the insurance component; as a result, they are considered separate non-insurance components and are accounted for separately. Such fees are recognised as per IFRS 15. Where a set or series of insurance contracts is issued to the same or a related counterparty and achieves, or is designed to achieve, an overall commercial effect, the Branch combines the set or series of contracts to reflect the economic substance of the individual contracts. The Branch does not have any contracts that require further separation or combination of insurance contracts.

(d) Unit of account

The Branch identifies portfolios by aggregating insurance contracts that are subject to similar risks and managed together. In grouping insurance contracts into portfolios, the Branch considers the similarity of risks rather than the specific labelling of product lines. The Branch 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 groups 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.

For each portfolio of contracts, the Branch determines the appropriate level at which reasonable and supportable information is available to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts. The Branch uses significant judgement to determine at what level of granularity the Branch has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

The Branch combines its direct and inward business into groups as the risk profile of such business is similar. Management uses judgement in establishing its various groups, the drivers considered include the lines of businesses, that it insures.

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

3 Summary of material accounting policies (continued)

3.3 Accounting policies for insurance and reinsurance contracts (continued)

(d) Unit of account (continued)

For contracts measured using the PAA, the Branch assumes that no such contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. For non-onerous contracts, the Branch assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Branch aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of: (i) contracts for which there is a net gain at initial recognition, if any; (ii) contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and (iii) remaining contracts in the portfolio, if any. Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis. The Branch tracks internal management information reflecting historical experiences of such contracts' performance. This information is used for setting pricing of these contracts such that they result in reinsurance contracts held in a net cost position without a significant possibility of a net gain arising subsequently.

(e) Recognition and derecognition

The Branch initially recognizes a group of insurance contracts issued from the earlier of the following:

- The beginning of the coverage period;
- The date when the first payment from a policyholder in the group becomes due or, if there is no due date, actually received; and
- The date when the Branch determines that the group becomes onerous.

The Branch recognizes a group of reinsurance contracts held that cover losses of separate (underlying) insurance contracts on a proportionate basis (proportionate or quota share reinsurance) at the later of:

- The beginning of the coverage period of the group of reinsurance contracts held; or
- The date of initial recognition of any underlying insurance contract.

A group of reinsurance contracts held that cover aggregate losses from underlying contracts in excess of a specified amount (non-proportionate reinsurance contracts, such as accident year stop loss reinsurance) is recognized at the beginning of the coverage period of the group of reinsurance contracts held, unless the Branch entered into the reinsurance contract held at or before the date when an onerous group of underlying contracts is recognised prior to the beginning of the coverage period of the group of reinsurance contracts held, in which case the reinsurance contract held is recognised at the same time as the group of underlying insurance contracts is recognised. Only contracts that individually meet the recognition criteria at the reporting date are included within the groups. Where contracts meet the recognition criteria after the reporting date, they are added to groups in the reporting period in which the recognition criteria are met, subject to meeting the annual cohorts' requirements. The composition of groups is not reassessed in subsequent periods.

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

3 Summary of material accounting policies (continued)

3.3 Accounting policies for insurance and reinsurance contracts (continued)

(e) Recognition and derecognition (continued)

Accounting for contract modification and derecognition

An insurance contract is derecognized when:

- it is extinguished (i.e., when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- the contract is modified, subject to certain conditions discussed below being met.

Where the terms of a contract are modified by agreement between the parties to the contract or by a change in regulation, the Branch accounts for any changes in expected fulfilment cash flows (“FCF”) as a change in estimates unless any of the following conditions are present, in which case the Branch derecognizes the original contract and treats the modified contract as a new contract. The relevant conditions are that:

- a) If the modified terms had been included in the contract at its inception and the Branch would have concluded that:
 - i. The modified contract would not have been within scope of IFRS 17.
 - ii. The Branch would have separated different components from the host contract, resulting in different insurance components to which IFRS 17 is applied.
 - iii. The modified contract would have a different contract boundary; or
 - iv. The modified contract would have been in a different group.
- b) The original contract was accounted for under the PAA, but the modifications mean that the contract no longer meets the eligibility criteria for that approach.

When a new contract is required to be recognised as a result of modification and it is within the scope of IFRS 17, the new contract is recognised from the date of modification and is assessed for, amongst other things, contract classification, component separation requirements and contract aggregation requirements.

When an insurance contract accounted for under the PAA is derecognised, adjustments to remove related rights and obligations to account for the effect of the derecognition result in the following amounts being charged immediately to profit or loss:

- i. if the contract is extinguished, any net difference between the derecognised part of the LRC of the original contract and any other cash flows arising from extinguishment.
- ii. if the contract is transferred to the third party, any net difference between the derecognised part of the LRC of the original contract and the premium charged by the third party; or
- iii. if the original contract is modified resulting in its derecognition, any net difference between the derecognised part of the LRC and the hypothetical premium that the Branch would have charged if it had entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

3 Summary of material accounting policies (continued)

3.3 Accounting policies for insurance and reinsurance contracts (continued)

(f) Measurement

Fulfilment cash flows (“FCF”) within the contract boundary

The FCF are current estimates of all the future cash flows within the boundary of a group of contracts that the Branch expects to collect from premiums and disburse for claims and related expenses, adjusted 32

to reflect the timing and uncertainty of those amounts.

The estimates of fulfilment cash flows are:

- A probability weighted mean of the full range of expected outcomes;
- Reflective of the perspective of the Branch, if estimates of any relevant market variables are consistent with observable market prices for those variables.
- Current, reflecting conditions existing at the measurement date; and
- Explicit – the Branch estimates the adjustment for non-financial risk separately from other estimates. Cash flows are also estimated separately from the adjustment for the time value of money and financial risk, except where the most appropriate measurement technique combines these estimates.

The estimates for fulfilment cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent that financial risks are not included in the estimates of fulfilment cash flows. The discount rates applied to the fulfilment cash flows:

- Reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts.
- Are consistent with observable current market prices (where available) for financial instruments with cash flows with characteristics similar to those of the insurance contracts, including in terms of timing, currency and liquidity; and
- Excludes the effect of factors that influence the observable market prices but that do not impact the fulfilment cash flows of the insurance contracts.

An explicit risk adjustment for non-financial risk is estimated separately from other components of measurement. For contracts measured under the PAA, provided the contracts are not onerous, the explicit risk adjustment for non-financial risk is only estimated for the Liability for incurred claims (“LIC”).

Risk of the Branch’s non-performance is not included in the measurement of the groups of contracts issued.

In the measurement of reinsurance contracts held, the present value of the probability weighted mean of fulfilment cash flows includes an allowance for potential credit losses and other disputes of the reinsurers to reflect the non-performance risk of the reinsurers.

The Branch uses consistent assumptions to measure the estimates of the present value of the fulfilment cash flows for groups of reinsurance contracts held as for the estimates for the groups of underlying insurance contracts.

The Branch estimates certain FCF at the portfolio level or higher and then allocates such estimates to groups of contracts.

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

3 Summary of material accounting policies (continued)

3.3 Accounting policies for insurance and reinsurance contracts (continued)

(f) Measurement (continued)

Contract boundary

The measurement of a group of insurance contracts includes all the cash flows within the boundary of each contract in the group. The assessment of the contract boundary is reviewed every reporting period.

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Branch can compel the policyholder to pay premiums or the Branch has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- a) The Branch has the practical ability to reprice the risks of the policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- b) Both of the following criteria are satisfied:
 - i. The Branch has the practical ability to reassess the risks of the portfolio of insurance contracts that contains the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; or
 - ii. The pricing of the premiums up to the date when the risks are reassessed does not consider the risks that relate to periods after the reassessment date.

In assessing the practical ability to reprice, the Branch considers all risks transferred from the policyholder to the Branch, such as insurance risk and financial risk; with other non-policyholder risks, such as lapse or surrender and expense risk, being excluded.

Cash flows outside of the boundary of the insurance contract are excluded from measurement. These cash flows relate to future insurance contracts.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Branch that exist during the reporting period in which the Branch is compelled to pay amounts to the reinsurers or in which the Branch has a substantive right to receive insurance contract services from the reinsurers.

The Branch's quota share reinsurance contracts held have an unlimited duration but are cancellable for new business giving to the reinsurer at least 90 days written notice by certified mail, or at any time upon mutual consent of the parties. Similarly, the Branch's accident year stop loss reinsurance is cancellable from the anniversary date of the contract thereby compelling the Reinsurer to provide services for 12 months. This cancellation period is included within the contract boundary of the reinsurance contracts. Estimates of fulfilment cash flows arising from all underlying contracts either: issued at the reporting date; or, expected to be issued during the cancellation period after the reporting date, are included in each of the reinsurance contracts' measurement.

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

3 Summary of material accounting policies (continued)

3.3 Accounting policies for insurance and reinsurance contracts (continued)

(f) Measurement (continued)

Contract boundary (continued)

The accident year stop loss reinsurance contracts held provide coverage for claims incurred during an accident year. Therefore, all cash flows arising from claims incurred and expected to be incurred in the accident year are included in the measurement of the reinsurance contracts held.

Cash flows that are not directly attributable to a portfolio of insurance contracts, such as some product development and training costs, are recognised in “other operating expenses” as incurred.

Insurance acquisition cash flows

Insurance acquisition cash flows represent cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued). Insurance acquisition cash flows are allocated to groups of insurance contracts on a systematic and rational basis.

Such costs include:

- Costs directly attributable to individual contracts and groups of contracts; and
- Costs directly attributable to the portfolio of insurance contracts to which the group belongs.

Where insurance acquisition cash flows have been paid or incurred prior to the recognition of the related group of insurance contracts in the statement of financial position, a separate asset for insurance acquisition cash flows is recognized for each related group.

An asset for insurance acquisition cash flows is derecognized and included in the measurement of the group of insurance contracts when the group to which they are allocated is initially recognized. Where, in a reporting period, the Branch only recognizes some of the insurance contracts expected to be included in the group, the Branch determines the related portion of the asset for insurance acquisition cash flows for the group on a systematic and rational basis, taking into consideration the expected timing of recognition of contracts in the group. The Branch derecognizes that portion and includes it in the measurement of the group of insurance contracts.

At the end of each reporting period, the Branch assesses the recoverability of any asset for insurance acquisition cash flows. If facts and circumstances indicate that the asset may be impaired, the Branch adjusts the carrying amount of the asset and recognizes an impairment loss in the statement of profit or loss. To the extent that an impairment condition no longer exists or has improved, the Branch recognizes a reversal of some or all of an impairment previously recognized and increases the carrying amount of the asset.

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

3 Summary of material accounting policies (continued)

3.3 Accounting policies for insurance and reinsurance contracts (continued)

(f) Measurement (continued)

Insurance acquisition cash flows (continued)

The recoverability assessment is performed in two steps, as follows:

1. an impairment loss is recognised to the extent that the carrying amount of each asset for insurance acquisition cash flows exceeds the expected net cash inflow as determined by the FCF as at initial recognition for the related group of insurance contracts;
2. in addition, when insurance acquisition cash flows directly attributable to a group of contracts are allocated to groups that include expected contract renewals, such insurance acquisition cash flows should not exceed the expected net cash inflow from the expected renewals as determined by the FCF as at initial recognition for the expected renewals; an impairment loss is recognised for the excess to the extent not recognised in step (1) above.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation the Branch requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the Branch fulfils its insurance contracts. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Branch to the reinsurer. The Branch presents the entire change in risk adjustment as part of insurance service results. The methodology and assumptions used to determine the risk adjustments are disclosed in note 2c of the financial statements.

(g) **Initial and subsequent measurement – groups of contracts measured under the PAA.**

The Branch uses the PAA for measuring insurance and reinsurance contracts where:

- The coverage period of the contracts is one year or less.
 - Which include the following types of insurance contracts: Accident & Health – Miscellaneous, Accident & Health Group, Accident & Health Individual Travel, Commercial Auto, Cyber, Marine, Personal Consumer Group, Personal Auto, Personal Property, SBS – Property, Trade Credit, and reinsurance contracts which include quota share proportional and accident year stop loss
- or
- The Branch has determined that the Liability for Remaining Coverage (“LRC”) measured under the PAA for a group of insurance contracts would not differ materially from the LRC measured under the GMM which include Energy, Extended Warranty, Plus (Extended Warranty), Miscellaneous Financial Lines, Management Liability Commercial, Management Liability Fidelity, Fidelity, Professional Indemnity, Primary Casualty, SBS – Casualty, Excess Casualty, Workmen Compensation, Commercial Property.

For insurance contracts issued, insurance acquisition costs allocated to a group are deferred and recognized over the coverage period of the contracts in a group. For reinsurance contracts held reinsurance commission is recognised over the coverage period of contracts in a group.

Initial recognition

For insurance contracts issued, the Branch measures the LRC for the group of insurance contracts:

- a) at the amount of premiums received, if any, in cash; plus/less
- b) any insurance acquisition cash flows at that date.
- c) any amounts arising from the derecognition at that date of:
 - (i) any asset for insurance acquisition cash flows; and
 - (ii) any other asset or liability previously recognized for cash flows related to the group of contracts.

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

3 Summary of material accounting policies (continued)

3.3 Accounting policies for insurance and reinsurance contracts (continued)

(g) Initial and subsequent measurement – groups of contracts measured under the PAA (continued)

Initial recognition (continued)

The Branch does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money, because insurance premiums are due within the coverage period of contracts, which is generally one year or less. There are no investment components within insurance contracts issued and reinsurance contracts held that are measured under the PAA. For reinsurance contracts held, the asset for remaining coverage is measured at the amount of ceding premiums paid, less ceding commission received from the reinsurer and any amounts arising from the derecognition of any other relevant pre-recognition cash flows.

Subsequent measurement

For insurance contracts issued, the carrying amount of a group of insurance contracts at the reporting date is the sum of:

- a) The Liability for Remaining Coverage (“LRC”), measured as discussed below: and
- b) The Liability for Incurred Claims (“LIC”), comprising the Fulfilment Cash Flows (“FCF”) related to past service allocated to the group at the reporting date.

At each subsequent reporting date, the LRC for a group of insurance contracts is comprised of:

- a) The amount of the LRC at the beginning of the period; plus
- b) Premiums received in cash during the period, less.
- c) Insurance acquisition cash flows paid during the period; less.
- d) Amount of expected premiums recognised as insurance revenue for services provided in the period; plus.
- e) Amortization of insurance acquisition cash flows recognized as insurance service expenses or services provided in the period; plus, or minus.
- f) Losses on onerous contracts and reversal of those losses.

For reinsurance contracts held, the carrying amount of a group of insurance contracts at the reporting date is the sum of:

- a) The remaining coverage: and
- b) The Asset for Incurred Claims (“AIC”), comprising the FCF related to past service allocated to the group at the reporting date.

At each subsequent reporting date, the Asset for Remaining Coverage (“ARC”) for a group of reinsurance contracts held is comprised of:

- a) The amount of the remaining coverage at the beginning of the period; plus
- b) Ceding premiums paid net of ceding commissions received in cash during the period; less.
- c) Amounts of ceding premiums net off ceding commissions earned are recognized as reinsurance expenses for services received in the period.

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

3 Summary of material accounting policies (continued)

3.3 Accounting policies for insurance and reinsurance contracts (continued)

(g) Initial and subsequent measurement – group of contracts measured under the PAA (continued)

Subsequent measurement (continued)

The Branch measures the liability for incurred claims for the group of insurance contracts at the fulfilment cash flows relating to incurred claims. Fulfilment cash flows are adjusted for the time value of money where typically the settlement period is over one year. However, the Branch applies time value of money to the cash flows within LIC irrespective of the settlements. The LIC includes the Branch's liability to pay valid claims for insured events that have already incurred, other incurred insurance expenses arising from past coverage service and the liability for claims incurred but not yet reported. It also includes the Branch's liability to pay amounts the Branch is obliged to pay the policyholder under the contract. This includes repayment of investment components when a contract is derecognised if any. The current estimate of LIC comprises the fulfilment cash flows related to current and past service allocated to the Branch at the reporting date and risk adjustment for non-financial risk.

Onerous contracts

Where a group of insurance contracts is onerous, either at initial recognition or subsequently, the Branch increases the carrying amount of the LRC to be equivalent to the FCF determined under the GMM, with the increase recognized immediately in insurance service expenses and presented as a loss component of the LRC for the group. In subsequent periods, the Branch amortizes the loss component of the LRC, decreasing insurance service expenses. The reversal of the loss component is based on the passage time over the remaining coverage period of contracts included within the onerous group. Where facts and circumstances indicate that the expected profitability of the onerous group during the remaining coverage period has changed, the Branch remeasures the FCF, applying the principles of the GMM, and recognizes any change in the FCF by adjusting the loss component until the loss component is reduced to zero.

When a loss is recognised on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group, the carrying amount of the asset for remaining coverage for reinsurance contracts held measured under the PAA is increased by the amount of income recognised in profit or loss and a loss-recovery component is established or adjusted for the amount of income recognised. The referred income is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Branch expects to recover from the reinsurance contract held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts. When underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, the Branch applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

When a loss is recognized on initial recognition of an onerous group of underlying insurance contracts, the Branch adjusts the carrying amount of the asset for remaining coverage by the amount of income recognized in profit or loss and establishes or adjusts a loss-recovery component of the asset for remaining coverage (ARC) for income recognized.

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

3 Summary of material accounting policies (continued)

3.3 Accounting policies for insurance and reinsurance contracts (continued)

(h) Amounts recognized in total comprehensive income

➤ Insurance service result from insurance contracts issued

Insurance revenue

As the Branch provides insurance contract services under the group of insurance contracts, it reduces the LRC 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 Branch expects to be entitled to in exchange for those services. For groups of contracts measured under the PAA, the Branch allocates expected premium receipts and recognizes insurance revenue during the coverage period based on the passage of time, unless the expected pattern of release from risk during the coverage period differs significantly from the passage of time (extended warranty, plus (extended warranty) and energy), in which case the allocation is made on the basis of the expected timing of incurred insurance service expenses.

➤ Insurance service expenses

Insurance service expenses include the following:

- a) incurred claims and benefits,
- b) other incurred directly attributable expenses, including amounts of any other pre-recognition cash flows assets (other than insurance acquisition cash flows) derecognised at the date of initial recognition if any.
- c) insurance acquisition cash flows amortisation.
- d) changes that relate to past service – changes in the FCF relating to the LIC.
- e) changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses; and
- f) insurance acquisition cash flows assets impairment, net of reversals; if any

For contracts measured under the PAA, amortization of insurance acquisition cash flows is based on the passage of time. Other expenses not meeting the above categories are included in 'other operating expenses' in the statement of profit or loss and other comprehensive income.

➤ Net expenses from reinsurance contracts held

The financial performance of groups of reinsurance contracts held is presented on a net basis comprising:

- a) reinsurance expenses.
- b) incurred claims recovery,
- c) changes that relate to past service – changes in the FCF relating to incurred claims recovery.
- d) effect of changes in the risk of reinsurers' non-performance, if any; and
- e) Income on initial recognition of onerous underlying contracts.

Reinsurance expenses are recognized similarly to insurance revenue. The amount of reinsurance expenses recognized in the reporting period depicts the transfer of reinsurance services received at an amount that reflects the portion of ceding premium the Branch expects to pay in exchange for those services. For groups of reinsurance contracts held measured under the PAA, the Branch recognizes reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses. Ceding commissions that are contingent on claims of the underlying contracts issued reduce incurred claims recovery.

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

3 Summary of material accounting policies (continued)

3.3 Accounting policies for insurance and reinsurance contracts (continued)

(h) Amounts recognized in total comprehensive income (continued)

➤ Insurance finance income or expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

For groups of insurance contracts measured under the PAA, the main amounts within insurance finance income or expenses are:

- Interest accreted on LIC and AIC.
- The effect of changes in interest rates and other financial assumptions; and
- Foreign exchange differences arising from contracts denominated in a foreign currency; if any.

The Branch includes all insurance finance income or expense for the year in profit or loss and does not apply the other comprehensive income (“OCI”) option.

3.4 Accounting policies for financial instruments

Financial assets at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in Other Comprehensive Income (OCI). Interest income and foreign exchange gains and losses are recognized in the statement of profit or loss.

For an equity investment that is not held for trading, the Branch may irrecoverably elect to present subsequent changes in fair value in OCI. This election is made on an instrument-by-instrument basis on initial recognition.

The Branch classifies its financial instruments into the following categories:

Type of financial instrument	Classification	Reason
Corporate and government bonds	FVOCI	Cash flows represent SPPI; hold to collect and sell business model;
Cash and cash equivalents	Amortised Cost (“AC”)	Cash flows represent SPPI; hold to collect business model
Statutory deposits	Amortised Cost	Cash flows represent SPPI; hold to collect business model
Other receivables	Amortised Cost	Cash flows represent SPPI; hold to collect business model
Other payables	Amortised Cost	Mandatory

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

3 Summary of material accounting policies (continued)

3.4 Accounting policies for financial instruments (continued)

Financial instruments comprise of financial assets and financial liabilities. Financial assets include statutory deposits, cash and cash equivalents, financial investments and other receivables. Financial liability consists of other payables. The fair values of the financial assets and liability are not materially different from their carrying values due to their short-term nature.

a) Investments and other financial assets

(i) Classification

The Branch classifies its financial assets in the following measurement categories:

- those to be measured at Fair value through other comprehensive income (“FVOCI”)
- those to be measured at Amortised cost (“AC”)

The classification depends on the Branch’s business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value through profit or loss, gains and losses will be recorded in profit or loss. The Branch reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade date, the date on which the Branch commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Branch has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Branch measures a financial asset at its fair value plus, transaction costs that are directly attributable to the acquisition of the financial asset.

Debt investments are those financial instruments that meet the definition of a financial liability from the issuer’s perspective, such as government bonds and corporate debt. Subsequent measurement of debt instruments depends on the Branch’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories for the debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is calculated using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the statement of profit or loss together with foreign exchange gains and losses. Impairment losses are included within the statement of profit or loss. This is applicable to the Branch.

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

3 Summary of material accounting policies (continued)

3.4 Accounting policies for financial instruments (continued)

a) Investments and other financial assets (continued)

(ii) Recognition and derecognition (continued)

Measurement (continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income, amortisation of premiums/discount and foreign exchange gains and losses which are recognised in statement of profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to the statement of profit or loss. Interest income from these financial assets is included in "interest income from financial assets" using the effective interest rate method. This is applicable to the Branch.
- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in the statement of profit or loss in the period in which it arises. The Branch does not have any financial assets measured at FVTPL.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash, and which are subject to an insignificant risk of change in value.

Statutory deposits

Statutory deposits are initially measured at fair value of consideration transferred and subsequently measured at amortised cost. Deposits held with banks are within the scope of IFRS 9 expected credit loss calculation for the assessment of impairment.

Other receivables

Other receivables are recognised initially at fair value and subsequently are measured at amortised cost using the effective interest method, less impairment provision. The Branch holds the other receivables with the objective to collect the contractual cash flows.

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

3 Summary of material accounting policies (continued)

3.4 Accounting policies for financial instruments (continued)

a) Investments and other financial assets (continued)

(ii) Recognition and derecognition (continued)

Measurement (continued)

Financial liabilities

The Branch recognises a financial liability when it first becomes a party to the contractual rights and obligations in the contract. All financial liabilities are initially recognised at fair value, minus (in the case of a financial liability that is not at FVTPL) transaction costs that are directly attributable to issuing the financial liability. Financial liabilities are measured at amortised cost unless the Branch opted to measure a liability at FVTPL. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Financial liabilities included in other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest-bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Offsetting financial instruments

Financial assets and 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.

Other reclassification

As at 31 December 2024, the Branch presented statutory deposits below property and equipment and intangible assets in the statement of financial position to reflect a better presentation in terms of order of liquidity.

Impairment

The Branch assesses on a forward-looking basis the expected credit losses (ECL) associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. If the credit risk on the financial asset has increased significantly since initial recognition, loss allowance equal to the lifetime ECL is recognised and if the credit risk on the financial asset has not increased significantly since initial recognition, loss allowance equal to the 12-months ECL is recognised.

For other receivables, the Branch applies the simplified approach permitted by IFRS 9 which requires expected credit lifetime losses to be recognised from initial recognition of receivables. The expected loss rates are based on the historical credit losses experienced by assessing the payment profiles of sales.

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

3 Summary of material accounting policies (continued)

3.4 Changes in accounting policies for financial instruments (continued)

(ii) Recognition and derecognition (continued)

Impairment (continued)

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the liability of the counterparties to settle the receivable. Other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as uncollectible.

Expected credit losses for other financial assets, i.e., bank balances, deposits with original maturities of less than three months, statutory deposits, debt instruments measured at FVOCI are determined using the low credit risk expedient, and therefore the Branch measures loss allowance for these financial assets at 12-month ECL.

The impairment charge of debt investments at FVOCI is charged to statement of profit or loss and reduces the fair value loss otherwise recognised in statement of profit or loss and other comprehensive income. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Calculation of the allowance for expected credit losses recognised during the years ended 31 December 2023 and 2024 indicated an immaterial amount of allowance for expected credit losses. Therefore, the Branch did not recognise this allowance.

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

3 Summary of material accounting policies (continued)

3.5 Amounts reported in the statement of profit or loss and other comprehensive income

Insurance revenue

An analysis of insurance revenue at a portfolio level for the years ended 31 December 2024 and 2023 is presented below:

	For the year ended 31 December	
	2024	2023
	AED	AED
Insurance revenue		
Marine	53,760,572	55,035,283
Accident & Health Individual Travel	57,234,817	52,296,358
Commercial Property	42,012,250	35,927,556
Workmen's Compensation	29,308,811	34,459,762
Primary Casualty	32,372,479	31,787,481
Professional Indemnity	26,143,536	30,122,967
Energy	18,701,417	20,627,279
Management Liability Commercial	17,757,529	19,174,067
Small Business Solutions ("SBS") - Casualty	21,637,648	18,205,500
Cyber	12,121,253	11,881,045
Trade Credit	4,569,725	11,339,103
Small Business Solutions - Property	10,550,720	9,212,799
Accident & Health Group	5,592,568	7,587,950
Extended Warranty	5,030,666	5,967,589
Fidelity	3,617,118	3,420,365
Plus (Extended Warranty)	3,284,061	2,670,674
Management Liability Fidelity	3,836,269	1,803,066
Commercial Auto	1,315,579	1,676,635
Miscellaneous Financial Lines	1,540,709	1,579,697
Excess Casualty	1,412,801	269,630
Accident & Health - Miscellaneous	1,024,082	105,562
Personal Auto	-	9,996
Personal Consumer Group	-	3,388
Personal Property	-	310
Total insurance revenue	352,824,610	355,164,062

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

3 Summary of material accounting policies (continued)

3.5 Amounts reported in the statement of profit or loss and other comprehensive income (continued)

For the year ended 31 December

	2024 AED	2023 AED
Insurance revenue		
Contracts measured under the PAA	352,824,610	355,164,062
Total insurance revenue	352,824,610	355,164,062
Insurance service expenses		
Incurred claims and other directly attributable expenses	(236,626,938)	(124,964,749)
Changes that relate to past service – adjustments to the LIC	62,119,936	86,784,255
(Losses) on onerous contracts and reversal of those losses	3,700,443	(3,188,323)
Amortization of insurance acquisition cash flows	(93,207,099)	(81,907,009)
Total insurance service expenses	(264,013,658)	(123,275,826)
Reinsurance expenses	(167,836,721)	(179,657,987)
Incurred claims recoveries	199,465,854	84,880,359
Changes that relate to past service – adjustments to incurred claims recovery	147,734	2,631,982
Effects of changes in the risk of reinsurer's non-performance	131,804	62,263
Loss recovery on onerous underlying contracts	(40,855,405)	(58,421,363)
Total net expenses from reinsurance contracts held	(8,946,734)	(150,504,746)
Total insurance service result	79,864,218	81,383,490

For the year ended 31 December

	2024 AED	2023 AED
Finance (expenses)/income from insurance contracts issued		
Interest accreted	(18,229,668)	(21,200,556)
Effect of changes in interest rates and other financial assumptions	1,804,808	2,151,657
Finance (expenses)/income from insurance contracts issued	(16,424,860)	(19,048,899)
Finance income/(expenses) from reinsurance contracts held		
Interest accreted	13,591,928	15,695,110
Effect of changes in interest rates and other financial assumptions	(1,498,823)	(1,657,320)
Finance income/(expenses) from reinsurance contracts held	12,093,105	14,037,790
Net insurance and investment result	(4,331,755)	(5,011,109)

3.6 Foreign currencies

(a) Functional and presentation currency

The financial statements of the Branch are presented in the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in Arab Emirates Dirham ("AED") which is the Branch's functional and presentation currency.

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

3 Summary of material accounting policies (continued)

3.6 Foreign currencies (continued)

(b) Transactions and balances

In preparing the financial statements, transactions in currencies other than the Branch's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3.7 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses if any. Historical cost consists of purchase cost, together with any incidental expenses of acquisition.

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 Branch and the cost of the item can be measured reliably. Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. All other repairs and maintenance expenses are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation is computed using the straight-line method at rates calculated to write down the historical cost of the assets to their estimated residual value over their expected useful lives, as follows:

Computer equipment	4 years
Furniture and fixtures	5 years
Leasehold improvements	shorter of economic life or term of lease

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. Repairs and maintenance expenses are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

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 sales proceeds with the carrying amount and these are recognised in the statement of profit or loss and other comprehensive income.

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

3 Summary of material accounting policies (continued)

3.8 Employee benefits

(a) *Defined contribution plan*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of profit and loss and other comprehensive income in the periods during which services are rendered by employees.

UAE national employees of the Branch are members of the Government-managed retirement pension and social security benefit scheme pursuant to U.A.E. labour law no. 7 of 1999. The Branch is required to contribute 12.5% of the “contribution calculation salary” of payroll costs to the retirement benefit scheme to fund the benefits. The employees and the Government contribute 5% and 2.5% of the “contribution calculation salary” respectively, to the scheme. The only obligation of the Branch with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to the statement of profit or loss and other comprehensive income.

(b) *Provision for employees’ end of service benefits*

The provision for employees’ end of service benefits due to non-UAE national employees in accordance with the UAE Labour Law is calculated annually using the projected unit credit method in accordance with IAS 19. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using profit rates on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

3.9 Intangible assets

Intangible assets include capitalized software costs.

Capitalized software costs represent costs directly related to obtaining, developing or upgrading internal use software. Such costs are capitalized and amortized on a straight-line basis over the software’s useful life which is a period generally not exceeding five years. Development costs that are directly attributable as intangible assets where the following criteria are met:

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

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

The useful life of the intangibles assets is 5 years.

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

3 Summary of material accounting policies (continued)

3.10 Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

3.11 Other operating income

Other operating income mainly includes service fees, survey fees, policy administration fees and any gain on sale of property and equipment which are recognised on accrual basis.

3.12 Provision

Provisions are recognised when the Branches have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made.

3.13 Net assets attributable to Head office

The Branch is not a separate legal entity, and hence it did not issue its own equity instruments, and therefore, the Branch measures the “Net assets attributable to the Head office” at the IFRS carrying value of the Branch’s net assets. The Branch has created a reinsurance regulatory reserve in accordance with the local requirements by appropriation from the movement in the Head Office account.

3.14 Taxation

The income tax expense represents the sum of current and deferred income tax expense.

Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. A provision is recognized for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority.

The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the branch supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination or for transactions that give rise to equal taxable and deductible temporary differences) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognized if the temporary difference arises from the initial recognition of goodwill.

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences, and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

However, the Branch has elected not to recognize deferred tax assets and liabilities as of date of financial statements as it does not consider the potential impact of temporary differences to be material to its financial position or performance.

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

4 Insurance and financial risk management

The Branch's activities expose it to insurance risk and a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk, liquidity risk and operational risk.

4.1 Insurance risk

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Branch faces is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severities of claims payments and benefits are greater than estimated. Insurance events are random, and the actual number and the number of claims will vary from year to year from the estimate established using statistical techniques. The Branch's objectives in managing risks are to take a conservative approach to underwriting, which means review of all aspects about a risk prior to acceptance; retaining experienced and knowledgeable underwriters; and having underwriting authorities in place which are monitored by the Head office. The Branch ensures that risks are mitigated with first class reinsurance security, pre-underwriting surveys and claims history reviews.

Outstanding claims

Outstanding claims for all classes of insurance are made initially on the basis of the internal or external surveyor's report. Accordingly, the maximum expected liability is always recognised in the financial statements. The outstanding claims are monitored and revised for value of claims regularly. Management believes that there are no additional claim liabilities that would arise in respect of unsettled claims as at the year end. Sensitivity analysis The Branch does not foresee any major impact from insurance operations due to the following reasons:

The Branch has an overall risk retention level of 22% (2023: 25%).

Additional claim liabilities that could reasonably occur due to changes in key variables used in estimating the outstanding claims provision are adequately catered for through the IBNR provision.

IBNR

IBNR provisions are estimates based on actuarial rates determined by the external independent actuaries. These rates are based on past claims history for each class of business.

Concentration risk

Concentration of risk can be a cause of elevated claims volatility and refers to the possibility of significant financial losses arising from a lack of diversification, either geographical or by product type, of the Branch's portfolio. Certain events may give rise to higher levels of adverse development and exhibit geographical concentrations. The Branch mitigates this risk by adhering to the underwriting and claims management policies and procedures that have been developed based on extensive historical experience. Lastly, reinsurance solutions are also used to help reduce concentration risk.

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

4 Insurance and financial risk management (continued)

4.1 Insurance risk (continued)

Concentration risk (continued)

The table below sets out the breakdown of insurance contract liabilities and reinsurance contract assets by portfolio of contracts and geographical location.

	As at 31 December 2024			As at 31 December 2023		
	Insurance contract (liabilities)/assets	Reinsurance contract assets/ (liabilities)	Net	Insurance contract (liabilities)/assets	Reinsurance contract assets/ (liabilities)	Net
	AED	AED	AED	AED	AED	AED
Commercial Auto	(591,384)	62,087	(529,297)	2,891,172	(2,262,686)	628,486
Accident & Health Individual Travel	(4,906,826)	(10,012,970)	(14,919,796)	2,156,602	1,253,861	3,410,463
Primary Casualty	(35,260,552)	17,619,947	(17,640,605)	1,856,199	(503,160)	1,353,039
Accident & Health Group	(1,475,975)	561,177	(914,798)	286,094	203,839	489,933
Personal Auto	(934,361)	(458,246)	(1,392,607)	264,093	(1,456,791)	(1,192,698)
Accident & Health - Miscellaneous	(784,054)	502,414	(281,640)	208,714	(127,601)	81,113
Personal Consumer Group	(316,652)	(223,725)	(540,377)	89,835	(711,650)	(621,815)
Personal Property	(28,933)	(18,106)	(47,039)	8,208	(57,593)	(49,385)
Excess Casualty	(266,740)	(93,878)	(360,618)	(576,313)	(400,594)	(976,907)
Miscellaneous Financial Lines	(1,754,159)	1,261,869	(492,290)	(2,657,485)	1,338,785	(1,318,700)
Management Liability Fidelity	(2,293,652)	1,903,298	(390,354)	(3,383,759)	2,348,597	(1,035,162)
Fidelity	(4,864,438)	3,262,659	(1,601,779)	(3,992,802)	2,350,678	(1,642,124)
Cyber	(6,920,668)	5,095,881	(1,824,787)	(6,295,829)	4,907,055	(1,388,774)
Plus (Extended Warranty)	1,663,984	(3,030,088)	(1,366,104)	(6,602,081)	18,589	(6,583,492)
Small Business Solutions - Property	(34,338,197)	22,399,761	(11,938,436)	(7,806,070)	3,501,087	(4,304,983)
Extended Warranty	(8,018,904)	3,286,362	(4,732,542)	(9,688,313)	4,141,937	(5,546,376)
Trade Credit	(6,513,816)	5,378,323	(1,135,493)	(12,867,202)	7,605,973	(5,261,229)
Commercial Property	(61,699,819)	80,348,344	18,648,525	(21,095,595)	26,532,731	5,437,136
Small Business Solutions ("SBS") - Casualty	(9,614,963)	5,851,608	(3,763,355)	(32,182,069)	18,263,641	(13,918,428)
Professional Indemnity	(53,126,770)	47,531,431	(5,595,339)	(52,110,085)	45,427,675	(6,682,410)
Marine	(82,804,296)	63,851,040	(18,953,256)	(65,039,855)	45,120,032	(19,919,823)
Management Liability Commercial	(108,706,461)	79,842,533	(28,863,928)	(80,783,263)	57,506,576	(23,276,687)
Workmen's Compensation	(85,959,717)	55,248,363	(30,711,354)	(101,613,789)	62,079,654	(39,534,135)
Energy	(140,457,381)	124,046,450	(16,410,931)	(205,225,305)	157,544,173	(47,681,132)
Total	(649,974,734)	504,216,534	(145,758,200)	(604,158,898)	434,624,808	(169,534,090)

	As at 31 December 2024			As at 31 December 2023		
	Insurance contract (liabilities)/assets	Reinsurance contract assets/ (liabilities)	Net	Insurance contract (liabilities)/assets	Reinsurance contract assets/ (liabilities)	Net
	AED	AED	AED	AED	AED	AED
Inside UAE	(507,701,125)	393,848,080	(113,853,045)	(471,913,963)	339,489,356	(132,424,607)
Outside UAE	(142,273,609)	110,368,454	(31,905,155)	(132,244,935)	95,135,452	(37,109,483)
Total	(649,974,734)	504,216,534	(145,758,200)	(604,158,898)	434,624,808	(169,534,090)

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

4 Insurance and financial risk management (continued)

4.2 Capital management framework

The primary objective of the Branch's capital management is to comply with the regulatory requirements in the UAE and to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value. The Branch fully complied with the externally imposed capital requirements and no changes were made in the objectives, policies or processes since the year ended 31 December 2022.

4.3 Financial risk factors

Risk management is carried out by the Branch's management under the guidance of the Head office. Management is responsible for the review of risk management and the control environment. The Branch's activities expose it to a variety of financial risk: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Branch's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Branch.

(a) *Market risk*

(i) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. The Branch is exposed to foreign currency risk arising from some currency exposures, primarily with respect to the currencies that are not pegged to AED. The Branch manages its foreign currency risk by regularly assessing current and expected foreign currency rate movements and the Branch's foreign currency receivables and payables and the net assets attributable to head office. The Branch reinsures 75% of its risk in foreign currency and therefore retains 25% foreign exposure on its statement of financial position. The Branch does not have material net foreign currency exposure as at 31 December 2024 and 31 December 2023.

(ii) Price risk

The Branch is exposed to price risk as a result of its holdings in debt securities classified as fair value through OCI. The fair values of investments quoted in active markets are based on current prices. Branch's Investment Committee meets regularly to discuss the return on investment and concentration across the Branch's investment portfolio and manages the risk through diversification in terms of Counterparty, Country Industry and Rating.

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

4 Insurance and financial risk management (continued)

4.3 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Branch to cash flow interest rate risk, whereas fixed interest rate instruments expose the Branch to fair value interest risk if the value of a financial asset or liability fluctuates because of changes in market interest rates. The Branch's financial investments and bank deposits with original maturities of less than three months carry fixed rates of interest and the fair value of the investments and bank deposits with original maturities of less than three months of do not fluctuate with the interest rate and therefore are not exposed to interest rate risk.

(b) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due.

Key areas where the Branch is exposed to credit risk are:

- other receivables (excluding prepayments);
- reinsurance contract assets;
- cash and cash equivalents (excluding cash on hand);
- statutory deposits;
- financial investments and
- insurance contract assets

Maximum exposure to credit risk before collaterals held or other credit enhancements:

	2024	2023
	AED	AED
Other receivables excluding prepayments (Note 7)	22,319,512	23,862,623
Cash and cash equivalents (excluding cash on hand) (Note 5)	137,003,477	165,210,389
Statutory deposits (Note 6)	6,000,000	12,000,000
Reinsurance contract assets (Note 10)	518,053,547	440,144,883
Financial Investments (Note 12)	407,521,362	346,033,439
Insurance contract assets (Note 9)	1,663,984	7,760,917
	<u>1,092,561,882</u>	<u>995,012,251</u>

The above table represents the worst-case scenario of credit risk exposure of the Branch at 31 December 2024 and 2023 without considering any collateral held or other credit enhancements attached. The exposures set out above are based on net carrying amounts of the financial assets as reported in the statement of financial position.

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

4 Insurance and financial risk management (continued)

4.3 Financial risk factors (continued)

(b) Credit risk (continued)

Due from related parties and other receivables excluding prepayments

Management believes that no credit risk arises from due from related parties' balances amounting to AED 17,358,255 at 31 December 2024 (2023: AED 18,062,968) included in prepayment and other receivables (Note 7).

The other classes within prepayments and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The credit quality of balance with related parties are with sound financial position and other receivables with reference to external agencies is unrated with sound financial position.

The Branch has no significant concentration of credit risk at the statement of financial position date as its customers are well diversified within the UAE.

Credit risk on receivables is limited to their carrying values as management regularly reviews these balances to assess recoverability and makes provision for balances whose recoverability is in doubt.

The concentration of credit risk is substantially unchanged compared to the prior year.

Balances with banks and statutory deposits

Although the Branch has significant bank balances and deposits, management believes on the credit risk arising out of cash and bank balances and deposits, excluding cash on hand, is minimal as these balances are with reputable local and foreign banks with good financial standing. The credit quality of cash and cash equivalents excluding cash on hand and statutory deposits can be analysed with reference to external credit ratings as follows:

	2024 AED	2023 AED
<i>Fitch's:</i>		
F1+	65,783,050	82,658,461
F1	71,107,297	81,729,434
A+	6,113,130	12,822,494
	<u>143,003,477</u>	<u>177,210,389</u>

Refer to note 12 for credit risk on financial investments.

Reinsurance assets

Reinsurance is used to manage insurance risk. This does not, however, discharge the Branch's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Branch remains liable for the payment to the policyholder. Reinsurance risk refers to the risk an enterprise will encounter in the event that any reinsurer fails to meet its obligations assumed under the reinsurance agreement. The Branch is supported predominantly by reinsurers within AIG.

Reinsurers outside of AIG are selected based on the evaluation of available information on the financial strengths of the reinsurers and the recommendations of the reinsurance department of AIG. The assessment and selection of reinsurers is carried out continuously. As the reinsurance is concentrated within AIG, the exposure to reinsurance risk is considered minimal.

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

4 Insurance and financial risk management (continued)

4.3 Financial risk factors (continued)

(c) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored regularly, and AIG management ensures that sufficient funds are available to meet any commitments as they arise.

The table below summarises the maturity profile of the Branch's financial assets including accrued interest, financial liabilities and the estimated amount and timing of the remaining contractual undiscounted cash flows arising from insurance contract liabilities (the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held measured under the PAA are not included in the tables).

As at 31 December 2024

	Carrying amount	1 year	2 years	3 years	4 years	5 years	6 to 10 years	No maturity	Total cash flows
Financial assets									
Cash and cash equivalents	137,003,477	137,003,477	-	-	-	-	-	-	137,003,477
Other receivables (excluding prepayments)	22,319,512	22,319,512	-	-	-	-	-	-	22,319,512
Financial investments	407,521,362	198,753,325	1,983,746	48,310,780	80,920,438	77,553,073	-	-	407,521,362
Insurance contract assets (excluding LRC)	266,063	182,851	52,550	22,887	13,396	6,719	1,803	-	280,206
Reinsurance contract assets (excluding ARC)	480,155,432	324,041,910	94,553,362	47,252,122	24,353,596	12,878,131	3,823,230	-	506,902,351
Statutory deposits	6,000,000	-	-	-	-	-	-	6,000,000	6,000,000
Total	1,053,265,846	682,301,075	96,589,658	95,585,789	105,287,430	90,437,923	3,825,033	6,000,000	1,080,026,908
Financial liabilities									
Other payables	31,535,708	31,535,708	-	-	-	-	-	-	31,535,708
Reinsurance contract liabilities (excluding ARC)	4,910,875	3,314,196	967,061	483,279	249,081	131,713	39,103	-	5,184,433
Insurance contract liabilities (excluding LRC)	627,479,469	431,235,332	123,933,063	53,977,352	31,592,527	15,846,081	4,252,191	-	660,836,546
Total	663,926,052	466,085,236	124,900,124	54,460,631	31,841,608	15,977,794	4,291,294	-	697,556,687

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

4 Insurance and financial risk management (continued)

4.3 Financial risk factors (continued)

(c) *Liquidity risk* (continued)

As at 31 December 2023

	Carrying amount	1 year	2 years	3 years	4 years	5 years	6 to 10 years	No maturity	Total cash flows
Financial assets									
Cash and cash equivalents	165,279,399	165,279,399	-	-	-	-	-	-	165,279,399
Other receivables (excluding prepayments)	23,862,623	23,862,623	-	-	-	-	-	-	23,862,623
Financial investments	346,033,439	151,229,457	194,803,982	-	-	-	-	-	346,033,439
Insurance contract assets (excluding LRC)	9,122,562	6,671,527	1,829,139	636,307	247,212	107,783	63,195	-	9,555,163
Reinsurance contract assets (excluding ARC)	406,991,172	296,003,250	85,049,607	27,533,200	10,365,537	4,678,614	2,722,937	-	426,353,145
Statutory deposits	12,000,000	-	-	-	-	-	-	12,000,000	12,000,000
Total	963,289,195	643,046,256	281,682,728	28,169,507	10,612,749	4,786,397	2,786,132	12,000,000	983,083,769
Financial liabilities									
Other payables	32,185,815	32,185,815	-	-	-	-	-	-	32,185,815
Reinsurance contract liabilities (excluding ARC)	480,927	349,777	100,500	32,535	12,249	5,529	3,218	-	503,808
Insurance contract liabilities (excluding LRC)	543,675,956	397,601,951	109,010,901	37,921,903	14,733,076	6,423,506	3,766,253	-	569,457,590
Total	576,342,698	430,137,543	109,111,401	37,954,438	14,745,325	6,429,035	3,769,471	-	602,147,213

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

4 Insurance and financial risk management (continued)

4.4 Operational risk

Operational risk is defined by the Branch as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. It is intrinsic to the Branch's operations but is actively mitigated and managed. A description of each of the Branch's three principal risks attached to operational risk is shown below along with a summary description of the controls the Branch applies in seeking to mitigate these risks. There has been no change in the Branch's processes in respect of operational risk during the year.

IT systems failure: The Branch potentially faces a risk of business interruptions and inefficiencies if IT systems fail; such business interruptions would impact the profitability of the Branch and have the potential to cause reputational damage. The Branch seeks to manage this risk by having procedures in place to back-up data together with other controls designed to minimise external threats / unauthorised access.

Non-IT systems failure: The Branch also potentially faces a risk of business interruptions and inefficiencies from a wide range of potential issues, such as insufficient or inadequately skilled staff, accounting errors, errors in processing such as mis-matching reinsurance contracts, poor customer service, badly executed projects and extreme events such as fires or natural disasters that affect the Branch's offices and staff. The Branch seeks to manage these risks through training and by having appropriate policies and procedures in place. The Branch has established Disaster Recovery (DR) and Business Continuity Processes (BCP), which are tested on a periodical basis and revised or upgraded where improvements are required or where specific scenarios emerge.

Legal, regulatory or compliance breach: The Branch operates in a highly regulated insurance environment, whereby breaches of the regulations the Branch works within may lead to significant financial penalties and reputational damage. The Branch seeks to manage this risk through a number of policies and procedures in place covering regulatory requirements. These policies are reviewed periodically by key senior management and the Branch's legal department to ensure that they provide a basic framework within which the Branch is compliant with local and regional regulatory requirements.

5 Cash and cash equivalents

	2024 AED	2023 AED
Cash on hand	-	69,010
Cash in banks	119,955,729	105,134,470
Deposits with banks with original maturities of less than three months	17,047,748	60,075,919
	<u>137,003,477</u>	<u>165,279,399</u>

Deposits are placed with commercial banks and carry interest at rates ranging from 0.10% to 3.71% (31 December 2023: 4.40% to 4.85%) per annum.

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

6 Statutory deposits

	2024	2023
	AED	AED
Restricted deposits	<u>6,000,000</u>	<u>12,000,000</u>

In accordance with the law governing the operation of insurance companies within the UAE, the Branch has assigned a deposit amounting to AED 6 million (31 December 2023: AED 12 million) in favour of the Central Bank of UAE.

Deposits are placed with commercial banks and carry interest at rates from 0.10% to 0.20% (31 December 2023: 0.1% to 0.03%) per annum.

7 Prepayments and other receivables

	2024	2023
	AED	AED
Prepayments	3,292,497	2,346,058
Due from related parties (note 14.c)	12,578,096	18,062,968
Others	9,741,416	5,799,655
	<u>25,612,009</u>	<u>26,208,681</u>

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2023 (continued)

8 Property and equipment and Intangible assets

8.1 Property and equipment

	Computer equipment AED	Furniture and fixtures AED	Leasehold improvements AED	Total AED
Cost				
At 1 January 2023	8,470,613	2,590,058	5,068,714	16,129,385
Additions during the year	-	434,700	-	434,700
Transfer to intangibles during the year	-	-	-	-
At 31 December 2023	8,470,613	3,024,758	5,068,714	16,564,085
Additions during the year	197,966	16,748	-	214,714
Write off	(8,470,614)	(1,464,590)	(5,068,714)	(15,003,918)
At 31 December 2024	197,965	1,576,916	-	1,774,881
Accumulated depreciation				
At 1 January 2023	(8,470,613)	(2,096,577)	(5,068,709)	(15,635,899)
Charge for the year (Note 17)	-	(286,904)	(5)	(286,909)
At 31 December 2023	(8,470,613)	(2,383,481)	(5,068,714)	(15,922,808)
Charge for the year (Note 17)	(48,105)	(295,566)	-	(343,671)
Write off	8,470,614	1,464,590	5,068,714	15,003,918
At 31 December 2024	(48,104)	(1,214,457)	-	(1,262,561)
Net book amount				
At 31 December 2024	149,861	362,459	-	512,320
At 31 December 2023	-	641,277	-	641,277

8.2 Intangible assets

	Computer Software AED	Total
At 1 January 2023	-	-
Additions during the year	-	-
Transfer from computer equipment during the year	5,198,125	5,198,125
At 31 December 2023	5,198,125	5,198,125
Additions during the year	-	-
Transfer during the year	-	-
At 31 December 2024	5,198,125	5,198,125
Accumulated depreciation		
At 1 January 2023	-	-
Charge for the year	(519,811)	(519,811)
At 31 December 2023	(519,811)	(519,811)
Charge for the year (Note 17)	(1,039,623)	(1,039,623)
At 31 December 2024	(1,559,434)	(1,559,434)
Net book amount		
At 31 December 2024	3,638,691	3,638,691
At 31 December 2023	4,678,314	4,678,314

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

9 Insurance contract assets and liabilities

Reconciliation of the liability for remaining coverage (“LRC”) and the liability for incurred claims (“LIC”)

As at 31 December 2024	LRC		LIC		Total AED
	Excluding loss component AED	Loss component AED	Present value of future cash flows AED	Risk adjustment for non- financial risk AED	
Opening insurance contract liabilities	64,328,106	3,915,753	490,278,359	53,397,597	611,919,815
Opening insurance contract assets	(16,929,167)	45,688	8,448,306	674,256	(7,760,917)
Net balance at 1 January 2024	47,398,939	3,961,441	498,726,665	54,071,853	604,158,898
Insurance revenue	(352,824,610)	-	-	-	(352,824,610)
Insurance service expenses					
Incurred claims and other directly attributable expenses	-	-	229,280,859	18,413,116	247,693,975
Changes that relate to past service – adjustments to the LIC	-	-	(50,747,538)	(11,372,398)	(62,119,936)
Losses on onerous contracts and reversal of those losses	-	(3,700,443)	-	-	(3,700,443)
Amortisation of insurance acquisition cash flows amortization	82,140,062	-	-	-	82,140,062
Insurance service expenses	82,140,062	(3,700,443)	178,533,321	7,040,718	264,013,658
Insurance service result	(270,684,548)	(3,700,443)	178,533,321	7,040,718	(88,810,952)
Finance expenses from insurance contracts issued	-	-	16,424,860	-	16,424,860
Total amounts recognized in total comprehensive income	(270,684,548)	(3,700,443)	194,958,181	7,040,718	(72,386,092)
Cash flows					
Premiums received	327,683,756	-	-	-	327,683,756
Claims and other directly attributable expenses paid	-	-	(127,051,885)	-	(127,051,885)
Insurance acquisition costs	(82,429,943)	-	-	-	(82,429,943)
Total cash flows	245,253,813	-	(127,051,885)	-	118,201,928
Balance at 31 December 2024	21,968,204	260,998	566,632,961	61,112,571	649,974,734
Closing insurance contract liabilities	23,898,251	260,998	566,388,198	61,091,271	651,638,718
Closing insurance contract assets	(1,930,047)	-	244,763	21,300	(1,663,984)
Net balance at 31 December 2024	21,968,204	260,998	566,632,961	61,112,571	649,974,734

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

9 Insurance contract assets and liabilities (continued)

Reconciliation of the liability for remaining coverage (“LRC”) and the liability for incurred claims (“LIC”) (continued)

As at 31 December 2023	LRC		LIC		Total AED
	Excluding loss component AED	Loss component AED	Present value of future cash flows AED	Risk adjustment for non- financial AED	
Opening insurance contract liabilities	46,035,939	773,118	527,881,379	56,024,215	630,714,651
Opening insurance contract assets	(22,566,496)	-	7,398,547	170,326	(14,997,623)
Net balance at 1 January 2023	23,469,443	773,118	535,279,926	56,194,541	615,717,028
Insurance revenue	(355,164,062)	-	-	-	(355,164,062)
Insurance service expenses					
Incurred claims and other directly attributable expenses	-	-	114,784,681	10,180,068	124,964,749
Changes that relate to past service – adjustments to the LIC	-	-	(74,481,499)	(12,302,756)	(86,784,255)
Losses on onerous contracts and reversal of those losses	-	3,188,323	-	-	3,188,323
Amortisation of insurance acquisition cash flows amortization	81,907,009	-	-	-	81,907,009
Insurance service expenses	81,907,009	3,188,323	40,303,182	(2,122,688)	123,275,826
Insurance service result	(273,257,053)	3,188,323	40,303,182	(2,122,688)	(231,888,236)
Finance expenses from insurance contracts issued	-	-	19,048,899	-	19,048,899
Total amounts recognized in total comprehensive income	(273,257,053)	3,188,323	59,352,081	(2,122,688)	(212,839,337)
Cash flows					
Premiums received	374,220,530	-	-	-	374,220,530
Claims and other directly attributable expenses paid	-	-	(95,905,342)	-	(95,905,342)
Insurance acquisition costs	(77,033,981)	-	-	-	(77,033,981)
Total cash flows	297,186,549	-	(95,905,342)	-	201,281,207
Balance at 31 December 2023	47,398,939	3,961,441	498,726,665	54,071,853	604,158,898
Closing insurance contract liabilities	64,328,106	3,915,753	490,278,359	53,397,597	611,919,815
Closing insurance contract assets	(16,929,167)	45,688	8,448,306	674,256	(7,760,917)
Net balance at 31 December 2023	47,398,939	3,961,441	498,726,665	54,071,853	604,158,898

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

10 Reinsurance contract assets and liabilities

Reconciliation of the asset for remaining coverage (“ARC”) and the asset for incurred claims (“AIC”)

As at 31 December 2024

	ARC		AIC		
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risk	Total
	AED	AED	AED	AED	AED
Opening insurance contract assets	30,553,710	2,600,001	369,139,764	37,851,408	440,144,883
Opening insurance contract liabilities	(6,032,983)	31,981	446,268	34,659	(5,520,075)
Net balance at 1 January 2024	24,520,727	2,631,982	369,586,032	37,886,067	434,624,808
Reinsurance expenses	(165,204,739)	(2,631,982)	-	-	(167,836,721)
Incurred claims recoveries	-	-	185,202,186	14,263,668	199,465,854
Loss recovery on onerous underlying contracts	-	147,734	-	-	147,734
Effects of changes in the risk of reinsurer's non performance			131,804		131,804
Changes that relate to past service – adjustments to incurred claims recovery	-	-	(34,731,429)	(6,123,976)	(40,855,405)
Net (expense) / income from reinsurance contracts held	(165,204,739)	(2,484,248)	150,602,561	8,139,692	(8,946,734)
Finance income from reinsurance contracts held	-	-	12,093,105	-	12,093,105
Total amounts recognized in total comprehensive income	(165,204,739)	(2,484,248)	162,695,666	8,139,692	3,146,371
Cash flows					-
Premiums paid net of ceding commissions and other directly attributable expenses paid	159,686,505	-	-	-	159,686,505
Reinsurance recoveries	-	-	(93,241,150)	-	(93,241,150)
Total cash flows	159,686,505	-	(93,241,150)	-	66,445,355
Balance at 31 December 2024	19,002,493	147,734	439,040,548	46,025,759	504,216,534
Closing insurance contract assets	37,750,381	147,734	434,494,571	45,660,861	518,053,547
Closing insurance contract liabilities	(18,747,888)	-	4,545,977	364,898	(13,837,013)
Net balance at 31 December 2024	19,002,493	147,734	439,040,548	46,025,759	504,216,534

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

10 Reinsurance contract assets and liabilities (continued)

Reconciliation of the asset for remaining coverage (“ARC”) and the asset for incurred claims (“AIC”) (continued)

	Excluding loss component AED	Loss component AED	Present value of future cash flows AED	Risk adjustment for non-financial risk AED	Total AED
Opening insurance contract assets	39,744,057	613,754	387,192,356	38,616,827	466,166,994
Opening insurance contract liabilities	(10,140,759)	-	2,609,033	71,526	(7,460,200)
Net balance at 1 January 2023	29,603,298	613,754	389,801,389	38,688,353	458,706,794
Reinsurance expenses	(179,044,233)	(613,754)	-	-	(179,657,987)
Incurred claims recoveries	-	-	78,471,744	6,408,615	84,880,359
Loss recovery on onerous underlying contracts	-	2,631,982	-	-	2,631,982
Effects of changes in the risk of reinsurer's non performance			62,263		62,263
Changes that relate to past service – adjustments to incurred claims recovery	-	-	(51,210,462)	(7,210,901)	(58,421,363)
Net (expense) / income from reinsurance contracts held	(179,044,233)	2,018,228	27,323,545	(802,286)	(150,504,746)
Finance income from reinsurance contracts held	-	-	14,037,790	-	14,037,790
Total amounts recognized in total comprehensive income	(179,044,233)	2,018,228	41,361,335	(802,286)	(136,466,956)
Cash flows					-
Premiums paid net of ceding commissions and other directly attributable expenses paid	173,961,662	-	-	-	173,961,662
Reinsurance recoveries	-	-	(61,576,692)	-	(61,576,692)
Total cash flows	173,961,662	-	(61,576,692)	-	112,384,970
Balance at 31 December 2023	24,520,727	2,631,982	369,586,032	37,886,067	434,624,808
Closing insurance contract assets	30,553,710	2,600,001	369,139,764	37,851,408	440,144,883
Closing insurance contract liabilities	(6,032,983)	31,981	446,268	34,659	(5,520,075)
Net balance at 31 December 2023	24,520,727	2,631,982	369,586,032	37,886,067	434,624,808

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

11 Claims development

The insurance contract liabilities and assets and reinsurance contract liabilities and assets as calculated by the Branch's appointed actuary, LUX Actuaries & Consultants amounted to AED 651.6 million, AED 1.66 million, AED 13.8 million and AED 518.05 million respectively (31 December 2023: AED 611.9 million, AED 7.8 million, AED 5.5 million and AED 440.1 million respectively).

The tables below illustrate how estimates of cumulative claims for the Branch have developed over time on a gross and net of reinsurance basis. Each table shows how the Branch's estimates of total claims for each accident year have developed over time and reconciles the cumulative claims to the amount included in the statement of financial position. Balances have been translated at the exchange rates prevailing at the reporting date.

The tables present the following:

- Undiscounted estimates of cash outflows for incurred claims and other directly attributable expenses by accident year for each accident year from 2018, with comparisons to previous estimates of these undiscounted cash outflows;
- The cumulative actual cash payments made for incurred claims and other directly attributable expenses by accident year from 2018;
- Gross cumulative claims liabilities for accidents years prior to 2018;
- The effect of discounting and the risk adjustment for non-financial risk.

Claims development (continued)

All amounts in AED	2019	2020	2021	2022	2023	2024	Total
Estimates of undiscounted ultimate claim costs – gross of reinsurance inclusive of other directly attributable expenses related to claims management							
At end of accident year	190,875,226	172,292,177	257,717,645	136,809,493	124,054,699	229,063,446	
One year later	178,763,045	132,316,264	205,817,736	102,803,578	89,508,893	-	
Two years later	176,359,551	121,308,912	255,401,277	89,136,322	-	-	
Three years later	163,668,187	108,766,780	278,087,990	-	-	-	
Four years later	151,955,985	107,629,781	-	-	-	-	
Five years later	149,110,423	-	-	-	-	-	
Cumulative gross of reinsurance reserves inclusive of other directly attributable expenses related to claims management	149,110,423	107,629,781	278,087,990	89,136,322	89,508,893	240,130,481	942,536,855
Cumulative gross claims and other directly attributable expenses payments to date	(136,159,363)	(98,094,991)	(76,149,418)	(57,018,132)	(35,524,033)	(56,399,957)	(448,278,857)
Gross cumulative claims liabilities – accident years 2019-2024	12,951,060	9,534,790	201,938,572	32,118,190	53,984,860	183,730,525	494,257,997
Gross cumulative claims liabilities – earlier accident years	71,113,971						71,113,971
Unallocated loss adjustment expenses							24,350,189
Effect of discounting							(33,371,221)
Effect of the risk adjustment margin for non-financial risk							61,112,570
Others*							10,282,027
Gross liabilities for incurred claims ("LIC") for insurance contracts issued (Note 9)							627,745,533

*Others includes insurance claims payable.

The Branch applied the provisions of IFRS 17 C28 which allows insurance entities to not disclose previously unpublished information about claims development that occurred earlier than five years before the end of the annual reporting period in which it first applies IFRS 17. The Branch provides information on the gross and net claims development for the current reporting year and five years prior to it. The Branch has not disclosed previously unpublished information about claims development that occurred earlier than 5 years before the end of the reporting year in which it first applied IFRS 17.

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

11 Claims development (continued)

Net claims development

All amounts in AED	2019	2020	2021	2022	2023	2024	Total
Estimates of undiscounted ultimate claim costs – gross of reinsurance inclusive of other directly attributable expenses related to claims management							
At end of accident year	41,283,381	32,290,934	48,452,242	36,431,711	41,824,698	45,490,889	
One year later	37,373,181	30,078,710	45,488,258	36,859,170	26,615,040		
Two years later	37,235,532	30,956,186	48,936,488	23,476,784			
Three years later	37,266,477	29,575,070	48,972,034				
Four years later	34,335,072	29,223,711					
Five years later	33,711,293						
Cumulative gross of reinsurance reserves inclusive of other directly attributable expenses related to claims management	33,711,293	29,223,711	48,972,034	23,476,784	26,615,040	45,490,889	207,489,751
Cumulative gross claims and other directly attributable expenses payments to date	(30,331,716)	(26,569,597)	(21,345,385)	(15,811,207)	(9,627,513)	(22,890,628)	(126,576,046)
Gross cumulative claims liabilities – accident years 2019-2024	3,379,577	2,654,114	27,626,649	7,665,577	16,987,527	22,600,261	80,913,705
Gross cumulative claims liabilities – earlier accident years	-						17,975,002
Unallocated loss adjustment expenses							24,350,189
Effect of discounting							(6,350,743)
Effect of the risk adjustment margin for non-financial risk							15,086,811
Others*							10,282,027
Gross liabilities for incurred claims (“LIC”) for insurance contracts issued (Note 9)							142,256,991

* Others includes insurance claims payable.

Summary of actuary’s report on technical provision and valuation methods used.

The insurance contract liabilities, insurance contract assets, reinsurance contract liabilities and reinsurance contract assets presented in the financial statements consist of: The liability for incurred claims represents the present value of the fulfilment cash flows related to past service allocated to each group of insurance contracts and reinsurance contracts held at the valuation date. It includes a risk adjustment that represents the compensation the entity required for bearing the uncertainty in the amount and timing of the cash flows that arise from non-financial risks. The fulfilment cash flows represent the expected value of the full range of possible outcomes estimated using actuarial methods.

The liability for remaining coverage represents the estimated obligation to provide coverage for the unexpired portion of insurance contracts and reinsurance contracts held at the valuation date measured under the Premium Allocation Approach. Where facts and circumstances indicate that a group of insurance contracts is onerous a loss component is established for that group of insurance contracts with a corresponding loss recovery component on the groups of reinsurance contracts held related to the onerous groups of insurance contracts.

For the years ended 31 December 2024 and 2023, Lux Actuaries & Consultants was the appointed actuary of the Branch. The actuary has provided a report on the adequacy of the technical reserves held by the Branch on both direct and reinsurance held basis. The Branch’s direct and reinsurance held technical provision as reflected in the financial statements are in line with the actuarial report.

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

12 Financial investments

Financial investments and their effective rate of return are as follows:

	2024	2023
	AED	AED
Corporate bonds	86,109,636	86,386,846
Government bonds	321,411,726	259,646,593
	<u>407,521,362</u>	<u>346,033,439</u>

As at 31 December 2024 corporate bonds carried interests at rates ranging from 1.31% to 5.27% per annum and government bonds carried interest at rates ranging from 1.45% to 4.88% per annum. Corporate bonds and government bonds are listed on stock exchanges. No collateral is held by the Branch in respect of debt securities.

Below is the information on changes of portfolio of financial investments during the year:

	2024	2023
	AED	AED
Balance at the beginning of the year	346,033,440	364,550,222
Purchases during the year	208,037,041	107,825,470
Redemptions during the year	(152,134,734)	(134,123,643)
Movement in accrued interest	500,580	105,925
Amortisation of premiums	1,620,977	(112,425)
Net realised/ unrealised gains	3,464,058	7,787,890
Balance at end of the year	<u>407,521,362</u>	<u>346,033,439</u>

	2024	2023
	AED	AED
Net unrealised gains	1,486,354	4,805,472
Net realised gains	1,977,703	2,982,418
Net realised/ unrealised gains	<u>3,464,058</u>	<u>7,787,890</u>

Fair value disclosures

IFRS 13 require financial instruments to be measured in the statement of financial position at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1);
- Inputs other than quoted process included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is unobservable input (Level 3).

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

12 Financial investments (continued)

Fair value disclosures (continued)

Financial instruments as at 31 December 2024	Level 1	Level 2	Level 3	Total
	AED	AED	AED	AED
<u>Financial investments measured at fair value through other comprehensive income</u>				
- Corporate debt securities	86,109,636	-	-	86,109,636
- Government debt securities	321,411,726	-	-	321,411,726
Total	407,521,362	-	-	407,521,362

Financial instruments as at 31 December 2023	Level1	Level2	Level3	Total
	AED	AED	AED	AED
<u>Financial investments measured at fair value through other comprehensive income</u>				
- Corporate debt securities	86,386,846	-	-	86,386,846
- Government debt securities	259,646,593	-	-	259,646,593
Total	346,033,439	-	-	346,033,439

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Instruments included in level 1 include government and corporate debt securities which are publicly quoted in active market. The quoted market price used for these financial assets held by the Branch is the current bid price.

The credit quality of financial investments can be analysed with reference to external credit ratings as per below:

	2024 AED	2023 AED
<u>Ratings</u>		
<u>Financial investments measured at FVOCI</u>		
<i>Standard and Poor's:</i>		
AAA to AA-	292,926,653	198,755,040
A to A-	64,930,394	22,019,278
<i>Moody's:</i>		
AAA	-	46,189,766
A1 to Aa3	49,664,315	79,069,355
	407,521,362	346,033,439

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

13 Accruals and other payable

	2024 AED	2023 AED
Due to related parties – other payables (Note 14 (c))	25,870,692	23,546,035
Accrued operating expenses and bonus payable	13,700,089	18,164,463
Other payables	5,665,016	8,639,780
	<u>45,235,797</u>	<u>50,350,278</u>
Due within UAE	13,700,089	18,164,463
Due outside UAE	31,535,708	32,185,815
	<u>45,235,797</u>	<u>50,350,278</u>

14 Related parties

Related parties comprise the Head office and other companies within the AIG group, key management personnel and businesses controlled by shareholder and directors, as well as businesses over which they exercise significant influence. During the year, the Branch entered into transactions with related parties in the ordinary course of business at mutually agreed terms and conditions. The outstanding balances and related transactions are as follows:

(a) Insurance contracts ceded and other services.

	2024 AED	2023 AED
Net (expenses)/income from reinsurance contracts held		
Premium ceded - Head office	(19,825,732)	(19,518,545)
Premium ceded - fellow subsidiaries	(178,431,584)	(175,666,906)
	<u>(198,257,316)</u>	<u>(195,185,451)</u>
Commission income with Head office	(10,353,684)	(9,321,937)
Commission income with fellow subsidiaries	(93,183,153)	(83,897,429)
	<u>(103,536,837)</u>	<u>(93,219,366)</u>
Reinsurance claims recovered from Head office	8,397,642	5,481,295
Reinsurance claims recovered from fellow subsidiaries	75,578,773	49,331,658
	<u>83,976,415</u>	<u>54,812,953</u>

The above figures do not include the impact of risk adjustment and discounting since the Branch does not apply these elements at a counterparty level.

(b) Other transactions

	2024 AED	2023 AED
Service fees recharged by related parties		
Expenses charged by fellow subsidiaries	(24,419,945)	(38,136,224)
	<u>(24,419,945)</u>	<u>(38,136,224)</u>
Service fees recharged to related parties		
Fee income charged to AIG MEA Limited	12,648,271	16,049,228
Fee income charged to fellow subsidiaries	18,882,084	19,063,543
Total fee income charged to related parties	<u>31,530,355</u>	<u>35,112,771</u>
Key management personnel remuneration	<u>(707,903)</u>	<u>(1,856,282)</u>

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

14 Related parties (continued)

(c) Balances arising from the above transactions.

	2024 AED	2023 AED
Reinsurance assets		
- Balance with the Head office	40,562,046	36,928,586
- Balance with fellow subsidiaries	365,058,411	360,742,470
	<u>405,620,457</u>	<u>397,671,056</u>
Receivables from related parties		
- Balances related to reinsurance contracts from fellow subsidiaries	916,127	-
- Balance for fellow subsidiaries – non-insurance (Note 7)	12,578,096	18,062,968
-Balances related to reinsurance contracts from fellow subsidiaries	16,160,922	-
	2024 AED	2023 AED
Payables to related parties		
- Balance with the Head office – reinsurance related	-	(311,263)
- Balance with fellow subsidiaries – reinsurance related	(57,341,020)	(45,753,877)
Other payables with fellow subsidiaries (Note 13)	<u>(25,870,692)</u>	<u>(23,546,035)</u>

Balances due from and to related parties are interest free and repayable on demand.

The above figures are excluding the impact of risk adjustments and discount rate since the Branch does not apply these elements at a counterparty level.

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2024 (continued)

15 Provision for employees' end of service benefits

	2024	2023
	AED	AED
Balance at the beginning of the year	12,221,533	10,952,185
Charge for the year	2,420,626	2,604,449
Remeasurements of post-employment benefit obligations charged to the statement of comprehensive income	76,394	(602,887)
Payments during the year	(4,555,563)	(732,214)
Balance at the end of the year	<u>10,162,990</u>	<u>12,221,533</u>

The amounts recognised in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

	2024	2023
	AED	AED
Present value of defined benefit obligation	<u>10,162,990</u>	<u>12,221,533</u>

Reconciliation of present value of defined benefit obligation

	2024	2023
	AED	AED
Present value of defined benefit obligation as at 1 January	12,221,533	10,952,185
Current service costs	1,895,092	2,102,734
Interest cost	525,534	501,715
Actuarial loss from experience adjustments		
Actuarial loss from financial assumptions	76,394	(602,887)
Benefits paid during the year	(4,555,563)	(732,214)
Present value of defined benefit obligation as at 31 December	<u>10,162,990</u>	<u>12,221,533</u>

Principal actuarial assumptions

The following range of significant actuarial assumptions was used by the Branch for the valuation of post-employment benefit liability:

	2024	2023
Valuation discount rate	<u>5.20%</u>	<u>4.80%</u>
Expected rate of increase in salary level	<u>4.50%</u>	<u>4.50%</u>

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2023 (continued)

15 Provision for employees' end of service benefits (continued)

Principal actuarial assumptions (continued)

Withdrawal rate:

Age Group From - To	2024	2023
18 to 25	20%	20%
26 to 35	10%	10%
36 to 45	10%	10%
46 to 55	5%	5%
56 to 60	5%	5%

Sensitivity analysis to actuarial assumptions

	Change in assumption		Impact on employee benefit obligations	
	Increase in assumption	Decrease in assumption	Increase in assumption AED	Decrease in assumption AED
At 31 December 2024				
Discount rate	+1%	-1%	(974,003)	1,132,124
Salary growth rate	+1%	-1%	1,128,652	(988,835)
Withdrawal rate	+20%	-20%	(16,000)	19,333

	Change in assumption		Impact on employee benefit obligations	
	Increase in assumption	Decrease in assumption	Increase in assumption AED	Decrease in assumption AED
At 31 December 2023				
Discount rate	+1%	-1%	(1,178,656)	1,373,374
Salary growth rate	+1%	-1%	1,363,537	(1,192,368)
Withdrawal rate	+20%	-20%	(21,406)	19,957

The sensitivity 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 may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

Current/Non-current liability

	2024 AED	2023 AED
Liability		
Current liability	859,006	1,061,560
Non-current liability	9,303,984	11,159,973
	<u>10,162,990</u>	<u>12,221,533</u>

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2023 (continued)

16 Expenses by nature

An analysis of the expenses incurred by the Branch in the year is presented in the table below:

	For the year ended 31 December							
	2024				2023			
	Expenses attributed to insurance acquisition cash flows*	Other directly attributable expenses**	Other operating expenses***	Total	Expenses attributed to insurance acquisition cash flows*	Other directly attributable expenses**	Other operating expenses***	Total
	AED	AED	AED	AED	AED	AED	AED	AED
Commission expenses paid	51,638,791	-	-	51,638,791	53,248,897	-	-	53,248,897
Staff costs	16,243,873	10,289,611	28,955,944	55,489,428	15,718,850	10,075,828	32,809,508	58,604,186
Service fees recharged by related parties (Note 14 (b))	-	-	24,419,945	24,419,945	-	-	38,136,224	38,136,224
Professional fees	375,768	760,127	7,040,438	8,176,333	1,292,138	690,430	5,570,018	7,552,586
Marketing expenses	11,697,096	-	-	11,697,096	6,551,096	-	7,650,597	14,201,693
Supervision fees	2,791,609	-	-	2,791,609	-	-	2,050,503	2,050,503
Depreciation	-	-	1,383,294	1,383,294	-	-	806,720	806,720
Travel and entertainment expenses	76,963	16,644	572,698	666,305	64,836	21,689	924,651	1,011,176
Data processing expenses	(147,124)	480	892,794	746,150	158,164	6,731	(127,222)	37,673
Rent expense – short term lease	-	-	2,033,542	2,033,542	-	-	2,119,394	2,119,394
Communication expenses	-	-	627,968	627,968	-	-	608,627	608,627
Foreign exchange (gain)/loss	-	-	3,636,798	3,636,798	-	-	(1,250,468)	(1,250,468)
Service fees recharged to related parties (Note 14 (b))	-	-	(31,530,355)	(31,530,355)	-	-	(35,112,771)	(35,112,771)
Other expenses	(247,031)	175	2,579,787	2,332,931	-	-	(3,923,915)	(3,923,915)
	82,429,945	11,067,037	40,612,853	134,109,835	77,033,981	10,794,678	50,261,866	138,090,525

	For the year ended 31 December							
	2024				2023			
	Expenses attributed to insurance acquisition cash flows**	Other directly attributable expenses**	Other operating expenses***	Total	Expenses attributed to insurance acquisition cash flows**	Other directly attributable expenses**	Other operating expenses***	Total
	AED	AED	AED	AED	AED	AED	AED	AED
Commission expenses incurred	54,021,909	-	-	54,021,909	55,243,592	-	-	55,243,592
Other expenses incurred	28,118,153	11,067,037	40,612,853	79,798,043	26,663,417	10,794,678	50,261,866	87,719,961
	82,140,062	11,067,037	40,612,853	133,819,952	81,907,009	10,794,678	50,261,866	142,963,553

*These attributable expenses relating to insurance acquisition cashflows are fully paid.

** Expenses attributed to insurance acquisition cash flows and other directly attributable expenses comprise expense incurred by the Branch in the reporting period that relate directly to the fulfilment of insurance contract issued within IFRS 17 scope and reinsurance contract held. These expenses are reviewed in the statement of profit or loss and other comprehensive income based on IFRS 17 reporting requirements.

*** Included within other expenses are service fees recharged by / to related parties, refer to note 14(b).

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2023 (continued)

16 Expenses by nature

Corporate Tax

The corporate tax expense of AED 4,948,713 is current income tax. Below is the reconciliation of tax expense:

	2024 AED
Accounting profit before tax	54,985,702
Profit before tax over AED 375,000	54,610,702
Corporate tax expense at UAE's statutory income tax rate of 9%	4,914,963
Effect of adjustments	33,750
Corporate tax expense at the effective income tax rate	<u>4,948,713</u>

As the Company's accounting year ends on 31 December, the first tax period is 1 January 2024 to 31 December 2024, with the first return to be filed on or before 30 September 2025. As per the Company's assessment, there is no material deferred tax impact on account of the CT Law in the financial statements for the year ended 31 December 2024.

17 Contingencies

The Branch in common with majority of insurers is subject to litigations in the normal course of its business. Based on independent legal advice, the Branch considers that the outcome of these court cases will not have a material impact on the Branch's financial statements.

18 Interest income from financial assets

	2024 AED	2023 AED
Interest income on fair value through other comprehensive income (FVOCI) investments	13,497,730	9,134,405
Interest income on bank deposits	<u>1,783,400</u>	<u>2,743,135</u>
	<u>15,281,130</u>	<u>11,877,540</u>

Deposits are placed with commercial banks and carry interest at rates ranging from 0.10% to 3.71% (2023: 0.03% to 4.85%) per annum.

Corporate bonds carry interests at rates ranging from 1.31% to 5.27% (2023: 1.62% to 4.38%) per annum and government bonds carry interest at rates ranging from 1.45% to 4.88% (2023: 0.37% to 4.00%) per annum

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2023 (continued)

19 Sensitivity analysis to underwriting risk variables

The following table presents information on the sensitivity of insurance/reinsurance contracts assets and liabilities, profit or loss and net assets attributable to the Head office for reasonably possible changes in estimates and assumptions made by the Branch in regard to underwriting risk variables. As possible changes in underwriting variables only impact the LIC/AIC for contracts measured under the PAA, the tables do not include the LRC/ARC for these groups of insurance contracts. The analysis is presented for the indicated change in a variable with all other variables remaining constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

	31 December 2024				31 December 2023			
	LIC/AIC	Impact on LIC/AIC	Impact on profit before income tax	Impact on Net Assets attributable to Head Office	LIC/AIC	Impact on LIC	Impact on profit	Impact on Net Assets attributable to Head Office
	AED	AED	AED	AED	AED	AED	AED	AED
Net insurance contract liabilities	627,745,532				586,459,815			
Net reinsurance contract assets	(485,066,307)				(416,849,061)			
Net insurance contract liabilities	142,679,224				169,610,754			
Discount Rate – 5% increase								
Net insurance contract liabilities	626,076,970	(1,668,561)	1,668,561	1,668,561	585,149,103	(1,310,712)	1,310,712	1,310,712
Net reinsurance contract assets	(483,715,284)	1,351,024	(1,351,024)	(1,351,024)	(415,879,818)	969,243	(969,243)	(969,243)
Net insurance contract liabilities	142,361,687	(317,537)	317,537	317,537	169,269,285	(341,469)	341,469	341,469
Expenses – 5% increase				-				
Net insurance contract liabilities	628,891,337	1,145,806	(1,145,806)	(1,145,806)	587,835,800	1,375,985	(1,375,985)	(1,375,985)
Net reinsurance contract assets	(485,066,307)	-	-	-	(416,859,959)	(10,898)	10,898	10,898
Net insurance contract liabilities	143,825,029	1,145,806	(1,145,806)	(1,145,806)	170,975,841	1,365,087	(1,365,087)	(1,365,087)
Risk Adjustment – 5% increase	-	-	-	-				
Net insurance contract liabilities	630,801,160	3,055,629	(3,055,629)	(3,055,629)	589,191,671	2,731,856	(2,731,856)	(2,731,856)
Net reinsurance contract assets	(487,367,595)	(2,301,288)	2,301,288	2,301,288	(418,762,328)	(1,913,267)	1,913,267	1,913,267
Net insurance contract liabilities	143,433,564	754,341	(754,341)	(754,341)	170,429,343	818,589	(818,589)	(818,589)
Unpaid Claims– 5% increase								
Net insurance contract liabilities	657,231,639	29,486,108	(29,486,108)	(29,486,108)	612,683,254	26,223,439	(26,223,439)	(26,223,439)
Net reinsurance contract assets	(508,390,471)	(23,324,163)	23,324,163	23,324,163	(436,312,127)	(19,463,066)	19,463,066	19,463,066
Net insurance contract liabilities	148,841,169	6,161,945	(6,161,945)	(6,161,945)	176,371,127	6,760,373	(6,760,373)	(6,760,373)

American Home Assurance Company – Dubai Branch

Notes to the financial statements for the year ended 31 December 2023 (continued)

19 Subsequent events

There have been no events after the statement of financial position date that would significantly affect the amounts, and the disclosures reported in the financial statements as at and for the year ended 31 December 2024.

20 Additional information

In reference to CBUAE/BIS/2023/6163 notice issued by the CBUAE on 15 December 2023 regarding the reporting requirements during 2024, the insurance companies are required to include a disclosure on the details of gross written premium as per INFO-7 of the Financial report forms (“eForms”) which is presented:

	2024	2023
	AED	AED
Direct Written Premiums	305,626,690	318,833,968
Foreign Assumed Premiums	25,131,223	18,689,848
Local Assumed Premiums	21,775,830	25,579,539
	<u>352,533,743</u>	<u>363,103,355</u>

The gross written premiums are classified in the category “Property and Liability (without medical) as per INFO 7 of the eForms.

21 Solvency disclosure

The solvency regulations identify the required solvency margin to be held by the Branch at all times during the year. The Branch is subject to solvency regulations which it has complied with as at 31 December 2024 and 31 December 2023. The Branch has incorporated in its policies and procedures necessary tests to ensure continuous and full compliance with such regulations.

The below table summarises minimum capital requirement, minimum guarantee fund and basic solvency capital requirement:

	As at	As at
	31 December	31 December
	2024	2023
	AED	AED
	(unaudited)	(unaudited)
Minimum Capital Requirement (MCR)	100,000,000	100,000,000
Solvency Capital Requirement (SCR)	72,430,531	75,300,248
Minimum Guarantee Fund (MGF)	24,143,510	25,100,083
Basic Own Funds	327,332,569	221,877,956
MCR Solvency Margin Surplus	227,332,569	121,877,956
SCR Solvency Margin Surplus	254,902,038	146,577,708
MGF Solvency Margin Surplus	303,189,058	196,777,873

As per Article (8) of Section 2 of the Financial Regulations issued for Insurance Companies in the UAE, the Branch shall at all times comply with the requirements of Solvency Margin. As of 31 December 2024, the Branch had solvency surplus of AED 227 million (31 December 2023: AED 122 million) as compared to the Minimum Capital Requirements of AED 100 million (31 December 2023: AED 100 million).

The solvency margin and related disclosures included above are based on the figures prepared in accordance with the regulatory reporting requirements and not in accordance with IFRS Accounting Standards.