

Quarter Ended September 30, 2009

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

Quarter Ended September 30, 2009 compared to the quarter ended June 30, 2009

*This "Management's Discussion and Analysis" has been prepared as of September 30, 2009 and should be read in conjunction with the audited consolidated financial statements of Green Crescent Insurance Company PJSC.*

### FORWARD LOOKING STATEMENTS

This MD&A contains forward-looking statements related to Green Crescent Insurance Company's financial and other projections, expected future plans, events, financial and operating results, objectives and performance, as well as underlying assumptions, all of which involve risks and uncertainties. When used in this MD&A, the words "believe", "anticipate", "intend", "estimate", "expect", "project" and similar expressions are intended to identify forward looking statements, although not all forward-looking statements contain such words. These statements reflect management's current beliefs and are based on information currently available to Green Crescent Insurance Company's management and are subject to certain risks, uncertainties and assumptions. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons and no assurances can be given as to actual future results, performance or prospects. Factors that may cause such differences include, but are not limited to, the early stage of development of the Company; a lack of product revenues; uncertainty as to product development and commercialization milestones being met; competition; uncertainty as to target markets; dependence upon third parties; changes in environmental policies; uncertainty as to patent and proprietary rights; availability of management and key personnel; available regulatory approvals. Green Crescent Insurance Company does not assume any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Because of these risks, uncertainties and assumptions, readers should not place undue emphasis on Green Crescent Insurance Company's forward-looking statements.

### BUSINESS STRATEGY OF THE COMPANY AND OVERALL PERFORMANCE

The company is registered and incorporated in the Emirate of Abu Dhabi, United Arab Emirates and is engaged in providing health insurance solutions to the corporate sector. It aims to establish its self as one of the major health insurance providers in the region.

The company's strategy is to use technology and international best practices to provide its customers with tailor made solutions, superior service and specially designed programs to assist its members in managing chronic health issues through a network of providers in 180 countries.

On March 26, 2009, the company's shares commenced trading on the Abu Dhabi stock exchange and closed at AED 1.32 after the first day of trading.

## OPERATING RESULTS, CASHFLOWS AND FINANCIAL CONDITION

### Selected quarterly information:

Quarter ended	Sept. 30, 2009	June 30, 2009	March 31, 2009 *
Gross written premium	16,126,352	33,346,591	28,267,134
Earned Premium	18,931,659	12,037,604	5,918,229
Underwriting gain / (loss)	(901,815)	102,257	967,432
Interest income	3,267,648	3,520,509	3,320,460
Operating expenses	7,672,526	9,147,470	6,846,041
Net gain / (loss)	(5,306,693)	(5,524,704)	(2,558,149)
<b>Net loss per share</b>	<b>(0.02)</b>	<b>(0.02)</b>	<b>(0.01)</b>

### Results of Operations

The quarter ended September 30, 2009 was the company's third full quarter of operations during which it generated Gross written premium of AED 16.1 million. For the first three quarters of 2009, the company recorded total gross written premium of AED 77.7 million on target to reach its stated goal of AED 100 million. For the quarter ended September 30, 2009, the Company incurred a net loss of AED 5.3 million (AED 0.02 per share) compared to a net loss of AED 5.5 million (AED 0.02 per share) in the second quarter. The results in the third quarter reflected the recording of re-insurance costs in the quarter relating to prior periods. On an adjusted basis, the company would have reported an underwriting gain of AED 636,000 and a loss of AED 3.8 million compared with the reported loss of AED 5.3 million

Revenue and Underwriting gain: Gross written premium of AED 16.1 million at the end of the third quarter ended September 30, 2009, compared with AED 33.3 for the second quarter. This is traditionally a slower quarter further amplified due to Ramadhan and Eid. The increase in the company's level of activity is reflected in the earned premium of AED 18.9 million, an increase of AED 6.9 million over the 2<sup>nd</sup> quarter 2009 and has resulted in an underwriting loss of AED 0.9 million for the quarter and AED 0.2 million for the three quarters ending September 30, 2009. As reported above, the underwriting loss and net income was significantly impacted by the recording of an additional AED 1.538 million of charges associated with prior periods. On an adjusted basis the reported income would have improved by 33 percent compared with the prior quarter.

Interest income: Interest income for the quarter amounted to AED 3.3 million, a decrease of AED 0.2 million as a result of sliding interest rates.

Operating expenses: Operating expenses for the quarter totaled AED 7.7 million, a decrease of AED 1.4 million (16.2%) as compared to Q2. This is mainly due to the adjustment in staff costs of AED 0.9 million stemming from lower realization of accrued benefits; adjustment to staff leave accruals as well as relatively lower marketing and general & administrative costs.

\* March 31, 2009 results have been restated for comparability to account for the reclassification of network fees as operating expenses.

### **Balance Sheet Discussion:**

Cash and cash equivalents: At the end of the third quarter 2009, the company had AED 104 million in cash & cash equivalents, including terms deposits of AED 100 million with maturity within twelve months. Additionally the company has taken advantage of attractive rates on CD's in the UAE and placed AED 90 million in intermediate term deposits.

Accounts receivable: Accounts receivable as at September 30, 2009 were AED 24.9 million compared to AED 28.3 million as at June 30, 2009. The decrease in accounts receivable is due to relatively lower sales during the quarter.

Other current assets: These include deferred acquisition costs, i.e. sales commissions & network fees, accrued income and interest receivable on bank deposits.

Accounts payable and accrued liabilities: Accounts payable and accrued liabilities were AED 25.9 million at September 30, 2009 (Q2 09 AED 21.1 million) including claims provision of AED 10.6 million.

Share capital: Share capital as at September 30, 2009 was AED 250.0 million comprising of AED 250 million share of AED 1 each. There were no changes to the share capital of the company during the quarter end September 30, 2009.

### **LIQUIDITY, CAPITAL RESOURCES AND RISK FACTORS**

At September 30, 2009 the Company had AED 194.3 million (June 30, 2009 – AED 194.1 million) in net cash reserves. The Company invests its cash, in accordance with its investments policy, in highly-liquid, highly rated financial instruments such as term deposits. At September 30, 2009 approximately AED 3.0 million of cash was restricted (2008 – AED 2 million). The company holds substantially all of its cash at recognized UAE financial institutions, and as such is exposed to all of the risks associated with that institution. The restricted cash is related to a security deposit in respect of the Health Authority Abu Dhabi (HAAD) and a bank guarantee for NAS (AED 1.0 million). Working capital was AED 91 million at September 30, 2009, the decrease in working capital was primarily due to the increase in long term investments in the current quarter and additional accruals towards anticipated liabilities.

### **CRITICAL ACCOUNTING ESTIMATES**

Premiums earned: Premiums written are taken into income over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unexpired periods of coverage.

Claims: Claims comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to income as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Company.

The Company generally estimates its claims based on previous experience. Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Any difference between the provisions at the balance sheet date and settlements and provisions for the following year is included in the underwriting account for that year.

The Company does not discount its liability for unpaid claims.

Deferred Policy acquisition costs: Commissions and other costs directly related to the acquisition and renewal of insurance contracts are amortized over the terms of the policies as the premium is earned.

Liability adequacy test: At each balance sheet date the Company assesses whether its recognized insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts, if that assessment shows that the carrying amount of its insurance liabilities is inadequate in the

light of estimated future cash flows, the entire deficiency is immediately recognised in income and unexpired risk provision created.

Reinsurance contracts held: In order to minimise financial exposure from large claims the Company enters into agreements with other parties for reinsurance purposes. Claims receivable from reinsurers are estimated in a manner consistent with the claim liability and in accordance with the reinsurance contract. These amounts are shown as "reinsurers' share of outstanding claims" in the balance sheet until the claim is paid by the Company. Once the claim is paid the amount due from the reinsurer in connection with the paid claim is transferred to receivables arising from insurance and reinsurance companies which is included within accounts receivable and prepayments.

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

Insurance receivables: Provision is made against insurance receivables as soon as they are considered doubtful of recovery.

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

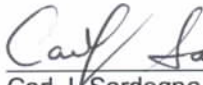
Estimation uncertainty: The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Provision for outstanding claims: Considerable judgment by management is required in the estimation of amounts due to contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Company generally estimates its claims based on previous experience.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred on a monthly basis.

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

Impairment losses on insurance receivables: The Company reviews its insurance receivables on a regular basis to assess whether a provision for impairment should be recorded in the income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required, such estimates are necessarily based on assumptions about the probability of default and probable losses in the event of default, the value of the underlying security, and realization costs.

  
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CEO

