

MANAGEMENT'S DISCUSSION AND ANALYSIS

Quarter Ended September 30, 2010 compared to the quarter ended September 30, 2009

This "Management's Discussion and Analysis" has been prepared as of September 30, 2010 and should be read in conjunction with the audited 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.

OPERATING RESULTS, CASHFLOWS AND FINANCIAL CONDITION

Selected quarterly information:

Quarter ended (AED)	YTD 2010	September 30, 2010	September 30, 2009
Gross written premium	139,664,252	26,419,848	16,126,352
Net Earned Premium	98,776,743	35,817,997	18,931,659
Underwriting gain / (loss)	1,670,637	1,850,395	(901,815)
Interest income	8,241,817	2,626,857	3,267,648
Operating expenses	(30,498,573)	(9,958,100)	(7,672,526)
Net gain / (loss)	(20,586,119)	(5,480,848)	(5,306,693)
Net loss per share	(0.08)	(0.02)	(0.02)

Results of Operations

In spite of the economic downturn the company has continued to achieve significant growth in the third quarter of 2010 versus the same period last year. Gross premiums were up by 64% and earned premium increased by 89%. An underwriting gain of AED 1.9M was realized for the third quarter 2010 compared to a loss of AED 0.9M during the same period in 2009. For the quarter ended September 30, 2010, the Company incurred a net loss of AED 5.5 million (AED 0.02 per share) compared to a net loss of AED 5.3 million (AED 0.02 per share) in the same quarter last year.

Revenue and Underwriting gain: Gross written premium of AED 26.4 million at the end of the third quarter amounts to an increase of AED 10.3 million as compared to the same period during 2009. This increase in the company's level of activity is also reflected in the net earned premium of AED 35.8 million, an increase of AED 16.9 million over the 3rd quarter 2009. The underwriting gain for the quarter amounted AED 1.9 million as compared to a AED 0.9 million loss during the same period last year. During the quarter, the company has also reversed AED 4.4 million worth of claims against reinsurers for policies issued during the period ending 31st December, 2009. Despite this adjustment, the company generated an underwriting gain of AED 1.9M for the quarter. Excluding the re-insurance adjustment the underwriting gain would have been AED 6.3M for the quarter and the net loss would have been AED 1.1M for the quarter.

Interest income: Interest income for the quarter amounted to AED 2.6 million, a decrease of AED 0.6 million on account of falling interest rates.

Operating expenses: Operating expenses for the quarter totaled AED 9.9 million, an increase of AED 2.2 million as compared to Q3 2009. This resulted primarily from the increase in TPA charges i.e. claims processing charges of AED 1.3 million owing to the high level of growth in the number of members insured and higher staff costs reflecting the growth of the company and the fact that the company is just two years old.

Balance Sheet Discussion:

Cash and cash equivalents: At the end of the third quarter 2010, the company had AED 142.3 million in net cash & cash equivalents, including terms deposits of AED 110 million with original maturity of more than three months. Additionally the company has invested approx. AED 26.4 million in fixed income and equity securities.

Accounts receivable: Accounts receivable at September 30, 2010 were AED 55.7 million compared to AED 21.7 million at December 31, 2009. The increase in accounts receivable is due to increased sales activity.

Other current / Non-current assets: These include deferred acquisition costs, i.e. sales commissions & net work fees and work in progress relating to the implementation of the new IT system that is currently underway.

Accounts payable and accrued liabilities: Accounts payable and accrued liabilities including claims provisions were AED 62.4 million at September 30, 2010 compared to AED 49.9 million at December 31, 2009

Share capital: Share capital at September 30, 2010 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 ended September 30, 2010.

LIQUIDITY, CAPITAL RESOURCES AND RISK FACTORS

At September 30, 2010 the Company had AED 142.3 million (December 31, 2009 – AED 166.6 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 the end of the third quarter 2010, the company had approx. AED 26.0 million invested in fixed income and equity securities quoted on ADX. At September 30, 2010 AED 2.0 million of cash was restricted (2009 – AED 2 million) as a statutory deposit for the Insurance Authority. 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.

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 the underlying security, and realization costs.


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