



**Tausi Assurance  
Company Limited**

A Symbol of Trust, Security and Progress



**2020**  
ANNUAL REPORT

FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 31ST DECEMBER

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## Company Information

### BOARD OF DIRECTORS

- : Mr. R.C. Kantaria - Chairman
- : Mrs. R. Thatthi - Managing Director/Principal Officer
- : Mr. S.K. Shah
- : Mr. A.R. Kantaria
- : Mr. S.O.J. Mainda
- : Mr. P.T. Warutere
- : Mr. S. Oueslati - Alternate Mr. F. Jiwa
- : Mr. B. Yohannes - Alternate Mr. V.S.P. Shah

### COMPANY SECRETARIES

- : Adili Corporate Services Kenya
- : Certified Public Secretaries
- : P.O. Box 764, 00606
- : NAIROBI

### REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

- : L.R. No. 209/2259/1
- : Tausi Court, Tausi Lane/ Road
- : Off Muthithi Road, Westlands
- : P.O. Box 28889, 00200
- : NAIROBI
- : Tel: 3746602/3
- : Mobile: 0729145888/0735145020

### INDEPENDENT AUDITOR

- : PKF Kenya LLP
- : Certified Public Accountants
- : P.O. Box 14077, 00800
- : NAIROBI

### ACTUARIES

- : Kenbright Actuarial & Financial Services Limited
- : P.O. Box 28281, 00200
- : NAIROBI

### PRINCIPAL BANKER

- : Prime Bank Limited
- : NAIROBI

### LEGAL ADVISORS

- : Mandla & Sehmi Advocates LLP
- : P.O. Box 48642, 00100
- : NAIROBI
- : Macharia, Mwangi & Njeru Advocates
- : P.O. Box 10627, 00100
- : NAIROBI
- : Wanja & Kibe Advocates
- : P.O. Box 1382, 80100
- : MOMBASA
- : Daly & Inamdar Advocates
- : P.O. Box 80483, 80100
- : MOMBASA
- : Muchui & Company Advocates
- : P.O. Box 61901, 00200
- : NAIROBI
- : Mucheru Law LLP Advocates
- : P.O. Box 7769, 00200
- : NAIROBI



# Tausi Assurance Company Limited

A Symbol of Trust, Security and Progress



## VISION

To be the insurance provider  
of first choice.



## MISSION

To provide general insurance  
services in Kenya.



## CORE VALUES

- Integrity
- Innovation
- Accountability
- Customer Focus
- Professionalism
- Team Spirit
- Fairness



# Tausi Assurance Company Limited

## Board of Directors



**Dr. Rasik Kantaria,**  
**Chairman**

Dr. Rasik Kantaria joined the Tausi Board in 1993 and was elected Chairman in March 2006.

He holds a Bachelor of Science (Economics) graduate. Mr. Kantaria is also the Chairman of Prime Bank Limited, Leisure Lodge Beach and Golf Resort and First Merchant Bank, Malawi.



**Mrs. Rita Thatthi,**  
**Managing Director**

Mrs. Rita Thatthi joined Tausi in March 2003. She was appointed as the CEO and Principal Officer in January 2007. Mrs. Rita holds a Bachelor's degree in Commerce (Accounting Option) from the University of Nairobi and is an Associate member of the Chartered Insurance Institute of England. She has worked in the Insurance industry for over 30 years, having started her career in 1983. She worked with Kenindia Assurance Company Ltd and Corporate Insurance Co. Ltd prior to joining Tausi Assurance Co. Ltd. Mrs. Rita was promoted to the position of a Managing Director at Tausi on February 2015. Awarded Lifetime Achievement Award in 2019 by Think Business Insurance Awards.



**Mr. Amar Kantaria,**  
**Director**

Mr. Amar Kantaria joined the Tausi Board in June 2007 and chairs the Asset/Liability Board committee of the Company.

He holds a Bachelor of Arts (Honours) graduate, Mr. Amar Kantaria has an MBA in International Management.

Currently the Executive Director of Prime Bank Limited.



**Mr. Shantilal K. Shah,**  
**Director**

Mr. Shantilal Shah joined the Tausi Board in May 2005 and chairs the Audit Board Committee of the Company.

He holds a Bachelor of Commerce (Honours) graduate, Mr. Shantilal Shah is an FCA (Chartered Accountant, UK), an FCPA (Certified Public Accountant, Kenya) and a CPS (Certified Public Secretary, Kenya).

He is also a Director of Prime Bank Limited.



**Mr. Biniam Yohannes,**  
**Director**

Mr. Biniam Yohannes joined the Tausi Board of Directors on 13th December 2018. He has over 18 years of experience in private equity, investment banking and emerging markets. He is the Managing Director of Catalyst Principal Partners, a private equity fund that invests across eastern Africa. Mr. Biniam previously worked as a Vice President at Goldman Sachs focused on the infrastructure, technology, media, telecom and project finance sectors. He holds a Bachelor of Arts in Mathematics from Saint Anselm College, a Bachelor of Engineering and Masters of Engineering Management from Dartmouth College.



**Mr. Skander Khalil Oueslati,**  
**Director**

Mr. Skander K. Oueslati joined Tausi Assurance Board on 13th December 2018. He holds a Master's degree from Massachusetts Institute of Technology, USA, and Engineering degrees from France's Ecole Polytechnique and Ecole Nationale des Ponts et Chaussées. Prior to joining AfricInvest Group as a Senior Partner to oversee investments in Africa, he worked for BMCE Bank International in London and the International Finance Corporation in Washington DC, USA. Mr. Oueslati has extensive investment management experience as well as board experience, the latest being his nomination to the board of Prime Bank Kenya.



**Mr. P.T Warutere,**  
**Director**

Mr. P.T. Warutere joined the Tausi Board in March 2017. He is a development economist with over 30 years of experience in strategic communications and governance. He holds a Master of Philosophy degree in Business Administration from Maastricht School of Management in Netherlands, a Master of Economics and Social Studies degree from University of Manchester in UK, and a Bachelor of Education degree in Economics and Business Studies from University of Nairobi. He has worked in senior positions in several organizations, more recently at the World Bank Group. He is also an accomplished editor and writer on development issues. Mr. Warutere is also a director of Mashariki Communications and Mashariki Knowledge Academy.



**Dr. Steve O Mainda,**  
**Director**

Dr. Steve O. Mainda holds a Doctorate (Honoris Causa) from the University of East Africa. He also holds a Master's degree in Management from Princeton University and a Diploma in Management from Cambridge University and a Diploma in Education from University of East

Africa, Makerere College. He is a member of the Chartered Institute of Insurance of London and a Fellow of the Institute of Directors of London. Dr. Mainda has a wealth of experience in finance, Insurance, strategic management and education. He is currently the Group Chairman of Housing Finance Group of Companies and also the Chairman of Continental Reinsurance Company. He also sits on the Boards of several companies in East Africa. He has vast public and private sector management and leadership experience gained through assignments both locally and international. In recognition of his distinguished service, he was awarded "Elder of Burning Spear (EBS)" by the retired President Mwai Kibaki. Dr. Mainda served as the Chairman of Insurance Regulatory Authority for many years



**Mr. Nalin Kothari,**  
**Company Secretary**

Mr. Nalin having been in private practice for many years has wide and varied exposure and experience in company law and company secretarial practice in Kenya. He has been the Company Secretary to a number of public companies including listed companies, private companies, multinationals overseas branches, charitable trusts and pension and provident schemes. He has given briefs in training programmes of client companies. He has been registrar for a number of listed companies and Bond issues. He has also provided company secretarial services for companies in Uganda and Tanzania. He is a Fellow of the Certified Public Secretaries, Kenya and a Fellow of the Institute of Chartered Secretaries and Administrators, UK and holds a degree in law. He is the founder member of the Council of Institute of Certified Public Secretaries of Kenya and was appointed one of the first members of the Registration Board of Certified Public Secretaries.





## CHAIRMAN'S STATEMENT

### DR. RASIK KANTARIA



It is my pleasure to present the Annual Report and Financial Statements for Tausi Assurance Co. Ltd for the year 2020.

The year 2020 has been like no other with a unique set of challenges that has affected the entire global business environment. The pandemic has exposed us all too very high uncertainty and unpredictability in every aspect of our lives. It became necessary for organizations to swiftly implement new management practices and embrace increased use of technology in order to cope with the new norms of the business work environment. Tausi has a well-developed business continuity policy that has borne fruit and enabled it to ride over these difficult times through technology adoption.

I am pleased to report that in the midst of a challenging and difficult year, Tausi demonstrated resilience and innovation and focused on providing seamless service to its customers.

The profit before tax increased from Ksh. 332m in 2019 to Ksh. 392m in 2020. We achieved this through a well-executed strategic plan, which focused on underwriting of good

quality business and implementation of necessary austerity measures early in the year. The shareholders' funds increased from Ksh. 1.758b 2019 to Ksh. 1.96b in 2020, representing a growth of 12%. The return on equity improved from 15.56% in 2019 to 16.19% in 2020. We declared and paid a dividend of Ksh 13 per share, in keeping with the Company dividend policy. Sustained internal capital generation led to an increased Risk based capital ratio of 304% in 2020, up from 265% in the year 2019, which is well above the statutory requirement of 200%.

Tausi Assurance Company limited embraces good corporate governance practices, which are a core part of our ethos. The Board of Directors has created structures to ensure that our operations are carried out in a transparent and ethical manner with a clear focus on the end goal.

The Company invested in creating the technological platforms considered necessary to face the challenges that lie ahead in this unusual business environment, in addition to adding shareholder value.

I thank the Insurance Regulatory Authority and other business partners for their guidance and assistance throughout the year. On behalf of the Board of Directors, I thank the management and staff led by the managing director Mrs. Rita Thatthi for delivering commendable results notwithstanding the challenging operating environment.

I take this opportunity to thank my fellow board members for the wise counsel and support throughout the year.

In conclusion, my pledge to our customers is that they will always be our first priority and I record my gratitude to them for supporting us and showing confidence in us.

## REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31 December 2020, which disclose the state of affairs of the company

## PRINCIPAL ACTIVITIES

The company underwrites all classes of general insurance business as defined by Section 31 of the Kenyan Insurance Act (cap 487) with the exception of aviation

## RESULTS

	2020 Shs	2019 Shs
Profit before tax	392,286,956	332,206,051
Tax (charge)	(63,502,477)	(59,587,827)
Profit for the year	328,784,479	272,618,224

## BUSINESS REVIEW

During the year, the company's net earned premiums reduced from Shs. 840,666,919 to Shs. 806,996,641. This was mainly attributed to decrease in overall gross written premiums which was as a result of the Covid-19 pandemic and the company had taken a risk averse position hence increase in premiums ceded to reinsurers. The profit before tax increased from Shs. 332,206,051 to Shs. 392,286,956 reflecting the efficiency in managing management costs to increase profitability despite reduced earned premiums.

As at 31 December 2020, the net asset position of the company was Shs. 1,960,808,779 compared to Shs. 1,752,539,854 as at 31 December 2019.

## Key performance indicators

	2020 Shs	2019 Shs
Gross premiums written	1,180,206,630	1,203,619,652
Gross earned premiums	1,191,410,871	1,204,121,842
Less: reinsurance premium ceded	(384,414,230)	(363,454,923)
Net earned premiums	806,996,641	840,666,919
Investment and other income	256,419,115	217,985,699
Fair value (loss)/gain on quoted shares	(16,358,522)	3,838,604
Commissions earned	133,120,417	119,044,163
Net income	1,180,177,651	1,181,535,385
Profit for the year	328,784,479	272,618,224

## PRINCIPAL RISKS AND UNCERTAINTIES

The overall business environment continues to remain challenging and this has a resultant effect on overall performance of the company. The company's strategic focus is to enhance revenue growth whilst maintaining profit margins, the success of which remains dependent on overall market conditions, innovativeness to sustain market share and other factors such as the impact of the coronavirus outbreak. The directors continue to monitor this situation closely with a view of assessing and mitigating its impact on the company.

In addition to the business risks discussed above, the company's activities expose it to a number of financial and insurance risks which are described in detail in Note 3 to the financial statements.

## REPORT OF THE DIRECTORS (CONTINUED)

### DIVIDEND

The directors do not recommend payment of final dividend (2019: Shs. 5/- per share amounting to a total of (Shs. 30,000,000).

During the year, an interim dividend of Shs. 13 per share (2019: Shs. 8 per share), amounting to a total of Shs. 78,000,000 (2019: Shs. 48,000,000) was paid. The total dividend for the year is therefore Shs. 13 per share (2019: Shs. 13 per share) amounting to a total of Shs. 78,000,000 (2019: Shs. 78,000,000).

### DIRECTORS

The directors who held office during the year and to the date of this report are shown on page 1.

### DIRECTORS INDEMNITIES

In line with sound governance practices, the company maintains Directors' and Officers' liability insurance, which gives appropriate cover for legal action brought against its Directors. The company has also granted indemnities to each of its directors and the secretary to the extent permitted by law.

### STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

With respect to each director at the time this report was approved:

- (a) there is, so far as the director is aware, no relevant audit information of which the company's auditor is unaware of; and
- (b) the director has taken all the steps that the director ought to have taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### APPOINTMENT OF THE AUDITOR

PKF Kenya LLP has indicated willingness to continue in office in accordance with the company's Articles of Association and Section 719 of the Companies Act, 2015. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

The Report of Directors was approved by the Board of Directors on 18th March 2021 and signed on its behalf by the Secretary.

### BY ORDER OF THE BOARD



**ADILI CORPORATE SERVICES KENYA**  
**COMPANY SECRETARY**  
**NAIROBI**

**18th March 2021**



## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company keeps proper accounting records that are sufficient to show and explain the transactions of the company; that disclose, with reasonable accuracy, the financial position of the company and that enable them to prepare financial statements of the company that comply with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015. The directors are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

1. Designing, implementing and maintaining such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
2. Selecting and applying appropriate accounting policies; and
3. Making accounting estimates and judgements that are reasonable in the circumstances.

The directors are of the opinion that the financial statements give a true and fair view of the financial position of the company as at 31 December 2020 and of the company's financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

In preparing these financial statements the directors have assessed the company's ability to continue as a going concern. Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the board of directors on 18th March 2021 and signed on its behalf by:

DIRECTOR



DIRECTOR



## **REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF TAUSI ASSURANCE COMPANY LIMITED**

### **Opinion**

We have audited the financial statements of Tausi Assurance Company Limited set out on pages 11 to 53, which comprises of the statement of financial position as at 31 December 2020, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of Tausi Assurance Company Limited financial position as at 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act, 2015.

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, 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.

### **Key Audit Matters**

This section of the audit report is intended to describe the matters communicated with those charged with governance that we have determined, in our professional judgment, were of most significance in the audit of the financial statements. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### **Insurance Contract Liabilities**

The directors exercise significant judgement in estimation of outstanding reported claims and Incurred But Not Reported (IBNR) claims. Accounting policy 1(b), to the financial statements describes the basis for such provisions and Note 23 to the financial statements sets out the disclosures in respect of these provisions.

Such provisions are based on multiple sources of information including models developed that rely on historical experience of claims. Due to the complexity of such models, the degree of judgement and estimation involved and the quantum of these provisions, the audit of insurance contract liabilities is a key audit matter.

Our audit procedures included testing the key controls over the claims recording procedures, including controls over the completeness and accuracy of the data that supports the models used in estimating the insurance contract liabilities. We tested the completeness of the claims registers including the quantification of claims outstanding at the reporting date. We tested the completeness of the data used by management in its models to estimate the IBNR claims provision. We reperformed, on a sample basis, the management's model. In testing the reasonability of the estimates and assumptions used by management, we reviewed the historical experience of claims incurred against provisions recognised. We also reviewed the trend in claims over the recent past, including our knowledge of the industry, to determine overall reasonability of the provisions recognised.

#### **Information Technology (IT) systems and controls over financial reporting**

The company is reliant on IT systems, with respect to its underwriting function. There is a risk that the controls around the IT systems may not be designed and operating effectively which could have a material impact on amounts reported. Therefore this represented a key audit matter.

Our audit procedures involved testing the overall design and operational effectiveness of controls over information systems that are critical to financial reporting. We applied judgement to the deficiencies that were observed that affected application and databases within the scope of our audit and performed additional controls and substantive procedures to determine the reliance placed on the completeness and accuracy of the system generated information.

## REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF TAUSI ASSURANCE COMPANY LIMITED (CONTINUED)

### Key Audit Matters (continued)

#### Provisions made in respect of direct insurance arrangements and reinsurance arrangements

The directors exercise significant judgement in making provisions for receivables arising out of direct insurance arrangements and reinsurance arrangements based on various risk categories and classifications in Note 3.2(b) to the financial statements as well as the level of expected credit loss necessary for each category of receivables which is based on the company's past experience, industry standards and relevant consideration of forward looking factors. Because of the significance of these judgements and the quantum of the receivables from direct insurance arrangements and reinsurance arrangements, the audit of the impairment provisions is a key audit matter.

#### IFRS 9 implementation

Our audit procedures included testing the model used by the management in classifying the "receivables into their respective credit grades and stages of performance which included understanding the classification criteria and reviewing this for consistency with the prior experience, industry experience as well as forward looking factors. We tested the model that was prepared by the management in determining the Loss Given Default (LGD) as well as the Probability of Default (PD) to form our own assessment as to whether the factors generated were reliable as these form the basis of the impairment provisions.

#### Other information

The directors are responsible for the other information. The other information comprises the report of the directors, statement of directors' responsibilities and the general insurance business revenue account but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

#### Responsibilities of directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the directors determine 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, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company, cease operations, or has no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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.

## **REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF TAUSI ASSURANCE COMPANY LIMITED (CONTINUED)**

### **Auditor's responsibilities for the audit of the financial statements (continued)**

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 that of one resulting from an 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director'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 company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention, in our auditor's report, to the related disclosures in the financial statements or, if such 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate 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.

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

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

### **Report on other matters prescribed by the Kenyan Companies Act, 2015**

In our opinion, the information provided in the report of the directors, on pages 6 and 7, is consistent with the financial statements.



**Certified Public Accountants  
NAIROBI**

**23rd March 2021**

**CPA Jalpesh Vershi Shah - P/No. 1219.  
Signing partner responsible for the independent audit 148/21**

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		As at 31 December	
	Notes	2020 Shs	2019 Shs
Gross premiums written		1,180,206,630	1,203,619,652
Gross earned premiums	4	1,191,410,871	1,204,121,842
Less: reinsurance premium ceded	4	(384,414,230)	(363,454,923)
<b>Net earned premiums</b>	<b>4</b>	<b>806,996,641</b>	<b>840,666,919</b>
Investment and other income	5	256,419,115	217,985,699
Fair value adjustments	5	(16,358,522)	3,838,604
Commissions earned		133,120,417	119,044,163
<b>Net income</b>		<b>1,180,177,651</b>	<b>1,181,535,385</b>
Claims payable	6	(328,428,828)	(356,956,743)
Less: amounts recoverable from reinsurers	6	89,525,450	56,852,921
<b>Net claims payable</b>	<b>6</b>	<b>(238,903,378)</b>	<b>(300,103,822)</b>
Operating and other expenses	7	(339,347,301)	(339,352,507)
Commissions payable		(209,640,016)	(209,873,005)
<b>Total operating and commission expenses</b>		<b>(548,987,317)</b>	<b>(549,225,512)</b>
<b>Profit before tax</b>		<b>392,286,956</b>	<b>332,206,051</b>
Income Tax Charge	9	(63,502,477)	(59,587,827)
<b>Profit for the year</b>		<b>328,784,479</b>	<b>272,618,224</b>
<b>Other comprehensive income:</b>			
<b>Items that shall not be reclassified subsequently to profit or loss:</b>			
Surplus on revaluation of property, plant and equipment	11	-	24,974,246
Deferred income tax on surplus on revaluation of property, plant and equipment	26	-	(7,492,274)
<b>Items that may be reclassified subsequently to profit or loss when specific conditions are met:</b>			
Changes in fair value of Government securities - Fair value through other comprehensive income	18(b)	10,301,910	(1,333,053)
Changes in fair value of quoted shares - Fair value through other comprehensive income	20(b)	(22,817,464)	22,921,215
<b>Total other comprehensive income</b>		<b>(12,515,554)</b>	<b>39,070,134</b>
<b>Total comprehensive income for the year attributable to shareholders of the company</b>		<b>316,268,925</b>	<b>311,688,358</b>
Dividend - interim paid during the year		78,000,000	48,000,000
- final proposed for the year		-	30,000,000
	<b>31</b>	<b>78,000,000</b>	<b>78,000,000</b>
<b>Earnings per share</b>	<b>32</b>	<b>54.80</b>	<b>45.44</b>

The notes on pages 15 to 53 form an integral part of these financial statements. Report of the independent auditor - pages 8 to 10.

## STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Notes	2020 Shs	2019 Shs
<b>CAPITAL EMPLOYED</b>			
Share capital	10	600,000,000	600,000,000
Revaluation reserves	11	182,091,428	185,389,270
Fair value reserve - Fair value through other comprehensive income		8,305,567	20,821,121
Retained earnings		1,170,411,784	916,329,463
Proposed dividend		-	30,000,000
<b>Shareholders' funds</b>		<b>1,960,808,779</b>	<b>1,752,539,854</b>
<b>REPRESENTED BY</b>			
<b>Assets</b>			
Property and equipment	12	246,207,929	251,361,277
Intangible assets	13	14,931,100	4,708,638
Right to use asset	14	91,232,877	92,500,000
Mortgage and other loans	15	68,262,309	81,297,827
Receivables arising out of reinsurance arrangements		12,083,424	11,580,008
Receivables arising out of direct insurance arrangements		70,686,325	65,927,350
Reinsurers' share of insurance contract liabilities	16	256,291,451	283,107,940
Other receivables	17	65,868,022	75,828,329
Government securities - 'Amortised cost'	18(a)	940,229,474	863,235,037
Government securities - Fair value through other comprehensive income	18(b)	734,142,304	581,587,368
Quoted shares at fair value through profit or loss	20(a)	92,456,437	108,814,959
Quoted shares - Fair value through other comprehensive income	20(b)	93,861,775	116,679,240
Deposits with financial institutions	22(b)	363,084,378	390,406,240
Cash and bank balances	22(a)	47,079,955	37,567,114
Tax recoverable		31,404,117	28,098,309
<b>Total assets</b>		<b>3,127,821,877</b>	<b>2,992,699,636</b>
<b>Liabilities</b>			
Insurance contract liabilities	23	699,468,170	719,122,347
Payables arising out of reinsurance arrangements		46,884,194	80,525,641
Unearned premium reserve	25	300,195,391	319,442,531
Deferred tax	26	66,926,629	68,229,886
Other payables	27	53,538,714	52,839,377
<b>Total liabilities</b>		<b>1,167,013,098</b>	<b>1,240,159,782</b>
<b>Net assets</b>		<b>1,960,808,779</b>	<b>1,752,539,854</b>

The financial statements on pages 11 to 53 were approved and authorised for issue by the Board of Directors on 18th March 2021 and were signed on its behalf by:

Director



Director



Director



The notes on pages 15 to 53 form an integral part of these financial statements. Report of the independent auditor - pages 8 to 10.







	Notes	Share capital Shs	Fair value reserve Shs	Revaluation reserve Shs	Retained earnings Shs	Proposed Dividend Shs	Total Shs
<b>Year ended 31 December 2019</b>							
At start of the year		600,000,000	(767,041)	171,009,140	718,609,397	-	1,488,851,496
Profit for the year		-	-	-	272,618,224	-	272,618,224
<b>Other Comprehensive income:</b>							
Change in fair value of Government securities - Fair value through other comprehensive income	18(b)	-	(1,333,053)	-	-	-	(1,333,053)
Change in fair value of quoted shares - Fair value through other comprehensive income	20(b)	-	22,921,215	-	-	-	22,921,215
Surplus on revaluation of property and equipment	11	-	-	24,974,246	-	-	24,974,246
Deferred tax on surplus on revaluation of property and equipment	11	-	-	(7,492,274)	-	-	(7,492,274)
Transfer of excess depreciation	11	-	-	(4,431,203)	4,431,203	-	-
Deferred income tax on transfer of excess depreciation	11	-	-	1,329,361	(1,329,361)	-	-
<b>Total comprehensive income for the year</b>		-	<b>21,588,162</b>	<b>14,380,130</b>	<b>275,720,066</b>	-	<b>311,688,358</b>
<b>Transactions with owners:</b>							
Dividend:							
- Interim for 2019 (paid)		-	-	-	(48,000,000)	-	(48,000,000)
- Final for 2019 (proposed)	31	-	-	-	(30,000,000)	30,000,000	-
<b>At the end of year</b>							
<b>Year ended 31 December 2020</b>							
At start of the year		600,000,000	20,821,121	185,389,270	916,329,463	30,000,000	1,752,539,854
Profit for the year		-	-	-	328,784,479	-	328,784,479
<b>Other Comprehensive income:</b>							
Change in fair value of Government securities - Fair value through other comprehensive income	18(b)	-	10,301,910	-	-	-	10,301,910
Change in fair value of quoted shares - Fair value through other comprehensive income	20(b)	-	(22,817,464)	-	-	-	(22,817,464)
Transfer of excess depreciation	11	-	-	(4,711,203)	4,711,203	-	-
Deferred income tax on transfer of excess depreciation	11	-	-	1,413,361	(1,413,361)	-	-
<b>Total Comprehensive income for the year</b>		-	<b>(12,515,554)</b>	<b>(3,297,842)</b>	<b>332,082,321</b>	-	<b>316,268,925</b>
<b>Transactions with owners:</b>							
Dividend:							
- Final for 2019 (paid)		-	-	-	(30,000,000)	-	(30,000,000)
- Interim for 2020 (paid)	31	-	-	-	(78,000,000)	-	(78,000,000)
<b>At end of year</b>							
		600,000,000	8,305,567	182,091,428	1,170,411,784	-	1,960,808,779

The notes on pages 15 to 53 form an integral part of these financial statements. Report of the independent auditor - pages 8 to 10.



## STATEMENT OF CASH FLOWS

As at 31 December

	Notes	2020 Shs	2019 Shs
<b>Operating activities</b>			
Cash from operations	29	383,056,444	397,623,866
Tax paid		(68,111,542)	(97,256,837)
<b>Net cash from operations</b>		<b>314,944,902</b>	<b>300,367,029</b>
<b>Investing activities</b>			
Purchase of property and equipment	12	(6,091,313)	(9,924,861)
Purchase of intangible assets	13	(14,527,509)	(4,773,876)
Proceeds from disposal of property and equipment		92,399	540,000
Movement in mortgage and other loans		11,457,310	52,363,803
Movement of Government securities - 'Amortised Cost'		(61,331,302)	(7,099,912)
Purchase of Government securities - fair value through other comprehensive income	18(b)	(139,214,069)	(290,842,910)
Maturity of Government securities - fair value through other comprehensive income	18(b)	-	12,500,000
Placement of Fixed Deposits Maturing in over 90 days	22(b)	27,723,520	(228,528,157)
Redemption of commercial paper	19	-	7,075,000
Proceeds from disposal of quoted shares at fair value through profit or loss	20(a)	-	11,906,250
Purchase of quoted shares - fair value through other comprehensive income	20(b)	-	(9,953,097)
<b>Net cash (used in) investing activities</b>		<b>(181,890,964)</b>	<b>(466,737,760)</b>
<b>Financing activities</b>			
Dividend paid	31	(108,000,000)	(48,000,000)
<b>Net cash (used in) financing activities</b>		<b>(108,000,000)</b>	<b>(48,000,000)</b>
Increase/(decrease) in cash and cash equivalents		25,053,938	(214,370,731)
<b>Movement in cash and cash equivalents</b>			
At start of year		126,353,075	340,723,806
Increase/(decrease)		25,053,938	(214,370,731)
<b>At end of year</b>	<b>22</b>	<b>151,407,013</b>	<b>126,353,075</b>

The notes on pages 15 to 53 form an integral part of these financial statements. Report of the independent auditor - pages 8 to 10.

## NOTES

### 1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements comply with the requirements of the Kenyan Companies Act, 2015. The statement of profit or loss and other comprehensive income represent the profit and loss account referred to in the Act. The statement of financial position represents the balance sheet referred to in the Act.

#### a. Basis of preparation

The financial statements have been prepared under the historical cost convention, except as indicated otherwise below and are in accordance with International Financial Reporting Standards (IFRS). The historical cost convention is generally based on the fair value of the consideration given in exchange of assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

These financial statements comply with the requirements of the Kenyan Companies Act, 2015. The statement of profit or loss and other comprehensive income represents the profit and loss account referred to in the Act. The statement of financial position represents the balance sheet referred to in the Act.

#### Going concern

The financial performance of the company is set out in the report of the directors and in the statement of profit or loss and the other comprehensive income. The financial position of the company is set out in the statement of financial position. Disclosures in respect of risk management are set out in Note 3.

Based on the financial performance and position of the company, and its risk management policies, the directors are of the opinion that the company is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

#### New standards, amendments and interpretations adopted by the company

The company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### Conceptual Framework for Financial Reporting issued on 29 March 2018

The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the company.

#### Amendments to IAS 1 and IAS 8 Definition of Material (issued in October 2018)

The amendments, applicable to annual periods beginning on or after 1 January 2020, clarify the definition of material and how it should be applied by including in the definition guidance that previously featured elsewhere in IFRS.

## NOTES (CONTINUED)

### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### a. Basis of preparation (continued)

##### **Amendments to IFRS 3: Definition of a Business (issued in October 2018)**

The amendments, applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period (1 January 2020), and to asset acquisitions that occur on or after the beginning of that period, clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. These amendments had no impact on the financial statements of the company, but may impact future periods should the company enter into any business combinations.

##### **Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform (issued in September 2019)**

The amendments, applicable to annual periods beginning on, or after, 1 January 2020, provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the company as it does not have any interest rate hedge relationships.

##### **Amendments to IFRS 16 Covid-19 Related Rent Concessions (issued on 28 May 2020)**

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on, or after, 1 June 2020. Earlier application is permitted. This amendment had no impact on the financial statements of the company.

#### **New standards, amendments and interpretations issued but not effective**

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective for the year presented:

- Amendments to IAS 1 'Classification of Liabilities as Current or Non-current (issued in January 2020), effective for annual periods beginning on, or after, 1 January 2023, clarify a criterion for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement for at least 12 months after the reporting date.
- Amendments to IAS 16 'Property, Plant and Equipment - Proceeds before Intended Use' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 prohibit entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.
- Amendments to IAS 37 'Onerous Contracts - Costs of Fulfilling a Contract' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022, specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

## NOTES (CONTINUED)

### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### a. Basis of preparation (continued)

##### New standards, amendments and interpretations issued but not effective (continued)

- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards 'Subsidiary as a first-time adopter' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted, permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.
- Amendments to IFRS 3 Business Combinations - The amendments added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. The amendments also clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.
- Amendment to IFRS 9 Financial Instruments 'Fees in the '10 per cent' test for derecognition of financial liabilities' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted, clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
- Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' (issued in September 2014), applicable from a date yet to be determined, address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.
- IFRS 17 'Insurance Contracts' (issued in May 2017), effective for annual periods beginning on or after 1 January 2023, establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement and presentation and disclosure, which replaces IFRS 4 Insurance Contracts.

## NOTES (CONTINUED)

### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### a. Basis of preparation (continued)

##### New standards, amendments and interpretations issued but not effective (continued)

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short duration which typically applies to certain non-life insurance contracts.

The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, re-measured every reporting period (the fulfillment cash flows);
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfillment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period);
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period;
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice;
- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period;
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the statement of financial position; and
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense.

Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

IFRS 17 is effective for annual reporting periods beginning on, or after, 1 January 2023, with comparative figures required. Early application is permitted; provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

The company plans to adopt the new standard on the required effective date. The company started a project to implement IFRS 17 and has been performing a high-level impact assessment of IFRS 17. The company expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the company and is likely to have a significant impact on profit and total equity together with presentation and disclosure.

The directors expect that the future adoption of IFRS17 may have a material impact on the amounts reported. However, it is not practicable to provide a reliable estimate of the effects of the above until a detailed review has been completed. The directors do not expect that adoption of the other Standards and Interpretations will have a material impact on the financial statements in future periods. The entity plans to apply the changes above from their effective dates noted above.



**NOTES (CONTINUED)****1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****b. Insurance contracts**

The company issues contracts that transfer insurance risk, financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

A number of insurance and investment contracts contain a discretionary participation feature (DPF). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- That are likely to be a significant portion of the total contractual benefits;
- Whose amount or timing is contractually at the discretion of the company; and

That are contractually based on:

- the performance of a specified pool of contracts or a specified type of contract;
- realised and/or unrealised investment returns on a specified pool of assets held by the company; or
- the profit or loss of the company, fund or other entity that issues the contract.

Local statutory regulations and the terms and conditions of these contracts set out the basis for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus) and within which the Company may exercise its discretion as to the quantum and timing of their payment to contract holders. At least 90% of the eligible surplus must be attributed to contract holders as a group (which can include future contract holders); the amount and timing of the distribution to individual contract holders is at the discretion of the Company, subject to the advice of the relevant local appointed actuary.

**Recognition and measurement**

The company issues contracts that transfer insurance risk. As a general guideline, the company defines a significant insurance risk as the possibility of having to pay claims on the occurrence of an insured event.

**Premium income**

Premium income is recognised on assumption of risks, and includes estimates of premiums due but not yet received, less an allowance for cancellations, and less unearned premium.

Premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as the unearned premium liability. Unearned premiums are computed based on the 1/365th method. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

**Claims**

Claims incurred comprise claims paid in the year and changes in the provision for outstanding claims. Claims paid represent all payments made during the year, whether arising from events during that or earlier years. Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the reporting date, but not settled at that date.

Outstanding claims are computed on the basis of the best information available at the time the record for the year are closed and include provisions for claims incurred but not reported ("IBNR"). Outstanding claims are not discounted.

**Liability adequacy test**

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used.

## NOTES (CONTINUED)

### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### b. Insurance contracts (continued)

##### Commissions

Commissions payable are recognised in the period in which the related premiums are written. Commissions receivable are recognised in income in the period in which the related premiums ceded.

##### Reinsurance contracts held

Contracts entered into by the company with reinsurers under which the company is compensated for losses on one or more contracts issued by the company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss. The company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets (Note 1 (e).)

##### Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivables are impaired, the company reduces the carrying amount of the insurance receivables accordingly and recognises that impairment loss in profit or loss. The company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets.

##### Salvage and subrogation reimbursements

Some insurance contracts permit the company to sell (usually damaged) property acquired in settling a claim (for example, salvage). The company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

## NOTES (CONTINUED)

### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### b. Insurance contracts (continued)

##### Salvage and subrogation reimbursements (continued)

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the asset.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

#### c. Other income

##### Interest income and expenses

Interest income and expenses for all interest-bearing financial instruments, including financial instruments measured at fair value through profit or loss and fair value through other comprehensive income, are recognised in profit or loss using the effective interest rate method. When a receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

##### Dividend income

Dividend income for financial instruments measured at fair value through other comprehensive income and fair value through profit or loss equities is recognised when the right to receive payment is established – this is the ex-dividend date for equity securities.

##### Rental income

Rental income from operating leases is recognized on a straight-line basis over the period of the lease.

#### d. Property and equipment

All property and equipment is initially recorded at cost and thereafter stated at historical cost, less accumulated depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition, ready for its intended use.

Buildings are subsequently measured at fair value, based on periodic valuations, less subsequent depreciation.

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and credited to revaluation reserve in equity, except to the extent that the increase reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. Decreases that offset previous increases of the same asset are charged to other comprehensive income. All other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

## NOTES (CONTINUED)

### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### d. Property and equipment (continued)

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

Depreciation on all other assets is calculated on the reducing balance basis method to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life using the following annual rates:

	<u>Rate %</u>	
Buildings	2	(Straight line basis)
Motor vehicles	25	
Furniture and fittings	12.5	
Computer equipment	30	

The assets' residual values, useful lives and methods of depreciation are reviewed at the end of each reporting period and adjusted prospectively, if appropriate.

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.

An item of property and equipment is derecognised upon disposal or when no future future economic benefits are expected from its use or disposal. Gains and losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit. On disposal of revalued amounts in the revaluation reserve relating to the particular assets being disposed of are transferred to retained earnings in the statement of changes in equity.

#### e. Financial instruments

Financial instruments are recognised when, and only when, the company becomes party to the contractual provisions of the instrument.

##### - Financial assets

All financial assets are recognised initially using the trade date accounting which is the date the company commits itself to the purchase or sale. The company classifies its financial assets into the following categories:

##### i. Amortised cost:

Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding and are not designated at Fair Value Through Profit or Loss (FVTPL), are classified and measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance measured and recognised.

##### ii. Fair Value Through Other Comprehensive Income (FVTOCI):

Financial assets that are held for collection of contractual cash flows, where these cash flows comprise SPPI, and also for liquidating the assets depending on liquidity needs and that are not designated at FVTPL, are classified and measured at value through other comprehensive income (FVTOCI). Movements in the carrying amount are taken through OCI, except for recognition of impairment gain or losses, interest revenue and foreign exchange gain and losses. Gains and losses previously recognised in OCI are reclassified from equity to profit or loss on disposal of such instruments. Gains and losses related to equity instruments are not reclassified.

## NOTES (CONTINUED)

### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### e. Financial instruments (continued)

##### - Financial assets (continued)

#### iii. Fair Value Through Profit or Loss (FVTPL):

Financial assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the statement of profit or loss and other comprehensive income.

Notwithstanding the above, the company may:

- on initial recognition of an equity investment that is not held for trading, irrevocably elect to classify and measure it at fair value through other comprehensive income.
- on initial recognition of a debt instrument, irrevocably designate it as classified and measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

At initial recognition of a financial asset, the company determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The company reassess their business models, each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the company has not identified a change in its business models.

#### Derecognition/write off

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the company has transferred substantially all risks and rewards of ownership, or when the company has no reasonable expectations of recovering the asset.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in the OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Financial instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

#### Impairment

Debt instruments that are subsequently measured at amortised cost or at impairment assessment. No impairment loss is recognised on investments measured at FVTPL.

The company recognises loss allowances for Expected Credit Losses (ECLs) on the following financial instruments that are measured at amortised cost or at fair value through other comprehensive income (FVTOCI):

- Receivables arising out of direct insurance arrangements
- Receivables arising out of reinsurance arrangements
- Mortgage and other loans
- Government securities
- Commercial paper
- Deposits with financial institutions
- Cash and bank balances
- Quoted shares
- Other receivables

No impairment loss is recognised on investments measured at fair value through profit and loss (FVTPL).

## NOTES (CONTINUED)

### SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### e. Financial instruments (continued)

##### - Financial assets (continued)

##### Impairment (continued)

The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which:

- the credit risk has increased significantly since initial recognition; or
- there is observable evidence of impairment (a credit-impaired financial asset).

If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

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

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from the balance sheet date, those which management has the express intention of holding for less than 12 months from the reporting date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

##### - Financial liabilities

Financial liabilities that are held for trading (including derivatives), financial guarantee contracts, or commitments to provide a loan at a below-market interest rate are classified and measured at fair value through profit or loss. The company may also, on initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

All other financial liabilities are classified and measured at amortised cost.

All financial liabilities are classified as non-current except those held for trading, those expected to be settled in the company's normal operating cycle, those payable or expected to be paid within 12 months of the reporting date and those which the company does not have an unconditional right to defer settlement for at least 12 months after the reporting date.

##### Derecognition

All financial liabilities are derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.



## NOTES (CONTINUED)

### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### e. Financial instruments (continued)

##### - Financial liabilities (continued)

##### Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

#### f. Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

##### Computer software

Computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software is amortised over its estimated useful life which is estimated to be at five years.

#### g. Impairment of non-financial assets and intangible assets

At the end of each reporting period, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually.

An impairment loss is recognised for the amount by which the carrying amount of an asset or a cash generating unit (CGU) exceeds its recoverable amount. The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In this case, management determines the recoverable amount of the CGU to which the asset belongs. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

A CGU is the smallest identifiable group of assets that generates cash flows that are largely independent of cash inflows from other assets or groups of assets.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value, less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation surplus taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

## NOTES (CONTINUED)

### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### g. Impairment of non-financial assets and intangible assets (continued)

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

#### h. Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at amortised cost. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

#### i. Accounting for leases

The company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time.

##### The company as lessee

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the company recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the company is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the company's incremental borrowing rate is used.

For leases that contain non-lease components, the company allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

Subsequently the lease liability is measured at amortised cost, subject to remeasurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

Leasehold land is subsequently carried at revalued amounts, based on annual/triennial valuations by external independent valuers, less accumulated depreciation and accumulated impairment losses. All other right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability.

Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life. If ownership of the underlying asset is not expected to pass to the company at the end of the lease term, the estimated useful life would not exceed the lease term.

**NOTES (CONTINUED)****1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****i. Accounting for leases (continued)****The company as lessee (continued)**

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are recognised in profit or loss. Annually, the difference between the depreciation charge based on the revalued carrying amount of the asset recognised in profit or loss and depreciation based on the asset's original cost (excess depreciation) is transferred from the revaluation reserves to retained earnings.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value, the total lease payments are recognised in profit or loss on a straight-line basis over the lease period.

**The company as lessor**

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the lessee are classified as finance leases. All other leases are classified as operating leases. Payments received under operating leases are recognised as income in the profit or loss on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of the leases.

Assets leased to third parties under operating leases are included in property and equipment in the statement of financial position.

**j. Employee benefits****- Retirement benefit obligations**

The company operates a defined contribution scheme for its employees. The assets of the scheme are held in separate trustee administered funds, which are funded from contributions from both the company and employees. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The company and its employees also contribute to the National Social Security Fund (NSSF), a statutory defined contribution scheme registered under the NSSF Act. The company's contributions to the defined contribution scheme are charged to profit or loss in the year to which they relate.

The company's contributions to the defined contribution scheme and NSSF are charged to profit or loss in the year to which they relate.

**- Other entitlements**

The estimated monetary liability for employees accrued annual leave entitlement at the reporting date is recognised as an expense accrual

## NOTES (CONTINUED)

### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### k. Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or in equity, in which case, the tax is also recognised in other comprehensive income or equity.

##### Current tax

Current tax is provided on the results for the year, adjusted in accordance with tax legislation.

##### Deferred tax

Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the reporting date. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, the carry forward of unused tax credits and tax credits and unused tax losses can be utilised.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using fair value model, the carrying amounts of such properties are presumed to be recoverable entirely through sale unless presumption is rebutted. The presumption is rebutted when the investment property is depreciable and held within a business model whose objective is to consume substantially all its economic benefits embodied in it over time rather than through sale.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

The company offsets deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

#### l. Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

#### m. Share capital

Ordinary shares are classified as equity.

#### n. Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

**NOTES (CONTINUED)****2. Significant accounting judgements, estimates and assumptions**

In the application of the accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The directors have made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**a. The ultimate liability arising from claims made under insurance contracts**

The estimation of the ultimate liability arising from claims made under insurance contracts is the company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the company will ultimately pay for such claims.

Judgement is also applied in the estimation of future contractual cash flows in relation to reported losses and losses incurred but not yet reported. There are several sources of uncertainty that need to be considered in the estimate of the ability that the company will ultimately pay for such claims. Case estimates are computed on the basis of the best information available at the time the records for the year are closed. Note 23 contains further details on this process.

**b. Measurement of expected credit losses (ECL):**

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumption about future economic conditions and credit behaviour.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and associated ECL; and
- Establishing companies of similar financial assets for the purposes of measuring ECL.

ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument.

The measurement of ECLs are based primarily on the product of the instrument's Probability of Default (PD), Loss Given Default (LGD), and Exposure At Default (EAD).

The ECL model is applied for financial assets other than trade receivables and contains a three-stage approach that is based on the change in the credit quality of assets since initial recognition.

**Stage 1** - If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and a loss allowance that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded.

**Stage 2** - When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to recognition of 12-month expected credit losses.

**Stage 3** - When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance equal to lifetime expected losses continues to be recorded or the financial asset is written off.

## NOTES (CONTINUED)

### 2. Significant accounting judgements, estimates and assumptions (continued)

#### b. Measurement of expected credit losses (ECL): (continued)

**Assessment of significant increase in credit risk:** The determination of a significant increase in credit risk takes into account many different factors including a comparison of a financial instruments credit risk or PD at the reporting date and the credit or PD at the date of initial recognition. IFRS 9 however includes rebuttable presumptions that contractual payments are overdue by more than 30 days will represent a significant increase in credit risk (stage 2) and contractual payments that are more than 90 days overdue will represent credit impairment (stage 3). The company uses these guidelines in determining the staging of its assets unless there is persuasive evidence available to rebut these presumptions.

For receivables arising out of direct insurance arrangements, the company has applied the simplified model under IFRS 9 where lifetime expected credit loss allowance is recognised on the basis of a provisioning matrix.

The carrying amounts of the company's financial assets that are subject to impairment assessment are disclosed in notes 3.2(b).

#### Useful lives, depreciation methods and residual values of property and equipment, intangible assets and right-of-use assets

Management reviews the useful lives, depreciation methods and residual values of the items of property, plant and equipment, intangible assets and right-of-use assets on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values. The carrying amounts of property and equipment, intangible assets and right-of-use assets are disclosed in notes 12, 13 and 14, respectively.

#### Accounting for leases under IFRS 16

Management has made various judgements and estimates under IFRS 16 as detailed below:

##### Incremental borrowing rate:

To determine the incremental borrowing rate, the company:

- where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

**Lease term/period:** In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of equipment, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the company is typically reasonably certain to extend (or not terminate).
- Otherwise, the company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.



## NOTES (CONTINUED)

### 2. Significant accounting judgements, estimates and assumptions (continued)

#### b. Measurement of expected credit losses (ECL): (continued)

##### Accounting for leases under IFRS 16 (continued)

Most extension options in offices and vehicles leases have not been included in the lease liability, because the company could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

### 3. Management of insurance and financial risk

#### 3.1 Insurance risk

The company's activities expose it to a variety of risks, including insurance and financial risks (credit risk, and the effect of changes in debt and equity market prices and interest rates). The company's overall risk management programme focuses on the identification and management of risks and seeks to minimise potential adverse effects on its financial performance, by use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients, and defined criteria for the approval of intermediaries and reinsurers. Investment policies are in place which help manage liquidity, and seek to maximise return within an acceptable level of interest rate risk.

The company issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the company manages them.

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very 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 company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

#### i. Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The most significant are the increasing level of awards for the damage suffered as a result of exposure to asbestos, and the increase in the number of cases coming to court that have been inactive or latent for a long period of time. Estimated inflation is also a significant factor due to the long period typically required to settle these cases.

The company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

## NOTES (CONTINUED)

### 3. Management of insurance and financial risk (continued)

#### 3.1 Insurance risk (continued)

##### ii. Sources of uncertainty in the estimation of future benefit payments and premium receipts

Claims on casualty contracts/general risks are payable on a claims-occurrence basis. The company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time, and a larger element of the claims provision relates to incurred but not reported claims (IBNR). There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted. The compensation paid on these contracts is the monetary awards granted for bodily injury suffered by employees (for employer's liability covers) or members of the public (for public liability covers). Such awards are lump-sum payments that are calculated as the present value of the lost earnings and rehabilitation expenses that the injured party will incur as a result of the accident.

#### 3.2 Financial risk

The company is exposed to financial risk through its financial assets and financial liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important types of risk are credit risk, liquidity risk, market risk and other operational risks. Market risk includes currency risk, interest rate risk, equity price risk and other price risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the company primarily faces due to the nature of its investments and liabilities are interest rate risk and credit risk.

The company manages these positions within an asset liability management (ALM) framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of the company's ALM is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders. For each distinct category of liabilities, a separate portfolio of assets is maintained.

##### a. Market risk

##### i. Foreign exchange risk

The company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar on cash and bank balances.

The assets denominated in US dollar at year end totalled Shs. 4,361,322 (2019: Shs. 312,131) representing 0.14% (2019: 0.01%) of total assets. At 31 December 2020, if the Kenya Shilling had weakened/strengthened by 10% against the US dollar with all other variables held constant, the effect on the post tax profit for the year would be Shs. 305,293 (2019: Shs. 21,849).

##### ii. Price risk

The company is exposed to equity securities price risk because of investments in quoted shares and treasury bonds classified either as at fair value through profit or loss or fair value through other comprehensive income. The company is not exposed to commodity price risk. To manage its price risk arising from investments in equity the company diversifies its portfolio on several counters. Diversification of the portfolio is done in accordance with limits set by the company and guidelines per the Kenyan Insurance Act. All quoted shares and treasury bonds held by the company are traded on the Nairobi Securities Exchange (NSE).

**NOTES (CONTINUED)****3. Management of insurance and financial risk (continued)****3.2 Financial risk (continued)****a. Market risk (continued)****ii. Price risk (continued)**

The table below summarises the impact of increases/decreases of the NSE index on the company's post-tax profit for the year and on other comprehensive income. The analysis is based on the assumption that the equity indexes had increased by 5% with all other variables held constant and all the company's equity instruments moved according to the historical correlation with the index:

Index	Impact on profit		Impact on other comprehensive income	
	2020 Shs	2019 Shs	2020 Shs	2019 Shs
Increase	4,622,822	5,440,748	4,693,089	5,833,962

**iii. Cash flow and interest rate risk**

Fixed interest rate financial instruments expose the company to fair value interest rate risk. Variable interest rate financial instruments expose the company to cash flow interest rate risk.

The company's fixed interest rate financial instruments are government securities, deposits with financial institutions and commercial papers.

No limits are placed on the ratio of variable rate financial instruments to fixed rate financial instruments. The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

The government securities, deposits with financial institutions, commercial paper and loans at year end totalled Shs. 2,117,634,973 (2019: Shs. 1,916,526,472) representing a significant portion of total assets. At the reporting date, if the interest rates had been 5 basis points higher/lower with all other variables held constant, the effect on the post tax profit for the year would have been an increase/decrease by Shs. 74,117,225 (2019: Shs. 67,078,427).

**b. Credit risk**

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors.

Individual limits are set based on internal information in accordance with limits set by the management. The utilisation of credit limits is regularly monitored.

In assessing whether the credit risk on a financial asset has increased significantly, the company compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the company considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort. There is a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

## NOTES (CONTINUED)

### 3. Management of insurance and financial risk (continued)

#### 3.2 Financial risk (continued)

##### b. Credit risk (continued)

For this purpose default is defined as having occurred if the debtor is in breach of contractual obligations, or if information is available internally or externally that suggests that the debtor is unlikely to be able to meet its obligations. However, there is a rebuttable assumption that that default does not occur later than when a financial asset is 90 days past due.

If the company does not have reasonable and supportable information to identify significant increases in credit risk and/or to measure lifetime credit losses when there has been a significant increase in credit risk on an individual instrument basis, lifetime expected credit losses are recognised on a collective basis. For such purposes, the company's financial assets on the basis of shared credit risk characteristics, such as:

- type of instrument;
- industry in which the debtor operates; and
- nature of collateral.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the following events:

- significant financial difficulty of the debtor
- a breach of contract
- it is probable that the debtor will enter bankruptcy
- the disappearance of an active market for the financial asset because of financial difficulties.

The gross carrying amount of financial assets with exposure to credit risk at the balance sheet date was as follows:

Basis for measurement of loss allowance	12-month expected credit losses Shs	Lifetime expected credit losses (see note below) Shs	Total Shs
<b>As at 31 December 2020</b>			
Receivables arising out of direct insurance arrangements	-	78,263,005	78,263,005
Receivables arising out of reinsurance arrangements	-	12,999,988	12,999,988
Mortgage and other loans	69,879,555	-	69,879,555
Government securities - 'Amortised Cost'	941,095,445	-	941,095,445
Government securities - Fair value through other comprehensive income	734,778,048	-	734,778,048
Other receivable	65,871,424	-	65,871,424
Deposits with financial institutions	362,333,673	11,165,498	373,499,171
Cash and bank balances	48,405,899	-	48,405,899
Gross carrying amount	2,222,364,044	102,428,491	2,324,792,535
Loss allowance	(14,863,100)	(19,658,742)	(34,521,842)
Exposure to credit risk	2,207,500,944	82,769,749	2,290,270,693

**NOTES (CONTINUED)****3. Management of insurance and financial risk (continued)****3.2 Financial risk (continued)****b. Credit risk (continued)**

Basis for measurement of loss allowance	12-month expected credit losses Shs	Lifetime expected credit losses (see note below) Shs	Total Shs
<b>As at 31 December 2019</b>			
Receivables arising out of direct insurance arrangements	-	70,337,038	70,337,038
Receivables arising out of reinsurance arrangements	-	12,040,275	12,040,275
Mortgage and other loans	81,336,865	-	81,336,865
Government securities - 'Amortised Cost'	864,027,534	-	864,027,534
Government securities - Fair value through other comprehensive income	582,094,261	-	582,094,261
Other receivable	76,852,396	-	76,852,396
Deposits with financial institutions	390,482,319	11,165,498	401,647,817
Cash and bank balances	38,663,442	-	38,663,442
Gross carrying amount	2,033,456,817	93,542,811	2,126,999,628
Loss allowance	(14,700,400)	(16,035,453)	(30,735,853)
Exposure to credit risk	<u>2,018,756,417</u>	<u>77,507,359</u>	<u>2,096,263,776</u>

Financial assets for which the loss allowance has been measured at an amount equal to lifetime expected credit losses have been analysed above based on their credit risk ratings as follows:

1. financial assets for which credit risk has increased significantly since initial recognition but that are not credit impaired;
2. financial assets that are credit impaired at the statement of financial position date;
3. trade receivables, contract assets and lease receivables for which the loss allowance is always measured at an amount equal to lifetime expected credit losses, based, as a practical expedient, on provision matrices.

The age analysis of receivables arising out of direct insurance arrangements and out of reinsurance arrangements at the end of each year was as follows:

	Receivables arising out direct insurance arrangements		Receivables arising out of reinsurance arrangements	
	2020 Shs	2019 Shs	2020 Shs	2019 Shs
0 to 30 days past	15,534,409	7,644,397	10,272,684	7,148,888
31 to 60 days past	22,433,900	29,468,956	-	618,164
61 to 90 days past	21,663,878	22,023,441	-	1,462,926
Over 90 days past	18,630,818	11,200,244	2,727,303	2,810,297
Expected Credit Loss	(7,576,680)	(4,409,688)	(916,563)	(460,267)
	<u>70,686,325</u>	<u>65,927,350</u>	<u>12,083,424</u>	<u>11,580,008</u>

## NOTES (CONTINUED)

### 3. Management of insurance and financial risk (continued)

#### 3.2 Financial risk (continued)

##### b. Credit risk (continued)

The changes in the loss allowance during the year were as follows:

Basis for measurement of loss allowance	12-month expected credit losses Shs	Lifetime expected credit losses (see note below) Shs	Total Shs
<b>Year ended 31 December 2020</b>			
At start of year	14,700,400	16,035,453	30,735,853
Changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses	162,700	3,623,289	3,785,989
At end of year	<u>14,863,100</u>	<u>19,658,742</u>	<u>34,521,842</u>

The loss allowances at the end of each year relate to the following;

Basis for measurement of loss allowance	12-month expected credit losses Shs	Lifetime expected credit losses (see note below) Shs	Total Shs
<b>As at 31 December 2019</b>			
At start of year	12,835,502	21,067,851	33,903,353
Changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses	1,864,898	(5,032,398)	(3,167,500)
Total	<u>14,700,400</u>	<u>16,035,453</u>	<u>30,735,853</u>

	12-month expected credit losses Shs	Lifetime expected credit losses (see note below) Shs	Total Shs
<b>As at 31 December 2020</b>			
Receivables arising out of direct insurance arrangements	-	7,576,680	7,576,680
Receivables arising out of reinsurance arrangements	-	916,563	916,563
Mortgage and other loans	1,617,246	-	1,617,246
Government securities - 'Amortised Cost'	865,971	-	865,971
Government securities - fair value through other comprehensive income	635,744	-	635,744
Other receivable	3,402	-	3,402
Deposits with financial institutions	10,414,792	11,165,498	21,580,290
Cash and bank balances	<u>1,325,944</u>	<u>-</u>	<u>1,325,944</u>
Total	<u>14,863,100</u>	<u>19,658,742</u>	<u>34,521,842</u>



### 3. Management of insurance and financial risk (continued)

#### 3.2 Financial risk (continued)

##### b. Credit risk (continued)

As at 31 December 2019	12-month expected credit losses Shs	Lifetime expected credit losses (see note below) Shs	Total Shs
Receivables arising out of direct insurance arrangements	-	4,409,688	4,409,688
Receivables arising out of reinsurance arrangements	-	460,267	460,267
Mortgage and other loans	39,038	-	39,038
Government securities - 'Amortised Cost'	792,497	-	792,497
Government securities - fair value through other comprehensive income	506,893	-	506,893
Other receivable	1,024,067	-	1,024,067
Deposits with financial institutions	11,241,577	11,165,498	22,407,075
Cash and bank balances	1,096,328	-	1,096,328
<b>Total</b>	<b>14,700,400</b>	<b>16,035,453</b>	<b>30,735,853</b>

The company does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due receivables.

##### c. Liquidity risk

Liquidity risk is the risk that the company is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn. The company is exposed to daily calls on its available cash for claims settlement and other expenses. The company does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. On large claims arrangements are in place to obtain cash calls from reinsurers.

The table below presents the undiscounted cash flows payable by the company under financial liabilities by remaining contractual maturities (other than insurance contract liabilities which are based on expected maturities) at the reporting date. All figures are in Kenya Shillings.

As at 31 December 2020	Up to 3 months Shs	4 - 12 months Shs	1 - 5 years Shs	Total Shs
Liabilities				
Insurance contract liabilities	69,946,817	146,888,316	482,633,037	699,468,170
Creditors arising from reinsurance arrangements	46,884,194	-	-	46,884,194
Other payables	37,305,771	-	-	37,305,771
<b>Total financial liabilities</b>	<b>154,136,782</b>	<b>146,888,316</b>	<b>482,633,037</b>	<b>783,658,135</b>
As at 31 December 2019	Up to 3 months Shs	4 - 12 months Shs	1 - 5 years Shs	Total Shs
Liabilities				
Insurance contract liabilities	71,912,235	151,015,693	496,194,419	719,122,347
Creditors arising from reinsurance arrangements	80,525,641	-	-	80,525,641
Other payables	35,390,196	-	-	35,390,196
<b>Total financial liabilities</b>	<b>187,828,072</b>	<b>151,015,693</b>	<b>496,194,419</b>	<b>835,038,184</b>

### 3. Management of insurance and financial risk (continued)

#### 3.2 Financial risk (continued)

##### d. Financial assets measured at fair value

The following table presents the company's assets that are measured at fair value at 31 December 2020 and 31 December 2019:

<b>As at 31 December 2020</b>	<b>Level 1 Shs</b>	<b>Level 2 Shs</b>	<b>Level 3 Shs</b>	<b>Total Shs</b>
Assets				
Financial assets				
Quoted shares at fair value through profit or loss	92,456,437	-	-	92,456,437
Quoted shares - Fair value through other comprehensive income	93,861,775	-	-	93,861,775
Government securities - Fair value through other comprehensive income	734,142,304	-	-	734,142,304
	<u>920,460,516</u>	<u>-</u>	<u>-</u>	<u>920,460,516</u>

<b>As at 31 December 2019</b>	<b>Level 1 Shs</b>	<b>Level 2 Shs</b>	<b>Level 3 Shs</b>	<b>Total Shs</b>
Assets				
Financial assets				
Quoted shares at fair value through profit or loss	108,814,959	-	-	108,814,959
Quoted shares - Fair value through other comprehensive income	116,679,240	-	-	116,679,240
Government securities - Fair value through other comprehensive income	581,587,368	-	-	581,587,368
	<u>807,081,567</u>	<u>-</u>	<u>-</u>	<u>807,081,567</u>

### 3. Management of insurance and financial risk (continued)

#### 3.2 Financial risk (continued)

##### e. Financial risk assets by category

	Loans and receivables Shs	Financial assets at fair value through profit or loss upon initial recognition Shs	Amortised cost Shs	Fair Value through other comprehensive income Shs	Total Shs
<b>As at December 2020</b>					
Quoted shares	-	92,456,437	-	93,861,775	186,318,212
Government securities	-	-	940,229,474	-	1,674,371,778
Mortgage and other loans	-	-	68,262,309	-	68,262,309
Receivables arising out of reinsurance arrangements	-	-	12,083,424	-	12,083,424
Reinsurers share of insurance contract liabilities	-	-	256,291,451	-	256,291,451
Receivables arising out of direct insurance arrangements	-	-	70,686,325	-	70,686,325
Other receivables	-	-	65,868,022	-	65,868,022
Deposits with financial institutions	-	-	363,084,378	-	363,084,378
Tax recoverable	-	-	31,404,117	-	31,404,117
Cash and cash equivalents	-	-	47,079,955	-	47,079,955
	-	92,456,437	1,854,989,455	828,004,079	2,775,449,971
<b>As at December 2019</b>					
Quoted shares	-	108,814,959	-	116,679,240	225,494,199
Government securities	-	-	863,235,037	581,587,368	1,444,822,405
Mortgage and other loans	-	-	81,297,827	-	81,297,827
Receivables arising out of reinsurance arrangements	-	-	11,580,008	-	11,580,008
Reinsurers share of insurance contract liabilities	-	-	283,107,940	-	283,107,940
Receivables arising out of direct insurance arrangements	-	-	65,927,350	-	65,927,350
Other receivables	-	-	75,828,329	-	75,828,329
Deposits with financial institutions	-	-	390,406,240	-	390,406,240
Tax recoverable	-	-	28,098,309	-	28,098,309
Cash and cash equivalents	-	-	37,567,114	-	37,567,114
	-	108,814,959	1,837,048,154	698,266,608	2,644,129,721

##### f. Financial liabilities by category

	As at 31 December 2020			As at 31 December 2019		
	Financial liabilities at fair value through profit or loss Shs	Financial liabilities at amortised cost Shs	Total Shs	Financial liabilities at fair value through profit or loss Shs	Financial liabilities at amortised cost Shs	Total Shs
Insurance contract liabilities	-	699,468,170	699,468,170	-	719,122,347	719,122,347
Payables arising out of reinsurance arrangements	-	46,884,194	46,884,194	-	80,525,641	80,525,641
Other payables	-	53,538,714	53,538,714	-	52,839,377	52,839,377
	-	799,891,078	799,891,078	-	852,487,365	852,487,365

### 3. Management of insurance and financial risk (continued)

#### 3.2 Financial risk (continued)

##### g. Capital management

##### Internally imposed capital requirements

The company's objectives when managing capital, which is a broader concept than the 'shareholders' funds' on the financial position are to:

- to comply with the capital requirements as set out in the Kenyan Insurance Act;
- to comply with regulatory solvency requirements as set out in the Kenyan Insurance Act;
- to safeguard the company's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders;
- to maintain a strong asset base to support the development of business;
- to maintain an optimal capital structure to reduce the cost of capital; and
- to provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

The insurance capital requirements regulations 2015 under Section 180 of the Insurance Act require that a company, should maintain risk based capital determined by its size and risk profile. Such a company should achieve the prescribed capital requirement and maintain a capital adequacy ratio which shall at all times be atleast 100%. The capital adequacy status of the company as at the reporting date is as follows:

	2020 Shs	2019 Shs
Tier-1 Capital	1,770,411,784	1,516,329,463
Tier-2 Capital	190,396,995	206,210,391
Deductions	137,911,168	134,996,553
Total Capital Available (TCA)	1,822,897,611	1,587,543,301
Absolute Amount Minimum 1	600,000,000	600,000,000
Volume of Business Minimum 2	168,133,384	160,360,129
Risk Based Capital Minimum	259,013,179	253,161,575
Minimum Required Capital	600,000,000	600,000,000
Capital Adequacy Ratio	304%	265%

#### 4. Gross earned premiums

The gross earned premium of the company can be analysed between the principle classes of business as shown below:

Year ended 31 December 2020	Gross Shs	Reinsurance Shs	Net Shs
Fire	351,465,390	(254,262,409)	97,202,981
Motor	300,976,802	(6,679,264)	294,297,538
Workmen's compensation	178,507,266	(8,730,238)	169,777,028
Marine	123,426,579	(34,752,767)	88,673,812
Theft	98,329,491	(8,465,872)	89,863,619
Engineering	67,117,311	(54,464,341)	12,652,970
Public liability	13,903,977	(5,134,356)	8,769,621
Personal accident	11,928,596	(1,359,796)	10,568,800
Others	45,755,459	(10,565,187)	35,190,272
	1,191,410,871	(384,414,230)	806,996,641

## NOTES (CONTINUED)

### 4. Gross earned premiums (continued)

Year ended 31 December 2019	Gross Shs	Reinsurance Shs	Net Shs
Fire	328,996,838	(232,416,001)	96,580,837
Motor	307,554,683	(7,505,145)	300,049,538
Workmen's compensation	179,234,016	(7,149,385)	172,084,631
Marine	142,539,928	(42,867,595)	99,672,333
Theft	110,689,879	(8,668,261)	102,021,618
Engineering	63,405,279	(47,523,207)	15,882,07
Public liability	22,493,153	(4,122,204)	18,370,949
Personal accident	13,593,177	(2,743,597)	10,849,580
Others	35,614,889	(10,459,528)	25,155,361
	<u>1,204,121,842</u>	<u>(363,454,923)</u>	<u>840,666,919</u>

### 5. Investment and other income

	2020 Shs	2019 Shs
Interest from Government securities	191,310,288	157,734,228
Interest from corporate bond	-	510,829
Interest from bank deposits and current accounts	35,576,713	28,318,498
Interest on staff and mortgage loans	7,066,428	11,779,597
Rental income	5,080,928	5,452,688
Gain on sale of quoted shares	-	2,468,750
Dividend income	8,474,063	11,323,147
Miscellaneous income	8,891,291	24,817
Gain on disposal of property and equipment	19,404	373,145
Fair value (loss)/gain on quoted shares at fair value through profit or loss (Note 20(a))	(16,358,522)	3,838,604
	<u>240,060,593</u>	<u>221,824,303</u>

### 6. Claims payable

The claims of the company can be analysed between the principal classes of business as follows:

Year ended 31 December 2020	Gross Shs	Reinsurance Shs	Net Shs
Motor	94,251,871	(204,443)	94,047,428
Fire	61,086,733	(37,578,854)	23,507,879
Workmen's compensation	65,971,112	(5,803,326)	60,167,786
Marine	43,815,954	(10,338,204)	33,477,750
Theft	17,954,529	(5,640)	17,948,889
Engineering	36,189,425	(35,241,127)	948,298
Public liability	(289,375)	(353,856)	(643,231)
Personal accident	746,274	-	746,274
Others	8,702,305	-	8,702,305
	<u>328,428,828</u>	<u>(89,525,450)</u>	<u>238,903,378</u>

## NOTES (CONTINUED)

### 6. Claims payable (continued)

Year ended 31 December 2019	Gross Shs	Reinsurance Shs	Net Shs
Motor	140,035,366	(1,875,043)	138,160,323
Fire	51,850,108	(27,695,291)	24,154,817
Workmen's compensation	49,011,453	(376,408)	48,635,045
Marine	29,156,302	(9,050,687)	20,105,615
Theft	36,767,757	(126,067)	36,641,690
Engineering	38,347,194	(16,603,825)	21,743,369
Public liability	10,349,534	(661,523)	9,688,011
Personal accident	12,747	(40,213)	(27,466)
Others	1,426,282	(423,864)	1,002,418
	<u>356,956,743</u>	<u>(56,852,921)</u>	<u>300,103,822</u>

### 7. Operating and other expenses

	2020 Shs	2019 Shs
Depreciation on property and equipment (Note 12)	11,171,666	12,311,550
Amortisation of intangible assets (Note 13)	4,305,047	1,412,421
Depreciation on right-of use assets (Note 14)	1,267,123	-
Auditors' remuneration	2,250,000	3,039,954
Directors' remuneration		
- Fees to executives	4,620,000	3,300,000
- Other fees	5,160,000	2,880,000
Repairs and maintenance	2,094,689	2,511,777
Other operating expenses	157,045,208	162,466,353
Staff costs (Note 8)	151,433,568	151,430,452
	<u>339,347,301</u>	<u>339,352,507</u>

### 8. Staff Costs

Salaries and wages	134,958,141	135,632,715
National Social Security Fund	157,800	157,400
Retirement benefit costs - defined contribution scheme	6,327,419	7,048,927
Other staff costs	9,990,208	8,591,410
	<u>151,433,568</u>	<u>151,430,452</u>

The average number of persons employed during the year, by category, were:

	2020 Number	2019 Number
- Underwriting	17	19
- Claims	13	13
- Management, administration and finance	35	33
Total	<u>65</u>	<u>65</u>

### 9. Tax

	2020 Shs	2019 Shs
Current tax	64,805,734	61,395,604
Deferred tax (credit) (Note 26)	(1,303,257)	(1,807,777)
Tax charge	<u>63,502,477</u>	<u>59,587,827</u>



**NOTES (CONTINUED)****9. Tax (continued)**

The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic rate as follows:

	2020 Shs	2019 Shs
Profit before tax	392,286,956	332,206,051
Tax calculated at the rate of 25% (2019: 30%)	98,071,739	99,661,815
Tax effect of:		
- expenses not deductible for tax purposes	6,616,713	3,538,812
- underprovision in prior year	-	(2,784,043)
- effect of change of tax rate	(217,209)	-
- income not subject to tax	(40,968,766)	(40,828,757)
Tax charge	63,502,477	59,587,827

**10. Authorised, issued and fully paid:**

6,000,000 (2019: 6,000,000) ordinary shares of Shs. 100 each	600,000,000	600,000,000
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**11. Revaluation reserve**

Leasehold land	61,082,563	61,930,405
Buildings	121,008,865	123,458,865
	182,091,428	185,389,270

The movement on the reserve is as follows:

**Right to use asset**

At start of year	61,930,405	61,004,275
Revaluation surplus	-	2,534,246
Deferred tax on revaluation surplus	-	(760,274)
Transfer of excess depreciation	(1,211,203)	(1,211,203)
Deferred tax on excess depreciation transfer	363,361	363,361

At end of year	61,082,563	61,930,405
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**Buildings**

At start of year	123,458,865	110,004,865
Revaluation surplus	-	22,440,000
Deferred tax on revaluation surplus	-	(6,732,000)
Transfer of excess depreciation	(3,500,000)	(3,220,000)
Deferred tax on excess depreciation transfer	1,050,000	966,000

At end of year	121,008,865	123,458,865
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The revaluation reserve is not distributable.

## NOTES (CONTINUED)

### 12. Property and equipment

Year ended 31 December 2020

Cost/ Valuation	Buildings Shs	Motor Vehicles Shs	Furniture and fittings Shs	Computer equipment Shs	Total Shs
At start of year	225,000,000	7,424,924	41,274,557	43,682,329	317,381,810
Additions	-	-	1,994,786	4,096,527	6,091,313
Disposal	-	-	(39,999)	(94,990)	(134,989)
At end of year	225,000,000	7,424,924	43,229,344	47,683,866	323,338,134
<b>Accumulated depreciation</b>					
At start of year	-	2,550,082	27,243,085	36,227,366	66,020,533
On disposal	-	-	(5,000)	(56,994)	(61,994)
Charge for the year	4,500,000	1,218,711	1,998,907	3,454,048	11,171,666
At end of year	4,500,000	3,768,793	29,236,992	39,624,420	77,130,205
<b>Net book value</b>	<u>220,500,000</u>	<u>3,656,131</u>	<u>13,992,352</u>	<u>8,059,446</u>	<u>246,207,929</u>

Leasehold land and buildings were professionally valued by R.R. Oswald & Company Limited on the basis of current open market value on 28 December 2019. The book values of the properties were adjusted to the revaluations and the resultant surplus net of deferred tax was credited to the revaluation reserve in shareholder's equity, through the statement of comprehensive income.

The fair valuation of property and equipment is considered to represent a level 3 valuation based on significant non-observable inputs being the location and condition of the assets and replacement costs. Management does not expect there to be a material sensitivity to the fair values arising from the non-observable inputs.



## 12. Property and equipment

## Year ended 31 December 2020

## Cost/ Valuation

At start of year	92,500,000	211,000,000	4,279,524	40,238,898	39,188,527	387,206,949
Additions	-	-	4,395,400	1,035,659	4,493,802	9,924,861
Disposal	-	-	(1,250,000)	-	-	(1,250,000)
Reversal on revaluation	(2,534,246)	(8,440,000)	-	-	-	(10,974,246)
Surplus on revaluation	2,534,246	22,440,000	-	-	-	24,974,246
Transfer to Right to Use Asset	(92,500,000)	-	-	-	-	(92,500,000)
At end of year	-	225,000,000	7,424,924	41,274,557	43,682,329	317,381,810

## Accumulated depreciation

At start of year	1,267,123	4,220,000	2,008,280	25,238,589	33,032,382	65,766,374
Disposal	-	-	(1,083,145)	-	-	(1,083,145)
Charge for the year	1,267,123	4,220,000	1,624,947	2,004,496	3,194,984	12,311,550
Reversal on revaluation	(2,534,246)	(8,440,000)	-	-	-	(10,974,246)
At end of year	-	-	2,550,082	27,243,085	36,227,366	66,020,533
Net book value	-	225,000,000	4,874,842	14,031,472	7,454,963	251,361,277

If leasehold land and buildings were stated on the historical cost basis, the carrying values would be as follows:

## Year ended 31 December 2020

Cost  
Accumulated depreciation

	Leasehold land Shs	Building Shs	Total Shs
Cost	5,000,000	50,000,000	55,000,000
Accumulated depreciation	(1,095,100)	(19,000,000)	(20,095,100)
	3,904,900	31,000,000	34,904,900

## Year ended 31 December 2019

Cost  
Accumulated depreciation

	Leasehold land Shs	Building Shs	Total Shs
Cost	5,000,000	50,000,000	55,000,000
Accumulated depreciation	(1,039,180)	(18,000,000)	(19,039,180)
	3,960,820	32,000,000	35,960,820

## NOTES (CONTINUED)

### 13. Intangible asset - software

#### Cost

At start of year	29,540,666	24,766,790
Additions	14,527,509	4,773,876
At end of year	44,068,175	29,540,666

#### Amortisation

At start of year	24,832,028	23,419,607
Charge for the year	4,305,047	1,412,421
At end of year	29,137,075	24,832,028

#### Net book value

2020 Shs	2019 Shs
29,540,666	24,766,790
14,527,509	4,773,876
44,068,175	29,540,666
24,832,028	23,419,607
4,305,047	1,412,421
29,137,075	24,832,028
14,931,100	4,708,638

### 14. Right of use assets

#### Cost

At start of year	92,500,000	-
Transferred from property and equipment (Note 12)	-	92,500,000
At end of year	92,500,000	92,500,000

#### Accumulated depreciation

At start of year	-	-
Charge for the year	1,267,123	-
At end of year	1,267,123	-
Carrying amount	91,232,877	92,500,000

#### Leasehold land

2020 Shs	2019 Shs
92,500,000	-
-	92,500,000
92,500,000	92,500,000
-	-
1,267,123	-
1,267,123	-
91,232,877	92,500,000

The company lease on leasehold land is for a period of 99 years, with options to renew. The lease does not contain any restrictions or covenants other than the protective rights of the lessor or carries a residual value guarantee.

### 15. Mortgage and other loans

#### Mortgage loans

At start of year	76,382,607	126,751,812
Amount advanced	-	11,500,000
Repayment	(9,541,699)	(61,830,167)
Expected Credit Loss	(1,617,246)	(39,038)
At end of year	65,223,662	76,382,607

#### Other loans

At start of year	4,915,220	6,948,856
Repayment	(1,876,573)	(2,033,636)
At end of year	3,038,647	4,915,220

#### Total mortgage and other loans

2020 Shs	2019 Shs
76,382,607	126,751,812
-	11,500,000
(9,541,699)	(61,830,167)
(1,617,246)	(39,038)
65,223,662	76,382,607
4,915,220	6,948,856
(1,876,573)	(2,033,636)
3,038,647	4,915,220
68,262,309	81,297,827

### 16. Reinsurers' share of insurance contract liabilities

#### Reinsurers' share of:

- unearned premium (Note 25)	76,393,144	84,436,042
- notified claims outstanding (Note 24)	164,679,947	178,779,017
- claims incurred but not reported (Note 24)	15,218,361	19,892,881

2020 Shs	2019 Shs
76,393,144	84,436,042
164,679,947	178,779,017
15,218,361	19,892,881
256,291,451	283,107,940



## NOTES (CONTINUED)

## 17. Other receivables

	2020 Shs	2019 Shs
Deposits	3,407,232	9,992,775
Sundry debtors	250,217	2,509,468
Deferred commission	50,790,196	53,293,141
Prepayments	11,423,779	11,057,012
Expected Credit Loss	(3,402)	(1,024,067)
	<u>65,868,022</u>	<u>75,828,329</u>

## 18. Government securities

## a) Government securities - 'Amortised cost'

## Treasury bills and bonds maturing:

Less than 90 days from the reporting date (Note 22)	15,736,607	-
Between 1 and 5 years of the reporting date	149,921,940	228,278,624
After 5 years of the reporting date	775,436,898	635,748,910
Expected Credit Loss	(865,971)	(792,497)
	<u>940,229,474</u>	<u>863,235,037</u>

Treasury bonds whose face value is Shs. 164,000,000 (2019: Shs. 164,000,000) are held under lien in favour of the Commissioner of Insurance in accordance with Section 32 of the Kenyan Insurance Act.

## b) Government securities - Fair value through other comprehensive income

## Treasury bills and bonds maturing:

Between 1 and 5 years of the reporting date	303,914,835	253,090,659
After 5 years of the reporting date	430,863,213	329,003,602
Expected Credit Loss	(635,744)	(506,893)
	<u>734,142,304</u>	<u>581,587,368</u>

The movement in government securities - 'Fair value through other comprehensive income' is analysed as follows:

	2020 Shs	2019 Shs
At start of year	581,587,368	299,777,079
Matured during the year	-	(12,500,000)
Gain on maturity of - Fair value through other comprehensive income	-	(103,975)
Additions	139,214,069	290,842,910
Accrued interest movement	3,167,808	5,384,677
Expected Credit Loss	(128,851)	(480,270)
Fair value gain/(loss)	10,301,910	(1,333,053)
At end of year	<u>734,142,304</u>	<u>581,587,368</u>

## 19. Commercial paper

At start of year	-	7,012,479
Matured during the year	-	(7,075,000)
Accrued interest movement	-	(150,635)
Expected Credit Loss	-	213,156
At end of year	<u>-</u>	<u>-</u>

## 20. Quoted shares

## a) At fair value through profit or loss

At start of year	108,814,959	116,882,605
Disposals	-	(11,906,250)
Fair value /(loss)/gain	(16,358,522)	3,838,604
At end of year	<u>92,456,437</u>	<u>108,814,959</u>

## b) Quoted shares - Fair value through other comprehensive income

At start of year	116,679,240	83,804,928
Additions	-	9,953,097
Fair value (loss)/gain	(22,817,464)	22,921,215
At end of year	<u>93,861,775</u>	<u>116,679,240</u>



## NOTES (CONTINUED)

### 21. Weighted average effective interest rates

The following table summarises the weighted average effective interest rates at the year end on the principal interest-bearing investments:

	2020 %	2019 %
Government securities	11.43	10.92
Deposits with financial institutions	9.80	7.25
Commercial paper	-	9.63
Mortgage and other loans	10.35	14.49

### 22. Cash and bank balances

	2020 Shs	2019 Shs
<b>a) Cash at bank and in hand</b>		
Cash at bank and in hand	48,405,899	38,663,442
Expected Credit Loss	(1,325,944)	(1,096,328)
	<u>47,079,955</u>	<u>37,567,114</u>
<b>b) Deposits with financial institutions maturing:</b>		
Below three months from the reporting date	87,264,507	87,689,633
After three months from the reporting date	286,234,664	313,958,184
Expected Credit Loss	(10,414,792)	(11,241,577)
	<u>363,084,378</u>	<u>390,406,240</u>

For the purposes of the statement of cash flows, the year-end cash and cash equivalents comprise the following:

Deposits with financial institutions maturing in below three months from the reporting date	87,264,507	87,689,633
Financial assets maturing within 91 (Note 18)	15,736,607	-
Cash at bank and in hand	48,405,899	38,663,442
	<u>151,407,013</u>	<u>126,353,075</u>

### 23. Insurance contract liabilities

Short term non-life insurance contracts:

- claims reported and claims handling expenses	590,041,243	609,048,202
- claims incurred but not reported (IBNR)	109,426,927	110,074,145
<b>Total gross insurance liabilities</b>	<u>699,468,170</u>	<u>719,122,347</u>

Gross claims reported, claims handling expenses liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation. The expected recoveries at the end of 2019 and 2020 are not material.

The company uses chain-ladder techniques to estimate the ultimate cost of claims and the IBNR provision. Chain ladder techniques are used as they are an appropriate technique for mature classes of business that have a relatively stable development pattern. This involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not fully developed to produce an estimated ultimate claims cost for each accident year.



### 23. Insurance contract liabilities (continued)

The development of insurance liabilities provides a measure of the company's ability to estimate the ultimate value of claims. The table below illustrates how the company's estimate of total claims outstanding for each accident year has changed at successive year ends:

Accident year	2016 and Prior years Shs	2017 Shs	2018 Shs	2019 Shs	2020 Shs	Total Shs
Estimate of ultimate claims costs:						
At end of accident year	3,321,551,747	419,077,350	340,262,914	464,073,859	336,517,021	4,881,482,891
One year later	(96,186)	(58,867,618)	3,108,601	496,363	-	(55,358,840)
Two years later	(5,967,028)	(5,376,183)	1,361,176	-	-	(9,982,035)
Three years later	(48,946,152)	(12,777,143)	-	-	-	(61,723,295)
Four years later	(3,916,037)	-	-	-	-	(3,916,037)
Current estimate of cumulative claims	3,262,626,344	342,056,406	344,732,691	464,570,222	336,517,021	4,750,502,684
Less: cumulative payments to date	3,095,217,639	301,236,814	284,623,833	294,370,186	185,012,969	4,160,461,441
Liability	167,408,705	40,819,592	60,108,858	170,200,036	151,504,052	590,041,243
Provision for incurred but not reported claims (IBNR)						109,426,927
Total gross claims liability included in the statement of financial position						699,468,170

24. Movements in reinsurance liabilities and assets

	2020			2019		
	Gross Shs	Reinsurance Shs	Net Shs	Gross Shs	Reinsurance Shs	Net Shs
Notified claims						
Incurred But Not Reported	609,048,202	178,779,017	430,269,185	501,577,986	141,270,670	360,307,316
	110,074,145	19,892,881	90,181,264	123,864,746	34,039,489	89,825,257
At start of year	719,122,347	198,671,898	520,450,449	625,442,732	175,310,159	450,132,573
Cash paid for claims settled in year	(329,309,415)	89,525,450	(418,834,865)	(286,638,867)	(56,852,921)	(229,785,946)
Increase in liabilities:						
- arising from current year claims	336,517,021	90,859,596	245,657,425	456,831,960	129,329,128	327,502,832
- arising from prior year claims	(26,861,783.40)	(199,158,636)	172,296,853	(76,513,478)	(49,114,468)	(27,399,010)
At end of year	699,468,170	179,898,308	519,569,862	719,122,347	198,671,898	520,450,449
Notified claims	590,041,243	164,679,947	425,361,296	609,048,202	178,779,017	430,269,185
Incurred but not reported	109,426,927	15,218,361	94,208,566	110,074,145	19,892,881	90,181,264
	699,468,170	179,898,308	519,569,862	719,122,347	198,671,898	520,450,449

25. Unearned premium reserves

	2020			2019		
	Gross Shs	Reinsurance Shs	Net Shs	Gross Shs	Reinsurance Shs	Net Shs
At start of year	319,442,531	84,436,042	235,006,488	318,961,090	83,452,410	235,508,680
(Decrease)/increase	(19,247,139)	(8,042,898)	(11,204,241)	481,441	983,632	(502,192)
At end of year	300,195,391	76,393,144	223,802,247	319,442,531	84,436,042	235,006,488

**NOTES (CONTINUED)****26. Deferred tax**

Deferred tax is calculated, in full, on all temporary timing differences under the liability method using a principal tax rate of 30% (2019: 30%). The movement on the deferred tax account is as follows:

	2020 Shs	2019 Shs
At start of year	68,229,886	62,545,389
Charge to other comprehensive income	-	7,492,274
(Credit) to profit or loss (Note 9)	(1,303,257)	(1,807,777)
At end of year	66,926,629	68,229,886

Deferred tax (asset)/liability in the statement of financial position and deferred tax credit to profit or loss and other comprehensive income are attributable to the following items:

Deferred tax liability	At start of year Shs	Charge to profit or loss Shs	At end of year Shs
Property and equipment			
- historical cost	89,062	(170,673)	(81,611)
- revaluation	79,020,409	-	79,020,409
Provisions	(10,879,585)	(1,132,584)	(12,012,169)
<b>Net deferred tax liability</b>	<b>68,229,886</b>	<b>(1,303,257)</b>	<b>66,926,629</b>

**27. Other payables**

	2020 Shs	2019 Shs
Accrued expenses	7,342,525	11,572,038
Other liabilities	29,963,246	23,818,158
Deferred commissions	16,232,943	17,449,181
	53,538,714	52,839,377

**28. Contingent liabilities**

As is common with the insurance industry in general, the company is subject to litigation arising in the normal course of insurance business.

The directors are of the opinion that this litigation will not have a material effect on the financial position or profits of the company

## NOTES (CONTINUED)

### 29. Cash from operations

Reconciliation of profit before tax to cash from operations:

	2020 Shs	2019 Shs
Profit before tax	392,286,956	332,206,051
<b>Adjustment for:</b>		
Depreciation on property and equipment (Note 12)	11,171,666	12,311,550
Depreciation on right-of use assets (Note 14)	1,267,123	-
Amortisation of intangible assets (Note 13)	4,305,047	1,412,421
(Gain) on disposal of property and equipment	(19,404)	(373,145)
Expected Credit Loss	3,785,988	(3,167,500)
Fair value loss/(gain) on quoted shares through profit or loss (Note (19)(a))	16,358,522	(3,838,604)
Accrued Interest movement on Government securities - Fair value through other comprehensive income (Note 18)	(3,167,808)	(5,384,677)
Gain on maturity of - 'Available-for- sale' assets	-	103,975
Accrued Interest movement on Corporate Bond	-	150,635
Changes in working capital:		
increase/(decrease) in receivables arising out of direct insurance		
- arrangements	(7,925,967)	14,860,517
- increase/(decrease) in receivables arising out of reinsurance arrangements	(959,713)	(4,607,749)
- (decrease)/increase in reinsurers share of insurance contract liabilities	26,816,489	(24,345,371)
- increase/(decrease) in other receivables	10,980,972	(1,058,338)
- (decrease)/increase in insurance contract liabilities	(19,654,177)	93,679,615
- increase in payables arising out of reinsurance arrangements	(33,641,447)	(14,816,443)
- increase/(decrease) in unearned premium reserves	(19,247,140)	481,441
- (decrease)/increase in other payables	699,337	9,488
<b>Cash from operations</b>	<b>383,056,444</b>	<b>397,623,866</b>

### 30. Related party transactions

Related parties are defined as entities which are related to the company through common shareholdings or common directorships. In the normal course of business, insurance policies are sold to related parties at terms and conditions similar to those offered to major clients.

#### i) Transactions with related parties

	2020 Shs	2019 Shs
Gross premiums written	97,414,897	67,854,389
Gross claims incurred	6,372,292	14,175,067
Commission paid	17,549,076	11,495,961

#### ii) Outstanding balances

Outstanding premiums	-	14,809
Claims payable	13,385,424	12,482,875
Deposits with financial institutions	301,601,308	316,335,589
Current account balances	45,292,323	38,066,953
Staff Mortgage loans	17,026,646	32,303,011
Staff motor vehicle loans	715,984	4,915,220

**NOTES (CONTINUED)****30. Related party transactions (continued)****iii) Directors' remuneration**

Fees for services as a director

2020  
Shs  
5,160,0002019  
Shs  
2,880,000

Other emoluments

4,620,000

3,300,000

**iv) Key management compensation**

Remuneration of senior management

69,261,292

68,419,561

**31. Dividend**

The directors do not recommend payment of final dividend (2019: Shs. 5/- per share amounting to a total of Shs. 30,000,000).

During the year, an interim dividend of Shs. 13 per share (2019: Shs. 8 per share), amounting to a total of Shs. 78,000,000 (2019: Shs. 48,000,000) was paid. The total dividend for the year is therefore Shs. 13 per share (2019: Shs. 13 per share) amounting to a total of Shs. 78,000,000 (2019: Shs. 78,000,000).

In accordance with the Kenyan Companies Act 2015, these financial statements reflect this dividend payable, which is accounted for in the shareholders' funds as an appropriation of retained profits in the year ended 31 December 2020. Payment of dividend is subject to withholding tax at a rate of 0%, 5% or 15% depending on the tax status or residency of the shareholder.

**32. Earnings per share**

Basic earnings per share is calculated on the profit attributable to the shareholders and on the weighted average number of shares outstanding during the year adjusted for the effect of the bonus shares issued if any.

	2020 Shs	2019 Shs
Net profit for the year attribute to shareholders	328,784,479	272,618,224
Adjusted weighted average number of ordinary shares in issue	6,000,000	6,000,000
Earnings per share - basic and diluted (Shs.)	54.80	45.44

There were no potentially dilutive shares outstanding as at 31st December 2020 and 2019.

## GENERAL INSURANCE BUSINESS REVENUE ACCOUNTS

Class of insurance business	Engineering Shs	Fire Domestic Shs	Fire Industrial Shs	Fire Shs	Public Liability Shs	Marine Shs	Motor Private Shs	Motor Commercial Shs	Personal Accident Shs	Theft Compensation Shs	Workmen's Compensation Shs	Medical Shs	Miscellaneous Shs	31st Dec 2020 Total Shs	31st Dec 2019 Total Shs
<b>Gross premiums written</b>															
Change in net unearned premiums	68,167,991 (1,050,680)	57,733,835 (1,289,963)	295,998,847 (977,329)	22,395,894 (8,491,917)	125,936,078 (2,509,499)	168,942,374 (6,574,807)	122,620,948 (2,838,673)	11,973,129 (44,533)	96,455,041 (1,874,450)	172,622,020 (5,885,246)	21,208,203 (8,366,636)	1,180,206,630 (11,204,241)	1,203,619,652 (502,190)		
Gross earned premiums	67,117,311	56,443,872	295,021,518	13,903,977	123,426,579	175,517,181	125,459,621	11,928,596	98,329,491	178,507,266	29,574,839	1,191,410,871	1,204,121,842		
Less: premiums ceded to reinsurers	(54,464,341)	(19,407,431)	(234,854,978)	(5,134,356)	(34,752,767)	(4,050,038)	(2,629,226)	(1,359,796)	(8,465,872)	(8,730,238)	-	(384,414,230)	(363,454,923)		
<b>Net earned premiums</b>	12,652,970	37,036,441	60,166,540	8,769,621	88,673,812	171,467,143	122,830,395	10,568,800	89,863,619	169,777,028	19,009,652	806,996,641	840,666,919		
Gross claims paid	(49,272,840)	(10,916,401)	(52,951,004)	(2,956,905)	(44,267,569)	(48,529,902)	(37,613,067)	(828,898)	(26,684,153)	(49,089,090)	(284,385)	(329,309,415)	(286,638,867)		
Changes in net outstanding claims	13,063,415	4,130,093	(1,349,421)	3,246,280	451,615	(2,474,011)	(5,634,891)	82,624	8,729,624	(16,882,022)	(2,785,634)	880,587	(70,317,876)		
Less: reinsurance recoverable	35,241,127	525,142	37,053,712	353,856	10,338,204	13,777	190,866	-	5,640	5,303,326	-	89,525,450	56,852,921		
<b>Net claims incurred</b>	(948,298)	(6,261,166)	(17,246,713)	643,231	(33,477,750)	(50,990,136)	(43,057,292)	(746,274)	(17,948,889)	(60,167,786)	(1,470)	(238,903,378)	(300,103,822)		
Commissions receivable	16,356,229	5,487,514	95,426,193	465,892	10,011,918	101,401	129,944	186,245	640,765	500,449	3,833,865	133,120,417	119,044,163		
Commissions payable	(13,230,987)	(11,155,194)	(67,684,700)	(3,136,712)	(21,889,958)	(17,387,420)	(12,609,084)	(2,561,891)	(18,676,403)	(35,946,327)	(3,743,278)	(209,640,016)	(209,873,005)		
Expenses of management	(5,673,145)	(15,866,667)	(25,312,821)	(7,146,068)	(37,748,786)	(68,263,430)	(49,675,120)	(4,393,791)	(36,426,450)	(67,849,213)	(4,406,080)	(329,448,415)	(331,336,762)		
<b>Total expenses and commissions</b>	(2,547,903)	(21,534,348)	2,428,672	(9,816,889)	(49,626,826)	(85,549,449)	(62,154,260)	(6,789,436)	(54,462,088)	(103,295,091)	(4,315,492)	(405,968,014)	(422,165,604)		
<b>Underwriting profit/(loss)</b>	9,156,769	9,240,927	45,348,499	(404,037)	5,589,236	34,927,558	17,618,843	3,033,090	17,452,642	6,314,151	14,692,690	162,125,249	118,397,493		









## **Tausi Assurance Company Limited**

A Symbol of Trust, Security and Progress

### **Tausi Assurance Company Limited**

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