

**SANLAM GENERAL INSURANCE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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Company information

Board of directors

Christine Ng'ang'a	Chairperson
Caroline Laichena	Chief Executive Officer
Gareth Beaver	
Isaac Wanjohi	
Cynthia Karuri	
Mrs Jeliioth Karuri	Alternate to Cynthia Karuri
Dr. Patrick Tumbo	
Catherine Gitobu	
Dr. Jackson Maingi	
Johannes Jakobus	

Company secretary

Emma Wachira
Sanlam Tower, Waiyaki Way, Westlands
15th Floor
P O Box 44041 - 00100
Nairobi

Registered office

LR No. 1870/V/72
Sanlam Tower, Waiyaki Way, Westlands
P O Box 60656 - 00200
Nairobi

Independent auditor

PricewaterhouseCoopers LLP
PwC Tower Waiyaki Way/Chiromo Road
Westlands
P O Box 43963 - 00100
Nairobi

Principal bankers

NCBA Bank Limited
Mara & Ragati Roads, Upper Hill
P O Box 30437-00100
Nairobi

Absa Bank Kenya Plc
Queensway House
P O Box 30011 - 00100
Nairobi

Stanbic Bank Kenya Limited
Chiromo Road
P O Box 72833 – 00200
Nairobi.

Report of the directors

The directors have the pleasure of presenting their report together with the audited financial statements of Sanlam General Insurance Limited (the "Company") for the year ended 31 December 2020 which disclose the state of affairs of the Company.

The annual report and financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Kenyan Companies Act, 2015.

Business review

Principal activities

The principal activities of the Company are the underwriting of all classes of non-life insurance risk with the exception of Micro-insurance as defined by the Insurance Act.

The Company's performance

The Company posted a profit before tax of Shs 187 million (2019: Shs 23 million). The improvement is attributed to strong relationships with customers and business partners which has supported the growth. The Company continues to improve its operational efficiencies to manage its resources with the gains reflecting in the results. The investment portfolio had a favorable return in 2020 further boosting the Company's performance.

Key performance indicators

The table below highlights some of the key performance indicators over a period of 5 years

Performance indicators	2016	2017	2018	2019	2020
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Underwriting (loss)/profit	(37,693)	40,892	40,928	(91,744)	1,878
Gross profit (%)	-2%	5%	9%	1%	5%
Claims loss ratio (%)	21%	52%	51%	61%	57%
(Loss)/profit before income tax	(24,307)	102,368	193,622	23,042	186,701
Net assets	506,362	763,518	1,040,111	1,044,532	1,182,271
Return on capital employed (%)	(7%)	9%	11%	0%	12%
Earnings per share (Shs)	(0.53)	0.44	0.56	0.02	0.67

Dividend

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2020 (2019: Nil)

Directors

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

Auditor

Disclosures to the auditor

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

- there is so far as the director is aware, no relevant audit information of which the company's auditor is unaware; and
- the director has taken all 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.

Report of the directors (continued)

Terms of appointment of auditor

The term of the audit engagement for PricewaterhouseCoopers LLP is coming to an end after this year's audit work and hence they will cease to be the Company's auditor at the conclusion of the forthcoming Annual General Meeting of the Company. The Board will make a recommendation to the shareholders at the Annual General Meeting, to approve the appointment of the new auditor in accordance with the provisions of Section 721 of the Kenyan Companies Act, 2015.

The directors monitor the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract which sets out the terms of the auditor's appointment and the associated fees on behalf of the shareholders.

By order of the Board



.....
Emma Wachira
Company Secretary

2 March 2021

Statement of Directors' responsibilities

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Company as at the end of the financial year and of its profit or loss for that year. The directors are responsible for ensuring that the Company keeps proper accounting records that are sufficient to show and explain the transactions of the Company; disclose with reasonable accuracy at any time the financial position of the Company; and that enables them to prepare financial statements of the Company that comply with prescribed financial reporting standards and the requirements of the Kenyan Companies Act, 2015. They 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 presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

- i. Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- ii. Selecting suitable accounting policies and then apply them consistently; and
- iii. Making judgements and accounting estimates that are reasonable in the circumstances.

Having made an assessment of the Company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Company's ability to continue as a going concern.

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

Approved by the board of directors on 2 March 2021 and signed on its behalf by:


.....
Christine Ng'ang'a


.....
Caroline Laichena

Report of the consulting actuary

I have conducted an actuarial valuation of the general business of Sanlam General Insurance Limited as at 31 December 2020.

The valuation was conducted in accordance with generally accepted actuarial principles and in accordance with the requirements of the Insurance Act Cap 487 of the Laws of Kenya. These principles require that prudent provision for future outgo under contracts, generally based upon the assumptions that current conditions will continue. Provision is therefore not made for all possible contingencies.

In completing the actuarial valuation, I have relied upon the financial statements of the Company. In my opinion, the general business of the Company was financially sound and the actuarial value of the liabilities in respect of all the classes of general business did not exceed the amount of outstanding claims liabilities of the general business at 31 December 2020.



.....
James Olubayi
Zamara Actuaries, Administrators & Consultants Limited
2 March2021



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SANLAM GENERAL INSURANCE LIMITED

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Sanlam General Insurance Limited (the "Company") set out on pages 10 to 56 which comprise the statement of financial position at 31 December 2020 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Sanlam General Insurance Limited 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 requirements of the Companies Act 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with 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

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

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**INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF SANLAM
GENERAL INSURANCE LIMITED (CONTINUED)**

Key audit matters (continued)

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<i>Valuation of insurance contract liabilities</i>	
<p>Insurance contract liabilities as disclosed under Note 24 comprise outstanding claims, additional unexpired risk reserve and incurred but not reported claims (IBNR).</p>	<p>Agreed a sample of the claims paid and outstanding as at year end to supporting documentation;</p>
<p>The valuation of insurance contract liabilities involves significant judgement in estimating the expected future outflows. Specifically, the actuarial assumptions and methodologies involve judgement about future events. The valuation results are also dependent on the quality, integrity and accuracy of the data used.</p>	<p>Tested the appropriateness of the methodology and assumptions used by the external actuary and management in the estimation of reserves as at 31 December 2020;</p> <p>Checked the consistency of the reserving methods and assumptions bases year on year;</p>
<p>Assumptions are made for both economic and non-economic inputs into the valuation. Economic assumptions such as discount rates, investment returns and inflation rates are benchmarked to available market information. Non-economic assumptions such as mortality rates, future expenses, investment returns, discount rates and lapse rates, are projected based on past experience. Additional qualitative judgement is applied in assessing the extent to which past trends may or may not recur in the future. A margin for adverse deviation is included in the liability valuation. However, changes in the assumptions and methodology can result in a material impact to the valuation.</p>	<p>Confirmed the adequacy of the reserves by comparing the claim reserves held in the prior periods against subsequent claim payments and amounts still outstanding relating to that period; and</p> <p>Checked adequacy of disclosures in the financial statements.</p>



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SANLAM GENERAL INSURANCE LIMITED (CONTINUED)

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, 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 identified above 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 on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the 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 or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SANLAM GENERAL INSURANCE LIMITED (CONTINUED)

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 the directors 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.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law 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 Companies Act, 2015

Report of the directors

In our opinion the information given in the report of the directors on pages 2 and 3 is consistent with the financial statements.

**Certified Public Accountants
Nairobi**

26 March 2021

**CPA Bernice Kimacia, Practising certificate No. 1457
Signing partner responsible for the independent audit**

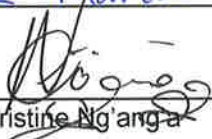
Statement of profit or loss and other comprehensive income

	Notes	2020 Shs '000	2019 Shs '000
Gross written premium		4,066,095	2,859,045
Gross earned premium	5	3,741,095	2,604,295
Less: Reinsurance premium ceded to reinsurers		(1,694,335)	(909,205)
Net earned premium		2,046,760	1,695,090
Investment income	6	184,890	114,785
Commissions earned		365,399	192,263
Total income		2,597,049	2,002,138
Claims incurred		2,225,238	1,349,177
Less: Amounts recoverable from reinsurers		(1,057,590)	(322,664)
Net claims incurred	7	1,167,648	1,026,513
Operating and other expenses	8	774,676	632,488
Commissions payable		468,024	320,095
Profit before income tax		186,701	23,042
Income tax expense	10	(48,962)	(18,624)
Profit for the year		137,739	4,418
Other comprehensive income:		-	-
Total comprehensive income for the year		137,739	4,418

Statement of financial position

	Notes	2020 Shs '000	2019 Shs '000
Equity			
Share capital	11	1,028,998	1,028,998
Share premium		100,362	100,362
Retained earnings/(accumulated losses)		52,911	(84,828)
Total equity		1,182,271	1,044,532
Assets			
Property and equipment	12 (a)	77,748	89,105
Right of use assets	12 (b)	53,875	69,900
Intangible assets	13	4,840	9,802
Deferred income tax	14	139,294	144,140
Non-current assets held for sale	15 (ii)	70,000	490,000
Equity investments – at FVTPL	16	547	754
Receivables arising out of reinsurance arrangements		263,690	344,055
Receivables arising out of direct insurance arrangements	17	506,334	429,638
Reinsurers' share of insurance contract liabilities	18	1,234,846	608,138
Other receivables	19	38,525	54,037
Deferred acquisition cost	20	198,477	145,692
Government securities at fair value through profit or loss	21	1,524,439	900,008
Secured loans to employees	22	312	501
Current income tax		23,035	22,726
Deposits with financial institutions	23	186,555	98,024
Cash and bank balances	23	446,344	155,341
Total assets		4,768,861	3,561,861
Liabilities			
Insurance contract liabilities	24	1,373,344	947,676
Unearned premium reserve	25	1,847,958	1,265,707
Creditors arising from reinsurance arrangements		64,607	126,531
Deferred reinsurance commission	26	119,189	48,235
Lease liabilities	12 (b)	65,111	78,412
Other payables	27	116,381	50,768
Total liabilities		3,586,590	2,517,329
Net assets		1,182,271	1,044,532

The financial statements on pages 10 to 56 were approved for issue by the board of directors on 2 March 2021 and signed on its behalf by:


 Christine Ng'anga


 Caroline Laichena

Statement of changes in equity

	Share capital	Share premium	(Accumulated losses)/ retained earnings	Total
	Shs '000	Shs '000	Shs '000	Shs '000
Year ended 31 December 2019				
At the start of the year	1,028,998	100,362	(89,246)	1,040,114
Total comprehensive income for the year				
- Profit for the year	-	-	4,418	4,418
At the end of the year	1,028,998	100,362	(84,828)	1,044,532
Year ended 31 December 2020				
At the start of the year	1,028,998	100,362	(84,828)	1,044,532
Total comprehensive income for the year				
- Profit for the year	-	-	137,739	137,739
At the end of the year	1,028,998	100,362	52,911	1,182,271

Statement of cash flows

	Notes	2020 Shs '000	2019 Shs '000
Cash flows from operating activities			
Cash used in operations	29	507,569	(149,851)
Income tax paid		(35,718)	(89,823)
Interest received		99,370	104,173
Dividends received		-	2,746
Net cash generated from / (used in) operating activities		571,221	(132,755)
Cash flows from investing activities			
Purchase of property and equipment	12	(6,056)	(46,338)
Purchase of intangible assets	13	-	(1,663)
Proceeds from disposal of investment property held for sale		420,000	-
Net movement in government securities	21	(583,397)	(60,179)
Net movement in corporate bonds		-	14,746
Proceeds from secured loans		189	1,549
Net cash used in investing activities		(169,264)	(87,397)
Cash flows from financing activities			
Payment of lease liabilities		(22,423)	(18,224)
Net cash used in financing activities		(22,423)	(18,224)
Net increase / (decrease) in cash and cash equivalents		379,534	(242,864)
Cash and cash equivalents at start of year	23	253,365	496,229
Cash and cash equivalents at end of year	23	632,899	253,365

Notes

1. General Information

Sanlam General Insurance Limited is incorporated in Kenya under the Kenyan Companies Act, 2015 as a private limited liability Company and is domiciled in Kenya. The address of the registered office is included under page 1.

The Company transacts all classes of general insurance business except for Aviation and Micro-insurance.

For Kenyan Companies Act, 2015 reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Summary of significant accounting policies

The principal accounting policies applied 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.

(a) Basis of preparation

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), interpretations issued by the IFRS Interpretations Committee (IFRSIC) applicable to Companies reporting under IFRS and the Kenyan Companies, Act, 2015. The financial statements have been prepared under the historical cost convention, except for financial assets measured at fair value through profit or loss and investment properties which have been measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The directors believe that the underlying assumptions are appropriate and that the Company's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Going concern

The financial performance of the Company is set out in the Director's report and in the statement of profit or loss and other comprehensive income. The financial position of the Company is set out in the statement of financial position and disclosures in respect of risk management are set out in Note 4.

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. As a result, the financial statements are prepared on a going concern basis.

Notes (continued)

2. Summary of significant accounting policies (continued)

b) Changes in accounting policy and disclosures

i) *New and amended standards not yet adopted by the Company*

The following standards have been issued but do not have a material impact on the Company:

Number	Effective date	Executive summary
IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment	Annual periods beginning on or after 1 June 2020 (early adoption is permitted) (Published June 2020)	The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. Lessees can elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment.
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' – interest rate benchmark (IBOR) reform (Phase 2)	Annual periods beginning on or after 1 January 2021 (Published August 2020)	The Phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one.
Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2022 (Published January 2020)	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).
Amendments to IAS 16 'Property, Plant and Equipment' on Proceeds before Intended Use	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognized in profit or loss.

Notes (continued)

2. Summary of significant accounting policies (continued)

b) Changes in accounting policy and disclosures

i) *New and amended standards not yet adopted by the Company (continued)*

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts—Cost of Fulfilling a Contract	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.
Annual improvements cycle 2018 -2020	Annual periods beginning on or after 1 January 2022 (Published May 2020)	These amendments include minor changes to: <ul style="list-style-type: none"> • IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation. • IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.

Notes (continued)

2. Summary of significant accounting policies (continued)

b) Changes in accounting policy and disclosures

i) *New and amended standards not yet adopted by the Company (continued)*

<p>IFRS 17, 'Insurance contracts'</p>	<p>Annual periods beginning on or after 1 January 2023</p> <p>Early application is permitted for entities that apply IFRS 9, 'Financial Instruments', and IFRS 15, 'Revenue from Contracts with Customers', at or before the date of initial application of IFRS 17.</p> <p>(Published May 2017)</p>	<p>The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators.</p> <p>Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognized over the coverage period.</p> <p>Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less.</p> <p>For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. Consequently, the fair value changes are not recognized in profit or loss in the period in which they occur but over the remaining life of the contract.</p>
<p>IFRS 17, 'Insurance contracts' Amendments</p>	<p>Annual periods beginning on or after 1 January 2023</p> <p>(Published June 2020)</p>	<p>In response to some of the concerns and challenges raised, the Board developed targeted amendments and several proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments are not intended to change the fundamental principles of the standard or unduly disrupt implementation already underway.</p>

The Directors do not plan to apply the above standards, until they become effective. Based on their assessment of the potential impact of application of the above, only IFRS 17 is expected to have a significant impact on the Company's financial statements.

There are no other standards that are not yet effective that would be expected to have a material impact on the entity in the current or future reporting periods and on near future transactions.

Notes (continued)

2. Summary of significant accounting policies

c) Insurance contracts

Premium income

For general insurance business, premium income is recognized on assumption of risk, and includes estimated premiums due but not yet received, less an allowance for cancellations, and less unearned premium. Unearned premiums represent the proportion of the premium written in periods up to the accounting date that relates to the unexpired terms of policies in force at the reporting date, and is computed using the 1/365th method. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

Claims payable

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 records for the year are closed and include provisions for claims incurred but not reported ("IBNR") at the end of each reporting period based on the Company's experience. Outstanding claim are not discounted.

Liability adequacy tests

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, as well as investments income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss.

Commissions

Commissions payable are recognized in the period in which the related premiums are written. Commissions receivable are recognized as income in the period in which they are earned.

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 classifications 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 recognized as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as long term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amount recovered from or due to reinsurers is 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 recognized as an expense when due.

The Company assesses its reinsurance assets for impairment on quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance assets to its recoverable amount and recognizes that impairment loss in the 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 amortized cost.

Notes (continued)

2. Summary of significant accounting policies (continued)

Receivables and payables related to insurance contracts

Receivables and payables are recognized when due. These include amounts due to and from agents, brokers and insurance contract holders. The Company assesses the receivable for impairment by reducing the carrying amount of the insurance receivables and recognizes that impairment loss in the profit or loss. The expected credit loss is calculated using the simplified approach as detailed under the financial assets note.

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).

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

Subrogation reimbursements are also considered as allowance in the measurement of the insurance liability for claims and are recognized 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.

d) Investment and other income

Investment income comprises (i) Interest income (ii) Dividend income (iii) Rental income; and (iv) realized/unrealized gains and losses. Investment income is stated net of investment expenses.

- Interest income is recognised on a time proportion basis that takes into account the effective yield on the assets.
- Rental income is recognised on an accrual basis, apart from operating leases that contain fixed escalation clauses, where it is recognised on a straight-line basis over the lease term. The excess of rental income on a straight-line over cash received is recognised as part of the carrying amount of properties in the statement of financial position.
- Divided income is recognised when the shareholders right to receive payment has been established.
- Realised/unrealised gains and losses recorded in the statement of profit or loss on investments include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

e) Property and equipment

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

Depreciation is calculated on the straight-line basis to write down the cost of each asset, to its residual value over its estimated useful life as follows:

Office equipment, furniture and fittings	8 years
Motor vehicles	4 years
Generator	4 years
Computer equipment	3 years

Notes (continued)

2. Summary of significant accounting policies (continued)

e) Property and equipment (continued)

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The impairment loss is recognized in the statement of comprehensive income.

Gains and losses on disposal of investment property is determined by reference to their carrying amount and are taken into account in determining operating profit/(loss).

f) Investment properties

Investment properties are long-term investments in land and buildings that are not occupied substantially for own use and hence held for capital appreciation and/ or to earn rentals. Investment properties are initially recognized at cost and subsequently measured at fair value representing market value is determined annually by independent external registered valuers. Changes in fair value are recorded in profit and loss.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is credited to profit or loss.

g) Financial assets

(i) Classification and impairment of financial assets

The Company classifies its financial assets into the following measurement categories;

- those to be measured subsequently at fair value through profit or loss (FVTPL);
- those to be measured subsequently at fair value through other comprehensive income (FVOCI); and
- those to be measured amortised cost.

(ii) Recognition and derecognition

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

(iii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Notes (continued)

2. Summary of significant accounting policies (continued)

g) Financial assets (continued)

(iii) Measurement (continued)

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

Classification and subsequent measurement of debt instruments depends on:

- (i) the Company's business model for managing the financial assets; and
- (ii) the cash flow characteristics of the asset.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in investment income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/ (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/ (losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVTPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/ (losses) in the period in which it arises.

Notes (continued)

2. Summary of significant accounting policies (continued)

g) Financial assets (continued)

(iii) Measurement (continued)

Equity instruments

The Company subsequently measures all equity investments at FVTPL. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Dividends from such investments continue to be recognized in profit or loss as other income when the Company's right to receive payments is established.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

Dividends earned are recognized in the profit or loss statement and are included in the 'investment income' line item. There was no dividend income recognized during the year ended 31 December 2020 (2019: Shs Nil). The Company's assets in the FVOCI category had a total carrying value of Shs Nil as at 31 December 2020 (2019: Shs Nil).

Changes in the fair value of financial assets at FVTPL are recognized in investment income in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Equity securities (quoted), government securities and deposits with financial institutions are classified at fair value through profit or loss. The Company's assets at FVTPL at the end of the year were Kshs 1,711,541,000 (2019: Kshs 998,786).

(iv) Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on 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. This includes listed equity securities and quoted debt instruments on major exchanges (Nairobi Stock Exchange). The quoted market price used for financial assets held by the Company is the current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

For example, a market is inactive when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the dates of the statement of financial position.

Notes (continued)

2. Summary of significant accounting policies (continued)

g) Financial assets (continued)

(iv) Determination of fair value (continued)

Fair values are categorized into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

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

Transfers between levels of the fair value hierarchy are recognized by the Company at the end of the reporting period during which the change occurred.

(v) Impairment

The Company assesses the expected credit losses associated with its debt instruments carried at amortized cost and FVTPL. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The impairment model applies to the following financial instruments that are not measured at FVTPL:

- Receivables arising from direct insurance arrangements
- Rent and other receivables;
- Corporate bonds; and
- Cash and bank balances.

No impairment loss is recognized on equity investments and financial assets measured at FVTPL.

The Company recognizes loss allowance at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The Company will recognise loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognized will be 12-month ECLs:

- Debt instruments that are determined to have low credit risk at the reporting date. The Company will consider a debt instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade' and investments in government securities; and
- Other financial instruments (other than trade and lease receivables) for which credit risk has not increased significantly since initial recognition.

Notes (continued)

2. Summary of significant accounting policies (continued)

g) Financial assets (continued)

(v) Impairment (continued)

Loss allowances for most of the financial assets have been measured at an amount equal to lifetime ECLs. The impairment requirements of IFRS 9 require management judgement, estimates and assumptions, particularly in the following areas, which are discussed in detail below:

- assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- incorporating forward-looking information into the measurement of ECLs.

Measurement of expected credit losses

ECLs are a probability-weighted estimate of credit losses and will be measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive;
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;

An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset.

Expected credit losses

Expected credit losses are computed as a product of the Probability of Default (PD), Loss Given Default (LGD) and the Exposure at Default (EAD).

$$\text{ECL} = \text{PD} \times \text{LGD} \times \text{EAD}$$

In applying the IFRS 9 impairment requirements, the Company follows one of the approaches below:

- The general approach
- The simplified approach

The Company applies the approaches below to each of its assets subject to impairment under IFRS 9:

Financial asset	Impairment approach
Receivables arising out of direct insurance arrangements	Simplified approach
Rent and intercompany receivables	General approach
Corporate bonds	General approach
Secured loans to employees	General approach
Cash and bank balances	General approach

Notes (continued)

2. Summary of significant accounting policies (continued)

g) Financial assets (continued)

(v) Impairment (continued)

The General Approach

Under the general approach, at each reporting date, the Company determines whether the financial asset is in one of the three stages below, to determine both the amount of ECL to recognise as well as how interest income should be recognized.

- **Stage 1** - where credit risk has not increased significantly since initial recognition. For financial assets in stage 1, the Company will recognise 12 month ECL and recognise interest income on a gross basis – this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.
- **Stage 2** - where credit risk has increased significantly since initial recognition. When a financial asset transfers to stage 2, the Company will recognise lifetime ECL, but interest income will continue to be recognized on a gross basis.
- **Stage 3** - where the financial asset is credit impaired. This is effectively the point at which there has been an incurred loss event. For financial assets in stage 3, the Company will continue to recognise lifetime ECL but they will now recognise interest income on a net basis. As such, interest income will be calculated based on the gross carrying amount of the financial asset less ECL.

The changes in the loss allowance balance are recognized in profit or loss as an impairment gain or loss.

The Simplified approach

Under the simplified approach, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

Definition of default

The Company will consider a financial asset to be in default when:

- the counterparty or borrower is unlikely to pay their credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the counterparty or borrower is more than 90 days past due on any material credit obligation to the Company. This will be consistent with the rebuttable criteria set out by IFRS 9 and existing practice of the Company; or

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

- Qualitative: e.g. Breach of covenant and other indicators of financial distress;
- Quantitative: e.g. Overdue status and non-payment of another obligation of the same issuer to the Company; and
- Based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Notes (continued)

2. Summary of significant accounting policies (continued)

g) Financial assets (continued)

(v) Impairment (continued)

Significant increase in credit risk (SIICR)

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience, expert credit assessment and forward-looking information.

The Company primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime probability of default (PD) as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

The assessment of significant deterioration is key in establishing the point of switching between the requirement to measure an allowance based on 12-month expected credit losses and one that is based on lifetime expected credit losses.

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month and lifetime ECL measurements.

Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECL. It formulates a 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on advice from the Company risk committee and economic experts and consideration of a variety of external actual and forecast information. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities.

The base case represents a best estimate and is aligned with information used by the Company for other purposes, such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The Company also periodically carries out stress-testing of more extreme shocks to calibrate its determination of these other representative scenarios.

Notes (continued)

2. Summary of significant accounting policies (continued)

g) Financial assets (continued)

(v) Impairment (continued)

Measurement of ECL

The key inputs into the measurement of ECL are the (i) Probability of Default (PD); (ii) Loss given default (LGD); and (iii) Exposure at default (EAD)

To determine lifetime and 12-month PDs, the Company uses internally developed PD tables based on the default history of obligors with the same credit rating. The Company adopts the same approach for unrated investments by mapping to the equivalent external credit ratings.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For secured loans secured, collateral is a key parameter in determining LGD.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortization, and prepayments. The EAD of a financial asset is its gross carrying amount.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period. Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, which include: instrument type; credit risk gradings; collateral type; date of initial recognition; remaining term to maturity; industry; and geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a group remain appropriately homogeneous.

When ECL are measured using parameters based on collective modelling, a significant input into the measurement of ECL is the external benchmark information that the Company uses to derive the default rates of its portfolios. This includes the PDs provided by rating agencies.

Insurance receivables

The ECL of operating lease receivables are determined using a provision matrix. Loss rates are calculated with reference to days past due and actual credit loss experience over the past five years.

(vi) Modification of contracts

The Company rarely renegotiates or otherwise modifies the contractual cash flows of securities. When this happens, the Company assesses whether or not the new terms are substantially different to the original terms. The Company does this by considering, among others, the following factors:

- If the counterparty is in financial difficulty
- Whether any substantial new terms are introduced that affect the risk profile of the instrument
- Significant extension of the contract term when the borrower is not in financial difficulty
- Significant change in interest rate
- Change in the currency the security is denominated in
- Inclusion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the contract.

Notes (continued)

2. Summary of significant accounting policies (continued)

g) Financial assets (continued)

(vi) Modification of contracts (continued)

If the terms are substantially different, the Company derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new EIR for the asset. The date of renegotiation is consequently considered the date of initial recognition for impairment calculation purposes, including the purpose of determining whether a SICR has occurred.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Company recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original EIR.

(vii) Write off policy

The Company writes off financial assets, in whole or in part when it has exhausted all practical recovery effort and has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity; and (ii) the Company is foreclosing on collateral and the value of the collateral is such as there is no reasonable expectation of recovering in full.

The Company may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2020 was Kshs Nil (2019: Nil). The Company still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

h) Leases

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 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. The incremental borrowing rate is the internal cost of debt determined as the risk free borrowing rate adjusted for country premium.

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 re-measurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

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.

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 recognized in profit or loss on a straight-line basis over the lease period.

Notes (continued)

2. Summary of significant accounting policies (continued)

i) Financial liabilities

The Company's financial liabilities which include borrowings, trade and other payables and current tax fall into the following categories:

Financial liabilities measured at amortised cost: these are initially measured at fair value and subsequently measured at amortised cost, using the effective interest rate method.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

All financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Financial liabilities are derecognized when, and only when, the Company's obligations are discharged, cancelled or expired.

j) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis, or realize the assets and settle the liability simultaneously.

k) Impairment of non-financial assets and tangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of tangible 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 assets 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 recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identified cash flows (cash-generating units).

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Notes (continued)

2. Summary of significant accounting policies (continued)

l) Cash and cash equivalents

For the purpose 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 month or less, and bank overdrafts.

m) Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'Functional Currency'). The financial statements are presented in Kenya Shillings rounded to the nearest thousand (Shs '000) which is the Company's functional and presentation currency.

Translation and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. All other foreign exchange gains and losses are presented in profit or loss within 'other income or expenses'.

n) Provisions

Provisions for legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an overflow of resources embodying economic benefits will be required to settle the obligation and the amount has been reliably estimated. Provisions for future opening losses are not recognized.

Where there are a number of similar obligations, the likelihood that an overflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an overflow with respect to any one item included in the same class of obligation may be small.

The amount recognized as a provision is the best estimate of the present value of expenditures expected to be incurred to settle the obligation using a pre-tax rate that reflects the current market assessment of time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense in profit or loss under finance cost.

o) Employee benefits

(i) Retirement benefit obligations

The Company operates a defined contribution scheme for employees. The assets of the scheme are held in separate trustee administered funds, which are funded from contributions from both the Company's 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 employees of the Company are also members of the National Social Security Fund ("NSSF").

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

Notes (continued)

2. Summary of significant accounting policies (continued)

o) Employee benefits (continued)

(ii) Other entitlements

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

p) Income tax expense

The tax expense for the period comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the reporting date. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. They establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on the same entity.

q) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life amortization methods 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 licences are capitalized on basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives which are estimated to be 5 (five) years.

Cost associated with maintaining computer software programmes are recognized as an expense as incurred. Cost that are directly associated with the acquisition of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding cost beyond one year, are recognized as intangible assets.

Notes (continued)

2. Summary of significant accounting policies (continued)

r) Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared.

s) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as deduction from the proceeds.

3. Critical accounting estimates and judgments

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experiences and other factors, including expected future events that are believed to be reasonable under the circumstances.

The estimation of future benefit payments from general 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 such claims. The determination of the liabilities under insurance contracts is dependent on estimates made by the Company. Estimates are made as to the expected amounts of claim to be paid in future.

Judgment is also applied in the estimation of future contractual cash flows in relation to reported losses and losses incurred but not 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. Care estimates are computed on the basis of the best information available at the time the records for the year are closed.

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.

- The valuation of insurance contract liabilities;
- Fair valuation of certain financial assets;
- Fair values of investment properties;
- Classification of financial assets; and
- Impairment of financial assets.

Impairment of financial assets - the Company reviews their portfolio of financial assets measured at amortized cost on an annual basis. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

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

Fair value measurement and valuation process- in estimating the fair value of the assets or a liability, the Company uses market-observed data to the extent it is available. Where level 1 inputs are not available, the Company makes use of financial models or engages third party qualified valuers to perform the valuation techniques and inputs to the model.

Right of use asset and lease liabilities – In determining the applicable discount rate on present value of the lease liabilities, the directors' assumptions are based on the risk free rate together with inflation rate, country risk and market premium.

Notes (continued)

4. Management of insurance and financial risk

The Company's activities expose it to a variety of risk, including insurance risk and financial risk (credit risk, and the effect changes in debt and equity market prices, foreign currency exchange rates and interest rates). The Company's overall risk management program focuses on the identification and management of risks and seeks to minimize 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 maximize return within an acceptable level of interest rate risk.

This section summarizes the way the Company manages key risks.

A. Insurance risk

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 of severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and number of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risk accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

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.

The following tables disclose the concentration of insurance liabilities by the class of business represented by the maximum insured loss:

Year ended 31 December 2020		Maximum Insured Loss				Total
		General business	insurance	Shs 3 – 15m '000'	Shs 15 - 250m '000'	
Motor	Gross		45,526,595	7,873,952	3,033,886	56,434,433
	Net		3,576,981	7,873,952	-	11,450,933
Fire	Gross		24,230,316	72,263,630	46,439,680	142,933,626
	Net		3,904,000	7,959,377	562,446	12,425,823
Personal accident	Gross		306,589	2,537,826	1,022,942	3,867,357
	Net		72,000	194,000	20,000	286,000
Others	Gross		11,765,315	51,094,951	32,957,252	95,817,518
	Net		809,180	5,808,220	1,255,300	7,872,700
Total	Gross		81,828,815	133,770,359	83,453,760	299,052,934
	Net		8,362,161	21,835,549	1,837,746	32,035,456

Notes (continued)

4. Management of insurance and financial risk (continued)

Year ended 31 December 2019		Shs 3 – 15m Shs '000	Maximum Insured Loss		Total Shs '000
			Shs 15 - 250m Shs '000	Shs 250- 1,000m Shs '000	
Motor	Gross	3,583,081	1,333,120	-	4,916,201
	Net	3,576,981	1,333,120	-	4,910,101
Fire	Gross	6,679,807	35,410,483	147,670,061	189,760,351
	Net	3,904,000	7,959,377	562,446	12,425,823
Personal accident	Gross	195,425	479,321	24,356,000	25,030,746
	Net	72,000	194,000	20,000	286,000
Others	Gross	907,933	8,880,863	2,881,741	12,670,537
	Net	809,180	5,808,220	1,255,300	7,872,700
Total	Gross	11,366,246	46,103,787	174,907,802	232,377,835
	Net	8,362,161	15,294,717	1,837,746	25,494,624

The concentration by sector or maximum insured loss at the end of the year is broadly consistent with the prior year.

B. Financial risk

The Company is exposed to financial risk through its financial assets and financial liabilities reinsurance assets and insurance 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 risks are credit risk, liquidity risk, market risk and other operational risks. Market risks include currency risk, interest rate risk, equity price risk and other price risks

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.

(i) Foreign exchange risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States (US) Dollar. The Company has cash and bank balances in (US) Dollar. The assets denominated in US Dollar at year end amounted to Shs. 212,526,147 (2019: Shs 91,361,164) representing only 4% (2019: 3%) of total assets.

Notes (continued)

4. Management of insurance and financial risk (continued)

B. Financial risk (continued)

(ii) Price risk

The Company is exposed to equity securities price risk because of investment in quoted securities and treasury bonds classified as fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its 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 Insurance Act. All quoted shares and treasury bonds held by the Company are traded on the Nairobi Security Exchange (NSE).

The table below summarizes the impact of increase/decrease of the NSE on the Company's post-tax profit for the year and on other comprehensive income. The analysis is based on the assumptions that the equity indexes had increased by 5% (2019: 5%) with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index.

Index	2020 Shs '000	2019 Shs '000
NSE	<u>5</u>	<u>5</u>

(iii) Cash flow and fair value 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, corporate bonds and deposits with financial institutions. The Company has no variable interest rate instruments.

No limits are placed on the ratio of variable rate financial instruments to be 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.

(iv) Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:

- receivables arising out of direct insurance;
- receivables arising out of reinsurance arrangements, and
- reinsurer's share of insurance liabilities.

Notes (continued)

4. Management of insurance and financial risk (continued)

B. Financial risk (continued)

(iv) Credit risk (continued)

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liabilities as primary insurer. If a reinsurer fails to pay a claim, the Company remains liable for the payment to the policyholder. The credit worthiness of reinsurers is considered on annual basis by reviewing their financial strength prior to finalization of any contract.

In addition, management assesses the creditworthiness of all insurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy. Other areas where credit risk arises include deposits with banks and other receivables. The Company has no significant concentrations of credit risks. The Company structures the levels of credit risks it accepts by placing limits on its exposure to a single counterparty, or groups of counterparty, and to geographical and industry segments. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category and territory are approved quarterly by the Board of Directors.

Maximum exposure to credit risk

The maximum exposure of the Company to credit risk (financial instruments subject to impairment as at the balance sheet date is as follows:

	2020	2019
	Shs '000	Shs '000
Receivables arising out of direct insurance arrangements	506,334	429,638
Receivables arising out of reinsurance arrangements	263,690	344,055
Secured loans to employees	312	501
Other receivables (excluding prepaid expenses)	32,878	40,414
	<u>803,214</u>	<u>814,608</u>

The maximum exposure of the Company to credit risk (financial instruments not subject to impairment as at the balance sheet date is as follows:

	2020	2019
	Shs '000	Shs '000
Government securities	1,524,439	900,008
Deposits with financial institutions	186,555	98,024
Equity investments - quoted	547	754
	<u>1,711,541</u>	<u>998,786</u>

No collateral is held for the above assets

Notes (continued)

4. Management of insurance and financial risk (continued)

C. Financial risk (continued)

(iv) Credit risk (continued)

Maximum exposure to credit risk (continued)

The staging of the Company's premium debtors subject to impairment is as follows:

At 31 December 2020

	Stage 1 Shs '000	Stage 2 Shs '000	Stage 3 Shs '000	Total Shs '000
Gross	384,183	122,151	305,186	811,520
ECL	-	-	(305,186)	(305,186)
	<u>384,183</u>	<u>122,151</u>	<u>-</u>	<u>506,344</u>

At 31 December 2019

Gross	333,557	96,081	371,364	801,002
ECL	-	-	(371,364)	(371,364)
	<u>333,557</u>	<u>96,081</u>	<u>-</u>	<u>429,638</u>

The staging of the Company's other financial instruments subject to impairment is as follows:

At 31 December 2020

	Stage 1 Shs '000	Stage 2 Shs '000	Stage 3 Shs '000	ECL Shs '000	Total Shs '000
Receivables arising out of reinsurance arrangements	263,690	-	-	-	263,690
Secured loans to employees	312	-	-	-	312
Other receivables	32,878	-	-	-	32,878
	<u>296,880</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>296,880</u>

Notes (continued)

4. Management of insurance and financial risk (continued)

D. Financial risk (continued)

(v) Credit risk (continued)

Maximum exposure to credit risk (continued)

At 31 December 2019

	Stage 1 Shs '000	Stage 2 Shs '000	Stage 3 Shs '000	ECL Shs '000	Total Shs '000
Receivables arising out of reinsurance arrangements	344,055	-	-	-	344,055
Secured loans to employees	501	-	-	-	501
Other receivables	37,187	-	-	-	37,187
	<u>381,743</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>381,743</u>

v) 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 administration expenses. The Company does not maintain cash resources to meet all of these needs as experience shows that maximum level of reinvestment of maturing funds can be predicted with a high level of certainty. The board sets limits on the minimum level of bank overdraft facilities that should be in place to cover expenditure at unexpected levels of demand.

The table below presents the cash flows payable by the Company under financial liabilities by remaining contractual maturities (other than insurance liabilities which are based on expected maturities) at the reporting date.

	Up to 1 month Shs '000	1-3 months Shs '000	3-12 months Shs '000	1-5 years Shs '000	Over 5 years Shs '000	Total Shs '000
As at 31 December 2020						
Insurance contract liabilities	147,016	140,467	586,294	403,542	96,023	1,373,342
Payables arising from reinsurance arrangements		64,607			-	64,607
Other payables		116,381			-	116,381
Lease liabilities	1,830	3,951	18,048	56,461	-	80,290
	<u>148,846</u>	<u>325,406</u>	<u>604,342</u>	<u>460,003</u>	<u>96,023</u>	<u>1,634,620</u>
As at 31 December 2019						
Insurance contract liabilities	310,866	109,966	167,240	261,644	97,960	947,676
Payables arising from reinsurance arrangements	-	126,531	-	-	-	126,531
Other payables	-	129,180	-	-	-	129,180
Lease liabilities	1,710	3,420	16,864	79,375	-	101,369
	<u>312,576</u>	<u>369,097</u>	<u>184,104</u>	<u>341,019</u>	<u>97,960</u>	<u>1,304,756</u>

Notes (continued)

4. Management of insurance and financial risk (continued)

B. Financial risk (continued)

Fair value estimation

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 a 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.

IFRS 7 : Financial Instruments Disclosure requires disclosure of fair value measurements by the following levels of hierarchy for financial instruments that are measured in the statement of financial position at fair value 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.
- Level 2 inputs are Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 inputs are Inputs for the asset or liability that is not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the financial reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The following table represents the Company's assets that are measured at fair value at 31 December 2020 and 31 December 2019.

As at 31 December 2020	Level 1 Shs '000	Level 2 Shs '000	Level 3 Shs '000	Total Shs '000
Equity investments	547	-	-	547
Non-current assets held for sale	-	-	70,000	70,000
Government securities	1,524,439	-	-	1,524,439
Deposits with financial institutions	-	186,555	-	186,555
	1,524,986	186,555	70,000	1,781,541
As at 31 December 2019				
Equity investments	754	-	-	754
Non-current assets held for sale	-	-	490,000	490,000
Government securities	900,008	-	-	900,008
Deposits with financial institutions	-	98,024	-	98,024
	900,762	98,024	490,000	1,488,786

The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments in entities listed at the Nairobi Securities Exchange. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Notes (continued)

4. Management of insurance and financial risk (continued)

B. Financial risk (continued)

Fair value estimation (continued)

There was no movement between the levels during the year. Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments; and
- Fair value of government securities is based on a yield curve based on trends at the Nairobi Securities Exchange.

Financial assets by category

	Amortized cost	Fair value through profit and loss	Total	Fair value
Financial assets at 31 December 2020	Shs '000	Shs '000	Shs '000	Shs '000
Equity investments	-	547	547	547
Government securities	-	1,524,439	1,524,439	1,524,439
Receivables arising out of reinsurance arrangements	263,689	-	263,689	263,689
Receivables arising out of direct insurance arrangements	506,334	-	506,334	506,334
Deposits with financial institutions	-	186,553	186,553	186,553
Right of use	53,874	-	53,874	53,874
Other receivables	92,399	-	92,399	92,399
Secured loans to employees	312	-	312	312
Cash and cash equivalents	446,345	-	446,345	446,345
Total	1,362,953	1,711,539	3,074,492	3,074,492
Financial assets at 31 December 2019				
Equity investments	-	754	754	754
Government securities	-	900,008	900,008	900,008
Receivables arising out of reinsurance arrangements	344,055	-	344,055	344,055
Receivables arising out of direct insurance arrangements	429,638	-	429,638	429,638
Deposits with financial institutions	-	98,024	98,024	98,024
Right of use	69,900	-	69,900	69,900
Other receivables	54,037	-	54,037	54,037
Secured loans to employees	501	-	501	501
Cash and cash equivalents	155,341	-	155,341	155,341
Total	1,053,472	998,786	2,052,258	2,052,258

Notes (continued)

4. Management of insurance and financial risk (continued)

B. Financial risk (continued)

Financial liabilities by category

	2020 Shs '000	2019 Shs '000
Financial liabilities at amortised cost		
Creditors arising from reinsurance arrangements	64,607	126,531
Other payables	116,381	129,180
Lease liabilities	65,111	78,412
	<hr/>	<hr/>
Total	246,099	334,123
	<hr/> <hr/>	<hr/> <hr/>

The carrying value of financial liabilities not carried at fair value approximate their fair values.

Capital management

Internally imposed capital requirements

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

- to comply with the capital requirements as set out in the Insurance Act;
- to comply with regulatory solvency requirements as set out in the Insurance Act.
- to safeguard the Company's ability to continue as 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 commensurate with the level of risk.

Externally imposed capital requirements

The Insurance Act requires a general insurance Company to hold the minimum level paid up capital as the higher of:

- Shs 600 million
- Risk based capital determined from time to time, or
- 20% of the net earned premiums of the preceding financial year.

During the year the Company met the requirements for the minimum paid up capital for an insurance business as prescribed by section 41 (1) of the Insurance Act.

The capital adequacy ratio at the end of the year was 133% (2019: 110%)

Notes (continued)

5. Gross earned premium

	2020 Shs'000	2019 Shs'000
Engineering	50,927	68,692
Fire domestic	80,358	59,720
Fire industrial	408,393	245,239
Liability	135,527	95,457
Marine	37,335	43,053
Motor private	680,844	457,503
Motor commercial	739,387	382,764
Motor PSV	182,529	187,263
Personal accident	58,850	26,148
Medical	1,119,173	833,709
Theft	138,793	88,891
Workmen compensation	96,207	86,886
Miscellaneous	12,772	28,970
	<u>3,741,095</u>	<u>2,604,295</u>

6. Investment and other income

Interest from government securities	69,938	93,944
Interest from deposits with financial institutions	29,432	10,229
Dividends received from equity investments	-	2,746
Net rental income from investment properties	28,226	42,775
Fair value loss on investment property	(3,500)	(26,700)
Fair value gain / (loss) on government securities	41,034	(4,488)
Investment expenses	(21,869)	(3,721)
Foreign exchange gain	11,999	-
Other income	29,630	-
	<u>184,890</u>	<u>114,785</u>

Other income comprises income from sale of scrap and recoveries made during the year

7. Claims incurred

	2020 Shs'000	2019 Shs'000
Engineering	3,293	7,995
Fire domestic	12,887	4,147
Fire industrial	894	8,000
Liability	1,408	5,125
Marine	7,321	7,451
Motor private	481,571	349,683
Motor commercial	431,731	45,343
Motor PSV	68,165	177,510
Personal accident	(187)	890
Medical	138,572	405,730
Theft	11,352	8,574
Workmen compensation	13,188	9,116
Miscellaneous	(2,547)	(3,051)
	<u>1,167,648</u>	<u>1,026,513</u>

Notes (continued)

8. Operating and other expenses	2020	2019
	Shs'000	Shs'000
Staff costs (Note 9)	342,049	294,566
Audit fees	3,435	3,271
Depreciation of property and equipment (Note 12)	17,413	17,229
Depreciation of right of use assets (Note 12 (b))	16,025	16,849
Amortization of intangible assets (Note 13)	4,962	6,912
Marketing expenses	34,525	44,534
Expected credit loss on doubtful insurance receivables	(66,178)	2,781
Premium tax	40,660	28,589
Legal and professional fees	33,664	21,259
Annual ICT maintenance fees	28,379	13,108
Other expenses	319,742	183,390
	<u>774,676</u>	<u>632,488</u>
9. Staff costs		
Staff costs comprises of:		
Salaries and wages	265,239	243,285
Pension & retirement benefits		
- Defined benefit cost	27,699	21,406
- National Social Security fund (NSSF)	184	124
Other staff costs	48,927	29,751
	<u>342,049</u>	<u>294,566</u>

The number of staff employed by the Company as at the end of the period was 80 (2019: 75)

10. Current tax expense	2020	2019
	Shs' 000	Shs' 000
Current tax	44,116	26,783
Deferred tax charge/(credit) (Note 14)	4,846	(8,159)
	<u>48,962</u>	<u>18,624</u>

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

	2020	2019
	Shs' 000	Shs' 000
Profit before tax	<u>186,701</u>	<u>23,042</u>
Tax calculated at a tax rate of 25% (2019: 30%)	46,675	6,913
Tax effects of:		
- Income not subject to tax	(27,104)	(12,825)
- Expenses not deductible for tax purposes	29,391	24,536
	<u>48,962</u>	<u>18,624</u>

Notes (continued)

11 Share capital	Number of shares	Ordinary share capital Shs'000	Share premium Shs'000
Balance at 1 January 2019, 2020 and 31 December 2020	205,799,630	1,028,998	100,362

The total authorized number of ordinary shares is 205,799,630 with a par value of Shs 5. All issued shares are fully paid.

Notes (continued)

12(a). Property and equipment

Year ended 31 December 2020

	Motor vehicles	Office, equipment and fittings	Computer equipment	Generator	Total
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Cost					
At start of year	1,375	139,428	39,393	2,745	182,941
Additions	-	1,607	4,449	-	6,056
At end of year	1,375	141,035	43,842	2,745	188,997
Depreciation					
At start of year	1,375	52,240	37,476	2,745	93,836
Charge for the year	-	14,805	2,608	-	17,413
At end of year	1,375	67,045	40,084	2,745	111,249
Net book value	-	73,990	3,758	-	77,748

Notes (continued)

12(a). Property and equipment (continued)

Year ended 31 December 2019

	Motor vehicles Shs '000	Office, equipment and fittings Shs '000	Computer equipment Shs '000	Generator Shs '000	Work in Progress Shs '000	Total Shs '000
Cost						
At start of year	1,375	53,832	37,016	2,745	41,635	136,603
Additions	-	43,961	2,377	-	-	46,338
Reclassification from work in progress	-	41,635	-	-	(41,635)	-
At end of year	1,375	139,428	39,393	2,745	-	182,941
Depreciation						
At start of year	1,375	36,589	35,898	2,745	-	76,607
Charge for the year	-	15,651	1,578	-	-	17,229
At end of year	1,375	52,240	37,476	2,745	-	93,836
Net book value	-	87,188	1,917	-	-	89,105

Notes (continued)

12(b) Leases

Measurement of right of use asset and lease liabilities

Right of use asset	2020 Shs '000	2019 Shs '000
At start of year	69,900	-
On adoption of IFRS 16	-	86,749
Amortisation of right of use asset	(16,025)	(16,849)
	<hr/>	<hr/>
At end of year	53,875	69,900
	<hr/>	<hr/>
Lease liabilities	2020 Shs '000	2019 Shs '000
At start of year	78,412	-
On adoption of IFRS 16	-	86,749
Additions	-	-
Finance charge	9,122	9,887
Lease payments	(22,423)	(18,224)
	<hr/>	<hr/>
At end of year	65,111	78,412
	<hr/>	<hr/>
13. Intangible assets		
Cost		
At start of year	48,663	47,000
Additions	-	1,663
	<hr/>	<hr/>
At end of year	48,663	48,663
	<hr/>	<hr/>
Amortization		
At start of year	38,861	31,949
Charge for the year	4,962	6,912
	<hr/>	<hr/>
At end of year	43,823	38,861
	<hr/>	<hr/>
Net book value	4,840	9,802
	<hr/>	<hr/>

Notes (continued)

14. 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%) except for capital gains tax computed at 5%. The movement on the deferred tax account is as follows:

	2020 Shs' 000	2019 Shs' 000
At start of year	144,140	135,982
(Charge)/credit to profit or loss (Note 10)	(4,846)	8,159
	<hr/>	<hr/>
At end of year	139,294	144,140
	<hr/>	<hr/>

Deferred tax assets and deferred tax charge/ (credit) in profit or loss are attributable to the following items

Year ended 31 December 2020	At start of year Shs' 000	Charge/ (credit) to profit or loss Shs' 000	At end of year Shs' 000
Property and equipment	7,467	4,574	12,041
Other deductible temporary differences	136,673	(9,420)	127,253
	<hr/>	<hr/>	<hr/>
	144,140	(4,846)	139,294
	<hr/>	<hr/>	<hr/>
Year ended 31 December 2019			
Property and equipment:	4,116	3,351	7,467
Other deductible temporary differences	131,866	4,808	136,673
	<hr/>	<hr/>	<hr/>
	135,982	8,159	144,140
	<hr/>	<hr/>	<hr/>

Notes (continued)

15 Non-current assets held for sale

	2020	2019
	Shs '000	Shs '000
As at 1 January	490,000	-
Transfer from investment properties	-	490,000
Disposal	(420,000)	-
	<u>70,000</u>	<u>490,000</u>
As at 31 December	<u>70,000</u>	<u>490,000</u>

At 31 December 2020, the property located in Mombasa was classified as an asset held for sale as required by IFRS 5: Non-Current Assets Held for Sale and Discontinued Operations and is measured as per the guidelines of IAS 40 "Investment Properties". The fair value of the asset was determined based on the valuation carried out Regent Valuers. The Company expects to sell the property within the next one year.

16 Equity investments at FVTPL

	2020	2019
	Shs '000	Shs '000
At start of year	754	568
Fair value (loss)/gain	(207)	186
	<u>547</u>	<u>754</u>

17 Receivables arising out of direct insurance arrangements

Gross receivables	808,740	792,616
Due from related parties (Note 27)	2,780	8,386
Expected credit loss on premium receivables	(305,186)	(371,364)
	<u>506,334</u>	<u>429,638</u>
Net receivables	<u>506,334</u>	<u>429,638</u>

The carrying value of other receivables above approximates their fair value.

18 Reinsurers' share of insurance liabilities

	2020	2019
	Shs'000	Shs'000
Reinsurers' share:		
- Unearned premium (Note 25)	607,376	350,125
- Notified claims outstanding (Note 24)	549,352	204,449
- Additional unexpired risk reserve (Note 24)	-	2,258
- Claims incurred but not reported (Note 24)	78,118	51,306
	<u>1,234,846</u>	<u>608,138</u>
	<u>1,234,846</u>	<u>608,138</u>

Notes (continued)

19 Other receivables	2020 Shs '000	2019 Shs '000
Prepayments	5,647	13,623
Sundry debtors	30,109	25,123
Receivables on third party claims recoveries	2,769	15,291
	38,525	54,037
	38,525	54,037
20 Deferred acquisitions cost		
At the start of the year	145,692	127,569
Movement during the year	52,785	18,123
	198,477	145,692
	198,477	145,692
21 Government securities		
At start of year	900,008	844,317
Additions	583,397	540,000
Disposals	-	(479,821)
Fair value movements	41,034	(4,488)
	1,524,439	900,008
	1,524,439	900,008
Treasury bills and bonds maturing:		
• Within 1 year from the reporting date	75,000	70,000
• Over 1 year	1,449,439	830,008
	1,524,439	900,008
	1,524,439	900,008

Treasury bonds and bills amounting to Shs 250,000,000 (2019: Shs 150,000,000) are held by the Central Bank of Kenya under lien in accordance with Section 32 of the Insurance Act.

Weighted average effective interest rates at the reporting date were as follows:

	2020 %	2019 %
Government securities	11.55%	11.55%
Deposits with financial institutions	6.13%	6.27%

Notes (continued)

22 Secured loans to employees	2020	2019
	Shs '000	Shs '000
Secured loans to employees	312	501

The above loans relate to motor vehicle loans. Log books to the Motor vehicles are held as security.

23 Cash and cash equivalents	2020	2019
	Shs '000	Shs '000
Cash at bank and in hand	446,344	155,341

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

Cash and bank balances	446,344	155,341
Deposits with financial institutions	186,555	98,024
	<u>632,899</u>	<u>253,365</u>

Notes (continued)

24. Movements in insurance contract liabilities and reinsurance assets are shown:

	2020		2019		Net
	Gross Shs' 000	Reinsurance Shs' 000	Gross Shs' 000	Reinsurance Shs' 000	Shs' 000
Notified claims	763,698	204,449	999,170	380,870	618,300
Additional unexpired risk reserve (AURR)	5,129	2,258	44,537	1,271	43,266
Incurring but not reported (IBNR)	178,849	51,306	178,344	40,709	137,635
Total at beginning of year	947,676	258,013	1,222,050	422,850	799,201
Cash paid for claims settled in year	(1,799,742)	(688,132)	(1,623,551)	(487,501)	(1,136,050)
Movement in liabilities					
– arising from IBNR provision	42,995	26,812	505	10,597	(10,092)
– arising from AURR provision	(5,129)	(2,258)	(39,408)	987	(40,395)
– arising from current year claims	2,187,543	1,033,035	1,388,079	311,080	1,076,999
Total at the end of year	1,373,344	627,470	947,676	258,013	689,664
Notified claims	1,151,499	549,352	763,698	204,449	559,249
Additional unexpired risk reserve	-	-	5,129	2,258	2,871
Incurring but not reported	221,845	78,118	178,849	51,306	127,544
Total at the end of year	1,373,344	627,470	947,676	258,013	689,664

Notes (continued)

24 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	2013	2014	2015	2016	2017	2018	2019	2020
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Accident year	109,893	79,723	71,994	152,288	366,025	520,431	307,784	724,141
One year later	105,951	140,954	152,185	77,524	171,044	94,099	149,637	-
Two years later	124,274	140,957	86,936	52,955	76,710	45,894	-	-
Three years later	113,859	66,336	49,377	24,144	32,497	-	-	-
Four years later	38,861	44,677	31,803	8,762	-	-	-	-
Five years later	18,840	31,348	20,512	-	-	-	-	-
Six years later	17,435	15,816	-	-	-	-	-	-
Seven years later	7,212	-	-	-	-	-	-	-
Current estimate of cumulative claims	193,251	329,508	314,064	458,940	1,397,588	1,160,576	808,433	1,270,494
Cumulative payments to date	186,039	313,692	293,553	450,178	1,365,091	1,114,682	658,789	546,353
Incurred but not reported	15	36	4	4	36	2,859	178,849	221,845
Total gross claims liability included in the statement of financial position	7,227	15,853	20,516	8,766	32,533	48,753	947,676	1,373,344

Notes (continued)

25. Unearned premium

These provisions represent the liability for short-term business contracts where the Company's obligations have not expired at the year end.

	2020		2019		
	Gross Shs '000	Reinsurance Shs '000	Gross Shs '000	Reinsurance Shs '000	Net Shs '000
At beginning of year	1,265,707	(350,125)	899,653	(238,821)	660,832
Increase in the period (net)	582,251	(257,251)	366,054	(111,304)	254,750
At end of year	1,847,958	(607,376)	1,265,707	(350,125)	915,582

Notes (continued)

26. Deferred reinsurance commission	2020 Shs '000	2019 Shs '000
At the start of the year	48,235	-
Movement during the year	70,954	48,235
	<hr/>	<hr/>
At the end of the year	119,189	48,235
	<hr/>	<hr/>
27. Other payables		
Rent deposits	907	907
Provision for outstanding leave	4,001	4,001
Due to related parties (Note 28)	14,206	6,548
Accruals and other payables	97,267	39,312
	<hr/>	<hr/>
	116,381	50,768
	<hr/> <hr/>	<hr/> <hr/>

The carrying value of other payables above approximates their fair value.

28 Related party transactions and balances

Sanlam General Insurance Limited is controlled by Sanlam Kenya Plc, a company incorporated in Kenya. The Company's ultimate parent is Sanlam Limited, incorporated in South Africa. There are other companies related to Sanlam General Insurance Limited through common shareholding or 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.

	2020 Shs '000	2019 Shs '000
i) Transactions with related parties		
Gross earned premium	13,640	21,692
	<hr/>	<hr/>
ii) Outstanding balances with related parties		
Premiums receivable from related parties	2,780	8,390
	<hr/>	<hr/>
Due to related parties	-	6,548
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

28 Related party transactions and balances (continued)

iii) Directors' remuneration	2020 Shs '000	2019 Shs '000
Directors' fees and allowances	6,581	6,112
Directors' other remuneration	27,475	18,240
	<u>34,056</u>	<u>24,352</u>
iv) Key management compensation		
Remuneration of senior management	49,863	49,700

29. Cash used in operations

Note

Reconciliation of profit before tax to cash from operations:

Profit before income tax		186,701	23,042
Adjustments for:			
Depreciation of property and equipment	12 (a)	17,413	17,229
Depreciation of right of use asset	12 (b)	16,025	16,849
Amortization of intangible assets	13	4,962	6,912
Finance charge on lease liabilities	12 (b)	9,122	9,887
Interest income	6	(99,370)	(104,173)
Dividend income		-	(2,746)
Fair value (gain)/loss	6	(37,534)	31,188
Foreign exchange gain	6	(11,999)	-
Changes in working capital:			
- Insurance contract liabilities and unearned premium reserve		1,007,919	91,679
- Deferred acquisition costs		(52,786)	(18,123)
- Deferred reinsurance commissions		70,594	-
- Receivables arising out of reinsurance arrangements		80,365	(49,928)
- Receivables arising out of direct insurance arrangements		(76,696)	(115,212)
- Reinsurers' share of insurance contract liabilities		(626,708)	53,533
- Creditors arising from reinsurance arrangements		(61,924)	100,289
- Other payables		65,613	(79,553)
- Other receivables		15,512	(130,724)
		<u>507,569</u>	<u>(149,851)</u>

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General business revenue account (2020)

CLASS OF BUSINESS	Engineering			Domestic			Industrial			Liability			Marine			Motor		Motor			Personal			Workmen			T total
	Engineering	Domestic	Industrial	Liability	Marine	Motor Private	Motor Commercial	Motor Psv	Accident	Medical	Theft	Compensation	Miscellaneous	T total													
Gross Premium	58,104,748	73,498,023	459,912,320	143,902,462	38,092,687	887,408,254	181,734,069	23,780,026	1,050,669,637	133,452,572	101,793,988	22,687,987	4,066,094,569														
Reinsurance Expenses	37,250,999	24,307,290	400,432,528	95,258,014	20,062,410	60,120,192	100,523,598	13,985,270	792,571,330	112,079,729	19,262,090	18,882,540	1,694,335,988														
Net written premium	20,853,749	49,190,733	59,479,792	48,644,448	18,030,277	830,939,625	181,734,069	10,194,756	258,098,308	21,372,843	82,531,878	3,805,447	2,371,758,581														
Unearned Premiums B/F	47,666,570	40,020,909	77,072,935	37,891,338	4,730,068	274,476,204	94,806,227	13,108,533	305,865,576	36,743,825	26,551,536	11,243,078	1,265,707,054														
Unearned Premiums c/f	43,961,398	43,670,824	224,297,537	51,228,469	7,125,654	452,627,605	104,894,383	13,888,133	318,773,530	56,633,536	38,843,568	14,986,429	1,847,957,920														
Net Earned	13,676,440	56,050,249	30,962,266	40,269,312	17,272,349	649,474,646	169,508,422	11,142,737	356,650,523	27,666,075	70,888,567	3,194,128	2,046,758,884														
Gross claims paid	8,390,975	16,411,012	20,479,409	9,254,186	15,067,488	512,967,483	90,391,284	728,410	741,035,389	5,855,372	23,818,559	39,153	1,843,738,169														
Gross Claims Outstanding 31-12-2020	6,336,168	1,403,790	86,471,128	2,870,841	6,034,692	277,686,980	105,651,810	4,255,346	74,033,074	322,349,470	15,273,271	16,225	1,151,469,174														
Gross Claims Outstanding 01-01-20	7,077,254	2,509,940	59,911,144	12,953,955	7,285,593	254,889,243	119,469,824	4,296,612	82,199,989	9,944,138	22,206,730	6,000	763,697,755														
Claims Incurred	3,292,526	12,886,671	894,124	1,408,250	7,320,623	481,816,927	68,164,775	(187,336)	138,571,726	11,352,358	13,188,840	(2,546,555)	1,167,894,192														
Net Commission	(5,424,968)	11,395,544	(27,603,319)	4,157,662	(956,785)	65,280,514	11,741,299	(1,515,196)	(32,208,568)	(574,875)	14,921,413	776,945	102,623,932														
Expenses of Management	3,370,280	23,622,794	15,735,264	9,227,230	6,023,557	246,340,212	84,228,251	2,638,081	217,286,543	8,519,212	11,882,606	1,611,827	740,918,035														
T total Expenses	(2,054,688)	35,216,338	(11,868,055)	13,384,892	5,066,772	311,620,727	172,866,443	1,122,885	185,077,975	7,944,337	26,804,020	2,388,771	843,541,967														
Underwriting Profit / (Loss) from Operations	12,438,602	7,945,241	41,936,216	25,476,170	4,884,955	(143,962,808)	5,374,097	10,207,187	33,000,822	8,369,360	30,875,707	3,351,911	35,322,725														
Item under reconciliation	644,450	815,158	5,100,971	1,596,048	422,493	9,882,906	2,015,645	263,749	-	1,480,147	1,129,015	251,637	33,444,624														
Underwriting Profit / (Loss)	11,794,152	7,130,083	36,835,245	23,880,122	4,462,462	(153,845,714)	3,358,452	9,943,439	33,000,822	6,889,233	29,746,692	3,100,275	1,878,101														
Reinsurance ratio	64%	33%	87%	66%	53%	7%	11%	0%	75%	84%	19%	83%	42%														
Loss ratio	24%	23%	3%	3%	42%	74%	72%	40%	39%	41%	19%	-80%	57%														
Commission Net	18%	20%	16%	15%	13%	10%	10%	4%	10%	10%	20%	10%	11%														
Management expense ratio on EWP	22%	42%	43%	21%	34%	37%	18%	49%	61%	28%	16%	47%	35%														

General business revenue account (2019)

(Amount in Shs.000)	Engineering	Fire Domestic	Fire Industrial	Liability	Marine	Motor Private	Motor PSV	Motor Commercial	Personal Accident	Medical	Theft	Workmen compensation	Miscellaneous	Total
Gross premium	72,766	68,834	242,209	97,336	36,757	516,570	518,809	210,218	25,533	874,841	92,592	83,891	18,689	2,859,045
Reinsurance ceded	(60,025)	(4,251)	(230,207)	(59,058)	(18,084)	(23,590)	(34,760)	(4,741)	(17,742)	(365,019)	(57,350)	(17,166)	(17,212)	(909,205)
Net premium written	12,741	64,584	12,001	38,277	18,673	492,980	484,049	205,477	7,791	509,822	35,242	66,725	1,478	1,949,840
Unearned premiums b/f.	4,257	28,435	6,850	13,024	8,699	202,875	139,684	69,713	4,615	137,114	10,284	24,113	11,169	660,832
Unearned premiums c/f.	(8,332)	(37,550)	(3,819)	(14,901)	(2,403)	(261,942)	(275,730)	(92,668)	(4,000)	(178,246)	(13,985)	(21,119)	(889)	(915,582)
Net earned premium	8,666	55,469	15,032	36,399	24,969	433,913	348,004	182,522	8,407	468,690	31,541	69,720	11,758	1,695,090
Claims paid	(5,118)	(4,193)	(6,015)	(438)	(9,554)	(438,084)	(164,434)	(88,140)	(583)	(392,717)	(14,469)	(9,300)	(3,006)	(1,136,050)
Claims o/s - end of period	(6,491)	(2,932)	(17,469)	(13,245)	(3,718)	(272,519)	(173,416)	(101,776)	(1,314)	(68,316)	(9,685)	(18,138)	(644)	(689,664)
Claims o/s - start of period	3,614	2,978	15,484	8,560	5,821	360,919	160,340	144,573	1,007	55,302	15,580	18,322	6,700	799,201
Total claims incurred	(7,995)	(4,147)	(8,000)	(5,125)	(7,451)	(349,683)	(177,510)	(45,343)	(890)	(405,730)	(8,574)	(9,116)	3,051	(1,026,513)
Commissions	2,116	(7,133)	11,088	(5,510)	(1,214)	(44,164)	(40,185)	(17,153)	3,939	(6,520)	1,861	(18,879)	(5,978)	(127,832)
Management expenses	(3,557)	(22,768)	(6,170)	(14,940)	(10,249)	(178,108)	(142,845)	(74,920)	(3,451)	(129,090)	(12,947)	(28,618)	(4,826)	(632,489)
Total expenses	(1,441)	(29,901)	4,918	(20,450)	(11,463)	(222,272)	(183,029)	(92,072)	488	(135,710)	(11,086)	(47,497)	(10,805)	(760,321)
Underwriting profit/(loss)	(770)	21,422	11,950	10,824	6,055	(138,042)	(12,535)	45,107	8,005	(72,750)	11,881	13,108	4,004	(91,744)
Exceptional item charged in the revenue account	1,223	1,884	3,576	987	494	57,522	53,708	15,621	181	12,658	897	14,501	51	163,303
Underwriting profit before exceptional item	453	23,304	15,527	11,815	6,549	(80,521)	41,171	60,727	8,185	(60,093)	12,778	27,607	4,054	71,559
Ratios														
Reinsurance ratio	82%	6%	95%	61%	49%	5%	7%	2%	69%	42%	62%	20%	92%	32%
Loss ratio	92%	7%	53%	14%	30%	81%	51%	25%	11%	87%	27%	13%	-26%	61%
Commission (net)	-24%	13%	-74%	15%	5%	10%	12%	9%	-47%	1%	-6%	27%	51%	8%
Management expense ratio	41%	41%	41%	41%	41%	41%	41%	41%	41%	28%	41%	41%	41%	37%

