CIC GROUP

2019

CIC GENERAL INSURANCE LIMITED

ANNUAL REPORT & ACCOUNTS

OUR PHILOSOPHIES

1

OUR PURPOSE (MISSION)
Enable people achieve Financial security

WHO WE ARE

CIC General Insurance is the 2nd largest General Business insurer in the Kenyan market with a market share of 8% and a vast branch network of 27 branches spread across the counties. CIC is the undisputed leader in Motor Commercial and Motor Private classes of insurance.

2

OUR VISION
To be a world class provider of insurance and other financial services

3

OUR VALUES

Integrity
- Be fair and transparent

Dynamism
- Be passionate and innovative

Performance
- Be efficient and results driven

Cooperation
- Live the cooperative spirit

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CIC GENERAL INSURANCE LIMITED
CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2019

DIRECTORS	Edwin Otieno	- Chairman
	Grace Nzivwa	- Acting Managing Director
	Tom Gitogo	- Resigned 9 October 2019
	Jonah Mutuku	
	Mary Mungai	- Retired 21 May 2019
	Peter Nyigei	
	Patrick Nyaga	
	Judith Oluoch	
COMPANY SECRETARY	Mary Wanga Certified Public Secretary (Kenya) P. O. Box 59485 - 00200 Nairobi	
REGISTERED OFFICE	CIC Plaza Upper Hill, Mara Road P. O. Box 59485 - 00200 Nairobi	
SENIOR MANAGEMENT	Grace Nzivwa	- Acting Managing Director
	Mary Wanga	- Company Secretary
	Muyesu Luvai	- Group Chief Finance Officer
	Mcdonald Kange	- General Manager - Medical Division
	Dickson Ireri	- General Manager - Operations
	Michael Mugo	- General Manager - CIC Town Office
	Linda Otieno	- Senior Manager - Finance
	Christian Ogolla	- Senior Manager - Claims
	Faith Muriungi	- Senior Manager - Underwriting
	Joseph Ngige	- Sales Manager
	Edel Njeri	- Sales Manager
	Peter Itumbiri	- Human Resource Business Partner
	Susan Robi	- Group Risk and Compliance Manager
	Salome Thinguri	- Actuarial Manager
	Florence Kimani	- ICT Manager
	Tabitha Kihanya	- General Manager - Alternative Channels
AUDITORS	Ernst & Young LLP Certified Public Accountants (Kenya) Kenya Re Towers, Upper Hill P. O. Box 44286 - 00100 Nairobi	
PRINCIPAL BANKERS	The Co-operative Bank of Kenya Limited P. O. Box 67881 - 00100 Nairobi	

CIC GENERAL INSURANCE LIMITED
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 8TH ANNUAL GENERAL MEETING OF CIC GENERAL INSURANCE LIMITED WILL BE CONDUCTED VIRTUALLY VIA ELECTRONIC COMMUNICATION ON FRIDAY 25TH DAY OF SEPTEMBER, 2020 AT 12:00 PM TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS:

1. To table the proxies and confirm the presence of quorum.

2. To read the notice convening the Meeting.

3. To confirm the Minutes of the 7th Annual General Meeting held on 21st May 2019.

4. To receive, consider and if thought fit, approve the Company's Audited Financial Statements for the year ended 31st December 2019 together with the reports of the Chairman, Directors', Managing Director and the Auditor thereon.

5. To note the Directors' recommendation that no dividends will be declared or made during the financial year 2019.

6. To consider and if thought fit, appoint Messrs. PriceWaterhouseCoopers, Certified Public Accountants, as the new Auditors of the Company, in accordance with section 717 (1), (2) and (3) of the Companies Act No.17 of 2015, in place of Ernst & Young (EY), Certified Public Accountants (whose term expires at the end of this meeting) until conclusion of the next Annual General Meeting and to authorize the Directors to fix the remuneration of the Auditors for the ensuing year.

7. Election of Directors:

   a. To confirm appointment of Ms. Rosemary Sakaja as an Independent and Non-Executive Director of the Company with effect from 18th July 2019.
   b. To confirm appointment of Mr. Patrick Nyaga as a Director of the Company with effect from 5th August 2020.

   Changes in Board.

   i. To note the retirement of Mr. Jonah Mutuku, who having served his full tenure, retires from the Board in accordance with Articles 102, (1), (2) of the Articles of Association of the Company.
   ii. To note the resignation of Mr. Tom Gitogo, as a Director effective 9th October, 2019, in accordance with Articles 99 (b) of the Company's Articles of Association;
   iii. To note the resignation of Mr. Patrick Nyaga, as Non-Executive Director effective 19th March, 2020, in accordance with Articles 99 (b) of the Company's Articles of Association;
   iv. To note the resignation of Mr. Elijah Wachira, as an Executive Director effective 12th June, 2020, in accordance with Articles 99 (b) of the Company's Articles of Association

8. In accordance with the provisions of section 769 (1) of the Companies Act 2015, the following Directors, being members of the Audit Committee of the Board, be elected to continue to serve as members of the said Committee and authorize the Board to appoint the other members of the Audit Committee.
   a. Dr. Rachel Monyoncho
   b. Ms. Rosemary Sakaja

9. To authorize the Board to fix the Directors remuneration

SPECIAL BUSINESS;

10. To consider and, if thought fit, pass the following resolution as a special resolution:
    a. **Changes to the Company's Articles of Association**
    THAT the Articles of the Company be amended in the manner set out in the amended Articles of Association presented and made available at the meeting, the rationale being, to allow the Company to have alternative modes of holding general meetings including virtual meetings and to align the Articles' of Association to the recent changes to the Companies Act. No.17 of 2015.

CIC GENERAL INSURANCE LIMITED
ANNUAL GENERAL MEETING *(continued)*

11. That the Company's Board of Directors be and is hereby instructed and authorized to take all such actions as are necessary to give effect to the resolutions above.

12. To transact any other business of the company for which due notice has been received by the Company Secretary forty-eight (48) hours prior.

Dated at Nairobi this 5th day of August, 2020.

BY ORDER OF THE BOARD

MARY WANGA
COMPANY SECRETARY

NOTE:

1. In view of the ongoing Coronavirus 2019 (Covid-19) pandemic and the related Public Health Regulations and directives passed by the Government of Kenya precluding inter alia public gatherings, it is impractical, as contemplated under section 280 of the Companies Act 2015, for CIC General Insurance Limited to hold a physical Annual General Meeting (AGM) in the manner prescribed in its Articles of Association.

2. The High Court of Kenya in Miscellaneous Application No. E721 of 2020, made under the provisions of section 280 of the Companies Act, 2015 issued an order granting special dispensation to private companies to hold virtual annual general meetings.

3. CIC General Insurance has convened and is conducting this virtual annual general meeting following Board of Directors sanction and subsequent Members ratification of the said Board sanction.

4. In accordance with section 298(1) of the Companies Act, 2015 (Laws of Kenya) every member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on his behalf and the proxy need not be a member of the company.

5. A proxy form is provided with this notice. The instrument appointing the proxy must be delivered to the Secretary not less than forty-eight (48) hours before the meeting.

6. In accordance with section 283 (2) (c) of the Companies Act, a copy of the entire Annual Report and Financial statements of the Company, a copy of this Notice and the Proxy form may be viewed at our Company's website *www.cic.co.ke*

AKI Awards 2019
2nd Runners up
Insurance Motor Data
System Award

CHAIRMAN'S STATEMENT

On Behalf of the board of CIC General, I am pleased to present the annual report and financial statements for the year ended December 2019.

OVERVIEW

In 2019 Kenya's economic growth averaged 5.9% compared to 6.5% in the previous year, which was as a result of suppressed growth across most sectors. Agricultural activities decelerated due to dry weather conditions thus lower food output, which also dampened agro-processing. Industrial activity also moderated especially in construction-linked sectors notably cement production and consumption. This partly reflects spill-overs from lacklustre public spending and slower on boarding of new projects by the Treasury.

Interest rates remained stable throughout last year with minimal volatility at certain instances where liquidity distortion was witnessed. Short term rates remained single digit hence investors sought enhanced yields in the medium-term papers, which offered slightly more attractive double digit returns. A nascent recovery in private sector is highly likely given the potentially catalytic effect of the twin stimulus- rate cap repeal and a reduction in the CBR to 8.5% in November 2019.

The currency gained 0.5% versus the USD in 2019 supported by resilient diaspora inflows, strong services receipts and slower growth of imports. The country's forex reserves stood at USD 8.76 billion at the end of the year; equivalent to 5.4 months of import cover. The current account deficit narrowed to 4.2% of GDP and that bodes well for the stability of the currency.

The equities market exhibited mixed performance with the NASI gaining 18.5% and NSE-20 losing 6.33% in 2019. This was mainly attributable to foreign investor outflows that hit frontier markets due to weaker earnings growth amid elevated public debt sustainability concerns. Towards the end of 2019, investors tone changed after the repeal of the rate cap law and they gradually bid up stocks; particularly the banks. Despite the growth in the economy the property market has continued to stagnate over the period.

In 2019, Inflation remained well anchored despite rising to average 5.2% in 2019 from 4.7% in 2018; largely on slightly higher food prices. Heavy rains in Q4'19 caused destruction in some areas, locust infestation in early 2020 could also affect food production hence an increase in food prices. An escalation of geo-political tensions in the Middle East could also pose a risk to oil prices. We therefore expect inflation levels to be remain above 5% in 2020 but still within the CBK upper band target of 7.5%.

COMPANY PERFOMANCE

CIC general grew at 4% compared to industry 1.6% albeit being below targeted growth. .The Company reported Gross written premiums of Kshs. 10.7B up from Kshs.10.2B in 2018. Profit before tax was reported at Kshs. 340M being a decline from prior year Kshs. 630M. This was largely attributed to an adverse claims experience in the Motor and Medical classes of business.

According to IRA Q4 released statistics, General insurance premiums recorded a growth of 1.6% to Ksh 131b compared to a growth of 3.5% recorded in the previous year. The general insurance business underwriters incurred Ksh 58b in claims by the end of Q4 2019. The claims incurred loss ratio was 64% during this period. The general insurance business underwriters reported an overall underwriting loss of Ksh 2.97b compared to a loss of Ksh 1.7b reported in Q4 2018, representing an increase of 80% in losses.

REGULATORY ENVIRONMENT

During the year the Insurance Regulatory Authority issued circular to all insurers & Reinsurers on implementation of International Financial Reporting Standards (IFRS 9) requiring all insurers to fully adopt, implement and comply with the standard. IFRS 9 introduced the Expected Credit Loss (ECL) model that replaced the Incurred Credit Loss (ICL) model. CIC General Insurance Ltd had fully adopted the IFRS 9 standard in the year 2018.

During the year CIC General Insurance limited adopted the following accounting standards:

- IFRS 16 leases, the standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

- IFRIC interpretation 23 Uncertainty over income tax treatments

OUTLOOK

Year 2020 has begun with a myriad of challenges in the macroeconomic environment. A range of global and regional risks are likely to impact the business environment which include; Covid 19, locust invasion, floods and a bearish stock market.

The most affected sectors include tourism & leisure, aviation & maritime as well as transport while the expected potential gainers in the short-term will be e-commerce, ICT, food processing, retail, and medical supplies. We believe that with good rainfall, the agricultural sector could cushion the economy against the expected severe losses.

In these trying moments, our top priority is the health of our staff, their families and our customers. With the increasing cases on corona virus in the country we expect to see a decline in the motor claims since most of the people are significantly not driving to and from the work and there are minimal movements. However, we expect to see a growth in the medical, employee liability, theft and WIBA where it is proven that the employees contracted the disease at work. All other classes might not be directly impacted in the meantime.

ACKNOWLEDGEMENT

I sincerely appreciate and thank my fellow board members for their immense support. I thank the entire staff of CIC General for their diligent service and dedication.

I thank our shareholders for entrusting us with the responsibility of overseeing their investments and believing we can achieve greater performance.

Edwin Otieno, OGW
Chairman

BOARD OF DIRECTORS

Edwin Otieno Joseph, OGW

Peter Kipkirui Nyigei

Grace Nzivwa

Mary Wanga

Jonah Makau Mutuku

Rosemary Sakaja

Patrick Nyaga

Judith Oluoch

BOARD OF DIRECTORS

Edwin Otieno Joseph, OGW
CHAIRMAN

Mr. Edwin Otieno Joseph aged 62, is a Non-Executive Director and Chairman of the Board since 2012.

Peter Kipkirui Nyigei
VICE - CHAIRMAN

Mr. Peter Kipkirui Nyigei aged 67, is a Non-Executive Director and representing CIC Insurance Group Plc, a major shareholder. He is currently the secretary of Sinendet Tea Multipurpose Society and a director of Imarisha SACCO. Mr.Kipkirui is a retired teacher and principal who at one time served as a Programme Officer and a trainer in Early Childhood Education in Bomet, Nakuru, Baringo and Kericho Counties. The Director has undertaken General Insurance Business and several Corporate Governance trainings and is a member of the Institute of Directors of Kenya.

Grace Nzivwa
AG. MANAGING DIRECTOR

Grace aged 50, is the Ag. Managing Director CIC General Insurance. She holds a Master's degree in Business Administration (Strategic Management) from Daystar University and B.com (Insurance Option) from UON. She is a Fellow of the Insurance Institute of Kenya - FIIK and an Associate of the same Institute (AIIK). Mrs. Mundu is highly skilled in insurance and marketing with over 24 years' experience in the insurance industry. She joined CIC in 1998 and has served in various capacities culminating to the current position.

Ms. Mary Wanga
COMPANY SECRETARY

Ms. Mary Wanga, aged 52, is the Company Secretary and an Advocate of the High Court of Kenya with over 19 years' experiences both as a practicing and corporate lawyer. She joined CIC Insurance Group Plc in 2008. Ms. Wanga is a Certified Public Secretary CPS (K) and holds a Bachelor of Law Degree, Bachelor of Social Legislation, and Post Graduate Diploma in Kenya Laws and Diploma in Insurance (AIIK). She is a Member of the Institute of Directors Kenya, Associate Member of Insurance Institute of Kenya and Convener of Legal Affairs and Professional Standards Committee, Law Society of Kenya Member, ACIArb, and ICPSK. Prior to joining CIC, she worked at the Kenya Industrial Estates at senior management level.

Jonah Makau Mutuku
DIRECTOR

Mr. Jonah Makau Mutuku aged 73, is a Non-Executive Director and representing CIC Insurance Group Plc, a major shareholder. He is the Chairman of Mafanikio SACCO. He is a retired teacher and serves at ACK St. Philips Church. He is also a lay Canon of the Cathedral of the Anglican Church of Mombasa Diocese. Mr. Mutuku is a Delegate of Co-op Holdings Co-operative Society (the anchor shareholder of Cooperative Bank). He is also a member of the Institute of Directors of Kenya. He has undertaken various trainings in Corporate Governance and General Insurance Business

Ms. Rosemary Sakaja
DIRECTOR

Ms. Rosemary Sakaja, aged 67, joined CIC General Insurance Board as an independent non-executive director in 2018. She holds a Master of Social Science degree in Development Finance from the University of Birmingham, U.K, and a Bachelor of Arts Degree from the University of Nairobi in addition to other qualifications in accounts and taxation. She has undertaken various courses in corporate governance, human resource and pensions management, international trade and marketing. Ms. Sakaja is a member of the Institute of Directors Kenya and the Women on Boards Network. She has experience spanning over 29 years having held senior positions at various institutions both in the public and private sectors.

Patrick Nyaga
DIRECTOR

Mr. Patrick Nyaga, aged 52 has over 25 years working experience mainly in auditing and banking. He is the Director representing Co-operative Bank (K) in CIC Board. He has worked in various senior positions in Banking and is currently the Group Finance and Strategy Director- Cooperative Bank of Kenya Limited. He previously served at Barclays Bank as the Regional Head of Assurance and at KPMG (EA), with the main focus being audit of financial institutions in Kenya and the region. He holds a master of Business Administration from Strathmore Business School and a Bachelor of Commerce Degree in Accounting. He is a Certified Public Accountant (K) and a member of ICPAK. He is also a member of the Institute of Directors of Kenya and has undertaken training in several Corporate Governance courses including in General Insurance Business

Ms. Judith Oluoch
DIRECTOR

Ms. Judith Oluoch aged 50 years, joined CIC General Insurance Board in January 2016 as an Independent Non-Executive Director. She has a Bachelor of Education from Moi University, MBA from Kenyatta University, Board Competence - Female Futures (Oslo and Akershus University), Certified Human Resource Professional (CHRP III), and Higher National Diploma in Human Resource Management. She has over twenty years of experience in Academia, Institutional Development, Corporate Governance and Human Resource in various organizations.
She previously worked for Centre in Corporate Governance as Training and Education Manager, Lecturer Kenyatta University, Kenya Polytechnic (currently Technical University of Kenya). Currently she is the Head of Business Development at Civil Society Urban Development at Civil Society Urban Development Platform (CSUDP) and an independent consultant in corporate governance and human resource. She is a member of Kenya Institute of Directors Kenya and Institute of Human Resource Management (IHRM)

THE ACTING MANAGING DIRECTOR'S STATEMENT

On behalf of the management team of CIC General it is my pleasure to present the Annual Report and Financial Statements for the year ended 31st December 2019.

OVERVIEW

Kenya's economy during the year presented subdued growth across most sectors, resulting to an average growth of 5.9%; a decline from 6.5% reported in 2018. This was mainly caused by unfavorable weather conditions which adversely affected agricultural activities. Other causes are reduced Government spending and moderated industrial activities during the year.

The political environment presented a fairly calm investment environment following the March 9th handshake between the President and the opposition leader which helped ease the political tension during the year.

The interest rate cap repeal at the end of the fourth quarter 2019 contributed to the improved performance of equities at the close of the year which had a positive impact on the investment and other gains income. The property market continued to stagnate during the year despite the growth in the economy

INDUSTRY PERFORMANCE

According to IRA Q4 released statistics, General insurance premiums recorded a growth of 1.6% to Ksh 131b compared to a growth of 3.5% recorded in the previous year. The General insurance business underwriters incurred Ksh 58b in claims by the end of Q4 2019. The claims ratio was 64% during this period. The general insurance business underwriters reported an overall underwriting loss of Ksh 2.97b compared to a loss of Ksh 1.7b reported in Q4 2018, representing an increase of 80% in losses.

COMPANY PERFORMANCE

In the year 2019, the company reported a 4% growth in gross written premiums up from Kshs. 10.2B reported in 2018 to close at KShs 10.6B. This growth was faster compared to the industry's 1.6% growth during the same period. Medical business was the fastest growing business line reporting 22% growth having closed the year at KShs. 3.5B up from Kshs. 2.9B reported in the year 2018. Revenue from our Non – medical business totaled Kshs. 7.2B during the year which is a 3% decline from prior year Kshs.7.3B. Intense competition, undercutting by all major players and adverse claims experience had a negative impact on the underwriting performance of the business.

Investment and other income reported a 19% growth closing at Kshs. 798M up from Kshs.669M reported in year 2018 largely attributed to the improved performance in Equities at the close of quarter four 2019. In addition to the repealing of the interest rate capping on banks and improved collection of debts.

CIC General's closed the year with a loss ratio of 70% compared to industry's 63.5%. The claims negative trends were mainly driven by Medical, motor private, Motor commercial, Liability and Micro. Liability class was largely impacted by the prior year's KPLC runoff claims. Motor private class was impacted by increased reported claims that were below our retention hence full retention, motor commercial class impacted by liability claims where the judgments are quite high. Miscellaneous class was impacted by the increased Livestock claims.

Medical business experienced increase in claims. We continue to intensify the customer education on utilization of medical covers and to match premium rates with claims experience during renewals. Our Core ICT system and team of health professionals in the claims management process have been very helpful in vetting claims. CIC General Insurance Co. Ltd. was among the very few underwriters that reported profits in this class of business.

We intensified our cost containment measures to ensure expenses remain within a fair range. Our expense ratio was 23% compared with the industry's ratio of 33% as at end of year 2019.

The company's profits before tax dropped by 46% from KShs 630M in 2018 to KShs 340M in 2019. This was attributed to a decline in earned premiums in the non-Medical business and increase in claims cost during the year. Total equity during the year grew from KShs 4.1B to KShs 4.2B during the year.

It is our endeavor never to sell products but to always provide solutions to our clients. It is in this spirit that during 2019 we introduced the products below;

- SACCO Blanket Bond [SBB]: A tailor made version of Bankers Blanket Bond [BBB] that covers electronic losses of money that are not covered by all conventional FG covers. This is to cover exposure resulting from the enhanced reliance on ICT by SACCOs as they expand into FOSA's.

- Dawa Mlangoni service: Delivery of prescription medicine to the doorstep of the office or home of our clients. This service gives all our busy clients accurate, full and timely prescription and chronic medication.

- Fertility Benefit: Available to both male and female members of our corporate clients addresses this growing need following various request by various clients. Covers all counseling, medication, radiology and surgical interventions to address medically diagnosed fertility problems.

CIC General was pleased to be recognized by the insurance industry for the excellence in service and business processes. During the year 2019 CIC General scooped several awards. These included AKI awards for; The Winner-Most preferred Motor Private Insurer, Winner-Most preferred Rental Property Insurer, and 2nd Runners UP insurance Motor Data System. Think Business Awards; for; 1st Runners Up - Category Best Insurance Company in Customer Satisfaction – General and 2nd Runners Up - Category The Risk Management Award – General.

FUTURE OUTLOOK

The economic environment in Year 2020 has begun with numerous challenges which include locust invasion, floods and a bearish stock market. The operating landscape has further been aggravated by Covid 19 with the first case confirmed in Kenya on the 13th March 2020.

According to the updated IMF forecasts the outbreak of the COVID 19, GDP growth is expected to slow down to 1% in 2020 and pick up to 6.1% in 2021, subject to the post –pandemic global economic recovery.

The most affected sectors include tourism & leisure, aviation & maritime as well as transport while the expected potential gainers in the short-term will be e-commerce, ICT, food processing, retail, and medical supplies. We believe that with good rainfall, the agricultural sector could cushion the economy against the expected severe losses. The focus has shifted to pursuing business continuity and the safety/well-being of our staff, customers and all other stakeholders.

We continue to invest in state of the art systems, process re-engineering, and staff development and training, new products and superior customer service to complement our efforts in delivering good underwriting profits.

ACKNOWLEDGEMENT

I would like to take this opportunity to sincerely thank our customers, intermediaries and business partners for their continued loyalty and support. I would also like to thank the board of management and staff for their tireless effort and commitment. Lastly I would also like to thank the board of directors for their guidance and visionary leadership.

Grace Nzivwa
Ag. Managing Director

HEALTH

Guarding your **FAMILY'S HEALTH** to achieve financial security

BOARD OF MANAGEMENT

Grace Nzivwa

Mary Wanga

Linda Otieno

Kang'e N. McDonald

Dickson Ireri

Michael Mugo

Muyesu Luvai

Christian Ogolla

BOARD OF MANAGEMENT

Faith Muriungi

Joseph Ngige

Edel Njeri Marambu

Mwenda P. Itumbiri


Susan Robi
Salome Ndegwa
Florence Kimani
Tabitha Kihanya

BOARD OF MANAGEMENT

Grace Nzivwa

Grace aged 50, is the Ag. Managing Director CIC General Insurance. She holds a Master's degree in Business Administration (Strategic Management) from Daystar University and B.com (Insurance Option) from UON. She is a Fellow of the Insurance Institute of Kenya - FIIK and an Associate of the same Institute (AIIK). Mrs. Mundu is highly skilled in insurance and marketing with over 24 years' experience in the insurance industry. She joined CIC in 1998 and has served in various capacities culminating to the current position.

Ms. Mary Wanga
COMPANY SECRETARY

Ms. Mary Wanga aged 52, is the Company Secretary and an Advocate of the High Court of Kenya with over 19 years' experience both as a practicing and corporate lawyer. She joined CIC Group Plc in 2008.
Ms. Wanga is a Certified Public Secretary CPS (K) and holds a Bachelor of Degree in Law, Bachelor of Social Legislation and Post Graduate Diploma in Kenya Law and Diploma in Insurance (AIIK). She is a member of the Institute of Directors Kenya, An Associate of Insurance Institute of Kenya (AIIK), Law Society of Kenya, ACIArb and ICS.

Linda Otieno

Linda aged 39, is the Senior Manager - Finance. She holds a Master of Business Administration degree in Strategic Management (UON) and a Bachelor of Science in International Business Administration from USIU. She is also a Certified Public Accountant of Kenya (CPA-K) and a registered member of ICPAK. She has over 10 years' experience in Finance in the Insurance Industry.

Kang'e N. McDonald

Kang'e aged 39 is the General Manager - Medical. He holds a Master's Degree (Msc) in Finance and Investments, a Bachelor's Degree in Finance and Accounting, a post graduate Diploma from the Kenya Institute of Management and various professional qualifications including Certified Credit Professional (CCP) and Certified Secretary (CS) and a Certified Public Accountant (CPA). He is member of the Institute of Certified Public Accountants (ICPAK). He is also a graduate of the Management Advancement Program from the University of Witwatersrand (SA) and is a researcher on transient advantages and dynamic capabilities in relation to business performance. Kang'e has a wealth of experience in various sectors including insurance and healthcare delivery, NGO management as well as in the consulting services..

Dickson Ireri

Ireri aged 54, is the General Manager Operations. He holds a Bachelor of Commerce (Accounts Option) and a Masters of Business Administration (MBA). He is also an associate of Insurance Institute of Kenya (AIIK). Dickson is the Convenor of the Accident Technical Committee and a member of General Accident Council at the Association of Kenya Insurers(AKI). Mr. Ireri has been in the insurance industry for 28 years. He joined CIC in 1992.

Michael Mugo

Michael aged 48, is the General Manager Nairobi Metropolis. Mr. Mugo is a B.Ed. graduate from the Moi University. He has an Executive MBA from JKUAT. He has Certificate of Proficiency (COP) from the College of Insurance. He has an extensive career in Insurance having started his career as a Sales Rep. Mr. Mugo Joined CIC in 2003.

Muyesu Luvai

Muyesu aged 42, is the Group Chief Financial Officer. He is a Certified Public Accountant ("CPA (K)") and a member of the Institute of Certified Public Accountants of Kenya ("ICPAK"), the Chartered Institute of Internal Auditors UK, the Institute of Internal Auditors, Kenya Chapter, as well as the Institute of Directors, Kenya. He holds a Bachelor of Commerce Degree from the University of Nairobi and a Master of Business Administration (MBA) Degree with a concentration in Employee Relations /Organisational Behaviour from the University of Leicester (UK). Prior to his appointment as CFO on 3rd February 2020, Muyesu served as Chief Internal Auditor, looking at company operations at a wide scale, providing solutions from a business strategy perspective while seeking to enhance the effectiveness of governance, risk management and control processes. Before joining CIC in 2008, Mr. Luvai worked for Deloitte in the Audit & Assurance Division, obtaining extensive experience in auditing a wide variety of international and local organisations drawn from both the private and public sectors. Prior to joining Deloitte, Mr. Luvai had a stint in the oil and gas industry working in the Finance Department of Dalbit Petroleum Limited.

Christian Ogolla

Christian aged 40, is the Senior Manager Claims. He holds a B.A (Financial services Management) from Edinburgh Napier University. He is also a fellow of the Chartered Insurance Institute (FCII) London and an Associate of the Arbitration Institute of Kenya (Acirb). He has over 20 years' experience in the insurance industry and joined CIC in August 2015.

Faith Muriungi

Faith aged 51, is the Senior Manager – Underwriting. She holds a Bachelor of Commerce degree (Insurance Option). She also has a Diploma in Insurance (ACII). Ms. Muriungi has over 20 years' experience in the insurance industry. She joined CIC in 2015.

Joseph Ngige

Joseph aged 50, is the Sales Manager. He holds a Masters of Business Administration (MBA) in Global Business & Sustainability and a Bachelor's degree in Business Administration. He has also attained professional qualification as an Associate, Life Management Institute (ALMI). He is a member of Insurance Institute of Kenya (IIK). Mr. Ngige has over 22 years' experience in the insurance industry. He joined CIC in 2011.

Edel Njeri Marambu

Edel aged 51, is the Sales Manager. She holds a Bachelor's of Commerce degree. She is an Associate of Chartered Insurance Institute (ACII). Ms. Marambu has over 22 years' experience in the insurance industry. She joined CIC in 2001.

SENIOR MANAGEMENT

Mwenda P. Itumbiri

Mwenda aged 45, is the Human Resource Business Partner. He holds a Bachelor of Science Degree (Biochemistry) from Egerton University, a Master of Business Administration, MBA (Human Resource Management) from the University of Nairobi, a Higher Diploma in Human Resource Management from the Kenya Institute of Management, KIM and Diploma in Insurance from the College of Insurance. Mr. Mwenda is also a Certified Quality Management Systems Lead Auditor with over 18 years Leadership and Management experience, 14 of which have been in Strategic HR Leadership. He is a full member of the Institute of Human Resource Management, MIHRM, the Kenya Institute of Management, MKIM, Insurance Institute of Kenya, AIIK and the Institute of Directors, Kenya, IOD.

Mr. Mwenda has been in the insurance industry for the last 7 years. He joined CIC Insurance Group in 2012.

Susan Robi

Susan aged 41, is the General Manager Risk and Compliance. She is an Advocate of the High Court of Kenya holding a Bachelor of Laws ("LLB") Degree from the Makerere University and a Masters in Law and Finance from Goethe University (Institute of law and Finance) in Frankfurt Germany. Professionally Ms. Robi holds a Post Graduate Diploma from the Kenya School of Law and has over 10 years of experience in various capacities and industries ranging from both Local and International Law Practice, Insurance, Finance and Risk Management. Ms. Robi joined CIC in 2011.

Salome Ndegwa

Salome aged 33, is the Actuarial Manager. She holds a BSc (Hons) in Actuarial Science, Masters in Economics (Econometrics) and is a Fellow of the Institute and Faculty of Actuaries (IFoA) in the UK. Salome also holds certificates in Financial Econometrics, Mathematical Finance and New Managers Leadership Program from Strathmore Business School. She is also a member of The Actuarial Society of Kenya (TASK). Salome joined CIC Insurance Group in 2014.

Florence Kimani

Florence aged 45, is the ICT Manager. She holds a Master of Business Administration (MBA) degree in Strategic Management from Daystar University, a Bachelor of Commerce degree (Management Science) from UON and a Higher Diploma in Information Technology. She has also attained professional commendations on Oracle Certified Professional (OCP), Project Management (PRINCE2) and IT Service Management (ITIL). She is a member of The Computer Society of Kenya. Mrs. Kimani has over 20 years' experience in the insurance industry. She joined CIC in 1994.

Tabitha Kihanya

Tabitha aged 35, is the General Manager - Alternative Channels at CIC Group with over 10 years work experience in various capacities within the Banking and Insurance industry. She holds a Bachelor's Degree in Business Management from Moi University, and a Diploma in Insurance from College of Insurance – (AIIK). Tabitha is a member of Insurance Institute of Kenya (IIK).

GENERAL

Securing your **HOME** to achieve financial security

REPORT OF THE INDEPENDENT GOVERNANCE AUDITOR
TO THE SHAREHOLDERS OF CIC GENERAL INSURANCE LIMITED

INTRODUCTION

We have performed Governance Audit for CIC General Insurance Limited covering the year ended 31st December 2019 which comprised assessment of Governance Practices, Structures and Systems put in place by the Board

BOARD RESPONSIBILITY

The Board is responsible for putting in place governance structures and systems that support the practice of good governance in the organisation. The responsibility includes planning, designing and maintaining governance structures through policy formulation necessary for efficient and effective management of the organisation. The Board is responsible for ensuring its proper constitution and composition; ethical leadership and corporate citizenship; accountability, risk management and internal control; transparency and disclosure; members' rights and obligations; members' relationship; compliance with laws and regulations; and sustainability and performance management.

GOVERNANCE AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the existence and effectiveness of Governance instruments, policies, structures, systems and practices in the organisation within the legal and regulatory framework and in accordance with best governance practices as envisaged under proper Board constitution and composition; ethical leadership and corporate citizenship; accountability, risk management and internal control; transparency and disclosure; members' rights and obligations; members' relationship; compliance with laws and regulations; and sustainability and performance management, based on our audits.

We conducted our audits in accordance with ICPSK Governance Audit Standards and Guidelines which conform to global Standards. These standards require that we plan and perform the governance audit to obtain reasonable assurance on the adequacy and effectiveness of the organisations policies, systems, practices and processes. We believe that our governance audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the Board has put in place effective, appropriate and adequate governance structures in the organisation which are in compliance with the legal and regulatory framework and in line with good governance practices in the interest of stakeholders.

CS. Jacqueline Oyuyo Githinji, ICPSK GA. No 00030
For *Umsizi LLP*

21st May, 2020

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

Our vision is to be a world class provider of insurance and other financial services.

This governance statement is current as at June 2020 and has been approved by the Board of Directors of CIC General Insurance Limited.

Introduction

CIC General Insurance Limited was incorporated on 29th July 2009 under certificate No. CPR/2009//7930 under Chapter 486 Laws of Kenya (Now repealed by the Companies Act No.17 of 2015) as a wholly owned subsidiary of CIC Insurance Group Plc in compliance with Insurance Regulatory Authority (IRA) directive of separating business of life and general. It was duly registered and licensed as a short term insurer on 27th November 2012.

Governance Regulations

In setting up our corporate governance framework, reviewing and enhancing it, we have taken into account the Insurance Act Chapter 487 Laws of Kenya and its accompanying Schedules and Regulations, Insurance Regulatory Authority Corporate Governance Guidelines for Insurance and Reinsurance Companies dated June 2011, issued pursuant to Section 3A of the Insurance Act, Memorandum and Articles of Association of the Company, Companies Act No.17 of 2015, Kenyan Constitution 2010 and CIC General Insurance Board Charter as well as being aligned to the global best practice. For the whole of the 2019 financial year, as in previous years, we adopted all of the IRA Corporate Governance Guidelines, Directives and Circulars issued to the industry.

Overview of the Governance Statement

CIC General Insurance Board of Directors ("The Board") has institutionalized a robust corporate governance framework and systems at all levels of its operational spheres. The Board's primary focus is the protection of the interest of all its key stakeholders including shareholders and policyholders in order to support its long term growth and sustainability. The Board believes that good governance promotes prudent management aimed at promoting confidence in the insurance industry translating into robust economic growth. To this extent, the board has ensured that the company's corporate governance structure is based on a set of values and behaviors that underpin day-to-day activities, provide transparency and fair dealing, promote financial stability and healthy economic growth that can deliver better outcomes for the company's stakeholders and help its customers get ahead.

Accordingly, the Board adopts policies and practices which reflect contemporary standards, incorporating the corporate governance recommendations and guidelines issued under the Kenyan legislative authority to ensure the business reaps the benefits from a globally competitive financial services sector.

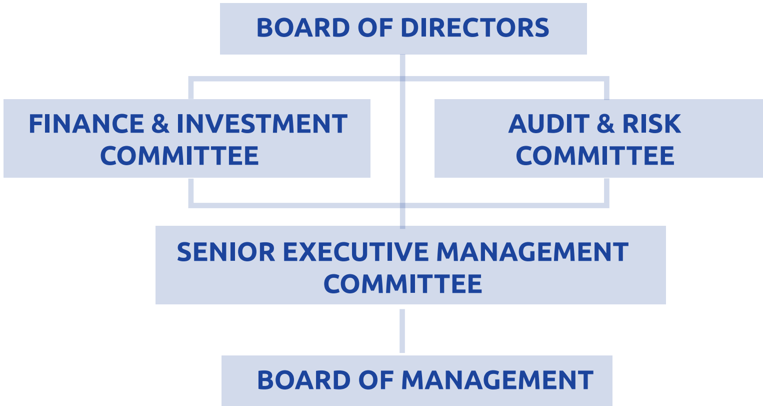
Accordingly, CIC General Insurance Board regularly reviews its corporate governance arrangements and practices and ensures that the same reflects the developments in regulation, best market practice and stakeholder expectations. Our strategy is anchored on fundamental pillars and core values of the company which espouse Integrity, Dynamism, Performance and Co-operation.

Consequently, the Board oversees the business operations and ensures the same remains efficient, flexible and responsive to emerging trends and has accordingly ensured the adoption of technological change, Investment in human and physical capital.

The responsibilities of the Board include planning, designing and maintaining governance structures through policy formulation necessary for efficient and effective prudent management of the Company. The Board is therefore responsible for ensuring that it is properly constituted to promote and enhance ethical leadership, probity, fairness, corporate citizenship, discipline, accountability, responsibility, risk management, internal controls, transparency, timely and accurate disclosure, member's rights and obligations, compliance with laws and regulatory requirements, sustainability, and performance management.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

Table 1: The diagram below provides an overview of the Company's Corporate Structure.



The Board Mandate

The Kenyan Companies Act No.17 of 2015, outlines the general scope and duties that directors owe to the company. Although the Articles of Association of the Company do not define the responsibilities of the Board, the Board Charter has expressly spelt out the responsibilities of the board, clearly distinguishing the relationship and interactions between the Board and Management and matters expressly reserved for Board's decision. The separation of the roles is to promote accountability and facilitate division of responsibilities as well as to ensure a balance of power and authority, such that no one individual has unfettered powers of decision making.

The Board of Directors is responsible for providing strategic leadership to the Company. In doing so, the board takes cognizance of the impact of its decisions in the long term, the interests of its employees, the need to forge and foster good relationships with diverse stakeholder's including customers and suppliers and the impact of the Company's operations to the society. In carrying out the above responsibilities, the Board delegates its authority to the Managing Director to oversee the day to day business operations of the Company. The Board also calls upon independent expert advisor's where necessary to carry out such work as deemed necessary.

The Board Charter

The Charter sets out the strategic intent and outline the Board's roles and responsibilities.

The Board Charter defines the relationship and interactions between the Board and Management and sets out matters expressly reserved for Board's decision. For instance, it defines the Board's roles and responsibilities, powers of various Board Committees and their roles, separation of roles between the Board and Management regarding policies and practices. The Board is responsible for the formulation, implementation and monitoring of the Company's Strategic Plan with the aim of achieving sustainable, profitable growth for the Company.

The Board's responsibilities are set out in the Board Charter, and include *inter alia:*

- Providing effective and ethical leadership in the best interests of the Company;
- Informing and setting the strategic direction of the company and ensuring that strategy, risk, performance and sustainability considerations are effectively integrated and appropriately balanced;
- Determining and setting the tone of the Company values including principles of ethical business practice and the requirements to be a responsible corporate citizen;
- Bringing independent, informed and effective judgment to bear on material decisions of the Company;
- Satisfying itself that the Company is governed effectively in accordance with corporate governance best practices to: -
    - Maximize returns sustainably
    - Safeguard the people, assets and reputation of the company; and

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

  - Ensure an effective control environment and compliance with applicable laws and regulations.
- Ensuring that effective audit, risk management and compliance systems are in place and monitored to protect Company's assets and to minimize the possibility of the company operating beyond legal or regulatory requirements or beyond acceptable risk parameters as determined by the Board;
- Monitoring and implementation of board committees and the board of management of the Board's strategies, decisions, values and policies with a structured approach to governance, integrated reporting and risk management
- Governing the disclosure control process of the Company including ensuring the integrity, accuracy, timely and appropriateness of the Company's disclosure reports;
- Ensuring that disputes are resolved as effectively, efficiently and expeditiously as possible; and
- Monitoring of the relationship between the Company and its stakeholders

Separation of the role of the Chairman and the Managing Director

The Board Charter stipulates a clear separation of the role and responsibilities of the Chairman and the Managing Director. The Chairman is a non-executive Director and his primary role is to direct the Board's business and act as its facilitator and guide, ensuring the Board is effective in its task of setting and implementing the Company's direction and strategy while the Managing Director is responsible for the day-to-day leadership of the Company's business affairs and ensures the execution of strategy as set out by the Board. The separation of the roles is to promote accountability and facilitate division of responsibilities as well as to ensure a balance of power and authority, such that no one individual has unfettered powers of decision making.

The Chairman is responsible for:

- The leadership of the Board and ensuring that the Board functions are effectively carried out.
- Setting the Boards' agenda while striking a balance between strategy and performance.
- Ensuring that sufficient time is allowed for discussions on complex, contentious and critical issues and that all Directors engage and contribute to these discussions while ensuring that appropriate time and information is provided to Directors to take sound decisions on such matters.
- Encouraging active engagement and appropriate challenge by the Board on the company's risk and control environment.
- Ensuring that the Board has sufficient oversight over its committees by ensuring that the committees meet regularly and comprehensively report back on their activities to the Board.
- Facilitating effective communication between the Board and the leadership team inside and outside of the Board meeting framework.

The Managing Director is responsible for:

- Driving the implementation of the strategy and business as approved by the Board.
- Managing all matters affecting the operations and performance of the company within the authority delegated to him by the Board.
- Providing timely and accurate information about the company and material developments to the Board.
- Communicating to internal and external stakeholders on matters affecting the Company.
- Leading and motivating the Senior Management team by ensuring they set annual performance objectives that stretch their capabilities and monitoring the delivery of the same.
- Maintaining and ensuring the effectiveness of the system of governance adopted across the company.

The Managing Director's performance is reviewed regularly against objectives and measures set by the Board in annual performance appraisals. The Managing Director's performance appraisal was evaluated during the reporting period on this basis.

The Board reviews the company's Board Charter from time to time to reflect and cater for the business dynamics and the regulatory environment.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

The Board and the Company Secretary

The Board is assisted by a suitably qualified and competent Company Secretary, who is a member of the Institute of Certified Secretaries of Kenya (ICS), and in good standing. The company secretary plays the critical role of coordinating the activities of the Board and is directly responsible to the Board through the Chairman on all matters to do with the proper functioning of the Board. The Company Secretary attends all Board meetings and offers additional guidance to the Board on matters relating to corporate governance and statutory matters. The Board has empowered the company secretary to enable her effectively carry out her role.

The Company Secretary's role and responsibilities includes but not limited to the following:

- Facilitation of good information flow within the Board, its Committees and between Senior Management;
- Induction of new Directors and the on-going professional development of all Directors;
- Monitoring compliance with the Board's procedures and advising the Board on all applicable laws and governance matters

Each member of the Board has direct access to the Company Secretary. The performance of the Company Secretary is assessed by the Board as part of the annual Board performance evaluation process. As at the date of this Corporate Governance Statement, Ms. Mary Wanga was the Company Secretary.

Chairperson

During the reporting period, Mr. Edwin Joseph Otieno was the Chairman of the Board of Directors of CIC General Insurance Limited. The Chairman's overarching responsibilities are to provide overall leadership to the Board in line with principles of collective responsibility for Board decisions, setting the ethical tone for the Board, and ensure the Board is well informed and effective. More information about the role of the Chairperson is contained in the Board Charter.

Board of Directors and Composition

The composition of the Board in the financial year under review was targeted towards ensuring fair representation of the major shareholder structure, as well as, optimization of the appropriate skill, experience, diversity and geographical mix to facilitate effective execution of its mandate.

The company's constitution sets a minimum of five (5) directors and a maximum of nine (9) directors including the Managing Director and the Group Chief Executive Officer.

The Board currently comprises of eight directors constituted as follows:

- Four non-executive directors including the Chairperson;
- Two executive directors
- Two independent directors.

The following are the guiding principles in determination of the board composition:
- The Company's shareholding structure;
- Maintenance of the requisite independence on the board;
- The sufficiency of the size of the Board as is necessary to attain the objectives of the company;
- Effective succession planning to ensure smooth transition on the board;
- Board diversity to ensure that there is the desired mix of skills, knowledge, expertise and experience to enable the board to discharge its duties effectively.

The constitution of Directors provides that the executive directors have no voting rights.
Detailed information on each of the Company's Director is set out in the Director's Report section of the 2019 Annual Financial Statements.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

Table 2: The Board and Committee Membership details are set out below.

BOARD OF DIRECTORS

DIRECTOR	BOARD	AUDIT & RISK	COMMITTEES FINANCE AND INVESTMENTS
Edwin Joseph	Chairman Non-Executive	*	Member
Mr. Peter Nyigei	Non-Executive	*	Chairman Member
Jonah Mutuku	Non-Executive	*	*
Rosemary Sakaja	Non-Executive Independent	Member	*
Elijah Wachira	Executive Director	*	*
Patrick Nyaga	Non-Executive	Chairman Member	Member
Judith Oluoch	Non-Executive Independent	*	Member
Dr. Rachel Monyoncho**	Non-Executive Independent	Member	*

Note:

1. ** Not a Member.*
2. ***Director drawn from sister company CIC Life Assurance Limited.*

Board Tenure of Office

In accordance with the company's articles of association, one third of the directors are eligible to retire by rotation at every Annual General Meeting and if eligible, may offer themselves for re-election by shareholders. Directors who have been in office longest, as calculated from the last re-election or appointment date are required to stand for re-election and/or re-appointment in the case of Independent Directors. The company has complied with this provision as tabulated in the table below. The tenure of office of an Independent Director is capped at two terms of three years each subject to performance.

Table 3: Directors Tenure of Office

Director	Date of Appointment to the Board	Date Last Re-Appointed
Edwin Joseph	28.3.2012	11.5.2016
Peter Nyigei	28.3.2012	20.5.2015
Jonah Mutuku*	28.3.2012	14.6.2017
Patrick Nyaga	28.3.2012	20.5.2015
Tom Gitogo*	20.5.2015	-
Rosemary Sakaja	01.6.2018	-
Elijah Wachira	11.5.2016	-
Judith Oluoch	11.5.2016	21.5.2019

Note:

**Jonah Mutuku retires from the Board on 15th June 2020 having served his full tenure.*
**Tom Gitogo resigned from the Board effective 9th October 2019.*

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

Letter of Appointment and Due Diligence

Board members receive formal letters of appointment setting out the main terms and conditions relative to their appointment. In addition, the company also takes out appropriate director professional indemnity insurance for each director to enable them to discharge their roles efficiently and effectively.

All Directors have undergone the fit and proper due diligence assessment conducted by the regulator (Insurance Regulatory Authority) to access the fitness and propriety of Board Members including senior management and key persons in control functions and approvals granted. All Directors are in good standing and have a current certificate of good conduct from the Criminal Investigation Directorate and Credit Reference Bureau.

All Directors on appointment or re-appointment have completed annual declaration forms stating that the information provided during the fit and proper assessment has not undergone any significant change.

Director Independence

The Board has put in place policies and procedures to ensure independence of its members and annually determines the status of independence of board members. The Board recognizes that independent board members bring independent and objective judgement to the Board and this mitigates risks arising from conflict of interest or undue influence from interested parties.

In determining the independence or otherwise of a director, the Board, not only relies on the codified principles but also has an objective regard to the relationship between a director and the Company or between a director and third parties that may compromise the director's independence.

Director Induction

Newly appointed Directors receive appropriate formal induction and training, specifically tailored to the company's business and operation needs. The induction is aimed at enabling the new directors to fully take up their roles and execute their responsibilities. The Board has put in place Board Induction Policy for new Directors and ensures that all directors regularly update their skills and knowledge at regular intervals.

Capacity building the Board

In relation to the governance guidelines on 12 hours' annual board training, CIC General Insurance Board has undertaken various trainings facilitated by industry and professional bodies including receiving updates on industry developments on legislation, governance, corporate and significant accounting trainings tailor made for committees. It is on this background that in the month of September 2019, a comprehensive training on Corporate Governance was conducted by an independent governance specialist namely; The Leadership Group Limited.

Board Evaluation

Yearly performance board evaluation is undertaken to review the performance of the board, the board committees, peer evaluation of the directors, the chairman, managing director and the company secretary using a variety of techniques through an externally facilitated process of independent comprehensive self-assessment appraisal questionnaires. The objective of the board evaluation is to help the board embrace best practice in corporate governance and boardroom practices, identify strengths as well as gaps in the performance and effectiveness of the Board in providing strategic and ethical leadership and management oversight.

It is on this background that the board conducted an annual evaluation during the financial year under review working with independent governance specialists. This evaluation was rigorous enough to identify areas for improvement and ensure maximum benefit.

Conflict of Interest

The Board has put in place a conflict of interest policy which conforms to the Companies Act No.17 of 2015, to manage conflict of interest. A register of directors declared interests is maintained by the Company Secretary. Internal controls are in place to ensure that any related party transactions involving directors, or their connected

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

parties, are conducted on an arm's length basis. Directors have a continuing duty to update any changes to these conflicts.

We confirm there was no business transactions with the Directors or their related parties in the year ended 2019.

Code of Ethics and Conduct

The company's Code of Ethics and Conduct continues to be in place and is geared towards inculcating a culture of professionalism and integrity, in line with our Vision and Mission Statements. The Board, Management and Employees are required to observe the code of ethics and high standards of integrity. Further, these standards are applied in all deliberations, decisions, actions and dealings with customers, suppliers and other stakeholders. The Code of Ethics and Conduct is reviewed and updated on a regular basis and is integrated in the company's operations and strategies.

Fraud Awareness & Whistle Blower Policy

The company does not tolerate fraud, corrupt conduct, bribery, improper, unethical or inappropriate behavior, legal or regulatory non-compliance with the law. We are committed to a culture that encourages all people to speak up about issues or conduct that concerns them. The company's whistle-blower policy encourages the reporting of any wrongdoing in a way that protects and supports whistle-blowers. The policy provides confidential and anonymous communication channels to raise concerns. These channels are supported and monitored independently.

Board Meetings

The Board meetings are aligned as per an approved Board Calendar. On the minimum, the Board meets quarterly for scheduled meetings to, amongst other things, agree on the company's objectives and strategies, review performance against agreed targets, consider and approve the annual and interim financial statements and on other occasions to deal with specific matters that require attention between scheduled meetings. The Board in fulfilling its mandate is guided by the Board Manual and approved Annual Board Work Plan.

The attendance at the meetings is as detailed under table 4 below.

Attendance at the Meeting

Below is a summary of the attendance record of the directors at the Main Board and Committee Meetings. A record of attendance is kept with the Company Secretary and also noted in the minutes of the meeting.

Table 4

Directors	Board Meeting		Audit and Risk Committee Meeting		Finance and Investment Committee Meeting	
	(a)	(b)	(a)	(b)	(a)	(b)
Edwin Otieno – Chairman	7	7	*	*	4	4
Jonah Mutuku	7	7	*	*	*	*
Rosemary Sakaja***	7	3	4	2	4	2
Peter Nyigei	7	7	*	*	4	4
Patrick Nyaga	7	7	4	4	4	3
Judith Oluoch	7	7	*	*	4	3
Rachel Monyoncho	*	*	4	4	*	*
Tom Gitogo**	7	5	*	*	*	*
Mary Mungai**	7	3				
Elijah Wachira	7	7	*	*	*	*

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

Notes:

(a) Number of meetings convened during year when the director was a member.
(b) Number of Meetings attended by the Director during the financial year.
(c) * Not a Member.
(d) ** Retired during the financial period under consideration.
(e) ***Appointed to the Board on 18.07.2019 and member of Audit and Risk. Initially attended Finance and Investment Committee as a member.
(f) All the directors attended the company's Annual General Meeting held on 21st May 2019.
(g) All directors attended the board retreat and governance training on 24th to 27th September 2019.
(h) All members of the Finance and Investment Committee Members attended training on 18th June 2019.

Board Committees

The Board has delegated authority to its two (2) standing committees namely; Finance & Investment Committee & Audit & Risk Committee to assist it in discharging its duties and responsibilities and enhance the efficiency and depth of achieving Board responsibilities.

These Committees of the Board are listed below and each has its own formal clearly defined Terms of Reference indicating the purposes, goals, life span, scope of duties and authority of the committee as well as quorum procedures for committee member appointment and removal, committee structure operations and its reporting structure to the Board.

As a general principle the Committees exercise transparency and full disclosure to the board.

Each committee comprises a majority of non-executive directors and independent non-executive experienced director who play an important role.

In determining the composition of the committees, the Board considers the skills and experience of its members, applicable regulations and committee mandate. Each respective committee chairman reports to the board on the activities of the respective committee at each board meeting and submits written reports to the board which highlights matters for board attention. The Committees mandates are reviewed annually. The Committees have mandate to invite third parties including consultants and executive management to provide opinions and expert or technical advice. The Committees meet at least quarterly or at such other times as the respective chairman of the committees may require. During the period under review, the Board had two (2) Committees as outlined below.

Audit and Risk Committee

The audit committee meets at least quarterly and its main purpose is to assist the Board in discharging its duties relating to the corporate accountability and associated risks in terms of management, assurance and reporting. The Committee is charged with monitoring and reviewing the adequacy and effectiveness of accounting policies, internal control systems and financial reporting processes. It provides independent oversight of the company's financial reporting, effectiveness of the internal and external audit, ensures checks and balances within the company and related institutions. The committee also monitors the reliability of the company's risk management strategy.

Audit by the external auditor provides a further level of protection of the integrity of the financial statements. The Audit Committee oversees the external audit function. This includes reviewing and approving the external audit plan and engagement, and assessing the performance of the external auditor.

Risk management and internal control is a continuous process and has been considered by the Board on a regular basis throughout the year including regular review of strategic and operational risk, and the associated controls and mitigating factors.

The Committee is chaired by an independent non-executive director. The Group Chief Executive Officer, Managing

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

Director, Chief Internal Auditor, Risk and Compliance Manager, Finance Manager, Chief Finance Officer, Actuarial Manager and External Auditors are standing invitees to committee meetings. The Chief Internal Auditor doubles up as the secretary to the committee.

During the period under review the Members of the Committee were:

Audit and Risk Committee Members
1. Mr. Patrick Nyaga - Chairman
2. Dr. Rachael Monyoncho
3. Ms. Rosemary Sakaja

Finance and Investment Committee

The Committee supervises the financial and investment business of the Company, and in doing so has laid down an overall investment policy statement and operational framework for the investment operations of the insurer. The policy focuses on a prudential asset liability management supported by robust internal control systems. The other duties include receiving and considering the company's annual budget and revision of the same.

The Committee assists the Board in fulfilling its responsibilities with respect to oversight of the Company's financial management and resources. The Committee evaluates specific financial strategic initiatives as requested by the Board. Members of the committee are conversant with requirements on investments as provided by the Insurance Act and any relevant regulations on investment of insurance funds.

During the period under review the Members of the Committee were:

Finance and Investment Committee
1. Mr. Peter Nyigei - Chairman
2. Mr. Edwin Otieno
3. Mr. Patrick Nyaga
4. Ms. Judith Oluoch

External Actuary

The Board has engaged the firm of Actuarial Services (East Africa) Limited (ACTSERV) for a period of three (3) years effective 1st January 2019 to prepare and submit the annual financial condition report in respect of CIC General Insurance business and advise on solvency margin requirements, appropriateness of premiums and surrender value, product design, risk mitigation including reinsurance and is satisfied that the partners possess the necessary expertise and experience and qualifies the "fit and proper" criteria. The contract sets out the Actuary's operational responsibilities and advisory role in relation to the Board including rights and obligations. The Board has unlimited access to the Independent Actuary.

External Auditor

The Statutory (External) Auditors are Ernest & Young (EY) appointed by the shareholders at the Annual General Meeting on 22nd May 2013 and has been engaged for a period of seven (7) years. The Auditors managing partner has been in continuous practice for a period of at least fifteen (15) years. The Statutory Auditors' certified the company's financial statements in the year 2019 and is currently serving their last term. The Board is satisfied that the external auditors, in executing their audit duties, are compliant with the regulatory requirements and there is no conflicts of interest in their re-appointment and exercised their independence in judgment and execution of their audit duties in line with the International Financial Reporting Standards (IFRS), Insurance Laws and Regulations and Prudential Management Policies of the insurer.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

Internal Controls

The board is collectively responsible for establishment and management of appropriate systems of internal control and for reviewing their effectiveness. The system of internal control in place has defined procedures with operations and financial controls to ensure that assets are safeguarded, transactions authorized and recorded properly, and that material errors and irregularities are either prevented or detected within a reasonable period of time. The business performance of the Company is reported regularly to the Board through performance trends, forecasts, actual performance analysis against budgets and prior periods for close monitoring.

Personal use of Company's assets and loans to Directors

The Audit and Risk Committee reviewed and confirmed that during the year there has not been any improper personal use of the company's assets by Directors. Further, at no time during the year was there any arrangement to which the company was a party, whereby Directors acquired benefits by means of transactions in the Company's shares. There were also no loans issued to Directors' at any time during the year.

Communication with Shareholders and Stakeholders

The Company is committed to giving all its existing and prospective stakeholders reliable, appropriate and timely facilities of the financial position, performance and the risks to which they are subject, to enable them exercise their rights effectively. The Board recognizes the importance of maintaining transparency and accountability to its stakeholders and works to ensure that all are treated equitably and their rights are protected.

We strive to be accessible to both institutional and private investors, and proactively encourage all shareholders to participate at our Annual General Meeting and Investor briefings. The Board of Directors periodically meet identified customers. Timely disclosures are usually done through publication of the company's annual reports and filing of quarterly and yearly financial returns to the Insurance Regulatory Authority, besides media releases and other investor relations publications on company's website.

Governance Policies in Place

The Board has, as a matter of good practice, formulated and put in place a Board Charter and relevant policies to guide the business and ensure that the company is run on a sustainable business model that will ultimately yield valuable return to the shareholders and other stakeholders. Such policies formulated by the Board include:
- Code of Professional Conduct and Ethics for Members of the Board
- Continuous Disclosure Policy
- Conflict of Interest Policy
- Risk Management Framework Policy
- Stakeholders Management Policy
- Procurement Policy
- Succession Plan Policy
- Board Induction Policy
- Fraud Awareness and Whistle Blower Policy

Succession

Recognizing that changes in management are inevitable, the company has established a succession plan to provide continuity in leadership and avoid extended and costly vacancies in key positions. The succession plan is designed to identify and prepare candidates for board positions that become vacant due to retirement, resignation, death or new business opportunities.

Careful management of the board's succession planning is vital for the effective functioning of the board. Taking into account the company's strategy and future needs, as Directors retire, candidates with requisite attributes, skills and experience are identified to ensure that the board's competence and balance is maintained and enhanced. The Board has therefore put in place a succession policy to guide the process.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

Board Diversity and Balance

Directors have unrestricted access to management and company information, as well as the resources required to carry out their duties and responsibilities. The directors are authorized to get independent advice on matters within their scope. The board has ensured transparency and accountability in its financial reporting and general oversight of the business.

Board Access to Information

Directors have unrestricted access to management and company information, as well as the resources required to carry out their duties and responsibilities. The directors are authorized to get independent advice on matters within their scope. The board has ensured transparency and accountability in its financial reporting and general oversight of the business.

Shareholding

The authorized share capital of the company currently stands at Kenya Shillings Two Billion (Kshs2, 000,000,000). This is divided into 100,000,000 ordinary shares of Kshs. 20/= each.

The issued capital is currently Kshs One Billion Seven Hundred Million divided into 85,000,000 shares of kshs 20/= each.

The shareholders of the company are as follows:

SHAREHOLDER	SHARES
CIC Insurance Group Limited	99,999,999
Group Chief Executive Officer	1

Directors' Remuneration Report

It is the Company's policy to fairly remunerate Directors for the role and responsibilities that they undertake for the Company. The remuneration is determined by the CIC Insurance Group Governance and Human Resource Committee based on parameters such as performance targets, Company's profitability, and return on equity as well as reference to market average rate. The remuneration is subject to approval by the shareholders at the Annual General Meeting. The Director's Remuneration Report sets out the policy that CIC General Insurance Limited has applied to remunerate Directors. The report has been prepared in accordance with the relevant provisions of and requirements of the Companies Act No.17 of 2015.

- There are formal contracts for services as Directors.
- There are no share options, long term incentives schemes, and pensions for current Directors or compensation due to past Directors.
- There are no sums paid to third parties in respect of a Director.

Looking Ahead

The Board continues to support good governance and believes that the application of sound corporate governance principles based on ethical leadership ensures the business success and its sustainability.

Signed By Chairman on Behalf of CIC General Insurance Board

05th March 2020

CIC RISK GOVERNANCE STATEMENT

How we Manage Our Risk Exposure.

CIC General Insurance as a short term Insurance underwritte; operates in a changing risk environment in terms of regulations, operating environment, technology and Industry competition. Our risk management framework is premised on the enterprise wide risk management approach. The goal is not to eliminate risk, but to manage the risks in all of CIC's activities to maximize opportunities and minimize adverse consequences.

The company has established a top down approach to risk management and our Board of Directors take overall responsibility in managing risk. We aim to manage risk is to ensure CIC General is able to deliver on its objective.

Risk Management Governance Framework

Our risk management Governance is as hereunder;

Board of Directors	The board is responsible for determing the nature and the extent of the significant risks the company is willing to take to achieve its strategic objectives
Audit and Risk Committee	Reviews risk management initiatives including; company key risk exposures, mitigating controls and compliance with regulations and processes
Senior Management	The risk owners who are responsible for allocating resources for risk management, making risk and business priority and alignment of risk management strategy to the overall company strategy
Risk and Compliance	Coordinating the risk management throughout the whole company liaising with all the stakeholders
Internal Audit	Providing assurance of the adequacy of the risk management process

CIC RISK GOVERNANCE STATEMENT *(continued)*

Key Principles for Managing Risks

Alignment exists between the objectives, risks and controls at all levels within CIC:
- Between strategies, operational objectives and individual job accountabilities
- Between the risks being taken and the CIC's appetite and tolerance for risk
- Between the control and the desired level of investment in implementing such control

Given the fast and continuous change in today's business environment, CIC's competitive advantage is dependent on the rapid deployment of new strategies, whilst remaining focused on existing strategies.

In order to achieve the above, CIC must therefore streamline the actions of all staff, individually and collectively towards achieving its business objectives. This entails the alignment of the objectives, risks and controls throughout the enterprise. It should encompass the respective business processes and operational activities undertaken by all levels of staff. The diagram below depicts how this alignment may be achieved

Our Principal Risks and Mitigation Plan

Risk	Description	Risk Management Approach
Operational Risk	This is the risk related to ; the on boarding of business, the human resource aspect, internal controls and processes.	We manage operational risk from an enterprise wide approach; which enables us to strengthen the controls and processes in our operations
Insurance Risk	This is the risk under our insurance contracts which carry a possibility that the insured event occurs and the uncertainty of the amount resulting from the event	We have developed internal processes in line with regulations, supported by applied quantitative data to guide the underwriting process. We have invested in a qualified manpower to ensure best practice in insurance business from underwriting to claims.
Regulatory Risk	Our regulatory environment is complex; The ever increasing and changing regulatory requirement for CIC General is a key source of risk.	CIC has built a compliance culture and compliance is monitored through a well-established compliance model. We have also endeavored to build a constructive, responsive and open relationship with out regulators and other industry stakeholders.
Balance Sheet and Market Risk	The exposure to this risk is through our financial assets, Financial Liabilities, reinsurance assets and insurance liabilities. The risk is that the proceeds from our financial assets are not sufficient to fund our obligations.	CIC General manages this risk mainly through Asset Liability Matching Framework that has been developed to match assets arising from insurance liability to investment contracts in terms of duration and returns
Credit Risk	This is a risk that a counter party will be unable to pay amounts in full when due. These may arise out of Insurance / reinsurance contracts, cash at bank, corporate bonds, deposits at bank and provisions based on implementation of IFRS 9.	CIC General has enhanced its credit management framework, which enables us to limit our overall risk exposure to any single counterparty.

CIC RISK GOVERNANCE STATEMENT *(continued)*

Risk	Description	Risk Management Approach
Cyber Risk	An external, cyber-attack or insider threat could result in service interruption, breach of confidentiality and loss of client, transaction and investment data. This would have a negative impact of our revenues, customers, reputation and leave us vulnerable to fraud.	CIC has strengthened its ICT environment and we are investing in better systems and data protection add-ons to ensure our operating environment is hardened against any attacks. We have also ensured we have a robust BCP and a contracted a state of the art DRP center to ensure that we are able to recover our data in case of loss of primary data site.
Contagion and Related Party Risk	CIC General is owned by the CIC Group and Financial Services conglomerate; made up of separate operating units in Kenya and other jurisdictions; this poses a risks that any one of the operating units can pose are risk to CIC General.	CIC Group has established strong control and compliance culture that ensures that all the operating units are governed by best practice. This adheres strictly to country and industry laws and regulations and also adheres to international best practice for areas with lax regulations.
Strategic Risk	Our strategy guides our business approach; our objective are constantly exposed to risks that affect the achievement and attainment of our goals.	We have enforced strategic visibility, accountability and monitoring; this enables us to be agile in addressing our strategic risk exposure and ensuring we stay on course.

Whistle blower policy

CIC has a well-established whistle blower policy that provides a platform for stakeholders (Customers, staff, agents, brokers, suppliers) to raise concern regarding any suspected wrongdoing. The whistle blower platform is managed by an independent Ombudsman to ensure anonymity.

The policy has been designed to entrench risk escalation to the board ensuring that all reports are followed to conclusion. Our policy is enforced by the code of conduct and anti-fraud policy to which every staff member must attest.

Real Estate Excellence Awards 2019
Winner
Most Preferred Rental Property Insurance

Automotive Industry Excellence Awards 2019
Winner
Most Preferred Private Vehicles Insurer

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2019

The directors submit their report together with the audited financial statements for the year ended 31 December 2019

1. INCORPORATION

The Company is domiciled in Kenya where it is incorporated as a private company limited by shares under the Kenyan Companies Act, 2015. The address of the registered office is set out on page 1.

2. DIRECTORATE

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

3. PRINCIPAL ACTIVITIES

The principal activity of the company is the transaction of general insurance business. The company also invests in equities, government securities and properties.

4. COMPANY RESULTS

	2019 KShs '000	2018 KShs '000
Profit before taxation	339,622	630,069
Income tax expense	(61,512)	(249,779)
Profit for the year	278,110	380,290

5. DIVIDENDS

The directors do not recommend the payment dividend in respect of the year ended 31 December 2019 (2018 - KShs 228 million).

6. BUSINESS REVIEW

ECONOMIC AND BUSINESS ENVIRONMENT

The Company operates in a complex economic and business environment, which has an impact on the strategies adopted by management in meeting the company objectives. The economic growth averaged 5.4% for the three quarters to September 19; a decline from 6% for the same period 2018 mainly due to decelerated due to dry weather conditions thus lower food output, which also dampened agro-processing. Inflation remained well anchored despite rising to average 5.2% in 2019 from 4.7% in 2018; largely on slightly higher food prices. Interest rates remained stable throughout last year with minimal volatility at certain instances where liquidity distortion was witnessed. Short-term rates remained single digit hence investors sought enhanced yields in the medium-term papers, which offered slightly more attractive double digit returns. A nascent recovery in private sector is highly likely given the potentially catalytic effect of the twin stimulus- rate cap repeal and a reduction in the CBR to 8.5% in November 2019. The currency gained 0.5% versus the USD in 2019 supported by resilient diaspora inflows, strong services receipts and slower growth of imports. The country's forex reserves stood at USD 8.76 billion at the end of the year; equivalent to 5.4 months of import cover. The current account deficit narrowed to 4.2% of GDP and that bodes well for the stability of the currency. The equities market exhibited mixed performance with the NASI gaining 18.5% and

6. BUSINESS REVIEW *(continued)*
ECONOMIC AND BUSINESS ENVIRONMENT *(continued)*

NSE-20 losing 6.33% in 2019. This was mainly attributable to foreign investor outflows that hit frontier markets due to weaker earnings growth amid elevated public debt sustainability concerns. Towards the end of 2019, investors tone changed after the repeal of the rate cap law and they gradually bid up stocks; particularly the banks. Despite the growth in the economy the property market has continued to stagnate over the period. Outlook for the market in 2020 remains skewed to a few counters mainly banks and Safaricom, which are expected to further grow earnings. Most of the sectors remain in the red with companies still exhibiting weaker earnings hence unattractive to investors.

The outbreak of the Coronavirus Disease2019 (COVID-19) has stricken communities across the globe.

In Kenya the 1 case of Corona Virus was identified on 12 March 2020 resulting into a lot of uncertainties with increasing cases by the day. To tame its spread, the Government and citizenry have responded vigorously, shutting down international flights, public and private gatherings and entertainment spots. In these trying moments, our top priority is the health of our staff, their families and our customers. With the increasing cases on corona virus in the country we expect to see a decline in the motor classes since most of the people are significantly not driving to and from the work and there are minimal movements. However, we expect to see a growth in the employee liability and WIBA incase where it is proven that the employees contracted the disease at work All other classes will not be directly impacted in the meantime. However, we expected the claims ratios for all classes not to be largely impacted except for medical class.

With the COVID-19 cases growing in the country, management has put in place measures to ensure minimal business interruption during this period, these include:

- Remote working for some employees, with an exception of those offering essential services to ensure continuity in business operations; and
- Management is prudently investing in short term investments to avoid volatility in the market.

Since Kenya is still in the early stages of the outbreak in Kenya, an estimate of the expected financial effect cannot be measured reliably.

7. DIRECTORS

The current directors are as shown on page 1.

8. STATEMENT AS TO DISLOSURE TO THE COMPANY'S AUDITOR

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

a) there is, so far as the person is aware, no relevant audit information of which the company's auditor is unaware; and

b) the person has taken all the steps that the person 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.

9. TERMS OF APPOINTMENT OF THE AUDITOR

Ernst & Young LLP, having completed their term as the external auditor of the company, the board has been requested to appoint an external auditor for the ensuing year in accordance with the company's Articles of Association and Section 719 of the Kenyan Companies Act, 2015. The directors monitor the effectiveness,

REPORT OF THE DIRECTORS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

9. TERMS OF APPOINTMENT OF THE AUDITOR *(continued)*

objectivity and independence of the auditor. The directors also approve the annual audit engagement contract, which sets out the terms of the auditor's appointment and the related fees. The agreed auditor's remuneration of KShs 5,100,000 has been charged to profit or loss in the year.

BY ORDER OF THE BOARD

Mary Wanga
Secretary

5th March 2020
Nairobi

STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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. It also requires the directors to ensure that the company keeps proper accounting records that:

(a). show and explain the transactions of the company;
(b). disclose, with reasonable accuracy, the financial position of the company; and
(c). enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Companies Act, 2015.

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 such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;

(ii). selecting suitable accounting policies and applying them consistently; and

(iii). making accounting estimates and judgements 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 responsibilities.

Approved by the board of directors on 5th March 2020 and signed on its behalf by:

Edwin Otieno Joseph, OGW
Chairman

Grace Mundu
Ag. Managing Director

Patrick Nyaga
Director

Ernst & Young LLP
Certified Public Accountants
Kenya Re Towers
Upper Hill
Off Ragati Road
P.O. Box 44286 - 00100
Nairobi GPO, Kenya

Tel: +254 20 2886000
Email: Info@ke.ey.com
www.ey.com

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CIC GENERAL INSURANCE LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of CIC General Insurance Limited (the Company) set out on pages 49 to 133, which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CIC General Insurance Limited as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan 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 (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya and we have fulfilled our other ethical responsibilities in accordance with 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 judgement, 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How the matter was addressed in the audit
Allowance for expected credit losses	
The expected credit losses on financial assets carried at amortised cost are determined under application of IFRS 9 Financial Instruments. This was a key audit matter because significant judgement was involved in determining the credit losses, amounts due from related parties, staff loan, deposits with financial institutions, deposits and commercial papers, corporate bonds and cash and bank balances as disclosed in note 38(b) Credit risk. Key areas of judgement included: • the interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Company's expected credit loss model; • the identification of exposures with a significant deterioration in credit quality; • assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward-looking macroeconomic factors; and • the need to apply additional overlays to reflect current or future external factors that are not appropriately captured by the expected credit loss model.	Our audit procedures included the following: • We assessed and tested the design and operating effectiveness of the controls over the: i. data used to determine the expected credit losses on financial assets carried at amortised cost. ii. expected credit loss model, including model build and approval, ongoing monitoring/ validation, model governance and mathematical accuracy. • We assessed the modelling techniques/ methodology against the requirements of IFRS 9 - Financial Instruments. • We assessed and tested the material modelling assumptions as well as overlays with a focus on the: i. key modelling assumptions adopted by the Company; ii. basis for and data used to determine overlays; and iii. sensitivity of the collective provisions to changes in modelling assumptions. • In addition, we assessed the adequacy of the disclosures in the financial statements.
Estimation of Insurance contract liabilities	
As disclosed in note 31 in the financial statements, Insurance contract liabilities amounted to KShs 4.6 Billion as at 31 December 2019 and constituted 50% of the company's total liabilities. Valuation of these liabilities is highly judgmental because it requires several assumptions to be made with high estimation uncertainty such as loss ratios, estimates of the frequency and severity of claims. The significant accounting judgements and assumptions are further described in note 2.	We performed the following procedures: • Review of sensitivity analysis over key judgements and assumptions. • Evaluation and testing of key controls designed to ensure the integrity of the data used in the actuarial reserving process (including both current and prior year case reserve data). The controls included reconciliations between data in the actuarial reserving systems and data in the policy administration systems.

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Key Audit Matter

Valuation of Investment property *(Continied)*

Small changes in the assumptions used to value the liabilities particularly those relating to the amount and timing of future claims, can lead to material impacts on the valuation of insurance liabilities.

The valuation of insurance liabilities depends on complete and accurate data about the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims. If the data used in calculating insurance liabilities, or for forming judgements over key assumptions, is not complete and accurate, then material impacts on the valuation of insurance liabilities may arise. Consequently, we have determined the valuation of insurance contract liabilities to be a key audit matter.

- We also compared samples of claims case reserves to appropriate documentation, such as reports from loss adjusters to test the controls over the valuation of individual claims reserves.
- We assessed the adequacy of the company's disclosures in respect of the assumptions used in valuation.

Other Information

The directors are responsible for the other information. The other information comprises the Corporate Information, Report of the Directors and Statement of Director's Responsibilities as required by the Kenyan Companies Act, 2015, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon, other than that prescribed by the Kenyan Companies Act, 2015, as set out below.

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

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Company's financial reporting processes.

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.
- Conclude on the appropriateness of the directors' 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.

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

REPORT ON OTHER MATTERS PRESCRIBED BY THE KENYAN COMPANIES ACT, 2015.

In our opinion, the information given in the report of the directors on page 40-42, is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Herbert Chiveli Wasike, Practising certificate number 1485.

Nairobi, Kenya

31/3/.............. 2020

CIC GENERAL INSURANCE LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 KShs '000	2018 KShs '000
GROSS WRITTEN PREMIUMS	3 (a)	10,654,090	10,210,133
Gross earned premiums	3 (b)	10,465,956	10,671,018
Less:			
Reinsurance premiums ceded	3 (c)	(1,465,446)	(1,534,144)
Net earned premiums		9,000,510	9,136,874
Commissions income	4 (a)	445,377	282,090
Interest revenue calculated using the effective interest method	5(a)	545,960	588,255
Other investment income	5(b)	159,718	179,079
Other gains and losses	6	92,146	(98,632)
Other revenue		1,243,201	950,792
Total revenue		10,243,711	10,087,666
Commissions expenses	4 (b)	(1,390,091)	(1,429,613)
Claims and policyholders' benefits expenses			
Gross benefits and claims paid	7	(6,752,241)	(6,855,168)
Claims ceded to reinsurers	7	400,577	953,110
Gross change in insurance contract liabilities	7	(254,836)	(240,711)
Change in contract liabilities ceded to reinsurers	7	134,400	119,310
Net benefits and claims		(6,472,100)	(6,023,459)
Operating and other expenses	8 (a)	(2,038,359)	(2,001,643)
Allowance expected credit losses	8 (c)	9,568	(2,882)
Total benefits claim and other expenses		(9,890,982)	(9,457,597)
Finance cost	10(b)	(13,107)	-
Profit before taxation	8 (d)	339,622	630,069
Income tax expense	9 (a)	(61,512)	(249,779)
PROFIT AFTER TAX		278,110	380,290
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent years net of tax			
Fair value gain / (loss) on debt instruments at fair value through other comprehensive income	17	27,117	50,607
Other comprehensive income that will not be reclassified to profit or loss in subsequent years net of tax			
Fair value (loss) / gain on equity instruments designated at fair value through other comprehensive income	18	2,024	(2,237)
Total other comprehensive income for the year		29,141	48,370
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		307,251	428,660

CIC GENERAL INSURANCE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	2019 KShs '000	2018 KShs '000
ASSETS			
Property and equipment	10	352,229	409,796
Right of use assets	10 (b)	79,631	-
Investment properties	11	1,602,000	1,602,000
Intangible assets	12	105,849	107,789
Deferred tax asset	13	460,888	405,058
Financial Assets at amortised cost- Corporate Bonds	14	96,945	160,204
Financial assets at amortised cost- Government securities	15	720,916	738,625
Financial Assets at amortised cost-Loan and receivables	16	60,521	107,496
Financial assets at fair value through other comprehensive income - Government securities	17	1,737,798	1,510,681
Financial assets at fair value through other comprehensive income - Unquoted equity investment	18	20,236	18,212
Financial Assets at fair value through profit or loss-equity instruments	19	500,780	512,492
Financial assets at amortised cost- deposits and commercial papers	20	78,580	76,790
Investments in collective investment schemes at fair value through profit or loss	21	173,502	172,070
Receivables arising out of direct insurance arrangements	22 (a)	1,331,741	1,202,581
Receivables arising out of reinsurance arrangements	22 (b)	1,150,564	1,132,038
Reinsurers share of Insurance liabilities and reserves	23	1,472,081	1,502,185
Deferred acquisition costs	24	486,667	466,328
Taxation recoverable	9(c)	186,218	-
Other receivables	25	76,744	122,221
Due from related party	26 (b)	83,118	17,880
Intercompany loan	26 (d)	700,000	-
Deposits with financial institutions	27	1,605,153	2,380,461
Cash and cash equivalents	34(b)	536,184	203,932
TOTAL ASSETS		13,618,345	12,848,839
EQUITY AND LIABILITES			
Equity			
Share capital	29	1,700,000	1,700,000
Fair value deficit	30 (a)	(96,302)	(125,443)
Retained earnings	30 (b)	2,619,773	2,569,663
Total equity		4,223,471	4,144,220
Liabilities			
Insurance contracts liabilities	31 (a)	4,608,432	4,353,766
Unearned premiums reserve	33	4,162,199	3,974,065
Payables arising from reinsurance arrangements and insurance bodies	22 (c)	84,609	40,106
Other payables	33	418,672	313,894
Lease liabilities	10 (b)	91,571	-
Due to related party	26 (b)	29,391	-
Taxation payable	9 (c)	-	22,788
Total liabilities		9,394,874	8,704,619
TOTAL EQUITY AND LIABILITIES		13,618,345	12,848,839

The financial statements were approved by the Board of Directors on 5th March 2020 and signed on its behalf by:

Director	**Director**	**Ag. Managing Director**
Edwin Otieno Joseph, OGW	**Patric Nyaga**	**Grace Mundu**

CIC GROUP

CIC GENERAL INSURANCE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital KShs '000 (Note 29)	Fair Value deficit KShs '000 (Note 30 (a))	Retained earnings KShs '000 (Note 30 (b))	Total KShs '000
At 1 January 2018	1,700,000	(173,813)	2,469,457	3,995,644
Effect of adoption of new accounting standards (Note 1(b))	-	-	(76,084)	(76,084)
At 1 January 2018 (restated)	1,700,000	(173,813)	2,393,373	3,919,560
Dividend paid 2017 (Note 35)	-	-	(204,000)	(204,000)
Profit for the year	-	-	380,290	380,290
Other comprehensive income for the year	-	48,370	-	48,370
Total comprehensive income for the year	-	48,370	380,290	428,660
At 31 December 2018	1,700,000	(125,443)	2,569,663	4,144,220
At 1 January 2019	1,700,000	(125,443)	2,569,663	4,144,220
Dividends paid 2018 (Note 35)	-	-	(228,000)	(228,000)
Profit for the year	-	-	278,110	278,110
Other comprehensive income for the year	-	29,141	-	29,141
Total comprehensive income for the year	-	29,141	278,110	307,251
At 31 December 2019	1,700,000	(96,302)	2,619,773	4,223,471

CIC GENERAL INSURANCE LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 KShs '000	2018 KShs '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	34 (a)	(401,330)	(86,470)
Taxation paid	9 (c)	(326,348)	(317,847)
Net (used in)/ cash generated from operating activities		(727,678)	(404,317)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on government securities at amortised cost	5	86,117	74,756
Interest on bank deposits	5	248,352	270,657
Interest on staff loan receivables	5	5,465	8,401
Interest on government securities at fair value through OCI	5	193,004	224,213
Dividend income	5	23,994	26,131
Purchase of Property and equipment	10	(19,633)	(25,316)
Proceeds from sale of Property and equipment		-	2,167
Purchase of intangible assets	35(c)	(12,166)	(81,440)
Proceeds from maturity of corporate bonds	14	65,427	1,254
Other loans advanced	16	-	-
Mortgage loans repaid	16	22,970	89,968
Other loans repaid	16	21,604	65,070
Purchase of government securities at fair value through OCI	17	(200,000)	(155,560)
Proceeds from disposal of government securities	17	-	686,740
Proceeds of maturity of government securities at amortised cost	15	20,000	-
Proceeds from disposal of quoted equity investments at fair value through profit or loss	19	107,628	1,622
Purchase of quoted equity investments at fair value through profit or loss	19	(54,169)	(62,365)
Investments in deposits in non-financial institutions	20	(131,600)	(20,000)
Proceeds of maturity of deposits in non-financial institutions	20	131,547	5,729
Cash inflow from maturity of Investment in fixed deposits	27	(238,438)	(596,112)
Investment in restricted deposits	27	-	(135,829)
Additions to investment in collective investment schemes	21	(862,346)	(298,982)
Maturities on investment in collective investment schemes	21	891,175	382,001
Net cash (used in) / generated from investing activities		298,931	463,105
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	35	(228,000)	(204,000)
Payment of principal portion of lease liability		(19,402)	-
Payment of the interest portion of the lease liability		(13,107)	-
Net cash used in financing activities		(260,509)	(204,000)
(DECREASE) IN CASH AND CASH EQUIVALENTS		(689,256)	(145,212)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		1,322,325	1,467,537
CASH AND CASH EQUIVALENT AT 31 DECEMBER	34 (b)	633,069	1,322,325

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance with International Financial Reporting Standards (IFRS)

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

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

(a) Basis of preparation

The financial statements are prepared on a going concern basis in compliance with International Financial Reporting Standards (IFRS) and the requirements of the Kenyan Companies Act. The measurement basis used is the historical cost basis, as modified by the carrying of certain property and equipment, investment property and certain investments at fair value, impaired assets at their recoverable amounts and actuarially determined liabilities at their present value. The financial statements are presented in Kenya Shillings (KShs), rounded to the nearest thousand, which is also the functional currency.

The financial statements comprise the statement of profit or loss and other comprehensive income, statements of financial position, statements of changes in equity, statements of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in the profit or loss. Other comprehensive income is recognised in the statement of comprehensive income and comprises items of income and expenses (including reclassification adjustments) that are not recognised in the profit or loss as required or permitted by IFRS. Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the previous periods. Transactions with the owners of the company in their capacity as owners are recognised in the statement of changes in equity.

The Company presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the notes.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the accounting policies adopted by the Company. Although such estimates and assumptions are based on the directors' best knowledge of the information available, actual results may differ from those estimates. The judgements and estimates are reviewed at the end of each reporting period, and any revisions to such estimates are recognised in the year in which the revision is made. The areas involving the judgements of most significance to the financial statements, and the sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year, are disclosed in note (2) of these financial statements.

(b) New Standards, New Interpretations and Amendments to Standards adopted in the current period

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2019. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the impact of each new standard and amendment is described below.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(b) New Standards, New Interpretations and Amendments to Standards adopted in the current period *(continued)*

On 1 January 2019, CIC General Insurance Limited adopted the following new standards, new Interpretations and amendments to standards.

	Effective for accounting period beginning on or after
IFRS 16 Leases	1 January 2019
IFRIC Interpretation 23 Uncertainty over income tax treatments	1 January 2019
Amendments to IFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	1 January 2019
AIP IFRS 3 Business Combinations - Previously held Interests in a joint operation	1 January 2019
AIP IFRS 11 Joint Arrangements - Previously held Interests in a joint operation	1 January 2019
AIP IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity	1 January 2019

Except adoption of IFRS 16 Leases as discussed below, all the other amendments and annual improvements did not have an impact on the entity.

IFRS 16, 'Leases'

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 January 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Company has lease contracts for various branches. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as operating leases. Refer to Note 1(m) for the accounting policy prior to 1 January 2019.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases. Refer to Note 1(m) for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Company.

Leases previously accounted for as operating leases

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(b) New Standards, New Interpretations and Amendments to Standards adopted in the current period *(continued)*

The Company also applied the available practical expedients wherein it:
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The Impact on transition is summarised below.

	01-Jan-19 KShs'000
Increase in right of use assets	110,973
Increase in long Term Lease Liability	91,571
Increase in short Term Lease Liability	19,402

The adoption of IFRS 16 had no impact on the Company's retained earnings.

When measuring lease liabilities for leases classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019.
The incremental borrowing rate used was 13%.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

The Company applied IFRS 9 prospectively, with an initial application date of 1 January 2018. The Company has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings.

The effect of adopting IFRS 9 as at 1 January 2018 was, as follows:

	KShs'000
Operating lease commitments as at 31 December 2018	127,353
Weighted average incremental borrowing rate as at 1 January 2019	13%
Discounted operating lease commitments as at 1 January 2019	
Lease liabilities as at 1 January 2019	110,973

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) New Standards, New Interpretations and Amendments to Standards adopted in the current period *(continued)*

Standards issued but not yet effective:

New or revised standards and interpretations:

	Effective for accounting period begining on or after
Amendments to IFRS 3: Definition of a Business	1 January 2020
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020
The Conceptual Framework Financial Reporting	1 January 2020
IFRS 17 Insurance contracts	1 January 2021*
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or indefinitely Joint Venture	Effective date deferred indefinitely

The above new standards and amendments to existing standards issued but not yet effective are not expected to have an impact on the Company except for IFRS 17.

*The new proposed date is 1 January 2023.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short- duration which typically applies to certain non-life insurance contracts.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) New Standards, New Interpretations and Amendments to Standards adopted in the current period *(continued)*

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021, newly proposed date 1 January 2023, with comparative figures required. Early application is permitted; provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

The Company has started a project to implement IFRS 17 by upgrading its accounting and underwriting systems. The Company expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Company and is likely to have a significant impact on profit and total equity together with presentation and disclosure.

(c) Revenue recognition

Gross premiums

Gross written premiums comprise the total premiums receivable for the whole period of the cover provided by the contract and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Gross earned premiums comprise the total premiums receivable for the respective accounting period which is under consideration and are recognised up to the end of the reporting period, there are no rebates offered on the premiums. Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Reinsurance premiums

Gross reinsurance premiums ceded comprise the total premiums payable for the whole cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Reinsurance premiums and claims on the face of the statement of profit or loss have been presented as negative items within premiums and net benefits and claims, respectively, because this is consistent with how the business is managed.

Commission income

Commission income is recognised in profit and loss in the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over those future periods

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(c) Revenue recognition *(continued)*

Investment income

Interest income is recognised in the statement of profit or loss as it accrues and is calculated by using the effective interest rate (EIR) method. Interest income is recognised using EIR method for all financial assets for all financial assets measured at amortised cost. interest income on interest bearing financial assets measured at fair value through OCI is also recorded using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or when appropriate, a shorter period, to the gross carrying amount of the financial asset.
The EIR (and therefore the amortised cost of the financial asset) is calculated taking into account transaction costs and any discount or premium on acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The company recognises interest income using the EIR method.

The company calculates interest income on financial assets, other than those considered credit impaired, by applying the EIR to the gross carrying amount of the asset.

Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument. Investment income also includes dividend income which is recognised when the right to receive the payment is established.

Rental income is on a straight-line basis over the lease term. The excess of rental income on a straight-line over cash received is recognised as an operating lease asset. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Realised / unrealised gains and losses

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 transactions, more details on the on how the gains have been arrived has been discussed in the specific policies relating to the assets

(d) Claims and policyholders' benefits expenses

Gross benefits and claims paid

General insurance and health claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years. The reserve for outstanding claims is computed on the basis of the best information available at the time the records for the year are closed and include additional provisions for claims incurred but not reported ("IBNR") at the end of each reporting period based on the Company's experience as per the requirement of Kenyan Insurance Act and related regulations, this is in line with the requirements of IFRS 4.

Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Expenses

Expenses are recognised in the profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably and is independent from transactions with equity participants. This means, in effect, that recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a decrease in assets (for example, the accrual of employee entitlements or the depreciation of property and equipment).

(i). When economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined expenses are recognised in profit or loss on the basis of systematic and rational allocation procedures. This is often necessary in recognising the income associated with the using up of assets such as property and equipment in such cases the expense is referred to as a depreciation or amortisation. These allocation procedures are intended to recognise expenses in the accounting period in which the economic benefits associated with these items are consumed or expire.

(ii). An expense is recognised immediately in the profit or loss when expenditure produces no future economic benefits or when, and to the extent that; future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

(f) Deferred acquisition costs

Deferred acquisition costs represent the proportion of commission expense in the periods up to the reporting date which relates to the unexpired terms of policies in force at the end of the reporting period and are calculated on the 1/365th method on net commissions. The 1/365th is a time apportionment method of premium whereby the unearned premium reserve is the aggregate of unearned premium calculated on a pro-rata basis, in respect of the premiums relating to the unexpired periods of the respective insurance policies at the end of the reporting period. These commissions are recognised over the period in which the related revenues are earned.

The deferred acquisition costs for reinsurers are amortised in the same manner as the underlying asset amortisation and is recorded in the statement of profit or loss.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method and are treated as a change in an accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of profit or loss. DACs are also considered in the liability adequacy test for each reporting period.

DACs are derecognised when the related contracts periods elapses.

(g) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment, as described in note (2), whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the profit or loss. Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in note (2) have been met.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(h) Reinsurance contracts held

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

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within loans and receivables), as well as longer term receivables (classified as reinsurance assets) that are

dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. The Company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss for the year.

(i) Taxation

Current Income tax

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Kenyan Income Tax Act. Income tax expense is the aggregate amount charged/ (credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Current income tax assets or liabilities are based on the amount of tax expected to be paid or recovered in respect of the taxation authorities in the future. Tax is recognised in the profit or loss except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

Current income tax is provided on the basis of the results for the year, as shown in the financial statements, adjusted in accordance with tax legislation. The tax rates and tax laws used to compute the amount are

those that are enacted or substantively enacted as at the reporting date. The prevailing tax rate and the amount expected to be paid are highlighted in note 9 of these financial statements.

The net amount of current income tax recoverable from, or payable to, the taxation authority is included on a separate line in the statement of financial position of these financial statements.

Deferred Income tax

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. The deferred tax liability shall be recognised except when it arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Taxation *(continued)*

Deferred income tax is determined using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the reporting date and expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The accounting of deferred tax movements is driven by the accounting treatment of the underlying transaction that lead to the temporary differences. Deferred tax relating to items recorded in profit or loss is recognised in profit or loss, while deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss in other comprehensive income or equity. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales taxes and premium taxes

Revenues, expenses and assets and liabilities are recognised net of the amount of sales taxes and premium taxes except:

- when the sales or premium tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, or
- receivables and payables that are measured with the amount of sales or premium tax included. Outstanding net amounts of sales or premium tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(j) Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses except for buildings which is measured based on revalued amounts .

Increases in the carrying amount of buildings arising on revaluation are dealt with through other comprehensive income and accumulated under a separate heading of revaluation surplus in the statement of changes in equity. However, if an asset's carrying amount is decreased as a result of a revaluation,

the decrease shall be recognised in profit or loss, decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. There was no revaluation surplus as at 31 December 2019 refer to note 10.

Decreases that offset previous increases of the same asset are recognised in other comprehensive income and reversed from revaluation surplus in the statement of changes in equity; all other decreases are charged to profit or loss for the year. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(j) Property and equipment *(continued)*

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

Buildings	40 years
Computers	4 years
Motor vehicles	4 years
Furniture, fittings and equipment	8 years

Buildings are measured according to the revaluation model stated at fair value, which reflects market conditions at the reporting date.

Property and equipment are reviewed for impairment whenever there are any indications of impairment identified.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

An item of property and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal. Gains and losses on derecognition of property and equipment are determined by reference to the difference of the carrying amounts and disposal proceeds. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings. The date of disposal of an item of property, and equipment is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied The amount of consideration to be included in the gain or loss arising from the derecognition of property and is determined in accordance with the requirements for determining the transaction price in IFRS 15.

The residual value, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end are adjusted prospectively, if appropriate.

(k) Investment properties

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is initially recognised at cost including the transaction costs. The investment properties are carried at fair value representing the open market value at the reporting date determined by annual valuations carried out by independent valuers i.e Crystal Valuers Limited as at 31 December 2019 and 31 December 2018. Gains or losses arising from changes in the fair value are included in determining the profit or loss for the year to which they relate.

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

When the Company can reliably determine the fair value of a self-constructed investment property under construction or development, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the profit or loss.

Investment properties are derecognised when either they have been disposed off (i.e., at the date the recipient obtains control) or when the investment property is permanently withdrawn from use and **1.**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Investment properties *(continued)*

no future economic benefit is expected from its disposal. On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is charged or credited to profit or loss. The date of disposal of an item of investment property is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied The amount of consideration to be included in the gain or loss arising from the derecognition of Investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the company accounts for such property in accordance with the policy stated under plant and equipment to the date of change in use.

(l) Intangible assets

Software licence costs and computer software that is not an integral part of the related hardware are initially recognised at cost, and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by the company are recognised as intangible assets.

The useful lives of intangible assets are assessed as either finite or indefinite. The company does not have assets with indefinite life and hence the amortisation is calculated using the straight line method to write down the cost of each licence or item of software over its estimated useful life (four years).

Amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, even when idle. Amortisation ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes

in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised. The date of disposal of an item of intangible asset is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied The amount of consideration to be included in the gain or loss arising from the derecognition of intangible is determined in accordance with the requirements for determining the transaction price in IFRS 15.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(m) Accounting for leases

Policy applicable as of 1 January 2019

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered, on or after 1 January 2019.

Company acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component based on its relative stand-alone prices. For the leases of property, the Company has elected not to separate the lease and non-lease components.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The Company determines its incremental borrowing rate as the rate of interest the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(m) Accounting for leases *(continued)*

The lease liability is measured at amortised cost using the effective interest method. It is remeasured;
- if there is a change in future lease payments arising from a change in an index or rate,
- if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee,
- if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or
- if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets and lease liabilities as a separate line in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases. The Company recognises the lease payments associated with these leases as an expense over the lease term.

Policy applicable before 1 January 2019

Determination

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the company is classified as a finance lease. Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term. The company has operating leases.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

The Company is both lessee and a lessor.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Employee Benefits

Defined contributions provident fund

The Company operates a defined contribution post-employment provident fund for eligible employees. The fund is funded by contributions from the employees and the company. The assets of the fund are held and administered independently of the company's assets.

Statutory pension scheme

The Company also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions to this scheme are determined by local statute and are currently at KShs 200 per employee per month. The Company's contributions to the defined contribution schemes are charged to profit or loss as they fall due.

Leave

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave accrued at the reporting date.

(o) Provisions

General provisions

Provisions for liabilities are recognised when there is a present obligation (legal or constructive) resulting from a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the monetary value of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Onerous contracts

A provision is recognised for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceeds the economic benefits expected to be received under it. The unavoidable costs reflect the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

(p) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that **1.**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(p) Impairment of non-financial assets *(continued)*

reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the

Company makes an estimate of recoverable amount. A previous impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of accumulated depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss to the amount of an impairment already taken to profit or loss while the remainder will be a revaluation amount through other comprehensive income.

(q) Other financial liabilities and insurance contract liabilities

All financial liabilities are recognised initially at fair value of the consideration given plus the transaction cost with the exception of financial liabilities carried at fair value through profit or loss, which are initially recognised at fair value and the transaction costs are expensed in the profit or loss. Subsequently, all financial pension liabilities are carried at amortised cost using the effective interest method except for financial liabilities at fair value through profit or loss which are carried at fair value.

Trade and other liabilities are classified as financial liabilities and are carried at amortised cost.

Gains and losses on financial liabilities at amortised cost are recognised on derecognition and through the amortisation process. Gains and loss on financial liabilities at fair value through profit or loss are recognised in the profit or loss.

(r) Financial and insurance liabilities

Insurance contract liabilities and reinsurance liabilities

Insurance contract liabilities include the outstanding claims provision, the provision for incurred but not reported and the provision for premium deficiency.
The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. It is assumed that premiums are earned uniformly over the contract period. The company used the 1/365th method in computing this reserve. The 1/365th is a time apportionment method of premium whereby the unearned premium reserve is the aggregate of unearned premium calculated on a pro-rata basis, in respect of the premiums relating to the unexpired periods of the respective insurance policies at the end of the reporting period. These commissions are recognised over the period in which the related revenues are earned.

The estimate of the incurred claims that have not yet been reported to the Company (IBNR) is computed using the basic chain ladder method. The basic assumption using this method is that claims will emerge in a similar way in each development year.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(r) Financial and insurance liabilities *(continued)*

At each reporting date, an assessment is made to determine whether there is any overall excess of expected claims and deferred acquisition costs (DAC) over unearned premiums by using an existing liability adequacy test as laid out under the Kenyan Insurance Act. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the statement of profit or loss by setting up a provision for premium deficiency. Refer to note 38 for further information on insurance risk.

(s) Fair value measurement

The company measures financial instruments classified as financial assets at fair value through OCI and financial assets at fair value through profit or loss including investment properties at fair value at each reporting date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. External valuers are involved for valuation of significant assets, such as property and investment properties.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Fair value measurement *(continued)*

Involvement of external valuers is decided upon annually by the senior finance and investment manager who discusses the basis and assumptions with the valuer. This is then approved by the group Chief Finance Officer. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above Fair value related disclosures have been made in note 11 and note 39.

(t) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Date of recognition

Financial assets and liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them. With the exception of other receivables and amount due from related parties, which do not contain significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs

For a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(t) Financial instruments *(continued)*

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets to collect contractual cash flows;
  and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include, Cash and cash equivalents, Other assets, Fixed deposit, Deposits and commercial paper, Government securities, staff loans and Corporate bonds.

Financial assets at fair value through OCI (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling
  And
- he contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Company's financial assets classified as debt instruments at fair value through OCI, include Government securities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Financial instruments *(continued)*

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.
The company has designated its equity investments previously classified as available-for-sale as equity investments at FVOCI on the basis that these are not held for trading.

The Company's financial assets designated at fair value through OCI (equity instruments) is the unquoted equity investments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Financial assets at fair value through profit or loss comprise investment in collective investment scheme i.e. CIC Unit Trust and quoted equity investments.

Derecognition other than for substantial modification

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired
  Or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(t) Financial instruments *(continued)*

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

Derecognition due to substantial modification of terms and conditions

The company derecognises a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new instrument, with the difference recognised as derecognition gain or loss. When assessing whether or not to derecognise an instrument, amongst others, the Company considers the following factors: introduction of an equity feature, change in counterparty and if the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result into cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss.

Impairment of financial assets

Overview of ECL principles

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD. The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

EAD. The Exposure at Default is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(t) Financial instruments *(continued)*

LGC. The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD

When estimating the ECLs, the Company considers three scenarios (a base case, optimistic (upside) and pessimistic (downside). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Company has the legal right to call it earlier.

The company allocates its assets subject to ECL calculations into these categories determined as follows:
- 12MECL (Stage 1) -The 12mECL is calculated as the portion of the LTECL that represents the ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring within 12 months following the reporting date.
- LTECL (Stage 2)-This is recorded when a financial instrument has shown a significant increase in credit risk since origination.
- Impairment (Stage 3) -For debt instruments considered credit-impaired, the Company recognises the lifetime expected credit losses for these instruments.

Forward looking information

In its ECL models, the company relies on a broad range of forward looking information as economic inputs, such as:
- GDP Growth rate
- Central Bank Base rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. The Company did not provide detailed information on how the forecast economic conditions have been incorporated in the determination of ECL because the impact is not significant.

Write offs

Financial assets are written off either partially or in entirety only when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount Any subsequent recoveries are credited to credit loss expense. There were no write offs over the period reported in these financial statements.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(t) Financial instruments *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The company's financial liabilities include other payables, amounts due to related parties.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

The Company has no liabilities in this category and has not designated any.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to other payables and amount due to related parties

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Financial instruments *(continued)*

Derecognition

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amountisreported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. Income and expenses will not be offset in the profit or loss unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

(u) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investment comprising of fixed deposits with financial institutions with original maturities of three months or less and are subject to an insignificant risk of changes in value.

(v) Dividends

Dividends on ordinary shares are charged directly to equity in the period in which they are declared and approved. Dividends for the year that are approved after the reporting date are not recognised as a liability at the reporting date.

(w) Events after the reporting date.

If the Company receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Company will assess if the information affects the amounts that it recognises in the Company's financial statements. The Company will adjust the amounts recognised in its financial statements to reflect any adjusting events even after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Company will not change the amounts recognised in its financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable. The entity's owners have no power to amend the financial statement after issue.

(x) Share capital

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Incremental costs attributable to the issue or cancellation of equity instruments are recognised directly in equity, net of tax if applicable.

(y) Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(y) Current versus non-current classification *(continued)*

An asset is current when it is:
- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period
  Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
  Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting periods.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE COMPANY'S ACCOUNTING POLICIES

In the process of applying the accounting policies adopted by the Company, the directors make certain judgements and estimates that may affect the carrying values of assets and liabilities in the next financial period. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. The directors evaluate these at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available.

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the company. Such changes are reflected in the assumptions when they occur.

Premiums collected by intermediaries

Premiums collected by intermediaries (agents and brokers), but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE COMPANY'S ACCOUNTING POLICIES *(continued)*

Incurred but not reported claims (IBNR)

Estimates must be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the statement of financial position.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, as well as by significant business lines.Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. This amount is determined using actuarial rates based on the different classes as determined by the Kenya Insurance Regulatory Authority (note 31)

Impairment of financial assets

The company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. See note 39 or financial assets that are subject to impairment assessment.

Impairment of premium receivables

The Company reviews its individually significant balances at each reporting date to assess whether an impairment loss should be recorded in profit or loss. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Company makes judgements about the debtor's financial situation. These estimate to provide all debts over 120 days is based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance (note 22).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE COMPANY'S ACCOUNTING POLICIES *(continued)*

Operating lease commitments – Company as lessor

The Company has entered commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the asset, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Income taxes

The Company is subject to income taxes in Kenya. Significant judgement is required in determining the Company's provision for income taxes and to determine the amount of deferred tax assets that can be recognised, based on the likely timing and the level of future taxable profits together with future tax planning strategies. The Company uses judgement to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision is based on which approach provides better predictions of the resolution of the uncertainty. The Company assumes that the taxation authority will examine amounts reported to it and will have full knowledge of all relevant information when doing so. Where the Company concludes that it is probable that a particular tax treatment will be accepted, it determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. If the Company concludes that it is not probable that a particular tax treatment will be accepted, it uses the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

The method should be based on which method provides better predictions of the resolution of the uncertainty.

Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay'. The Company estimates the IBR using observable inputs (such as market interest rates).

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values as well as determining the category in which the financial instruments are classified in the fair value hierarchy. The judgements include considerations of inputs such as liquidity risk, credit risk and price volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 39 for further discussion.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE COMPANY'S ACCOUNTING POLICIES *(continued)*

Revaluation of property and investment properties

The Company carries certain classes of property and equipment at fair value, with changes in fair value being recognised in the other comprehensive income. Land and buildings were valued based on open market value by independent valuers, Crystal Valuers Limited. For investment properties valuation methodologies were used by reference to properties off similar nature location and condition among other factors which are highly judgemental.

Refer to note 10 and 11 where detailed assumptions have been disclosed.

Contingent liabilities

The Company is exposed to various contingent liabilities in the normal course of business including a number of legal cases. The Directors evaluate the status of these exposures on a regular basis to assess the probability of the Company incurring related liabilities. However, provisions are only made in the financial statements where, based on the Directors' evaluation, a present obligation has been established.

Judgement and assumptions are required in:
- assessing the existence of a present obligation (legal or constructive) as a result of a past event,
- assessing the probability that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- Estimating the amount of the obligation to be paid out.

Tax Assessment

The Kenya Revenue Authority (KRA) carried out a tax audit in the year and gave a tax assessment of KShs 44 million on account of excise duty. The company has objected to the assessment and the matter is at the Tax Appeals Tribunal. The management is of the opinion that the outcome of their appeal will be favourable hence no provision has been made for any tax liability that may arise from this assessment in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

3. PREMIUMS

	2019 KShs '000	2018 KShs '000
(a) Gross written premiums		
Medical	3,497,363	2,862,964
Motor	4,302,833	4,740,583
Fire	814,727	826,572
Engineering	436,209	223,527
Personal accident	253,888	277,941
Theft	595,043	506,909
Miscellaneous accident	174,307	186,693
Marine	99,087	113,042
Liability	86,433	98,665
Others (workmen compensation and micro-solutions)	394,200	373,237
	10,654,090	10,210,133

	2019 KShs '000	2018 KShs '000
(b) Gross earned premiums		
Medical	3,282,006	2,797,847
Motor	4,377,029	4,992,115
Fire	812,162	879,986
Engineering	382,543	304,361
Personal accident	261,820	300,608
Theft	567,288	493,054
Miscellaneous accident	186,064	219,447
Liability	91,235	119,250
Marine	98,900	169,498
Others (workmen compensation and micro-solutions)	406,909	394,852
	10,465,956	10,671,018

Reconciliation of Gross Written Premiums and Gross Earned Premiums

	2019 KShs '000	2018 KShs '000
Gross written premiums	10,654,090	10,210,133
Movement in Unearned Premium Reserve (note 32)	(188,134)	460,885
Gross earned premiums	10,465,956	10,671,018

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

3. PREMIUMS *(continued)*

(c) Reinsurance premium

Reinsurance premium comprise the total premiums for the whole cover provided by contracts entered and are recognised on the date on which the policy incepts.

	2019 KShs '000	2018 KShs '000
Medical	81,761	66,361
Motor	164,081	161,129
Fire	493,392	453,236
Engineering	346,562	146,477
Personal accident	56,255	65,119
Theft	170,480	33,066
Miscellaneous accident	196,077	201,175
Marine	16,001	47,387
Liability	23,000	36,183
Others (workmen compensation and micro-solutions)	47,661	49,067
Reinsurance share of increase / decrease in UPR* (note 32)	(129,824)	274,944
	1,465,446	1,534,144

*UPR – Unearned Premium Reserve

4. (a) COMMISSION INCOME

	2019 KShs '000	2018 KShs '000
Engineering	102,956	50,993
Fire	218,941	165,479
Liability	5,134	6,593
Marine	6,996	12,424
Miscellaneous	62,500	34,880
Personal accident	11,904	5,005
Theft	33,148	3,995
Workmen's compensation	3,798	2,721
	445,377	282,090

(b) COMMISSIONS EXPENSE

	2019 KShs '000	2018 KShs '000
Engineering	64,651	59,012
Fire	193,419	209,888
Liability	17,267	32,697
Medical	302,522	241,740
Motor	547,717	613,976
Marine	17,877	23,613
Miscellaneous	19,267	27,784
Theft	99,350	91,659
Personal accident	49,665	56,977
Workmen's compensation	78,356	72,267
	1,390,091	1,429,613

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

5. INVESTMENT INCOME

	2019 KShs '000	2018 KShs '000
(a) Interest revenue calculated using the effective interest method		
Interest on financial assets at amortised cost – debt instruments	86,117	74,756
Interest on financial assets at amortised cost - corporate bonds	1,556	-
Interest income from deposits and commercial papers	9,175	7,949
Interest on bank deposits	248,352	270,657
Amortisation of financial assets at amortised cost	2,291	2,279
Interest on financial assets at fair value through other comprehensive income – debt instruments	193,004	224,213
Interest on staff loan receivables	5,465	8,401
	545,960	588,255
(b) Other investment income		
Rental income from Investment properties	135,724	164,170
Fair value loss realised on reclassification of government securities in prior periods	-	(11,222)
Dividend income	23,994	26,131
	159,718	179,079
Total investment income	705,678	767,334
Investment income earned on financial assets, analysed by category of asset is as follows:		
Financial assets at fair value through profit or loss	25,550	26,127
Financial assets at amortised cost	351,400	364,042
Financial assets at fair value through other comprehensive income	193,004	212,991
Investment Income earned on non-financial assets	135,724	164,174
Total investment income	705,678	767,334

6. OTHER GAINS AND LOSSES

	2019	2018
Revaluation gains on buildings (note 10)	5,854	1,260
Fair value gains on investment properties (note 11)	-	14,000
Fair value gains/(loss) on quoted equity investments at fair value through profit or loss (note 19)	41,747	(129,482)
Gain on disposal of property and equipment	-	2,167
Fair value gain /(loss) from investments in collective investment schemes (note 21)	30,261	(200)
Miscellaneous income*	14,284	13,623
	92,146	(98,632)

*Miscellaneous income includes medical administration fees, sale of scraps, and sale of tenders.

7. CLAIMS AND POLICYHOLDERS BENEFITS EXPENSES

	2019 KShs '000	2018 KShs '000
Claims and policyholders benefits payable:		
Gross benefits and claims paid	6,752,241	6,855,168
Claims ceded to reinsurers	(400,577)	(953,110)
Gross change in insurance contract liabilities	254,836	240,711
Change in contract liabilities ceded to reinsurers	(134,400)	(119,310)
	6,472,100	6,023,459

The claims were majorly attributed to two classes that is motor private and motor commercial at 52 % (2018:54%) and Medical claims at 39% (2018:34%) of the total claims of the company.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

8. (a) OPERATING AND OTHER EXPENSES

The following items have been charged in arriving at profit before taxation:

	2019 KShs '000	2018 KShs '000
Staff costs (note 8 (b))	1,022,811	972,836
Auditor's remuneration	5,100	5,000
Directors' fees	21,136	18,092
Directors' emoluments	28,854	20,859
Depreciation of property and equipment (note 10a)	83,054	69,301
Depreciation on the right of use (note 10b)	31,342	-
Amortisation of intangible assets (note 12)	14,106	17,712
Impairment charge for doubtful premium receivables	57,185	64,645
Premium tax	105,236	94,846
Staff welfare	184,372	233,884
Utilities	169,106	179,490
Printing and stationery	38,865	43,073
Sales promotion	19,130	11,706
Business advertising and promotion	106,303	113,836
Professional fees	111,254	103,304
Statutory returns	26,014	25,173
Leave expenses	4,090	2,743
Other expenses*	10,401	25,143
	2,038,359	2,001,643

*Other expenses relate to tender costs, postage, donations, entertainment, purchase of newspapers and journals, and other general expenses.

(b) STAFF COSTS

Staff costs include the following:

	2019 KShs '000	2018 KShs '000
- Salaries	946,857	902,435
- Pension costs	62,200	57,183
- Leave pay	13,754	13,218
	1,022,811	972,836

(c) EXPECTED CREDIT LOSSES:

	2019	2018
- Corporate bonds	(611)	(6)
- Deposit and commercial papers	9	99
- Deposit of financial instruments	(7,761)	2,061
- Due from related party	2,683	444
- Loans receivables	(3,799)	(631)
- Other receivables	(89)	915
	(9,568)	2,882

(d) PROFIT BEFORE TAX

The profit before tax is stated after charging:

	2019	2018
Depreciation on property and equipment	83,055	69,301
Amortization of intangible assets	14,106	5,000
Auditor's Remuneration	5,100	17,712
Staff costs	1,022,811	972,836
Provision for doubtful premium receivables	57,185	64,645

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

9. TAXATION

	2019 KShs '000	2018 KShs '000
(a) Statement of profit or loss		
Current tax on taxable income at 30% (2018:30%)	117,342	272,113
Prior year under provision	-	(9,400)
Deferred tax credit (note 13)	(55,830)	(12,934)
	61,512	249,779
(b) Reconciliation of taxation expense to tax on accounting profit		
Profit before taxation	339,622	630,069
Tax calculated at a tax rate of 30% (2018:30%)	101,887	189,021
Tax effect of expenses not deductible for tax*	16,484	130,420
Tax effect of income not subject for tax**	(30,557)	(60,262)
Prior year under/(credit)provision	-	(9,400)
Prior year over provision on deferred tax	(26,302)	
Taxation charge for the year	61,512	249,779

**These expenses are valuation fees, fringe benefit tax, excess pension contributions, loss on valuation of shares etc.*
*** These incomes are dividend income and interest on infrastructure bond.*

The effective income tax rate is 18% (2018: 40%).

	2019 KShs '000	2018 KShs '000
(c) Statement of financial position		
At 1 January	22,788	77,922
Current tax charge for the year	117,342	272,113
Paid during the year	(326,348)	(317,847)
Prior year under provision	-	(9,400)
Income tax (receivable) / payable	(186,218)	22,788

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

10. PROPERTY AND EQUIPMENT

2018	Building CIC Plaza II KShs '000	Motor vehicles KShs '000	Computers KShs '000	Furniture, fittings and equipment KShs '000	Total KShs '000
COST OR VALUATION					
At 1 January 2018	234,000	11,912	79,042	443,933	768,887
Additions	4,881	-	6,757	13,678	25,316
Elimination on revaluation	(6,141)	-	-	-	(6,141)
Elimination on disposal	-	(9,903)	-	-	(9,903)
Revaluation gain*(note 6)	1,260	-	-	-	1,260
At 31 December 2018	234,000	2,009	85,799	457,611	779,419
ACCUMULATED DEPRECIATION					
At 1 January 2018	-	11,912	70,956	233,498	316,366
Elimination on disposal	-	(9,903)	-	-	(9,903)
Charge for the year	6,141	-	5,750	57,410	69,301
Elimination on Revaluation	(6,141)	-	-	-	(6,141)
At 31 December 2018	-	2,009	76,706	290,908	369,623
CARRYING AMOUNT					
At 31 December 2018	234,000	-	9,093	166,703	409,796
2019					
COST OR VALUATION					
At 1 January 2019	234,000	2,009	85,799	457,611	779,419
Additions	-	259	6,122	13,252	19,633
Elimination on revaluation	(5,854)		-	-	(5,854)
Revaluation gain*(note 6)	5,854	-	-	-	5,854
At 31 DECEMBER 2019	234,000	2,268	91,921	470,863	799,052
ACCUMULATED DEPRECIATION					
At 1 January 2019	-	2,009	76,706	290,908	369,623
Charge for the year	5,854	59	5,782	71,359	83,054
Elimination on Revaluation	(5,854)	-	-	-	(5,854)
At 31 DECEMBER 2019	-	2,068	82,488	362,267	446,823
CARRYING AMOUNT					
At 31 DECEMBER 2019	234,000	200	9,433	108,596	352,229

**As at 31 December 2019 the company had accumulated revaluation losses which had been posted in the profit or loss amounting to 14 Million, the gains at the end of the year therefore have been posted in the profit or loss to offset the previously recognised losses. The valuation was conducted by an independent valuer.*
No property and equipment were pledged as security or held under lien.

The Fairvalue disclosures for the measurement of the building has been disclosed in note 39.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

10. (b) IFRS 16 LEASES

The Company's leases include Office space. The leases typically run for a period of 6 years to 15 years, with an option to renew the lease after that date. Lease payments have an escalating clause to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. Previously, these leases were classified as operating leases under IAS 17.

Information about leases for which the Company is a lessee is presented below.

	2019 KShs'000
Right of Use asset	
At 1 January 2019	110,973
Depreciation	(31,342)
At 31 December 2019	79,631
Lease liability	
At 1 January 2019	110,973
Accretion of interest	13,107
Rent Paid	(32,509)
At 31December 2019	91,571
Amounts recognised in profit or loss	KShs'000
2019 – Leases under IFRS 16	
Interest on lease liabilities	13,107
Depreciation expense	31,342
Amounts recognised in cash flows from financing activities	
Payment of principal of lease liabilities	19,402
Payment of interest	13,107
Total cash outflow for leases	

Lease liability maturity analysis

2019

	Due on demand KShs '000	Due within 3 months KShs '000	Due between 3 and 12 months KShs '000	Due between 1 and 5 years KShs '000	Due after 5 years KShs '000	Total KShs '000
Lease liabilities	-	8,869	23,771	82,043	-	114,683

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

11. INVESTMENT PROPERTIES

	CIC Plaza II KShs'000	Kajiado Land KShs'000	TOTAL KShs'000
2018			
At 1 January	936,000	652,000	1,588,000
Fair value gain (note 6)	-	14,000	14,000
At 31 December	936,000	666,000	1,602,000
2019			
At 1 January	936,000	666,000	1,602,000
At 31 December	936,000	666,000	1,602,000

There are no contractual commitments in respect of the investment properties.
Net rental income on CIC Plaza 2 arising from operating lease arrangements has been disclosed in note 5 to the financial statements.

CIC Plaza II was revalued on 31 December 2019 by registered valuers, Crystal Valuers Limited, on the basis of open market value. Crystal Valuers Limited are industry specialists in valuing these types of investment properties. In arriving at the value of the investment properties, the valuer used capitalization of the rental income using the year purchase method. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

Generally, a change in the assumption made for the estimated rental value is accompanied by:
i) a directionally similar change in the rent growth per annum and discount rate (and exit yield)
ii) an opposite change in the long-term vacancy rate

Description of valuation techniques used and key inputs to valuation on investment properties:

Valuation technique	Significant unobservable Inputs	Average
Capitalized rent income (year purchase) method		
	Net annual rent	145,392,976
	Annual rent growth rate	7%
	Discounting rate	13%

Considering the physical economic parameters in the country and the trends in property markets, management is of the opinion that there will not be significant change in the inputs to the valuation method during the year. Valuations are performed on an annual basis and the fair value gains and losses are recorded within the profit or loss. The fair valuation basis takes into account the existing use and the tenancies and also considers the normal lease structure for similar buildings.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

11. INVESTMENT PROPERTIES *(continued)*

Considering the physical economic parameters in the country and the trends in property markets, stagnated management is of the opinion that there will be no significant changes in the inputs to the valuation method during the year. Valuations are performed on an annual basis There were no gain or losses arising from the valuation. In 2018 the fair value gains were recorded within the profit or loss. The fair valuation basis takes into account the existing use and the tenancies and also considers the normal lease structure for similar buildings.

On the other hand, Kajiado plots are based on market value that is price at which an interest in a property might reasonably be expected to be sold by a private treaty at the date of valuation assuming:

a). willing buyer, willing seller;
b). a reasonable period within which to negotiate the sale by taking into account the nature of the property;
c). values will remain static throughout the period;
d). the property will be freely exposed to the market within reasonable publicity;

The rental income earned from the investment property has been disclosed in noted 5. The tenants significantly incur costs for maintenance for the rented property. The company have entered into operating lease arrangements. The fair value disclosures have been made in note 37.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

12. INTANGIBLE ASSETS

	2019 Computer Software KShs '000	Work in progress KShs '000	Total KShs '000
COST			
At 1 January	111,486	78,656	190,142
Additions	485	11,681	12,166
Work in Progress			
At 31 December	111,971	90,337	202,308
ACCUMULATED ARMORTISATION			
At January	82,353	-	82,353
Charge for the year	14,106	-	14,106
At 31 December	96,459	-	96,459
CARRYING AMOUNT			
At 31 December	15,512	90,337	105,849

	2018 Computer Software KShs '000	Work in progress KShs '000	Total KShs '000
COST			
At 1 January	108,702	-	108,702
Additions	2,784	78,656	81,440
Work in Progress			
At 31 December	111,486	78,656	190,142
ACCUMULATED ARMORTISATION			
At January	64,641	-	64,641
Charge for the year	17,712	-	17,712
At 31 December	82,353	-	82,353
CARRYING AMOUNT			
At 31 December	29,133	78,656	107,789

The intangible assets relate to costs incurred in the acquisition of software in use by the company. The cost is amortised on a straight-line basis over the estimated useful lives of four years.

13. DEFERRED TAXATION

	2019 KShs'000	2018 KShs'000
Accelerated capital allowance on motor vehicles and equipment	50,650	32,778
Provision for doubtful premium receivables	394,805	377,649
Allowance for expected credit losses	24,283	865
Accrued leave provision	9,083	7,857
Gratuity provision	9,785	13,526
Deferred tax on valuation investment property	(27,718)	(27,617)
Net deferred tax asset	460,888	405,058
The movement in the deferred tax account is as follows:		
At 1 January	405,058	392,124
Deferred tax credit (note 9 (a))	55,830	12,934
At 31 December	460,888	405,058

** Deferred tax gratuity has been included in the financial statements for the first time in the year.*
Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2017: 30%).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

14. FINANCIAL ASSETS AT AMORTISED COST - CORPORATE BONDS

The credit quality of each corporate bond is assessed and is acceptable within the parameters used to measure and monitor credit risk.

	2019 KShs '000	2018 KShs '000
ABC Bank Limited	-	51,036
Housing Finance Company of Kenya	-	11,610
Centum Limited	64,914	64,873
Chase Bank Limited	-	72,882
Family Bank Limited	10,267	10,264
Kenya Electricity Generating Company Limited	-	1,277
East Africa Breweries Limited	21,957	21,949
Allowance for expected credit losses on adoption of IFRS 9		(73,693)
Allowance for expected credit loss	(193)	6
	96,945	160,204
Maturity analysis:		
Maturing within three months	-	-
Maturing after 3 months	96,945	160,204
At 31 December	96,945	160,204
The movement in the corporate bonds is as follows:		
At 1 January	160,204	235,151
Maturities	(65,427)	(1,260)
Allowance for expected credit loss (note 8(c))	611	6
Accrued interest on corporate bonds	1,557	-
Allowance for expected credit losses on adoption of IFRS 9	-	(73,693)
At 31 December	96,945	160,204

Refer to note 39 for fair value disclosures.

15. GOVERNMENT SECURITIES CLASSIFIED AT AMORTISED COST

	2019	2018
At 1 January	738,625	736,346
Maturities	(20,000)	-
Discount / Amortisation	2,291	2,279
At 31 December	720,916	738,625
Government securities maturing		
Within 1 year	-	20,005
In 1-5 years	414,063	412,794
In over 5 years	306,853	305,826
At 31 December	720,916	738,625

Government securities at amortised cost of KShs 720.9 million (2018 - KShs 738.6 million) relates to treasury bonds held by the Central Bank of Kenya under lien to the Commissioner of Insurance in accordance with the Kenyan Insurance Act. Refer to note 39 for fair value disclosures.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

16. FINANCIAL ASSETS AT AMORTISED - LOANS RECEIVABLE

The loans refer to loans given to staff and have collateral held on them, on resignation, the credit quality of each loan is assessed and is acceptable within the parameters used to measure and monitor credit risk.

	2019 KShs '000	2018 KShs '000
Mortgage loans:		
At 1 January	68,848	162,381
Allowance for expected credit loss on mortgage loans	(881)	(3,565)
Repayments in the year	(22,970)	(89,968)
At 31 December	44,997	68,848
Maturity profile of mortgage loans:		
Within 1 year	149	10
In 1-5 years	7,101	6,167
In over 5 years	37,747	62,671
	44,997	68,848
Other staff loans:		
At 1 January	38,648	94,764
Repayment in the year	(21,604)	(65,070)
Allowance for expected credit loss on other loans (Note 8 (c)	(1,520)	631
Allowance for expected credit losses on adoption of IFRS 9	-	(3,266)
Impairment of Staff Loans	-	11,589
At 31 December	15,524	38,648
Maturity profile of other loans:		
Within 1 year	392	1,502
In 1-5 years	8,256	10,621
In over 5 years	6,876	26,525
	15,524	38,648
Total	60,521	107,496

An analysis of changes in the gross carrying amount and corresponding ECL allowances debt instruments at fair value through OCI and at amortised cost has been disclosed in note 38(b).

Refer to note 39 for fair value disclosures.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

16. FINANCIAL ASSETS AT AMORTISED - LOANS RECEIVABLE *(continued)*

The following table shows the maximum exposure to credit risk by of staff loans, the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk:

		Fair value of collateral and credit enhancements held			
	Maximum exposure to credit risk	Property	Total collateral	Net exposure	ECLs
31 December 2019 In KShs					
	45,878	75,338	75,338	(29,460)	881
Mortgage loans	17,044	33,866	33,866	(16,822)	1,520
Other Loans	62,922	109,204	109,204	(46,282)	2,401

The property is charged on the company and it's able to sell the property in case of default. Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement. In its normal course of business, the company does not physically repossess properties or other assets in its portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – GOVERNMENT SECURITIES

	2019 KShs '000	2018 KShs '000
At 1 January	1,510,681	2,002,476
Additions	200,000	155,560
Disposal	-	(686,740)
Fair value loss realised on reclassification	-	(11,222)
Fair value gain *	27,117	50,607
At 31 December	1,737,798	1,510,681
Government securities maturity analysis		
In 1-5 years	-	-
In over 5 years	1,737,798	1,510,681
At 31 December	1,737,798	1,510,681

An analysis of changes in the gross carrying amount and corresponding ECL allowances debt instruments at fair value through OCI and at amortised cost has been disclosed in note 37(b). Refer to note 39 for fair value disclosures.

** The gains or losses are not taxable.*

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI – UNQUOTED EQUITY INVESTMENTS

	2019 KShs '000	2018 KShs '000
Shares held in Co-op Holding Co-operative Society Limited	20,236	18,212
The movement in the investments is as follows:		
At 1 January	18,212	20,449
Fair value gain / (loss)*	2,024	(2,237)
At 31 December	20,236	18,212

The shares held in Co-op Holding Co-operative Society Limited were acquired before the initial public offer (IPO) in 2009 and are not listed at the Nairobi Securities Exchange Limited (NSE). These shares are not available to the public market, they can only be sold to other members of the Co-operative entity at a specified agreed value. Thus, the agreed price represents the exit price for these shares. They are to be valued at the higher of 60% of the average of the month's quoted Co-operative Bank of Kenya Limited shares at the Nairobi Securities Exchange Limited or KShs 9.50 per shareholders agreement. In the current year the shares have been valued at KShs 9.50 which approximates the fair value. In 2019, the Company received NIL dividends from its FVOCI equities. The company did not dispose of or derecognise any FVOCI equity instruments in 2019.

** The gains or losses are not taxable.*

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - QOUTED EQUITY INSTRUMENTS

	2019 KShs '000	2018 KShs '000
At 1 January	512,492	581,231
Additions during the year	54,169	62,365
Disposals	(107,628)	(1,622)
Fair value gain /(loss) (note 6)	41,747	(129,482)
At 31 December	500,780	512,492

At the reporting date, these are valued at the closing price at the Nairobi Securities Exchange on the last day of trading in the year. Refer to note 39 for fair value disclosures.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

20. FINANCIAL ASSETS AT AMORTISED COST- DEPOSITS AND COMMERCIAL PAPERS

	2019 KShs '000	2018 KShs '000
DEPOSITS		
CIC Society Limited	12,229	13,818
COMMERCIAL PAPERS		
Crown Paints Kenya PLC	66,746	40,518
Longhorn Publishers Limited	-	22,840
Allowance for expected credit loss on commercial papers on adoption of IFRS 9	-	(287)
Allowance for expected credit loss on commercial papers	(395)	(99)
	78,580	76,790
Maturity analysis:		
Maturing within three months	-	22,840
Maturing after 3 months	78,975	54,336
Allowance for expected credit loss on commercial papers on adoption of IFRS 9	-	(287)
Allowance for expected credit loss on commercial papers	(395)	(99)
Total deposits and commercial papers	78,580	76,790
Movement:		
At 1 January	76,790	310,245
Additions	131,600	20,000
Maturities	(131,547)	(5,729)
Interest on deposits and commercial papers	1,746	7,949
Transfer to Investments in collective investment schemes	-	(255,289)
Allowance for expected credit loss on commercial papers on adoption of IFRS 9	-	(287)
Allowance for expected credit loss on commercial papers (Note 8 (c))	(9)	(99)
At 31 December	78,580	76,790

An analysis of changes in the gross carrying amount and corresponding ECL allowances in due from related parties has been disclosed in note 38(b). Refer to note 39 for fair value disclosures.

21. INVESTMENTS IN COLLECTIVE INVESTMENT SCHEMES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 KShs '000	2018 KShs '000
At 1 January	172,070	-
Reclassification on adoption of IFRS 9	-	255,289
Additions	862,346	298,982
Maturities	(891,175)	(382,001)
Fair value gain / (loss) on investments in collective investment schemes	30,261	(200)
At 31 December	173,502	172,070

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

22. (a) RECEIVABLES ARISING OUT OF DIRECT INSURANCE ARRANGEMENTS

Receivables arising out of direct insurance arrangements relate to premiums earned which had not been received as a result of risks underwritten as at the reporting date. The carrying amounts approximates the fair values.

	2019 KShs'000	2018 KShs'000
At 1 January	1,202,581	1,185,422
Gross written premiums	10,654,093	10,210,133
Provision for doubtful receivables	(1,316,016)	(1,258,831)
Payments received	(9,208,917)	(8,934,143)
At 31 December	1,331,741	1,202,581
Past due but not impaired		
1-30 Days	459,583	305,913
31-60 Days	451,131	313,252
61-90 Days	261,121	241,319
91-120 Days	159,906	342,097
	1,331,741	1,202,581
At 1 January	1,258,831	1,194,186
Increase in Provisions	57,185	64,645
At 31 December	1,316,016	1,258,831

(b) RECEIVABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

Receivables arising out of reinsurance arrangements relate to premiums ceded, commission receivable, claims payment and recoveries which had not been recovered from reinsurers as at the reporting date. The carrying amounts approximates the fair values.

	2019 KShs'000	2018 KShs'000
At 1 January	1,132,038	954,407
Increase in claims paid that have reinsurance recoveries	269,735	373,263
Reinsurance recoveries receipts	(251,209)	(195,632)
At 31 December	1,150,564	1,132,038
Past due but not impaired		
1-30 Days	313,375	111,785
31-60 Days	124,065	171,068
61-90 Days	104,751	226,588
91-120 Days	608,463	622,597
	1,150,564	1,132,038

(c) PAYABLES ARISING FROM REINSURANCE ARRANGEMENTS AND INSURANCE BODIES

Payables arising out of reinsurance arrangements relate to premiums ceded, which had not been paid to reinsurers as at the reporting date.

	2019 KShs'000	2018 KShs'000
1 January	40,106	45,903
Increase / (decrease) in reinsurance payables	44,503	(5,797)
31 December	84,609	40,106

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

23. REINSURERS' SHARE OF INSURANCE LIABILITIES AND RESERVES

Reinsurers' share of:	2019 KShs '000	2018 KShs '000
- insurance contract liabilities (note 31)	894,351	1,054,279
- unearned premium and unexpired risks (note 32)	577,730	447,906
	1,472,081	1,502,185

Amounts due from reinsurers in respect of claims already paid by the company on contracts that are reinsured are included in receivables arising out of reinsurance arrangements in the Statement of Financial Position. Movements in the above reinsurance assets are shown in note 31.

24. DEFERRED ACQUISITION COSTS

	2019 KShs '000	2018 KShs '000
At 1 January	466,327	556,650
New acquisition costs	387,930	122,127
Amortisation charge	(367,590)	(212,449)
At 31 December	486,667	466,328

Deferred acquisition costs relate to insurance contracts as explained in note 3(f).

25. OTHER RECEIVABLES

	2019 KShs '000	2018 KShs '000
Staff advances	9,938	11,986
Prepayments	-	2,940
Medical fund administration scheme	-	34,736
Rent receivable	46,025	45,444
Other receivables	21,854	28,277
Allowance for expected credit loss on other receivables on adoption of IFRS 9	-	(247)
Allowance for expected credit loss on other receivables	(1,073)	(915)
	76,744	122,221

An analysis of changes in the gross carrying amount and corresponding ECL allowances in due from related parties has been disclosed in note 38(b).

The carrying amounts of the other receivables approximate their fair values.

26. RELATED PARTY BALANCES

The company is a subsidiary of CIC Insurance Group PLC, incorporated in Kenya, which owns 100% shares of the company. The ultimate parent company is Co-operative Insurance Society Limited. CIC Asset Management Limited, CIC Life Assurance Limited and CIC General Insurance Limited are related through common shareholding. The provisions for expected credit losses made on related party balances during the year was Kshs. 3 million (2018: 462,000). The amounts due from related parties are non- interest bearing and the balances are not secured. The Managing Director is entitled to a gratuity of 25% of the basic salary. There were no commitments made between the company and any related party.

The following are transactions and outstanding balances with the related parties as at 31 December.

		2019 KShs '000	2018 KShs '000
(a)	Transactions with related parties *		
(i)	Receipts from related parties		
	CIC Insurance Group PLC	1,732,680	1,567,470
	CIC Life assurance Limited	248,072	353,293
	CIC Asset Management Limited	159,422	172,910
		2,140,174	2,093,673
(ii)	Payments to related parties		
	CIC Insurance Group PLC	1,805,061	1,737,526
	CIC Life Assurance Limited	284,203	321,742
	CIC Asset Management Limited	161,702	176,236
		2,250,966	2,235,504

** In helping to reduce the administration burden there will be situations where one entity will pay expenses or receive premiums on behalf of its sister entities or subsidiaries. These transactions therefore relate to the receipts to and payments from related parties to reimburse the entity paying on behalf of the others or allocating the premiums received by the entity on behalf of the others. The payments lease rentals for land with the plaza 11 has been built on as well as for spaces in plaza 11 occupied by other subsidiaries and the holding company. Further, the company has placed an amount under lien amounting KShs 200 million and a corporate guarantee of the same amount as a collateral for the loan issued to the parent company.*

		2019	2018
(b)	Due from:		
	CIC Life Assurance Limited	-	6,740
	CIC Asset Management Limited	5,139	2,859
	CIC Insurance Group PLC	81,124	8,743
	Allowance for expected credit loss on related party balances on adoption of IFRS 9	-	(18)
	Allowance for expected credit loss on related party balances	(3,145)	(444)
		83,118	17,880
	Due to:		
	CIC Life Assurance Limited	29,391	-
		29,391	-

An analysis of changes in the gross carrying amount and corresponding ECL allowances in due from related parties has been disclosed in note 38(b).
The carrying amounts of the related party balances approximates their fair values.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

26. RELATED PARTY BALANCES *(continued)*

(c) Loans to directors of the company

The company did not advance loans to its directors in 2019 (2018: Nil).

(d) Intercompany Loans

The company advanced KShs.700 million to CIC Insurance Group PLC the parent company at an interest rate of 12.5% repayment period 1 year. The loan has a collateral of share pledges for CIC Africa Insurance (SS) Limited, CIC Africa Uganda Limited & CIC Africa cooperatives Malawi Limited.

(e) Key management remuneration

The remuneration of directors and other members of key management during the year were as follows:	2019 KShs '000	2018 KShs '000
Short-term employment benefits:		
Directors 'emoluments – fees	29,970	30,610
Leave allowance	1,354	1,310
Salary	74,709	114,152
Car allowance	10,695	4,635
National Social Security Fund (NSSF)	27	30
Gratuity	26,068	-
Pension contribution	6,417	8,420
	149,240	159,157

27. DEPOSITS WITH FINANCIAL INSTITUTIONS

	2019 KShs '000	2018 KShs '000
The Co-operative Bank of Kenya Limited	862,748	1,458,373
Credit Bank Limited	75,764	73,366
Gulf African Bank Limited	-	63,310
United Bank of Africa (Kenya) Limited	-	53,319
Victoria Commercial Bank Limited	-	56,677
NCBA Bank Limited	26,426	109,722
Kenya Women Microfinance Bank Limited (KWFT)	-	52,522
Family bank	71,518	-
I & M Bank Limited	10,292	-
KCB Bank Kenya Limited*	559,297	521,825
Allowance for expected credit loss on deposits on adoption of IFRS 9	-	(6,592)
Allowance for expected credit Loss on deposits	(892)	(2,061)
	1,605,153	2,380,461
Maturity analysis:		
Maturing within three months	96,885	1,118,393
Maturing after 3 months	1,509,160	1,270,721
Allowance for expected credit loss on deposits on adoption of IFRS 9	-	(6,592)
Allowance for expected credit loss on deposits	(892)	(2,061)
	1,605,153	2,380,461

** With the exception of deposits with KCB Bank Limited, which are held as collateral for staff loans, all the other deposits are available for use by the Company and have no lien conditions attached to them. The weighted average interest rate earned on the deposits during the year was 2.5 % (2018 - 2.5%).*

The carrying amounts of the fixed deposits approximates their fair values.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

28. WEIGHTED AVERAGE EFFECTIVE INTEREST RATES

The table below summarises the weighted average effective interest rates realised during the year on the principal interest-bearing investments:

	2019 %	2018 %
Government securities	12.80	12.75
Corporate bonds	12.50	12.50
Mortgage loans	6	6
Deposits with financial institutions	10.50	10.50

29. SHARE CAPITAL

	31 December 2019		31 December 2018	
	Number of shares (in '000)	Share Capital KShs '000	Number of shares (in'000)	Share capital KShs '000
Authorised ordinary shares of KShs 20 each:				
At 1 January and at 31 December	100,000	2,000,000	100,000	2,000,000
Issued and fully paid up share capital:				
At 1 January and at 31 December	85,000	1,700,000	85,000	1,700,000

30. (a) FAIR VALUE DEFICIT

The fair value reserve represents fair value gains/(loss) arising from financial assets at fair value through other comprehensive income and is not distributable as dividends.

(b) RETAINED EARNINGS

The retained earnings balance represents the amount available for distribution as dividend to the shareholders.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

31. INSURANCE CONTRACTS LIABILITIES

Gross claims reported, claims handling expense liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation. The expected recoveries at the end of 2018 and 2019 are not material.

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

2019

Accident Year	2015 KShs'000'	2016 KShs'000'	2017 KShs'000'	2018 KShs'000'	2019 KShs'000'	Total KShs'000'
Estimated ultimate claims cost						
at end of accident year	4,538,520	5,855,649	4,568,583	4,647,470	4,551,459	24,161,681
one year later	5,969,581	6,628,190	6,195,376	6,004,479	-	24,797,625
two years later	6,563,367	6,915,435	6,560,827	-	-	20,039,629
three years later	6,780,597	7,148,030	-	-	-	13,928,627
four years later	7,379,882	-	-	-	-	7,379,882
Current estimate of cumulative claims	7,379,882	7,148,030	6,560,827	6,004,479	4,551,459	31,644,677
Less: cumulative payments to date	(6,558,778)	(6,782,286)	(6,014,925)	(5,470,277)	(3,860,097)	(28,686,363)
Gross outstanding claims notified provision	821,104	365,744	545,902	534,202	691,362	2,958,314
Liability incurred but not reported claims	-	-	-	-	1,650,118	1,650,118
Total gross claims liabilities included in statement of financial position	-	-	-	-	-	4,608,432

IBNR claims expense is determined in line with the minimum rates as prescribed by the Kenya Insurance Regulatory Authority

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

31. INSURANCE CONTRACTS LIABILITIES *(continued)*

2018

Accident Year	2014 KShs'000'	2015 KShs'000'	2016 KShs'000'	2017 KShs'000'	2018 KShs'000'	Total KShs'000'
Estimated ultimate claims cost						
at end of accident year	4,410,961	4,372,655	5,855,649	4,568,583	4,647,470	24,021,182
one year later	4,738,575	5,969,581	6,628,190	6,195,376	-	23,531,721
two years later	6,348,218	6,563,367	6,915,435	-	-	19,827,020
three years later	6,399,196	6,780,597	-	-	-	13,179,793
four years later	6,889,835	-	-	-	-	6,889,835
Current estimate of cumulative claims	6,889,835	6,780,597	6,915,435	6,195,376	4,647,470	31,428,712
Less: cumulative payments to date	(6,456,534)	(6,060,679)	(6,434,601)	(5,517,236)	(3,921,603)	(28,390,654)
	433,301	719,918	480,834	678,140	725,867	3,038,058
Liability incurred but not reported claims	-	-	-	-	-	1,315,708
Total gross claims liabilities included in statement of financial position	-	-	-	-	-	4,353,766

IBNR claims expense is determined in line with the minimum rates as prescribed by the Kenyan Insurance Regulatory Authority

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

31. INSURANCE CONTRACT *(continued)*

Net claims reported, claims handling expense liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation. The expected recoveries at the end of 2018 and 2019 are not material.

2019

Accident Year	2015 KShs'000'	2016 KShs'000'	2017 KShs'000'	2018 KShs'000'	2019 KShs'000'	Total KShs'000'
Estimated ultimate claims cost at end of accident year	3,474,145	4,327,873	3,463,691	3,714,976	3,834,663	18,815,348
One year later	4,569,594	4,898,853	4,697,051	4,799,707	-	18,965,205
Two years later	5,024,125	5,111,155	4,974,119	-	-	15,109,399
Three years later	5,190,410	5,283,064	-	-	-	10,473,474
Four years later	5,649,151	-	-	-	-	5,649,151
Current estimate of cumulative claims	5,649,151	5,283,064	4,974,119	4,799,707	3,834,663	24,540,704
Less: cumulative payments to date	(5,219,024)	(5,013,487)	(4,597,718)	(4,398,664)	(3,247,848)	(22,476,741)
	430,127	269,577	376,401	401,043	586,815	2,063,963
Liability incurred but not reported claims	-	-	-	-	1,650,118	1,650,118
Total gross claims liabilities included in statement of financial position	-	-	-	-	-	3,714,081

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

31. INSURANCE CONTRACT LIABILITIES *(continued)*

Net claims reported, claims handling expense liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation. The expected recoveries at the end of 2017 and 2018 are not material.

2018

Accident Year	2014 KShs'000'	2015 KShs'000'	2016 KShs'000'	2017 KShs'000'	2018 KShs'000'	Total KShs'000'
Estimated ultimate claims cost at end of accident year	4,834,742	4,657,587	3,286,055	4,492,266	3,755,396	21,026,046
One year later	345,987	389,403	260,047	285,075	-	1,280,512
Two years later	31,155	57,013	48,319	-	-	136,487
Three years later	14,104	23,175	-	-	-	37,279
Four years Later	3,819	-	-	-	-	3,819
Current estimate of cumulative claims	5,229,807	5,127,178	3,594,421	4,777,341	3,755,396	22,484,143
Less: cumulative payments to date	(5,091,725)	(4,641,046)	(3,271,690)	(4,319,468)	(3,176,434)	(20,500,363)
	138,082	486,132	322,731	457,873	578,962	1,983,780
Liability incurred but not reported claims	-	-	-	-	-	1,315,707
Total gross claims liabilities included in statement of financial position	-	-	-	-	-	3,299,487

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

31. INSURANCE CONTRACT LIABILITIES *(continued)*

	2019 KShs '000	2018 KShs '000
Claims reported and claims handling expenses:		
At 1 January	3,299,487	3,177,913
Claims incurred in the year	6,472,105	6,023,632
Payments for claims and claims handling expenses	(6,057,511)	(5,902,058)
At 31 December	3,714,081	3,299,487
Comprising:		
At 31 December		
Gross amounts	4,608,432	4,353,766
Reinsurers share (note 23)	(894,351)	(1,054,279)
	3,714,081	3,299,487

Movement in insurance contract liabilities is shown below in note 31(a).

32. MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE

	Gross KShs '000	Reinsurance KShs '000	Net KShs '000
2019			
Notified claims	3,038,058	(1,054,279)	1,983,779
Incurred but not reported	1,315,708	-	1,315,708
At 1 January 2019	4,353,766	(1,054,279)	3,299,487
Cash paid for claims settled in year	(6,057,511)	484,417	(5,573,094)
Increase in liabilities arising from:			
- Current year claims	3,781,650	(103,253)	3,678,397
- Prior year claims	2,530,527	(221,236)	2,309,291
At 31 December 2019	4,608,432	(894,351	3,714,081
Notified claims	2,958,314	(894,351)	2,063,963
Incurred but not reported	1,650,118	-	1,650,118
At 31 December 2019	4,608,432	(894,351)	3,714,081
2018			
- Notified claims	2,845,089	(934,970)	1,910,119
- Incurred but not reported	1,267,794	-	1,267,794
At 1 January 2018	4,112,883	(934,970)	3,177,913
Cash paid for claims settled in year	(6,855,168)	953,110	(5,902,058)
Increase in liabilities arising from:			
- Current year claims	5,005,336	(586,282)	4,419,054
-Prior year claims	2,090,715	(486,137)	1,604,578
At 31 December 2018	4,353,766	(1,054,279)	3,299,487
Comprising:			
Notified claims	3,038,058	(1,054,279)	1,983,779
Incurred but not reported	1,315,708	-	1,315,708
At 31 December 2018	4,353,766	(1,054,279)	3,299,487

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

32. PROVISIONS FOR UNEARNED PREMIUM AND UNEXPIRED RISKS *(continued)*

The unearned premiums reserve represents the portion of the premium written in years up to the accounting date which relates to the unexpired terms of policies in force at the end of each reporting period. The movement in the reserve is shown below:

22019	Gross KShs '000	Reinsurance KShs '000	Net KShs '000
At 1 January	3,974,065	(447,906)	3,526,159
Gross written premiums	10,654,090	(1,465,446)	9,188,644
Gross earned premiums	(10,465,956)	1,335,622	(9,130,334)
Increase / Decrease in the year (net)	188,134	(129,824)	58,310
At 31 December	4,162,199	(577,730)	3,584,469
2018			
At 1 January	4,434,950	(722,850)	3,712,100
Gross written premiums	10,210,133	(1,534,144)	8,675,989
Gross earned premiums	(10,671,018)	1,809,088	(8,861,930)
Increase in the year (net)	(460,885)	274,944	(185,941)
At 31 December	3,974,065	(447,906)	3,526,159

33. OTHER PAYABLES

	2019 KShs '000	2018 KShs '000
Sundry payables*	212,777	165,777
Payroll creditors	-	52,603
Premium received in advance	155,005	50,221
Staff annual leave pay provision	30,280	26,191
Rent deposits	20,610	19,102
	418,672	313,894

All amounts are payable within one year.
**The sundry payables relate to professional fees payable, accrued cost of software payable, audit fees payable, stamp duty accrued and withholding taxes accrued and medical funds.*

The carrying amounts of the other payables approximates their fair values.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

34. NOTES TO THE STATEMENT OF CASH FLOWS

a) Reconciliation of profit before tax to cash generated from operations:

	Notes	2019 KShs '000	2018 KShs '000
Profit before taxation		339,622	630,069
Adjustments for:			
Interest on government securities at amortised cost	5	(86,117)	(74,756)
Interest on bank deposits	5	(248,352)	(270,657)
Interest on staff loan receivables	5	(5,465)	(8,401)
Interest on government securities at fair value through other comprehensive income	5	(193,004)	(224,213)
Interest income from deposits and commercial papers	20	(1,746)	(7,949)
Dividend income	5	(23,994)	(26,131)
Interest on lease liability		13,107	-
(Gain)/loss on investment on collective investments	5	(30,261)	200
Discount on government securities at amortised cost	5	(2,291)	(2,279)
Gain on disposal of property and equipment		-	(2,167)
Depreciation on property and equipment	10	83,054	69,301
Fair value gains on revaluation on buildings	10	(5,854)	(1,260)
Fair value gains on revaluation on investment property	11	-	(14,000)
Amortisation of intangible assets	12	14,106	17,712
Amortisation on Right of use asset	14	31,342	-
Accrued interest on corporate bonds	14	(1,557)	-
Fair value loss /(gain) on quoted equity investments at fair value through profit or loss	19	(41,747)	129,482
Fair value loss on available for sale government securities reclassified		-	11,222
Impairment charge for staff Loans	16	2,401	(631)
Write back on corporate bonds		(612)	(6)
Impairment on deposits and commercial papers		9	99
Impairment on related parties		2,683	
Impairment on deposits with financial institutions		(7,761)	2,064
Impairment on other receivables		(89)	1,360
Provision for doubtful premium receivables	8	57,185	64,645
Provision for outstanding leave	8	4,090	2,743
Working capital changes;			
Increase in receivables arising out of direct insurance arrangements		(186,345)	(81,804)
Increase in receivables arising out of reinsurance arrangements		(18,526)	(177,631)
Decrease / (Increase) in reinsurer share of reserves and liabilities		30,104	155,635
Decrease / (Increase) in deferred acquisition costs		(20,339)	90,322
(Increase) / Decrease in other receivables		45,566	(25,418)
Increase in related party balances		(738,529)	(141,831)
Increase in outstanding claims provision		254,666	240,883
(Decrease) / Increase in unearned premium reserve		188,134	(460,885)
Increase in other payables		100,689	23,609
Decrease in amounts due to reinsurers and other insurance bodies (net)		44,503	(5,797)
Net cash used in operations		(401,330)	(86,470)

b) Cash and cash equivalents*

	Notes	2019 KShs '000	2018 KShs '000
Bank and cash balances		536,184	203,932
Deposits with banks maturing within 3 months	27	96,885	1,118,393
		633,069	1,322,325

**The carrying amounts approximate the fair values.*

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

35. DIVIDENDS

	2019 KShs'000	2018 KShs'000
Declared and paid during the year	228,000	204,000
Proposed for approval at the annual general meeting (not recognised as a liability.)	-	228,000

There are no income tax consequences attached to the payment of dividends in either 2019 or 2018 by the company to its shareholders.

Dividend on ordinary shares

a). Dividend per share is arrived at by dividing the total dividends by the weighted average number of shares in issue during the year.

b). Payment of dividend is subject to withholding tax at the rate of 5% for resident and 10% for non-resident shareholders respectively.

36. CONTINGENCIES AND COMMITMENTS

a. Legal proceedings and regulations

The company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

The company is also subject to insurance solvency regulations and has complied with all the solvency regulations. There are no contingencies associated with the company's compliance or lack of compliance with such regulations.

b. Capital commitments, operating leases and bank guarantees

	2019 KShs '000	2018 KShs '000
Bank guarantees	286,443	187,514

In common practice with the insurance industry in general, the company tenders for business. Such tenders require that a guarantee or performance bond is placed with a bank.

Capital expenditure committed at the end of the reporting period but not recognised in the financial statements is as follows:

	2019 KShs '000	2018 KShs '000
Committed but not contracted for	25,677	94,975

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

36. CONTINGENCIES AND COMMITMENTS *(continued)*

Operating leases

The company has entered commercial property leases on its investment property portfolio, consisting of the company's surplus office buildings. These non–cancellable leases have remaining terms of between two and five years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions

Future minimum lease rentals receivable under non–cancellable operating leases as at 31 December are as follows:

	2019 KShs '000	2018 KShs '000
Within one year	80,841	71,085
After one year but not more than two years	107,743	63,048
After two years but not more than five years	132,183	-
Total operating lease rentals receivable	320,767	134,133

The company has entered commercial leases on certain property and equipment. These leases have an average life of between three and five years, with no renewal option included in the contracts. There are no restrictions placed upon the company by entering into the leases.

Future minimum rentals payable under non–cancellable operating leases as at 31 December are, as follows:

	2019 KShs '000	2018 KShs '000
Within one year	32,640	35,887
After one year but not more than five years	58,931	98,459
More than five years	-	-
Total operating lease rentals payable	91,571	134,346

37. RISK MANAGEMENT FRAMEWORK

a. Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Company has established a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. Lastly, a company policy framework which sets out the risk profiles for the company, risk management, control and business conduct standards for the company's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Company.

The board of directors approves the Company's risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the Company's identification of risk and its interpretation, limit its structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

b. Capital management objectives, policies and approach

The Company has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

- To maintain the required level of stability of the Company thereby providing a degree of security to policyholders
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and shareholders
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets
- To align the profile of assets and liabilities taking account of risks inherent in the business
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value

The operations of the Company are also subject to regulatory requirements. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy at 100 % to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as they arise. The Company has met all of these requirements throughout the financial year.

In reporting financial strength, capital and solvency are measured using the rules prescribed by the Kenyan Insurance Regulatory Authority (IRA). These regulatory capital tests are based upon required levels of solvency, capital and a series of prudent assumptions in respect of the type of business written.

The company had capital adequacy ratio of 86%% as compared to 100% which is the minimum as

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

37. RISK MANAGEMENT FRAMEWORK *(continued)*

b. Capital management objectives, policies and approach *(continued)*

per IRA requirements. This is based on the size and the risk of profile of the company. The risks considered are insurance risk, market risk, credit risk and operational risk.
The Company's capital management policy for its insurance and non–insurance business is to hold sufficient capital to cover the statutory requirements based on the IRA directives, including any additional amounts required by the regulator.

Approach to capital management

The Company seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders.

The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics. An important aspect of the Company's overall capital management process is the setting of target risk adjusted rates of return, which are aligned to performance objectives and ensure that the Company is focused on the creation of value for shareholders.

The primary source of capital used by the Company is total equity. The Company also utilises, where it is efficient to do so, sources of capital such as reinsurance and securitisation, in addition to more traditional sources of funding.

The capital requirements are routinely forecast on a periodic basis and assessed against both the forecast available capital and the expected internal rate of return, including risk and sensitivity analyses. The process is ultimately subject to approval by the Board.

The Company has made no significant changes, from previous years, to its policies and processes for its capital structure.

The constitution of capital managed by the company is as shown below:

	2019 KShs '000	2018 KShs '000
Share capital	1,700,000	1,700,000
Fair value deficit	(96,302)	(125,443)
Retained earnings	2,619,773	2,569,663
	4,223,471	4,144,220

The company had no external financing at 31 December 2019 and 31 December 2018.

37. RISK MANAGEMENT FRAMEWORK *(continued)*

c. Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters. The operations of the Company are subject to regulatory requirements within the jurisdictions in which it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy) to minimise the risk of default and insolvency on the part of insurance companies to meet unforeseen liabilities as these arise.

d. Asset liability management (ALM) framework

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Company faces, due to the nature of its investments and liabilities, is interest rate risk. The Company manages these positions within an ALM framework that has been developed to achieve long–term investment returns in excess of its obligations under insurance. The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance.by reference to the type of benefits payable to contract holders. For each distinct category of liabilities, a separate portfolio of assets is maintained.

The Company's ALM is:

Integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance and investment liabilities

As an integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance.

38. INSURANCE AND FINANCIAL RISK

a. Insurance risk

The Company purchases reinsurance as a part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and a non–proportional basis. The majority of proportional reinsurance is quota–share reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business. Non–proportional reinsurance is primarily excess–of–loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits for the excess–of–loss reinsurance vary by product line.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the company substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 5% of total reinsurance assets at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

38. INSURANCE AND FINANCIAL RISK *(continued)*

a. Insurance risk *(continued)*

The Company principally issues the following types of general insurance contracts: motor, household, commercial and business interruption. Healthcare contracts provide medical expense coverage to policyholders and are not guaranteed as renewable. Risks under non–life insurance policies usually cover twelve months duration.

For general insurance contracts, {the most significant risks arise when there is fire, motor accidents, property losses or medical claims For longer tail claims that take some years to settle, there is also inflation risk. For healthcare contracts, the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvements. These risks do not vary significantly in relation to the location of the risk insured by the Company, type of risk insured and by industry.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The Company uses commercially available proprietary risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models are unreliable or that claims arising from an unmodelled event are greater than those arising from a modelled event.

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic.

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The overall aim is currently to restrict the impact of a single catastrophic event to approximately 50% of shareholders' equity on a gross basis and 10% on a net basis. In the event of such a catastrophe, counterparty exposure to a single reinsurer is estimated not to exceed 2% of shareholders' equity. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

38. INSURANCE AND FINANCIAL RISK *(continued)*

The table below sets out the concentration of insurance contract liabilities by type of contract:

	31 December 2018			31 December 2017		
	Gross liabilities KShs '000	Reinsurance of liabilities KShs '000	Net liabilities KShs '000	Gross liabilities KShs '000	Reinsurance of liabilities KShs '000	Net Liabilities KShs '000
Engineering	58,491	(25,290)	33,201	60,233	(39,722)	20,511
Fire	190,442	(87,330)	103,112	94,970	(38,831)	56,139
Liability	567,325	(465,255)	102,070	768,484	(636,973)	131,511
Marine	48,585	(2,768)	45,817	39,178	(2,082)	37,096
Motor	2,834,898	(252,088)	2,582,810	2,512,817	(248,328)	2,264,489
Medical	290,160	(2,902)	287,258	281,108	(2,811)	278,297
Others	618,530	(58,718)	559,812	596,976	(85,531)	511,445
Total	4,608,431	(894,351)	3,714,080	4,353,766	(1,054,278)	3,299,488

Key assumptions

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: once–off occurrence; changes in market factors such as public attitude to claiming: economic conditions: as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities

The insurance claim liabilities are sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

It should be noted that movements in these assumptions are non–linear. The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

38. INSURANCE AND FINANCIAL RISK *(continued)*

31/12/2019	Change in assumptions	Increase/ (decrease) on gross Liabilities	Increase/ (decrease) on net Liabilities	Increase/ (decrease) on profit before tax	Increase/ (decrease) on equity
Average Claim Cost	+10/-10	131,570	85,520	46,049	13,814
Average number of claims	+10/-10	121,030	78,669	42,360	12,708
31/12/2018					
Average Claim Cost	+10/-10	131,570	85,520	46,049	13,814
Average number of claims	+10/-10	121,030	78,669	42,360	12,708

b. Financial risks

i. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- A Company credit risk policy which sets out the assessment and determination of what constitutes credit risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company's risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Net exposure limits are set for each counterparty or group of counterparties, and industry segment (i.e., limits are set for investments and cash deposits, and minimum credit ratings for investments that may be held).
- The Company maintains strict control limits by amount and terms on net open derivative positions. The amounts subject to credit risk are limited to the fair value of "in the money" financial assets against which the Company either obtains collateral from counterparties or requires margin deposits. Collateral may be sold or repledged by the company and is repayable if the contract terminates or the contract's fair value falls.
- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.
- The credit risk in respect of customer balances incurred on non–payment of premiums or contributions will only persist during the grace period of 120 days specified in the policy document until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

The company's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2019 and 2018 is the carrying amounts as presented in the statement of financial position.

38. INSURANCE AND FINANCIAL RISK *(continued)*
b. Financial risks *(continued)*
i. Credit risk *(continued)*

During the year, no credit exposure limits were exceeded.

The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

The Company's internal rating process

The Company's investment team prepares internal ratings for financial instruments in which counterparties are rated using internal grades. These are used to determine whether an instrument has had a significant increase in credit risk and to estimate the ECl's. The ratings are determined incorporating both qualitative and quantitative information from Standards and Poors (S&P), ratings supplemented with information specific to the counterparty and other external information that could affect the counterparty's behavior.

The company reassess the internal credit rating of the financial instruments at every reporting period and considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due as well as other forward-looking information. This would result in change in the internal credit rating.

The Company's internal credit rating grades is as follows:

Internal rating grade	Internal rating description	Standard and Poors (S&P)rating
0	High grade	AAA
1	High grade	A-
2	Standard grade	BBB+
3	Sub-standard grade	BB+
4	Past due but not impaired	CCC+
5	Individually impaired	D

Significant increase in credit risk, default and cure

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument is subject to 12mECL or LTECL that is (Financial assets at amortised cost- Government securities, Financial Assets at amortised cost- Corporate Bonds, Financial Assets at amortised cost-Loan, Financial Assets at amortised cost-Commercial Papers, Due from related party,Deposits with financial institutions,Other receivables and Cash and bank balances , the Company assesses whether there has been a significant increase in credit risk since initial recognition.

The Company considers that there has been a significant increase in credit risk when any contractual payments are more than 30 days past due. In addition, the Company also considers a variety of instances that may indicate unlikeness to pay by assessing whether there has been a significant increase in credit risk. Such events include:

- Internal rating of the counterparty indicating default or near default
- The counterparty having past due liabilities to public creditors or employees
- The counterparty filing for bankruptcy application
- Counterparty's listed debt or equity suspended at the primary exchange because of

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

38. INSURANCE AND FINANCIAL RISK *(continued)*
b. Financial risks *(continued)*
i. Credit risk *(continued)*

rumours or facts of financial difficulties.

The Company considers a financial instrument defaulted and, therefore, credit impaired for ECL calculations in all cases when the counterparty becomes 90 days past due on its contractual payments. The Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. In such cases, the Company recognises a lifetime ECL.

In rare cases when an instrument identified as defaulted, it is the Company's policy to consider the financial instrument as "cured" and therefore re-classified out of credit-impaired when none of the default criteria have been present for at least twelve consecutive months.

Credit risk exposure by credit rating

The table below provides information regarding the credit risk exposure of the company by classifying assets according to the Company's credit ratings of counter parties.

	High grade KShs '000	Standard grade KShs '000	Past due but not impaired KShs '000	Individually impaired KShs '000	2019 KShs '000	2018
Financial assets at amortised cost - Government securities	720,916	-	-	-	720,916	738,625
Financial Assets at amortised cost - Corporate Bonds	96,945	-	-	-	96,945	233,896
Financial Assets at amortised cost -Loan and Receivables	62,922	-	-	-	62,922	113,696
Financial Assets at amortised cost -Commercial Papers	78,975	-	-	-	78,975	77,176
Due from related party	83,118	-	-	-	83,118	18,342
Deposits with financial institutions	1,606,045	-	-	-	1,606,045	2,389,114
Other receivables	76,743				76,743	123,383
Cash and bank balances	536,184	-	-	-	536,184	203,932
Total financial assets at amortised cost	3,261,848	-	-	-	3,261,848	3,898,164
Financial assets at fair value through OCI - Government securities	1,737,798	-	-	-	1,737,798	1,510,681
	4,999,646	-	-	-	4,999,646	5,408,845

The company actively manages its product mix to ensure there is no significant concentration of credit risk

Impairment losses on financial investments subject to impairment assessment.

For 2018, all the financial assets were classified as stage 1 and there is no difference between stages

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

38. INSURANCE AND FINANCIAL RISK *(continued)*

b. Financial risks *(continued)*
i. Liquidity risk *(continued)*

Debt instruments measured at FVOCI

The table below shows the fair values of the Company's debt instruments at FVOCI by credit risk, based on the Company's internal credit rating system.

Internal rating grade	Stage 1 KShs '000	Stage 2 KShs '000	Stage 3 KShs '000	2019 KShs '000	2018 KShs '000
High grade	1,737,798	-	-	1,737,798	1,510,681
Standard grade	-	-	-	-	-
Total Gross Amount	1,737,798	-	-	1,737,798	1,510,681
ECL	-	-	-	-	-
Total Net Amount	1,737,798	-	-	1,737,798	1,510,681

An analysis of changes in the fair value amount and corresponding ECLs is, as follows:

2018	Stage 1 KShs '000	Stage 2 KShs '000	Stage 3 KShs '000	2019 KShs '000	2018 KShs '000
Fair value amount as at 1 January	1,510,681	-	-	1,510,681	2,002,476
New assets purchased	200,000	-	-	200,000	100,000
Assets matured	-	-	-	-	(686,740)
Changes in fair value	27,117	-	-	27,117	39,385
AFS interest reclassification	-			-	55,560
Movement between 12mECLand LTECL	-	-	-	-	-
At 31 December	1,737,798	-	-	1,737,798	1,510,681

Debt instruments at amortised cost

The table below shows the credit quality and maximum exposure to credit risk based on the Company's internal credit rating system and year end stage classification. The amounts presented are gross of impairment allowances. Details of the Company's grading system are explained above.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

38. INSURANCE AND FINANCIAL RISK *(continued)*
b. Financial risks *(continued)*
i. Liquidity risk *(continued)*

Debt instruments measured at FVOCI (continued)

Internal rating grade	Stage 1 KShs '000	Stage 2 KShs '000	Stage 3 KShs '000	2019 KShs '000	2018 KShs '000
Performing					
High grade	97,137	-	-	97,137	161,008
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	97,137	-	-	97,137	161,008
(ECL)/Write backs	(192)	-	-	(192)	(804)
Total Net Amount	96,945	-	-	96,945	160,204

Debt instruments at amortised cost

The table below shows the credit quality and maximum exposure to credit risk based on the Company's internal credit rating system and year end stage classification. The amounts presented are gross of impairment allowances. Details of the Company's grading system are explained above.

	Stage 1	Stage 2	Stage 3	2019	2018
Gross carrying amount as at 1 January	161,008	-	-	161,008	235,151
New assets purchased	-	-	-	-	-
Assets matured	(65,427)	-	-	(65,427)	(1,251)
Accrued interest capitalised	1,556	-	-	1,556	(4)
Amount written off	-	-	-	-	(72,888)
Amortisation / Discount	-	-	-	-	-
Movement between 12mECLand LTECL					
At 31 December	97,137	-	-	97,137	161,008
ECL as at 1 January	804	-	-	804	810
New assets	-	-	-	-	-
Assets matured	(612)	-	-	(612)	(6)
Unwind of discount	-	-	-	-	-
Movement between 12m ECL and LTECL	-	-	-	-	-
At 31 December	192	-	-	192	804

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

38. INSURANCE AND FINANCIAL RISK *(continued)*

b. Financial risks *(continued)*
i. Liquidity risk *(continued)*
Debt instruments at amortised cost *(continued)*

An analysis of changes in the gross carrying amount and corresponding ECLs is, as follows:

Government Securities

	Stage 1	Stage 2	Stage 3	2019	2018
Internal rating grade					
Performing					
High grade	720,916	-	-	720,916	738,625
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	720,916	-	-	720,916	738,625
(ECL)/Write backs	-	-	-	-	-
Total Net Amount	720,916	-	-	720,916	738,625
Gross carrying amount as at 1 January	738,625	-	-	738,625	736,346
New assets purchased	-	-	-	-	-
Assets matured	(20,000)	-	-	(20,000)	-
Accrued interest capitalised	-	-	-	-	-
Amortisation / Discount	2,291	-	-	2,291	2,279
Movement between 12mECLand LTECL	-	-	-	-	-
At 31 December	720,916	-	-	720,916	738,625

Loans Receivable

	Stage 1	Stage 2	Stage 3	2019	2018
Internal rating grade					
Performing					
High grade	62,922	-	-	62,922	113,333
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	363
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	62,922	-	-	62,922	113,696
(ECL)/Write backs	(2,401)	-	-	(2,401)	(6,200)
Total Net Amount	60,521	-	-	60,521	107,496
Gross carrying amount as at 1 January	107,496	-	-	107,496	257,145
Loan repayments	(44,574)	-	-	(44,574)	(143,449)
Movement between 12mECLand LTECL					
At 31 December	62,922	-	-	62,922	113,696
ECL as at 1 January	6,200	-	-	6,200	11,589
ECL on loan repayments	(3,799)	-	-	(3,799)	(5,389)
Movement between 12m ECL and LTECL	-	-	-	-	-
	2,401	-	-	2,401	6,200

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

38. INSURANCE AND FINANCIAL RISK *(continued)*

b. Financial risks *(continued)*
i. Liquidity risk *(continued)*

An analysis of changes in the gross carrying amount and corresponding ECLs is, as follows:

Deposits with financial institutions	Stage 1	Stage 2	Stage 3	2019	2018
Internal rating grade					
Performing					
High grade	1,606,045	-	-	1,606,045	2,389,114
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	1,606,045	-	-	1,606,045	2,389,114
(ECL)/Write backs	(892)	-	-	(892)	(8,653)
Total Net Amount	1,605,153	-	-	1,605,153	2,380,461

An analysis of changes in the gross carrying amount and corresponding ECLs is, as follows:

	Stage 1	Stage 2	Stage 3	2019	2018
Gross carrying amount as at 1 January	2,389,114	-	-	2,389,114	2,009,680
Deposits placed	7,063,786	-	-	7,063,786	3,289,779
Deposits matured	(7,813,770)	-	-	(7,813,770)	(3,001,839)
Accrued interest	(32,085)	-	-	(32,085)	91,494
Movement between 12mECLand LTECL					
At 31 December	1,606,045	-	-	1,606,045	2,389,114
ECL as at 1 January	8,653	-	-	8,653	6,592
ECL on deposits placed	72,997	-	-	72,997	1,078
ECL on deposits matured	(80,758)	-	-	(80,758)	983
	892	-	-	892	8,653

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

38. INSURANCE AND FINANCIAL RISK *(continued)*

b. Financial risks *(continued)*
i. Liquidity risk *(continued)*

An analysis of changes in the gross carrying amount and corresponding ECLs is, as follows:

Commercial papers	Stage 1	Stage 2	Stage 3	2019	2018
Internal rating grade					
Performing					
High grade	78,975	-	-	78,975	77,176
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	78,975	-	-	78,975	77,176
(ECL)/Write backs	(395)	-	-	(395)	(386)
Total Net Amount	78,580	-	-	78,580	76,790
Gross carrying amount as at 1 January	77,176	-		77,176	310,245
New assets purchased	131,600	-		131,600	20,000
Assets matured	(128,102)	-		(128,102)	(5,729)
Accrued interest capitalized	(1,699)	-		(1,699)	7,949
Transfer to Investments in collective investment schemes	-	-	-	-	(255,289)
Movement between 12mECLand LTECL					
At 31 December	78,975	-	-	78,975	77,176
ECL as at 1 January	386	-	-	386	287
New assets	9	-	-	9	77
Assets matured	-	-	-	-	22
Movement between 12m ECL and LTECL	-	-	-	-	-
	395	-	-	395	386

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

38. INSURANCE AND FINANCIAL RISK *(continued)*

b. Financial risks *(continued)*
i. Liquidity risk *(continued)*

An analysis of changes in the gross carrying amount and corresponding ECLs is, as follows:

	Stage 1	Stage 2	Stage 3	2019	2018
Due from related party					
Internal rating grade					
Performing					
High grade	86,263	-	-	86,263	18,342
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	86,263	-	-	86,263	18,342
(ECL)/Write backs	(3,145)	-	-	(3,145)	(462)
Total Net Amount	83,118	-	-	83,118	17,880
Gross carrying amount as at 1 January	18,342	-	-	18,342	(123,489)
New assets purchased	1,960,023	-	-	1,960,023	2,235,504
Assets matured	(1,892,102)	-	-	(1,892,102)	(2,093,673)
Movement between 12mECLand LTECL	-	-	-	-	-
At 31 December	86,263	-	-	86,263	18,342
ECL as at 1 January	462	-	-	462	17
New assets	77,424			77,424	675
Assets matured	(74,741)			(74,741)	(230)
Movement between 12m ECL and LTECL	-	-	-	-	-
	3,145	-	-	3,145	462

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NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

38. INSURANCE AND FINANCIAL RISK *(continued)*

b. Financial risks *(continued)*
i. Liquidity risk *(continued)*

An analysis of changes in the gross carrying amount and corresponding ECLs is, as follows:

Other receivables	Stage 1	Stage 2	Stage 3	2019	2018
Internal rating grade					
Performing					
High grade	77,816	-	-	77,816	123,383
Standard grade	-	-	-	-	-
Past due but not impaired	-		-	-	-
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	77,816	-	-	77,816	123,383
(ECL)/Write backs	(1,073)	-	-	(1,073)	(1,162)
Total Net Amount	76,743	-	-	76,743	122,221
Gross carrying amount as at 1 January	123,383	-	-	123,383	97,967
New assets purchased	633	-	-	633	72,869
Assets matured	(46,200)	-	-	(46,200)	(47,453)
Movement between 12mECLand LTECL	-	-	-	-	-
At 31 December	77,816	-	-	77,816	123,383
ECL as at 1 January	1,162	-	-	1,162	247
New assets	-	-	-	-	915
Assets matured	(89)	-	-	(89)	-
Movement between 12m ECL and LTECL					
	1,073	-	-	1,073	1,162

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

38. INSURANCE AND FINANCIAL RISK *(continued)*

b. Financial risks *(continued)*
i. Liquidity risk *(continued)*

Age analysis of financial assets past due but not impaired

31 December 2018	< 30 days KShs '000	31 to 60 days KShs '000	61 to 90 days KShs '000	91 to 120 days KShs '000	Total past–due but not impaired 2019 KShs '000
Reinsurance assets	313,375	124,065	104,711	608,413	1,150,564
Insurance receivables	459,583	451,131	261,121	159,906	1,331,741
Total	772,958	575,196	365,832	768,319	2,482,305
31 December 2018	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Reinsurance assets	568,333	718,551	686,011	661,328	2,634,223
Insurance receivables	305,913	313,252	241,319	342,097	1,202,581
Total	874,246	1,031,803	927,330	1,003,425	3,836,804

Impaired financial assets

At 31 December 2019, there are impaired insurance assets of KShs 1.31B (2018: KShs 1.26B).

For assets to be classified as" past–due and impaired" contractual payments must be in arrears for more than 120 days. No collateral is held as security for any past due or impaired assets.

The Company records impairment allowances for receivables arising out of direct insurance arrangements in a separate impairment allowance account. A reconciliation of the allowance for impairment losses for loans and receivables is, as follows:

	2019 KShs '000	2018 KShs '000
At 1 January	1,258,831	1,194,186
Charge for the year	57,185	64,645
At 31 December	1,316,016	1,258,831

Collateral

No collateral is held in respect of the receivables that are past due but not impaired.

Financial assets neither past due nor impaired

There were no financial assets that are neither impaired nor past due as at 31 December 2019.

38. INSURANCE AND FINANCIAL RISK *(continued)*

b. Financial risks *(continued)*

ii. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out–flows and expected reinsurance recoveries.

The following policies and procedures are in place to mitigate the Company's exposure to liquidity risk:

- A Company's liquidity risk policy which sets out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance obligations.
- Contingency funding plans are in place, which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.
- The Company's catastrophe excess–of–loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

Maturity profiles

The following table summarises the maturity profile of the financial assets, financial liabilities and insurance contract liabilities of the Company based on remaining undiscounted contractual obligations, including interest payable and receivable.

For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums have been excluded from the analysis as they are not contractual obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flows. The Company also has committed lines of credit that it can access to meet liquidity needs.

The table below provides a contractual maturity analysis of the company's financial assets and liabilities:

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

38. INSURANCE AND FINANCIAL RISK *(continued)*

b. Financial risks (continued)

ii. Liquidity risk (continued)

The table below provides a contractual maturity analysis of the company's financial assets and liabilities:

31 December 2019	6 months or on demand KShs '000	Between 6 months and 1 year KShs '000	More than 1 year KShs '000	Total KShs '000
Financial assets:				
Government securities at amortised cost	-	96,726	1,070,330	1,167,056
Corporate bonds	67,939	11,789	27,932	107,660
Government securities at fair value through other comprehensive income	-	-	2,957,307	2,957,307
Equity investments:				
- At fair value through profit or loss	-	-	500,780	500,780
- At fair value through other comprehensive income	-	-	20,236	20,236
Loans receivable	-	-	60,521	60,521
Receivables arising out of reinsurance arrangements	1,150,564	-	-	1,150,564
Receivables arising out of direct insurance arrangements	1,331,741		-	1,331,741
Deposit with Financial Institutions	1,605,153	-	-	1,605,153
Due from related party	83,118	-	-	83,118
Cash and cash equivalents	536,184	-	-	536,184
Total financial assets	4,774,699	108,515	4,277,106	9,160,320
Financial liabilities:				
Insurance contract liabilities	4,608,432	-	-	4,608,432
Payables arising from reinsurance arrangements	-	84,609	-	84,609
Other payables	313,892	-	29,391	29,391
Bank Guarantees	403,566	-	-	403,566
Total financial liabilities	5,011,998	84,609	29,391	5,125,998
Net liquidity gap	(267,511)	23,906	4,247,715	4,034,322

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

38. INSURANCE AND FINANCIAL RISK *(continued)*

b. Financial risks (continued)

ii. Liquidity risk (continued)

31 December 2018	6 months or on demand KShs '000	Between 6 months and 1 year KShs '000	More than 1 year KShs '000	Total KShs '000
Financial assets:				
Government securities at amortised cost	20,667	-	1,252,085	1,272,752
Corporate bonds	-	67,494	120,091	187,585
Government securities at fair value through other comprehensive income	-	-	3,128,004	3,128,004
Equity investments:				
- At fair value through profit or loss	-	-	512,492	512,492
- At fair value through other comprehensive income	-	-	18,212	18,212
Loans receivable	-	1,512	105,984	107,496
Receivables arising out of reinsurance arrangements	1,132,038	-	-	1,132,038
Receivables arising out of direct insurance arrangements	587,556	615,025	-	1,202,581
Deposit with Financial Institutions	2,380,461	-	-	2,380,461
Due from related party	17,880	-	-	17,880
Cash and cash equivalents	203,932	-	-	203,932
Total financial assets	4,342,534	684,031	5,136,868	10,163,433
Financial liabilities:				
Insurance contract liabilities	4,353,766	-	-	4,353,766
Payables arising from reinsurance arrangements	-	40,106	-	40,106
Other payables	313,892	-	-	313,892
Bank Guarantees	-	187,514	-	187,514
Total financial liabilities	4,667,658	227,620	-	4,895,278
Net liquidity gap	(325,124)	456,411	5,136,868	5,268,155

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

38. INSURANCE AND FINANCIAL RISK *(continued)*

c. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

- The company's market risk policy sets out the assessment and determination of what constitutes market risk for the company. Compliance with the policy is monitored and exposures and breaches are reported to the company's risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains for policyholders which are in line with their expectations.
- The company stipulates diversification benchmarks by type of instrument and geographical area, as the company is exposed to guaranteed bonuses, cash and annuity options when interest rates fall.
- The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt currencies are all constant

(i) Currency risk

Foreign currency exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The company primarily transacts in Kenya shilling and its assets and liabilities are denominated in the same currency. The company is therefore not exposed to currency risk.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the company to cash flow interest risk, whereas fixed interest rate instruments expose the company to fair value interest risk.

The company's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. Interest on floating rate instruments is re–priced at intervals of less than one year. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The Financial assets at amortised cost- Deposits and commercial papers and staff loans are not affected by interest rate risk because the rates are agreed at the beginning of the contract financial instruments and insurance contracts described in this note, the sensitivity is solely associated with the former, as the carrying amounts of the latter are not directly affected by changes in market risks.

The company's management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to a parallel movement of plus 5% in all yield curves of financial assets and financial liabilities. These particular exposures illustrate the company's overall exposure to interest rate sensitivities included in the company's ALM framework and its impact in the company's profit or loss by business.

38. INSURANCE AND FINANCIAL RISK *(continued)*

c. Market risk *(continued)*

(ii) Interest rate risk *(continued)*

	Effect on profit and equity due to an increase/decrease of 5% in interest rates	
	2019 KShs '000	2018 KShs '000
Government securities	13,956,045	14,948,450
Corporate bonds	77,800	(200)
Mortgage loans	273,250	420,050
Deposits with financial institutions	12,417,600	13,532,850

(iii) Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in equity prices (other than those arising from interest rate or foreign exchange rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

The company is exposed to equity securities price risk as a result of its holdings in investments, classified as financial assets at fair value through profit or loss as well as financial assets classified as available for sale. Exposure to equity securities in aggregate is monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes. Equity price risk is as a result of fluctuation of prices at the Nairobi Securities Exchange Limited (NSE).

The company has a defined investment policy which sets limits on the company's exposure to equities both in aggregate terms and by industry. This policy of diversification is used to manage the company's price risk arising from its investments in equity investments.

Investment management meetings are held monthly. At these meetings, senior managers meet to discuss investment return and concentration of the equity investments.

Equity investment through profit or loss represents 96% (2018: 96%) of total equity investments. If equity market indices had increased/ decreased by 5%, with all other variables held constant, and all the company's equity investments moving according to the historical correlation with the index, the profit for the year would increase/decrease by KShs 25,000 (2018: KShs 6,474,100).

(iv) Operational risks

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

39. FAIR VALUE MEASUREMENT

The company specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted market prices in active markets for identical assets or liabilities. This level includes equity securities and debt instruments listed on the Nairobi Securities Exchange Limited.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly as prices or indirectly as derived from prices.
- Level 3 – inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components, property, equipment and investment property

This hierarchy requires the use of observable market data when available. The company considers relevant and observable market prices in its valuations where possible.

There were no transfers between Level 1 and level 2 during the year.
The table below shows an analysis of the Fairvalue of assets by level in the fair value hierarchy, however, it does not include instruments whose fair value approximates the carrying amount.

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000	Carrying amount
31 December 2019					
Assets:					
Mortgage loans	-	34,428	-	34,428	68,848
Other staff loans	-	24,995	-	24,995	38,648
Corporate bonds		153,796	-	153,796	160,204
Equity investments classified:					
-At fair value through profit or loss	500,780	-	-	500,780	500,780
-At fair value through other comprehensive income	-	20,236	-	20,236	20,236
Investments in collective investment schemes at fair value through Profit or loss	-	173,502	-	173,502	173,502
Financial assets at amortised cost - Deposits and commercial papers		73,718	-	73,718	76,790
Financial assets at amortised cost - Government securities	731,032	-	-	731,032	720,916
Government securities at fair value through other comprehensive income	1,737,798	-	-	1,737,798	1,737,798
Owner occupied property and equipment*	-	-	409,795	409,795	409,795
Investment properties*	-	-	1,602,000	1,602,000	1,602,000
	2,969,610	480,675	2,011,795	5,462,080	5,509,517

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

39. FAIR VALUE MEASUREMENT *(continued)*

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000	Carrying amount
31 December 2018					
Assets:					
Mortgage loans	-	34,428	-	34,428	68,848
Other staff loans	-	24,995	-	24,995	38,648
Corporate bonds		153,796	-	153,796	160,204
Equity investments classified:					
-At fair value through profit or loss	512,492	-	-	512,492	512,492
-At fair value through other comprehensive income	-	18,212	-	18,212	18,212
Investments in collective investment schemes at fair value through Profit or loss	-	172,070	-	172,070	172,070
Financial assets at amortised cost- Deposits and commercial papers	-	73,718	-	73,718	76,790
Financial assets at amortised cost - Government securities	753,034	-	-	753,034	738,625
Government securities at fair value through other comprehensive income	1,510,681	-	-	1,510,681	1,510,681
Owner occupied property and equipment*	-	-	409,795	409,795	409,795
Investment properties*	-	-	1,602,000	1,602,000	1,602,000
	2,776,207	477,219	2,011,795	5,265,221	5,308,365

**The gains/ (losses) arising from revaluation of investment property and property and equipment have been disclosed in the statement of profit or loss. Refer note 10 for further details.*

Valuation techniques used in determining fair value of financial assets and liabilities

Instrument	Level	Valuation basis	Inputs
Investments in collective investments schemes at fair value through profit or loss	2	Net Asset Value	Inputs Current unit price of underlying unitised assets.
Deposits and commercial paper	2	Discounted Cash Flow	Implied Yield to Maturity
Corporate bonds	2	Discounted Cash Flow	Implied Yield to Maturity
Mortgages and other loans	2	Discounted Cash Flow (DCF)	Average Market interest rates 13%

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

39. FAIR VALUE MEASUREMENT *(continued)*

The significant unobservable inputs used in the fair value measurements categorised in level 3 of the fair value hierarchy as at 31 December 2018 are as shown below.

Instrument	Level	Valuation basis	Sensitivity of input to the fair value
Investment properties*	3	Capitalised rent income method	Increase/(decrease) in discount of 5% would decrease/(increase) fair value by KShs 80.1 million.
			Increase/(Decrease) in annual rent of 5% would (decrease)/increase the fair value by by Ksh 7.6 million
			Increase/(Decrease) in annual growth rate of 5% would (decrease)/increase the fair value by Ksh 10.8 million
Owner occupied property and equipment	3	Capitalised rent income method	Increase/(decrease) in discount of 5% would decrease/(increase) fair value by KShs 20.5 million.
			Increase/(Decrease) in annual rent of 5% would (decrease)/increase the fair value by by Ksh 1.9 million
			Increase/(Decrease) in annual growth rate of 5% would (decrease)/increase the fair value by Ksh 2.7 million

**The sensitivities for some of property (Kajiado Land) was not provided since the valuation was on market values of similar properties, the quantitative unobservable inputs were neither reasonably available nor developed by the entity.*

Reconciliation of fair value measurement under Level 3 hierarchy

2019	At 1 January	Contributions/ Additions /Transfer from level 2	Disposals/ Settlements	Fair value gain/(loss) recognised in profit or loss	At 31 December
Investment property	1,602,000	-	-	-	1,602,000
Owner-occupied property	234,000			-	234,000
	1,836,000	-	-	-	1,836,000
2018					
Investment property	1,588,000	-	-	14,000	1,602,000
Owner-occupied property	234,000			-	234,000
	1,822,000	-	-	14,000	1,836,000

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

40. HOLDING COMPANY

The parent company is CIC Insurance Group PLC which is ultimately owned by Co-operative Insurance Society Limited. Both are incorporated and domiciled in Kenya

41. EVENTS AFTER THE REPORTING DATE

Apart from uncertainties arising from COVID-19 as discussed below, there are no events after the reporting date that would require adjustments to, or disclosure in, the financial statements.

Initial cases of Covid-19 infection were reported in China towards the end of 2019. The viral infection has spread to other regions in the world and on 11 March 2020 World Health Organization (WHO) declared the viral disease a pandemic. The first case of Covid-19 was reported in Kenya on 13 March 2020. Since then additional cases have been confirmed and the first death confirmed, as at date of signing this report.

Because of the COVID – 19, the annual global GDP growth is projected to drop to 2.4% in 2020 as a whole, from an already weak 2.9% in 2019, with growth possibly even being significantly negative in the first quarter of 2020. Before the Coronavirus outbreak, the Kenyan GDP had been projected to accelerate to 5.8% in the FY2020 up from 5.2% for the prior year, but the economy is likely to overheat from the effects of the pandemic as the contraction of output in China and other global majors will likely have devastating impact on commodity prices. Due to travel disruptions, the tourism industry is likely to feel the brunt of the pandemic and the anticipated longer recovery of the economies is likely to have a significant negative spill over on the financial systems around the globe. The Nairobi Securities Exchange index- NSE 20 share index has already dropped to a 17 year low as investors keep booking losses due to the havoc being wrecked around the world by the pandemic.

The aforementioned situation will likely have a debilitating impact on the company's equity portfolio in the FY2020 if it persists for a longer period. However, the company will endeavor to mitigate against this risk through gradual accumulation to ensure downward averaging of the portfolio cost in the short run. The equity portfolio though significant is not expected to threaten the company's going concern status given the strong capital position.

The company anticipates increased likelihood of default in payment of receivables arising from insurance arrangements, increased claims payout and reduced premium income in year 2020 due to the outbreak of Covid-19 pandemic in its key markets. The main class of business that is projected to be affected is medical class. The pandemic is projected to slow down economies of many markets, mainly due to lockdown of major cities which will curtail movement of capital and people.

With the increasing cases of corona virus in the country we expect to see a decline in the motor classes since most people are significantly not driving to and from work and there are minimal movements. However, we expect to see growth in the employee liability and WIBA incase where it is proven that the employees contracted the disease at work all other classes will not be directly impacted in the meantime. However, we expected the claims ratios for all classes not to be largely impacted expect for medical class.

Management has put in place ample measures such as remote working for some employees, with an exception of those offering essential services to ensure continuity in business operations. Further, management has stepped up debt collection measures to minimize cases of default. Management is prudently investing in short term investments to avoid volatility in the market and they believe that these measures will mitigate any going concern uncertainties that may arise due to the outbreak.

Management assesses that it is not practicable to accurately estimate the financial impact on COVID-19 now as the effects are yet to fully materialise.

42. INCORPORATION

The company is incorporated in Kenya under the companies Act and is domiciled in Kenya.

43. CURRENCY

The financial statements are presented in Kenya shillings thousands (KShs '000'), which is also the company's functional currency.

APPENDIX I

CIC GENERAL INSURANCE LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2018

	C.A.R & Engin-eering Shs.'000	Fire Domestic Shs.'000	Fire Industrial Shs.'000	Liability Insurance Shs.'000	Marine & Transit Shs.'000	Motor Private Shs.'000	Motor Com-mercial Shs.'000	Motor Pool Shs.'000	Medical insurance Shs.'000	Personal Accident Shs.'000	Theft Insurance Shs.'000	Work men's Comp. Shs.'000	Misc. Accident Shs.'000	Micro solutions Shs.'000	Total 2018 Shs.'000
Gross premium written	436,209	84,593	730,134	99,087	86,433	2,187,823	2,115,011	-	3,497,363	253,888	595,043	394,202	166,231	8,076	10,654,093
Unearned premium transferred in	216,895	31,252	276,502	38,164	31,785	961,479	990,948	-	1,034,234	53,351	149,254	127,450	54,032	8,721	3,974,067
Unearned premium c/f	270,561	27,003	283,316	46,016	19,318	954,986	923,244	-	1,249,590	45,419	177,008	116,698	34,198	14,842	4,162,199
Gross earned premium	382,543	88,842	723,320	91,235	98,900	2,194,316	2,182,715	-	3,282,007	261,820	567,289	404,954	186,065	1,955	10,465,961
Reinsurance premium	(291,682)	(2,811)	(474,364)	(19,530)	(22,764)	(73,477)	(71,756)	-	(88,981)	(56,355)	(117,961)	(43,320)	(202,445)	-	(1,465,446)
Net earned premium	90,861	86,031	248,956	71,705	76,136	2,120,839	2,110,959	-	3,193,026	205,465	449,328	361,634	(16,380)	1,955	9,000,515
Gross claims paid	23,664	12,871	79,494	220,644	16,117	1,946,586	1,426,799	-	2,576,317	72,989	76,864	194,120	93,965	11,811	6,752,241
Outstanding claims c/f	58,491	8,275	182,167	567,325	48,585	1,497,382	1,335,424	2,092	290,160	103,024	207,085	281,550	21,034	5,837	4,608,431
Outstanding claims transferred in	60,233	6,165	88,805	768,484	39,178	1,285,853	1,224,872	2,092	281,108	77,156	125,563	304,883	83,365	5,838	4,353,595
Gross claims incurred	21,922	14,981	172,856	19,485	25,524	2,158,115	1,537,351	-	2,585,369	98,857	158,386	170,787	31,634	11,810	7,007,077
Recoveries	5,160	(397)	(80,650)	37,956	(997)	(205,012)	(139,747)	-	(58,529)	(38,688)	(9,247)	(14,489)	(29,643)	(693)	(534,976)
Net incurred Claims	27,082	14,584	92,206	57,441	24,527	1,953,103	1,397,604	-	2,526,840	60,169	149,139	156,298	1,991	11,117	6,472,101
Commission receivable	102,956	296	218,645	5,134	6,996	-	-	-	-	11,904	33,148	3,798	62,500	-	445,377
Commissions payable	64,651	16,653	176,766	17,267	17,877	268,575	279,142	-	302,522	49,665	99,350	78,357	18,476	790	1,390,091
Net commission	(38,305)	16,357	(41,879)	12,133	10,881	268,575	279,142	-	302,522	37,761	66,202	74,559	(44,024)	790	944,714
Management Expenses	35,218	28,391	105,902	15,414	45,762	450,290	573,866	-	230,413	106,661	183,426	77,233	50,566	7,507	1,910,649
Premium Tax	5,374	1,042	8,995	1,221	1,065	26,952	26,055	-	43,085	3,128	7,331	4,856	2,048	98	131,250
Total	40,592	29,433	114,897	16,635	46,827	477,242	599,921	-	273,498	109,789	190,757	82,089	52,614	7,605	2,041,899
Total claims expenses and commissions	(11,223)	30,941	50,327	69,574	35,408	2,221,678	1,676,746	-	2,829,362	97,930	215,341	230,857	(42,033)	11,907	7,416,815
Underwriting profit/(loss)	61,492	25,657	83,732	(14,504)	(6,099)	(578,081)	(165,708)	-	90,166	(2,254)	43,230	48,688	(26,961)	(17,557)	(458,199)

The revenue account was approved by the board of directors on 5th March 2020 and was signed on its behalf by:

Chairman
Edwin Otieno Joseph, OGW

Director
Patric Nyaga

Ag. Managing Director
Grace Mundu

APPENDIX II

GLOSSARY OF INSURANCE TERMS
FOR THE YEAR ENDED 31 DECEMBER 2018

Assumptions	The underlying variables which are taken into account in determining the value of insurance liabilities.
Benefits and claims experience variation	The difference between the expected and the actual benefit
Claims development table	A table that compares actual claims paid and current estimates of claims with previously reported estimates of the same claims, demonstrating the sufficiency or otherwise of those previous estimates.
Deferred expenses – deferred acquisition costs (DAC)	Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts which are deferred and brought to account as expenses of future reporting periods.
General insurance	An insurance contract which provides coverage other than life insurance to the policyholder. Examples include motor, household, third party liability, marine and business interruption. Short-term life and health insurance is also frequently classified as general insurance.
*Financial risk**	The risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non–financial variable that the variable is not specific to a party to the contract.
*Insurance contract**	A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.
Incurred but not report (IBNR)	Claims to be made by a policyholder, but not yet reported to the insurance company.
*Insurance risk**	Risk, other than financial risk, transferred from the holder of a contract to the issuer.
Liability adequacy test	An annual assessment of the sufficiency of insurance to cover future insurance obligations.
Outstanding claims provision	Comprises claims reported by the policyholder to the insurance company, and IBNR claims.
Premiums earned	In the case of general insurance business, earned premium is the proportion of written premiums (including, where relevant, those of prior accounting periods) attributable to the risks borne by the insurer during the accounting period. For non-life insurance contracts, the premium income attributable to the insurance risks borne by the insurer in the reporting period that is, after adjusting for the opening and closing balances of unearned premium.
Premiums written	Premiums to which the insurer is contractually entitled becoming due for payment in the accounting period.
Reinsurance	Insurance risk that is ceded to another insurer to compensate for losses, but the ultimate obligation to the policyholder remains with the entity who issued the original insurance contract.

FORM OF PROXY
CIC GENERAL INSURANCE LIMITED

(Incorporated in the Republic of Kenya under the Companies Act No. 17 of 2015) Annual General Meeting dated 25th September 2020 at 8:30 a.m. At CIC Plaza II, Nairobi.

I/We______________________________ ID Number ______________________

Member/ CDS Account Number ______________________________________

of (address) ______________________ Mobile Number______________________

Being a member of CIC General Insurance Limited and entitled to vote hereby appoint

Name(s) ______________________________ ID Number ______________________

of (address) ____

Or, failing him, the duly appointed Chairman of the meeting to be my/our Proxy, to vote on my/our behalf at the Annual General Meeting of the Company to be held on 25th September 2020 at 8:30 a.m. or at any adjournment thereof.

As witness to my/our hands this ______________ day of ____________ 2020

Signature(s) ______________________________________

Notes

1. This proxy form is to be delivered to CIC General Insurance Limited, CIC Plaza, Mara Road and of P.O. Box 59485-00200 Nairobi via email address cic.general@cic.co.ke to arrive not later than 8.30 am on 23rd September 2020 before the meeting or any adjournment thereof, failing which it will be invalid.

2. A proxy form must be in writing and in the case of an individual shall be signed by the shareholder or by his attorney and in the case of a corporation the proxy must be either under its common seal or signed by its attorney or by an officer of the corporation.

SHAREHOLDER SHORTER CONSENT NOTICE
CIC GENERAL INSURANCE LIMITED

The Board of Directors
CIC General Insurance Limited
Address 59485-00200

Re: Seeking Consent From The Members To Convene AGM At Shorter Notice

Dear Sir/s,

I/we, ____, the member/s holding an ____________________ (in words) equity shares of the Company as on date representing ________ % of the total paid-up share capital and also have an entitlement to vote at such meeting, hereby do accord mine/our consent to convene the ensuing AGM of the Company at shorter notice.

Kindly do take the same on your record.
Thanking you
Yours truly

____

(Name of the Member)
Date: ____________________

Place: ____

NOTEPAD

NOTEPAD

NOTEPAD

CIC OFFICES

KENYA

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KISUMU BRANCH
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CIC GENERAL INSURANCE LIMITED

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GENERAL • LIFE • HEALTH •ASSET

CIC GROUP