CIC GROUP

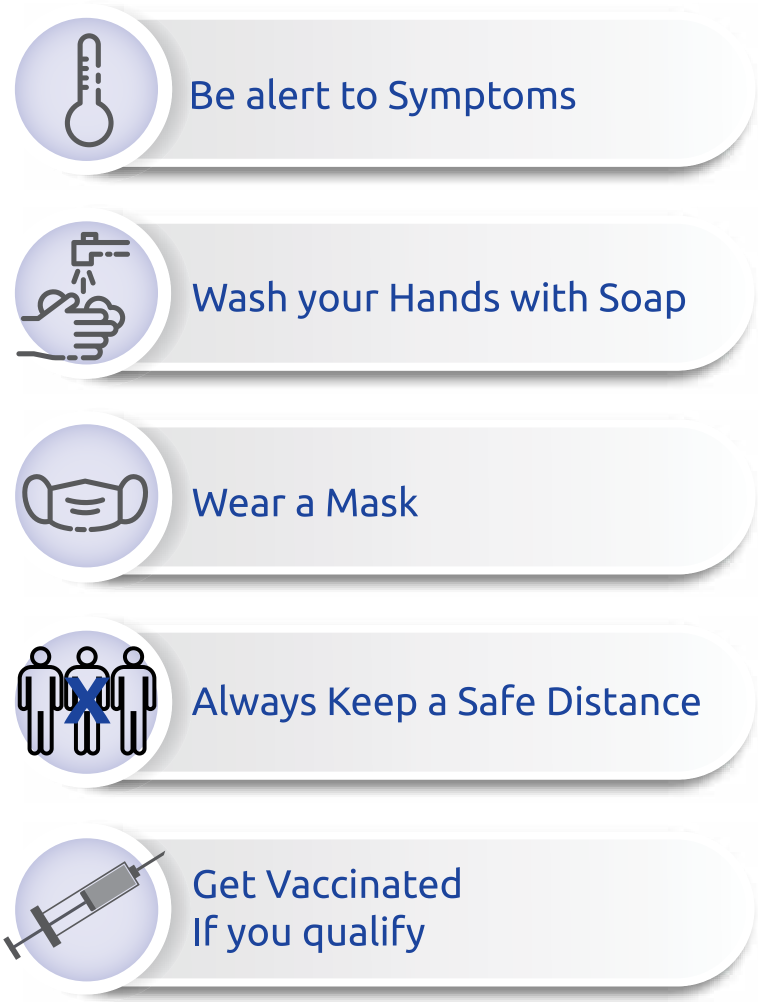
GENERAL INSURANCE LIMITED

ANNUAL REPORT AND FINANCIAL ACCOUNTS 2020

LET US UNITE,
LET US STOP COVID19
STAY SAFE

HELP PREVENT COVID-19 BY:

OBSERVING ALL PROTOCOLS SET BY THE MINISTRY OF HEALTH



CIC GROUP

In battling COVID-19 pademic and the risks associated with handling cash, we encourage you to transact using your **Debit Card, Credit Card** and **Mobile Money**.

#Stay Safe

OUR PHILOSOPHIES

WHO WE ARE

CIC General Insurance is the 2nd largest General Business insurer in the Kenyan market with a market share of 7.8% 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.

1

OUR PURPOSE (MISSION)
Enable people achieve Financial security

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 2020

DIRECTORS	E. Otieno	- Chairman
	E. Wachira	- Resigned 19th June 2020
	P. Nyaga	- Appointed 5th August 2020
	J. Mutuku	- Retired 25th September 2020
	R. Sakaja	- Retired 1st December 2020
	P. Nyigei	
	J. Oluoch	
	N. Kuria	- Appointed 1st December 2020
	J. Gatuni	- Appointed 1st December 2020
	F. Ruoro	- Appointed 4th January 2021

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	F. Ruoro	- Managing Director Appointed 4th January 2021
	M. Wanga	- Company Secretary
	M. Luvai	- Ag. Group Chief Finance Officer
	M. Mugo	- General Manager-Branch Distribution
	M. Kange	- General Manager-Medical Division
	D. Ireri	- General Manager-Operations
	H. Njerenga	- General Manager – Nairobi Metropolis
	J. Kamiri	- General Manager - Marketing and Customer experience
	L. Otieno	- Senior Manager-Finance
	C. Ogolla	- Senior Manager-Claims
	F. Muriungi	- Senior Manager- Underwriting
	G. Mundu	- General Manager-Sales
	P. Itumbiri	- Human Resource Business Partner
	S. Robi	- Group Risk and Compliance Manager
	S. Thinguri	- Actuarial Manager
	F. Kimani	- ICT Manager
	E. N. Marambu	- Sales Manager
	T. Kihanya	- General Manager - Alternative Channels
	J. Ngige	- Sales Manager

AUDITORS

PricewaterhouseCoopers LLP
Certified Public Accountants (Kenya)
PwC Towers, Waiyaki Way / Chiromo Road Westlands
P. O. Box 43963 - 00100
Nairobi, Kenya

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 9TH ANNUAL GENERAL MEETING OF CIC GENERAL INSURANCE LIMITED WILL BE CONDUCTED VIRTUALLY VIA ELECTRONIC COMMUNICATION ON THURSDAY 13TH DAY OF MAY, 2021 AT 2:00 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 8th Annual General Meeting held on 25th September 2020.

4. To receive, consider and adopt the Company's Audited Financial Statements for the year ended 31st December 2020 together with the Auditor's Report thereon.

5. To approve a first and final dividend of Kshs. 947Million for the financial year ended 31st December 2020 payable from retained earnings as recommended by the Directors

6. To consider and if thought fit, re-appoint Messrs. PriceWaterhouseCoopers, Certified Public Accountants, as the Auditors of the Company for the year 2021, having expressed their willingness to continue in office in accordance with section 719 (2) of the Companies Act No.17 of 2015, and to authorize the Directors to fix their remuneration for the ensuing year.

7. Election of Directors:

   a. Mr. Peter Nyigei who retires by rotation in accordance with Articles 106, 107 and 108 of the Company's Articles of Association, and being eligible, offers himself up for re-election as a Non-Executive Director of the Company.
   b. To confirm appointment of Mr. Nelson Chege Kuria as an Independent/Non-Executive Director of the Company with effect from 1st December 2020.
   c. To confirm appointment of Mr. Fredrick Ruoro as an Executive Director of the Company with effect from 4th January 2021.

   Changes in Board.

   i. To note the retirement of Ms. Rosemary Sakaja as an Independent Director, having been appointed to fill in a casual vacancy in the Board of CIC General Business Insurance Limited in accordance with Article 103 of the Company's Articles of Association.
   ii. To note the retirement of Mr. Jonah Mutuku, as a Non-Executive Director effective 9th October 2019, in accordance with Articles 105 (1) (b) of the Company's Articles of Association;

8. To authorize the Board to fix the Directors Remuneration.

9. 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 21st day of April 2021

BY ORDER OF THE BOARD

MARY WANGA
COMPANY SECRETARY

CIC GENERAL INSURANCE LIMITED

ANNUAL GENERAL MEETING *(continued)*

NOTE:

1. 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.

2. 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.

3. In accordance with section 283 (2) 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*


HEALTH
We keep our word
to nurture your FAMILY'S HEALTH

CHAIRMAN'S STATEMENT
CIC GENERAL INSURANCE LIMITED

On behalf of the board of CIC General Insurance Ltd, I am pleased to present the annual report and financial statements for the year ended December 2020.

OVERVIEW

The year 2020 presented a tough economic environment as a result of the Covid-19 global pandemic. The Gross Domestic product growth for quarter four 2020 contracted by 5.7% mainly driven by a sharp decline in accommodation & services, education and transport sectors. All sectors were hit hard during the year as a result of cessation of movement and introduction of curfew which together with the social distancing aspect led to business closures and reduction on consumer spending.

The CBK retained its benchmark rate at 7% in Q4'20, opining that policy measures implemented since March were having the intended effect on the economy. Short-term rates rose slightly in Q4'20 with the 91,182 and 364-day papers closing at 6.93%, 7.40% and 8.34% respectively.

Inflation averaged 5.26% in Q4'20 largely due to a rise in food prices of select items and pent up consumer demand as business activity and mobility improved. The Kenya shilling lost 0.62% to the dollar closing at 109.17.

The real estate sector recorded moderate activities with a general decline overall. The pandemic forced many businesses to restructure and enforce work-from-home policies, which greatly reduced commercial space uptake and lowered rental yields. Travel restrictions caused a major slow down to the hospitality sector and constrained financing to both developers and buyers as financiers aimed to limit exposure amidst increased loan deferrals and defaults.

COMPANY PERFORMANCE

In the year 2020 the company reported Gross written premiums of Kshs.10.2B being 4% decline from Ksh. 10.7B reported in year 2019. Profit before tax reported a 25% decline to close at Ksh. 254M.

The overall decline on Gross written premiums was largely due to the 13% decline on our Non - Medical line of business which was negatively impacted by business closures, reduced transportation and reduced infrastructural projects in the wake of the COVID 19 pandemic. We however noted a 13% growth in our Medical business in line with the company objective of profitable growth on our medical business line.

The company's decline in profitability was as a result of reduced Net Earned Premiums at 4% in line with decline on Gross written premiums and we like the other industry players suffered the impact of the equity losses due to the poor performance of the stock markets during the year

The company claims and expense ratios showed improved performance in line with the company strategic initiatives to manage costs to improve business performance.

According to IRA Q3 released statistics, General Insurance premiums recorded a growth of 2.6% to close at 179B from Ksh. 174.9B reported in Q3 2019. Long term insurance business reported a 6.6% growth to close at 74.3B while General business reported a marginal decrease of 0.1% to close at 105.1B. The general insurance business underwriters reported an overall underwriting loss of Ksh. 879.28 compared to an underwriting loss of Ksh. 2.66B reported in Q3 2019.

FUTURE OUTLOOK

The future growth outlook is positive with the rebound assuming that economic activity will normalize due to a full reopening of the economy and normalizing of the education and tourism sectors. This is centered on favorable weather to support the agriculture sector.

The company has fully embraced the virtual operations and working remotely, hence the focus will be on leveraging technology to drive efficiencies in our operations in order to serve our customers better with relevant products that meet their expectations. This is in line with our strategic objectives to higher growth rates in profitability and market share through customer focus, product and process innovation and leveraging on technology.

ACKNOWLEDGEMENT

I wish to take this opportunity to thank the shareholders, our business partners, intermediaries and our loyal customers for their overwhelming support. I also thank the management and staff for their dedication, commitment and enthusiasm in serving the company. My appreciation also goes to my colleagues in the board for their support, strategic leadership and guidance to ensure the company continues to deliver on its promises.

Edwin Otieno, OGW
Chairman

BOARD OF DIRECTORS

Mr. Edwin Otieno , OGW
Chairman

Mr. Edwin Otieno Joseph aged 63, Joined the Board 2012. He is a Non-Executive Director and Chairman of the Board since 2012.

Mr. Patrick Nyaga
Director

Mr. Patrick Nyaga aged 53, Joined the Board in the year 2020 as an Executive Director. Mr. Nyaga 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. Mr. Nyaga has over 29 years working experience mainly banking and auditing. He has worked in various senior positions in banking. Prior to joining CIC Group Ltd he was the Group Finance and Strategy Director- at Cooperative Bank of Kenya Limited. He previously worked at Barclays Bank now (ABSA) 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 is a member of the Institute of Directors of Kenya and has undertaken training in several Corporate Governance courses including in Insurance Business

Mr. Jonah Mutuku
Director

Mr. Jonah Makau Mutuku aged 74, joined the Board in 2012. Mr. Mutuku was 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. The Director retired on 25th September 2020 having served full term.

Mr. Peter Nyigei
Director

Mr. Peter Kipkirui Nyigei aged 69, joined the Board in 2012. He is a Non-Executive Director 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 was also a principal. He 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.

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 of Kenya and the Women on Boards Network (WOBN). She has experience spanning over 29 years having held senior positions at various institutions both in the public and private sectors

Dr. Nelson Kuria, OGW, MBS
Director

Dr. Nelson Kuria aged 67, Joined the Board in the year 2020 as an Independent Non-Executive Director. He holds a BA in Economics, MA in Leadership studies and an Executive Leadership training from Stanford Business School. The Director has 36 years of experience in development finance and insurance. He entered the insurance industry in 1982 through Kenya National Assurance Company as an assistant Manager in charge of Research and rose to the position of Chief Manager General Insurance Division and later also served as the General Manager in Gateway insurance Company. He was the CIC Insurance Group CEO from 2011 to 2015. Dr. Kuria is currently the Chairman of Smep Microfinance, Enwealth Financial Service and African International University Council. He is also a Board Member of Kenyatta National Hospital, Habitat for Humanity and Kenya Society of Professional Co-operators.

BOARD OF DIRECTORS

Mr. Joseph Gatuni
Director

Mr. Joseph Gatuni aged 49, Joined the Board in the year 2020 as an Non-Executive Director representing Co-operative bank of Kenya. Mr. Gatuni is certified public accountant with over 25 years of professional experience in all fields of external and internal Audit, Consultancy, Financial planning, and analysis, business process improvement, Risk Management and Compliance. He is the current Group Chief Internal Auditor for Cooperative Back of Kenya. He has also worked as an internal Auditor for NAS Group of companies and Ernst and Young auditing various firms in Kenya. He holds a Bachelor of Commerce (Accounting Option) and is also a Certified Quality Assessor by the Institute of Internal Auditors (IIA), The Director is a member of the Institute of Directors of Kenya.

Ms. Judith Oluoch
Director

Ms. Judith Oluoch aged 51years, 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 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)

MARY WANGA
CS

Ms. Mary Wanga aged 53, is the Company Secretary and an Advocate of the High Court of Kenya with over 24 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 Degree in Law, 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 of Kenya, An Associate member of Insurance Institute of Kenya and Convenor of Legal Affairs and Professional Standards Commitee, Law Society of Kenya, ACIArb, ICPSK and Women on Boards Network (WOBN).


GENERAL
We keep our word
to protect your MOTOR VEHICLE

MANAGING DIRECTOR'S STATEMENT
CIC GENERAL INSURANCE LIMITED

On behalf of the Management team of CIC General Insurance Ltd, it is my pleasure to present the Annual Report and Financial Statements for the year ended 31st December 2020.

OVERVIEW

Kenya's economic outlook remains highly uncertain as the COVID-19 pandemic continues to ravage the country. The effects are not only limited to public health but have affected all spheres of the economy. The economic and social disruptions induced by the pandemic have led an estimated two million Kenyans into financial distress. One in three Kenyan workers are employed by firms facing high risk of temporary or permanent closure and reduced revenues, highlighting the vulnerability of household incomes.

Globally, the economy is experiencing a colossal negative impact. The International Monetary Fund projecting severely impacted growth across the world.

The latest World Bank Kenya Economic Update predicted a growth of 1.5% in 2020, with a potential downside scenario of a contraction to 1% if COVID-19 related disruptions in the economy last longer. The NSE 2020 share index dropped from 2,432 points to 1,852 between September 2019 to September 2020. On a positive note, the continued rainfall experienced throughout the country has boosted agriculture activities. The ongoing government construction projects are expected to improve the country's economic growth, albeit gradually.

The Financial and Insurance sector grew by 5.2% as the government maintained accommodative monetary policies. Shift to online and mobile banking helped the industry adjust to Covid-19. The ICT sector also benefited from forced automation.

INDUSTRY PERFORMANCE

The Insurance industry in Kenya registered a 2.6% growth to close at Ksh. 179 B in Quarter 3 2020 from Ksh. 174.9 B in Q3 2019. The long-term Business performed better at a growth of 6.6% to close at Ksh. 74.3 B from Ksh 69.7 B, with General Business registering a negative 1.1% growth during the period under review to close at Ksh.105 B from Ksh. 105.2 B in the previous year. The most prominent classes in the market, Medical, Motor Private and Motor Commercial grew by 7%, -1.1% and –9.5% respectively.

Overall industry loss ratio shrunk from 65.3% to 63.3%, largely due to a drop in Motor private and Motor commercial claims which dropped by 6.7% and 6.4%, respectively. Medical claims remained steady at Ksh. 15 B.

Investment in the insurance industry increased by 8% to Ksh. 135 B. Government securities were the preferred mode of investment with an 18% growth. Insurers divested from the stock exchange leading to a 25% drop in investment in quoted shares. This is expected as insurers implement initiatives to improve their Capital Adequacy Ratio and improve profitability.

On overall Business, the industry returned a profit of Ksh. 2.66 B from a loss of Ksh. 879 M in Q3 2019.

COMPANY PERFORMANCE

In the year 2020, our premium income dropped by 4%. This performance resulted from a 13% drop in our Non-medical revenues with Large Non-medical classes of Motor private and Motor commercial negatively impacted by schools' closure. Reduced transportation also affected our Motor commercial class, with several customers requesting for 3rd party only covers. These two classes were also affected by rampant undercutting as market players attempted to secure market share.

Our Engineering class was negatively impacted. We did not win any major contracts as the government rededicated its spending from projects to fighting Covid-19. We have an optimistic outlook in 2021 as the government resumes construction projects across the country.

Our medical class also continued with the positive trajectory reporting 14% growth attributed to New Business acquired during the year.

In 2020, our cost of claims decreased by 6%, which was in line with the 4% drop in GWP. Our efforts in managing our claims costs bore fruits leading to a reduction of loss ratio from 72% reported in the prior year to 70%.

Our expenses at 25% were below the industry's rate of 31.9%. The company will continue with the cost containment measures across all levels.

Investment and other income reported a 12% decline attributed to the subdued stock markets resulting in a fair value loss of Ksh 124 M coupled with the decline in interest rates on deposits during the year.

In the period under review, the Business reported a 25% decline in profitability to Ksh. 254 Million. This was attributed to a 4% decline in net earned premiums in line with the decline in Gross written premium and a decline in investment income during the year. During the year, we, however, noted an improvement in the Loss ratio.

FUTURE OUTLOOK

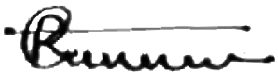
As we implement 2021 Business strategies, we have considered the impact of Covid-19 in both the market and economic environment. Though the direction this will take is not certain with the new emerging Covid-19 variants, the Business is well prepared and continues engaging the market effectively. The outlook for the year 2021 is positive compared to the year 2020. However, there is residual uncertainty emerging from Covid containment measures.

The focus areas for the year 2021 are on profitable growth and operational excellence. The Management shall also work on improving the control environment and creating a high-performance culture.

ACKNOWLEDGEMENT

I want to express my gratitude to the Board of Directors for their visionary leadership, support and guidance. I express my thanks and appreciation to our customers and Business partners for their overwhelming support and loyalty. I would like to appreciate the Leadership team and Staff for their dedication and commitment to enable the company to achieve its vision.

Finally, I would like to thank the Shareholders for believing in the company's vision for growth and profitability. God bless you all.



Fred Ruoro
Managing Director

BOARD OF MANAGEMENT

Fred Ruoro
Managing Director

Fred holds a bachelor's degree in Mathematics & Physics from The University of Nairobi. In addition, he is a senior Certified Insurance Professional from the Australian & New Zealand Institute of Insurance and Finance and is a Fellow of the Life Management Institute. Fred holds a Diploma in Management Accounting from the Chartered Institute of Management Accountants (CIMA). He is a member of good standing of the Insurance Institute of Kenya (IIK).

Mary Wanga
CS

Ms. Mary Wanga aged 53, is the Company Secretary and an Advocate of the High Court of Kenya with over 24 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 Degree in Law, 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 of Kenya, An Associate member of Insurance Institute of Kenya and Convenor of Legal Affairs and Professional Standards Commitee, Law Society of Kenya, ACIArb, ICPSK and Women on Boards Network (WOBN).

Muyesu Luvai

Muyesu aged 42, is the Acting 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.

BOARD OF MANAGEMENT

Michael Mugo

Michael Mugo aged 50, is the General Manager - Branch Distribution. He joined the Group in 2003 as an Agency Manager in Ordinary life. He has a total of 25 years' experience in the Insurance industry. He has served the organization in various senior capacities including Sales Management, Corporate Affairs and Communication, Marketing and Strategy. He has undergone extensive training in the areas of leadership, Governance, and strategic management. He is the immediate former MD, CIC Africa (South Sudan) and played a prime role in the establishment of the subsidiary in South Sudan. Michael is a graduate of the Advanced Management Program (AMP) from Strathmore Business School, Lagos Business School and IESE, Barcelona. He holds an MBA degree from JKUAT with special focus on Strategy and Marketing. He is a Bed (Econ & Geog) graduate of Moi University. He has extensive training and experience in institutions and business enterprises. He is a member of the Institute Of Directors of Kenya and the institute of Customer Service of Kenya. He effectively communicates direction, commits people to action, inspires vision and ownership of projects, and conveys complex information in easily understood formats.

Kang'e N. McDonald

Kang'e N. McDonald 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 a 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.

Henry Njerenga

Henry aged 50, is the Group General Manager - Branch Distribution. He has over 25 years of experience working in the insurance sector in various fields such as Underwriting, Sales, Marketing and Customer Service. Henry has implemented for CIC Group the Customer Satisfaction Index (CSI) which has brought significant improvements in customer care operations. He is a graduate of The Management University of Africa (MUA) - Executive Bachelors of Business Management (EBBM). He holds a Diploma in Marketing Management (DMM) from the Kenya Institute of Management in addition to various programs attended over time including in the corporate governance area. He is also a full member of good standing of KIM holding title MKIM. He is a member of Audit Risk & Governance committee of KIM and have served in the National Council including other committees of the board for over ten years.

Joseph Kamiri

Joseph aged 53, is the General Manager - Marketing and Customer experience. He holds Bachelor of Commerce - Insurance Option from the University of Nairobi. He's an Associate Member of Insurance Institute of Kenya (AIIK) and an Associate Member of the Chartered Insurance Institute (ACII). He holds an MBA (Marketing) from the University of Nairobi. In addition, Mr. Kamiri has done the Advanced Management Program (AMP), from IESE Business School, Spain & Strathmore Business School, Kenya and has attended Negotiation, Mediation & Arbitration training from the International Law Institute (George Washington University-USA). Mr. Kamiri has over 25 years' experience in the Insurance business in both Kenya and the Global Emerging Markets. He joined CIC in 2014.

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.

BOARD OF MANAGEMENT

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.

Grace Mundu

Grace aged 50, is the General Manager Sales. 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.

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 Wambui

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.

BOARD OF MANAGEMENT

Florence Kimani

Florence aged 45, is the ICT Manager. She holds a Masters of Business Administration (MBA) degree in Strategic Management from Daystar University and a Bachelor of Commerce degree (Management Science) from UON. She has also attained professional commendation on Oracle Certified Professional (OCP) and a Higher Diploma in Information Technology. Mrs. Kimani has over 20 years' experience in the insurance industry. She joined CIC in 1994.

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.

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).

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.

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 years ended 31st December 2019 and 2020 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*
10th March, 2021

CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

This governance statement 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 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 2020 financial year, as in previous years, we adopted all of the IRA Corporate Governance Guidelines, Directives and Circulars issued to the industry.

Implications of COVID 19 on Corporate Governance

The wake of COVID 19 in the country has continued to affect companies and firms in all sectors of the economy especially during the year under review. The Board worked closely with management to ensure continuity and sustainability of business. During the year, the Board enhanced the use of technology to ensure good governance by amending the Company's memorandum of understanding to incorporate virtual and hybrid meetings. The Company had already adopted the use of eBoard system in its conduct of board meetings.

Statement of Commitment to Good Governance

The CIC General Insurance Limited Board of Directors ("Board") is committed to high standards of corporate governance and its corporate governance framework supports its long term performance and sustainability projects and enhances shareholder value and protects the interests of all its key stakeholders. The company believes that good corporate governance is based on a set of values and behaviour that underpin day-to-day activities; provide transparency and fair dealing; and promote financial stability and healthy economic growth that can deliver better outcomes for the company's stakeholders and help its customers get ahead.

The company 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.

Board Mandate

The primary role of the Board remains to guide the company towards sustainable long-term success through the exercise of objective and informed judgement in determining the strategy of the company, having the best team in place to execute that strategy, monitoring business performance and maintaining an effective framework of controls to mitigate risks facing the business.

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

A Board Charter provides a concise overview of the role and responsibilities of the board of directors; powers of the board and various board committees; separation of roles between the Board and Management; and the practice of the board in respect of corporate governance matters. The General Business Board Charter is subject to the provisions of the Companies Act, 2015, the Company's Memorandum and Articles of Association and any applicable law or regulatory provision.

The General Insurance Board Charter was reviewed during the year under review to offer guidance on matters including but not limited to the following:

- The separation of the roles, functions, responsibilities and powers of the Board and its individual members.
- Powers delegated to the Board committees; matters reserved for final decision-making and approval by the Board.
- Policies and practices of the Board on matters of corporate governance, Directors' declarations and conflict of interest, conduct of Board and Board committee meetings.

The Charter is not a substitute or a replacement of any laws and regulations that govern the running of the company.

Separation of the role of the Chairman and the Managing Director

The separation of the functions of the Chairman (a Non-Executive Director) and the Managing Director supports and ensures the independence of the board and management. The balance of power, increased accountability, clear definition of responsibilities and improved decision-making are attained through a clear distinction between the Non-Executive and executive roles. The Chairman's responsibilities include the operation, leadership and governance of the board. The Managing Director's roles and responsibilities remains the day-to-day management of the company's business and overseeing the implementation of strategy and policies approved by the board.

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
- 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 key/material developments to the Board.
- Communicating to internal and external stakeholders on matters affecting the Company.
- Board and regularly reporting on the progress on execution.
- 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.

Company Secretary

The Company Secretary, a member of the Institute of Certified Secretaries of Kenya (ICPSK), plays the critical role of coordinating the activities of the Board. The Board is assisted by the Company Secretary who 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 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 for advising the Board on all applicable laws and governance matters through the Chairman.

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.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

Working Relationship Between the Board and the Company Secretary

The Board is solely responsible for its agenda. However, it is the responsibility of the Chairman and the Company Secretary, working closely with the Managing Director, to come up with the annual Board work plan and agenda for the Board meetings.

The General Insurance Board meets at least four (4) times a year and the meetings are structured in a way that allows for open discussions. Comprehensive Board papers are prepared and circulated to all Directors for all substantive agenda items. This allows time for the Directors to undertake an appropriate review of the Board papers to facilitate full and effective discussions at the meetings. The senior leadership team members may be invited to attend the board meetings if deemed necessary. The Directors are responsible for ensuring that the business strategies proposed are successful and offer oversight role over the business. The Board has also put in place a new strategic plan 2021 - 2025. This enables the Directors to promote the success of General Insurance for the benefit of its shareholders, with consideration of, among other matters, the interests of employees, fostering of business relationships with customers, suppliers and other stakeholders. The Directors oversee operational performance of the business, and to perform these tasks, they have full access to all relevant information with updates provided on governance, regulatory and other matters affecting the company.

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 Seven directors constituted as follows:
- Three 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 2020 Annual Financial Statements.

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
Nelson Kuria*	Non-Executive	Member	*
Rosemary Sakaja*	Non-Executive Independent	Member	*
Judith Oluoch	Non-Executive Independent	*	Member
Joseph Gatuni*	Non-Executive Director	Chairman	*
Dr. Rachael Monyoncho**	Non-Executive Independent	Member	*
Patrick Nyaga*	Executive Director	*	*
Elijah Wachira***	Executive Director	*	*

Note:
1. * Not a Member.
2. **Director drawn from sister company CIC Life Assurance Limited.
3. ***MD- Elijah Wachira retired on 19th June 2020
4. Jonah Mutuku retires from the Board on 25th September 2020 having served full term
5. Mr. Patrick Nyaga was appointed from a Non- Executive Director to Executive Director on 5th August 2020
6. Director Joseph Gatuni was appointed on 1st December 2020
7. Director Rosemary Sakaja Retired on 1st December 2020
8. Director Nelson Kuria was appointed on 1st December 2020

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.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

Table 3: **Directors Tenure of Office**

Director	Date of Appointment to the Board	Date Last Re-Appointed
Edwin Joseph	28.03.2012	21.5.2019
Peter Nyigei	28.3.2012	22.5.2018
Nelson Kuria	01.12.2020	-
Rosemary Sakaja	18.07.2019	01.12.20
Judith Oluoch	11.05.2016	21.5.2019
Joseph Gatuni	01.12.20	-
Judith Oluoch	11.5.2016	21.5.2019
Patrick Nyaga	05.08.2020	-

Letter of Appointment and Due Diligence

The key terms and conditions applicable to Director Appointments are set out in a letter of appointment setting out Director's role and responsibilities, time commitments, induction, performance, remuneration, disclosure of outside interests, independence and confidentiality.

All Directors have undergone the fit and proper due diligence assessment conducted by the regulator (Insurance Regulatory Authority) and approvals granted to all directors. All Directors also have a current certificate of good conduct from the Criminal Investigation Directorate and Credit Reference Bureau

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

A comprehensive induction to an organisation allows new board members to be properly informed, supported and welcomed from the time of their board appointment. Newly appointed Directors receive appropriate 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.

Board Evaluation

In line with the provisions of the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, the Board undertook an annual evaluation of its performance as an entity, its committees, the Chairman and each individual Director as well as the Company Secretary. This was aimed at enabling the Board and its members and the committees to gauge their performance and identify areas of improvement.

The Board was trained on corporate governance and the application of the board evaluation tool which heads towards complying with the 12 hours board training requirement.

The Board evaluation for the year under review, 2020, was conducted virtually and the questionnaires administered digitally. This was as a result of adherence to government protocols on restrictions on physical meetings and movements due to the covid 19 situation in the country. The evaluations exercise also included a board evaluation training.

The review concluded that the Board continues to be effective.

Conflict of Interest

The Directors are obligated to fully disclose to the Board any real or potential conflict of interest, which comes to any Director's attention, whether direct or indirect. The statutory duty to avoid situations in which the Directors have or may have interests that conflict with those of the Company has been observed by the Board in the financial year under review. All business transactions with all parties, Directors or their related parties are carried out at arm's length.

The Board has formal procedures for managing conflicts of interest in accordance with the Companies Act 2015 and the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public. Directors are required to give advance notice of any conflict of interest issues to the Chairman or Company Secretary and these are considered at the next Board meeting. Declaration of conflicts of interest is also a standard agenda item which is addressed at the onset of each Board meeting. Directors are excluded from the quorum and vote in respect of any matters in which they have an interest.

No material conflicts were reported by Directors in the year under review.

Code of Ethics and Conduct

The General Insurance Directors and employees are expected to act with honesty, integrity and fairness in all their dealings with one another and with stakeholders. The Board has a code of conduct to commit to and employees have HR manual that guides the conduct of employees.

Fraud Awareness & Whistle Blowing Policy

We have a whistleblowing policy that provides for an ethics hotline managed by an independent, department, Through the hotline, anonymous reports on unethical/fraudulent behavior can be made without fear of retaliation from the suspected individuals. Whistleblowing statistics are reported to the Audit and Risk Committee on a quarterly basis. Staff members and business partners are also regularly sensitized on the need to report any suspected unethical business practices.

The whistleblowing policy provides a platform for employees, suppliers, dealers and agents to raise concerns regarding any suspected wrong doing and the policy details how such concerns are addressed. The whistleblowing policy has been uploaded on the Company's website.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

Board Meetings

The Board meets are aligned as per the 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.

The attendance at the meetings is as detailed under table 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	8	*	*	4	4
Peter Nyigei	7	8	*	*	4	4
Rosemary Sakaja***	7	6	4	4	*	*
Jonah Mutuku**	7	5	*	*	*	*
Judith Oluoch	7	7	*	*	4	4
Rachel Monyoncho	*	*	4	4	*	*
Joseph Gatuni***	7	1	4	1	*	*
Nelson Kuria***	7	1	4	1	*	*
Patrick Nyaga***	7	2	4	3	4	4
Elijah Wachira**	7	4	*	*	*	*

Notes:

(a) Number of Meetings attended by the Director during the financial year.
(b) * Not a Member.
(c) ** Retired during the financial period under consideration.
(d) All the directors attended the company's Annual General Meeting held on 25th September 2020.
(e) Patrick Nyaga was appointed to the Board on 5th August 2020.
(f) ***Appointed Directors during the financial period under consideration.

Board Committees

The Board has delegated authority to two (2) standing Committees: Finance & Investment Committee and Audit & Risk Committee to enhance the efficiency and depth of achieving Board responsibilities.

These Committees of the Board are listed below and each has its own clearly defined Terms of Reference (TORs) indicating the purposes, goals, duties and authority of the Committee as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure, operations and it's reporting structure to the Board. The TORs are periodically reviewed to align with the best governance practices and relevant to the dynamic business environment.

Each Committee comprises a majority of non-executive directors and independent non-executive directors with relevant expertise.

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 report to the board on the activities of the respective committee at each board meeting and submit written reports to the board which highlight matters for board attention and recomendation. 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 meets 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 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. Joseph Gatuni - Chairman
2. Dr. Rachael Monyoncho
3. Nelson Kuria
4. 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.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

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
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 Pricewaterhousecoopers (PWC) appointed by the shareholders for the year under review 2020 . The Statutory Auditors certified the company's financial statements in the year 2020.

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

General Insurance has shareholder engagement policy and remains committed to relating openly with its shareholders by enacting by providing regular as well as ad-hoc information on operating and financial performance and addressing any areas of concern. This is achieved through the following:

- Interim and annual results and publication of extracts of its financial performance in the daily newspapers, preparation of annual audited accounts and holding of the Annual General Meeting.
- Copies of the annual reports are made available to shareholders at least 21 days before the date of the AGM and they are free to raise questions to the Board during the meeting.
- General Insurance responds to daily queries from shareholders, their representatives and financial analysts through a dedicated investor relations team.
- The website has a specific webpage dedicated to the information requirements of the shareholders and investment analysts.
- Investor briefing sessions are held immediately after the announcement of interim and full year results.

Company is committed to giving its shareholders appropriate information and facilities to enable them exercise their rights effectively. As a result, the company seeks to provide shareholders with information that is timely, of high quality and relevant to their investment, and to listen and respond to shareholder feedback. The Board recognizes the importance of maintaining transparency and accountability to its shareholders and works to ensure that all shareholders 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 (AGM). This is usually done through publication of the company's annual reports and filing of quarterly and yearly financial returns to the Insurance Regulatory Authority.

People and Policies

The Board has established and formalized various policies, processes and systems relevant to guide the business and periodically reviews the same.

Succession

Careful management of the board's succession planning is vital for the effective functioning of the board and therefore a succession plan has been put in place to guide 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.

Board Diversity and Balance

The Board appreciates diversity, recognizes its role in bringing different perspectives into Board debates and offers better anticipation of the risks that are inherent in the business and the opportunities that the business pursues. The General Insurance Board has the appropriate mix of skills, knowledge and experience to perform its role effectively.

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.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

The areas of expertise of the current Board of Directors are business management, fund management, investments, banking and finance, economics, marketing, project, risk management, human resources, governance and legal and ethics issues.

Remuneration for Non-Executive Directors

The Company's Non-Executive Directors are compensated in the form of fees but are not entitled to any pension, bonus or long term incentives. The package covers a Director's role in the Board, any Board Committee(s) and any other activities as identified in the approved compensation schedule and in-line with the Directors' Remuneration Policy

Corporate Social Responsibility

We recognize that Corporate Social Responsibility (CSR) issues are of increasing importance to our stakeholders and are fundamental to the continued success of the business. We support the group directly in its CSR activities. We have a CIC Foundation Policy which ensures we operate our business in a responsible manner at all times for the benefit of our customers, staff, suppliers and the wider community. We also encourage our employees to take part in CSR initiatives aimed at improving the standards of living of the communities that they come from. Our CSR activities are disclosed every year in the social impact section of our sustainability and foundation reports in the Group's Annual Report.

Sustainability

General Insurance recognizes that their business impacts the environment around them creating an innate sense of accountability to the society at large. Sustainability takes into account a strong concern for the future. It is the company's best interest to be socially responsible and innovative because these are the foundations of sustainability.

Going Concern

The Board confirms that the financial statements are prepared on a going concern basis and is satisfied that the Company has adequate resources to continue in business for the foreseeable future. In making this assessment, the Directors consider a wide range of information relating to present and anticipated future conditions, including future projections of profitability, cash flows, capital and other resources.

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 Plc	100,000,000 (Kshs 20 each)

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

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.

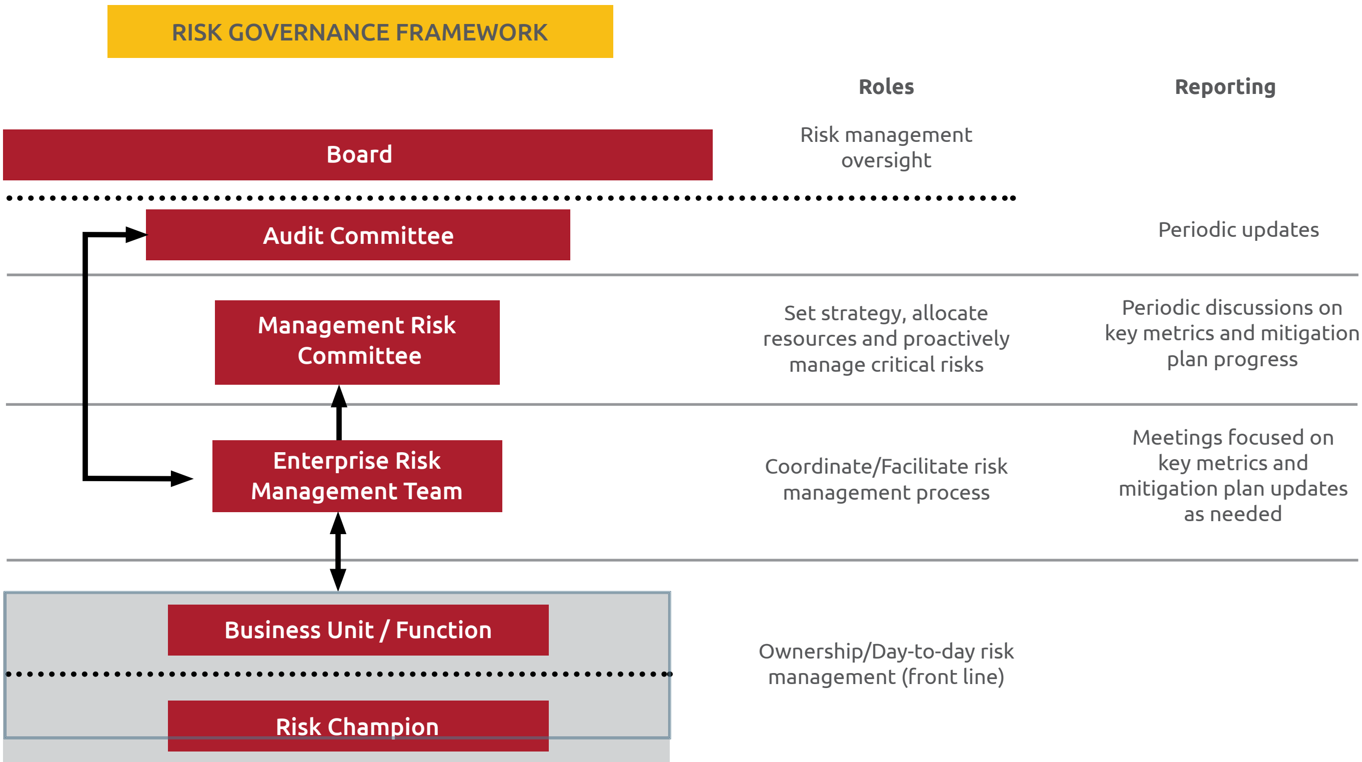
Signed By Chairman on Behalf of CIC General Insurance Board

Dated ………..… 2020

CIC RISK GOVERNANCE STATEMENT

Risk Governance Framework

CIC General Risk Governance is based on the principles of Enterprise-wide Risk Management (ERM). This approach ensures a clear Tone at the top, shared risk management responsibility and accountability, while ensuring escalation of risks from the shop floor (Risk Champions) to the board level.

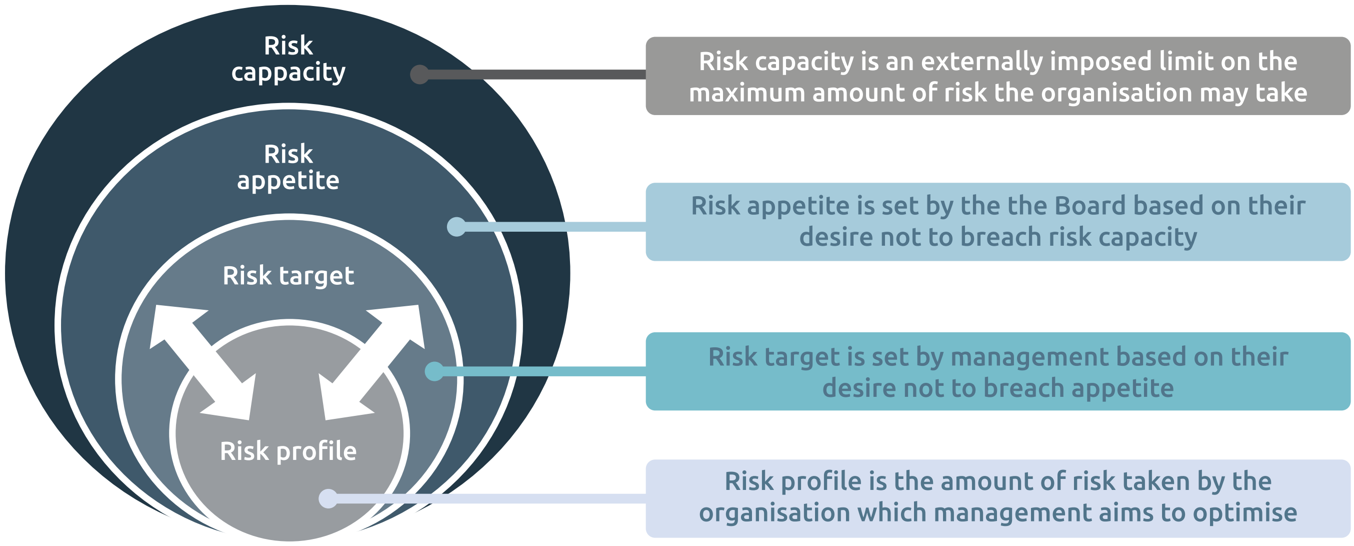


Risk Tolerance and Appetite

CIC General has established and maintains a risk appetite statement which sets out its overall quantitative and qualitative risk appetite levels and defined risk appetite limits, which takes into account all relevant and material categories of risk and the relationships between them. A clearly articulated risk appetite framework is based on the approved strategy. This has been cascaded across risk types being a critical element of prudential business management and successful ERM, to ensure that CIC General has effective processes in place to operate within the expectations of key stakeholders and within CIC General's financial capacity.

CIC RISK GOVERNANCE STATEMENT *(continued)*

The components of the risk appetite system are illustrated be the figure below



Business Continuity Management (BCP)

CIC General Insurance Group has a robust Business continuity plan that covers disastrous events that is, any internal or external event that may cause unacceptable interruption in essential business processes. The primary objective of this Business Continuity Plan is to ensure the continued operation of identified critical business operations in the event of a disaster.

In 2020 we were faced with challenges around business continuity by the COVID 19 pandemic; CIC General was able to adopt to the new operating environment and continue its operations, this was made possible by our Business Continuity Plan which created a guide of operations within a Health and Safety Disaster.

Whistle blower policy

CIC General 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.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2020

The directors submit their report together with the audited financial statements of CIC General Insurance Limited "the Company" for the year ended 31 December 2020.

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 2.

2. DIRECTORATE

The directors who held office during the year and to the date of this report are set out on page 2.

3. PRINCIPAL ACTIVITIES

The principal activity of the company is the transaction of general insurance business.

4. COMPANY RESULTS

	2020 KShs '000	2019 KShs '000
Profit before taxation	254,471	339,622
Income tax expense	(239,116)	(61,512)
Profit for the year	15,355	278,110

5. DIVIDENDS

The directors recommend the payment of a first and final dividend of Kshs. 11.14 per share amounting to Kshs. 947 Million in respect of the year ended 31 December 2020 (2019 – NIL)

6. BUSINESS REVIEW

ECONOMIC AND BUSINESS ENVIRONMENT

The Gross Domestic product growth for quarter four 2020 contracted by 5.7% mainly driven by a sharp decline in accommodation & services, education and transport sectors. The economic outlook both globally and in Kenya however remains uncertain as the Covid-19 impact filters through to 2021. World Bank projects 2021 GDP to expand by 6.9%.

The CBK retained its benchmark rate at 7% in Q4'20, opining that policy measures implemented since March were having the intended effect on the economy. Short-term rates rose slightly in Q4'20 with the 91,182 and 364-day papers closing at 6.93%, 7.40% and 8.34% respectively. Inflation averaged 5.26% in Q4'20 largely due to a rise in food prices of select items and pent up consumer demand as business activity and mobility improved. The Kenya shilling lost 0.62% to the dollar closing at 109.17. Dollar demand remained persistent, as thin inflows prevailed pushing the shilling to historic lows of 111.59 mid-December. Both NASI and NSE-20 registered gains in Q4'20, of 8.74% and 0.87% respectively. Foreign investors remained net sellers as their divergence from frontier markets in the wake of persistent negative sentiment. The market outlook for 2021 remains uncertain as potential downside risks persist in light of the unrelenting pandemic. The real estate

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

sector recorded moderate activities with a general decline overall. The pandemic forced many businesses to restructure and enforce work-from-home policies, which greatly reduced commercial space uptake and lowered rental yields. Travel restrictions caused a major slow down to the hospitality sector and constrained financing to both developers and buyers as financiers aimed to limit exposure amidst increased loan deferrals and defaults.

In the period under review our premium income dropped by 4%. This was as a result of 13% drop in our non-medical revenues. Schools closure, and reduced transportations affected our Motor commercial class. This business was also affected by rampant undercutting as market players attempted to secure business. The profit before tax in 2020 decreased to Ksh254 M. This was as a result of increase in management expenses due to increase in provision for bad debts during the year Ksh.150 M. Our Loss ratio improved from 72% to 70% as loss ratio improvement measures put in place by management started bearing results, in addition to reduced medical and motor claims due to reduced hospital visits and due to the inter county lockdown and curfew experienced during the year. Total assets increased from Ksh 13.6 B to Ksh 14.3 B in 2020 majorly due to increase in the investment funds in Government securities and deposits with financial institutions. Total liabilities increased from Ksh 9.4 B to Ksh 10 B due to increase in claims reserves.

7. DIRECTORS

The Directors of the Company who served in office during the year and to the date of this report are set out on page 2 of this report.

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

The directors confirm that with respect to each director at the time of approval of this report:

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

b) each director has taken all the steps that ought to have been 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

PricewaterhouseCoopers LLP were appointed during the year and having expressed their willingness, continue in office in accordance with the provisions of section 719 (2) of the Kenyan Companies Act 2015.

The directors monitor the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the auditor. This responsibility includes the approval of the audit engagement contract and the associated fees on behalf of the directors.

BY ORDER OF THE BOARD

Mary Wanga
Secretary
5th March 2021

REPORT OF THE CONSULTING ACTUARY
FOR THE YEAR ENDED 31 DECEMBER 2020

I have conducted an actuarial valuation of the insurer's insurance liabilities of CIC General Insurance Limited as at 31 December 2020.

The valuation was conducted in accordance with generally accepted actuarial principles and in accordance with the requirements of the Insurance Act, Cap. 487 of the Laws of Kenya.

Those principles require that prudent principles for future outgo under contracts, generally based upon the assumptions that current conditions will continue. Provision is therefore not made for all possible contingencies.

In completing the actuarial valuation, I have relied upon the audited financial statements of the Company.

In my opinion, the insurer's insurance liabilities of the company were adequate as at 31 December 2020.

Name of Actuary Abedi Mureithi

Signed ______________________

30th March, 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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 at the end of the financial year and of its profit or loss for that year. The directors are responsible for ensuring that the Company keeps proper accounting records that are sufficient to show and explain the transactions of the Company; disclose with reasonable accuracy at any time the financial position of the Company; and that enables them to prepare financial statements of the Company that comply with prescribed financial reporting standards and the requirements of the Kenyan Companies Act, 2015. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

(i). Designing, implementing and maintaining 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 then applying them consistently; and

(iii). Making judgements and accounting estimates that are reasonable in the circumstances.

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

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

Approved by the Board of Directors on 10th March 2021 and signed on its behalf by:

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Edwin Otieno Joseph, OGW	**Fredrick Ruoro**	**Joseph Gatuni**
Chairman	**Principal officer**	**Director**

PricewaterhouseCoopers LLP.
PwC Tower,
Waiyaki Way/Chiromo Road, Westlands
P O Box 43963 – 00100 Nairobi,
Kenya

Tel: +254 (20)285 5000
Fax: +254 (20)285 5001
Website: www.pwc.com/ke

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 45 to 120 which comprise the statement of financial position at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of CIC General Insurance Limited at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2015.

Basis for opinion

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE CIC GENERAL INSURANCE LIMITED *(CONTINUED)*

Key audit matter	How our audit addressed the key audit matter
Determination of insurance contract liabilities As disclosed in note 31 of the financial statements, insurance contract liabilities comprise reported claims and incurred but not reported ("IBNR") claims. The estimation of the provisions involves significant judgement given the inherent uncertainty in estimating expected future outflows in relation to claims incurred. In addition, the valuation of these liabilities relies on the accuracy of claims data and the assumption that future claims development will follow a similar pattern to past claims development experience.	Evaluated and tested controls around claims reserving and settlement; On a sample basis, compared claims recorded in the claims systems to source documents; Tested the reconciliation between the claims data and that used to calculate the reserves; Considered the methodology and assumptions used in estimating reserves against generally accepted actuarial methodologies and approaches; Evaluated the reasonableness of the assumptions by performing an actual versus expected analysis on prior year's reserves to assess for any surpluses or shortfalls; and Assessed the adequacy and appropriateness of the related disclosures in note 31 of the financial statements.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

Responsibilities of the directors for the financial statements

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

pwc

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE CIC GENERAL INSURANCE LIMITED *(CONTINUED)*

Responsibilities of the directors for the financial statements (continued)

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE CIC GENERAL INSURANCE LIMITED *(CONTINUED)*

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the Company's financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the

matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other matters prescribed by the Companies Act, 2015
In our opinion the information given in the report of the directors on pages 37 and 38 is consistent with the financial statements.

PricewaterhouseCoopers LLP

Certified Public Accountants
Nairobi

31st March 2020

FCPA Richard Njoroge, Practising certificate No. 1244.
Signing partner responsible for the independent review

CIC GROUP

CIC GENERAL INSURANCE LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 KShs '000	2019 KShs '000
GROSS WRITTEN PREMIUMS	3 (a)	10,196,748	10,654,090
Gross earned premiums	3 (b)	10,452,044	10,465,956
Less: Reinsurance premiums ceded	3 (c)	(1,841,324)	(1,465,446)
Net earned premiums		8,610,720	9,000,510
Commissions income	4 (a)	383,601	445,377
Interest revenue calculated using the effective interest method	5(a)	576,670	545,960
Other investment income	5(b)	164,161	159,718
Other gains and losses	6	(36,222)	86,292
Other revenue		1,088,210	1,237,347
Total revenue		9,698,930	10,237,857
Claims and policyholders' expenses			
Gross claims paid and loss adjustment expenses	7	(6,325,022)	(6,752,241)
Claims ceded to reinsurers	7	835,701	400,577
Gross change in insurance contract liabilities	7	(631,505)	(254,836)
Change in contract liabilities ceded to reinsurers	7	117,744	134,400
Net benefits and claims payable		(6,003,082)	(6,472,100)
Commissions expenses	4 (b)	(1,270,363)	(1,390,091)
Operating and other expenses	8 (a)	(2,147,179)	(2,032,505)
Allowance for expected credit losses	8 (c)	(5,585)	9,568
Total claims and other expenses		(9,426,209)	(9,885,128)
Finance cost	10(b)	(18,250)	(13,107)
Profit before taxation		254,471	339,622
Income tax expense	9 (a)	(239,116)	(61,512)
PROFIT AFTER TAX		15,355	278,110
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income that may be reclassified to profit or loss in subsequent years net of tax			
Fair value (loss) /gain on debt instruments at fair value through other comprehensive income	17	(10,516)	27,117
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	(5,112)	2,024
Total other comprehensive (loss)/income for the year		(15,628)	29,141
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(273)	307,251

CIC GENERAL INSURANCE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	2020 KShs '000	2019 KShs '000
ASSETS			
Property and equipment	10 (a)	316,272	352,229
Right of use assets	10 (b)	76,403	79,631
Investment properties	11	1,602,000	1,602,000
Intangible assets	12	97,279	105,849
Deferred tax asset	13	338,758	460,888
Financial assets at amortised cost- Corporate bonds	14	32,134	96,945
Financial assets at amortised cost- Government securities	15	754,509	720,916
Financial assets at amortised cost-Loans receivable	16	51,767	60,521
Financial assets at fair value through other comprehensive income-Government securities	17	2,670,282	1,737,798
Financial assets at amortised cost- deposits and commercial papers	20	11,201	78,580
Financial assets at fair value through other comprehensive income-Unquoted equity investment	18	15,124	20,236
Financial assets at fair value through profit or loss- Quoted equity instruments	19	375,169	500,780
Investments in collective investment schemes at fair value through profit or loss	21	637,551	173,502
Receivables arising out of direct insurance arrangements	22 (a)	1,204,126	1,331,741
Receivables arising out of reinsurance arrangements	22 (b)	1,289,245	1,150,564
Reinsurers share of Insurance liabilities and reserves	23	1,483,189	1,472,081
Deferred acquisition costs	24	432,347	486,667
Taxation recoverable	9(c)	74,450	186,218
Other receivables	25	47,724	76,744
Due from related parties	26 (b)	148,537	83,118
Intercompany loan	26 (d)	787,740	700,000
Deposits with financial institutions	27	1,756,016	1,605,153
Cash and cash equivalents	34(b)	67,060	536,184
TOTAL ASSETS		14,268,883	13,618,345
EQUITY AND LIABILITES			
Equity			
Share capital	29	1,700,000	1,700,000
Fair value reserve		(111,930)	(96,302)
Retained earnings		2,635,128	2,619,773
Total equity		4,223,198	4,223,471
Liabilities			
Insurance contracts liabilities	31 (a)	5,239,938	4,608,432
Unearned premiums reserve	32	3,906,903	4,162,199
Payables arising from reinsurance arrangements and insurance bodies	22 (c)	188,655	84,609
Other payables	33	600,934	418,672
Lease liabilities	10 (b)	89,581	91,571
Due to related party	26 (b)	19,674	29,391
Total liabilities		10,045,685	9,394,874
TOTAL EQUITY AND LIABILITIES		14,268,883	13,618,345

The financial statements on pages 10 to 78 were approved by the Board of Directors on 10th March 2021 and signed on its behalf by:

Director
Edwin Otieno Joseph, OGW

Director
Joseph Gatuni

Ag. Managing Director
Grace Mundu

CIC GENERAL INSURANCE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital KShs '000 (Note 29)	Fair Value reserve KShs '000 (Note 30 (a))	Retained earnings KShs '000 (Note 30 (b))	Total KShs '000
At 1 January 2019	1,700,000	(125,443)	2,569,663	4,144,220
Dividend 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
At 1 January 2020	1,700,000	(96,302)	2,619,773	4,223,471
Profit for the year	-	-	15,355	15,355
Other comprehensive loss for the year	-	(15,628)	-	(15,628)
Total comprehensive (loss)/income for the year	-	(15,628)	15,355	(273)
At 31 December 2020	1,700,000	(111,930)	2,635,128	4,223,198

CIC GENERAL INSURANCE LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 KShs '000	2019 KShs '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	34 (a)	493,820	236,286
Tax paid	9 (c)	(5,218)	(326,348)
Net cash generated from/(used in) operating activities		488,602	(90,062)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on government securities at amortised cost	5	107,809	86,117
Interest on bank deposits	5	198,868	248,352
Interest on staff loan receivables	5	4,195	5,465
Interest on government securities at fair value through OCI	5	262,539	193,004
Dividend income	5	18,240	23,994
Purchase of Property and equipment	10	(11,961)	(19,633)
Purchase of intangible assets	35(c)	(5,205)	(12,166)
Proceeds from maturity of corporate bonds	14	64,409	65,427
Other loans advanced	16	(782)	-
Mortgage loans repaid	16	8,053	22,457
Other loans repaid	16	-	20,719
Purchase of government securities at fair value through OCI	17	(943,000)	(200,000)
Proceeds of maturity of government securities at amortised cost	15	90,000	20,000
Purchase of government securities held at maturity	15	(110,000)	-
Proceeds from disposal of quoted equity investments at fair value through profit or loss	19	5,696	107,628
Proceeds from disposal of quoted equity investments at fair value through profit or loss	19	(5,040)	(54,169)
Investments in deposits in non-financial institutions	20	-	(131,600)
Proceeds of maturity of deposits in non-financial institutions	20	65,972	131,547
Cash inflow/(outflow) from investment in fixed deposits		63,265	(174,656)
Additions to investment in collective investment schemes	21	(1,819,069)	(862,346)
Maturities on investment in collective investment schemes	21	1,420,000	891,175
Net cash (used in) / generated from investing activities		(586,011)	361,315
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	35	-	(228,000)
Payment of principal portion of lease liability		(33,036)	(19,402)
Payment of the interest portion of the lease liability		(18,250)	(13,107)
Increase in net intercompany loan receivable		(87,740)	(700,000)
Net cash used in financing activities		(139,026)	(960,509)
(DECREASE) IN CASH AND CASH EQUIVALENTS		(236,435)	(689,256)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		633,069	1,322,325
CASH AND CASH EQUIVALENT AT 31 DECEMBER	34 (b)	396,634	633,069

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance with International Financial Reporting Standards (IFRS)

The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS), interpretations issued by the IFRS Interpretations Committee (IFRIC) Interpretations applicable to companies reporting under IFRS and in compliance with the Kenya Companies Act, 2015.

(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, 2015. 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, 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, statement of financial position, statement of changes in equity, statement 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 the general order of liquidity.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

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

The table below provides a summary of (a) new standards and amendments that are effective for the first time for periods commencing on or after 1 January 2020 (ie years ending 31 December 2020), and (b) forthcoming requirements, being standards and amendments that will become effective on or after 1 January 2021.

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

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

(a) New standards and amendments – applicable 1 January 2020

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2020:

Title	Key requirements	Effective Date *
Definition of Material Amendments to IAS 1 and IAS 8	The IASB has made amendments to IAS 1 Presentation of Financial. Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify: • that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and • the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.	1 January 2020
Interest Rate Benchmark Reform – Amendments to IFRS 7, IFRS 9 and IAS 39	The amendments made to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms. The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.	1 January 2020
Revised Conceptual Framework for Financial Reporting	The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include: • increasing the prominence of stewardship in the objective of financial reporting • reinstating prudence as a component of neutrality • defining a reporting entity, which may be a legal entity, or a portion of an entity • revising the definitions of an asset and a liability • removing the probability threshold for recognition and adding guidance on derecognition • adding guidance on different measurement basis, and • stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.	1 January 2020

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

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

(a) New standards and amendments – applicable 1 January 2020 *(continued)*

Title	Key requirements	Effective Date *
	No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.	

**applicable to reporting periods commencing on or after the given date*
None of these standards had a significant impact on the Company's financial statements.

(b) Forthcoming requirements

As at 31 December 2020, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2020.

Title	Key requirements	Effective Date *
Covid-19-related Rent Concessions – Amendments to IFRS 16	As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.	1 June 2020
IFRS 17 Insurance Contracts	IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of: • discounted probability-weighted cash flows • an explicit risk adjustment, and • a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.	Originally 1 January 2021, but extended to 1 January 2023 by the IASB in March 2020

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

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

(b) Forthcoming requirements *(continued)*

Title	Key requirements	Effective Date *
	There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.	
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	The following improvements were finalised in May 2020: IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.	1 January 2022

Apart from IFRS 17 *'Insurance Contracts'* the forthcoming standards are not expected to have a significant impact on the Company's financial performance.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

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

(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 recognized 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 recognized 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. 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.

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.

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

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 claims paid and loss adjustment expenses

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.

(e) Expenses (except claims, disclosed above)

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 recognized in profit or loss on the basis of systematic and rational allocation procedures. This is often necessary in recognizing 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 amortization. These allocation procedures are intended to recognize expenses in the accounting period in which the economic benefits associated with these items are consumed or expire.

(ii). An expense is recognized 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

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

(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 de recognition criteria for financial assets, as described in note (2) have been met.

(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

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

(h) Reinsurance contracts held *(continued)*

amount of the reinsurance asset to its recoverable amount and recognizes 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 a rises 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

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.

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

(i) Taxation *(continued)*

Sales taxes and premium taxes

Revenues, expenses, 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 recognized 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 are stated at cost less accumulated depreciation and accumulated impairment losses.

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 reserve 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. Please refer to notes 10 and 30 for further details.

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. The Investment properties are stated at fair value, which has been determined based on valuations performed by Crystal Valuers Limited as at 31 December 2020.

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 de recognition of property and equipment are determined by reference to the difference of the carrying amounts and disposal proceeds. On disposal

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

(j) Property and equipment *(continued)*

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 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. 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.

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

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.

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

(l) Intangible assets *(continued)*

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 de recognition 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 de recognition of intangible is determined in accordance with the requirements for determining the transaction price in IFRS 15.

(m) Accounting for leases

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.

Company acting as a lessee

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

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

For leases that contain non-lease components, the Company allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components
.
The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

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

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

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

(m) Accounting for leases *(continued)*

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

Leases where the Company assumes substantially all the risks and rewards incidental to ownership were classified as finance leases. Finance leases are recognised as a liability at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The interest rate implicit in the lease is used as the discount factor in determining the present value. Each lease payment is allocated between the liability and finance cost using the interest rate implicit in the lease. The finance cost is charged to the profit and loss account in the year in which it is incurred. Property and equipment acquired under finance leases are capitalised and depreciated over the estimated useful life of the asset.

The changes in leases which do not fall under the scope of COVID 19 related concessions are treated as lease modifications. Right of use assets are re-measured and gains or losses thereof recognised in the statement of profit or loss.

(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.

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

(o) Provisions *(continued)*

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 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, however, in the event of excesses over the reserve the same is recognized through Profit and Loss Statement.

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 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 loss on financial liabilities at fair value through profit or loss are recognised in the profit or loss.

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

(r) 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.

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 other comprehensive income 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(s) Fair value measurement *(continued)*

the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted 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 investment properties.

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

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 financial assets at fair value through profit and loss, transaction costs are recognised directly in the statement of profit or loss.

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

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

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.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:
- Financial assets at amortized cost;
- Financial assets at fair value through OCI; and
- Financial assets at fair value through profit or loss

Financial assets at amortised cost

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
- 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

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

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'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 quoted equity investments and Government Securities.

De recognition 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 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

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.

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

(t) Financial instruments *(continued)*

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.

De recognition 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 de recognition 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 de recognition. 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

Adoption of IFRS 9 has fundamentally changed the Company's financial assets loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. From 1 January 2018, the Company has been recording the allowance for expected credit losses for all financial assets at amortised cost. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss (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

Based on the above process, the Company groups its financial assets into Stage 1, Stage 2, Stage 3 and Purchased or originated credit impaired (POCI) as described below.

Stage 1: When financial assets are purchased or originated, the Company recognises an allowance based on 12mECLs. For financial assets, interest income is calculated on the gross carrying amount.

Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Company records an allowance for LTECLs. The calculation of interest income is on the gross carrying amount of the financial asset.

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

Stage 3: where the financial asset is credit impaired. This is effectively the point at which there has been an incurred loss event. For financial assets in stage 3, the Company will continue to recognise lifetime ECL, but they will now recognise interest income on a net basis. As such, interest income will be calculated based on the gross carrying amount of the financial asset less ECL.

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

The calculation of ECLs

The Company calculates ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

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.

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.

The Company does not have financial guarantees, loan commitments, letters of credit and financial assets which are purchased or originated credit impaired (POCI).

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 staff loans and mortgages will cure and the value of collateral or the amount that might be received for selling the asset.

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

Forward looking information

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

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

(t) Financial instruments *(continued)*

provide detailed information on how the forecast economic conditions have been incorporated in the determination of ECL because the impact is not significant.

Collateral valuation

To mitigate its credit risk on financial assets, the Company seeks to use collateral, where possible. The collateral is in form of real estate or motor vehicles. Collateral, unless repossessed, is not recorded on the Company's statement of financial position. However, the fair value of collateral affects the calculations of ECLs for staff loans. It is generally assessed, at a minimum, at inception and reassessed on annual basis. Collaterals such as real estate, is valued based on data provided by third parties such as real estate valuers.

Collateral repossessed

The Company's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for internal operations are transferred to their relevant asset category at the lower of the repossessed value or the carrying amount of the original secured asset. Assets for which selling is determined to be the better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in line with the Company's policy.

In its normal course of business, the Company does not physically repossess properties or motor vehicles but engages its procurement department to auction the asset to settle the outstanding debt. Any surplus funds are returned to the obligors. As a result of this practice, the real estate properties and motor vehicles under legal repossession processes are not recorded in the balance sheet.

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.

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 and amounts due to related parties.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

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

De-recognition

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 de recognition 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 amountreported 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.

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

(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) Comparatives

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

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

Estimates and assumptions are an integral part of financial reporting and as such have an impact on the assets and liabilities of the Company. Management applies judgement in determining the best estimate of future experience. Judgements are based on historical experience and management's best estimate expectations of future events, taking into account changes experienced historically. Estimates and assumptions are regularly updated to reflect actual experience. Actual experience in future financial years can be materially different from the current assumptions and judgements and could require adjustments to the carrying values of the affected assets and liabilities.

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.

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 analyzed 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 recognizes an allowance for expected credit losses (ECLs) across relevant financial assets 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 recognized 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 tracks changes in credit risk and recognizes a loss allowance based on lifetime ECLs at each reporting date. See note 38 or financial assets that are subject to impairment assessment.

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

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).

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.

IFRS 16 'Leases'

Estimates are made in determining the carrying values of the right of use asset and lease liability.

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).

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term (see note 10(b)) if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

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

Valuation of investment property

Estimates are made in determining valuation of investments properties. The management uses experts in determination of the values to adopt. In performing the valuation, the valuer uses discounted cash flows projections which incorporates assumptions around the continued demand of the rental space, sustainability of growth in rent rates as well as makes reference to the recent sales made of similar sizes and within the similar locality. The independent valuers also uses the highest and best in use principle in determining the values of the investment properties. The changes in these assumptions could result in significant change in the carrying value of the investment property.

Management monitors the investment property market and economic conditions that may lead to significant change in values and conducts formal an independent property valuation every years and adjusts the recorded fair values accordingly for any significant change.

3. PREMIUMS

(a) Gross written premiums	2020 KShs '000	2019 KShs '000
Medical	3,978,871	3,497,363
Motor	3,790,490	4,302,833
Fire	775,996	814,727
Engineering	223,507	436,209
Personal accident	195,726	253,888
Theft	591,435	595,043
Miscellaneous accident	175,712	174,307
Marine	69,340	99,087
Liability	76,257	86,433
Others (workmen compensation and micro-solutions)	319,414	394,200
	10,196,748	10,654,090

(b) Gross earned premiums	2020 KShs '000	2019 KShs '000
Medical	3,961,543	3,282,006
Motor	3,880,356	4,377,029
Fire	782,087	812,162
Engineering	316,501	382,543
Personal accident	200,032	261,820
Theft	626,880	567,288
Miscellaneous accident	174,310	186,064
Liability	88,444	91,235
Marine	77,840	98,900
Others (workmen compensation and micro-solutions)	344,051	406,909
	10,452,044	10,465,956

Reconciliation of Gross Written Premiums and Gross Earned Premiums

	2020 KShs '000	2019 KShs '000
Gross written premiums	10,196,748	10,654,090
Movement in Unearned Premium Reserve (note 32)	255,296	(188,134)
Gross earned premiums	10,452,044	10,465,956

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

3. PREMIUMS *(continued)*

(c) Reinsurance premium ceded

2020	Gross earned premium KShs'000	Reinsurance Premiums KShs'000	Net earned premium KShs'000
Medical	3,961,543	237,086	3,724,457
Motor	3,880,356	170,815	3,709,541
Fire	782,087	530,077	252,010
Engineering	316,501	249,690	66,811
Personal accident	200,032	80,871	119,161
Theft	626,880	331,705	295,175
Miscellaneous accident	174,310	178,434	(4,124)
Liability	88,444	15,744	72,700
Marine	77,840	19,325	58,515
Others (Workmen comp and Micro-solutions)	344,051	27,577	316,474
Total	10,452,044	1,841,324	8,610,720

2019			
Medical	3,282,006	88,981	3,193,025
Motor	4,377,029	145,233	4,231,796
Fire	812,162	477,175	334,987
Engineering	382,543	291,682	90,861
Personal accident	261,820	56,355	205,465
Theft	567,288	117,961	449,327
Miscellaneous accident	186,064	202,445	(16,381)
Liability	91,235	19,530	71,705
Marine	98,900	22,764	76,136
Others (Workmen comp and Micro-solutions)	406,909	43,320	363,589
Total	10,465,956	1,465,446	9,000,510

4. (a) COMMISSION INCOME

	2020 KShs '000	2019 KShs '000
Engineering	53,878	102,956
Fire	188,228	218,941
Liability	3,552	5,134
Marine	4,674	6,996
Miscellaneous	33,470	62,500
Personal accident	22,815	11,904
Theft	76,389	33,148
Workmen's compensation	595	3,798
	383,601	445,377

4. (b) COMMISSIONS EXPENSE

	2020 KShs '000	2019 KShs '000
Engineering	56,119	64,651
Fire	191,816	193,419
Liability	17,515	17,267
Medical	386,709	302,522
Motor	373,071	547,717
Marine	15,733	17,877
Miscellaneous	20,179	19,267
Theft	109,637	99,350
Personal accident	37,910	49,665
Workmen's compensation	61,674	78,356
	1,270,363	1,390,091

5. INVESTMENT INCOME

(a) Interest revenue calculated using the effective interest method

	2020 KShs '000	2019 KShs '000
Interest on financial assets at amortised cost – Government securities	107,809	86,117
Interest on financial assets at amortised cost - corporate bonds	(481)	1,556
Interest income from deposits and commercial papers	4,517	9,175
Interest on bank deposits	198,868	248,352
Amortisation of financial assets at amortised cost	(777)	2,291
Interest on financial assets at fair value through other comprehensive income – Government securities	262,539	193,004
Interest on staff loan receivables	4,195	5,465
	576,670	545,960

(b) Other investment income

	2020 KShs '000	2019 KShs '000
Rental income from Investment properties	145,921	135,724
Dividend income	18,240	23,994
	164,161	159,718
Total investment income	740,831	705,678

6. OTHER GAINS AND LOSSES

	2020 KShs '000	2019 KShs '000
Fair value (loss)/gain on quoted equity investments at fair value through profit or loss (note 19)	(124,955)	41,747
Fair value gain on investments in collective investment schemes (note 21)	64,980	30,261
Miscellaneous income*	23,753	14,284
	(36,222)	86,292

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

7. CLAIMS AND LOSS ADJUSTMENT EXPENSES

	2020 KShs '000	2019 KShs '000
Gross benefits and claims paid	6,325,022	6,752,241
Claims ceded to reinsurers	(835,701)	(400,577)
Gross change in insurance contract liabilities	631,505	254,836
Change in contract liabilities ceded to reinsurers	(117,744)	(134,400)
	6,003,082	6,472,100

The claims were majorly attributed to two classes that is motor private and motor commercial at 47 % (2019:52%) and Medical claims at 43% (2019:39%) of the total claims of the company.

2020	Gross benefits and claims paid KShs'000	Gross change in insurance contract liabilities KShs'000	Claims ceded to reinsurers KShs'000	Net benefits and claims payable KShs'000
Medical	2,692,868	155,386	(103,894)	2,744,360
Motor	2,945,063	274,224	(457,194)	2,762,093
Fire	147,585	66,648	(115,417)	98,816
Engineering	30,982	21,422	(20,837)	31,567
Personal accident	50,051	(16,135)	7,808	41,724
Theft	66,539	70,708	(19,796)	117,451
Miscellaneous accident	45,649	(181)	(39,142)	6,326
Liability	128,235	59,893	(99,745)	88,383
Marine	12,913	(12,528)	(1,094)	(709)
Others (Workmen comp and Micro-solutions)	205,137	12,068	(104,134)	113,071
Total	6,325,022	631,505	(953,445)	6,003,082

2019	Gross benefits and claims paid KShs'000	Gross change in insurance contract liabilities KShs'000	Claims ceded to reinsurers KShs'000	Net benefits and claims payable KShs'000
Medical	2,576,317	9,052	(58,529)	2,526,840
Motor	3,373,385	322,082	(344,759)	3,350,708
Fire	92,365	95,472	(81,047)	106,790
Engineering	23,664	(1,742)	5,160	27,082
Personal accident	72,989	25,868	(38,688)	60,169
Theft	76,864	81,522	(9,247)	149,139
Miscellaneous accident	93,965	(62,331)	(29,643)	1,991
Liability	220,644	(201,159)	37,956	57,441
Marine	16,117	9,407	(997)	24,527
Others (Workmen comp and Micro-solutions)	205,931	(23,335)	(15,183)	167,413
Total	6,752,241	254,836	(534,977)	6,472,100

8. (a) OPERATING AND OTHER EXPENSES

The following items have been charged in arriving at profit before taxation:	2020 KShs '000	2019 KShs '000
Staff costs (note 8 (b))	977,236	1,022,811
Auditor's remuneration	5,500	5,100
Directors' fees (Note 26 (e))	18,360	21,136
Directors' emoluments	24,691	28,854
Depreciation of property and equipment (note 10 (a))	47,918	77,200
Amortisation on the right of use (note 10 (b))	34,274	31,342
Amortisation of intangible assets (note 12)	13,775	14,106
Impairment charge for doubtful premium receivables (Note 22 (a))	150,000	57,185
Premium tax	99,186	105,236
Staff welfare	176,536	184,372
Utilities	150,543	169,106
Printing and stationery	39,141	38,865
Sales promotion	7,174	19,130
Business advertising and promotion	195,256	106,303
Professional fees	140,299	111,254
Statutory returns	23,623	26,014
Other expenses*	43,667	14,491
	2,147,179	2,032,505

**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:	2020 KShs '000	2019 KShs '000
- Salaries	905,986	946,857
- Pension costs	58,685	62,200
- Leave pay	12,565	13,754
	977,236	1,022,811

The average number of employees during the year were 315 (2019: 326)

(c) Allowance for expected credit losses:

	2020 KShs '000	2019 KShs '000
-Corporate bonds	79	(611)
-Deposit and commercial papers	339	9
-Deposit with financial institutions	(4,191)	(7,761)
-Due from related party	(615)	2,683
-Loans receivables	(1,483)	(3,799)
-Other receivables	286	(89)
	(5,585)	(9,568)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

9. TAXATION

(a) Statement of profit or loss

	2020 KShs '000	2019 KShs '000
Current tax on taxable income at 25% (2019: 30%)	116,986	117,342
Deferred tax charge / (credit) (note 13)	122,130	(55,830)
	239,116	61,512

(b) Reconciliation of taxation expense to tax on accounting profit

	2020 KShs '000	2019 KShs '000
Profit before taxation	254,471	339,622
Tax calculated at a tax rate of 25% (2019: 30%)	76,342	101,887
Tax effect of expenses not deductible for tax*	211,137	16,484
Tax effect of income not subject for tax**	(24,966)	(30,557)
Prior year under/(credit)provision	-	-
Prior year over provision on deferred tax	-	(26,302)
Effect of change in tax rate on deferred tax	(23,397)	-
Taxation charge for the year	239,116	61,512

**These mainly relate to allowance for doubtful debts, loss on valuation of shares, fringe benefit tax and excess pension contributions.*

*** These mainly relate to dividend income and interest on infrastructure bonds.*

The effective income tax rate is 94% (2019: 18%).

The applicable tax rate during the year was 25% as per the Tax Laws (amendment) bill 2020. However, effective 1 Jan 2021 the tax rate reverted to 30%.

(c) Statement of financial position

	2020 KShs '000	2019 KShs '000
At 1 January	(186,218)	22,788
Current tax charge for the year	116,986	117,342
Paid during the year	(5,218)	(326,348)
Income tax recoverable	(74,450)	(186,218)

10. (a) PROPERTY AND EQUIPMENT

2019	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 2019	234,000	2,009	85,799	457,611	779,419
Additions	-	259	6,122	13,252	19,633
At 31 December 2019	234,000	2,268	91,921	470,863	799,052
ACCUMULATED DEPRECIA-TION					
At 1 January 2019	-	2,009	76,706	290,908	369,623
Elimination on disposal	-	-	-	-	-
Charge for the year	-	59	5,782	71,359	77,200
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
2020					
COST OR VALUATION					
At 1 January 2020	234,000	2,268	91,921	470,863	799,052
Additions	-	-	2,561	9,400	11,961
At 31 DECEMBER 2020	234,000	2,268	94,482	480,263	811,013
ACCUMULATED DEPRECIATION					
At 1 January 2020	-	2,068	82,488	362,267	446,823
Charge for the year	-	65	4,379	43,474	47,918
At 31 DECEMBER 2020	-	2,133	86,867	405,741	494,741
CARRYING AMOUNT					
At 31 DECEMBER 2020	234,000	135	7,615	74,522	316,272

The valuation was conducted by an independent valuer Crystal Valuers Limited for the period ended 31st December 2020. The Company occupies 20% of CIC Plaza II building. This portion qualifies as owner occupied property which has been included in property and equipment.

The carrying amount of the building before and after the valuation was Kshs. 234M.

No property and equipment were pledged as security or held under lien.

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

10. (b) IFRS 16 LEASES

The Company's leases include Office space. Lease payments have an escalating clause to reflect market rentals. Information about leases for which the Company is a lessee is presented below.

	2020 KShs '000	2019 KShs '000
Right of Use asset		
At start of the year	79,631	-
Additions	31,046	110,973
Amortisation	(34,274)	(31,342)
At end of the year	76,403	79,631
Lease liability		
At start of the year	91,571	-
Additions	31,046	110,973
Accretion of interest	18,250	13,107
Payment of interest	(18,250)	(13,107)
Payment of principal portion of lease liabilities	(33,036)	(19,402)
At end of year	89,581	91,571
Amounts recognised in profit or loss	KShs'000	KShs'000
Interest on lease liabilities	18,250	13,107
Amortisation expense	34,274	31,342
Amounts recognised in cash flows from financing activities		
Payment of principal of lease liabilities	33,036	19,402
Payment of interest	18,250	13,107
Total cash outflow for leases	51,286	32,509

Lease liability maturity analysis

2020	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	-	10,153	30,521	71,084	3,080	114,838

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	-	8,877	25,832	70,375	8,969	114,053

11. INVESTMENT PROPERTIES

	CIC Plaza II KShs'000	Kajiado Land KShs'000	TOTAL KShs'000
2019			
At 1 January	936,000	666,000	1,602,000
At 31 December	936,000	666,000	1,602,000
2020			
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 2020 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	2020 Average	2019 Average
Capitalized rent income (year purchase) method	Net annual rent	145,921,000	135,724,000
	Annual rent growth rate	8%	-17%
	Discounting rate	13%	13%

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. 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). 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 fair value disclosures have been set out in note 39.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

12. INTANGIBLE ASSETS

2020	Computer Software KShs '000	Work in progress KShs '000	Total KShs '000
COST			
At 1 January	111,971	90,337	202,308
Additions	-	5,205	5,205
Transfer from work in progress	7,185	(7,185)	-
At 31 December	119,156	88,357	207,513
ACCUMULATED ARMORTISA-TION			
At January	96,459	-	96,459
Charge for the year	13,775	-	13,775
At 31 December	110,234	-	110,234
CARRYING AMOUNT			
At 31 December	8,922	88,357	97,279

2019	Computer Soft-ware KShs '000	Work in prog-ress KShs '000	Total KShs '000
COST			
At 1 January	111,486	78,656	190,142
Additions	485	11,681	12,166
At 31 December	111,971	90,337	202,308
ACCUMULATED ARMORTISA-TION			
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

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.

The Work in progress relates to the new core system PREMIA which is still under implementation.

13. DEFERRED TAX ASSET

	2020 KShs'000	2019 KShs'000
Accelerated capital allowance on motor vehicles and equipment	50,511	50,650
Provision for doubtful premium receivables	278,764	394,805
Allowance for expected credit losses	25,971	24,283
Accrued leave provision	7,487	9,083
Gratuity provision	3,487	9,785
Deferred tax on valuation investment property	(27,462)	(27,718)
Net deferred tax asset	338,758	460,888
The movement in the deferred tax account is as follows:		
At 1 January	460,888	405,058
Deferred tax charge / (credit) (note 9 (a))	(122,130)	55,830
At 31 December	338,758	460,888

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2019: 30%).

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.

	2020 KShs '000	2019 KShs '000
Centum Limited	-	64,914
Family Bank Limited	10,275	10,267
East Africa Breweries Limited	21,974	21,957
Allowance for expected credit loss	(115)	(193)
	32,134	96,945
Maturity analysis:		
Under 1 Year	10,275	64,914
Between 1 – 5 Years	21,974	32,224
Over 5 Years	-	-
Allowance for expected credit loss	(115)	(193)
At 31 December	32,134	96,945
The movement in the corporate bonds is as follows:		
At 1 January	96,945	160,204
Maturities	(64,409)	(65,427)
Allowance for expected credit loss	79	611
Accrued interest on corporate bonds	(481)	1,557
At 31 December	32,134	96,945

15. FINANCIAL ASSETS AT AMORTISED COST – GOVERNMENT SECURITIES

	2020 KShs '000	2019 KShs '000
At 1 January	720,916	738,625
Additions	110,000	-
Maturities	(90,000)	(20,000)
Discount / Amortisation	(777)	2,291
Accrued Interest	14,370	-
Allowance for expected credit loss	-	-
At 31 December	754,509	720,916
Government securities maturing		
In 1-5 years	390,512	414,063
In over 5 years	363,997	306,853
At 31 December	754,509	720,916

Government securities at amortised cost of KShs 754.5 million (2019 - KShs 720.9 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

16. FINANCIAL ASSETS AT AMORTISED -LOANS RECEIVABLE

The loans refer to loans given to staff and are secured by collateral. On staff resignation, the credit quality of each loan is assessed and is acceptable within the parameters used to measure and monitor credit risk.

Mortgage loans:	2020 KShs '000	2019 KShs '000
At 1 January	44,997	68,848
Write back / (Allowance for expected credit loss) on mortgage loans	695	(1,394)
Repayments in the year	(8,053)	(22,457)
At 31 December	37,639	44,997
Maturity profile of mortgage loans:		
Within 1 year	10	149
In 1-5 years	6,142	7,101
In over 5 years	31,487	37,747
	37,639	44,997
Other staff loans:		
At 1 January	15,524	38,648
New loans/(repayment) in the year	782	(20,719)
Allowance for expected credit loss on other loans	(2,178)	(2,405)
At 31 December	14,128	15,524
Maturity profile of other loans:		
Within 1 year	1,279	392
In 1-5 years	6,759	8,256
In over 5 years	6,090	6,876
	14,128	15,524
Total	51,767	60,521

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.

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:

31 December 2020 In KShs	Maximum exposure to credit risk	Total collateral	Net exposure	ECLs
Mortgage loans	37,825	75,338	-	186
Other Loans	17,826	33,866	-	3,698
	55,651	109,204	-	3,884

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

	2020 KShs '000	2019 KShs '000
At 1 January	1,737,798	1,510,681
Additions	943,000	200,000
Fair value (loss)/gain *	(10,516)	27,117
Expected credit losses	-	-
At 31 December	2,670,282	1,737,798
Government securities maturity analysis		
In 1-5 years	-	-
In over 5 years	2,670,282	1,737,798
At 31 December	2,670,282	1,737,798

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.*

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18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – UNQUOTED EQUITY INVESTMENTS

	2020 KShs '000	2019 KShs '000
Value of shares held in Co-op Holding Co-operative Society Limited	15,124	20,236
The movement in the investments is as follows:		
At 1 January	20,236	18,212
Fair value (loss)/gain*	(5,112)	2,024
At 31 December	15,124	20,236

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 which 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 share holders agreement. In the current year the shares have been valued at KShs 7.10 which approximates the fair value. In 2020, the Company received NIL dividends from its FVOCI equities. The company did not dispose of or derecognise any FVOCI equity instruments in 2020.

** The gains or losses are not taxable.*

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

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

	2020 KShs '000	2019 KShs '000
At 1 January	500,780	512,492
Additions during the year	5,040	54,169
Disposals	(5,696)	(107,628)
Fair value (loss)/gain (note 6)	(124,955)	41,747
At 31 December	375,169	500,780

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.

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

	2020 KShs '000	2019 KShs '000
DEPOSITS		
CIC Society Limited	11,257	12,229
COMMERCIAL PAPERS		
Crown Paints Kenya PLC	-	66,746
Allowance for expected credit loss on commercial papers	(56)	(395)
	11,201	78,580
Maturity analysis:		
Under I Year	-	66,746
Between 1 – 5 Years	11,257	12,229
Over 5 Years	-	-
Allowance for expected credit loss on commercial papers	(56)	(395)
Total deposits and commercial papers	11,201	78,580
Movement:		
At 1 January	78,580	76,790
Additions	-	131,600
Maturities	(65,972)	(131,547)
Interest on deposits and commercial papers	(1,746)	1,746
Allowance for expected credit loss on commercial papers	339	(9)
At 31 December	11,201	78,580

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

	2020 KShs '000	2019 KShs '000
At 1 January	173,502	172,070
Additions	1,819,069	862,346
Maturities	(1,420,000)	(891,175)
Fair value gain on investments in collective investment schemes	64,980	30,261
At 31 December	637,551	173,502

22. RECEIVABLES ARISING OUT OF INSURANCE AND REINSURANCE ARRANGEMENTS

(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.

	2020 KShs'000	2019 KShs'000
Gross receivables	2,133,338	2,647,757
Provision for impairment	(929,212)	(1,316,016)
At 31 December	1,204,126	1,331,741
Ageing		
1-30 Days	314,381	459,583
31-60 Days	305,275	451,131
61-90 Days	313,603	261,121
91-120 Days	353,258	159,906
Over 120 Days	846,820	1,316,016
	2,133,338	2,647,757
At 1 January	1,316,016	1,258,831
Increase in provisions	150,000	57,185
Bad debts written off	(536,804)	-
At 31 December	929,212	1,316,016

(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.

	2020 KShs'000	2019 KShs'000
At 1 January	1,150,564	1,132,038
Increase in claims paid that have reinsurance recoveries	356,691	269,735
Reinsurance recoveries receipts	(218,010)	(251,209)
At 31 December	1,289,245	1,150,564
Ageing		
1-30 Days	23,776	313,375
31-60 Days	25,152	124,065
61-90 Days	49,383	104,751
91-120 Days	1,190,934	608,463
	1,289,245	1,150,564

(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.

	2020 KShs'000	2019 KShs'000
1 January	84,609	40,106
Reinsurance Premiums ceded	1,841,324	1,465,446
Reinsurance Premiums ceded payments	(1,737,278)	(1,420,943)
31 December	188,655	84,609

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

23. REINSURERS' SHARE OF INSURANCE LIABILITIES AND RESERVES

Reinsurers' share of:	2020 KShs '000	2019 KShs '000
- insurance contract liabilities (note 31)	1,012,280	894,351
- unearned premium and unexpired risks (note 32)	470,909	577,730
	1,483,189	1,472,081

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

	2020 KShs '000	2019 KShs '000
At 1 January	486,667	466,327
Acquisition costs incurred in the year	1,216,043	387,930
Acquisition costs armortised in the year	(1,270,363)	(367,590)
At 31 December	432,347	486,667

Deferred acquisition costs relate to insurance contracts as explained in note 1 (f).

25. OTHER RECEIVABLES

	2020 KShs '000	2019 KShs '000
Staff advances	11,234	9,938
Prepayments	1,514	-
Rent receivable	22,238	46,025
Other receivables	13,525	21,854
Allowance for expected credit loss on other receivables	(787)	(1,073)
	47,724	76,744

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. Other receivables are largely relate to commission advances to intermediaries.

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. 3.7 million (2019: 3.1 million). 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.

		2020 KShs '000	2019 KShs '000
(a)	Transactions with related parties *		
(i)	Receipts from related parties		
	CIC Insurance Group PLC	2,256,696	1,732,680
	CIC Life assurance Limited	104,800	248,072
	CIC Asset Management Limited	296,193	159,422
		2,657,689	2,140,174
(ii)	Payments to related parties		
	CIC Insurance Group PLC	2,327,531	1,805,061
	CIC Life Assurance Limited	114,517	284,203
	CIC Asset Management Limited	291,391	161,702
		2,733,439	2,250,966

** 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.*

		2020 KShs '000	2019 KShs '000
(b)	Due from related parties		
	CIC Asset Management Limited	338	5,139
	CIC Insurance Group PLC	151,959	81,124
	Allowance for expected credit loss on related party balances	(3,760)	(3,145)
		148,537	83,118
	Due to related parties		
	CIC Life Assurance Limited	19,674	29,391
		19,674	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.

(c) Loans to directors of the company

The company did not advance loans to its directors in 2020 (2019: Nil).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

26. RELATED PARTY BALANCES *(continued)*

(d) Intercompany Loan

The company advanced KShs.700 million in the year 2019 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 (69% of the total issued capital), CIC Africa Uganda Limited (94% of the total issued capital).

(e) Key management remuneration

The remuneration of directors and other members of key management during the year were as follows:	2020 KShs '000	2019 KShs '000
Short-term employment benefits:		
Directors 'emoluments – fees	24,691	29,970
Leave allowance	979	1,354
Salary*	90,530	74,709
Car allowance	-	10,695
National Social Security Fund (NSSF)	20	27
Gratuity	35,920	26,068
Pension contribution	4,654	6,417
	156,794	149,240

* Included in the key management remuneration is the executive director's (Managing Director) expenses of Kshs.17M (2019 – 33M)

27. DEPOSITS WITH FINANCIAL INSTITUTIONS

	2020 KShs '000	2020 KShs '000
The Co-operative Bank of Kenya Limited	260,752	862,748
Credit Bank Limited	82,334	75,764
Development Bank of Kenya	240,212	-
Kingdom Bank	192,342	-
Middle East Bank	63,200	-
NCBA Bank Limited	43,384	26,426
Sidian Bank	165,018	-
Family bank	112,317	71,518
I & M Bank Limited	18,567	10,292
KCB Bank Kenya Limited*	582,973	559,297
Allowance for expected credit Loss on deposits	(5,083)	(892)
	1,756,016	1,605,153
Maturity analysis:		
Maturing within three months	329,574	96,885
Maturing after 3 months	1,431,525	1,509,160
Allowance for expected credit loss on deposits	(5,083)	(892)
	1,756,016	1,605,153

** With the exception of deposits with KCB Bank Kenya Limited, which are under lien. 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 with KCB Bank Kenya Limited under lien during the year was 2.5 % (2019- 2.5%).*

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

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:

	2020 %	2019 %
Government securities	12.30	12.80
Corporate bonds	11.00	12.50
Mortgage loans	6	6
Deposits with financial institutions	9	10.50

29. SHARE CAPITAL

	31 December 2020		31 December 2019	
	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	20,000,000	100,000	20,000,000
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 RESERVE

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.

31. (a) 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 2020 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.

2020

Accident Year	2016 KShs'000'	2017 KShs'000'	2018 KShs'000'	2019 KShs'000'	2020 KShs'000'	Total KShs'000'
Estimated ultimate claims cost						
at end of accident year	5,855,649	4,568,583	4,647,470	4,551,459	4,696,202	24,319,363
one year later	6,628,190	6,195,376	6,004,478	5,715,527	-	24,543,571
two years later	6,915,435	6,560,827	6,338,735	-	-	19,814,997
three years later	7,148,030	6,810,066	-	-	-	13,958,096
four years later	7,943,159	-	-	-	-	7,943,159
Current estimate of cumulative claims	7,943,159	6,810,066	6,338,735	5,715,527	4,696,202	31,503,689
Less: cumulative payments to date	(7,025,711)	(6,321,163)	(5,865,015)	(5,275,839)	(3,964,879)	(28,452,607)
Gross outstanding claims notified provision	917,448	488,903	473,720	439,688	731,323	3,051,082
Liability incurred but not reported claims	5,588	21,346	196,290	720,218	1,245,413	2,188,856
Total gross claims liabilities included in statement of financial position	923,036	510,249	670,010	1,159,906	1,976,737	5,239,938

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

31. a) INSURANCE CONTRACTS LIABILITIES (continued)

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	6,628,189	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)
	821,104	365,744	545,902	534,202	691,362	2,958,314
Liability incurred but not reported claims	4,212	16,093	147,977	542,953	938,883	1,650,118
Total gross claims liabilities included in statement of financial position	825,316	381,837	693,879	1,077,155	1,630,245	4,608,432

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

31. (b) 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 2018 and 2019 are not material.

2020

Accident Year	2016 KShs'000'	2017 KShs'000'	2018 KShs'000'	2019 KShs'000'	2020 KShs'000'	Total KShs'000'
Estimated ultimate claims cost at end of accident year	4,327,873	3,463,691	3,714,976	3,834,663	4,019,768	19,360,971
One year later	4,898,853	4,697,051	4,799,707	4,788,634	-	19,184,245
Two years later	5,111,155	4,974,119	5,024,772	-	-	15,110,046
Three years later	5,283,064	5,104,203	-	-	-	10,387,267
Four years later	5,670,087	-	-	-	-	5,670,087
Current estimate of cumulative claims	5,670,087	5,104,203	5,024,772	4,788,634	4,019,768	24,607,464
Less: cumulative payments to date	(5,192,659)	(4,792,417)	(4,688,226)	(4,444,963)	(3,450,398)	(22,568,663)
	-	-	-	-	-	
	477,428	311,786	336,546	343,672	569,370	2,038,802
Liability incurred but not reported claims	5,588	21,347	196,290	720,217	1,245,414	2,188,856
Total net claims liabilities included in statement of financial position	483,016	333,133	532,836	1,063,889	1,814,784	4,227,658

31. (b) 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.

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	4,212	16,093	147,977	542,953	938,883	1,650,118
Total net claims liabilities included in statement of financial position	434,339	285,670	524,378	943,996	1,525,698	3,714,081

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

31. INSURANCE CONTRACT LIABILITIES *(continued)*

	2020 KShs '000	2019 KShs '000
Claims reported and claims handling expenses:		
At 1 January	3,714,081	3,299,487
Claims incurred in the year	6,003,086	6,472,105
Payments for claims and claims handling expenses	(5,489,509)	(6,057,511)
At 31 December	4,227,658	3,714,081
Comprising:		
At 31 December		
Gross amounts	5,239,938	4,608,432
Reinsurers share (note 23)	(1,012,280)	(894,351)
	4,227,658	3,714,081

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

(a). MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

	Gross KShs '000	Reinsurance KShs '000	Net KShs '000
2020			
Notified claims	2,958,314	(894,351)	2,063,963
Incurred but not reported	1,650,118	-	1,650,118
At 1 January 2020	4,608,432	(894,351)	3,714,081
Cash paid for claims settled in year	(5,489,509)	835,699	(4,653,810)
Increase in liabilities arising from:			
- Current year claims	3,314,822	(178,567)	3,136,255
- Prior year claims	2,806,193	(775,061)	1,085,809
At 31 December 2020	5,239,938	(1,012,280)	3,282,335
Notified claims	3,051,082	(1,012,280)	2,038,802
Incurred but not reported	2,188,856	-	2,188,856
At 31 December 2020	5,239,938	(1,012,280)	4,227,658
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
Comprising:			
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

32. UNEARNED PREMIUM RESERVE

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:

2020	Gross KShs '000	Reinsurance KShs '000	Net KShs '000
At 1 January	4,162,199	(577,730)	3,584,469
Gross written premiums	10,196,748	(1,841,324)	8,355,424
Gross earned premiums	(10,452,044)	1,948,145	(8,503,899)
Net increase / (decrease) in the year	(255,296)	106,821	(148,475)
At 31 December	3,906,903	(470,909)	3,435,994
2019			
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 in the year (net)	188,134	(129,824)	58,310
At 31 December	4,162,199	(577,730)	3,584,469

33. OTHER PAYABLES

	2020 KShs '000	2019 KShs '000
Sundry payables*	303,971	212,777
Premium received in advance	251,395	155,005
Staff annual leave pay provision	24,958	30,280
Rent deposits	20,610	20,610
	600,934	418,672

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 2020

34. NOTES TO THE STATEMENT OF CASH FLOWS

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

	Notes	2020 KShs '000	2019 KShs '000
Profit before taxation		254,471	339,622
Interest on government securities at amortised cost	5	(107,809)	(86,117)
Interest on bank deposits	5	(198,868)	-
Interest on staff loan receivables	5	(4,195)	(5,465)
Interest on government securities at fair value through other comprehensive income	5	(262,539)	-
Interest income from deposits and commercial papers	20	1,746	(1,746)
Dividend income	5	(18,240)	(23,994)
Interest on lease liability		18,250	13,107
(Gain)/loss on investment on collective investments	5	(64,980)	30,261
Discount on government securities at amortised cost	5	777	(2,291)
Gain on disposal of property and equipment		-	-
Depreciation on property and equipment	10	47,918	77,200
Amortisation of intangible assets	12	13,775	14,106
Amortisation on Right of use asset	14	34,274	31,342
Accrued interest on corporate bonds	14	481	(1,557)
Fair value loss /(gain) on quoted equity investments at FVTPL	19	124,955	(41,747)
Write back on corporate bonds		(79)	(612)
Write back on deposits and commercial papers		(339)	9
Impairment on deposits with financial institutions		4,191	(7,761)
Impairment on loan receivable		1,483	3,884
Working capital changes;			
Increase in receivables arising out of direct insurance arrangements		127,615	(186,345)
Increase in receivables arising out of reinsurance arrangements		(138,681)	(18,526)
Decrease / (Increase) in reinsurer share of reserves and liabilities		(11,108)	30,104
Decrease / (Increase) in deferred acquisition costs		54,320	(20,339)
(Increase) / Decrease in other receivables		29,020	45,566
Increase in related party balances		(75,136)	(38,529)
Increase in outstanding claims provision		631,506	254,666
(Decrease) / Increase in unearned premium reserve		(255,296)	188,134
Increase in other payables		182,262	100,689
Decrease in amounts due to reinsurers and other insurance bodies (net)		104,046	44,503
Net cash used in operations		493,820	236,286

b) Cash and cash equivalents*

	Notes	2020 KShs '000	2019 KShs '000
Bank and cash balances		67,060	536,184
Deposits with banks maturing within 3 months	27	329,574	96,885
		396,634	633,069

The carrying amounts approximate the fair values.

35. DIVIDENDS

	2020 KShs'000	2019 KShs'000
Declared and paid during the year	-	228,000

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

	2020 KShs '000	2019 KShs '000
Bank guarantees	264,523	286,443

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:

	2020 KShs '000	2019 KShs '000
Committed but not contracted for	97,659	25,677

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

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:

	2020 KShs '000	2019 KShs '000
Within one year	68,620	80,841
After one year but not more than two years	140,332	107,743
After two years but not more than five years	122,689	132,183
Total operating lease rentals receivable	331,641	320,767

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

37. RISK MANAGEMENT FRAMEWORK *(continued)*

- 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 maximize 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 136%% as compared to 100% which is the minimum as 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

37. RISK MANAGEMENT FRAMEWORK *(continued)*

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

	2020 KShs '000	2019 KShs '000
Share capital	1,700,000	1,700,000
Fair value reserve	(111,930)	(96,302)
Retained earnings	2,635,128	2,619,773
	4,223,198	4,223,471

The company had no external financing at 31 December 2020 and 31 December 2019.

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.

As at 31 December 2020 the company reported Capital Adequacy Ratio of 136% (2019–86%) which was higher than the minimum of 100% as per IRA requirements

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.

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.

38. INSURANCE AND FINANCIAL RISK *(continued)*

a. Insurance risk *(continued)*

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.

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

	31 December 2020				31 December 2019			
	Sum Insured KShs '000	Gross liabilities KShs '000	Reinsurance share of liabilities KShs '000	Net liabilities KShs '000	Sum Insured KShs '000	Gross liabilities KShs '000	Reinsurance share of liabilities KShs '000	Net Liabilities KShs '000
Engineering	169,256,454	79,914	(37,300)	42,614	151,913,424	58,491	(25,290)	33,201
Fire	2,629,353,188	257,089	(124,128)	132,961	580,766,085	190,442	(87,330)	103,112
Liability	893,390,160	627,218	(482,238)	144,980	952,489,460	567,325	(465,255)	102,070
Marine	31,918,030	36,057	(1,981)	34,076	3,991,005	48,585	(2,768)	45,817
Motor	424,532,534	3,109,122	(268,210)	2,840,912	373,925,519	2,834,898	(252,088)	2,582,810
Medical	445,546	445,546	(4,456)	441,091	290,160	290,160	(2,902)	287,258
Others	3,684,427,126	684,992	(93,967)	591,024	2,008,281,659	618,530	(58,718)	559,812
Total	7,833,323,038	5,239,938	(1,012,280)	4,227,658	6,071,657,312	4,608,431	(894,351)	3,714,080

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.

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.

31/12/2020	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	523,994	422,766	422,766	295,936
31/12/2019					
Average Claim Cost	+10/-10	131,570	85,520	46,049	13,814

38. INSURANCE AND FINANCIAL RISK *(continued)*

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 2020 and 2019 is the carrying amounts as presented in the statement of financial position.

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.

38. INSURANCE AND FINANCIAL RISK *(continued)*

b. Financial risks *(continued)*

i. Credit risk *(continued)*

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 amortized cost- Government securities, Financial Assets at amortized cost- Corporate Bonds, Financial Assets at amortized cost-Loan, Financial Assets at amortized 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 rumors 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 recognizes 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.

All the Company's financial assets are at high grade credit rating.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

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

i. Credit risk *(continued)*

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

Debt instruments measured at FVOCI

	2020 KShs '000	2019 KShs '000
Stage 1	2,670,282	1,737,798
Stage 2	-	-
Stage 3	-	-
Total other receivables	2,670,282	1,737,798
Less: Loss Allowance	-	-
Net carrying amount	2,670,282	1,737,798

Debt instruments at amortized cost

The tables below show 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.

Corporate bonds at amortised cost

	2020 KShs '000	2019 KShs '000
Stage 1	32,249	97,138
Stage 2	-	-
Stage 3	-	-
Total other receivables	32,249	97,138
Less: Loss Allowance	(115)	(193)
Net carrying amount	32,134	96,945

Government Securities at amortised cost

	2020 KShs '000	2019 KShs '000
Stage 1	740,139	720,916
Stage 2	-	-
Stage 3	-	-
Total other receivables	740,139	720,916
Less: Loss Allowance	-	-
Net carrying amount	740,139	720,916

38. INSURANCE AND FINANCIAL RISK *(continued)*

b. Financial risks *(continued)*

i. Liquidity risk *(continued)*

Debt instruments at amortised cost *(continued)*

Loans receivable at amortised cost

	2020 KShs '000	2019 KShs '000
Stage 1	55,651	62,922
Stage 2	-	-
Stage 3	-	-
Total other receivables	55,651	62,922
Less: Loss Allowance	(3,884)	(2,401)
Net carrying amount	51,767	60,521

Deposits with financial institutions

	2020 KShs '000	2019 KShs '000
Stage 1	1,761,099	1,606,045
Stage 2	-	-
Stage 3	-	-
Total other receivables	55,651	62,922
Less: Loss Allowance	(5,083)	(892)
Net carrying amount	1,756,016	1,605,153

Commercial papers

	2020 KShs '000	2019 KShs '000
Stage 1	11,257	78,975
Stage 2	-	-
Stage 3	-	-
Total other receivables	11,257	78,975
Less: Loss Allowance	(56)	(395)
Net carrying amount	11,201	78,580

Due from related parties

	2020 KShs '000	2019 KShs '000
Stage 1	152,297	86,263
Stage 2	-	-
Stage 3	-	-
Total other receivables	152,297	86,263
Less: Loss Allowance	(3,760)	(3,145)
Net carrying amount	148,537	83,118

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

38. INSURANCE AND FINANCIAL RISK *(continued)*

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

Other receivables

	2020 KShs '000	2019 KShs '000
Stage 1	48,511	77,817
Stage 2	-	-
Stage 3	-	-
Total other receivables	48,511	77,817
Less: Loss Allowance	(787)	(1,073)
Net carrying amount	47,724	76,744

Reconciliation of Loss Allowance Accounts

	At 31 December 2019 KShs'000	(Increase)/ decrease in loss allowance in the year KShs'000	At 31 December 2020 KShs'000
Government securities at amortised cost	-	-	-
Corporate bonds	(194)	79	(115)
Government Securities at amortised cost	-	-	-
Loans receivable	(2,401)	(1,483)	(3,884)
Deposits with financial institutions	(892)	(4,191)	(5,083)
Commercial papers	(395)	339	(56)
Due from related parties	(3,145)	(615)	(3,760)
Other receivables	(1,073)	286	(787)
	(8,100)	(5,585)	(13,685)

38. INSURANCE AND FINANCIAL RISK *(continued)*

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

Premium and reinsurance receivables

Age analysis of premium and reinsurance receivables

31 December 2020	< 30 days KShs '000	31 to 60 days KShs '000	61 to 90 days KShs '000	91 to 120 days KShs '000	Total KShs '000
Reinsurance assets	23,776	25,152	49,383	1,190,934	1,289,245
Insurance receivables	314,381	305,275	313,603	270,867	1,204,126
Total	338,157	330,427	362,986	1,461,801	2,493,371
31 December 2019					
	KShs '000	KShs '000	KShs '000	KShs '000	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

Impaired financial assets

At 31 December 2020, there are impaired insurance assets of KShs 929 million (2019: KShs 1.31 billion).

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:

	2020 KShs '000	2019 KShs '000
At 1 January	1,316,016	1,258,831
Charge for the year	150,000	57,185
Bad debts written off	(536,805)	-
At 31 December	929,211	1,316,016

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 2020.

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.
- 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:

38. INSURANCE AND FINANCIAL RISK *(continued)*

b. Financial risks *(continued)*

ii. Liquidity risk *(continued)*

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:

31 December 2020	6 months or on demand KShs '000	Between 6 months and 1 year KShs '000	Between 1 year and 5 years KShs '000	More than 5 year KShs '000	Total KShs '000
Financial assets:					
Government securities at amortised cost	43,827	43,827	514,297	613,450	1,215,402
Corporate bonds	23,390	10,115	-		33,504
Government securities at fair value through other comprehensive income	143,601	143,601	1,148,808	3,922,855	5,358,865
Equity investments:					
- At fair value through profit or loss	-	-	375,169		375,169
- At fair value through other comprehensive income	-	-	15,124		15,124
Loans receivable	1,473	-	54,178		55,651
Receivables arising out of reinsurance arrangements	1,289,245	-	-		1,289,245
Receivables arising out of direct insurance arrangements	1,204,126		-		1,204,126
Deposit with Financial Institutions	262,395	38,334	759,524	-	1,060,253
Due from related party	151,959	-	-		151,959
Cash and cash equivalents	67,060	-	-		67,060
Total financial assets	3,187,076	235,876	2,867,101	4,536,305	10,826,357
Financial liabilities:					
Insurance contract liabilities	5,239,938	-	-	-	5,239,938
Payables arising from reinsurance arrangements	-	188,655	-	-	188,655
Other payables	601,110	-	-	-	601,110
Lease Liabilities	10,153	30,521	74,164	-	114,838
Bank Guarantees	-	-	210,734	-	210,734
Total financial liabilities	5,851,201	219,176	284,898	-	6,355,275
Net liquidity gap	(2,664,125)	16,700	2,582,203	4,536,305	4,471,082

38. INSURANCE AND FINANCIAL RISK *(continued)*

b. Financial risks *(continued)*

ii. Liquidity risk *(continued)*

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	4,637,106	9,520,320
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
Lease Liabilities	8,877	25,832	79,344	114,053
Bank Guarantees	403,566	-	-	403,566
Total financial liabilities	5,334,767	110,441	108,735	5,240,015
Net liquidity gap	(560,068)	(1,926)	4,168,371	3,920,305

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 significant 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. The Company is not exposed to interest rate risk as all financial assets are at fixed interest rates.

38. INSURANCE AND FINANCIAL RISK *(continued)*

(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% (2019: 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 18,758 (2019: KShs 25,039).

(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.

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.

39. FAIR VALUE MEASUREMENT *(continued)*

There were no transfers between Level 1 and level 2 during the year.

The table below shows an analysis of the fair value of assets by level in the fair value hierarchy, however, it does not include instruments whose fair value approximates the carrying amount.

31 December 2020	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000	Carrying amount
Assets:					
Equity investments classified:					
-At fair value through profit or loss	375,169	-	-	375,169	375,169
-At fair value through other comprehensive income	-	15,124	-	15,124	15,124
Investments in collective investment schemes at fair value through Profit or loss	-	637,551	-	637,551	637,551
Government securities at fair value through other comprehensive income	2,670,282	-	-	2,670,282	2,670,282
Owner occupied property and equipment*	-	-	316,272	316,272	316,272
Investment properties*	-	-	1,602,000	1,602,000	1,602,000
	3,045,451	652,675	1,918,272	5,616,398	5,616,398

31 December 2019	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000	Carrying amount
Assets:					
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
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
	2,238,578	193,738	2,011,795	4,444,111	4,444,111

**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.*

39. FAIR VALUE MEASUREMENT *(continued)*

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	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%

The significant unobservable inputs used in the fair value measurements categorised in level 3 of the fair value hierarchy as at 31 December 2020 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 7.2 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 15.8 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.*

39. FAIR VALUE MEASUREMENT *(continued)*

Reconciliation of fair value measurement under Level 3 hierarchy

2020	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
2019					
Investment property	1,602,000	-	-	-	1,602,000
Owner-occupied property	234,000			-	234,000
	1,836,000	-	-	-	1,836,000

40. ULTIMATE CONTROLLING PARTY

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. INCORPORATION

The company is incorporated in Kenya under the companies Act 2015 and is domiciled in Kenya.

42. CURRENCY

The financial statements are presented in Kenya shillings thousands (KShs '000'), which is also the company's functional currency.

CIC GENERAL INSURANCE LIMITED
REVENUE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2020

	C.A.R & Engineering Shs.'000	Fire Domestic Shs.'000	Fire Industrial Shs.'000	Liability Insurance Shs.'000	Marine & Transit Shs.'000	Motor Private Shs.'000	Motor Commercial 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 2020 Shs.'000
Gross premium written	223,507	104,867	671,129	76,257	69,340	1,990,696	1,799,794	-	3,978,871	195,726	591,435	319,416	173,747	1,963	10,196,748
Unearned premium transferred in	270,561	27,003	283,316	46,016	19,318	954,986	923,244	-	1,249,590	45,419	177,008	116,698	34,199	14,842	4,162,200
Unearned premium c/f	177,567	37,692	266,536	33,829	10,819	968,126	820,238	-	1,266,917	41,112	141,563	107,516	33,635	1,352	3,906,902
Gross earned premium	316,501	94,178	687,909	88,444	77,839	1,977,556	1,902,800	-	3,961,544	200,033	626,880	328,598	174,311	15,451	10,452,044
Reinsurance premium	(249,690)	(13,476)	(516,601)	(15,744)	(19,325)	(88,784)	(82,031)	-	(237,086)	(80,871)	(331,705)	(27,577)	(178,434)	-	(1,841,324)
Net earned premium	66,811	80,702	171,308	72,700	58,514	1,888,772	1,820,769	-	3,724,458	119,162	295,175	301,021	(4,123)	15,451	8,610,720
Gross claims paid	30,982	14,197	133,388	128,235	12,913	1,663,349	1,281,715	-	2,692,868	50,051	66,539	204,414	45,649	722	6,325,022
Outstanding claims c/f	79,914	90,162	166,927	627,218	36,057	1,656,528	1,450,502	2,092	445,546	86,889	277,793	293,619	20,853	5,837	5,239,937
Outstanding claims transferred in	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	5,838	4,608,432
Gross claims incurred	52,405	96,084	118,148	188,128	385	1,822,495	1,396,793	-	2,848,254	33,916	137,247	216,483	45,468	721	6,956,527
Recoveries	(20,837)	(19,950)	(95,467)	(99,745)	(1,094)	(215,613)	(241,581)	-	(103,895)	7,808	(19,796)	(104,028)	(39,143)	(104)	(953,445)
Net incurred Claims	31,568	76,134	22,681	88,383	(709)	1,606,882	1,155,212	-	2,744,359	41,724	117,451	112,455	6,325	617	6,003,082
Commission receivable	53,878	6,213	182,015	3,552	4,674	-	-	-	-	22,815	76,389	595	33,470	-	383,601
Commissions payable	56,119	17,980	173,835	17,515	15,733	188,271	184,800	-	386,709	37,910	109,637	61,675	19,964	215	1,270,363
Net commission	2,241	11,767	(8,180)	13,963	11,059	188,271	184,800	-	386,709	15,095	33,248	61,080	(13,505)	215	886,763
Management Expenses	37,754	30,435	113,526	16,524	49,057	482,708	615,180	-	247,001	114,340	196,631	82,793	54,206	8,051	2,048,206
Premium Tax	2,692	1,263	8,083	918	835	23,976	21,677	-	47,921	2,357	7,123	3,847	2,093	23	122,808
Total	40,446	31,698	121,609	17,442	49,892	506,684	636,857	-	294,922	116,697	203,754	86,640	56,299	8,074	2,171,014
Total claims expenses and commissions	33,809	87,901	14,501	102,346	10,350	1,795,153	1,340,012	-	3,131,068	56,819	150,699	173,535	(7,181)	832	6,889,844
Underwriting profit/(loss)	(7,444)	(38,897)	35,198	(47,088)	(1,728)	(413,065)	(156,100)	-	298,468	(54,354)	(59,278)	40,846	(53,241)	6,545	(450,138)

The revenue account was approved by the board of directors on 10th March 2021 and was signed on its behalf by:

Edwin Otieno Joseph, OGW	Joseph Gatuni	Fredrick Ruoro

CIC GENERAL INSURANCE LIMITED
REVENUE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019

	C.A.R & Engineering Shs.'000	Fire Domestic Shs.'000	Fire Industrial Shs.'000	Liability Insurance Shs.'000	Marine & Transit Shs.'000	Motor Private Shs.'000	Motor Commercial 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 2019 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	8,073	10,654,090
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	8,719	3,974,065
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	1,950	10,465,956
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)	1,950	9,000,510
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)	(694)	(534,977)
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	11,116	6,472,100
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	35,102	28,307	105,573	15,366	45,628	448,922	572,146	-	229,629	106,346	182,879	76,998	50,415	7,485	1,904,796
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	40,476	29,349	114,568	16,587	46,693	475,874	598,201	-	272,714	109,474	190,210	81,854	52,463	7,583	2,036,046
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)	11,906	7,416,814
Underwriting profit/(loss)	61,608	25,741	84,061	(14,456)	(5,965)	(576,713)	(163,988)	-	90,950	(1,939)	43,777	48,923	(26,810)	(17,539)	(452,348)

The revenue account was approved by the board of directors on 10th March 2021 and was signed on its behalf by:

Edwin Otieno Joseph, OGW

Joseph Gatuni

Fredrick Ruoro

APPENDIX II

GLOSSARY OF INSURANCE TERMS
FOR THE YEAR ENDED 31 DECEMBER 2020

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.


ASSET
We keep our word
to protect your INVESTMENTS

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

CIC OFFICES

KENYA

NAIROBI BRANCHES:

TOWN OFFICE
Reinsurance Plaza
Mezzanine Floor, Aga Khan Walk
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Tel: (020) 329 6000
townoffice@cic.co.ke

BURU BURU BRANCH
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westlandsbranch@cic.co.ke

OTHER OFFICES:

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Kenyatta Highway
thika@cic.co.ke

KITENGELA BRANCH
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kitengela@cic.co.ke

NANYUKI BRANCH
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nanyuki@cic.co.ke

NAIVASHA BRANCH
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NYAHURURU BRANCH
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ABC Imani Plaza, 2nd Floor
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KIAMBU BRANCH
Bishop Ranji Cathedral Plaza,
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NYERI BRANCH
Co-operative Union Building
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nyeri@cic.co.ke

NAKURU BRANCH
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nakuru@cic.co.ke

KISUMU BRANCH
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Oginga Odinga Road
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KILIFI BRANCH
Al Madina Plaza, 1st Floor
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MOMBASA BRANCH
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CIC GROUP

CIC GENERAL INSURANCE LIMITED

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GENERAL • LIFE • HEALTH •ASSET