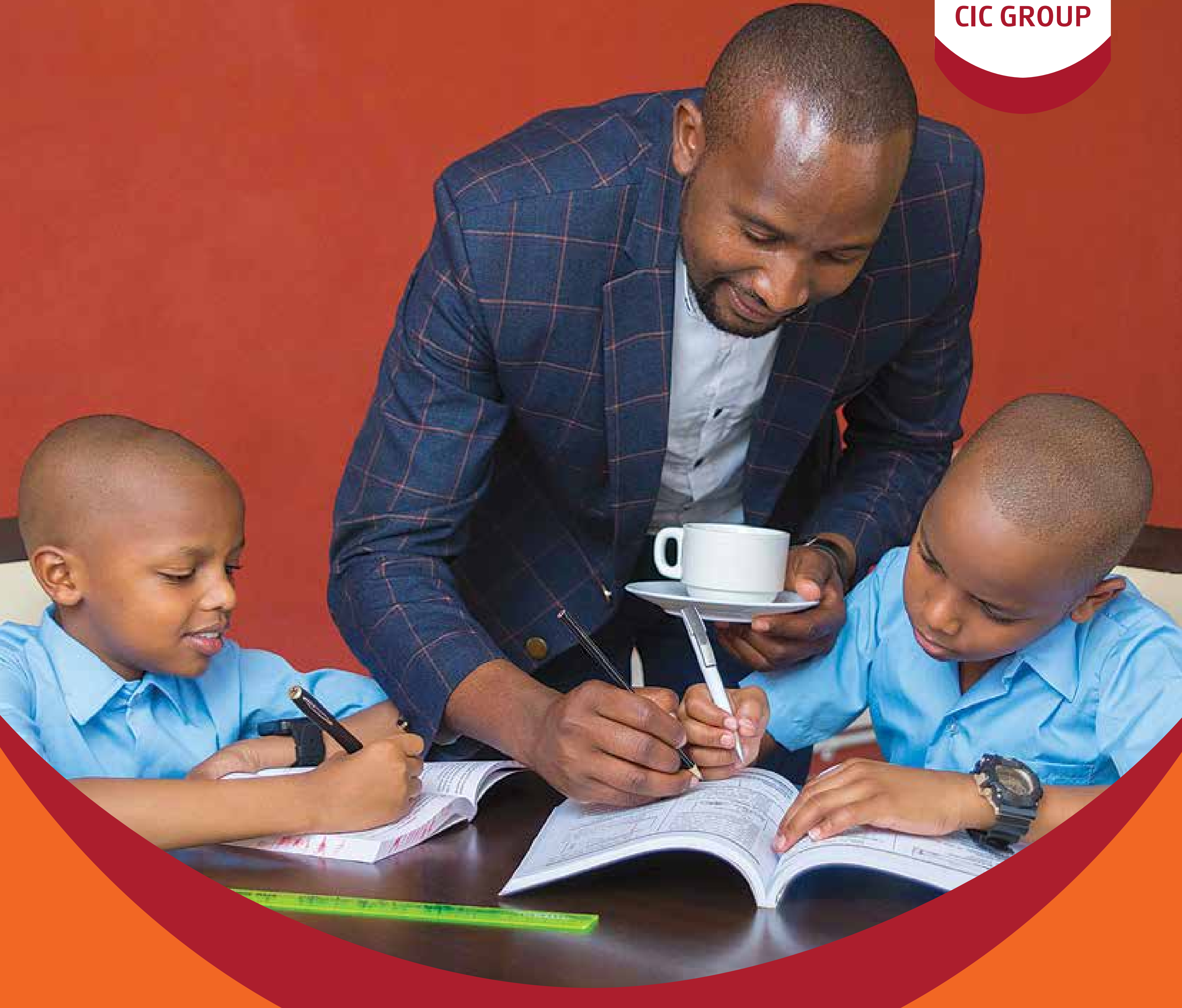

CIC GROUP

2019

CIC LIFE ASSURANCE LIMITED

ANNUAL REPORT & ACCOUNTS

OUR PHILOSOPHIES

WHO WE ARE

CIC Life Assurance is a market leader in Group life insurance with a market share of 17.2% and has a vast branch network of 27 branches spread across the counties.
CIC offers a wide variety of life products and services.

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 LIFE ASSURANCE LIMITED
CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2019

DIRECTORS	G. O. Owuor	- Chairman
	D. N. Ngunjiri	- Appointed 22.7.2019
	J. Kionga	- Ag. Managing Director
	T. Gitogo	- Resigned 9.10.2019
	H. G. Hunyu	- Retired on 21.5.2019
	M. O. Wambia	
	Dr. R. Monyoncho	
	J. Patel	

COMPANY SECRETARY

Mary Wanga
Certified Public Secretary (Kenya)
P.O. Box 59485 - 00100
NAIROBI

REGISTERED OFFICE

CIC Plaza
7th Floor
Upper Hill, Mara Road
P.O. Box 59485 - 00200
NAIROBI

SENIOR MANAGEMENT	J. Kionga	- Ag. Managing Director
	M. Wanga	- Company Secretary
	S. Wambui	- Actuarial Manager.
	T. Kanja	- Senior Manager, Finance
	S. Robi	- Risk and Compliance Manager
	R. Nyakenogo	- General Manager - Cooperatives
	M. Luvai	- Group Chief Finance Officer
	C. Adhiambo	- Claims Manager
	M. Magoma	- Human Resources Business Partner
	C. Onduru	- Operations Manager
	D. Wambugu	- Business Development Manager
	N. Mutuku	- Business Development Manager
	J. Gitau	- Pension Administration Manager
	J. Waititu	- ICT Manager
	T. Kihanya	- General Manager - Alternative channels
	J. Wamae	- Underwriting Manager

AUDITORS

Ernst & Young LLP
Certified Public Accountants
Kenya-Re, Upper Hill
3 Ragati Close, Upperhill
P.O. Box 44286-00100
NAIROBI

PRINCIPAL BANKERS

The Co-operative Bank of Kenya Limited
P .O. Box 67881 - 00100
NAIROBI

CONSULTING ACTUARIES

The Actuarial Services Company Limited
Victoria Towers
Upper Hill
P .O. Box 10472 - 00100
NAIROBI

CIC LIFE ASSURANCE LIMITED
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 8TH ANNUAL GENERAL MEETING OF CIC LIFE ASSURANCE LIMITED WILL BE CONDUCTED VIRTUALLY VIA ELECTRONIC COMMUNICATION ON FRIDAY 25TH DAY OF SEPTEMBER, 2020 AT 8:30 AM TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS:

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

2. To read the notice convening the Meeting.

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

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

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

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

7. Election of Directors:

- **a.** Mr. Michael Wambia, who retires by rotation in accordance with Articles 103, 104 and 105 of the Articles of Association of the Company and being eligible offers himself for re-election as Director of the Company.
- **b.** To confirm appointment of Mr. David Ngunjiri as a Non-Executive Director of the Company with effect from 22nd July 2019.
- **c.** To confirm appointment of Mr. Patrick Nyaga as a Director of the Company with effect from 6th August 2020.

Changes in Board.

- **i.** To note the resignation of Mr. Tom Gitogo, as a Director effective 9th October, 2019, in accordance with Articles 99 (b) of the Company's Articles of Association;
- **ii.** To note the resignation of Mr. Ezekiel Owuor, as an Executive Director effective 12th March, 2020, in accordance with Articles 99 (b) of the Company's Articles of Association.

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

- **a.** Ms. Jyoti Patel.
- **b.** Dr. Rachel Monyoncho.
- **c.** David Ngunjiri.

9. To authorize the Board to fix the Directors remuneration.

SPECIAL BUSINESS;

10. To consider and, if thought fit, pass the following resolution as a special resolution:

- **a. Changes to the Company's Articles of Association**
  THAT the Articles of the Company be amended in the manner set out in the amended Articles of Association presented and made available at the meeting, the rationale being, to allow the Company to have alternative modes of holding general meetings including virtual meetings and to align the Articles' of Association to the recent changes to the Companies Act. No.17 of 2015.

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

CIC LIFE ASSURANCE LIMITED
ANNUAL GENERAL MEETING

ORDINARY BUSINESS *(continued)*

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

Dated at Nairobi this 6th day of August, 2020.

BY ORDER OF THE BOARD

MARY WANGA
COMPANY SECRETARY

NOTE:

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

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

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

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

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

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

AKI Awards
Overall Winner 2019

Group Life Company of the Year,
AKI Group Life Best Practice

CHAIRMAN'S STATEMENT

2019 BUSINESS PERFORMANCE

On behalf of the Board of Directors of CIC Life Assurance Company Ltd, I am pleased to present to you the Annual Report and Financial Statements of the Company for the year ended 31st December 2019.

Economic and business environment

Kenya's economic indicators in the year 2019 suggested a softer economic growth. The growth averaged 5.4% compared to 5.7% in the previous year. There was supressed growth across most sectors; agricultural activities declined due to drier weather conditions thus lower food output, which also dampened agro-processing. Industrial activity also moderated especially in construction-linked sectors notably cement production and consumption.

Private sector began to display signs of recovery given the rate cap repeal and a reduction in the Central Bank Rate to 8.5% in November 2019. The above coupled with the increased pressure on the government to fix its budget deficit amid an upward review of local borrowing target could lead to a rise in interest rates in 2020.

The Kenyan Shilling appreciated by 0.5% in 2019 against the US Dollar supported by resilient diaspora inflows, strong services receipts and slower growth of imports. In 2019, inflation rose to an average of 5.2% compared to an average of 4.7% in 2018. Inflation in 2019 rose towards the tail end of the year to 5.8%; largely on slightly higher food prices and transport costs that temporarily rose in the fourth quarter thus resulting in a hiked public transport fares during the festive season.

The Gross Domestic Product in 2020 had initially been projected to remain above 5% but a review by International Monetary Fund (IMF) has been reviewed downwards to 1% after Convid-19 pandemic impact. This is as a result of the heavy rains since the last quarter of 2019 and locust infestation early in 2020 that have caused destruction in some areas hence an increase in food prices. An escalation of geo-political tensions in the Middle East could also pose a risk to oil prices. Equities market exhibited mixed performance with the NASI gaining

18.5% and NSE-20 losing 6.33% in 2019. This was mainly attributable to foreign investor outflows that impacted negatively on frontier markets due to weaker earnings growth surrounded by elevated public debt sustainability concerns.

Regulatory framework

During the year the Company applied two International financial reporting standards (IFRS) 9 - Financial instruments & (IFRS) 16 – Leases.
Insurance Regulatory Authority (IRA) later during the year issued a circular to all insurance companies to abide by the provisions of International Financial Reporting Standards (IFRS) 9, financial instruments when publishing the 2019 financial statements. IFRS 9 states that impairment of financial instruments should be assessed and measured through expected credit loss model.

IFRS 16 – Leases standard was issued in January 2016 to replace International Accounting Standard (IAS) 17 - accounting for Leases. The standard introduces a single accounting concept which requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months unless the asset is of low value.

Kenya Revenue Authority (KRA) had pushed the agenda that the tied agents and commissioned staff are employees and as such should pay PAYE instead of withholding tax that is normally deducted from their commissions. However, a ruling was made by the court of Appeal in favour of one Company within the industry that tied agents or commissioned staff are not considered as employees and hence should not be charged PAYE but withholding tax on their earnings.

Overall performance

The company registered an increase in profit before tax than the previous year due to an improvement in net benefits & claims and also investment income. Equities also made a turnaround to record capital gains from a position of capital losses in the previous year.

The company registered a Profit before tax for the period ended 31st December 2019 of KShs 163 million, an improvement from a loss of KShs 18 million in 2018.

Gross written premium declined by 2% to KShs 4.9 billion from KShs 5.1 billion in 2018. Contributions from deposit administration contracts increased by 9% from KShs 981 million to KShs 1.0 billion. Total assets also increased by 18% from KShs 12.3 billion in 2018 to KShs 14.6 billion in 2019.

Dividend payout

Following the performance and requirement by IRA to achieve 200% solvency ratio by 30th June 2020, there was no recommendation to transfer any surplus from the statutory fund to retained earnings for payment as dividends.

Future outlook

The year 2020 began with a myriad of challenges in the macroeconomic environment. A number of high global to regional risks are bound to affect the business; Locust invasion, Covid 19 and a bearish stock market performance. The company continues to implement measures to counter these challenges as efforts to mitigate the effects of these unfavorable developments are put in place worldwide. The industry has been impacted but not disrupted by technology. The company strives to see a step-change in the way the industry behaves based on the insight from large amounts of data and smart use of technology. In light of this, delivery of a more personalized and relevant insurance experience to customers will be achieved and thus driving customer loyalty. This in turn reduces the cost and risk and ensure that the industry can enhance its reputation and deliver a vastly more efficient service to the public and mostly the untapped market.

Acknowledgement

In conclusion, I wish to convey my gratitude to all our stakeholders i.e. clients, business associates, shareholders, staff, service providers and regulatory bodies for their tremendous support and trust in the company.

Gordon Ondiek Owuor
CHAIRMAN

BOARD OF DIRECTORS

Mr. Michael Ondinya Wambia

Jack Kionga

Mr. Gordon Ondiek Owuor

Mary Noel A. Wanga

Dr. Rachel Monyoncho

David Ngunjiri

Ms. Jyoti Patel

BOARD OF DIRECTORS

Gordon Ondiek Owuor
CHAIRMAN

Mr. Gordon Ondiek Owuor, aged 64, is a Non-Executive Director and representing CIC Insurance Group Plc, a major shareholder. Mr. Owuor is the Chairman of Jumuika (formerly Chemelil) Sacco, a member of the Nyanza Provincial Co-operative Development Team and a Member of the Institute of Directors-Kenya. He previously worked with the East African Fresh Water Fisheries Research Organization and currently is the chairman of Loyalty Refined Limited. He holds an executive Diploma in Financial Management. The Director has undertaken training in specialized Life Assurance Business Management conducted by LIMRA and several corporate governance training courses.

Michael Ondinya Wambia
VICE - CHAIRMAN

Mr. Michael Ondinya Wambia, aged 52, is a Non-Executive Director and representing CIC Insurance Group Plc, a major shareholder. The Director also holds a Diploma in Education Management from KEMI (Kenya Educational Management Institute) and is a Member of the Institute of Directors Kenya. He is also a delegate in Cooperative Bank of Kenya Limited and has undertaken training in specialized Life Assurance Business Management conducted by LIMRA and various corporate governance training courses. He has undergone extensive training on Corporate Governance by International Finance Corporation (IFC).

Jack Kionga
AG. MANAGING DIRECTOR

Mr. Jackson Kionga, aged 57, joined CIC Insurance Group Plc in 2007 as the Operations and Training Manager. Currently he is the Ag. Managing Director and Principal Officer of CIC Life Assurance. He has over 29 years work experience within the Insurance industry. Jack holds a Bachelor of Administration Degree (Hons), Executive MBA from USIU, Advanced Management Programme Executive Education Course from Strathmore Business School and IESE Business School. He is an Associate Member of the Insurance Institute, London (Chartered Insurer) in UK. Mr. Kionga also sits in the Life Insurance Council of the Association of Kenya Insurers (AKI) and is the Convener of the AKI Group Life Committee.

Mary Wanga
COMPANY SECRETARY

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

Dr. Rachel Monyoncho
DIRECTOR

Dr. Rachel Monyoncho, aged 57 years, joined CIC Life Board in January 2016 as an Independent Non-Executive Director. She holds a PhD in Business Administration (Organization Theory and Behavior) from the University of Nairobi and an MBA in Strategic Management and International Business from the University of Nairobi and Bachelor in Biological Sciences and IHRM from Panjab University - India. She is a member of Kenya Institute of Directors Kenya. She has over 25 years' wealth of experience in senior management in various industries in East and Central Africa Regions. She is currently a management consultant and lectures in various private universities in Kenya.

David Ngunjiri
DIRECTOR

Mr. David Nduhiu Ngunjiri, aged 60, joined CIC Life Assurance Board in July 2019 and is a Non-Executive Director and representing CIC Insurance Group Plc, a major shareholder. He is currently the Chair of Finance and Investment Committee of the Board and member of Life Audit and Risk Committee. He is also a Board Member of Newfortis Sacco and delegate of Biashara Sacco. He is a teacher by profession and holds a diploma in Education Management from KEMI (Kenya Educational Management Institute) and is a Member of the Institute of Directors Kenya. He has attended various governance and risk management trainings conducted by Kenya Union of Savings and Credit Co-operatives Limited.

Ms. Jyoti Patel
DIRECTOR

Ms. Jyoti Ishwarbhai Patel, aged 50, joined CIC Life Assurance Board as an Independent Non-Executive Director in May 2018 She has considerable working experience in the executive management teams specializing in accountancy, finance and risk management. Ms. Jyoti is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and a fellow member of Association of Chartered Certified Accountants (FCCA). She is trained on Corporate Governance by International Finance Corporation (IFC) and certified in Enterprise Risk Governance by Enterprise Risk Management Academy (ERMA). She holds an MBA from Warwick Business School, UK.

MANAGING DIRECTOR'S STATEMENT

POLITICAL ENVIRONMENT

The year 2019 had its own significant share of milestones. The political environment was dominated by the Building Bridges Initiative (BBI) and the political legacy of President Uhuru Kenyatta. The President's Big Four Agenda of Universal Healthcare, Manufacturing, Affordable Housing and Food Security, if achieved, present opportunities that can spur the growth of the economy and have a significant impact on the industry. Corruption, however, continued to be of great concern.

From a regulatory and compliance perspective, the insurance industry had to grapple with legislation, particularly the Finance Bill 2019. The bill is likely to have a significant impact on Guaranteed Pension as withdrawal period for pension funds have been pushed from a maximum of 36 months to a maximum of 12 months, irrespective of the investment portfolio. We also saw a keener policing of the industry for compliance purposes. New International Financial Reporting Standard (IFRS) requirements were a significant factor and so was the Unclaimed Financial Asset Authority (UFAA), who turned their spot light on the insurance industry.

The most significant event for the insurance industry was the Insurance Amendment Act 2019 that introduced penalties for insurance fraud and compels insurance companies to adhere to standards of the International Association of Insurance Supervisors (IAIS). The Act also takes away the role of intermediaries as premium collection agents for their clients. Effectively, a client will only go on cover after the full premium has been received by the underwriter.

The lifting of the interest rate cap took place in 2019. This should augur well for the industry, with increased lending especially to the SMEs.

ECONOMIC ENVIRONMENT

On the economic front, Kenya's GDP grew by an estimated 5.9% in 2019, down from 6.5% in 2018. This was driven by household consumption, public administration, information technology, finance, insurance, transport and storage. Inflation was well contained within 5.2% while the exchange rate was stable at Kshs. 103 to the Greenback. However, there were concerns regarding public debt, which stood at 58% of GDP. Among the Big Four Agenda, Manufacturing was consisted 9% of GDP while Agriculture comprised at 52% of GDP, 56% of employment and 65% of foreign exchange respectively. Finally, the interest rate cap was removed in November 2019, with an optimistic outlook on lending.

INDUSTRY ANALYSIS

The Life Insurance industry performance for the year 2019 showed a 11.9% growth in premium year on year with the Gross Written Premium (GWP) growing to Kshs. 97 Billion.

Solvency levels for the industry averaged 100%. Individual Life and Pensions lines of business continued to experience significant growth and contributed 28.9% and 38.4% of the total Gross Written Premium respectively. On a combined basis, the two lines also constituted 67% of the total product mix with Group Life/Credit Life contributing the remaining 33%. CIC Life held the 4th position in terms of Market share while the top 5 Life Insurers dominated the market share by 64%.

BUSINESS PERFORMANCE

Topline growth declined by 2% at the back of deliberately decelerated growth of Annuity business to manage losses arising out of the business. The business declined by 64% over the previous year. However, in the Ordinary Life, Group Life and Pension lines of business, we managed a growth of 14%, 9% and 9% respectively. We therefore managed a 10% growth in the Ordinary Life and Group Life insurance lines, giving a combined GWP total of Kshs. Kshs. 4.7 Billion. Overall GWP amounted to Kshs. 4.99 Billion, just shy of Kshs. 5 billion. Claims ratio was at 71% against a budget of 69% while commission ratio was within budget at 9%. Expense ratio was cause for concern at 34% against a budget of 31%.

Despite the reduced topline, profitability moved from a loss of Kshs.18 million in 2018 to a gross profit of Kshs. 163 million in 2019. This is below the budget of Kshs. 686 million. The biggest contributing factor was investment income, which was less than ideal and fell far below budget by Kshs. 262 million in the back of reduced investment income, depressed property and equity performance. Net claims ratio was also a significant contributor, with a net claims increase of Kshs. 88 million in Group Life business. This notwithstanding, our total assets grew by 20% from KShs 12.2 billion to KShs 14.6 billion.

KEY FOCUS IN 2020

Profitable growth will be the main focus, through increased Topline Growth, Underwriting Profit and Solvency Ratio. This will also improve our Net Asset position. Cardinal to this will be a sharp focus on key client relationship management, more so in Group Life business, as we strive to exceed expectations through our product offerings, service provision and direct engagement at all levels. As the macroeconomic environment becomes more unpredictable, there will be an increased emphasis on profits arising out of operational activities to be complemented by investment income. The philosophy of prudent underwriting will therefore continue to be a priority.

In the retail arena, we will increase our sales footprint through independent financial advisors, the alternative distribution channels of Sacco assurance and Bancassurance using our strategic partnerships, and digital distribution using the aggregator model. Customer focus will also be key in policy conservation and reinstatement as we look to build a profitable book of Individual Life business. Quality of business will be maintained through measures that increase operational efficiency and persistency.

For Pension and Annuity business, we will target the small umbrella schemes and the conversion of medium-sized segregated funds to deposit administration contracts. Annuity pricing and investment strategies will be key in the reduction of reserving strain. For this reason, we will engage our investment partners to explore other non-conventional investment avenues.

On the replacement of the antiquated Information Technology (IT) core system, the process of procuring a new system is in progress alongside systems and process reengineering to increase efficiency, tighten controls and enhance customer experience. Key to achieving the above objectives will be an engaged staff, motivated to deliver in their respective duties.

Finally, even though the year 2019 was a very challenging, those challenges in turn forced us to focus on 10 key drivers for business growth that have to do with financial strength, effective and efficient systems and processes, employee engagement, key markets and customer experience. With these challenges addressed, we can only expect a better performance in 2020.

APPRECIATION

My sincerely appreciation goes to the CIC Life Board of Directors for their wise counsel and guidance, our customers for their trust and belief in CIC Life and challenging us to keep our word, the management, staff and acquisition teams for their hard work, dedication and contribution to the results. I also recognize the significant role played by our strategic partners and other stakeholders. We have the capacity to grow even more profitably and sustainably and hope to demonstrate that in 2020 as we "Keep Our Word."

JACK KIONGA

AG. MANAGING DIRECTOR


LIFE
EDUCATION cover to secure your **CHILD'S** financial future

SENIOR MANAGEMENT

Jack Kionga

Mary Noel A. Wanga

Salome Wambui

Tyrus Kanja

Muyesu Luvai

Richard Nyakenogo

Caroline A. Otieno

Susan Robi

SENIOR MANAGEMENT

Maureen K. Magoma

Calvince Onduru

David Wambugu

Nicholas S. Mutuku

Joseph K. Waititu

James Wamae

Jane W. Gitau

Tabitha Kihanya

BOARD OF MANAGEMENT

Jack Kionga
Ag. Managing Director

Mr. Jackson Kionga, aged 57, joined CIC Insurance Group Plc in 2007 as the Operations and Training Manager. Currently he is the Ag. Managing Director and Principal Officer of CIC Life Assurance. He has over 29 years work experience within the Insurance industry. Jack holds a Bachelor of Administration Degree (Hons), Executive MBA from USIU, Advanced Management Programme Executive Education Course from Strathmore Business School and IESE Business School. He is an Associate Member of the Insurance Institute, London (Chartered Insurer) in UK. Mr. Kionga also sits in the Life Insurance Council of the Association of Kenya Insurers (AKI) and is the Convener of the AKI Group Life Committee.

Mary Wanga

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

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.

Tyrus Kanja

Mr. Tyrus, aged 41 years, joined CIC Insurance Group Plc in 2005 as an Accountant and is currently the Senior Manager Finance for CIC Life Assurance Company Limited. He has over 14 years work experience within the Insurance industry and holds a BSc – International Business Administration from USIU(A) and a CPA (K). He is a member of Institute of Certified Public Accountants of Kenya (ICPAK).

Susan Robi

Ms. Robi aged 43, 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 Insurance Group Plc in 2011.

Richard Nyakenogo

Mr. Nyakenongo aged 53, is the General Manager - Co-operatives. He holds a Bachelors of Commerce Degree from Egerton University and Masters in Business Administration from Mount Kenya University. He has a Diploma in Co-operative Management from the Co-operative College of Kenya and a certificate in Corporate Governance from Center for Corporate Governance. Richard is an Associate Member of Insurance Institute of Kenya (AIIK), Member of Marketing Society of Kenya (MSK), Member of Institute of Directors of Kenya (IOD), a Certified Co-operative Professional (CCOP), and a Council Member of Kenya Society of Professional Co-operators (KSPC). He was involved in the transformation of Sacco's form Back office to Front office (FOSA). He joined CIC in 1999.

Muyesu Luvai

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

Caroline A. Otieno	Ms. Caroline aged 35, joined CIC Insurance Group Plc in 2009 as a Management Trainee. She is currently the Claims Manager CIC Life Assurance Company Limited and has been with the organization for the last 10 years. She holds a Bachelor of Science degree, a CII Diploma in Insurance and a CPA 1 certification. She is currently pursuing an MSc in Development Finance.
Maureen K. Magoma	Ms. Magoma aged 41 is the Human Resource Business Partner representing CIC Life Assurance Limited. She holds a Bachelor of Business Administration degree, PHRi and SHRM-CP certifications from HRCI and SHRM respectively. She has 16 years' work experience out of which 10years have been in Human Resources mostly within the insurance industry. She is a l Member of the Institute of Human Resources Management (IHRM) and joined CIC Insurance Group Plc in July 2016.
Calvince Onduru	Mr. Calvince aged 35, joined CIC Insurance Group Plc in 2008 as a Management Trainee. He is currently the Operations Manager CIC Life Assurance Limited and has been with the organization for the last 12 years. He holds a BSc – Actuarial, a Diploma in IMIS, CPA finalist and MSC Finance (Insurance), Associate, Life Management Institute (ALMI). He is a member of the Individual Life Committee at Association of Kenya Insurers (AKI).
David Wambugu	Mr. Wambugu aged 39, joined CIC Life Assurance Limited in 2015. He has 12 years of sales experience in the Insurance Industry. His role entails Business Development, Recruitment, Training, Coordination and Supervision of individual life sales force. He holds a Bachelor's degree in Business Management (Marketing Option) from Egerton University. In addition, a Management Skills Certificate from LIMRA (Life Insurance and Market Research Association).
Nicholas Mutuku	Mr. Nicholas aged 45, joined CIC Life Assurance Limited in 2016. He has 20 years of Sales experience in the Insurance Industry. His role focuses on Business Development, Recruitment, Training, Coordination and Supervision of individual life business. He holds a Bachelor's degree in Education (ARTS) from Kenyatta university. In addition, he holds a Diploma in sales management and marketing from excel institute of professional studies and a certificate in Total Quality Management among other certifications.
Jane W. Gitau	Ms. Jane aged 51, joined CIC Life Assurance in May 2006. She has 26 yrs of experience in the insurance industry and held various management positions in departments dealing with employee benefits products. She holds a Bachelor's degree in Economics & Sociology (Egerton University); Executive Master in Business Administration (JKUAT); Associate of the Insurance Institute (ACII) in UK &Associates of Insurance Institute (AIIK) in Kenya. She is a member of Pensions Committee at Association of Kenya Insurers(AKI); Council Member-Association of Retirement Benefits Scheme (ARBS)
Joseph K. Waititu	Mr. Waititu aged 36, Joined CIC Life Assurance Limited in 2013 as Database Administrator. Previously he was with Turnkey Africa Ltd as a Senior Insurance Software Developer. He holds a bachelor of Computer Science and an MSC in Data Communication. In addition, he is Oracle and Information Technology Infrastructure Library (ITIL) Certified. He has over 10 years work experience in ICT. He is a member of Institute of The Computer Society of Kenya (CSK).
Tabitha Kihanya	Ms. Tabitha aged 35, is the General Manager - Alternative Channels at CIC Insurance Group Plc 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).
James Wamae	Mr. James aged 36 joined CIC Life Assurance Limited in January 2016 as an Assistant Underwriting Manager - Group Life. He is currently the Underwriting Manager - Group Life Business and has over 9 years' work experience within the Insurance Industry. He holds a Bachelors' Degree in Business Administration from Maseno University and CPA 1 certification. He is currently pursuing IIK Diploma, is a member of Insurance Institute of Kenya (IIK) and a member of the Association of Kenya Insurers (AKI) Group Life Committee.

CORPORATE GOVERNANCE REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

Statement of the Responsibility of Directors

The Board is responsible for putting in place governance structures and systems that support the practice of good governance in the organization. This responsibility includes planning, designing and maintaining governance structures through policy formulation that is necessary for efficient and effective governance of the organization. The Board is also responsible for ethical leadership, risk governance and internal control, transparency and disclosure, equitable protection and exercising of members' rights and obligations, compliance with laws and regulations, sustainability, performance management and strategy formulation and oversight.

The Board of Directors of CIC Life Assurance Limited is committed to the highest standards of good Corporate governance and strives for continuous improvement by identifying any loopholes and gaps in the Company's governance structures and processes. It is on this premise that the Board commissioned a governance audit, with the aim of ensuring that all processes necessary for directing and controlling the Company are in place.

The Directors have therefore ensured that the Company has undergone a governance audit for the year ended 31 December 2018, and obtained a report, which discloses the state of governance within the Company.

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 organization, in accordance with best governance practices as envisaged within the legal and regulatory framework. We conducted our audit 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 organization's policies, systems, practices and processes. The audit involved obtaining audit evidence on a sample basis. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Opinion

In our opinion, the Board has put in place a sound governance framework, which is in compliance with the legal and regulatory framework and in line with global best governance practices for the interest of stakeholders. In this regard, we issue an unqualified opinion.

……………………………………………………..
CS. Jacqueline Oyuyo Githinji, ICPSK GA. No 00030
For Umsizi LLP
21st May, 2020

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

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

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

Introduction

CIC Life Assurance Limited was incorporated on 29th July 2009 under Certificate No. CPR/2009/7927 under Chapter 486 Laws of Kenya (Now repealed by the new Companies Act No.17 of 2015) as a wholly owned subsidiary of CIC Insurance Group Plc in compliance with Insurance Regulatory Authority (IRA) directive of separating business of life and general. It was duly registered and licensed as a long term insurer on 27th November 2012.

Governance Regulations

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

Overview of the Governance Statement

CIC Life Assurance Board of Directors ("The Board") has institutionalized a robust corporate governance framework and systems at all levels of its operational spheres. The Board's primary focus is the protection of the interest of all its key stakeholders including shareholders and policyholders in order to support its long term growth and sustainability. The Board believes that good governance promotes prudent management aimed at promoting confidence in the insurance industry translating into robust economic growth. To this extent, the board has ensured that the company's corporate governance structure is based on a set of values and behaviors that underpin day-to-day activities, provide transparency and fair dealing, promote financial stability and healthy economic growth that can deliver better outcomes for the company's stakeholders and help its customers get ahead.
Accordingly, the Board adopts policies and practices which reflect contemporary standards, incorporating the corporate governance recommendations and guidelines issued under the Kenyan legislative authority to ensure the business reaps the benefits from a globally competitive financial services sector.

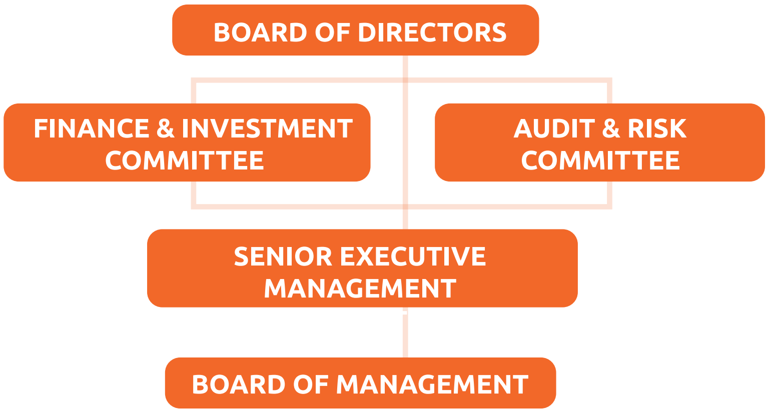
Accordingly, CIC Life Assurance Board regularly reviews its corporate governance arrangements and practices and ensures that the same reflects the developments in regulation, best market practice and stakeholder expectations. Our strategy is anchored on fundamental pillars and core values of the company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

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

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

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

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



The Board Mandate

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

The Board of Directors is responsible for providing strategic leadership to the Company. In doing so, the board takes cognizance of the impact of its decisions in the long term, the interests of its employees, the need to forge and foster good relationships with diverse stakeholder's including customers, 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 advisors where necessary to carry out such work as deemed necessary.

The Board Charter

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

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

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

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

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

Separation of the role of the Chairman and the Managing Director

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

The Chairman is responsible for:

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

The Managing Director is responsible for:

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

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

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

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

The Board and the Company Secretary

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

The Company Secretary's role and responsibilities includes but not limited to the following:
- Facilitation of good information flow within the Board, its Committees and between Senior Management;
- Induction of new Directors and the on-going professional development of all Directors;
- Monitoring compliance with the Board's procedures and advising the Board on all applicable laws and governance matters.

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

Chairperson

During the reporting period, Mr. Gordon Owuor, was the Chairman of the Board of Directors of CIC Life Assurance Limited appointed in 2019. The Chairman's overarching responsibilities are to provide 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.

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

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 set out in the table below. The tenure of office of an Independent Director is capped at two terms of three years each.

Table 2: Directors Tenure of Office

Director	Date of Appointment to the Board	Date Last Re-Appointed
Michael Wambia	28.03.2012	14.06.2017
Gordon Owuor	28.03.2012	22.05.2018
Tom Gitogo*	20.05.2015	Resigned on 9.10.2019
David Ngunjiri *	22.07.2019	-
Harrison Hunyu	28.03.2012	Retired on 21.05.2019
Elijah Wachira*	9.10.2019	-
Dr. Rachel Monyoncho	11.05.2016	21.05.2019
Jyoti Patel	21.06.2018	-

Notes: *Mr. Michael Wambia retires by rotation from the Board on 15.6.2020 in accordance with the company's Articles of Association and being eligible offers himself for re-election as a Director of the Company.
*Mr. Elijah Wachira appointed Acting Group Chief Executive Officer on 9.10.2019 and by virtue of the office, he is an Executive Director of the company.

Letter of Appointment and Due Diligence

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

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

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

Director Independence

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

In determining the independence or otherwise of a director, the Board, not only relies on the codified principles

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

but also has an objective regard to the relationship between a director and the Company or between a director and third parties that may compromise the director's independence.

Director Induction

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

Capacity building the Board

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

Board Evaluation

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

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

Conflict of Interest

The Board has put in place a conflict of interest policy which conforms to the Companies Act No.17 of 2015, to manage conflict of interest. A register of directors declared interests is maintained by the Company Secretary. Internal controls are in place to ensure that any related party transactions involving directors, or their connected parties, are conducted on an arm's length basis. Directors have a continuing duty to update any changes to these conflicts.

We confirm that there were no business transactions with directors or their related parties in the year ended 2019

Code of Ethics and Conduct

The company's Code of Ethics and Conduct continues to be in place and is geared towards inculcating a culture of professionalism and integrity, in line with our Vision and Mission Statements. The Board, Management and Employees are required to observe the code of ethics and high standards of integrity. Further, these standards

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

are applied in all deliberations, decisions, actions and dealings with customers, suppliers and other stakeholders. The Code of Ethics and Conduct is reviewed and updated on a regular basis and is integrated in the company's operations and strategies.

Fraud Awareness & Whistle Blower Policy

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

Board Meetings

The Board meetings are aligned as per 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 and approved Annual Board Work Plan.

The attendance at the meetings is as detailed under table 3 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.

Directors	Board Meeting		Audit and Risk Committee Meeting		Finance and Investment Committee Meeting	
	(a)	(b)	(a)	(b)	(a)	(b)
Gordon Owuor - (Chairman)	7	7	*	*	4	4
Harrison Githae*	7	4	*	*	4	2
Michael Wambia	7	7	*	*	*	*
Rachel Monyoncho	7	7	5	5	*	*
Jyoti Patel	7	7	5	5	*	*
Tom Gitogo*	7	5	*	*	*	*
Julius Nyaga	*	*	*	*	4	4
David Ngunjiri*	7	4	5	4	4	2
Philip Lopokoiyit*					4	2
Rosemary Githaiga*	*	*	5	3	*	*
Jackson Kionga*	7	7	*	*	*	*

Notes:
- (a) Number of meetings convened during year when the director was a member.
- (b) Number of Meetings attended by the Director during the year.
- (c) * Not a Member

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

(d) Tom Gitogo resigned from the board on 9.10.2019.
(e) Harrison Githae retired from the board on 21.05.2019.
(f) Philip Lopokoiyit resigned as member of Finance and Investment Committee on 21.5.2019.
(g) David Ngunjiri was appointed to the board on 22.7.2019.
(h) Rosemary Githaiga ceased being a member of the audit and risk committee.
(i) Jackson Kionga appointed Acting Principal Officer on 24.12.2018.
(j) All the directors attended the company's Annual General Meeting held on 21.05.2019 and were trained on Financial Investments.

Board Committees

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

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

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

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

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

Audit and Risk Committee

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

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

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

The Committee is chaired by an independent non-executive director. The Group Chief Executive Officer, Managing Director, Chief Internal Auditor, Risk and Compliance Manager, Finance Manager, Chief Finance Officer, Actuarial

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

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. Jyoti Patel—Chairperson
2. Dr. Rachael Monyoncho
3. David Ngunjiri

Finance and Investment Committee

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

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

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

Finance and Investment Committee
1. David Ngunjiri - Chairman
2. Julius Nyaga
3. Gordon Owuor

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 Life Assurance Business and advise on solvency margin requirements, appropriateness of premiums and surrender value, product design, risk mitigation including reinsurance and is satisfied that the partners possess the necessary expertise and experience and qualifies the "fit and proper" criteria. The contract sets out the Actuary's operational responsibilities and advisory role in relation to the Board including rights and obligations. The Board has unlimited access to the Independent Actuary.

External Auditor

The Statutory (External) Auditors are Ernest & Young (EY) appointed by the shareholders at the Annual General Meeting on 22nd May 2013 and has been engaged for a period of seven (7) years. The Auditors' managing partner has been in continuous practice for a period of at least fifteen (15) years. The Statutory Auditor certified the company's financial statements in the year 2019 and is currently serving their last term. The Board is satisfied that the external auditor, in executing their audit duties, are compliant with the regulatory requirements and there is no conflicts of interest and exercised their independence in judgement and execution of their audit duties in

line with the International Financial Reporting Standards (IFRS), Insurance Laws and Regulations and Prudential Management Policies of the Insurer.

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

Internal Controls

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

Personal use of Company's Assets and Loans to Directors

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

Communication with Shareholders and Stakeholders

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

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

Governance Policies In Place

The Board has, as a matter of good practice, formulated and put in place a Board Charter and relevant policies to guide the business and ensure that the company is run on a sustainable business model that will ultimately yield valuable return to the shareholders and other stakeholders. Such policies formulated by the Board include:

- Code of Professional Conduct and Ethics for Members of the Board
- Continuous Disclosure Policy
- Conflict of Interest Policy
- Risk Management Framework Policy
- Stakeholders Management Policy
- Procurement Policy
- Succession Plan Policy
- Board Induction Policy
- Fraud Awareness and Whistle Blower Policy

Succession

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

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

CIC GROUP

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

Board Diversity and Balance

The Non- executive directors come from broad industry and professional backgrounds, with varied experience and expertise aligned to the needs of the business. The Board appreciates the benefits of diversity and takes cognizance of gender inclusion and geographic representation to ensure board deliberations are balanced and rich as a result of multi-cultural value and co-operative sector positive influence. The Board has also promoted and supported gender diversity in the senior management roles which is evident from our profiles report.

Board Access to Information

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

Shareholding

The authorized share capital of the company currently stands at Kenya Shillings One Billion (Kshs 1,000,000,000/=), The issued share capital of the company is Kshs. 800,000,000 divided into 40,000,000 shares of Kshs. 20/= each.

The shareholders of the Company are as follows:

SHAREHOLDER	SHARES
CIC Insurance Company Limited	39,999,999
Group Chief Executive Officer	1

Directors' Remuneration Report

It is the Company's policy to fairly remunerate Directors for the role and responsibilities that they undertake for the Company. The remuneration is determined by the CIC Insurance Group Governance and Human Resource Committee based on parameters such as performance targets, Company's profitability, and return on equity as well as reference to market average rate. The remuneration is subject to approval by the shareholders at the Annual General Meeting. The Director's Remuneration Report sets out the policy that CIC Life Assurance 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 Life Assurance Limited

17 March, 2020

Gordon Ondiek Owuor
CHAIRMAN


LIFE
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REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2019

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

1. INCORPORATION

The Company is domiciled in Kenya where it is incorporated as a private company limited by shares under the Kenyan Companies Act, 2015. The address of the registered office is set out on page 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 life insurance business. The Company also invests in government securities and investment properties.

4. COMPANY RESULTS

	2019 KShs'000	2018 Restated KShs'000
Profit/(Loss) before taxation	162,948	(17,931)
Taxation charge/(credit)	(48,884)	39,879
Profit for the year	114,064	21,948

5. RECOMMENDED DIVIDEND

The directors recommend the approval of a first and final dividend of KShs Nil (2018 – KShs 80 million).

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

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

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

(b). the person has taken all the steps that the person ought to have taken as a director so as to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

7. BUSINESS REVIEW

ECONOMIC AND BUSINESS ENVIRONMENT

The economy grew by 5.43% as at Quarter 3 2019; a decline from 6.0% as at Quarter3 2018. The slowdown affected most sectors. Agricultural activities decelerated due to drier weather conditions thus lower food output, which also dampened agro-processing. Industrial activity also moderated especially in construction-linked sectors notably cement production and consumption. This partly reflects spill-overs from weak public spending and slower on boarding of new projects by the Treasury. The strategies towards improving budget efficiency and fiscal consolidation will be the leading factor for economic growth in 2020/21.

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

7. BUSINESS REVIEW *(continued)*

Interest rates remained stable throughout last year with minimal volatility at certain instances where liquidity distortion was witnessed. Short term rates remained single digit hence investors sought enhanced yields in the medium term papers which offered slightly more attractive double digit returns. A nascent recovery in private sector is highly likely given the potentially catalytic effect of the twin stimulus- rate cap repeal and a reduction in the CBR to 8.5% in November 2019. The above coupled with increased pressure on the government to plug its budget deficit amid an upward review of local borrowing target could lead to a rise in interest rates in 2020.

The cost of living measure increased to average 5.2% in 2019 from 4.7% in 2018; with food prices being impacted the most. Transport costs temporarily rose in Quarter 4 2019 due to a hike in public transport fares during the festive season. Heavy rains in Quarter 4 2019 caused destruction in some areas, locust infestation in early 2020 could also affect food production hence an increase in food prices. An escalation of geo-political tensions in the Middle East could also pose a risk to oil prices. We therefore expect inflation levels to remain above 5% in 2020 but still within the CBK upper band target of 7.5%.

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

There was a mixed performance in equities as NASI gained 18.5% and NSE-20 lost 6.33 in 2019. This was mainly attributable to foreign investor outflows that hit frontier markets due to weaker earnings growth surrounded by elevated public debt sustainability concerns. Towards the end of 2019, investors tone changed after the repeal of the rate cap law and they gradually bid up stocks; particularly the banks. Outlook for the market in 2020 remains skewed to a few counters mainly banks and Safaricom, which are expected to further grow earnings. Most of the sectors remain underperforming with companies still exhibiting weaker earnings hence unattractive to investors.

An improvement is projected in GDP growth for 2020 to be supported by increased credit flow to businesses. The removal of rate caps in October 2019 has raised prospects of credit growth revival which should improve circulation of money to spur the economy. Strict fiscal stance will reduce previous elevated government spending, especially on costly infrastructure projects, will be key to economic recovery in 2020. Treasury's ability to contain public borrowing still poses a risk due to the persistent lag in revenue performance and the country's heavy balance sheet exposure to foreign denominated debt. This notwithstanding, the government is expected to renew efforts to curb potential threats to economic growth.

Matters pertaining PAYE were cleared by the court of Appeal after it ruled in favor of UAP Company against Kenya Revenue Authority (KRA) where tied agents or commissioned staff are not considered as employees and hence should not be charged PAYE but withholding tax on their earnings.

Due to hard economic times the country faced in 2019, CIC Life Assurance Limited has registered negative results in some areas.

Gross Written Premium (GWP) income decreased by 2% from 2018 due to reduction in acquisition of annuity whereas expense ratio increased from 34% to 37% because of reduction in net earned premium. Claims ratio increased from 71% in 2018 to 72% in 2019 due to increase in intimated claims and actuarial reserves. Deposit administration contracts grew by 34% from KShs. 3.1 billion in 2018 to KShs 4.2 billion in 2019.

In terms of investment and other income, the company realised an income of KShs 604 million being an increase from KShs 318 million in 2018 which was mainly attributable to the better performance by the equities and increase in investible assets.

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

7. BUSINESS REVIEW *(continued)*

The Company registered a profit after tax of KShs. 114 million in 2019 (2018: KShs. 22 million) mainly due to the restatement of claims.

Stringent Solvency requirements by the regulator and increase in intimated claims, led the Company to adopt a strategy of reduced risk appetite and strict underwriting terms. Key risks facing the Company and industry at large are fraudulent claims, undercutting by other players thereby causing unfair competition and challenges in collection of premiums. However, the Company has implemented various strategies and initiatives to mitigate against adverse effects of these risks. This includes adopting strict underwriting guidelines on pricing of all risks, thorough claims investigations, cost containments and aggressive collection of all current debts.

The outbreak of the Coronavirus Disease2019 (COVID-19) has stricken communities across the globe. The virus' rapid geographical spread has caught the world off-guard, with major implications for personal health, business continuity and the world economic order. Globally, integrated supply chain models have been disrupted, threatening a financial slow-down. Management assessed that continued spread of the Virus is likely to increase claims in case of mortality from the pandemic, increase in defaults for insurance premiums due to slow economic growth and slump in investment income owing to dip in performance of the Nairobi Securities Exchange.

However, management has however put in place measures to ensure minimal business interruption during this period and due to the early stage of the outbreak in Kenya, an estimate of the financial effect cannot be made reliably.

GOING FORWARD

The Company will continue to enhance the core systems in line with new accounting standards as it boosts digitization of all its business processes to serve emerging digital economy. This presents enormous opportunities to retail businesses and meet compliance requirements.

8. TERMS OF APPOINTMENT OF THE AUDITOR

Ernst & Young LLP, having completed their term as the external auditor of the company, the board has been requested to appoint an external auditor for the ensuing year in accordance with the company's Articles of Association and Section 719 of the Kenyan Companies Act, 2015. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract, which sets out the terms of the auditor's appointment and the related fees. The agreed auditor's remuneration of KShs 4,500,000 has been charged to profit or loss in the year.

BY ORDER OF THE BOARD

SECRETARY

17 March, 2020
Nairobi

STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the Company keeps proper accounting records that: (a) show and explain the transactions of the Company; (b) disclose, with reasonable accuracy, the financial position of the Company; and (c) enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Companies Act, 2015.

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

(i). designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;

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

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

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

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

Approved by the board of directors on 17 March, 2020 and signed on its behalf by:

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Director	**Director/ Principal Officer**	**Director**
Gordon Owuor	**Elijah Wachira**	**Jyoti Patel**

REPORT OF THE CONSULTING ACTUARY
FOR THE YEAR ENDED 31 DECEMBER 2019

I have conducted an actuarial valuation of the long-term insurance business of CIC Life Assurance Limited as at 31 December 2019.

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

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

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

In my opinion, the long-term insurance business of the Company was financially sound and the actuarial value of the liabilities in respect of all classes of life insurance business did not exceed the amount of funds of the long-term insurance business at 31 December 2019.

Name of Actuary Abed Mureithi

Signed ______________________

31 March, 2020

Ernst & Young LLP
Certified Public Accountants
Kenya Re Towers
Upper Hill
Off Ragati Road
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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF CIC LIFE ASSURANCE LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of CIC Life Assurance Limited (the Company), as set out on pages 45 to 129, which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Kenyan Companies Act, 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance other ethical requirements applicable to performing audits of financial statements in Kenya. 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 year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key Audit Matter	How the matter was addressed in the audit
Allowance for expected credit losses on financial assets	
The expected credit losses on financial assets are determined under application of IFRS 9: Financial Instruments. We considered this to be a key audit matter because significant judgement was involved in determining the expected credit losses on other receivables, corporate bonds, staff loans and advances, commercial papers and deposits with financial institutions as disclosed in note 39(b) Credit risk. Key areas of judgement included: • the interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Company's expected credit loss model; • the identification of exposures with a significant deterioration in credit quality; • assumptions used in the expected credit loss model such as financial condition of the counterparty, expected future cash flows and forward looking macroeconomic factors; and • the need to apply additional overlays to reflect current or future external factors that are not appropriately captured by the model.	We assessed and tested the design and operating effectiveness of the controls over the: • data used to determine the expected credit losses on the financial assets carried at amortised cost. • Expected credit loss model, including model build and approval, ongoing monitoring/validation, model governance and mathematical accuracy. We assessed the modelling techniques/methodology against the requirements of IFRS 9: Financial Instruments We assessed and tested the material modelling assumptions as well as overlays with a focus on the: • Key modelling assumptions adopted by the Company • Basis for and data used to determine the overlays; and • Sensitivity for the collective provisions to changes in the modelling assumptions We assessed the adequacy of disclosures in the financial statements.
Valuation of Policy holders' Liabilities	
CIC Life Assurance Limited transacts life assurance business, which is long-term in nature. As a result, the Company determines the liabilities it would expect in the long-term using actuarial valuation methods and in line with the guidelines established by the Kenyan Insurance Regulatory Authority (IRA) as disclosed in note 39 to the financial statements. We have considered this issue as a key audit matter since estimation of the actuarial value of policyholders' benefit is complex and subjective in nature since it involves use of judgements and assumptions on the discount rate, mortality, inflation bonuses, withdrawal rates and initial and subsequent expenses subject to the minimum basis prescribed in the valuation guidelines.	We understood, evaluated and tested the design and implementation of key controls over the actuarial valuation process. We reviewed the methodology and inputs used as well as assumptions made in determining the value of the policyholders' benefits. We evaluated whether the valuation was carried out in accordance with the valuation guidelines as issued by the Insurance Regulatory Authority (IRA) of Kenya. We assessed the adequacy of the Company's disclosures in respect of the assumptions used in valuation as set out in note 39 to the financial statements.

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Other Information

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

In our opinion, the information given in the report of the directors on page 35 - 37, is consistent with the financial statements.

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

Nairobi, Kenya

31 March, 2020

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

	Note	2019 KShs'000	2018* KShs'000 Restated
INCOME			
Gross written premiums		4,997,893	5,093,135
Gross earned premiums	3(a)	4,997,893	5,093,135
Less: Reinsurance premiums ceded	3(b)	(968,313)	(931,756)
Net earned premiums		4,029,580	4,161,379
Interest revenue calculated using effective interest rate method	4(a)	459,560	350,655
Other interest and investment income	4(b)	57,685	63,729
Other gains/(losses)	5	86,739	(96,570)
Fees and commissions earned	6(a)	305,371	282,116
Other revenue		909,355	599,930
Total revenue		4,938,935	4,761,309
EXPENSES			
Commissions expenses	6(b)	(398,676)	(380,099)
Gross incurred claims	7(a)	(2,778,716)	(2,524,349)
Add: Reinsurance recoveries	7(b)	736,563	687,102
Less: Gross change in actuarial reserves	7(c)	(888,805)	(1,093,652)
Reinsurer's share of change in actuarial reserves	7(c)	43,169	(10,012)
Net benefits and claims		(2,887,789)	(2,940,911)
Operating and other expenses	8(a),	(1,474,724)	(1,467,741)
Net (increase)/decrease in expected credit losses	8(b)	(4,535)	9,511
Total benefits claims and other expenses		(4,765,724)	(4,779,240)
Finance cost	11(b)	(10,263)	-
Profit/(loss) before taxation	10(b)	162,948	(17,931)
Taxation (charge)/ credit	10(a)	(48,884)	39,879
Profit for the year		114,064	21,948
Other Comprehensive Income			
Other comprehensive income that may be reclassified to profit or loss in subsequent years (net of tax)			
Fair value gain on debt instruments at fair value through other comprehensive income-	14(b)	63,278	41,034
Other comprehensive income for the year, net of tax		63,278	41,034
Total comprehensive income for the year, net of tax		177,342	62,982

**Certain figures shown here do not correspond to the 2018 financial statements and reflect adjustments made as detailed in note 41.*

CIC LIFE ASSURANCE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	2019 KShs'000	2018* KShs'000 Restated
ASSETS			
Property and equipment	11	73,139	106,916
Right of use Assets	11(b)	63,574	-
Investment properties	12	2,181,875	2,181,875
Intangible assets	13	2,611	4,756
Financial assets at amortised cost- Government securities	14(a)	1,036,456	873,712
Financial Assets at amortised cost- Corporate Bonds	15	120,930	300,080
Financial Assets at amortised cost-Loan and receivables	16(a&b)	568,159	449,997
Financial assets at amortised cost- Deposits and commercial papers	17(a)	25,243	-
Financial assets at fair value through profit or loss-investments in collective investment scheme	17(b)	679,642	517,530
Financial assets at fair value through other comprehensive income - Government securities	14(b)	5,537,335	4,330,815
Financial Assets at fair value through profit or loss-Equity instruments	18	927,413	806,622
Tax recoverable	10 (c)	42,170	29,827
Receivables arising out of reinsurance arrangements	19(a)	643,003	584,660
Receivables arising out of direct insurance arrangements	19(b)	18,648	232,160
Reinsurers share of liabilities and reserves	33	710,408	578,845
Other receivables	20	107,054	81,145
Due from related party	21(a)	231,111	107,362
Deposits with financial institutions	22	1,452,007	980,533
Cash and bank balances	35(b)	158,713	89,386
Total assets		14,579,491	12,256,221
EQUITY AND LIABILITIES			
EQUITY			
Share capital	24	800,000	800,000
Statutory reserve	25	1,123,620	1,009,556
Fair value gains/(deficit)	26	17,402	(45,876)
Retained earnings	27	71,861	151,861
Total equity		2,012,883	1,915,541
LIABILITIES			
Deferred taxation	28	482,814	433,930
Deposits administration contracts	29	4,190,013	3,124,116
Actuarial value of policyholder liabilities	30	6,231,942	5,343,137
Unit linked contracts	31	514,972	474,554
Insurance contracts liabilities	32	597,945	461,235
Due to related party	21(b)	10,153	28,486
Other payables	34	449,608	451,096
Lease Liabilities	11(b)	69,078	-
Payables arising from reinsurance arrangements and insurance bodies	19(c)	20,083	24,126
Total liabilities		12,566,608	10,340,680
Total equity and liabilities		14,579,491	12,256,221

**Certain figures shown here do not correspond to the 2018 financial statements and reflect adjustments made as detailed in note 41.*

The financial statements were approved by the Board of Directors on 17 March, 2020 and signed on its behalf by:

Director	Director /Principal Officer	Director
Gordon Owuor	**Elijah Wachira**	**Jyoti Patel**

CIC LIFE ASSURANCE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share Capital KShs'000 (Note 24)	Statutory reserve Reserve KShs'000 (Note 25)	Retained Earnings KShs'000 (Note 27)	Fair Value Deficit KShs'000 (Note 26)	Total KShs'000
At 1 January 2018	800,000	1,102,608	216,178	(86,910)	2,031,876
Effect of adoption of IFRS 9: Financial Instruments	-	-	(64,817)	-	(64,817)
At 1 January Restated	800,000	1,102,608	151,361	(86,910)	1,967,059
Transfer from statutory reserve	-	(115,000)	115,000	-	-
Tax paid on transfer to retained earnings	-	-	(34,500)	-	(34,500)
Dividend paid (note 36)	-	-	(80,000)	-	(80,000)
Profit for the year	-	21,948	-	-	21,948
Other comprehensive income for the year	-	-	-	41,034	41,034
Total comprehensive income for the year	-	21,948	-	41,034	62,982
At 31 December 2018 (Restated)	800,000	1,009,556	151,861	(45,876)	1,915,541
At 1 January 2019	800,000	1,009,556	151,861	(45,876)	1,915,541
Dividend paid (note 36)	-	-	(80,000)	-	(80,000)
Profit for the year	-	114,064	-	-	114,064
Other comprehensive income for the year	-	-	-	63,278	63,278
Total comprehensive income for the year	-	114,064	-	63,278	177,342
At 31 December 2019	800,000	1,123,620	71,861	17,402	2,012,883

**Certain figures shown here do not correspond to the 2018 financial statements and reflect adjustments made as detailed in note 41.*

CIC LIFE ASSURANCE LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 KShs'000	2018* Restated KShs'000
Cash generated from operations	35	1,694,332	1,775,873
Tax paid	10	(12,343)	(24,200)
Net cash generated from operating activities		1,681,989	1,751,673
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend Income	4	22,528	17,811
Interest from financial assets at fair value through other comprehensive income -government securities	4	283,319	172,552
Interest from financial assets at amortised cost-government securities.	4	76,088	40,703
Interest from financial assets at amortised cost-corporate bonds		20,091	32,804
Interest from deposits with financial institutions	4	55,552	53,990
Interest on financial assets at amortised cost-staff loan and receivables	4	27,495	18,489
Purchase of property plant and equipment	11	(4,918)	(6,292)
Interest paid on lease liabilities	11(b)	(10,263)	-
Purchase of intangible assets	13	-	(1,114)
Purchase of financial assets at amortised cost- government securities	14(a)	(370,536)	(390,100)
Purchase of financial assets through other comprehensive income government securities	14(b)	(1,330,422)	(2,086,046)
Proceeds of maturity of financial assets at amortised- government securities	14(a)	203,678	75,000
Proceeds of sales of financial assets through other comprehensive income -government securities	14(b)	187,180	763,685
Purchase of financial assets at amortised cost-corporate bonds	15	-	(2,400)
Maturity of financial assets at amortised cost-corporate bonds	15	179,647	4,962
Mortgage loans repaid	16(a)	33,695	69,648
Other loans advanced	16(b)	(351,067)	(169,973)
Other loans repayment	16(b)	196,760	128,382
Investment in financial assets at amortised cost-deposits and commercial papers	17(a)	(25,000)	-
Proceeds from maturity of collective investment scheme	17(b)	124,267	75,382
Purchase of financial assets at fair value through profit or loss - collective investments scheme	17(b)	(280,328)	-
Disposal of financial assets at fair value through profit or loss-equity instruments	18	170,100	76,059
Purchase of financial assets at fair value through profit or loss-equity instruments	18	(250,218)	(348,500)
Fixed deposits with financial institutions (excluding cash and cash equivalents)	22	(817,833)	(323,156)
Net cash used in investing activities		(1,860,185)	(1,798,114)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Dividends paid	36	(80,000)	(80,000)
Payment of principal portion of lease liability	11(b)	(17,870)	-
Net cash used in financing activities		(97,870)	(80,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(276,066)	(126,441))
CASH AND CASH EQUIVALENTS AT 1 JANUARY		566,545	692,986
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	35 (b)	290,479	566,545

**Certain figures shown here do not correspond to the 2018 financial statements and reflect adjustments made as detailed in note 41.*

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance with International Financial Reporting Standards (IFRS)

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

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

(a) Basis of preparation

The financial statements are prepared on a going concern basis in compliance with International Financial Reporting Standards (IFRS) and the requirements of the Kenyan Companies Act. The financial statements have been prepared on a historical cost basis, except for debt financial assets through other comprehensive income, equity instruments at fair value through profit or loss and investment properties which have been measured at fair value and insurance contract liabilities which have been actuarially determined at their present value. The financial statements are presented in Kenya Shillings (KShs), rounded to the nearest thousand, which is also the functional currency.

The financial statements comprise the statement of profit or loss and other comprehensive income, statements of financial position, statements of changes in equity, statements of cash flows, and other explanatory 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 broadly in order of liquidity from the least liquid to the most liquid. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the notes.

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

(b) New and amended standards and interpretations

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

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(b) New and amended standards and interpretations *(continued)*

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

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

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

Except adoption of IFRS 16 Leases and IFRIC Interpretation 23 Uncertainty over income tax treatments as discussed in note 1(c), all the other amendments and annual improvements did not have an impact on the entity.

Standards issued but not yet effective:

New or revised standards and interpretations:

	Effective for accounting period beginning on or after
Amendments to IFRS 3: Definition of a Business	1 January 2020
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020
The Conceptual Framework Financial Reporting	1 January 2020
IFRS 17 Insurance contracts	1 January 2022*
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or indefinitely Joint Venture	Effective date deferred indefinitely

*New proposed date is 2023.
The above new standards and amendments to existing standards issued but not yet effective are not expected to have an impact on the Company except for IFRS 17.

IFRS 17 Insurance Contracts

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(b) New and amended standards and interpretations *(continued)*

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

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

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

(c) Changes in accounting policies and disclosures

IFRIC 23 Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(c) Changes in accounting policies and disclosures *(continued)*

The Company applies significant judgement in identifying uncertainties over income tax treatments. Since the Company operates in a simple environment, it assessed whether the Interpretation had no impact on its financial statements.

Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions, particularly those relating to income tax. The Company's tax filings include income tax filings and the taxation authorities may challenge those income tax treatments. The Company determined, based on its tax compliance, that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements of the Company.

IFRS 16 Leases

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

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

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

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

Leases previously accounted for as operating leases

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

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(c) Changes in accounting policies and disclosures *(continued)*

The Impact on transition is summarised below.	2019 KShs'000
Increase in right of use assets	86,948
Increase in long Term Lease Liability	85,499
Increase in short Term Lease Liability	1,449
The adoption of IFRS 16 had no impact on the Company's retained earnings.	-

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

The incremental borrowing rate used was 13%.

IFRS 16 Leases

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

	KShs'000
Operating lease commitments as at 31 December 2018	99,782
Weighted average incremental borrowing rate as at 1 January 2019	13%
Discounted operating lease commitments as at 1 January 2019	86,948
Lease liabilities as at 1 January 2019	86,948

(d) Revenue recognition

Gross premiums

Gross recurring premiums on life contracts are recognised as revenue when payable by the policyholder. For single premium business revenue is recognised on the date on which the policy is effective. Premiums include any adjustments for premiums receivable in respect of business written prior accounting period. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written. There are no rebates offered on the premiums.

Reinsurance premiums

Gross reinsurance premiums on life are recognised as an expense when payable or on the date on which the policy is effective. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. Reinsurance premiums and claims in the statement 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. 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.

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

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

Investment income

Interest income is recognised in the statement of profit or loss as it accrues and is calculated by using the effective interest rate (EIR) method. Under both IFRS 9 and IAS 39, interest income is recognised using EIR method for all financial assets for all financial assets measured at amortised cost. Similar to interest bearing financial assets classified as available-for-sale or held to maturity under IAS 39, interest income on interest bearing assets measured at fair value through OCI under IFRS 9 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.

Interest income on all trading assets and financial assets mandatorily required to be measured at fair value through profit or loss is recognised using the contractual interest rate in net trading income and Net gains/losses on financial assets at fair value through profit or loss, respectively.

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.

Rental income is on a straight-line basis over the lease term and is included as revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period that they arise. The excess of rental income on a straight-line over cash received is recognised as an operating lease liability/asset.

Net Unrealised/realised gains and losses

Gains and losses recorded in the statement of profit or loss include gains and losses arising from valuation of financial assets measured at fair value through profit or loss and investment properties.

Gains and losses arising from the disposal of investment properties and property and equipment are calculated as the difference between net disposal proceeds and the carrying amount of the asset when it is derecognised. The date of disposal of property and equipment and investment property is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied. The amount of consideration to be included in the gain or loss arising from the derecognition of these assets is determined in accordance with the requirements for determining the transaction price in IFRS 15.

Fees and commission earned

Insurance and investment contract policyholders are charged for policy administration services, investment management services. These fees are recognised as revenue over 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. Commissions earned from reinsurance premium ceded are recognised in profit or loss in the period in which they are earned.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Revenue recognition *(continued)*

Dividend income

Dividend income is recognised on the date when the Company's right to receive the payment is established. Dividend income is presented gross of any non-recoverable withholding taxes which is included as part of investment income.

(e) Benefits, claims and expenses recognition

Gross benefits and claims for life insurance contracts and for investment contracts with DPF include the cost of all claims arising during the year, including: internal and external claims handling costs that are directly related to the processing and settlement of claims, and policyholders' bonuses declared on DPF contracts. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due. Claims liability on long term contracts is determined through actuarial valuation which is carried out annually.

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

(f) Expenses

Expenses are recognised in the profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably and is independent from transactions with equity participants. This means, in effect, that recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a decrease in assets (for example, the accrual of employee entitlements or the depreciation of 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 the profit or loss based on systematic and rational allocation procedures. This is often necessary in recognizing the equipment 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 periods in which the economic benefits associated with these items are consumed or expired.

(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.

(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 whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of profit or loss. Insurance receivables are derecognised when the de-recognition criteria for financial assets, as described under Financial Instruments (Policy effective before 1 January 2018) have been met. This mainly includes receivables arising out of direct insurance arrangements.

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Reinsurance ceded to reinsurance counterparties

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Gains or losses on buying reinsurance are recognised in the statement of profit or loss immediately at the date of purchase and are not amortised.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.
The Company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss for the year. Included in this category are receivables arising from reinsurance arrangements.

(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 statement of 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 in equity in which case it is also recognised directly to 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 10 of these financial statements.

Current Income tax

The tax legislation provides that the income tax be calculated differently from other companies where life assurance companies should be taxed on the sum of the following;

(i). Transfer from the life fund to shareholders and policy holders (negative reserves are deductible): and
(ii). 30% of management expenses in excess of the amount allowed under the Insurance Act; and
(iii). Any other transfers.

The Company offsets current tax assets and current tax liabilities when:
- It has a legally enforceable right to set off the recognised amounts; and
- It intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Taxation *(continued)*

Deferred Income tax

Deferred income tax is provided on temporary differences except those arising on the initial recognition of goodwill, the initial recognition of an asset or liability, other than a business combination, that at the time of the transaction affects neither the accounting nor taxable profit nor loss. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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.

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.

For an insurance Company the actuarial surplus in substance represents profits and losses recognised in the income statement of the life insurance business which have not been recommended for transfer for the benefit of shareholders and therefore not taxed.

Since the profits and losses were recognised from an accounting perspective, they only affect taxable profits once recommended for transfer for benefit of shareholders by an actuary. Therefore, the difference between the tax base of the actuarial surplus and the carrying amount of nil is a taxable temporary difference that gives rise to a deferred income tax liability or a tax asset in case of an actuarial loss.

The Company offsets deferred tax assets and deferred tax liabilities if, and only if:

- the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either, the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

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 other receivables or other payables in the statement of financial position.

(j) Property and equipment

Property and equipment is initially recorded at cost only when the future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably and subsequently stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate only when the future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

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

Computers	4 years
Furniture, fittings and equipment	8 years

Property and equipment are reviewed for impairment as in note 1(p) 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 cost of disposal and its value in use.

An item of property and equipment is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no further economic benefits are expected from its continued use or disposal.

Gains and losses on de-recognition of property and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The amount of consideration to be included in the gain or loss arising from the derecognition of property and equipment is determined in accordance with the requirements for determining the transaction price in IFRS 15.

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Investments properties

Investment property is property held to earn rentals or for capital appreciation or both. Investment property, including interest in leasehold land, is initially recognised at cost including the transaction costs.

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.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. The Investment properties are stated at fair value, which has been determined based on valuations performed by Crystal Valuers Limited as at 31 December 2019.

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

Investment properties are derecognised when either they have been disposed off (i.e., at the date the recipient obtains control) or when the investment property is permanently withdrawn from use and 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 investment property is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

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

(l) Intangible assets

Intangible assets, comprising of software license costs and computer software which are acquired separately are measured on initial recognition 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. Amortisation is calculated using straight-line method over its estimated useful life of 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.

Softwares under implementation are recognised as work in progress at historical costs less any accumulated impairment loss. The cost of such softwares includes professional fees and costs directly attributable to the software. The softwares are not amortised until they are ready for the intended use.

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Intangible assets *(continued)*

Intangible assets have finite lives and 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 financial year end.

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.

An intangible asset shall be derecognised on disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its continued use or disposal.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

(m) Accounting for leases

Policy applicable as of 1 January 2019

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

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

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

Company acting as a lessee

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

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

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

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

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

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

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

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

The lease liability is measured at amortised cost using the effective interest method. It is remeasured; -

- if there is a change in future lease payments arising from a change in an index or rate,
- if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee,
- if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or
- if there is a revised in-substance fixed lease payment.

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

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

Short-term leases and leases of low-value assets

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

Policy applicable before 1 January 2019

Determination

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

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

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

Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. Leases that do not transfer to the Company substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the

period in which they incurred. When an operating lease is terminated, any payment required by the lessor by way of penalty is recognised as an expense in the period in which termination took place.

Company as a lessor
Leases in which the Company does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating 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.

(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 by a different pension administrator.

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

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)*

(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 of disposal 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.

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 of disposal 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 of disposal, an appropriate valuation model is used. The company bases its impairment calculation on detailed budgets and forecast calculations which are detailed in its five-year strategic plan. For longer periods, a long term growth rate is calculated and applied to project future cash flows after fifth year.

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.

The recoverable amount for the life insurance business has been determined based on a fair value less costs to sell calculation. The calculation requires the Company to make an estimate of the total of the adjusted net worth of the life insurance business plus the value of in-force covered business. New business contribution represents the present value of projected future distributable profits generated from business written in a period. Growth and discount rates used are suitable rates which reflect the risks of the underlying cash flows.

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 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.

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Financial 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.

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

(r) Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the claim payable plus directly attributable costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method. Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired. This includes payables arising from reinsurance arrangements and insurance bodies.

(s) Insurance contract liabilities

Life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the gross premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income (for non-market linked insurance contracts this item is excluded) from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included.

A separate reserve for longevity may be established and included in the measurement of the liability. Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and premium deficiency, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Company. Adjustments to the liabilities at each reporting date are recorded in the statement of profit or loss in 'Actuarial adjustments'.

Profits originated from margins of adverse deviations on run-off contracts are recognised in the profit or loss over the life of the contract, whereas losses are fully recognised in the profit or loss during the first year of run-off. The liability is derecognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, net of related PVIF and DAC (deferred acquisition cost –by using an existing liability adequacy test as laid out under the Kenyan Insurance Act. The life insurance liabilities include the insurance contract liabilities, actuarial value of policy holders and reinsurance share of liabilities and reserves.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Fair value measurement

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

The senior finance and investment manager who discusses the basis and assumptions with the valuer decides upon involvement of external valuers annually. This is then approved by the Group Chief Finance Officer.

For the purpose of 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 of related financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are disclosed in note 40 to the financial statements.

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) 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.

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of other receivables and amount due from related parties, which do not contain significant financing component,

the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

Financial assets

In order for a financial asset to be classified and measured at amortised cost or at 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 in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Financial instruments *(continued)*

Financial assets at amortised cost (debt instruments)

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 in order 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 includes staff loans, mortgages, policy loans, cash and cash equivalents, deposits with financial institutions, commercial papers, corporate bonds, other receivables, government securities at amortised cost and due from related parties.

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

Business model assessment

The company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company considers the timing, amount, and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

The expected frequency, value, and timing of asset sales are important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Company assesses the contractual terms to identify whether they meet the SPPI test.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Financial instruments *(continued)*

"Principal" for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significance elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the period for which the interest is set.

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 classifies government securities at fair value through other comprehensive income in this category.

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 does not have any financial assets classified as equity instruments at fair value through OCI.

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 the purpose of 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.

The Company has classified quoted equity instruments and investments in collective investment scheme (comprising of Deposits and commercial paper) in this category.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Financial instruments *(continued)*

Derecognition

Derecognition other than for substantial modification

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

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

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 of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Derecognition due to substantial modification of terms and conditions

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.

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

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

Impairment of financial assets

Overview of ECL principles

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 or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

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

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

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 POCI as described below.

Stage 1: When financial assets, the Company recognises an allowance based on 12mECLs. Stage one also includes staff loans where credit risk has improved, and the loan has been reclassified from stage 2.

Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Company records an allowance for LTECLs. Stage 2 financial assets includes staff loans where the credit risk has improved, and the loan has been reclassified from stage 3.

Stage 3: For financial assets, which are credit impaired, the Company records an allowance for the LTECLs

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.

LGD. 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).

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

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.

The company allocates its financial assets subject to ECL calculations into these categories determined as follows:

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

Forward looking information

In its ECL models, the Company relies on a broad range of forward looking information as economic inputs, such as;

- GDP Growth
- Central Bank base rates

Collateral valuation

To mitigate its credit risk on financial assets (staff loans), 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 accounting policy under IFRS 9 remains the same as it was under IAS 39. 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.

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

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

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.

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.

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. 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.
Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met.

Such designation is determined on an instrument-by-instrument basis:
- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis
  Or
- The liabilities are part of a group of financial liabilities (or financial assets, or both under IAS 39), which are managed, and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

The Company has designated unit linked contracts as financial liabilities

The Company has not designated any financial liability at fair value through profit or loss.

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

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

Loans and borrowings and payables

After initial recognition, payables are subsequently measured at amortised cost using the EIR method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the carrying amount on initial recognition. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Derecognition

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

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position only when there is a current and legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses will not be offset in the profit or loss unless required or permitted by any accounting standard or interpretation. During the year, there was no offsetting of financial assets and liabilities

(v) 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 fixed deposits with financial institutions with original maturities of three months or less and are subject to an insignificant risk of changes in value.

(w) 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.

(x) 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.

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(x) Events after the reporting date. *(continued)*

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. Refer to note 42 for more details.

(y) Investment contracts liabilities

Investment contracts are classified between contracts with and without DPF. The accounting policies for investment contract liabilities with DPF are the same as those for life insurance contract liabilities. Investment contract liabilities without DPF are recognised when contracts are entered and premiums are charged. These liabilities are initially recognised at fair value, this being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition, the investment contract liabilities are measured at fair value through profit or loss. Deposits and withdrawals are recorded directly as an adjustment to the liability in the statement of financial position and are not recognised as gross premium in the statement of profit or loss. Non-unitised contracts are subsequently also carried at fair value.

The liability is derecognised when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value of the contract cannot be less than the surrender value When contracts contain both a financial risk component and a significant insurance risk component

and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same basis as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position as described above. Investment contracts include unit linked investments and deposit administration contracts. The Company does not have investment contracts with DPF.

(z) Discretionary Participation Features (DPF)

A DPF gives holders of these contracts the right to receive, as a supplement to guaranteed benefits, significant additional benefits which are based on the performance of the assets held within the DPF portfolio. The amount or timing of the additional benefits is contractually at the discretion of the Company. Under the terms of the contracts, surpluses in the DPF funds can be distributed to policyholders and shareholders based on recommendation by the statutory Actuary. The Company has the discretion over the amount and timing of the distribution of these surpluses to policyholders.

All DPF liabilities including unallocated surpluses at the end of the reporting period are held within insurance or investment contract liabilities, as appropriate.

(aa) Product classification

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk Investment contracts are those contracts that transfer significant financial risk, but not significant insurance risk. Financial risk is 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 price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(aa) Product classification *(continued)*

the variable is not specific to a party to the contract. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without DPF. DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that meet the following conditions:

- Likely to be a significant portion of the total contractual benefits
- The amount or timing of which is contractually at the discretion of the issuer

That are contractually based on:

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

(bb) Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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

(cc) 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.

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

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

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

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

(i) The key areas of judgment in applying the Company's accounting policies are dealt with below:

The judgements made by the directors in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

(a). Whether it is probable that that future taxable profits will be available against which temporary differences can be utilised; and

(b). Whether the Company's financial assets meets the solely for payment of principal and interest (SPPI) test and business model test for financial assets to be measured and classified as amortised cost or fair value through OCI.

(ii) Key sources of estimation uncertainty

Valuation of insurance contract liabilities

Critical assumptions are made by the actuary in determining the present value of actuarial liabilities. The liability for life insurance contracts is either based on current assumptions or on assumptions established at inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Company base mortality and morbidity on standard industry and Kenya's mortality tables which reflect historical experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements, but epidemics, as well as wide ranging changes to life style, could result in significant changes to the expected future mortality exposure.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation adjustments if appropriate.

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

(ii) Key sources of estimation uncertainty *(continued)*

Lapse and surrender rates are based on the Company's historical experience of lapses and surrenders. Discount rates are based on current industry risk rates, adjusted for the Company's own risk exposure.

Valuation of investment contract liabilities without DPF

Fair values of unitised investment contracts are determined with reference to the assets backing the liabilities, which are based on the value of the unit-linked fund.

Fair value of non-unitised investment contracts is determined by using valuation techniques such as discounted cash flow methods. A variety of other factors are considered in these valuation techniques including time value of money, volatility, policyholder behaviour and fair value of similar instruments.

Property and equipment

Critical estimates are made by the Company's management, in determining the useful lives and residual values to property and equipment based on intended use of those assets and their economic lives. Subsequent changes in circumstances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. The rates used are set out in accounting policy in note (j) above.

Impairment of Insurance receivables

Critical estimates are made by the directors in determining the recoverable amount of insurance 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. The 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.

Operating lease commitments-Company as lessor

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

Impairment of financial assets

The measurement of impairment losses under IRS 9 across relevant financial assets requires judgement, in particular the estimation of the amount of timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. Other judgements applied include; determining financial condition of counter parties and forward looking information. These estimates are driven by the outcome of modelled ECL scenarios and relevant inputs used.

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

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

(ii) Key sources of estimation uncertainty *(continued)*

Taxes

The Company is subject to income taxes in Kenya. Significant judgement is required in determining the Company's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities

for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made. 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.

Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 40 for further discussion.

Revaluation of investment properties

The Company carries investment properties at fair value, with changes in fair value being recognised in profit or loss. Land and buildings were valued based on open market value by independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Refer to note 12 where detailed assumptions have been disclosed.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 40 for further discussion.

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

(ii) Key sources of estimation uncertainty *(continued)*

Revenue from contracts with customers

The company made judgement in determining what the performance obligations are, the nature and expected impact of variable considerations, whether to reverse, estimations that the fund value will not result in significant revenue reversal and timing in which revenue is recognised. The company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions may change due to circumstances arising that are beyond the control of company. Such changes are reflected in the assumptions when they occur.

Contingent liabilities

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

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

Estimating the incremental borrowing rate

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

Determination of the lease term for lease contracts with renewal and termination options (Company as a lessee)

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 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).

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

3. (a) GROSS EARNED PREMIUMS

	2019 KShs'000	2018 KShs'000
Group life	1,438,123	3,274,256
Ordinary life & Annuities	3,559,770	1,818,879
Total gross earned premium	4,997,893	5,093,135

(b) REINSURANCE PREMIUMS CEDED

	2019 KShs'000	2018 KShs'000
Group life	951,794	914,615
Ordinary life & Annuities	16,519	17,141
	968,313	931,756

4. INVESTMENT INCOME

	2019 KShs'000	2018 KShs'000
Interest on financial assets at amortised cost- debt instruments	76,088	40,703
Interest on financial assets at amortised cost-corporate bonds	20,850	32,879
Interest on bank deposit	55,922	53,990
Interest on staff loan and receivables	27,495	18,489
Dividend income	22,528	17,811
Interest on financial assets at fair value through other comprehensive income - debt instruments	283,319	206,705
Rental income from investment properties	35,157	45,918
Amortisation of financial assets at amortised cost (note 14a)	(4,114)	(2,111)
	517,245	414,384

Investment income earned on financial assets, analysed by category of asset and type of income is as follows:

(a) Interest revenue calculated using effective interest rate method

	2019 KShs'000	2018 KShs'000
Financial assets at amortised cost	176,241	143,950
Financial assets at fair value through other comprehensive income- debt instruments	283,319	206,705
	459,560	350,655

(b) Other interest and investment income

	2019 KShs'000	2018 KShs'000
Financial assets at fair value through profit or loss	22,528	17,811
Investment Income earned on non-financial assets	35,157	45,918
	57,685	63,729
Total investment income(a&b)	517,245	414,384

5. OTHER (LOSSES)/GAINS

	2019 KShs'000	2018 KShs'000
Fair value gains on investment properties (note 12)	-	21,000
Fair value gain/(loss) on equity investments at fair value through profit or loss (note 18)	40,673	(112,966)
Fair value gain/(loss) on financial assets at fair value through profit or loss-investments in collective investment scheme (note 17(b))	6,051	(5,687)
Decrease in provision for doubtful receivables arising from direct insurance arrangements (note 19(b))	30,644	-
Other gains	9,371	1,083
	86,739	(96,570)

Other gains relate to sundry income arising from replacement of lost policy documents and tender fees.

6. (a) FEES AND COMMISSIONS EARNED

	2019 KShs'000	2018 KShs'000
Group life commission	290,277	262,270
Ordinary life commission	3,551	3,492
Fees on pension administration	11,543	16,354
	305,371	282,116

Fees and commission earned relates to the commission received from the reinsurance premium ceded and fees on policy administration and investment management.

(b) COMMISSIONS EXPENSES*

	2019 KShs'000	2018 KShs'000
Group life	262,896	246,596
Ordinary life	135,780	133,503
	398,676	380,099

Commission expenses relates to expenses that are paid to agent and brokers. In 2018, these amounts have been reclassified as detailed in note 41 for comparative purposes.

7. CLAIMS AND POLICYHOLDERS BENEFITS EXPENSE

	2019 KShs'000	2018* KShs'000
(a). Gross incurred claims		
Group life	2,177,505	1,979,402
Ordinary life	601,211	544,947
	2,778,716	2,524,349
(b). Reinsurance recoveries		
Group life	(736,563)	(686,458)
Ordinary life	-	(644)
	(736,563)	(687,102)
(c). Actuarial reserves		
Gross change in actuarial reserves (note 30)	(888,805)	(1,093,652)
Reinsurers share of change in actuarial reserves (note 30)	43,169	(10,012)
	(845,636)	(1,103,664)

**Certain figures shown here do not correspond to the 2018 financial statements and reflect adjustments made as detailed in note 41.*

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

8. (a) OPERATING AND OTHER EXPENSES

The following items have been charged in arriving at profit before taxation:	2019 KShs'000	2018 KShs'000
Staff costs (note 9(a))	585,502	629,375
Directors' fees (note 21e)	8,382	6,705
Directors' emoluments (note 21e)	24,385	21,500
Depreciation on property and equipment (note11)	38,695	40,362
Depreciation on right of use assets (note 11(b))	23,374	-
Amortisation of intangible assets (note 13)	2,145	3,445
Auditors' remuneration	4,500	4,500
Premium tax	11,381	9,558
Staff welfare	100,035	105,362
Utilities	56,660	87,412
Printing and stationery	7,084	10,134
Business advertising and promotion	59,274	61,699
Professional fees	59,493	39,156
Statutory levies	18,898	15,021
Professional subscription	4,648	7,870
Software licences	57,731	47,998
Pension capitalization*	4,263	33,165
Provision for doubtful receivables arising out of direct insurance arrangements (note 19(b))	-	6,808
Performance incentives**	372,179	305,298
Other costs***	36,095	32,373
	1,474,724	1,467,741

**This arises as result of shortfall on interest declared against interest earned from investments in deposits administration contracts.*
*** In 2018, these amounts have been reclassified as detailed in note 41 for comparative purposes.*
****Other costs mainly relate to insurance expenses, bank charges, telephone and travel and meeting expenses.*

(b) Net Decrease in Expected Credit Losses

	2019	2018
Allowance for expected credit losses		
Related parties(note21a)	(730)	(349)
Commercial papers (note 17a)	(127)	
Corporate bonds(note15)	(262)	716
-Mortgage loans (note 16a)	(750)	3,158
-Other loans (note 16b)	(1,700)	2,743
-Deposits with financial institutions (note 22b)	(966)	3,243
	(4,535)	9,511

The write backs arose mainly due to repayments of mortgage loans and other loans, and placement of financial instruments in institutions with better credit ratings during the year.

9. (a) STAFF COSTS

Staff costs include the following:	2019	2018
• Salaries and gratuity	539,234	586,553
• Defined contribution expense	31,942	32,228
• Termination benefits expense	4,790	1,630
• Staff annual leave expense	9,536	8,964
	585,502	629,375

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

9. (b) PROFIT BEFORE TAXATION

The following items have been charged in arriving at profit before tax.	2019 KShs'000	2018 KShs'000
Staff costs	585,502	629,375
Auditor's remuneration	4,500	4,500
Depreciation on property and equipment (note 11)	38,695	40,363
Amortisation of intangible assets (note 13)	2,145	3,445
Provision for doubtful receivables arising out direct insurance arrangements (note 19)	-	6,808
Net (increase)/decrease in expected credit losses	(4,535)	9,511

10 TAXATION CHARGE

(a) Statement of profit or loss

	2019 KShs'000	2018* KShs'000
Current tax at 30%	-	-
Deferred tax charge (note 28)	48,884	(39,879)
Taxation charge	48,884	(39,879)

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

	2019 KShs'000	2018* KShs'000
Profit/(loss) before taxation	162,948	(17,931)
Tax calculated at a tax rate of 30%	48,884	(5,379)
"Transfer of statutory reserve" tax*	-	(34,500)
Taxation charge/(credit) for the year	48,884	(39,879)
Total management expenses	1,895,124	1,848,188
Permitted management expenses	(2,104,909)	(2,003,302)
Deficit	(209,785)	(155,114)
Tax thereon	-	-

**Certain figures shown here do not correspond to the 2018 financial statements and reflect adjustments made as detailed in note 41.*
**The tax charge for the Company is derived by subjecting to tax only 30% management fees in excess of the amount allowed in Section 19 (5) of the Kenyan Income Tax Act as well as on the transfer from the statutory reserves to shareholders as per the recommendation of the statutory actuary.*

Based on the above, there are no deferred tax and current tax consequences on income earned under other comprehensive income.

Statement of financial position

(c) Tax recoverable

	2019 KShs'000	2018 KShs'000
At 1 January	29,827	40,127
Tax charge on transfer to retained earnings	-	(34,500)
Current tax charge at 30%	-	-
Tax paid during the year	12,343	24,200
At 31 December	42,170	29,827

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

11 (a) PROPERTY AND EQUIPMENT

	Computers KShs'000	Furniture fittings & Equipment KShs'000	Total KShs'000
COST			
At 1 January 2019	97,150	273,266	370,416
Additions	2,708	2,210	4,918
At 31December 2019	99,858	275,476	375,334
ACCUMULATED DEPRECIATION			
At 1 January 2019	91,104	172,396	263,500
Charge for the year	3,649	35,046	38,695
At 31 December 2019	94,753	207,442	302,195
CARRYING AMOUNT			
At 31December 2019	5,105	68,034	73,139
COST			
At 1 January 2018	95,520	268,604	364,124
Additions	1,630	4,662	6,292
At 31 December 2018	97,150	273,266	370,416
ACCUMULATED DEPRECIATION			
At 1 January 2018	86,813	136,325	223,138
Charge for the year	4,291	36,071	40,362
At 31 December 2018	91,104	172,396	263,500
CARRYING AMOUNT	6,046	100,870	106,916

There are no property and equipment pledged as security for liabilities. There are no contractual commitments for the acquisition of property and equipment. The Company does not have property and equipment, which are fully depreciated.

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

11 (b) LEASES AS A LESSEE

The Company's leases include office space. The leases typically run for a period of 5 years 3 months to 6 years, with an option to renew the lease after that date. Lease payments have an escalating clause to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. Previously, these leases were classified as operating leases under IAS 17.

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

	2019 KShs'000	2018 KShs'000
(i). Right of Use assets		
At 1 January 2019	86,948	-
Depreciation	(23,374)	-
At 31 December 2019	63,574	-
(ii). Lease liabilities		
At 1 January 2019	86,948	-
Accretion of interest	10,263	-
Payment of interest	(10,263)	-
Payment of principal portion of lease liabilities	(17,870)	-
At 31December 2019	69,078	-
Amounts recognised in profit or loss		
2019 – Leases under IFRS 16		
Interest on lease liabilities	10,263	-
Depreciation expense	23,374	-
Amounts recognised in statement of cash flows		
Payment of principal of lease liabilities	17,870	-
Payment of interest	10,263	-
Total cash outflow for leases	28,133	-

Lease liability maturity analysis

2019	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	6,973	20,586	54,179	-	81,738

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

12. INVESTMENT PROPERTIES

	CIC Phase I Plaza KShs'000	Kisaju Land KShs'000	Kajiado Land KShs'000	Total KShs'000
At 1 January 2019/ 31 December 2019*	1,115,875	680,000	386,000	2,181,875
At 1 January 2018	1,115,875	667,000	378,000	2,160,875
Fair value gain (note 5)	-	13,000	8,000	21,000
At 31 December 2018	1,115,875	680,000	386,000	2,181,875

There are no contractual commitments in respect of the investment properties. The rental income earned from the investment property has been disclosed in note 4. . The company has entered into operating lease arrangements.

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

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

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

Valuation technique	Significant unobservable Inputs	Average
Capitalized rent income (year purchase) method		
	Net annual rent	27,376,428
	Annual rent growth rate	5%
	Discounting rate	13%

Considering the physical economic parameters in the country and the trends in property markets, management is of the opinion that there will not be significant change in the inputs to the valuation method during the year.

Valuations are performed on an annual basis and the fair value gains and losses are recorded within the profit or loss. The fair valuation basis takes into account the existing use and the tenancies and also considers the normal lease structure for similar buildings. On the other hand, Kisaju and 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 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;
e). no account is taken of an individual bid by a special purchaser.

The investment properties are included in level 3 of the fair value hierarchy.

**In 2019, property market experienced marginal decline in property values owing to saturation of the property market in the areas where the investment properties are situated. Consequently, there was a slump in revaluation gains of these investment properties and as such there were no fair value gains in the current year.*

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

13. INTANGIBLE ASSETS

	2019 KShs'000	2018 KShs'000
COST		
At 1 January	109,092	107,978
Additions	-	1,114
At 31 December	109,092	109,092
ACCUMULATED AMORTISATION		
At 1 January	104,336	100,891
Amortisation charge for the year	2,145	3,445
At 31 December	106,481	104.336
CARRYING AMOUNT		
At 31 December	2,611	4,756

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.

14. (a) FINANCIAL ASSETS AT AMORTIZED COST-GOVERNMENT SECURITITES

(In 2017, classified as financial assets held to maturity)

	2019 KShs'000	2018 KShs'000
At 1 January	873,712	560,723
Additions	370,536	390,100
Maturities	(203,678)	(75,000)
Amortisation discount (note 4)	(4,114)	(2,111)
At 31 December	1,036,456	873,712
Treasury bonds.		
- maturing 3 to 12 months	406,444	-
- maturing after 12 months	630,012	873,712
At 31 December	1,036,456	873,712

Government securities at amortised cost of KShs 716 million (2018 - KShs 714 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 2019

14. (b) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME -GOVERNMENT SECURITIES

(In 2017, these were classified as financial assets available for sale)	2019 KShs'000	2018 KShs'000
At 1 January	4,330,815	2,967,420
Additions	1,330,422	2,086,046
Sales	(187,180)	(763,685)
Fair value gain during the year	63,278	41,034
At 31 December	5,537,335	4,330,815

Government securities worth KShs. 50 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.

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 39(b).

15. FINANCIAL ASSETS AT AMORTISED COST-CORPORATE BONDS

	2019 KShs'000	2018 KShs'000
CIC Insurance Group PLC	-	16,301
Chase Bank Limited	73,545	73,545
Centum Investments Company Limited	13,794	13,785
ABC Bank Limited	-	51,036
Housing Finance Group Limited	-	11,610
Family Bank Limited	10,265	10,264
Jamii Bora Bank Limited	-	51,904
Real people Limited	10,821	11,170
Kenya Electricity Generating Company Limited	-	4,367
UAP -Old Mutual Holdings Limited	-	19,772
Consolidated Bank Limited	-	21,169
East African Breweries Limited	86,594	86,553
NCBA Bank	-	416
I&M Bank Limited	-	2,015
Allowance for expected credit losses	(74,089)	(73,827)
	120,930	300,080
At 1 January	300,080	376,394
Adjustment on adoption of IFRS 9	-	(74,543)
Additions	-	2,400
Maturities	(179,647)	(4,962)
Accrued interest (principal and interest)	759	75
Allowance for expected credit losses	(262)	716
At 31 December	120,930	300,080
Corporate bonds securities maturing		
- maturing within 3 months	-	13,185
- maturing 3 to 12 months	24,615	176,575
- maturing after 12 months	96,315	110,320
	120,930	300,080

An analysis of changes in the gross carrying amount and corresponding ECL allowances for debt instruments at amortised cost-corporate bonds has been disclosed in note 39(b).

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

16. FINANCIAL ASSETS AT AMORTISED COST- LOANS AND RECEIVABLE

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

	2019 KShs'000	2018 KShs'000
(a) MORTGAGE LOANS:		
At 1 January	91,103	153,612
Adjustment on adoption of IFRS 9	-	3,981
Loan repayments	(33,695)	(69,648)
Allowance for expected credit losses (note 8)	(750)	3,158
At 31 December	56,658	91,103
Maturity profile of mortgage loans:		
Within 1 year	-	2,282
In 1 to 5 years	-	6,806
In over 5 years	56,658	82,015
	56,658	91,103
(b) OTHER LOANS		
Staff loans	34,250	53,483
Policy loans	477,251	305,411
	511,501	358,894
Movement:		
At 1 January	358,894	305,212
Adjustment on adoption of IFRS 9	-	9,348
Loans advanced	351,067	169,973
Loan repayments	(196,760)	(128,382)
Allowance for expected credit losses (note 8)	(1,700)	2,743
At 31 December	511,501	358,894
Maturity profile of other loans:		
Within 1 year	1,274	1,917
In 1-5 years	486,554	320,936
In over 5 years	23,673	36,041
	511,501	358,894
Total(a & b)	568,159	449,997

An analysis of changes in the gross carrying amount and corresponding ECL allowances in loans and receivables has been disclosed in note 39(b).

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:

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

16. (b) OTHER LOANS *(continued)*

31 December 2019 In KShs	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held: Property	Total collateral	Net exposure	ECLs
Mortgage loans	57,408	11,269	11,269	46,139	750
Other Loans	35,950	84,047	84,047	(48,097)	1,700
	93,358	95,316	95,316	(1,958)	2,450

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. (a) FINANCIAL ASSETS AT AMORTISED COST DEPOSITS AND COMMERCIAL PAPERS

The deposits and commercial paper refer to instruments measured at amortised cost and issued by the corporates and attracts fixed interest rates as per the contractual agreements except for the investments in collective investment schemes which are measured at fair value through profit or loss. The investments in collective schemes lack a maturity a date and can only be withdrawn.

	2019 KShs'000	2018 KShs'000
DEPOSITS		
Collective investment scheme	-	517,530
Reclassification to financial assets at fair value through profit or loss-investment in unit trust due to adoption of IFRS 9	-	(517,530)
COMMERCIAL PAPERS		
Crown Paints Kenya PLC	25,000	-
Accrued interest	370	-
	25,370	-
Maturity analysis:		
Maturing Within 3 months	25,370	-
Allowance for expected credit losses	(127)	-
	25,243	-

An analysis of changes in the gross carrying amount and corresponding ECL allowances in commercial papers has been disclosed in note 39(b).

(b) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS-INVESTMENTS IN UNIT TRUSTS
(In 2017, these were classified as financial assets at fair value through profit or loss)

	2019	2018
1 January	517,530	-
Additions	280,328	
Reclassification from deposits and commercial papers on adoption of IFRS 9: Financial Instruments	-	598,599
Maturities	(124,267)	(75,382)
Fair value gains/(losses) (note 5)	6,051	(5,687)
	679,642	517,530

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

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

	2019 KShs'000	2018 KShs'000
At 1 January	806,622	647,147
Additions	250,218	348,500
Fair value gain/ (loss) (note 5)	40,673	(112,966)
Disposal	(170,100)	(76,059)
At 31 December	927,413	806,622

19. (a) RECEIVABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

Receivables arising out of reinsurance arrangements relate to reinsurers portion of claims incurred which had not been recovered from reinsurers as at year end.

	2019 KShs'000	2018* KShs'000
1 January	584,660	417,636
Premium ceded	(951,592)	(911,203)
Payment to reinsurers	1,275,405	1,120,672
Received from reinsurers	(265,470)	(42,445)
31 December	643,003	584,660
Past due but not impaired		
1-30 Days	110,815	100,760
31-60 Days	109,466	99,534
61-90 Days	65,001	59,103
91-120 Days	135,886	123,556
Over 120 Days	221,835	201,707
	643,003	584,660

**Certain figures shown here do not correspond to the 2018 financial statements and reflect adjustments made as detailed in note 41.*

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

19. (b) RECEIVABLES ARISING OUT OF DIRECT INSURANCE ARRANGEMENTS

Receivables arising out of direct insurance arrangements relate to premiums earned as a result of risks underwritten but whose amounts had not been received as at year-end.

	2019 KShs'000	2018 KShs'000
1 January	232,160	155,172
Gross written premiums	3,559,770	3,274,256
Provision for doubtful debts	(4,273)	(34,917)
Payments received	(3,769,009)	(3,162,351)
31 December	18,648	232,160
Analysed as follows:		
From policyholders	1,770	14,645
From agents and brokers	16,878	217,515
	18,648	232,160
Past due but not impaired		
1-30 Days	4,923	207,620
31-60 Days	8,048	8,866
61-90 Days	3,876	11,973
91-120 Days	1,801	3,701
	18,648	232,160

Movement in provision for doubtful receivables arising out of direct insurance arrangements is as shown below:

	2019 KShs'000	2018 KShs'000
1 January	34,917	28,109
Charge to profit or loss (note 8 (a)	-	6,808
Decrease in provision for doubtful debts (note 5)	(30,644)	-
31 December	4,273	34,917

Management increased it debt recovery efforts through the Credit Control Department during the year resulting to decrease in provisions for premium receivables.

(c) PAYABLES ARISING FROM REINSURANCE ARRANGEMENTS AND INSURANCE BODIES

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

	2019 KShs'000	2018 KShs'000
1 January	24,126	10,375
Arising during the year	20,070	17,140
Utilised during the year	(24,113)	(3,389)
31 December	20,083	24,126

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

20. OTHER RECEIVABLES

	2019 KShs'000	2018 KShs'000
Staff advances	4,387	3,245
Prepayment	942	3,014
Prepaid rentals	-	12,300
Agents advances	5,415	7,882
Rental receivables	61,868	16,469
Rent deposits	2,131	2,131
Other receivables	17,119	20,685
Receivables from Mavuno investments fund manager	15,192	15,419
	107,054	81,145

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

21. RELATED PARTIES

The Company is a subsidiary of CIC Insurance Group PLC, incorporated in Kenya, which owns 99.9% 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 all related through common shareholding. The other related parties include senior management and directors of the Company. The provisions for expected credit losses made on related party balances during the year was KShs 1,160,000 (2018: 349,000). The amounts due from related parties are non- interest bearing and the balances are not secured.

*Transactions with related parties

		2019 KShs'000	2018 KShs'000
(a)	Due from:		
	Opening balance	107,362	181,575
	Net movement in the year	124,909	(73,783)
	Allowance for expected credit losses	(1,160)	(430)
		231,111	107,362
	CIC Insurance Group PLC	201,867	107,362
	CIC General Insurance Limited	29,244	-
		231,111	107,362
(b)	Due to:		
	CIC Asset Management Limited	10,153	21,746
	CIC General Insurance Limited	-	6,740
		10,153	28,486

An analysis of changes in the gross carrying amount and corresponding ECL allowances in due from related parties has been disclosed in note 39(b).

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

(i) Receipts from related parties	2019 KShs'000	2018 KShs'000
CIC Insurance Group PLC	81,583	138,163
CIC General Insurance Limited	284,203	321,742
CIC Asset Management Limited	17,305	16,510
	383,091	476,415

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

21. RELATED PARTIES *(continued)*

(ii) Payments to related parties	2019 KShs'000	2018 KShs'000
CIC Insurance Group PLC	176,672	64,380
CIC Asset Management Limited	28,898	7,944
CIC General Insurance Limited	248,072	353,293
	453,642	425,617

**In helping to reduce the administration burden there will be situations where one entity will pay expenses such as salaries for shared services, rent for branches, management fees, 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.*

(c) Loans to directors of the Company

The Company did not advance any loan to its directors (2018: Nil).

(d) Investment property

The Company has leased out land to CIC General Insurance Limited on which it has erected a building on. The Company has leased some office space from the building belonging to CIC General Insurance Limited.

(e) Key management personnel remuneration

The remuneration of directors and other members of key management during the year were as follows:

Short-term employment benefits:	2019 KShs'000	2018 KShs'000
Directors 'emoluments – fees	8,382	6,705
Others		
Sitting allowances	11,012	7,065
Travel and subsistence	6,370	5,474
Insurance	286	375
Honoraria	4,005	3,418
Retreats and training	2,712	4,307
Christmas token	-	861
	24,385	21,500
Key management		
Salaries	72,023	67,045
Gratuity	13,888	44,218
Staff annual leave allowance	975	1,824
Car allowance	-	3,943
National Social Security Fund (NSSF)	26	33
Pension contribution	4,503	6,856
Total short term employment benefits	124,182	152,124

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

22. DEPOSITS WITH FINANCIAL INSTITUTIONS

	2019 KShs'000	2018 KShs'000
The Co-operative Bank of Kenya Limited	443,415	81,946
Housing Finance Company of Kenya Limited	-	-
Family Bank Limited	134,262	-
Credit Bank Limited	55,180	22,437
Gulf African Bank Limited	166,760	136,822
KCB Bank Kenya Limited*	297,641	250,986
Development Bank of Kenya Limited	-	48,018
Equity Bank Limited	66,709	52,539
ABC Bank Kenya Limited	-	-
Transnational Bank Limited	-	-
Victoria Commercial Bank Limited	8,128	20,408
Imperial Bank Limited	23,444	26,851
UBA Kenya Bank Limited	134,152	74,469
Spire Bank Limited	-	-
Kenya Women Micro Finance Bank Limited	-	21,809
NCBA Bank	127,023	272,978
Middle East Bank	21,582	-
	1,478,296	1,009,263
Allowance for expected credit losses	(26,289)	(28,730)
Net deposits	1,452,007	980,533
Maturing within 3 months	131,766	477,159
Maturing after 3 months	1,320,241	503,374
	1,452,007	980,533

**This relates to staff loan collateral deposits held at KCB Bank Kenya Limited which are not available for use in the Company's day to day operations.*

Deposits maturing after three months are assessed from the placement date.

	2019 KShs'000	2018 KShs'000
1 January	503,374	180,497
Adjustment on adoption of IFRS 9: Financial Instruments	-	(3,522)
(Increase)/decrease in allowance for expected credit losses	(966)	3,243
Net investment in fixed deposits	817,833	323,156
31 December	1,320,241	503,374

An analysis of changes in the gross carrying amount and corresponding ECL allowances in deposits with /financial institutions has been disclosed in note 39(b). The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

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

23. 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.

	Interest rates Fixed/ Variable	2019 %	2018 %
Government securities	Fixed	12.80	12.75
Corporate bonds	Fixed	12.85	12.50
Staff loans	Fixed	6.00	6.00
Policy loans	Fixed	8.00	8.00
Deposits with financial institutions	Fixed	10.00	10.50
Other deposits and commercial papers	Variable	12.75	12.65
Amounts due to related party	N/A	0%	0%
Cash and Cash equivalent	Fixed	6.50	7.00

24. SHARE CAPITAL

	31 December 2019		31 December 2018	
	Number of shares '000	Share Capital '000	Number of shares '000	Share Capital '000
Authorised ordinary shares of KShs 20 each:				
At 1 January	50,000	1,000,000	50,000	1,000,000
At 31 December	50,000	1,000,000	50,000	1,000,000
Issued and fully paid up share capital:				
At 1 January	40,000	800,000	40,000	800,000
At 31 December	40,000	800,000	40,000	800,000

25. STATUTORY RESERVE

(a). The statutory reserve represents the surplus on the life assurance business which is not distributable as dividends as per the requirements of the Kenyan Insurance Act.

(b). Transfer from statutory reserve relates to the proportion of the life assurance business surplus which is distributable as dividends and therefore transferred to retained earnings.

26. FAIR VALUE DEFICIT

The fair gain/ (deficit) reserve represents fair value losses arising from debt instruments at fair value through other comprehensive income and is not distributable as dividends.

27. RETAINED EARNINGS

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

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

28. DEFERRED TAXATION*

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2018: 30%) .

2019	At 1 January	Recognised in Profit or loss	At 31 December
Deferred tax on life fund surplus	(433,930)	(48,884)	(482,814)
Deferred tax liability	(433,930)	(48,884)	(482,814)
2018*			
Deferred tax on life fund surplus	(473,809)	39,879	(433,930)
Deferred tax liability	(473,809)	39,879	(433,930)

**Certain figures shown here do not correspond to the 2018 financial statements and reflect adjustments made as detailed in note 41.*

*** There is no deferred tax on temporary differences arising from property and equipment and also arising from the investment property because life insurance companies are taxed differently (refer to note 10) where deferred tax is only calculated on the life fund surplus that is not transferred to retained earnings for distribution at any point in time.*

29. DEPOSIT ADMINISTRATION CONTRACTS

The Company administers the funds of a number of retirement benefit schemes. The liability of the Company to the scheme(s) is measured at fair value through profit or loss and is included in the statement of financial position. Deposits, withdrawals and investments returns are recorded directly as an adjustment to the asset and liability in the statement of financial position and are not recognised as gross premium and investments income in the statement of profit or loss. Assets under the deposit administration contracts are registered in the name of the administrator and have therefore been accounted as financial instruments in the statement of financial position.

Analysis of movement in deposit administration contract liabilities:	2019 KShs.'000	2018 KShs.'000
Pension contributions	1,074,234	981,143
Investment income	417,614	253,827
Total Income for the year	1,491,848	1,234,970
Policy benefits (net)	(374,690)	(180,032)
Administrative expenses	(51,261)	(44,737)
Total outflow	(425,951)	(224,769)
Net movement for the year	1,065,897	1,010,201
Balance at beginning of the year	3,124,116	2,113,915
Net fund value	4,190,013	3,124,116

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

30. ACTUARIAL VALUE OF POLICYHOLDER LIABILITIES

The actuarial valuation of the life fund was carried out by The Actuarial Services Company Limited, Actuaries and Consultants, as at 31 December 2019 and revealed actuarial liabilities of KShs 6,231,942,000 (2018: KShs 5,343,137,000). A transfer of KShs. Nil (2018: KShs 115,000,000) has been made to retained earnings based on the recommendation of the actuary.

	Ordinary Life KShs'000	Group Life KShs'000	Total Gross KShs'000	Reinsurance (note 33) KShs'000	Net KShs'000
As at 1 January 2019	2,860,983	2,482,154	5,343,137	(488,021)	4,855,116
Actuarial Adjustments (note 7(c)	663,274	225,531	888,805	(43,169)	845,636
As at 30 December 2019	3,524,257	2,707,685	6,231,942	(531,190)	5,700,752
As at 1 January 2018*	1,835,224	2,414,261	4,249,485	(498,033)	3,751,452
Actuarial Adjustments (note 7(c)	1,025,759	67,893	1,093,652	10,012	1,103,664
As at 31 December 2018	2,860,983	2,482,154	5,343,137	(488,021)	4,855,116

**Certain figures shown here do not correspond to the 2018 financial statements and reflect adjustments made as detailed in note 41.*

31. UNIT LINKED CONTRACTS

Unit linked contracts are designated as contracts at fair value through profit or loss. The benefits offered under these contracts are based on the return of a portfolio of equities and debt securities. The maturity value of the financial liabilities is determined by the fair value of the linked assets. There will be no difference between the carrying amount and the maturity amount at maturity date.

	2019 KShs'000	2018 KShs'000
At 1 January	474,554	536,926
Contributions received	17,790	24,251
Surrenders	(506)	(13,476)
Maturities	(14,686)	(63,745)
Far value gain/ (loss)	37,820	(9,402)
Net fund value	514,972	474,554

32. INSURANCE CONTRACTS LIABILITIES

	2019 KShs'000	2018* KShs'000
Claims reported and claims handling expenses:		
At 1 January	370,411	250,265
Claims incurred in the year	3,013,113	2,010,301
Payments for claims and claims handling expenses	(2,964,797)	(1,890,155)
At 31 December	418,727	370,411
Comprising:		
Gross amounts	597,945	461,235
Reinsurers share (note 33)	(179,218)	(90,824)
Net Insurance contract liabilities	418,727	370,411

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

33. REINSURERS' SHARE OF INSURANCE LIABILITIES AND RESERVES

	2019 KShs'000	2018 KShs'000
At 1 January	90,824	96,122
Increase in share of reinsurer's share liability	88,394	(5,298)
Reinsurer's share of contract liabilities (note 32)	179,218	90,824
Reinsurance recoveries (note 30)	531,190	488,021
	710,408	578,845

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.

**Certain figures shown here do not correspond to the 2018 financial statements and reflect adjustments made as detailed in note 41.*

34. OTHER PAYABLES

	2019 KShs'000	2018 KShs'000
Sundry payables	348,855	290,331
Premiums received in advance	76,952	139,299
Staff annual leave pay provision	14,802	12,467
Rent deposits	8,999	8,999
	449,608	451,096

The carrying amounts disclosed above reasonably approximate fair values at the reporting date.

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

35. NOTES TO THE STATEMENT OF CASHFLOWS

CASH FLOWS FROM OPERATING ACTIVITIES	Note	2019 KShs'000	2018* KShs'000
(a) Reconciliation of profit before tax to cash generated from operations:			
Profit before taxation		162,948	(17,931)
Adjustments for:			
Amortisation of financial assets at amortised cost-government securities	4	4,114	2,111
Dividend Income	4	(22,528)	(17,811)
Interest on financial assets at fair value through other comprehensive income-government securities	4	(283,319)	(172,552)
Interest on financial assets at amortised cost-government securities	4	(76,088)	(40,703)
Interest from financial assets at amortised cost-corporate bonds interest	4	(20,850)	(32,879)
Bank deposit interest	4	(55,922)	(53,990)
Interest Income on loans and receivables	4	(27,495)	(18,489)
Fair value gains on revaluation on investment property	5	-	(21,000)
Fair value loss/(gain) on equity instruments at fair value through profit or loss	5	(40,673)	112,966
Fair value (loss)/gain on Financial assets at FVPL- Collective investment scheme	5	(6,051)	5,687
Depreciation on property and equipment	11(a)	38,695	40,362
Depreciation of right of use	11(b)	23,374	-
Interest on lease liabilities	11(b)	10,263	-
Amortisation of intangible assets	13	2,145	3,445
Allowance for expected credit losses- corporate bonds	15	262	(716)
Allowance for expected credit losses –mortgage	16(a)	750	(3,158)
Allowance for expected credit losses -other loans	16(b)	1,700	(2,743)
Increase in expected credit loss allowance Deposits & commercial papers	17(a)	127	-
Increase in allowance for expected credit losses – deposits with financial institutions	22(b)	966	(3,243)
Working capital changes;			
Increase in insurance contract liabilities		136,710	114,848
Decrease/ (increase) in receivables arising out of direct insurance arrangements		213,512	(76,988)
(Increase)/decrease in reinsurers share of liabilities and reserves		(131,563)	54,583
Increase in receivables arising out of reinsurance arrangements		(58,343)	(167,024)
(Increase)/ Decrease in other receivables		(25,909)	23,716
Decrease in other payables		(1,488)	(19,724)
Increase in actuarial value of policyholders' liabilities		888,805	1,054,379
Increase/ (decrease) in unit linked contracts		40,418	(62,372)
Increase in deposit administration contracts		1,065,897	1,010,201
(Decrease) /increase in payables arising from reinsurance arrangements and insurance bodies		(4,043)	13,751
Movement in related party balances		(142,082)	51,147
Cash generated from operations		1,694,332	1,775,873
(b) Cash and cash equivalents		158,713	89,386
Cash and Bank balances	22	131,766	477,159
Deposits with banks maturing within 3 months			
		290,479	566,545

**Certain figures shown here do not correspond to the 2018 financial statements and reflect adjustments made as detailed in note 41.*

36. DIVIDENDS

	2019 KShs'000	2018 KShs'000
Declared and paid during the year		
Final dividend for 2019 KShs Nil (2018 KShs 2 per share)	80,000	80,000

Proposed for approval at the annual general meeting (not recognised as a liability as at 31 December 2019

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

Dividend on ordinary shares

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

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

37. 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 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 as required by IRA. As at 31 December 2019, the capital adequacy ratio was 153% (2018:170%), which was within the prescribed capital requirement limits, which is between 100% to 200%.

There are no contingencies associated with the Company's compliance or lack of compliance with such regulations.

(b) Commitments and operating leases

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

	2019 KShs'000	2018 KShs'000
Committed but not contracted for	107,209	20,951

The Company (lessor) entered into commercial property leases on its investment property portfolio. These non–cancellable leases have remaining terms of between one 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.

The future minimum lease rentals receivable under non-cancellable operating leases are as follows:

Not later than one year	30,835	38,831
Later than 1 year but not later than 5 years	34,339	69,753
Later than 5 years	-	-
Total operating lease rentals receivable	65,174	108,584

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

37. Contingencies and commitments *(continued)*

(b) Commitments and operating leases *(continued)*

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

Future minimum rental payable under non-cancellable operating leases as at 31 December are as follows:

	2019 KShs'000	2018 KShs'000
Not later one year	-	26,369
Later than 1 year but not later than 5 years	-	73,413
Later than 5 years	-	-
Total operating lease rentals payable	-	99,782

38. RISK MANAGEMENT OBJECTIVES AND POLICIES

(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 recognizes 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 organizational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. Lastly, 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 organizational 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.

For example, following the regulatory changes brought about by the Kenyan Insurance Regulatory Authority (IRA), which came into effect on 1 January 2016, the Company has placed a greater emphasis on the assessment and documentation of risks and controls, including the development and articulation of 'risk appetite'.

(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
- To align the profile of assets and liabilities taking account of risks inherent in the business

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

38. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(b). Capital management objectives, policies and approach *(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 maximise shareholders value

The operations of the Company are subject to regulatory requirements within the Kenyan jurisdiction 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 the insurance companies to meet unforeseeable 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 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's capital management policy for its insurance and non–insurance business is to hold sufficient capital to cover the statutory requirements based on the Insurance Regulatory Authority (IRA) directives, including any additional amounts required by the Kenyan 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, in addition to more traditional sources of funding.

The capital requirements are routinely forecast on yearly 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 developed an Individual Capital Assessment (ICA) framework to identify the risks and quantify their impact on the economic capital. The ICA estimates how much capital is required to reduce the risk of insolvency to a remote degree of probability. The ICA has also been considered in assessing the capital requirement.

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 2019

38. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

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

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

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

	2019 KShs'000	2018* KShs'000
Share capital	800,000	800,000
Statutory reserve	1,123,620	1,009,556
Fair value deficit	17,402	(45,876)
Retained earnings	71,861	151,861
Equity	2,012,883	1,915,541

The Company had no external financing at 31 December.

**Certain figures shown here do not correspond to the 2018 financial statements and reflect adjustments made as detailed in note 41.*

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 unforeseeable liabilities arising from economic shocks or natural disasters.

The operations of the Company are subject to regulatory requirements within the Kenyan jurisdictions in which it operates (see b. Capital management objectives, policies and approach).

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 contracts. The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders. For each distinct category of liabilities, a separate portfolio of assets is maintained.

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 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 contracts.

39. INSURANCE AND FINANCIAL RISK

(a) Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differs from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long–term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Company purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and 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.

Life insurance contracts

Life insurance contracts offered by the Company include: whole life and term assurance.
Whole life and term assurance are conventional regular premium products when lump sum benefits are payable on death or permanent disability. Few contracts have a surrender value. This includes group life and ordinary life premiums.

Pensions are contracts where retirement benefits are expressed in the form of an annuity payable at retirement age. If death occurs before retirement, contracts generally return the value of the fund accumulated or premiums. Most contracts give the policyholder the option at retirement to take a cash sum at guaranteed conversion rates allowing the policyholders the option of taking the more valuable of the two. Provision of additional death benefits may be provided by cancellation of units or through supplementary term assurance contracts. This includes the deposit administration contracts.

Guaranteed annuities are single premium products which pay a specified payment to the policyholder whilst they and/or their spouse are still alive. Payments are generally either fixed or increased each year at a specified rate or in line with the rate of inflation. Most contracts guarantee an income for a minimum period, usually of five years, irrespective of death.

Death benefits of endowment products are subject to a guaranteed minimum amount. The maturity value usually depends on the investment performance of the underlying assets. For contracts with DPF the guaranteed minimum may be increased by the addition of bonuses. These are set at a level that takes account of expected market fluctuations, such that the cost of the guarantee is generally met by the investment performance of the assets backing the liability. However, in circumstances where there has been a significant fall in investment markets, the guaranteed maturity benefits may exceed investment performance and these guarantees become valuable to the policyholder. This includes insurance contract liabilities with DPF.

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

39. INSURANCE AND FINANCIAL RISK *(continued)*

(a) Insurance risk *(continued)*

Life insurance contracts *(continued)*

The main risks that the Company is exposed to are as follows:

- **Mortality risk** – risk of loss arising due to policyholder death experience being different than expected
- **Morbidity risk** – risk of loss arising due to policyholder health experience being different than expected
- **Longevity risk** – risk of loss arising due to the annuitant living longer than expected
- **Investment return risk** – risk of loss arising from actual returns being different than expected
- **Expense risk** – risk of loss arising from expense experience being different than expected
- **Policyholder decision risk** – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected

These risks do not vary significantly in relation to the location of the risk insured by the Company, type of risk insured or by industry.

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims' handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs. 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 Company. The company is committed to underwriting quality business by improving underwriting and claims management processes.

For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. Company wide reinsurance limits of Kshs. 3,000,000 on any single life insured are in place.

For annuity contracts, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. For contracts with DPF, the participating nature of these contracts results in a significant portion of the insurance risk being shared with the insured party. For contracts without DPF, the Company charges for death and disability risks on a yearly basis. Under these contracts the Company has the right to alter these charges to take account of death and disability experience, thereby mitigating the risks to the Company.

The insurance risk described above is also affected by the contract holder's right to pay reduced premiums or no future premiums, to terminate the contract completely or to exercise guaranteed annuity options. As a result, the amount of insurance risk is also subject to contract holder behavior.

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

39. INSURANCE AND FINANCIAL RISK *(continued)*

(a) Insurance risk *(continued)*

Life insurance contracts *(continued)*

The following tables show the concentration of life insurance contract liabilities and investment contract liabilities with DPF by type of contract.

31 December 2018

	Gross				Reinsurance*	
	Insurance contract liabilities With DPF KShs'000	Investment contract liabilities KShs'000	Insurance contract liabilities without DPF KShs'000	Total Insurance and investment contract liabilities KShs'000	Insurance liabilities without DPF KShs'000	Net liabilities KShs'000
Group life	-	-	242,096	242,096	51,734	190,362
Group credit	-	-	2,465,588	2,465,588	479,457	1,986,131
Endowment	1,673,519	-	-	1,673,519	-	1,673,519
Term assurance	-	-	8	8	-	8
Annuities	-	-	1,850,731	1,850,731	-	1,850,731
Total insurance liabilities (Note 30)	1,673,519	-	4,558,423	6,231,942	531,191	5,700,751
Unit linked (note 31)	-	514,972	-	514,972	-	514,972
Total	1,673,519	514,972	4,558,423	6,746,914	531,191	6,215,723

**The Insurance contract liabilities with DPF features are not reinsured.*

31 December 2018*

	Gross				Reinsurance*	
	Insurance contract liabilities With DPF KShs'000	Investment contract liabilities KShs'000	Insurance contract liabilities without DPF KShs'000	Total Insurance and investment contract liabilities KShs'000	Insurance liabilities without DPF KShs'000	Net liabilities KShs'000
Group life	-	-	331,752	331,752	91,997	239,755
Group credit	-	-	2,150,402	2,150,402	396,024	1,754,378
Endowment	1,291,201	-	-	1,291,201	-	1,291,201
Term assurance	-	-	63	63	-	63
Annuities	-	-	1,569,719	1,569,719	-	1,569.719
Total insurance liabilities (Note 30)	1,291,201	-	4,051,936	5,343,137	488,021	4,855,116
Unit linked (note 31)	-	474,554	-	474,554	-	474,554
Total	1,291,201	474,554	4,051,936	5,817,691	488,021	5,329,670

**Certain figures shown here do not correspond to the 2018 financial statements and reflect adjustments made as detailed in note 41.*

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

39. INSURANCE AND FINANCIAL RISK *(continued)*

a. Insurance risk *(continued)*

Life insurance contracts (continued)

Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are, as follows:

Mortality and morbidity rates

Assumptions are based on standard industry and national tables, according to the type of contract written. They reflect recent historical experience and are adjusted when appropriate to reflect the Company's own experiences. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type.

An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for the shareholders.

Longevity

Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Company's own risk experience. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type.

An increase in longevity rates will lead to an increase in the number of annuity payments to be made, which will increase the expenditure and reduce profits for the shareholders.

Investment return

The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long–term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments.

An increase in investment return would lead to an increase in profits for the shareholders.

Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in–force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

An increase in the level of expenses would result in an increase in expenditure, thereby reducing profits for the shareholders.

Lapse and surrender rates

Lapses relate to the termination of policies due to non–payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Company's experience and vary by product type, policy duration and sales trends.

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

39. INSURANCE AND FINANCIAL RISK *(continued)*

(a) Insurance risk *(continued)*
Life insurance contracts *(continued)*

An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

Discount rate

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the Company's own risk exposure.

A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

The assumptions that have the greatest effect on the statement of financial position and statement of profit or loss of the Company are listed below:

	Mortality and Morbidity rates		Lapse and surrender rates				Discount rates/Investment return	
	2019	2018	2019			2018	2019	2018
			YR1 LAPSE	YR2 LAPSE	YR3 LAPSE			
Insurance contracts Annuities*	KE 2007 – 2010 Tables for Assured Lives	KE 2007 – 2010 Tables for Assured Lives	N/A	N/A	15%	13.0%	13.0%	13.15%
Life assurance*	KE 2007 – 2010 Tables for Assured Lives	KE 2007 – 2010 Tables for Assured Lives	15%	10%	15%	Yield Curve	Yield curve	Yield curve

Assumptions

- *Valuation age is taken as the number of complete years of age "curtate age" at the date of valuation. The period of valuation has been taken as the original term to maturity less curtate duration at the valuation date*

**The Annuities and life assurance balances are included in the actuarial value of policyholder's liabilities.*

Sensitivities

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. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist, they are the main reason for the asymmetry of sensitivities. The method used for deriving sensitivity information and significant assumptions made did not change from the previous period.

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

39. INSURANCE AND FINANCIAL RISK *(continued)*

(a) Insurance risk *(continued)*
Life insurance contracts *(continued)*

	31 Dec 2019		31 Dec 2018	
	KShs '000	% change	KShs '000	% change
Main basis	5,398,183	-	4,423,762	-
Expenses plus 10%	5,433,298	-	4,457,464	0.76%
		0.65%		
Mortality and other claims				
Mortality plus 10%	5,406,118		4,430,316	0.15%
Discount rate/Investment	5,654,505	0.15%	4,673,921	5.65%
return less 20%		4.75%		
Expense inflation plus 1%	5,401,379		4,426,392	0.06%
Withdrawals plus 25%		0.06%		

(b) Financial risks

1. *Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for 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 Company of counterparties, geographical and industry segment (i.e., limits are set for investments and cash deposits, and minimum credit ratings for investments that may be held).
- 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 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 specified in the policy document or trust deed 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 issues unit linked investment policies in a number of its operations. In the unit linked business, the policyholder bears the investment risk on the assets held in the unit linked funds, as the policy benefits are directly linked to the value of the assets in the fund. Therefore, the Company has no credit risk on unit linked financial assets.

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

39. INSURANCE AND FINANCIAL RISK *(continued)*

The Company's internal rating process

The Company's investment team prepares internal ratings for financial instruments (Financial assets at amortised cost- Government securities, Financial Assets at amortised cost- Corporate Bonds, Financial Assets at amortised cost-Loan and Receivables, Financial Assets at amortised cost-Commercial Papers, Due from related party, Deposits with financial institutions, and Cash and bank balances) in which counterparties are rated using internal grades. 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. These information sources are first used to determine whether an instrument has had a significant increase in credit risk.

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

For staff loans, the credit rating is based on whether or not the staff is still in employment. The loan is given a 'high grade' rating if the staff is still in employment, and a 'past due but not impaired' rating in instances where the staff is no longer employed with the company.

Significant increase in credit risk, default and cure

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or portfolio of instruments (Financial assets at amortised cost- Government securities, Financial Assets at amortised cost- Corporate Bonds, Financial Assets at amortised cost -Loan and Receivables, Due from related party, Deposits with financial institutions, Other receivables and Cash and bank balances) is subject to 12mECL or LTECL, 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.This more applicable to financial assets arising from investments with financial institution. 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 recognises a lifetime ECL.

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

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

39. INSURANCE AND FINANCIAL RISK *(continued)*

(b) Financial risks *(continued)*
1. Credit risk *(continued)*

Credit risk exposure by credit rating

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

2019

	High grade	Standard grade	Past due but not impaired	Individually impaired	Total
Financial assets at amortised cost- Government securities	1,036,456	-	-	-	1,036,456
Financial Assets at amortised cost- Corporate Bonds	47,412	-	-	73,545	120,957
Financial Assets at amortised cost-Loan and Receivables	543,349	-	24,810	-	568,159
Financial assets at fair value through OCI- Government securities	5,537,335	-	-	-	5,537,335
Due from related party	231,111	-	-	-	231,111
Deposits with financial institutions	1,428,564	-	-	23,443	1,452,007
Cash and bank balances	158,713	-	-	-	158,713
	8,982,940	-	24,810	96,988	9,104,738

2018

	High grade	Standard grade	Past due but not impaired	Individually impaired	Total
Financial assets at amortised cost- Government securities	873,712	-	-	-	873,712
Financial Assets at amortised cost- Corporate Bonds	300,362	-	-	73,545	373,907
Financial Assets at amortised cost-Loan and Receivables	433,564	-	17,186	-	450,750
Financial assets at fair value through OCI- Government securities	4,330,815	-	-	-	4,330,815
Due from related party	107,711	-	-	-	107,711
Deposits with financial institutions	982,412	-	-	26,851	1,009,263
Cash and bank balances	89,386	-	-	-	89,386
	7,117,962	-	17,186	100,396	7,235,544

Collaterals and other credit enhancements

The amount and type of collateral required depends on assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each collateral, which applies only to staff loan advances. The main type of collaterals are as follows:

- For mortgages, legal charge over property to the extent of loan advanced.
- For car loans, the value of the motor vehicle.

Management monitors the market value of the collateral and may request additional collateral in accordance with underlying agreement.

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

39. INSURANCE AND FINANCIAL RISK *(continued)*

(b) Financial risks *(continued)*
1. Credit risk *(continued)*

Collaterals and other credit enhancements (continued)

The Company does not physically reposes properties but engages its legal department in collaboration with external agents to recover funds to settle outstanding debt. As a result of this practice, the properties or motor vehicles are not recorded in the balance sheet and not treated as non-current asset held for sale.

The fair values of the collaterals equals to the outstanding loan balances at the end of each financial reporting period since the Company is only interested in recovering the loan balance.

Impairment losses on financial investments subject to impairment assessment.

Debt instruments measured at FVOCI

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

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

Internal rating grade	Stage 1	Stage 2	Stage 3	Total 2019	Total 2018
High grade					
Standard grade	5,537,335	-	5,537,335	4,330,815	4,330,815
Total Gross Amount	-	-	-	-	-
ECL*	5,537,335	-	5,537,335	4,330,815	4,330,815
	-	-	-	-	-
Total Net Amount	5,537,335	-	5,537,335	4,330,815	4,330,815

**Management assessed that there is low credit risk on these financial instruments as they are sovereign debts and there has been no history of default from the Government of Kenya.*

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

	Stage 1	Stage 2	Stage 3	Total 2019	Total 2018
Fair value amount as at 1 January	4,330,815	-	-	4,330,815	2,967,420
New assets purchased	1,330,422	-	-	1,330,422	2,086,046
Assets matured	(187,180)	-	-	(187,180)	(763,685)
Changes in fair value	63,278	-	-	63,278	41,034
Movement between 12mECLand LTECL	-	-	-	-	-
At 31 December	5,537,335	-	-	5,537,335	4,330,815

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

	Stage 1	Stage 2	Stage 3	Total 2019	Total 2018
ECL as at 1 January	-	-	-	-	-
New assets	-	-	-	-	-
Assets matured	-	-	-	-	-
Unwind of discount	-	-	-	-	-
Movement between 12m ECL and LTECL	-	-	-	-	-
	-	-	-	-	-

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

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

1. Credit risk *(continued)*
Corporate bonds (continued)

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

	Stage 1	Stage 2	Stage 3	Total 2019	Total 2018
Grade					
Internal rating					
Performing					
High grade	121,474	-	-	121,474	300,362
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired*	-	-	73,545	73,545	73,545
Total Gross	121,474	-	73,545	195,019	373,907
(ECL)/Write backs	(544)	-	(73,545)	(74,089)	(73,827)
Total Net Amount	120,930	-	-	120,930	300,080

** The individually impaired balances related to the Chase Bank corporate bonds.*

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

	Stage 1	Stage 2	Stage 3	Total 2019	Total 2018
Gross carrying amount as at 1 January	373,907	-	-	373,907	376,394
New assets purchased	-	-	-	-	2,400
Assets matured	(179,647)	-	-	(179,647)	(4,962)
Accrued interest capitalised	759	-	-	759	75
Movement between 12mECLand LTECL	-	-	-	-	-
At 31 December	195,019	-	-	195,019	373,907
ECL as at 1 January	282	-	73,545	73,827	74,543
New assets	-	-	-	-	(231)
Assets matured	263	-	-	263	(478)
Unwind of discount	-1	-	-	-1	(7)
Movement between 12m ECL and LTECL	-	-	-	-	-
	544	-	73,545	74,089	73,827

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

39. INSURANCE AND FINANCIAL RISK *(continued)*

(b) Financial risks *(continued)*
1. Credit risk *(continued)*

Loans and receivables

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

Grade Internal rating	Stage 1	Stage 2	Stage 3	Total 2019	Total 2018
Performing					
High grade	508,833	-	-	508,833	433,564
Standard grade	-	-	-	-	-
Past due but not impaired	37,719	24,810	-	62,529	17,186
Non-performing					
Individually impaired*	-	-	-	-	-
Total Gross	546,552	24,810	-	571,362	450,750
ECL	(3,064)	(139)	-	(3,203)	(753)
Total Net Amount	543,488	24,671	-	568,159	449,997

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

	Stage 1	Stage 2	Stage 3	Total 2019	Total 2018
Gross carrying amount as at 1 January	450,750	-	-	450,750	478,807
New assets purchased	351,068	-	-	351,068	169,973
Assets matured	(220,449)	(10,007)	-	(230,456)	(198,030)
Accrued interest capitalized	-	-	-	-	-
At 31 December	581,369	(10,007)	-	571,362	450,570
ECL as at 1 January	(753)	-		(753)	(6,654)
New assets	11,515	-	-	11,515	2,726
Assets matured	(7,231)	(328)	-	(7,559)	3,175
Movement between 12m ECL and LTECL	-	-	-	-	-
	(3,531)	(328)	-	(3,203)	(753)

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

39. INSURANCE AND FINANCIAL RISK *(continued)*

(b) Financial risks *(continued)*
1. Credit risk *(continued)*

Deposits with financial institutions

Grade	Stage 1	Stage 2	Stage 3	Total 2019	Total 2018
Internal rating					
Performing					
High grade	1,454,852	-	-	1,454,852	982,412
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired*	-	-	23,444	23,444	26,851
Total Gross	1,454,852	-	23,444	1,478,296	1,009,263
(ECL)/Write backs	(2,845)	-	(23,444)	(26,289)	(28,730)
Total Net Amount	1,452,007	-	-	1,452,007	980,533

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

	Stage 1	Stage 2	Stage 3	Total 2019	Total 2018
Gross carrying amount as at 1 January					
New assets purchased	1,009,263	-	-	1,009,263	818,180
Assets matured	678,693	-	-	678,693	569,004
Accrued interest	(209,660)	-	-	(209,660)	(377,921)
capitalised	-	-	-		
Movement between 12mECL and LTECL	-	-	-	-	-
At 31 December	1,478,296	-	-	1,478,296	1,009,263
ECL as at 1 January	1,879	-	23,444	25,323	31,973
New assets	1,398	-	-	1,398	(1,949)
Assets matured	(432)	-	-	(432)	(1,294)
Unwind of discount	-	-	-	-	-
Movement between 12m ECL and LTECL	-	-	-	-	-
Total Net Amount	2,845	-	23,444	26,289	28,730

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

39. INSURANCE AND FINANCIAL RISK *(continued)*

(b) Financial risks *(continued)*
1. Credit risk *(continued)*

Related party receivables

Grade	Stage 1	Stage 2	Stage 3	Total 2019	Total 2018
Internal rating					
Performing					
High grade	232,272	-	-	232,272	107,792
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired*	-	-	-	-	-
Total Gross	232,272	-	-	232,272	107,792
(ECL)/Write backs	(1,161)	-	-	(1,161)	(430)
Total Net Amount	231,111	-	-	231,111	107,362

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

	Stage 1	Stage 2	Stage 3	Total 2019	Total 2018
Gross carrying amount as at 1 January	107,792	-	-	107,792	181,575
New assets purchased	206,065	-	-	206,065	64,380
Assets matured	(81,584)	-	-	(81,584)	(138,163)
Accrued interest capitalised	-	-	-	-	-
Movement between 12mECLand LTECL	-	-	-	-	-
At 31 December	232,273	-	-	232,273	107,792
ECL as at 1 January	430	-	-	430	81
New assets	1,210	-	-	1,210	111
Assets matured	(479)	-	-	(479)	238
Unwind of discount		-	-	-	-
Movement between 12m ECL and LTECL	-	-	-	-	-
Total Net Amount	1,161	-	-	1,161	430

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

39. INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risks *(continued)*
1. Credit risk *(continued)*

Debt instruments at amortised cost-government securities.

Grade Internal rating	Stage 1	Stage 2	Stage 3	Total 2019	Total 2018
Performing					
High grade	1,036,456	-	-	1,036,456	873,712
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired*	-	-	-	-	-
Total Gross	1,036,456	-	-	1,036,456	873,712
(ECL)/Write backs	-	-	-	-	-
Total Net Amount	1,036,456	-	-	1,036,456	873,712

	Stage 1	Stage 2	Stage 3	Total 2019	Total 2018
Gross carrying amount as at 1 January	873,712	-	-	873,712	560,723
New assets purchased	370,536	-	-	370,536	390,100
Assets matured	(203,678)	-	-	(203,678)8)	(75,000)
Amortisation	(4,114)	-	-	(4,114)	(2,111)
Accrued interest capitalized	-	-	-	-	-
Movement between 12mECLand LTECL	-	-	-	-	-
At 31 December	1,036,456	-	-	1,036,456	873,712

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

39. INSURANCE AND FINANCIAL RISK *(continued)*

(b) Financial risks *(continued)*
1. Credit risk *(continued)*
Debt instruments at amortised cost-government securities *(continued)*

Age analysis of financial assets past due but not impaired

31 December 2019	< 30 days KShs '000	31 to 60 days KShs '000	61 to 90 days KShs '000	Over 90 days KShs '000	Total past–due but not impaired KShs '000
Receivables arising out of reinsurance arrangements	110,815	109,466	65,001	357,721	643,003
Receivables arising out of direct insurance arrangements	4,923	8,048	3,876	1,801	18,648
Staff mortgages	-	-	-	-	-
Other staff loans	-	-	-	1,347	1,347
Total	115,738	117,514	68,877	360,869	662,998
31 December 2018*					
Receivables arising out of reinsurance arrangements	100,760	99,534	59,103	325,263	584,660
Receivables arising out of direct insurance arrangements	207,620	8,866	11,973	3,701	232,160
Staff mortgages	-	-	-	-	-
Other staff loans	513	-	343	16,330	17,186
Total	308,893	108,400	71,419	345,294	834,006

**Certain figures shown here do not correspond to the 2018 financial statements and reflect adjustments made as detailed in note 41.*

Collateral

Except for staff loans and mortgages, no collateral is held in respect of the receivables that are past due but not impaired.

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

39. INSURANCE AND FINANCIAL RISK (continued)

2. 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 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 and investment contracts 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. Unit linked liabilities are repayable or transferable on demand and are included in the up-to-a-year column. 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 unforeseeable interruption of cash flow.

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

39. INSURANCE AND FINANCIAL RISK *(continued)*

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

The table below provides expected maturity analysis:

31 December 2019	6 months or on Demand	Between 6 months and 1 year	More than 1 year	Total
Government securities at amortized cost	-	75,231	1,307,721	1,382,952
Corporate bonds	14,437	11,499	121,938	147,874
Staff mortgages and other loans	-	3,815	668,752	672,567
Government securities at fair value through other comprehensive income	24,189	36,989	12,751,372	12,812,550
Equity investments at fair value through profit or loss	927,413	-	-	927,413
Receivables arising out of insurance and reinsurance arrangements	643,003	-	-	643,003
Other receivables	18,648	-	-	18,648
Due from related party	231,111	-	-	231,111
Deposits with financial institutions	1,323,495	121,748	-	1,445,243
Cash and bank balances	158,713	-	-	158,713
Total Financial Assets	3,341,009	249,282	14,849,783	18,440,074
Deposits administration contracts	1,091,622	196,985	2,901,406	4,190,013
Unit linked contract	-	-	514,972	514,972
Insurance contract liabilities	597,945	-	-	597,945
Due to related party	10,153	-	-	10,153
Other payables	449,608	-	-	449,608
Payables arising from reinsurance arrangements	20,083	-	-	20,083
Total Financial liabilities	2,169,411	196,985	3,416,378	5,782,774
Net liquidity gap	1,171,598	52,297	11,433,405	12,657,300

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

39. INSURANCE AND FINANCIAL RISK *(continued)*

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

The table below provides expected maturity analysis of the Company's financial instruments:

31 December 2018	6 months or on Demand	Between 6 months and 1 year	More than 1 year	Total
Government securities classified as held to maturity	-	837,987	533,859	1,371,846
Corporate bonds	160,841	34,957	151,307	347,105
Staff mortgages and other loans	692	2,399	301,248	304,339
Government securities at fair value through other comprehensive income	-	23,023	10,246,123	10,269,146
Equity investments at fair value through profit or loss	806,622	-	-	806,622
Receivables arising out of insurance and reinsurance arrangements	584,660	-	-	584,660
Other receivables	81,145	-	-	81,145
Due from related party	107,362	-	-	107,362
Deposits with financial institutions	905,668	56,379	-	962,047
Cash and bank balances	89,386	-	-	89,386
Total Financial Assets	2,736,376	954,745	11,252,537	14,923,658
Deposits administration contracts	116,177	116,177	2,891,762	3,124,116
Unit linked contract	-	-	474,554	474,554
Insurance contract liabilities	461,235	-	-	461,235
Due to related party	28,486	-	-	28,486
Other payables	451,096	-	-	451,096
Payables arising from reinsurance arrangements	24,126	-	-	24,126
Total Financial liabilities	1,081,120	116,177	3,366,316	4,563,613
Net liquidity gap	1,655,256	838,568	7,866,221	10,360,045

39. INSURANCE AND FINANCIAL RISK *(continued)*

(b) Financial risks *(continued)*

3. 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 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 asset 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, as the Company is exposed to guaranteed bonuses, cash and annuity options when interest rates fall.

In the unit linked business, the policyholder bears the investment risk on the assets held in the unit linked funds as the policy benefits are directly linked to the value of the assets in the fund. The Company's exposure to market risk on this business is limited to the extent that income arising from asset management charges is based on the value of assets in the fund.

i. Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried out in Kenyan shillings and its financial assets and liabilities are denominated in the same currency. Therefore, the Company is not exposed to currency risk.

ii. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

The Company's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. Interest on floating rate instruments is re–priced at intervals of less than one year. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The Financial assets at amortised cost- Deposits and commercial papers and staff loans are not affected by interest rate risk because the rates are agreed at the beginning of the contract financial instruments and insurance contracts described in this note, the sensitivity is solely associated with the former, as the carrying amounts of the latter are not directly affected by changes in market risks.

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

39. INSURANCE AND FINANCIAL RISK *(continued)*

(b) Financial risks *(continued)*
3. Market risk *(continued)*

The Company's management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to a parallel movement of plus 5% in all yield curves of financial assets and financial liabilities. These particular exposures illustrate the company's overall exposure to interest rate sensitivities included in the company's ALM framework and its impact in the Company's profit or loss.

	Effect on profit due to an increase/ decrease of 5% in interest rates	
	2019 KShs	2018 KShs
Government securities	17,765	12,264
Corporate bonds	1,043	1,643
Deposits with financial institutions	2,796	2,699
Total	21,604	16,606

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's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit–linked business.

The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments, sector and market.

Listed equity investments represent 100% 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 2,033,650 (2018 – KShs 5,648,300) and equity would increase/decrease by KShs 1,423,555 (2018 – KShs 3,953,810).

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, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

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

40. FAIR VALUE MEASUREMENT

The Company specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices in active markets for identical assets or liabilities. This level includes equity securities and debt instruments listed on the Nairobi securities exchange.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly as prices or indirectly as derived from prices.
- Level 3 – inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components, property, equipment and investment property

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.
There were no transfers between Level 1 and level 2 during the year.

The table below shows an analysis of assets recorded at fair value and those which fair value is disclosed by level in the fair value hierarchy. However, it does not include instruments whose fair value approximates the carrying amount.

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000	Carrying amounts
31-Dec-19					
Recurring Fair Value Measurements					
Investment properties	-	-	2,181,875	2,181,875	2,181,875
Government securities at amortized cost	1,061,367	-	-	1,061,367	1,036,456
Financial Assets at amortized cost-Loan and Receivables	-	496,401	-	496,401	568,159
Investments in unit trusts		679,642		679,642	679,642
Corporate bonds	-	122,190	-	122,190	120,930
Government securities at fair value through other comprehensive income	5,537,335	-	-	5,537,335	5,537,335
Equity investments at fair value through Profit or loss	927,413	-	-	927,413	927,413
	7,526,115	1,298,233	2,181,875	11,006,223	11,051,810
Deposits Administration contracts	-	-	4,190,013	4,190,013	4,190,013
Unit Linked contracts	-	-	514,972	514,972	514,972
Total liabilities at Fair Value	-	-	4,704,985	4,704,985	4,704,985

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

40. FAIR VALUE MEASUREMENT *(Continued)*

31-Dec-18	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000	Carrying amounts
Investment properties	-	-	2,181,875	2,181,875	2,181,875
Government securities at amortized cost	890,148	-	-	890,148	873,712
Financial Assets at amortised cost-Loan and Receivables	-	380,774	-	380,774	449,997
Unit trust investments		517,530		517,530	517,530
Corporate bonds	-	313,194	-	313,194	300,080
Government securities at fair value through other comprehensive income	4,330,815	-	-	4,330,815	4,330,815
Equity investments at fair value through Profit or loss	806,622	-	-	806,622	806,622
	6,027,585	1,211,498	2,181,875	9,420,958	9,460,631
Deposits Administration contracts	-	-	3,124,116	3,124,116	3,124,116
Unit Linked Contracts	-	-	474,554	474,554	474,554
Total liabilities at Fair Value	-	-	3,598,670	3,598,670	3,598,670

Valuation techniques used in determining fair value of financial assets and liabilities

Instrument	Level	Valuation basis	Inputs
Staff mortgages and other loans	2	Discounted Cash Flow (DCF)	Average Market interest rates 13%
Corporate bonds	2	Discounted Cash Flow (DCF)	Implied Yield to Maturity (10.77%)
Unit trust investments	2	Net Asset Value	Current unit price of underlying unitised assets.

The significant unobservable inputs used in the fair value measurements categorised in level 3 of the fair value hierarchy as at 31 December 2019 are as shown below.

Instrument	Level	Valuation basis	Rate	Significant unobservable Inputs Discount rate	Sensitivity of input to the fair value
Investment properties	3	Capitalised rent income method	13%	Discount rate	Increase (decrease) in discount rate of 5% would decrease (increase) fair value by KShs 38.1 million.
			5%	Annual rent growth rate	Increase (decrease) in annual rent growth rate of 5% would decrease (increase) fair value by 27.5 million.
Unit Linked contracts	3	Number of units allocated to the policyholder in each unit-linked fund multiplied by the unit-price	N/A	Market value of assets of the fund	Increase (decrease) in the market price of the assets in the fund of 5% would increase/ (decrease) fair value by KShs 25.7 million
Deposits Administration contracts	3	Deposits, withdrawals and investments returns from the fund.	N/A	Market value of assets of the fund	Increase (decrease) in the market price of the assets in the fund of 5% would increase/ (decrease) fair value by .KShs 209 million

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

40. FAIR VALUE MEASUREMENT *(Continued)*

The management assessed that the fair values of cash and short-term deposits, other receivables, trade payables, amounts due/from to related party and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Reconciliation of fair value measurement under Level 3 hierarchy

2019	At January	Contributions/ Additions /Transfer from level 2	Disposals/ Settlements	Fair value gain recognised in profit or loss	At 31 December
	2,181,875	-	-	-	2,181,875
Investment property	2,181,875	-	-	-	2,181,875
	474,554	17,790	(15,192)	37,820	514,972
Unit linked contracts	3,124,116	1,074,234	(425,951)	417,614	4,190,013
Deposit administration contracts	3,598,670	1,092,024	(441,143)	455,434	4,704,985

2018	At January	Contributions/ Additions /Transfer from level 2	Disposals/ Settlements	Fair value gain/(loss) recognised in profit or loss	At 31 December
	-	-	-	-	-
Corporate bonds	2,160,875	-	-	21,000	2,181,875
Investment property	2,160,875	-	-	21,000	2,181,875
	536,926	24,251	(77,221)	(9,402)	474,554
Unit linked contracts	2,113,915	981,143	(224,769)	253,827	3,124,116
Deposit administration contracts	2,650,841	1,005,394	(301,990)	244,425	3,598,670

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

41. PRIOR YEAR ADJUSTMENT

The company had not recognised gross claims amounting to KShs 99 million at the end of 2018 which were subsequently discovered by management in 2019. As a result, actuarial reserves for the claims were also understated by KShs 177 million in the year ended 31 December 2018. The financial statements for the year ended 31 December 2018 have been restated to correct these misstatements. The adjustments summarized below have been effected to correct these misstatements;

Effect on statement of profit and loss (dr. / (cr.))	As previously stated KShs '000	Adjustments KShs '000	As Restated KShs '000
For the year ended 31 December 2018			
Gross incurred claims	2,424,932	99,417	2,524,349
Reinsurance recoveries	(655,689)	(31,413)	(687,102)
Gross change in actuarial reserves	916,069	177,583	1,093,652
Reinsurer's share of change in actuarial reserves	49,285	(39,273)	10,012
Tax charge(credit)	22,015	(61,894)	(39,879)
Effect on statement of financial position (dr. / (cr.))			
Receivables arising out of reinsurance arrangements	553,247	31,413	584,660
Reinsurers share of liabilities and reserves	539,572	39,273	578,845
Deferred taxation	495,824	(61,894)	433,930
Actuarial value of policyholder liabilities	5,165,554	177,583	5,343,137
Insurance contracts liabilities	361,818	99,417	461,235
Effect on statement of changes in equity (dr. / (cr.))			
Statutory reserve	1,153,976	(144,420)	1,009,556
Effect on statement of cashflows(dr/(cr))			
Cash flows from operating activities			
Increase in insurance contract liabilities	15,431	99,417	114,848
Increase in receivables arising out of reinsurance arrangements	(135,611)	(31,413)	(167,024)
Increase in actuarial value of policyholders' liabilities	916,069	138,310	1,054,379

In 2018, remuneration amounting to KShs 305 million for intermediaries who collects premiums on behalf of the company was classified as commission expenses instead of performance incentives. The following reclassifications have been made in the current year.

As at 31 December 2018	As Previously stated KShs'000	Reclassification adjustment KShs'000	As Restated KShs'000
Commission expenses	685,397	(305,298)	380,099
Performance incentives	-	305,298	305,298

42. EVENTS AFTER REPORTING DATE

Except for impact of COVID-19 as discussed below, there are no events after the reporting date that would require adjustments to, or disclosure in, the financial statements.

The outbreak of the Coronavirus Disease2019 (COVID-19) has stricken communities across the globe. The virus' rapid geographical spread has caught the world off-guard, with major implications for personal health, business continuity and the world economic order. Globally, integrated supply chain models have been disrupted, threatening a financial slow-down. Management assessed that continued spread of the Virus is likely to increase claims in case of mortality from the pandemic, increase in defaults for insurance premiums due to slow economic growth and slump in investment income owing to dip in performance of the Nairobi Securities Exchange. Quoted debt and equity instruments will reduce in value due to the fair value losses.

However, management has however put in place measures to ensure minimal business interruption during this period. Due to the early stage of the outbreak in Kenya, an estimate of the financial effect cannot be reliably estimated.

43. INCORPORATION

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

44. HOLDING COMPANY

The parent company is CIC Insurance Group PLC while the ultimate holding company is Co-operative Society Limited both of which are incorporated and domiciled in Kenya.

45. CURRENCY

The financial statements are presented in Kenya shillings thousands (KShs '000').

APPENDIX I
CIC LIFE ASSURANCE LIMITED
REVENUE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Ordinary Life KShs '000	Group Life KShs '000	Total 2019 KShs '000	Total 2018* KShs '000
Gross written premiums	1,438,123	3,559,770	4,997,893	5,093,135
Less: Reinsurance premiums ceded	(16,519)	(951,794)	(968,313)	(931,756)
Net earned premiums	1,421,604	2,607,976	4,029,580	4,161,379
Claims and Policyholders' benefits:				
Life and health claims	(14,003)	(1,440,942)	(1,454,945)	(1,306,874)
Maturities	(463,445)	-	(463,445)	(416,792)
Surrenders	(123,763)	-	(123,763)	(113,581)
Actuarial reserves	(663,276)	(182,360)	(845,636)	(1,103,664)
Net claims and policyholders' benefits	(1,264,487)	(1,623,302)	(2,887,789)	(2,940,911)
Commissions paid	(120,685)	27,380	(93,305)	(97,982)
Expenses of management	(307,949)	(1,185,854)	(1,493,803)	(1,448,672)
Premium tax	4,281	-	4,281	(9,558)
Total expenses and commissions	(424,353)	(1,158,474)	(1,582,827)	(1,556,212)
Investment income	317,803	286,181	603,984	317,813
Profit before taxation	50,567	112,381	162,948	-17,931
Taxation charge	-	(48,884)	(48,884)	39,879
Profit for the year	50,567	63,497	114,064	21,948
Increase in life fund for the year	50,567	63,497	114,064	21,948

**Certain figures shown here do not correspond to the 2018 financial statements and reflect adjustments made as detailed in note 41.*

The revenue account was approved by the board of directors on 17 March, 2020 and was signed on its behalf by:

Director
Gordon Owour

Director
Elijah Wachira

Director
Jyoti Patel

APPENDIX II

GLOSSARY OF INSURANCE TERMS
FOR THE YEAR ENDED 31 DECEMBER 2019

Assumptions	The underlying variables which are taken into account in determining the value of insurance and investment contract liabilities.
Benefits and claims experience variation	The difference between the expected and the actual benefit
Discretionary participation feature (DPF)	A contractual right to receive, as a supplement to guaranteed benefits, additional pay-out benefits: • That are likely to be a significant portion of the total contractual benefits • Whose amount or timing is contractually at the discretion of the issuer • That are contractually based on: • The performance of a specified pool of contracts or a specified type of contract • Realised and/or unrealised investment returns on a specified pool of assets held by the issuer • The profit or loss of the company, fund or other entity that issues the contract
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.
Insurance risk	Risk, other than financial risk, transferred from the holder of a contract to the issuer.
Investment contract	A contract, which contains significant financial risk and may contain insignificant insurance risk but does not meet the definition of an insurance contract.
Investment management services	The management of an investment contract on behalf of a policyholder, for which an investment management service fee is charged.
Liability adequacy test	An annual assessment of the sufficiency of insurance and/or investment contract with DPF liabilities, to cover future insurance obligations.
Life insurance	A contract which provides whole life, term assurance, unitised pension, guaranteed pension, pure endowment pension and mortgage endowment coverage to the policyholder.
Outstanding claims provision	Comprises claims reported by the policyholder to the insurance company, and IBNR claims.
Premiums written	Premiums to which the insurer is contractually entitled becoming due for payment in the accounting period.
Provision for premium deficiency	The provision for premium deficiency reflects management assessment of claims expected to be incurred after the reporting date in respect of current insurance contracts that exceed the premiums to be earned on those contracts after the reporting date.
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.
Unit holder/unit linked	Investor in a unit–linked product, when the investment risk is borne by the policyholder and not by the insurance company.

PROXY FORM
CIC Life Assurance 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 Life Assurance 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 Life Assurance Limited, CIC Plaza, Mara Road and of P.O. Box 59485-00200 Nairobi via email address cic.life@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.

The Board of Directors
CIC Life Assurance Limited
Address 59485-00200

Re: Seeking Consent From The Members To Convene AGM At Shorter Notice

Dear Sir/s,

I/we ____, the member/s holding an

____

(in words) equity shares of the Company as on date representing _______________ % of the total paid-up share capital and also have an entitlement to vote at such meeting, hereby do accord mine/our consent to convene the ensuing AGM of the Company at shorter notice.

Kindly do take the same on your record.

Thanking you
Yours truly

____
(Name of the Member)

Date: ______________________

Place: ______________________

NOTEPAD

NOTEPAD

NOTEPAD

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KENYA

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GENERAL • LIFE • HEALTH •ASSET

CIC GROUP