Fidelity INSURANCE

Annual Report and Financial Statements

31 December

2020

Fidelity INSURANCE

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DOMESTIC FIRE

Consistency is our DNA

Insurance you can trust.

Tel: +254 709 988 000, 020 422 5000 Email: info@fidelityinsurance.co.ke

Fidelity INSURANCE

MOTOR INSURANCE • WIBA • INDUSTRIAL ALL RISKS • PERSONAL ACCIDENT • DOMESTIC PACKAGE

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GOLFERS POLICY

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Fidelity INSURANCE

Corporate Information

Corporate Information

Directors

R. Kemoli	-	Chairman
M. Koech	-	Managing Director
A. A. Kurji		
S. Shollei		
S. Merali		
R. Likami		
Tandala Investment Ltd.	-	J. Koskey (Alternate Director)

Audit, Risk and Compliance Committee

S. Merali	-	Chairman
A. Kurji		
R. Likami		

Finance and Investment Committee

S. Shollei	-	Chairman
J. Koskey		
R. Likami		

Compensation and Remuneration Committee

S. Shollei	-	Chairman
J. Koskey		
S. Merali		
A. Kurji		

Management

M. Koech	-	Managing Director
R. Marisin	-	Head of Finance & Administration
A. Andayi	-	Branch Manager - North Rift
A. Kiragu	-	Head of Operations
M. Njoroge	-	Manager - Human Resources
J. Mboya	-	Manager - ICT
S. Kamau	-	Claims Manager
D. Gitau	-	Branch Manager - CBD
N. Shariff	-	Branch Manager - Coast
T. Amina	-	Branch Manager - Nakuru
S. Kiano	-	Branch Manager - Thika
S. Chirchir	-	Branch Manager - Kisumu
D. Wainaina	-	Assistant Manager, Business Devt
J. Munene	-	Chief Accountant
S. Chirchir	-	Branch Manager - Kisumu

Corporate Information (contd)

Registered Office

Fidelity Insurance Centre
Waridi Lane off Waiyaki Way
P. O. Box 47435 – 00100
Nairobi, Kenya

Nairobi Branches

Fidelity Insurance Centre
Waridi Lane off Waiyaki Way
P. O. Box 47435 – 00100
Nairobi, Kenya

Transnational Plaza, 8th Floor
Mama Ngina Street
P. O. Box 47435 – 00100
Nairobi, Kenya

Upcountry Branches

Fidelity Shield Insurance House,
MTC Building (Formerly Ambalal House)
Nkurumah Road
P. O. Box 90103
Mombasa, Kenya

Zion Mall, 1st floor, Uganda Road
P. O. Box 7877
Eldoret, Kenya

Kenya Re Plaza, Oginga Odinga street
P. O. Box 2243
Kisumu, Kenya

WestSide Mall, 3rd Floor
Kenyatta Lane
P. O. Box 18622 – 20100
Nakuru, Kenya

Twin Oak Plaza, 4th Floor
Kwame Nkurumah Street
P. O. Box 6283 – 01000
Thika, Kenya

Corporate Information (contd)

Auditors

Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place, Waiyaki Way, Muthangari
P. O. Box 40092 – 00100
Nairobi, Kenya

Secretary

Equatorial Secretaries & Registrars
Certified Public Secretaries (Kenya)
P. O. Box 47323 – 00100
Nairobi, Kenya

Advocates

Coulson Harney LLP
5th Floor, West Wing, ICEA Lion Centre
Riverside Park, Chiromo Road
P. O. Box 10643 – 00100
Nairobi, Kenya

Consulting Actuaries

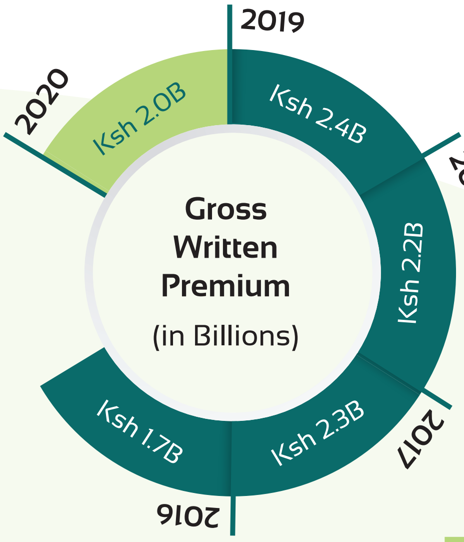
Kenbright Actuarial and Financial Services
Ground Floor ACK Garden House
1st Ngong Avenue, Upperhill
P. O. Box 28281 – 00200
Nairobi, Kenya

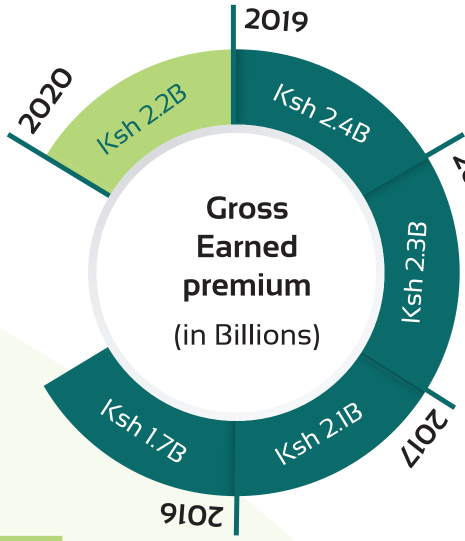
Bankers

Spire Bank Limited
Mwalimu Towers
Hill Lane, Upper Hill
P. O. Box 52467 – 00200
Nairobi, Kenya

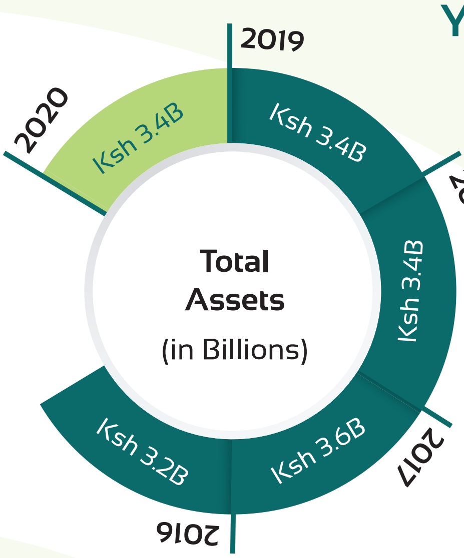
NCBA Bank Kenya PLC
Mara and Ragati Road, Upper Hill
P. O. Box 30437 – 00100
Nairobi, Kenya

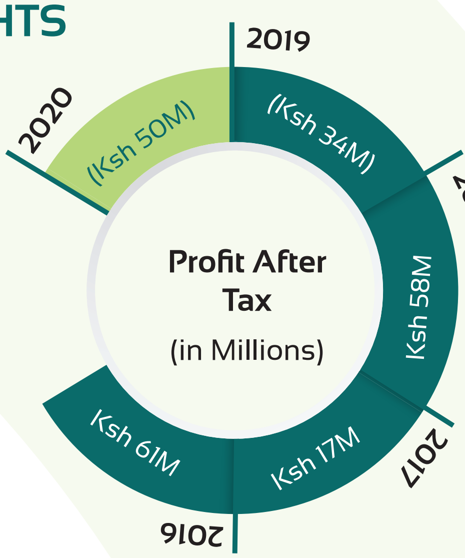
Five Year Financial Highlights

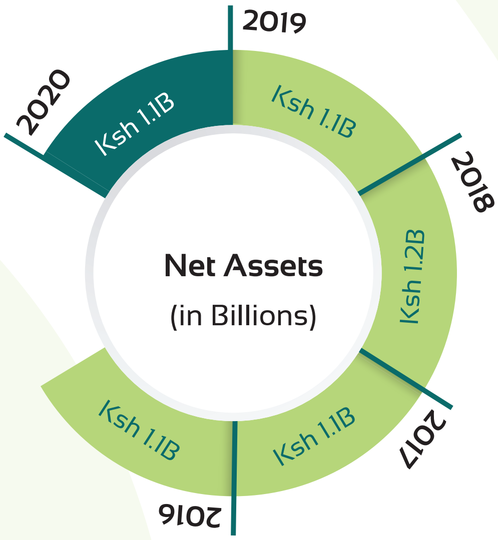




THE FIVE YEAR HIGHLIGHTS







CLOCKWISE

RICHARD KEMOLI, Chairman & Independent Non-Executive Director
MATHEW KOECH, Managing Director
ABDULALI KURJI, Non-Executive Director
REBECCA LIKAMI, Independent Non-Executive Director
JOSEPH KOSKEY, Independent Non-Executive Director
SAM SHOLLEI, Independent Non-Executive Director
SAMEER NAUSHAD MERALI, Independent Non-Executive Director

Fidelity @ A Glance

At Fidelity, we provide insurance solutions that enable our customers to live free of fear of everyday uncertainties. We build strong relationships that inspire confidence and give peace of mind. We aim to create sustainable value for all our stakeholders: Our customers, employees, shareholders and the communities in which we live and work.

CORE VALUES

QUALITY

We continually review our operating processes and services to ensure they sustainably deliver quality that exceeds customers' expectations.

PROFESSIONALISM

We foster a culture that upholds high standards of service, delivered with reliability and consistency.

FLEXIBILITY

We respond to the needs of our clients and align our processes, products, services and relationships towards giving our customers a delightful experience.

INTEGRITY

We establish processes that facilitate practice of good governance, honesty and transparency in our dealings with our customers.

EFFICIENCY

We deploy and use resources in the most optimal manners and adopt efficient processes.

DIRECTORS & OFFICERS LIABILITY

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Chairman's Statement

Chairman's Statement

Introduction
It is my pleasure once again to present, on behalf of the Board of Directors the Company's Annual Report and Financial Statements for the year ended 31 December 2020.

Economic Overview
Kenya and the rest of the world saw unprecedented challenges following the outbreak of Covid-19 pandemic early in the year. The Pandemic brought a lot of uncertainty forcing Governments around the world to impose various measures to curb its spread leading to adverse economic and social impacts in the world. The Kenyan Government responded quickly with measures which included curfew, closure of certain businesses, cessation of movements in some regions and international travel restrictions. Some of these restrictions were eased out towards the end of the year but not before significant job losses and business closures. The International Monetary Fund has projected a decline of world economy by 4% mainly contributed by significant contraction in the developed economies.

The Kenyan economy was worst hit by the pandemic in the second quarter of the year as there was a 5.7% contraction compared to a 5.3% growth recorded in a same period in 2019. This was followed by a further 2.5% contraction in the third quarter 2020. Overall, the economy is projected to have grown by 1% in year 2020. The worst affected sectors were hospitality, tourism and aviation sectors mainly as a result of travel restrictions. Other sectors which were adversely affected included Manufacturing, Education and Horticulture farming.

Inflation rate remained relatively low throughout the year at an average monthly rate of 5.2% mainly because of low economic activity and favorable weather conditions which ensured that food commodity prices remained low during the year. On the other hand, the Kenya Shilling was under pressure from increased dollar demands which saw the currency depreciating by 7.7% against the US dollar to close at Kshs 109 in 2020 from Kshs 101 at the end of 2019.

Operating Environment
The financial sector registered a downward trend in the equities market with all indices declining: NSE 25 and NSE 20 were down by 8.6% and 29.6% respectively. The yields on the 91-day, 182-day and 364-day T-bills declined to 6.9%, 7.4% and 8.3% respectively in 2020 mainly attributed to the Central Bank of Kenya's efforts to keep rates low. During the year, the Monetary Policy Committee lowered the Central Bank Rate (CBR) from 8.25% at the beginning of the year to 7% in an effort to ease credit availability and to support the economy from the adverse effects of the pandemic.

The Insurance Industry
Insurance industry performance was by and large affected by the pandemic. The massive job losses experienced in the economy and slowed economic activities led to a marginal decline of 1% in gross premiums as at the end of quarter 3 of 2020. The main challenge faced by the industry remains to be that of unhealthy competition and premium rate undercutting. Full implementation of risk based supervision will gradually moderate this challenge if the regulators enforce the law.

Performance Highlights
The Company's performance was not spared by the effects of Covid-19 pandemic which negatively impacted most sectors of the economy. The gross written premium declined by 14% to Ksh. 2,060 million from Ksh. 2,409 million in 2019 mainly as a result of reduced level of business activity and closure of schools and hotels.

The claims experience improved by 11% due management actions of prudent underwriting, pricing, change

Chairman's Statement (contd)

in claims management process and also due to partial movement cessation and curfews imposed by the Government. Overall management expenses reduced by 17% to 466 million from Ksh 564 million due to proactive expenses management measures put in place in order to sustain the Company's operation and navigate through pandemic challenges. Investment income grew by 21% to Ksh 222 Million due to rebalancing of investment portfolio in favour of fixed income which is less exposed to market fluctuations.

The Company realised a loss after tax of Ksh 50 million compared to a loss of Ksh 34 million in 2019 mainly as a result contraction of net premium revenues by 19%. I am confident that the risk improvement measures in place will ensure profitable growth in the coming years.

Future Outlook

The development and distribution of Covid-19 vaccine will bring hope in the future as the world economies start to reopen for business. So far in 2021, we have seen Kenyan economy start to rebound with an expected economic growth of rate of about 6% this year. The Government's effort of putting in place a post Covid-19 economic recovery stimuli and an expected favourable weather conditions to sustain growth in agriculture and power supply.

Notwithstanding the challenges in the operating environment, the Company will continue to implement its profitability growth objective with a keen focus on adoption of digital strategy and new ways of doing things so as to navigate against the pandemic challenges and at the same time improve customer service and experience.

Tribute

Once again, I would like to sincerely thank all our clients and insurance intermediaries for the continued confidence they have in our Company and giving us the opportunity to serve them. I also wish to pay a tribute to management, staff and my fellow Directors for driving the Company's strategic objectives in a difficult year. Once again, I look forward for your continued support in our journey of driving Fidelity Shield to greatness. We shall continue to navigate around the crisis with a key focus on prioritising health and safety of our staff and business partners.

Richard Kemoli FIoD, MBE
Chairman

11 March 2021

Corporate Governance Statement

Corporate governance is the process by which companies are directed, controlled and held to account. It is used to direct and manage business affairs of the Company towards enhancing prosperity and corporate accounting with the ultimate objective of realising shareholders value while taking into account the interests of other stakeholders.

The Board is responsible for the Company's corporate governance practices and recognizes its responsibilities to shareholders and other stakeholders to uphold the highest standards in economic, social, environmental and ethical matters by ensuring that the Company conducts its business in accordance with best practice in corporate governance. Fidelity Shield Insurance continues to put in place mechanisms to fully comply with the provisions and principles of good corporate governance.

Board of Directors Composition and Operations

The Board consists of nine Directors, one of whom is executive and eight are non-executive. The Board is composed of Directors with a good mix of skills, experience and competencies in the relevant fields of expertise and is well placed to take the business forward. Two new Directors were made during the year.

The full Board meets at least four times a year. It is responsible for the strategic direction of the company, setting policy guidelines for management and ensuring competent management of the business. The Board is also responsible for establishing and maintaining the Company's overall internal control of financial, operational and compliance issues. The Directors are given appropriate and timely information on key activities of the business regularly and on request in order to carry out their roles. The Board has in place a Board Charter and a Work Plan. The Charter governs its operations in conformity with practices of good corporate governance. Among the provisions in this charter are:

- A formal induction programme for newly appointed directors and a training programme for all directors
- Tenure of directors
- Procedures for determining the remuneration of directors
- Board performance self-evaluation
- How to manage potential conflicts of interest in the Board.

The Work Plan has schedule of matters specifically reserved for the Board's attention to ensure it exercises full control over significant strategic, financial, operational and compliance matters.

The Board has delegated authority for conduct of day-to-day business to the Managing Director. The Board nonetheless retains responsibility for establishing and maintaining the Company's overall internal control of financial, operational and compliance issues and monitoring the performance of executive management.

Chairman versus Chief Executive

The roles of the Chairman and the Managing Director are clearly defined and separated. The Chairman is responsible for managing the Board while the Managing Director is responsible for running the business of the Company in accordance with instructions given by the Board.

Committees of the Board

The Board has in place three standing committees which meet regularly under the terms of reference set by the Board.

Audit and Governance Committee

The Board has in place an audit and governance committee which meets four times a year or as necessary. Its

Corporate Governance Statement

responsibilities includes review of financial information in particular half year and annual financial statements, compliance with accounting standards, liaison with the external auditors, remuneration of external auditors and maintaining oversight on internal control systems. The Committee is made up of the three non-executive directors namely Mr. Sameer Merali (Chairman), Abdulali Kurji and Mrs. Grace Kemei. The Managing Director, The Head of Finance and Administration, The Head of Internal Audit & Compliance and the Company Secretary attend meetings of the committee. External auditors also attend the meeting as required.

Finance and Investments Committee

The Board has in place a finance and investments committee which meets four times a year. Among its responsibilities are to receive and consider the company's annual budget, formulation of the company's investment policy and monitoring the overall financial performance of the company.

Nominations and Compensation Committee

The Board has in place a nominations and compensation committee which meets ones a year. Among its responsibilities are to review the leadership needs of the organization and recruitment of executive managers, approving policies on salary remunerations, bonuses, trainings and other staff benefits.

Risk management and Internal Controls Risk Management

The Board recognises that managing risks to ensure the optimal mix between risk and return is an integral part of achieving corporate goals. The Board has put in place procedures for identifying risks and implementing risk mitigation actions to ensure the risk of failure to achieve business objectives is reduced if not eliminated. In this regard the Board is aware, at any one time, of all the key risks facing the Company and ensures that risk mitigation procedures are in place. As a key risk management initiative the Company has put in place a comprehensive system of setting and implementing objectives, measuring performance against the objectives and implementing corrective action to ensure that objectives are achieved. A risk management and compliance function in place.

Internal Controls

The Board has a collective responsibility for the Company's systems of internal control and for reviewing their effectiveness. Executive directors have the responsibility for establishing and implementing appropriate systems and controls in the running of the business of the Company and providing assurance to the Board that they have done so. The system of internal control in place has defined procedures and operational and financial controls to ensure that assets are safeguarded, transactions are authorised and recorded properly, and that material errors and irregularities are either prevented or detected within a reasonable period of time. In reviewing the effectiveness of the systems of internal control and risk management, the Board takes into account the results of all the work carried out to audit and review the activities of the Company. The Board has reviewed the Company's system of internal control and is satisfied that the system is effective.

Conduct of Business

The Company's business is conducted within a developed control framework, underpinned by defined processes and objectives, policy statements, written procedures and control guidelines. The Board has established a management structure which clearly defines roles, responsibilities and reporting lines. Delegated authorities are documented and communicated.

Performance Reporting

The Business performance of the Company is reported regularly to its management and the Board. Performance trends, forecasts as well as actual performance against budgets and prior periods are closely monitored. Financial information is prepared using appropriate accounting policies, which are applied consistently. Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions and the safeguarding of assets. These controls also include segregation of duties, the regular reconciliation of accounts and the valuation of assets and positions.

Ethical Standards

The Company has established clear ethical guidelines embedded in the values of the company. These values have been cascaded downward to staff in form of a code of ethics and in the employee's staff handbook. All employees must comply with these provisions. A statement to confirm compliance with the code of ethics is signed by every member of staff every year.

Health, Safety and Employee Welfare

The welfare of our clients, staff, contractors and members of the public is an essential principle for the Company, which strives to provide all employees with safe working conditions at work and a safe environment for our clients, contractors and members of the public. The Company maintains a policy of equal opportunity of employment for all qualified persons and strives to provide all employees with fair terms of employment.

Corporate Social Responsibility

Fidelity continues to seek opportunities to support the communities around which our business thrives. Focus is paid to four key areas; Sports, Health, Environment and Education. In this regard, for the last two years and looking into the coming years, we have partnered with the Sports Journalist Association of Kenya to recognize the efforts by football coaches in nurturing the talent in the various football clubs.

This is done through monthly awards given to the winning coach on any given month based on the votes gotten from the club members. This incentive gives the coaches the motivation they need to improve the game and take the trainings to higher levels which in turn translates to improved way of lives for the players, who sometimes get selected to international foreign teams due to their prowess.

We conduct our business with care for the environment by supporting activities that minimize the degradation of our natural heritage. The Company to do this, sets aside a proportion of its gross income to social responsibility issues. This, the company seeks to entrench in its system by having a Corporate Social Responsibility Policy.

The Company continues to support numerous other events and activities that aide social responsibility. It prides itself in the contribution it has made to support other CSR programs ranging from Cerebral Palsy Walk, the Mater Heart Run, the Lohana Golfing Society and many more.

The company will continue to pursue other opportunities especially on environmental conservation to participate in to counter the changing climatic conditions.

Richard Kemoli FIoD, MBE
Chairman

11th March 2021

CSR Snapshots in 2020

1. **Branded road bump sign extended -** Oloitoktok Rd, near Elite Homes (Kileleshwa): #SlowDown
2. **Branded road bump sign extended -** Olunguruone Rd (Kileleshwa): #CourtesyPays
3. **Coach of the Month January -** Nicholas Muyoti
4. **Branded road bump sign extended -** Limuru Rd/UN Avenue Jn. (Gigiri): #CourtesyPays

CLOCKWISE

MATHEW KOECH, Managing Director
RICHARD MARISIN, Head of Finance & Administration
ALEX Z. ANDAYI, Branch Manager - Eldoret
ANTHONY KIRAGU, Head of Operations
MERCY NJOROGE, Manager - Human Resource
JULIUS MBOYA, Manager - ICT
SAMMY KAMAU, Manager - Claims

Management Team (contd)

CLOCKWISE

DAVID GITAU, Manager - Underwriting
NHAAMAN SHARIFF, Branch Manager - Mombasa
TERRY AMINA, Branch Manager - Nakuru
STEVEN KIANO, Branch Manager - Thika
SAMMY CHIRCHIR, Branch Manager - Kisumu
DIANA WAINAINA, Assistant Manager - Business Development
JOHN MUNENE, Chief Accountant

Quality Management Systems (QMS)

ISO 9001:2015 Certification

A Quality Management System enables an organization to achieve the goals and objectives set out in its policy and strategy. It provides consistency and satisfaction in terms of methods, materials, equipment among others, and interacts with all activities of the organisation, beginning with the identification of customer requirements and ending with their satisfaction, at every transaction interface.

In February 2015, we were awarded the ISO 9001:2008 certification. With the launch of the 2015 version in September 2015, we embarked on a journey to upgrade our QMS to the new edition of the standard and obtain certification. Training and awareness programs were conducted for both management and staff in an effort to enable them understand the requirements of the new standard. We carried a gap analysis after which we conducted two internal audits in readiness for the re-certification audit that was conducted on 5th March 2018. Having conformed to ISO 9001:2015 requirements, the company was awarded a re-certification on ISO 9001:2015.

Management is fully committed to the implementation of the QMS by providing direction to the integration of the QMS requirements into each business process. We have a Quality Policy in place and all the departments have established Quality Objectives which are in line with the Company's Vision and Strategic Plan. Customer satisfaction is core to our QMS. We strive to build and maintain good client relationship by providing a consistent and rewarding experience from our products and services. In line with the standard and to monitor our customers' perceptions of the degree to which their needs and expectations have been fulfilled, we shall be conducting a Customer Satisfaction Index on a regular basis.

Reports & Financials

Report of the Directors

The Board of Directors has pleasure in presenting their annual report together with the audited financial statements of Fidelity Shield Insurance Company Limited (the "Company") for the year ended 31 December 2020, which disclose the state of financial affairs of the Company.

Principal Activities

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

Results

	2020 Ksh' 000	2019 Ksh' 000
Loss before taxation	(79,143)	(44,656)
Taxation credit	29,447	10,908
Loss for the year	**(49,696)**	**(33,748)**

Dividend

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

Directors

The directors who served the Company upto the date of this report are as listed on page 8.

Business Review

Gross earned premium declined by 11% to Ksh 2.2 billion from Ksh 2.5billion in 2019 mainly as a result of limited activity levels in the economy following Goverment restrictions imposed to curb the spread of Covid-19 and also due to Company's action of weeding out non-profitable accounts. Net claims payable on the other hand improved by 11% to Ksh 1.1 billion from 1.3 billion incurred in 2019. Investment portfolio income increased by 21% on back of portfolio rebalancing exercise in favour of fixed income portfolio and also due to increase is vacant office space uptake at Fidelity Insurance Centre. Management expenses decreased by 17% to Ksh 466 Million (2019: Ksh 564 Million) due to efficient management of expenses measures which were put in place in order to have the Company remain resilient to the impacts of the pandemic.

Operational risk

The Company is exposed to various risks which include insurance risks, credit, financial and capital risks. The Company has put in place a strong risk management process which enables carrying out identification of key risks, quantification, effective monitoring and management of risks. Some of the key risk experienced includes pricing of insurance risks in a competitive market and the increasing level of fraudulent insurance claims especially under the motor class. The move towards risk based capital regime by the Insurance regulatory Authority is also providing a positive improvement on risk management transformation journey.

Our people

Our people are important to the success of the Company. The Company is therefore committed to talent and staff capacity development, encouraging innovation and building an engaged workforce. A performance management system is in place and this has provided an objective framework for offering training, promotions and other rewards to all employees. Total number of staff at the end of the year was 91 (2019: 100).

Report of the Directors (contd)

Environmental matters
The Company is cognizant of and conscious about environmental matters. We operate and comply with the provisions of the National Environmental Management Authority (NEMA) and the Occupational Safety and Health Act regulations.

Future outlook
The economic outlook for 2021 remains uncertain due to Covid-19 mutations nature and other risks but we have seen favourable indications from various quarters showing that the economy is likely to turn around following the development and distribution of vaccines. Most of the countries have started easing the restictions due to the diminishing infection rate and the distribution of vaccines. The key risk to full Kenyan economic recovery will depend on the rate and success of vaccinations, impact of the ballooning Government debts and the political tensions as we move closer to the electionering year. In overall, we expect GDP to grow by about 6% due to the continued heavy infrastructure investments by the Government, continued foreign investment in the country and favourable weather conditions to boost Agriculture.

Directors' Statement as to the Information given to the Auditors
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors
Deloitte & Touche will retire from office on rotational basis after having served in the office for the maximum period of seven years as per Insurance regulatory guidelines. The Directors will appoint a replacement auditor in the course of the year, subject to approval by Commissioner of Insurance under sec56 (4) of Kenyan Insurance Act. The Directors monitor the effectiveness, objectivity and independence of the auditors. The Directors also approve the annual audit engagement contract, which sets out the terms of the auditors appointment and the related fees.

By Order Of The Board

James Mwando
Company Secretary
Nairobi, Kenya

11 March 2021

Statement of Directors' Responsibilities

The Kenyan Companies Act, 2015, requires the Directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Company as at the end of the financial year and of its profit or loss for that year. It also requires the Directors to ensure that the Company maintains proper accounting records that are sufficient to show and explain the transactions of the Company and disclose, with reasonable accuracy, the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company, and for taking reasonable steps for the prevention and detection of fraud and error.

The Directors accept responsibility for the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standard 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.

Richard Kemoli
Chairman

11 March 2021

Mathew Koech
Managing Director

11 March 2021

Report of the Consulting Actuary

I have conducted an actuarial valuation of the insurance liabilities of the insurer as at 31 December 2020.

The valuation was conducted in accordance with generally accepted actuarial principles and in accordance with the requirements of the Kenyan Insurance Act and Insurance Regulations. 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 Company's insurance liabilities and reserves as at 31 December 2020 were adequate..

Ezekiel Macharia Mburu
Fellow of the Institute of Actuaries

11 March 2021

Independent Auditors' Report to
The Members of Fidelity Shield Insurance Company Limited

Report On The Financial Statements

Opinion

We have audited the accompanying financial statements of Fidelity Shield Insurance Company Limited, set out on pages 34 to 80, which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with other ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Independent Auditors' Report to
The Members of Fidelity Shield Insurance Company Limited (contd)

Key audit matter

Significant judgement is required by the Directors in determining the technical liabilities and for the purposes of our audit, we identified Insurance contract liablities relating to determing claims incurred but not reported (IBNR) as representing a key audit matter due to the significance of the balance to the financial statements as a whole, combined with the judgement and estimation uncertainty associated with determining the liabilities.

The determination of future contractual cash flows in relation to the liability for reported claims and claims incurred but not reported involves a significant estimation process. There are several sources of uncertainty that are considered in the estimate of the liability that the Company will ultimately pay for such claims.

Estimates of the liability for reported claims are determined on the basis of the best information available at the time the records for the year are closed. Claims incurred but not reported (IBNR) are determined on the basis of prevailing claims reported and settlement patterns. Further details on the process used to estimate IBNR are set out in note 28 to the financial statements.

The liabilities are calculated by the Company's appointed external Actuary.

How our audit addressed this Key audit matter

We evaluated the appropriateness of the relevant controls directors' have implemented over the determination of insurance contract liabilities. Additionally, our procedures included challenging the directors on the suitability of the approach and methodology adopted by the actuaries to ensure these are consistent with the requirements of International Financial Reporting Standards (IFRS) and industry norms.

Procedures performed included:

- *assessing the competence, capabilities and objectivity of the Company's actuaries;*
- *evaluating the consistency of the approach and methodology adopted by the actuaries with IFRS and industry norms;*
- *involving our in-house actuarial experts in evaluating judgements and models adopted in the determination of insurance contract liabilities;*
- *reviewing the data used in the computations of reserves and emerging reserves for accuracy through a comparison to reported values, and*

We assessed the appropriateness of the related disclosures in note 28 of the financial statements. Based on our procedures, we noted no material exceptions and consider the directors' key assumptions and methodology applied to be reasonable.

Independent Auditors' Report to The Members of Fidelity Shield Insurance Company Limited (contd)

Other Information

The directors are responsible for the other information, which comprises the Report of the Directors, Chairman's Statement and Report of Consulting Actuary which were obtained prior to the date of the auditor's report. The other information does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the Company financial statements that give a true and fair view 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 are 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.

Auditors' 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 judgment and maintain professional skepticism throughout the audit. We also:

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

Independent Auditors' Report to The Members of Fidelity Shield Insurance Company Limited (contd)

that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore 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 Legal and Regulatory Requirements
In our opinion the information given in the report of the Directors on page 5 to 6 is consistent with the financial statements.

Deloitte & Touche

Certified Public Accountants (Kenya) **29th March 2021**
Nairobi

CPA Fred Aloo, Practising Certificate No. 1537
Signing Partner responsible for the independent audit

Statement of Profit or Loss and Other Comprehensive Income

For The Year Ended 31 December 2020

	Notes	2020 Ksh' 000	2019 Ksh' 000
Gross earned premiums	5	**2,203,355**	**2,466,549**
Less: Reinsurance premiums ceded		(738,267)	(661,212)
Net earned premiums		**1,465,088**	**1,805,337**
Investment income	6	202,952	177,880
Commissions earned		116,165	128,327
Other income	7	21,342	5,725
Total investment and other income		**340,459**	**311,932**
Claims payable		(1,361,838)	(1,399,055)
Less: Amounts recoverable from reinsurers		185,967	83,436
Net claims payable	8	**(1,175,871)**	**(1,315,619)**
Operating and other expenses	9	(466,464)	(564,287)
Commissions payable		(242,355)	(282,019)
		(708,819)	(846,306)
Loss before taxation		**(79,143)**	**(44,656)**
Taxation credit	11	29,447	10, 908
Loss for the year		**(49,696)**	**(33,748)**
Other comprehensive income, net of tax		-	-
Total comprehensive loss		**(49,696)**	**(33,748)**

Statement of Financial Position

As at 31 December 2020

	Notes	2020 Ksh' 000	2019 Ksh' 000
SHAREHOLDERS' FUNDS			
Share capital	13	600,000	600,000
Revaluation reserve	14	97,370	106,980
Retained earnings	15	419,717	459,803
		1,117,087	**1,166,783**
REPRESENTED BY:			
Assets			
Property and equipment	16	240,562	278,707
Right-of-use assets	17 (a)	20,787	24,426
Intangible assets	18	6,776	10,646
Deferred taxation	31	88,546	59,099
Investment properties	19	1,015,882	1,015,882
Investment in the Kenya motor insurance pool		18,014	19,321
Equity investments at fair value through profit or loss	20	34,281	52,063
Mortgage loans	21	5,654	6,583
Receivables arising out of reinsurance arrangements		47,485	12,304
Receivables arising out of direct insurance arrangements	22	132,609	257,734
Reinsurers' share of insurance contract liabilities	23	476,219	379,320
Corporate tax recoverable	11(iii)	35,868	32,378
Other receivables	24	86,284	46,638
Deferred acquisition costs	25	38,615	53,487
Government securities held to amortised cost	26(i)	431,172	402,447
Government securities at fair value through profit & loss	26(ii)	456,286	490,749
Deposits with financial institutions	35	250,747	233,105
Cash and bank balances	35	71,223	108,888
Total assets		**3,457,010**	**3,483,777**
Liabilities			
Insurance contract liabilities	28	1,597,980	1,387,385
Unearned premiums	30	629,622	772,788
Payables arising from reinsurance arrangements		-	23,078
Lease liabilities	17(b)	30,523	36,928
Other payables	32	81,798	96,815
Total liabilities		**2,339,923**	**2,316,994**
Net assets		**1,117,087**	**1,166,783**

The financial statements on pages 34 to 80 were approved and authorised for issue by the board of directors on 11 March 2021 and signed on its behalf by:

Richard Kemoli FIoD, MBE
Chairman

Abdulali Kurji
Director

Mathew Koech
Principal Officer

Statement of Changes in Equity

For The Year Ended 31 December 2020

	Notes	Share capital Shs' 000	Revaluation reserves Shs' 000	Retained earnings Shs' 000	Total Shs' 000
Year ended 31 December 2019					
At 1 January 2019 - as previously reported		600,000	106,980	535,853	1,242,833
Day one adjustment on adoption of IFRS 16				(11,033)	(11,033)
At 1 January 2019 - Restated		600,000	106,980	524, 820	1,231,800
Day one adjustment on adoption of IFRS 9		-	-	(44,670)	(44,670)
Deferred tax on adoption on IFRS 9				13,401	13,401
Other comprehensive income: Loss for the year		-	-	(33,748)	(33,748)
At 31 December 2019		**600,000**	**106,980**	**459,803**	**1,166,783**
Year ended 31 December 2020					
At 1 January 2020 - as previously reported		600,000	106,980	459,803	1,166,783
Loss for the year		-	-	(49,696)	(49,696)
Reserve movements due to disposal of property		-	(9,610)	9,610	-
At 31 December 2020		**600,000**	**97,370**	**419,717**	**1,117,087**

Statement of Cash Flows

For The Year Ended 31 December 2020

	Notes	2020 Ksh' 000	2019 Ksh' 000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	36	(195,782)	91,386
Interest received		129,230	106,396
Income tax paid	11(iii)	(3,490)	(18,722)
Net cash (used in)/generated from operating activities		**(70,042)**	**179,060**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	16	(2,803)	(3,572)
Purchase of intangible assets	18	(4,779)	-
Purchase of quoted shares	20	-	(49,175)
Mortgage loans repaid	21	929	1,403
Purchase of treasury bills and treasury bonds	26(i)	(50,000)	(138,500)
Purchase of treasury bonds at fair value	26(ii)	(145,448)	(258,400)
Proceeds of disposal of property and equipment		41,564	708
Proceeds of disposal of quoted shares	20	11,475	100,088
Maturity of treasury bonds		209,208	117,700
Net cash generated from/ (used in) investing activities		**60,146**	**(229,748)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of the lease liabilities	17(b)	(10,127)	(8,235)
Net cash used in financing activities		**(10,127)**	**(8,235)**
NET DECREASE IN CASH AND CASH EQUIVALENTS		(20,023)	(58,923)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		341,993	400,916
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	35	**321,970**	**341,993**

Notes to the Financial Statements

For The Year Ended 31 December 2020

1. ACCOUNTING POLICIES

Statement of compliance
The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

For the Kenyan Companies Act reporting purposes, 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 represented by the statement of profit or loss and other comprehensive income.

New standards, amendments and interpretations

i) *New and amended IFRS Standards that are effective for the current year ended 31 December 2020*

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16
In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a. The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
b. Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
c. There is no substantive change to other terms and conditions of the lease.
d. In the current financial year, the Company has applied the amendment to IFRS 16 (as issued by the IASB in May 2020) in advance of its effective date.

Impact on accounting for changes in lease payments applying the exemption
The Company has applied the practical expedient retrospectively to all rent concessions that meet the conditions in IFRS 16:46B, and has not restated prior period figures.

Impact of the initial application of other new and amended IFRS Standards that are effective for the current year
In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issuedby the Board that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7	In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items

or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. The amendments permit continuation of hedge accounting even though there is uncertainty about the timing and amount of the hedged cash flows due to the interest rate benchmark reforms.

The amendments permit continuation of hedge accounting even if in the future the hedged benchmark interest rate, may no longer be separately identifiable. However, this relief does not extend to the requirement that the designated interest rate risk component must continue to be reliably measureable. If the risk component is no longer reliably measurable, the hedging relationship is discontinued. The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.

Amendments to References to the Conceptual Framework in IFRS Standards

The Company has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Amendments to IFRS 3 Definition of a business

The Company has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020 ensure consistency.

Notes to the Financial Statements

For The Year Ended 31 December 2020 (contd)

Amendments to IAS 1 and IAS 8 Definition of material

The Company has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency

ii) *New and revised IFRS Standards in issue but not yet effective*

At the date of authorisation of these financial statements, The Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective .The entity is not able to determine the impact of these standards at the reporting date.

New and Amendments to standards	Effective for annual periods beginning on or after
IFRS 17 – insurance contracts	Annual periods beginning on or after 1 January 2023
Amendments to IAS 10 and IAS 28 *Sale or Contribution of Assets between an investor and its Associate or Joint Venture*	Yet to be set, however earlier application permitted
Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*	Annual periods beginning on or after 1 January 2023
Amendments to IFRS 3 *Reference to the Conceptual Framework*	Annual periods beginning on or after 1 January 2022
Amendments to IFRS 16 *Property, Plant and Equipment—Proceeds before Intended Use*	Annual periods beginning on or after 1 January 2022
Amendments to IAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*	Annual periods beginning on or after 1 January 2022
Annual Improvements to IFRS *Standards 2018-2020 Cycle - Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture*	Annual periods beginning on or after 1 January 2022

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods, except as noted below:

Notes to the Financial Statements

For The Year Ended 31 December 2020 (contd)

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.
The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 ***(incorporating the amendments)*** to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 ***(Amendments to IFRS 4)*** that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023. IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application

IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary ***(that has become an associate or a joint venture that is accounted for using the equity method)*** to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to IFRS 3 *Reference to the Conceptual Framework*
The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references ***(published together with the updated Conceptual Framework)*** at the same time or earlier.

Amendments to IAS 16 *Property, Plant and Equipment—Proceeds before Intended Use*
The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings ***(or other component of equity, as appropriate)*** at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Notes to the Financial Statements

For The Year Ended 31 December 2020 (contd)

Amendments to IAS 37 *Onerous Contracts—Cost of Fulfilling a Contract*

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Annual Improvements to IFRS Standards 2018–2020

The Annual Improvements include amendments to four Standards

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.
The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.
As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

IAS 41 Agriculture

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

iii) Early adoption of standards
The Company did not early-adopt any new or amended standards in 2020.

Significant accounting policies
The principal accounting policies adopted are set out below:

Basis of accounting
The financial statements are presented in Kenya Shilling and are prepared under the historical cost basis of accounting. The financial statements have been prepared in accordance with International Financial Reporting Standards and the Kenyan Companies Act. The principal accounting policies adopted, which remain unchanged from the previous year, are set out below:

Kenya Motor Insurance Pool
The Kenya Motor Insurance Pool balances represent the company's share of the surplus and net assets of the pool.

Results of the company's share of the two Kenya Motor Insurance Pools are accounted for in the statement of comprehensive income in accordance with the Pool's accounting year which runs from October of the previous year to September of the current year. As a result, the Pool's results for the 4th quarter of the company's accounting year are accounted for in the subsequent year.

Income recognition
Premium income is recognised on assumption of risks, and includes estimates of premiums due but not yet received, less an allowance for cancellations/lapses and less unearned premium. Unearned premiums represent the proportion of the premiums written in periods up to the accounting date which relate to the unexpired terms of policies in force at the end of each reporting period, and are calculated using the 1/24th method on written premiums less reinsurance commissions and other acquisition costs.

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset. Dividends receivable are recognised as income in the period in which the right to receive payment is established.

Rental income is recognised as income in the period in which it is earned. Commissions receivable are recognised as income in the period in which they are earned. To achieve this, a proportion of reinsurance commissions receivable is deferred and recognised as income over the term of the policy.

Notes to the Financial Statements

For The Year Ended 31 December 2020 (contd)

Claims incurred

Claims incurred comprise claims paid in the year and changes in the provision for outstanding claims. Claims paid represent all payments made during the year, whether arising from events during that or earlier years. Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the end of each reporting period, but not settled at that date. Outstanding claims are computed on the basis of the best information available at the time the records for the year are closed, and include provisions for claims incurred but not reported ("IBNR") at the end of each reporting period based on the company's experience but subject to the minimal percentage set by the Commissioner of Insurance. Outstanding claims are not discounted.

Reinsurance

The company assumes and cedes reinsurance in the normal course of business, with retention limits varying by line of business. Premiums on reinsurance assumed are recognised as income in the same manner as they would be if the reinsurance were considered direct business. Premiums ceded and claims reimbursed are presented on a gross basis in the consolidated statement of comprehensive income and statement of financial position as appropriate. 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.

Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the company will receive from the reinsurer. The impairment loss is recognized in profit or loss.

Ceded reinsurance arrangements do not relieve the company from its obligations to policyholders. The company also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognized as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Commissions payable and deferred policy acquisition costs

A proportion of commissions payable is deferred and amortised over the period in which the related premiums are earned. Deferred acquisition costs represent a proportion of acquisition costs that relate to policies that are in force at the year end. The deferred policy acquisition costs are subsequently amortised over the life of the contracts. All other costs are recognised as expenses when incurred.

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 recognised in profit or loss.

Property and equipment

All property and equipment are initially recorded at cost. Buildings are subsequently carried at their revalued amounts based on valuations by external independent valuers, less accumulated depreciation. All other property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Any revaluation increase arising on the revaluation of such buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation

Freehold land is not depreciated. Depreciation is calculated on other property and equipment on the straight line basis to write down the cost of each asset, or the revalued amount to its residual value over its estimated useful life, using the following annual rates:

Motor vehicles	25%
Computer equipment	30%
Furniture, fittings and equipment	20%
Buildings	2.5%

Property and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The impairment loss is recognised in profit or loss.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts. On disposal of revalued assets, amounts in the revaluation surplus relating to that asset are transferred to retained earnings.

Investment properties

Investment properties comprise land and buildings and parts of buildings held to earn rentals and/or for capital appreciation. They are carried at fair value, determined annually by external independent valuers. Fair value is based on active market prices as adjusted, if necessary, for any difference in the nature, condition or location of the specific asset.

Investment properties are not subject to depreciation. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise, net of deferred tax.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property ***(calculated as the difference between the net disposal proceeds and the carrying amount of the asset)*** is included in profit or loss in the period in which the property is derecognised.

Notes to the Financial Statements

For The Year Ended 31 December 2020 (contd)

Intangible assets

Intangible assets represent computer software. These are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives, not exceeding a period of six years. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Financial instruments

A financial asset or liability is recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets

Classification

The Company classifies its financial assets as subsequently measured at either amortised cost or fair value on the basis of both the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

A financial asset is measured at amortised cost if both of the following conditions are met (and is not designated as at FVTPL):

i. the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
ii. 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.

A financial asset is measured at FVOCI if both of the following conditions are met (and is not designated as at FVTPL):

i. it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
ii. its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company's corporate bonds, mortgage loans, receivables, cash at bank, deposits with financial institutions and government securities are classified at amortised cost.

Recognition and de-recognition of financial instruments

Financial assets are recognised when the Company becomes a party to the contractual provisions of the asset. Initial recognition of financial asset is at fair value plus, for all financial assets except those carried at fair value through profit or loss, transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

Equity investments are carried at fair value. Gains and losses arising from changes in the fair value of equity investments are recognised in other comprehensive income. When equity investments are derecognised, the cumulative gain or loss previously recognised in other comprehensive income are transferred to retained earnings. Dividends on equity instruments are recognised in the proit on loss when the Company's right to receive payment is established.

Fair values of quoted investments in active markets are based on current bid prices.

Impairment of financial assets

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- Financial assets that are determined to have low credit risk at the reporting date; and
- Financial assets where credit risk ***(i.e. the risk of default occurring over the expected life of the financial instrument)*** has not increased significantly since initial recognition.

i) Significant increase in credit risk

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers quantitative and qualitative information, based on the Company's historical experience, credit assessment and including forward-looking information. The Company's assessment of a significant increase in credit risk from initial recognition consists of a primary and secondary risk drivers as follows:

- The primary risk driver aligns to the quantitative credit risk assessments performed, such as the credit score, credit rating, probability of default or arrears aging of a financial instrument; and
- The secondary risk assessment considers a broad range of qualitative risk factors based on a forward looking view such as economic and sector outlooks.

These primary and secondary risk drivers are included by the Company as part of the ongoing credit.

When making a quantitative assessment, the Company uses the change in the probability of default occurring over the expected life of the financial instrument. This requires a measurement of the probability of default at initial recognition and at the reporting date.

A rebuttable assumption is that the credit risk since initial recognition has increased significantly if a financial instrument is 30 days past due on any payments or is one payment in arrears. It is not anticipated that this assumption will be rebutted.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk. The ECL calculation of a financial instrument takes into account both the contractual and available behavioural repayment patterns over the relevant estimation period.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

ii) Write-off policy

The Company writes off a financial asset when there is information indicating that there is no reasonable expectation of recovery of the financial instrument, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of premium receivables, when the debtor has ceased transacting with the Company, whichever occurs sooner. A write off does not constitute a derecogntion per IFRS 9.Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

ii) *Measurement and recognition of expected credit losses (ECL)*
The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Financial liabilities
Financial liabilities are classified as other financial liabilities.

Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. 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.

Derecognition of financial liabilities
The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or they expire.

Leases
The Company assesses whether a contract is or contains a lease at inception of the contract. The Company recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases ***(defined as leases with a lease term of 12 months or less)*** and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which the economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprises of fixed lease payments (including the substance fixed payments), less any lease incentives.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method and by reducing the carrying amount to reflect the lease payments made.

The Company re-measures the lease liability ***(and makes a corresponding adjustment to the related right-of-use asset)*** whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate ***(unless the lease payments change is due to a change in floating interest rate, in which case a revised discount rate is used)***.

Notes to the Financial Statements

For The Year Ended 31 December 2020 (contd)

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the periods presented.

The right-of-use asset comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment loses.

Right-of-use asset is depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use asset is presented as a separate line in the statement of financial position.
The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Operating expenses' in the statement of the profit or loss.

Taxation
Income tax expense represents the sum of the current tax payable and the deferred taxation. Current taxation is provided on the basis of the results for the year, as shown in the financial statements, adjusted in accordance with tax legislation.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Cash and cash equivalents
Cash comprises cash on hand and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in fair value.

Revaluation surplus
The revaluation surplus represents the surplus on the revaluation of buildings and freehold land *(included within property and equipment),* net of deferred tax.

Any revaluation increase arising on the revaluation of such land and buildings is credited to other comprehensive income and accumulated in the property revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset. Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. Movements in the revaluation reserve are shown in the statement of changes in equity.

Impairment of assets

At the end of each reporting period, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss and the impairment loss is recognised in profit or loss. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Retirement benefit obligations

The Company operates a defined contribution pension scheme for its employees. The scheme is administered independently by both ICEA Lion and Jubilee Insurance Company and is funded by contributions from both company and employees at rates that are determined triennially by certified actuaries. Currently, the employer contributes 10% while the employee contributes 10% of the employee's basic pay on the scheme. The Company also contributes to the statutory defined contribution pension schemes, the National Social Security Fund (NSSF). Contributions to this scheme are determined by local statute.

The Company's obligations to the retirement benefits schemes are charged to profit or loss as they fall due.

Dividends payable

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

Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as deduction from the proceeds.

Comparatives

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

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE ACCOUNTING POLICIES

In the process of applying the entity's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The following are the critical judgements and key assumptions concerning the future and other sources of estimation uncertainty that directors have made in applying the company's accounting policies:

The ultimate liability arising from claims made under insurance contracts
The main assumption underlying techniques applied in the estimation of this liability is that a company's past claims experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, ***(for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures)*** in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved. A margin for adverse deviation may also be included in the liability valuation.

Impairment of none financial assets
At each end of the reporting period, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Valuation of investment property
Investment property comprises of freehold land and buildings carried at fair value. Fair value is based on valuation performed by an independent valuation expert.

Property and equipment
Management makes estimates in determining the depreciation rates for property and equipment. The rates used are set out in the accounting policy for property and equipment.

These estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the prevailing circumstances.

Determination of Expected Credit loss (ECL) allowances
The Company applies judgment in determining whether a significant increase in credit risk took place since initial recognition of financial assets at amortised cost. Judgment was applied in identifying the qualitative and quantitative triggers and thresholds used to identify significant increases in credit risk since initial recognition of the financial assets. Depending on the availability of reasonable and supportable information without undue cost or effort, significant increases in credit risk is identified through increases in behaviour risk, arrears aging and portfolio assessments.
The assessments are carried out on regular basis as part of the credit risk management activities of the Company;

The Company applies judgment in identifying default and credit-impaired financial assets. The Company considers the arrears category where the balance have been allocated to or whether the balance is in legal review, debt review or under administration. Financial assets are credit impaired when one or more events with a detrimental impact on the expected cash flows have taken place;

The calculation of the ECL balance is primarily influenced by the stage allocation of the balance and the risk parameters. The Company makes use of estimates of PDs (Probablity of default), LGDs (Loss given default) and EADs (Exposure at default) to calculate the ECL balance for financial assets at amortised cost. LGDs are derived from a default recovery time series model that takes recency of payments into account or through internally developed statistical models. EADs are determined with reference to expected amortisation schedules and taking into account credit conversion factors as applicable for undrawn or revolving facilities.

Models and assumptions used: The Company uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgment is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

Determination of lease term and discount rate for lease liability

The company is required to compute the interest rate implicit in all leases. Since the rate cannot be readily available, management assumed a rate of 13% based on the current market lending rate.The company uses hinnsight in determining the lease term for contracts containing options to extend or terminate.

3. RISK MANAGEMENT

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. Management recognises the critical importance of having efficient and effective risk management systems in place. The company has a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to management.

Management of Insurance and financial risk

The company's activities expose it to a variety of risks. The company classifies the various risks it is exposed to into insurance risk and financial risk. Financial risks include credit risk, liquidity risk and market risk which includes the effect of changes in equity market prices, foreign currency exchange rates and interest rates.

The company's overall risk management programme focuses on the unpredictability of financial markets, identification and management of risks. It seeks to minimise potential adverse effects on its financial performance by use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients and defined criteria for the approval of intermediaries and reinsurers. The company has put in place investment policies which help manage liquidity and seek to maximise return within an acceptable level of interest rate risk.

i) Insurance risk

Insurance risk in the company arises from:

a) Fluctuations in the timing, frequency and severity of claims and claims settlements relative to expectations;
b) Unexpected claims arising from a single source;
c) Inaccurate pricing of risks or inappropriate underwriting of risks when underwritten;

d) Inadequate reinsurance protection or other risk transfer techniques; and
e) Inadequate reserves

(a), (b) and (c) can be classified as the core insurance risk,(d) relates to reinsurance planning, while (e) is about reserving.

Core insurance risk

This risk is managed through:

- Diversification across a large portfolio of insurance contracts;
- Careful selection guided by a conservative underwriting philosophy;
- Continuous monitoring of the business performance per class and per client and corrective action taken as deemed appropriate;
- A minimum of one review of each policy at renewal to determine whether the risk remains within the acceptable criteria;
- Having a business acceptance criteria which is reviewed from time to time based on the experience and other developments; and
- Having a mechanism of identifying, quantifying and accumulating exposures to contain them within the set underwriting limits.

Reinsurance planning

Reinsurance purchases are reviewed annually to verify that the levels of protection being sought reflect developments in exposure and risk appetite of the company. The basis of these purchase is underpinned by the company's experience, financial modelling by and exposure of the reinsurance broker.

The reinsurance is placed with providers who meet the company's counter party security requirements.

Claims reserving

The company's reserving policy is guided by the prudence concept. Estimates are made of the estimated cost of settling a claim based on the best available information on registration of a claim, and this is updated as and when additional information is obtained and annual reviews done to ensure that the reserves are adequate. Management is regularly provided with claims settlement reports to inform on the reserving performance.

Short-term insurance contracts

The Company principally issues the following types of general insurance contracts: Aviation, engineering, fire, liability, marine, motor, personal accident, theft workmen compensation and various miscellaneous general risk classes. The risks under these policies usually cover twelve months duration.

The risks on these contracts do not vary significantly in relation to the location of the risk insured by the Company, type of risk insured and by industry. The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company.

Notes to the Financial Statements

For The Year Ended 31 December 2020 (contd)

The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events *(e.g. earthquakes and flood damage).*

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the company's risk appetite as decided by management. The Board of Directors may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

The table below sets out the concentration of unearned premiums and claims liabilities by type of contract:

31 December 2020	Gross Liabilities Shs' 000	Claims Reinsurance Share Shs' 000	Net Liabilities Shs' 000	Gross Liabilities Shs' 000	UPR Reinsurance Share Shs' 000	Net Liabilities Shs' 000
Motor	958,678	35,932	922,746	368,532	13,800	354,732
Fire	202,325	102,494	99,831	60,065	33,768	26,297
Personal Accident	2,149	(3,218)	5,367	10,392	2,298	8,095
Marine	50,381	12,826	37,555	14,522	4,824	9,697
Others	384,446	146,950	237,496	176,111	126,545	49,566
Total	**1,597,980**	**294,984**	**1,302,996**	**629,622**	**181,235**	**448,387**
31 December 2019						
Motor	856,132	32,716	823,416	507,785	22,549	485,236
Fire	176,928	84,289	92,639	64,986	37,744	27,242
Personal Accident	(245)	(3,489)	3,244	6,551	3,538	3,013
Marine	66,745	28,960	37,785	14,025	3,223	10,802
Others	287,825	59,911	227,915	179,441	109,879	69,562
Total	**1,387,385**	**202,387**	**1,184,998**	**772,788**	**176,933**	**595,854**

Notes to the Financial Statements

For The Year Ended 31 December 2020 (contd)

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

Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

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

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and profit before tax.

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.

31 December 2020	Changes in assumptions	Impact on gross liabilities Shs' 000	Impact on net liabilities Shs' 000	Impact on profit before tax Shs' 000
Average claim processing cost	10%	159,798	130,300	(7,914)
31 December 2019				
Average claim processing cost	10%	138,738	118,500	(4,466)

The uncertainty about the amount and timing of claims payments is typically resolved within one year and the claims development history is generally short, its reduction has no significant impact on the gross liabilities and profit before tax.

The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

Notes to the Financial Statements

For The Year Ended 31 December 2020 (contd)

(ii) Financial risks

(a) 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: interest rate risks, equity price risk and foreign exchange currency risk. The sensitivity analyses presented below are based on a change in one assumption while holding all other assumptions constant:

Interest rate risk

The company is exposed to the risk that the level of interest income and in effect the cash flows will fluctuate due to changes in market interest rates. To manage this, the company ensures that the investment maturity profiles are well spread.

An increase/decrease of 5 percentage points in interest yields would result in an increase/(decrease) in profit before tax for the year by Ksh 5,594,234 (2019: Ksh 4,291,406).

Equity price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices ***(other than those arising from interest rate risk or currency risk)***, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market

The company is exposed to equity securities price risk as a result of its holdings in equity investments which are listed and traded on the Nairobi Securities which are classified as available for sale financial assets. Exposure to equity price risk in aggregate is monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes.

The company has a defined investment policy which sets limits on the company's exposure to equity securities both in aggregate terms and by category/share. This policy of diversification is used to manage the company's price risk arising from its investments in equity securities.

At 31 December 2020, if equity market indices had increased/decreased by 5%, with all other variables held constant, the profit before tax for the year would increase/decrease by Ksh 315,352 (2019: Ksh 348,677).

Foreign exchange currency risk

Foreign exchange 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 financial assets are primarily denominated in the same currencies as its insurance contract liabilities, which mitigate the foreign currency exchange rate risk. The currency risk is also effectively managed by ensuring that the transactions between the company and other parties are designated in the functional currencies of the individual companies.

At 31 December 2020, if the Kenya shilling had weakened/strengthened by 5% against the US dollar with all other variables held constant, the profit before tax for the year would have been Ksh 477,751(2019: Ksh 122,302) higher/lower, mainly as a result of US dollar denominated deposits with financial institutions in Kenya.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the company by failing to discharge a contractual obligation. The following policies and procedures are in place to mitigate the company's exposure to credit risk:

- Net exposure limits are set for each counterparty or group of counterparties 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.
- Ongoing monitoring by the management credit committee.

The exposure to individual counterparties is also managed through other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the company. Management information reported to the directors include details of provisions for impairment on receivables and subsequent write offs. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency. The table below shows the carrying amounts of financial assets bearing credit risk.

Maximum exposure to credit risk before collateral held.

Assets	External credit rating	12-month or lifetime ECL	Gross carrying amount Shs' 000	Loss allowance Shs' 000	Net carrying amount Shs'000
2020					
Fixed Deposits at amortised cost	B- to A+	12	250,784	(37)	250,747
Bank Balances at amortised cost	B- to A+	12	71,223	-	71,223
Other Receivables at amortised cost	None	12	86,428	(144)	86,284
Reinsurance receivables	B+ to AA	12	57,828	(10,343)	47,485
Mortgage loans	None	Lifetime	5,654	-	5,654
Government Securities held at amortised cost	AAA	Nil	431,215	(43)	431,172
Government Securities at fair value through profit or loss	AAA	Nil	456,286	-	456,286
Receivables under direct insurance arrangements	None	None	125,598	7,012	132,609
Kenya Motor pool	None	None	18,222	(208)	18,014
Total			**1,503,238**	**(3,763)**	**1,499,474**

Notes to the Financial Statements

For The Year Ended 31 December 2020 (contd)

Assets	External credit rating	12-month or lifetime ECL	Gross carrying amount Shs' 000	Loss allowance Shs' 000	Net carrying amount Shs'000
2019					
Fixed Deposits at amortised cost	B- to A+	12	233,184	(79)	233,105
Bank Balances at amortised cost	B- to A+	12	108,888	-	108,888
Other Receivables at amortised cost	None	12	46,762	(124)	46,638
Reinsurance receivables	B+ to AA	12	12,528	(224)	12,304
Mortgage loans	None	Lifetime	6,583	-	6,583
Government Securities held at amortised cost	AAA	Nil	402,487	(40)	402,447
Government Securities at fair value through profit or loss	AAA	Nil	490,749	-	490,749
Receivables under direct insurance arrangements	None	None	274,712	(16,978)	257,734
Kenya Motor pool	None	None	19,545	(224)	19,321
Total			**1,595,438**	**(17,669)**	**1,577,769**

Reconciliation of Loss Allowance Accounts

31 December 2019	Deposits with financial institutions Shs' 000	Government Securities held at amortised cost Shs' 000	Bank balances Shs' 000	Receivables arising out of Direct insurance Shs' 000	Receivables arising out of Reinsurance Shs' 000	Other receivables - Rental Debtors Shs' 000	Loans secured by mortgages on real property Shs' 000	Investment in the Kenya Motor pool Shs' 000	Total Shs' 000
At 1 January 2019	268,968	369,943	131,759	342,454	73,380	19,452	7,986	24,289	1,238,231
Increase in loss allowance arising from new recognized in the year	(35,863)	32,504	(22,871)	(84,720)	(61,076)	9,972	(1,403)	(4,968)	(168,423)
At 31 December 2019	**233,105**	**402,447**	**108,888**	**257,734**	**12,304**	**29,425**	**6,583**	**19,321**	**1,069,807**
31 December 2020									
At 1 January 2020	233,105	402,447	108,888	257,734	12,304	29,425	6,583	19,321	1,069,807
(Increase)/decrease in loss allowance arising from new financial assets (recognised)/ derecognised in the year	17,642	28,725	(37,665)	(125,124)	35,181	1,433	(929)	(1,307)	(76,994)
At 31 December 2020 under IFRS 9	**250,747**	**431,172**	**71,223**	**132,609**	**47,485**	**30,857**	**5,654**	**18,014**	**992,814**

Notes to the Financial Statements

For The Year Ended 31 December 2020 (contd)

(c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has developed and put in place an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. The company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

At 31 December 2020	0-1 year Shs' 000	Over 1 year Shs' 000	Total Shs' 000
Outstanding claims provision	1,597,980	-	1,597,980
	1,597,980	**-**	**1,597,980**
31 December 2019			
Outstanding claims provision	1,387,385	-	1,387,385
Payables arising from reinsurance arrangements	23,078	-	23,078
	1,410,463	**-**	**1,410,463**

(iii) Fair value hierarchy

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:

a. 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.
b. 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.
c. 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.

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

Notes to the Financial Statements

For The Year Ended 31 December 2020 (contd)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

31 December 2020	Level 1 Shs' 000	Level 2 Shs' 000	Level 3 Shs' 000	Total Shs' 000
Equity instruments	34,281	-	-	34,281
Government securities	456,286	-	-	456,286
Investment property	-	-	1,015,882	1,015,882
31 December 2019				
Equity instruments	52,063	-	-	52,063
Government securities	490,749	-	-	490,749
Investment property	-	-	1,015,882	1,015,882

4. CAPITAL RISK MANAGEMENT

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

- Allocation of capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders.
- Aligning the profile of assets and liabilities taking account of risks inherent in the business.
- Maintaining financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.
- Maintaining strong credit ratings and healthy capital ratios in order to support its business objectives and maximize shareholders value.

The operations of the company are also subject to regulatory requirements within Kenya. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy) to minimize the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

The Kenyan Insurance Act prescribes the minimum capital requirement for a general insurance Company as the higher of:

- Absolute minimum paid up capital of Kenya Shillings 600 million
- 20% of prior year's net earned premiums
- Risk Based Capital as determined by the Authority from time to time

During the year, the Company's capital adequately ratio was 119%.

Notes to the Financial Statements

For The Year Ended 31 December 2020 (contd)

	2020 Ksh' 000	2019 Ksh' 000
5. GROSS EARNED PREMIUMS		
Motor	1,125,659	1,506,328
Fire	173,432	196,651
Marine	63,769	71,756
Personal accident	83,951	17,765
Theft	92,045	101,517
Workmen compensation	188,281	210,004
Engineering	70,471	74,984
Liability	30,898	45,892
Other	374,849	241,652
	2,203,355	**2,466,549**
6. INVESTMENT INCOME		
i) Investment income/(loss) from financial assets at fair value through profit or loss		
Fair value losses on equity investments (note 20)	(6,307)	(6,974)
Fair value gains on government securities (note 26(ii))	4,297	13,781
Gain/(loss) on disposal of equity investments	594	(5,048)
Dividends from equity investments	1,778	8,533
	362	**10,292**
ii) Interest income from government securities		
Interest from government securities held at amortised cost	52,546	46,286
Interest from government securities at fair value through profit or loss	59,339	39,543
	111,885	**85,829**
iii) Income from investment properties		
Rental income from investment property	73,360	61,191
Total investment income from property	**73,360**	**61,191**
iv) Other investment income		
Interest from deposits with financial institutions	16,728	19,801
Interest from mortgage loans	617	767
	17,345	**20,568**
Total investment income	**202,952**	**177,880**

Notes to the Financial Statements

For The Year Ended 31 December 2020 (contd)

	2020 Ksh' 000	2019 Ksh' 000
7. OTHER INCOME		
Kenya Motor Insurance Pool	(1,323)	2,174
Gain on disposal of assets	4,746	708
Other	17,919	2,843
	21,342	**5,725**
8. NET CLAIMS PAYABLE		
Claims payable by principal class of business:		
Motor	942,830	1,172,783
Fire	19,084	9,834
Marine	12,602	15,057
Workmen Compensation	113,703	53,248
Public Liability	66,539	14,831
Others	21,113	49,866
	1,175,871	**1,315,619**
9. OPERATING AND OTHER EXPENSES		
Staff costs (note 10)	244,832	256,258
Auditors' remuneration	5,019	4,500
Depreciation on property and equipment (note 16)	4,130	10,581
Amortisation on the on the right-of-use assets (note 17 (a))	4,859	5,037
Amortisation on intangible assets (note 18)	8,649	7,694
Impairment charge for doubtful receivables		
- Premium receivables (Note 22)	40,836	95,737
- Reinsurance receivables and other financial assets	15,138	3,443
Operating leases	4,386	7,366
Interest on lease liabilities (note 17 (b))	3,722	4,669
Marketing and advertising	14,992	30,054
Finance and bank charges	6,071	4,870
Printing, stationery and insurance	6,585	8,520
Consultancy fees	18,146	20,668
Directors fees	6,598	6,810
Other expenses	82,502	98,080
Total expenses	**466,464**	**564,287**
10. STAFF COSTS		
Staff costs include the following:		
- Salaries and wages	211,851	214,032
- Retirement benefit costs – defined contribution plan	16,483	16,726
Other staff costs	16,498	25,500
	244,832	**256,258**

Notes to the Financial Statements

For The Year Ended 31 December 2020 (contd)

11. TAXATION	2020 Ksh' 000	2019 Ksh' 000
i) Taxation (credit)/charge		
Prior year over provision – current tax	(4,134)	-
Deferred taxation credit (note 31)	(25,313)	(10,908)
	(29,447)	**(10,908)**
ii) Reconciliation of taxation credit to expected tax based on accounting loss		
Loss before taxation	**(79,143)**	**(44,656)**
Tax calculated at a tax rate of 25%	(19,786)	(13,397)
Tax effect of income not subject to tax	(12,921)	(8,376)
Tax effect of expenses not deductible for tax purposes	7,394	10,865
Over provision of deferred tax in prior year	(4,134)	-
Taxation credit	**(29,447)**	**(10,908)**
iii) Corporate tax recoverable		
At 1 January	(32,378)	(13,656)
Tax paid during the year	(3,490)	(18,722)
At 31 December	**(35,868)**	**(32,378)**

12. DIVIDENDS

Proposed dividends are accounted for as a separate component of equity until they have been ratified at an annual general meeting. The directors do not propose dividends for the year ended 31 December 2020 (2019: Nil).

13. SHARE CAPITAL	2020 Ksh' 000	2019 Ksh' 000
Share capital:		
Authorised share capital		
10,000,000 ordinary shares of Shs 100 each	**1,000,000**	**1,000,000**
Issued and fully paid for:		
6,000,000 ordinary shares of Shs 100 each	600,000	600,000
Total share capital	**600,000**	**600,000**

Notes to the Financial Statements

For The Year Ended 31 December 2020 (contd)

14. REVALUATION RESERVE

The revaluation reserve represents solely the surplus on the revaluation of buildings and is non-distributable.

	2020 Ksh' 000	2019 Ksh' 000
At 1 January	106,980	106,980
Reserve movements due to disposal of property	(9,610)	-
At 31 December	**97,370**	**106,980**

15. RETAINED EARNINGS

The retained earnings balance represents the amount available for dividend distribution to the shareholders of the company, except for cumulative fair value gains on the company's investment properties of Kshs. 285,155,139 (2019: Shs 299,005,000) whose distribution is subject to restrictions imposed by regulation.

16. PROPERTY AND EQUIPMENT

	Buildings Shs' 000	Motor vehicles Shs' 000	Furniture & office equipment Shs' 000	Work in Progress Shs' 000	Total Shs' 000
COST/REVALUATION					
At 1 January 2019	283,136	13,838	167,198	-	464,172
Additions	-	-	3,572	-	3,572
Revaluation	-	(1,100)	(619)	-	(1,719)
At 31 December 2019	**283,136**	**12,738**	**170,151**	**-**	**466,025**
At 1 January 2020	283,136	12,738	170,151	-	466,025
Additions	-	-	2,803	-	2,803
Disposals	(40,000)	-	(93)	-	(40,093)
At 31 December 2020	**243,136**	**12,738**	**172,861**	**-**	**428,735**
DEPRECIATION					
At 1 January 2019	11,019	12,938	154,498	-	178,455
Charge for the year	-	300	10,281	-	10,581
Èliminated on disposals	-	(1,100)	(619)	-	(1,719)
At 31 December 2019	**11,019**	**12,138**	**164,160**	**-**	**187,317**
At 1 January 2020	11,019	12,138	164,160	-	187,317
Charge for the year	-	300	3,830	-	4,130
Èliminated on disposals	(3,233)	-	(42)	-	(3,275)
At 31 December 2020	**7,786**	**12,438**	**167,948**	**-**	**188,172**

Notes to the Financial Statements

For The Year Ended 31 December 2020 (contd)

16. PROPERTY AND EQUIPMENT (contd)

	Buildings Shs' 000	Motor vehicles Shs' 000	Furniture & office equipment Shs' 000	Work in Progress Shs'000	Total Shs' 000
NET BOOK VALUE					
At 31 December 2020	235,350	300	4,912	-	**240,562**
At 31 December 2019	272,117	600	5,990	-	**278,707**

Land and buildings were valued on 31 December 2020 by Knight Frank Valuers Limited, registered professional valuers. The basis of valuation was current market value with existing use.

Land and buildings are carried at the fair value hierarchy level 3 in the fair value hierarchy.

If the Land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2020 Ksh' 000	2019 Ksh' 000
Cost	143,767	143,767
Accumulated depreciation	(34,869)	(31,274)
Net book value	**108,898**	**112,493**

17. LEASES

a) Right-of-use assets

The Company leases office space for its use. Information about the leases in which the Company is a lessee is presented below:

Notes to the Financial Statements

For The Year Ended 31 December 2020 (contd)

17. LEASES (contd)

	2020 Ksh' 000	2019 Ksh' 000
COST		
At 1 January as previously reported	46,021	-
Adjustment of ROU in the year	4,227	46,021
Disposal of Nakuru lease	(8,685)	-
At 31 December	**41,563**	**46,021**
AMORTISATION		
At 1 January	21,596	-
Day one adjustment on adoption of IFRS 16	-	16,558
Adjustment of depreciation on ROU	(635)	-
Charge for the year	4,859	5,037
Eliminated on disposal of Nakuru lease	(5,044)	-
At 31 December	**20,776**	**21,596**
NET BOOK VALUE		
At 31 December	**20,787**	**24,426**
Analysed as:		
Non - current	24,778	32,171
Current	5,745	4,757
At 31 December	**30,523**	**36,928**
The movement in the lease liabilities is as follows:		
At 1 January as previously reported	36,928	-
Day one adjustment on adoption of IFRS 16	-	40,494
Payment of lease liabilities	(10,127)	(8,235)
Interest on lease liabilities	3,722	4,669
At 31 December	**30,523**	**36,928**
Lease liabilities maturity analysis		
Year 1	9,494	8,886
Year 2	9,898	9,494
Year 3	10,885	10,179
Year 4	9,909	10,885
Year 5	-	9,909
	40,185	**49,353**

Notes to the Financial Statements

For The Year Ended 31 December 2020 (contd)

The Company does not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored within the company's treasury function. All lease obligations are denominated in Kenya Shillings.

The contractual amounts disclosed in the maturity analyses as required by IFRS 16 paragraph 39(a) and (b) are the contractual undiscounted cash flows i.e Gross lease liabilities.

18. INTANGIBLE ASSETS - COMPUTER SOFTWARE

INTANGIBLE ASSETS	2020 Ksh' 000	2019 Ksh' 000
COST		
At 1 January	40,617	40,617
Additions	4,779	-
At 31 December	**45,396**	**40,617**
DEPRECIATION		
At 1 January	29,971	22,277
Amortisation charge	8,649	7,694
At 31 December	**38,620**	**29,971**
NET BOOK VALUE		
At 31 December	**6,776**	**10,646**
19. INVESTMENT PROPERTIES		
At 1 January	1,015,882	1,015,882
Disposals	-	-
At 31 December	**1,015,882**	**1,015,882**

The Company's investment properties were valued as at 31 December 2020 by Knight Frank Valuers Limited, registered valuers. The basis of the valuation was open market value. Direct operating expenses attributable to management of the investment properties amounted to Shs. 6,345,966 (2019: Shs. 552,602).

The fair values arising from the open market valuation of investment property is categorised as level 3 in the fair value hierarchy.

	2020 Ksh' 000	2019 Ksh' 000
20. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS		
At 1 January	52,063	109,950
Additions	-	49,175
Disposals	(11,475)	(100,088)
Net fair value loss (note 6)	(6,307)	(6,974)
At 31 December	**34,281**	**52,063**
21. MORTGAGE LOANS		
At 1 January	6,583	7,986
Loan repayments	(929)	(1,403)
At 31 December	**5,654**	**6,583**
Maturity profile of mortgage loans		
Loans maturing:		
Within 1 year	-	-
In 1-5 years	-	-
In over 5 years	5,654	6,583
	5,654	**6,583**
22. RECEIVABLES ARISING OUT OF DIRECT INSURANCE ARRANGEMENTS		
Gross receivables	361,695	500,670
Provision for bad and doubtful debts	(229,086)	(242,936)
Net receivables	**132,609**	**257,734**
Movement in provision for bad and doubtful debts		
At 1 January	242,936	216,627
Day one adjustment on IFRS 9 adoption	-	43,588
Bad debts written off	(54,686)	(113,016)
Impairment charge during the year (Note 9)	40,836	95,737
At 31 December	**229,086**	**242,936**

Notes to the Financial Statements

For The Year Ended 31 December 2020 (contd)

23. REINSURERS' SHARE OF INSURANCE LIABILITIES	2020 Ksh' 000	2019 Ksh' 000
Reinsurers' share of:		
- notified claims outstanding (note 29)	289,573	191,687
- claims incurred but not reported (note 29)	5,411	10,700
- unearned premium (note 30)	181,235	176,933
	476,219	**379,320**

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.

24. OTHER RECEIVABLES	2020 Ksh' 000	2019 Ksh' 000
Due from related parties (note 37(ii))	89	154
Prepayments	10	2,107
Utilities and rental deposit	3,059	3,059
Rent receivable	30,857	29,425
Others	52,269	11,893
	86,284	**46,638**

All other receivables are classified as current assets except utilities and rental deposit which are classified as noncurrent assets.

25. DEFERRED ACQUISITION COSTS	2020 Ksh' 000	2019 Ksh' 000
At 1 January	53,487	60,394
Reductions	(18,842)	(6,779)
Amortisation	3,970	(128)
At 31 December	**38,615**	**53,487**

The Company's policy is to recognise the proportion of acquisition costs that relate to policies that are in force at year end ("deferred acquisition costs").

26. GOVERNMENT SECURITIES

	2020 Ksh' 000	2019 Ksh' 000
(i) Government securities held at amortised cost		
- Maturing within 1 year	10,107	10,030
- Maturing in 1-5 years	102,284	115,807
- Maturing after 5 years	318,781	276,610
	431,172	**402,447**
At 1 January	402,447	369,971
Additions	50,000	138,500
Amortisation	3,768	11,716
Maturities	(25,000)	(117,700)
Impairment Provision	(43)	(40)
At 31 December	**431,172**	**402,447**
(ii) Government securities at fair value through profit and loss		
At 1 January	490,749	218,568
Additions	145,448	258,400
Maturities	(184,208)	-
Fair value gain (note 6)	4,297	13,781
At 31 December	**456,286**	**490,749**

27. WEIGHTED AVERAGE EFFECTIVE INTEREST RATES

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

	2020 %	2019 %
Mortgage loans	10	10
Government securities	12.4	12.1
Deposits with financial institutions	9.5	9.38

28. INSURANCE CONTRACT LIABILITIES

	2020	2019
Short term non-life insurance contracts		
- claims reported and claims handling expenses (note 29)	1,386,012	1,177,640
- claims incurred but not reported (note 29)	211,968	209,745
Total - short term	**1,597,980**	**1,387,385**

Movements in insurance liabilities and reinsurance assets are shown in note 29.

Notes to the Financial Statements

For The Year Ended 31 December 2020 (contd)

Short term non-life insurance contracts

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

The Company uses historical experience to estimate the ultimate cost of reported claims and the IBNR provision. This involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to claims data for each accident year that is not fully developed to produce an estimated ultimate claims cost for each accident year.

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

Accident year	2016 Shs'000	2017 Shs'000	2018 Shs'000	2019 Shs'000	2020 Shs'000	Total Shs'000
Cumulative incurred claims estimate:						
– at end of	718,660	1,046,519	1,128,590	1,042,034	871,945	**4,807,748**
– one year later	807,401	1,155,707	1,323,207	1,311,384	-	**4,597,699**
– two years	811,733	1,172,931	1,385,192	-	-	**3,369,856**
– three years	856,882	1,218,639	-	-	-	**2,075,520**
– four years	882,497	-	-	-	-	**882,497**
Current estimate of cumulative incurred claims	882,497	1,218,639	1,385,192	1,311,384	871,945	**5,669,657**
Less: cumulative payments to date	(1,051,327)	(790,852)	(1,088,409)	(1,169,282)	(993,875)	**(5,093,746)**
Liability in the statement of financial position	91,644	130,229	215,910	317,509	417,899	**1,173,192**
Liability in respect of prior years	-	-	-	-	-	**212,820**
IBNR	-	-	-	-	-	**211,968**
Total gross claims liability included in the statement of financial position						**1,597,980**

Notes to the Financial Statements

For The Year Ended 31 December 2020 (contd)

28. INSURANCE CONTRACT LIABILITIES (contd)

Accident year	2015 Shs'000	2016 Shs'000	2017 Shs'000	2018 Shs'000	2019 Shs'000	Total Shs'000
Cumulative incurred claims estimate:						
– at end of	936,989	718,660	1,046,519	1,128,590	1,042,034	**4,872,792**
– one year later	1,083,303	807,401	1,155,707	1,323,207	-	**4,369,617**
– two years	1,066,562	811,733	1,172,931	-	-	**3,051,226**
– three years	1,070,406	856,882	-	-	-	**1,927,287**
– four years	1,093,635	-	-	-	-	**1,093,635**
Current estimate of cumulative incurred claims	1,093,635	856,882	1,172,931	1,323,207	1,042,034	**5,488,689**
Less: cumulative payments to date	(1,027,633)	(756,694)	(1,027,357)	(1,097,533)	(553,653)	**(4,462,869)**
Liability in the statement of financial position	66,003	100,188	145,574	225,674	488,432	**1,025,870**
Liability in respect of prior years	-	-	-	-	-	**151,770**
IBNR	-	-	-	-	-	**209,745**
Total gross claims liability included in the statement of financial position						**1,387,385**

Notes to the Financial Statements

For The Year Ended 31 December 2020 (contd)

29. MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

Short term insurance business

	2020			2019		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Notified claims	1,177,640	(191,687)	985,953	1,052,316	(183,964)	868,352
Incurred but not reported	209,745	(10,700)	199,045	199,574	(27,569)	172,005
Total at 1 January	**1,387,385**	**(202,387)**	**1,184,998**	**1,251,890**	**(211,533)**	**1,040,357**
Cash paid for claims settled in year	(1,219,874)	107,838	(1,112,036)	(1,343,758)	111,130	(1,232,628)
Increase in liabilities						
- arising from current year claims	332,227	(18,724)	313,504	592,867	20,490	613,357
- arising from prior year claims	1,098,242	(181,712)	916,530	886,386	(122,474)	763,912
Total at 31 December	**1,597,980**	**(294,984)**	**1,302,996**	**1,387,385**	**(202,387)**	**1,184,998**
Notified claims	1,386,012	(289,573)	1,096,439	1,177,640	(191,687)	985,953
Incurred but not reported	211,968	(5,411)	206,557	209,745	(10,700)	199,045
Total at 31 December	**1,597,980**	**(294,984)**	**1,302,996**	**1,387,385**	**(202,387)**	**1,184,998**

30. PROVISIONS FOR UNEARNED PREMIUMS

The unearned premium provision represents the liability for short term business contracts where the Company's obligations are not expired at the year end. Movements in the reserves are shown below:

	2020			2019		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At 1 January	772,788	(176,933)	595,854	830,178	(163,263)	666,914
Change in the period (net)	(143,165)	(4,302)	(147,467)	(57,390)	(13,670)	(71,060)
At 31 December	**629,622**	**(181,235)**	**448,387**	**772,788**	**(176,933)**	**595,854**

Notes to the Financial Statements

For The Year Ended 31 December 2020 (contd)

31. DEFERRED TAXATION

Deferred tax is calculated using the enacted income tax rate of 30% (2019: 30%) The movement on the deferred income tax account is as follows:

	31 December 2020 Shs'000	31 December 2019 Shs'000
At 1 January	59,099	34,790
Income statement credit (note 11)	25,313	10,908
IFRS 9 day one adjustment through retained earnings	-	13,401
Over provision of deffered tax in prior year	4,134	-
At 31 December	**88,546**	**59,099**

The net deferred tax asset is made up of the following temporary differences:

Year ended 31 December 2020	1 January 2020 Shs'000	Credited to Equity Shs'000	Charged/ Credit to P/L Shs'000	31 December 2020 Shs'000
Property and equipment:				
- on historical cost basis	12,506	-	774	13,280
Property and equipment:				
- on revaluation surplus	(45,184)	-	-	(45,184)
Provisions	87,670	-	(12,099)	75,570
Lease Liability - IFRS 16	11,357	-	(2,200)	9,157
Unrealised exchange losses	219	-	(219)	-
Unrealised exchange gains			(63)	(63)
Tax losses	12,076	-	38,391	50,467
Fair value gains on investment property				
& equity instruments	(8,761)	-	315	(8,446)
ROU Asset - IFRS 16	(10,784)	-	4,548	(6,236)
Net deferred tax asset	**59,099**	**-**	**29,447**	**88,546**

Notes to the Financial Statements

For The Year Ended 31 December 2020 (contd)

Year ended 31 December 2019	1 January 2019 Shs'000	Credited to Equity Shs'000	Charged/ Credit to P/L Shs'000	31 December 2019 Shs'000
Property and equipment:				
- on historical cost basis	12,856	-	238	13,094
Property and equipment:				
- on revaluation surplus	(45,771)	-	-	(45,771)
Provisions	76,797	-	(2,528)	74,269
Lease Liability - IFRS 16	-	-	12,148	12,148
Unrealised exchange losses	18	-	200	218
Tax losses	-	-	12,076	12,076
Lease Liability - IFRS 16	-	-	(791)	(791)
Fair value gains on investment property	(9,110)	-	349	(8,761)
ROU Asset - IFRS 16	-	-	1,511	1,511
ROU Asset - IFRS 16	-	-	(12,295)	(12,295)
IFRS 9 day one adjustment	-	13,401	-	13,401
Net deferred tax asset	**34,790**	**13,401**	**10,908**	**59,099**

32. OTHER PAYABLES

	2020 Ksh' 000	2019 Ksh' 000
Accrued expenses	30,065	46,848
Leave accrual	-	4,105
Rental deposits	22,552	15,576
Payroll liabilities	3,146	4,167
Sundry creditors	2,596	1,328
Stale cheques	653	1,265
Other liabilities	22,786	23,526
	81,798	**96,815**

33. CONTINGENT LIABILITIES

Guarantees and bid bonds

The Company renewed an overdraft bank loan facility with NCBA for Shs 50,000,000 which is secured by a charge over property title. Bank guarantees for Shs 21,200,471 (2019: Shs 7,929,814) have been issued against the bank overdraft facility.

The company is subject to litigations arising in the normal course of insurance business. The directors, based on the legal advice, are of the opinion that these litigations will not have a material effect on these financial statements.

34. OPERATING LEASES

The Company as a Lessor

The maturity analysis of operating lease payments in which the Company is the lessor, relate to investment properties owned by the Company;

Notes to the Financial Statements

For The Year Ended 31 December 2020 (contd)

	2020 Ksh' 000	2019 Ksh' 000
Later than 1 year and not later than 5 years	247,136	251,840
Later than 5 years	-	45,582
	247,136	**297,422**

The lease income on the operating leases as at 31 December 2020 was Shs 73,360,362 (2019:Shs 61,191,000).

35. CASH AND CASH EQUIVALENTS

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

	2020 Shs'000	2019 Shs'000
Cash and bank balances	71,223	108,888
Deposits with financial institutions	250,747	233,105
	321,970	**341,993**

Deposits with financial institutions have an average maturity of 6 months (2019: 6 months). The effective interest rate on deposits was 9.4% per annum (2019: 10.3%).

36. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of profit before tax to cash (used in)/generated from operations:	2020 Ksh' 000	2019 Ksh' 000
Loss before taxation	(79,143)	(44,656)
Adjustments for:		
Interest from investments in Government securities (Note 6(ii))	(111,885)	(85,829)
Interest from bank deposits (Note 6(iv))	(16,728)	(19,801)
Interest from mortgage loans (Note 6(iv))	(617)	(767)
Depreciation (note 16)	4,130	10,581
Amortisation on intangible assets (note 18)	8,649	7,694
Amortisation on the right-of-use assets (note 17 (a))	4,859	5,037
Interest on lease liabilities (note 17 (b))	3,722	4,669
Gain on sale of equipment (note 7)	(4,746)	(708)
Change in fair value of quoted shares (note 20)	6,307	6,974
Amortisation of government securities (note 26 (i))	(3,768)	(11,716)
Unrealized fair value gains on Government securities (note 26 (ii))	(4,297)	(13,781)
IFRS 9 Day 1 Impairment adjustment	-	(44,670)
Adjustments on Right of use Assets	(1,221)	-
Impairment provision for due from Government securities (note 26 (i))	43	40

Notes to the Financial Statements

For The Year Ended 31 December 2020 (contd)

	2020 Ksh' 000	2019 Ksh' 000
Changes in:		
Technical provisions	(29,470)	73,582
Payables arising from reinsurance arrangements	(23,078)	16,185
Deferred acquisition cost	14,872	6,907
Kenya Motor Insurance Pool	1,307	4,693
Other receivables	(39,645)	(699)
Receivables arising out of direct insurance	125,125	128,308
Receivables arising out of reinsurance business	(35,181)	61,564
Other payables	(15,017)	(12,221)
Cash (used in)/generated from operations	**(195,782)**	**91,386**

37. RELATED PARTY TRANSACTIONS

The Company is related to other Companies through common shareholdings or common directorships. In the normal course of business, insurance policies are sold to related parties at terms and conditions similar to those offered to major clients.

	2019 Ksh' 000	2019 Ksh' 000
i. Transactions with related parties		
Gross earned premium:		
- Related parties – directors	1,035	786
- Related parties – other	2,392	2,355
ii. Outstanding balances with related parties		
Amounts due from related parties (note 24)		
Loans advanced to staff	12	77
Southern Shield Holdings	77	77
	89	**154**
iii. Mortgage loans to directors and key management staff of the Company		
At 1 January	6,583	7,986
Loan repayments received	(929)	(1,403)
At 31 December	**5,654**	**6,583**
iv. Key management compensation		
Salaries and other short-term employment benefits	71,031	61,929
v. Directors' remuneration		
Directors' fees	6,598	6,810
Other remuneration (included in key management compensation above)	71,031	61,929
	77,629	**68,739**

Notes to the Financial Statements

For The Year Ended 31 December 2020 (contd)

38. INCORPORATION

The company is domiciled in Kenya where it is incorporated as a private company limited by shares under the Kenyan Companies Act. The address of the registered office is set out on page 9.

39. CURRENCY

The financial statements are presented in Kenya Shillings (Ksh' 000).

40. SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

On 30 January 2020, the World Health Organisation announced the outbreak of COVID-19 as a world health emergency of international concern and on 11 March 2020 the outbreak was classified as a global pandemic. In Kenya, the first case was noted on 13 March 2020 and on 15 March, the Government restricted movement into and out of the country and later issued a dusk to dawn curfew effective 25 March 2020. These directives have largely remained in force to date except for industries marked as essential services

In the month of March 2020, the Government of Kenya banned local and international flights due to the COVID-19 pandemic. All passenger flights were banned but cargo flights continued under new measures that the Government implemented.

The directors have assessed the evolving scenarios as a result of COVID-19 and noted that the operations of the Company were not significantly impacted by the pandemic. With respect to the business operations in the year 2021 and beyond, the directors have no doubt that the entity will continue as a going concern and will be in a position to honour its obligation as and when they fall due.

41. EVENTS AFTER THE REPORTING DATE

The country has registered a decline in the rate of virus infections with positivity rate less than 10%. The arrival of the first batch of vaccine is a positive development and the key risks to economic recovery include;

- The slow vaccination process and success rate of the vaccines
- New waves and new mutations of virus coming up
- Roll out of Government post-covid economic stimuli

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General Insurance Business Revenue Account For Year 2020

Class of insurance Business	Engineering	Fire Domestic	Fire Industrial	Liability	Marine and Aviation	Motor Private	Motor Comm	Workmen's Compens-ation	Personal Accident	Theft	Miscellan-eous	2020 Total
Gross written premium	66,822	20,822	147,689	27,197	445,820	567,034	419,371	177,518	87,792	86,194	13,933	2,060,190
UPR - January 2020	47,605	8,277	56,709	5,378	66,331	311,123	196,662	53,975	6,551	9,257	10,919	772,788
UPR - December 2020	43,956	6,953	53,113	1,677	93,705	236,425	132,107	43,212	10,392	3,406	4,678	629,622
Gross earned premium	**70,471**	**22,147**	**151,285**	**30,898**	**418,446**	**641,732**	**483,927**	**188,281**	**83,951**	**92,045**	**20,174**	**2,203,355**
Gross claims paid	14,490	5,970	27,756	10,398	33,953	511,476	349,004	88,651	66,096	43,266	184	1,151,243
At 31 December 2020	84,281	1,262	201,064	14,711	50,381	413,781	544,897	192,457	2,149	93,556	(560)	1,597,980
At 1 January 2020	13,121	1,081	175,847	17,004	66,745	371,646	484,486	166,419	(245)	94,182	(2,902)	1,387,385
Gross claims incurred	**85,650**	**6,150**	**52,973**	**8,105**	**17,590**	**553,610**	**409,415**	**114,689**	**68,490**	**42,640**	**2,526**	**1,361,838**
Net written premium	11,023	11,807	24,873	21,721	24,031	543,355	393,321	172,504	81,123	29,045	4,818	1,317,621
UPR - January 2020	4,536	4,932	22,310	4,684	10,809	297,896	187,341	52,860	3,014	3,923	3,550	595,854
UPR - December 2020	3,439	4,348	21,949	1,241	9,704	228,714	126,018	42,003	8,095	1,127	1,749	448,387
Net earned premium	**12,120**	**12,392**	**25,234**	**25,164**	**25,136**	**612,537**	**454,643**	**183,360**	**76,042**	**31,841**	**6,619**	**1,465,088**
Net claims paid	4,020	4,536	7,356	10,398	12,829	506,301	337,199	89,554	64,417	21,181	81	1,057,872
At 31 December 2020	4,232	(2,379)	102,211	13,914	37,555	418,249	504,497	185,799	5,367	40,114	(6,563)	1,302,996
At 1 January 2020	4,645	(2,549)	95,188	16,094	37,783	376,188	447,228	161,649	3,245	52,863	(7,337)	1,184,998
Net claims incurred	**3,607**	**4,706**	**14,378**	**8,218**	**12,602**	**548,362**	**394,468**	**113,703**	**66,539**	**8,433**	**855**	**1,175,871**
Commissions payable	14,150	4,228	26,780	6,005	11,020	64,864	49,923	40,680	9,948	13,005	1,753	242,355
Commissions receivable	(19,118)	(3,005)	(33,995)	(1,133)	(25,471)	(4,612)	(3,771)	(298)	(2,347)	(16,046)	(6,369)	(116,165)
Management Expenses	6,315	4,747	11,131	4,670	20,506	172,890	81,071	26,821	11,472	10,267	5,126	355,016
Total expenses	**4,758**	**10,627**	**18,211**	**15,392**	**32,924**	**779,012**	**518,606**	**176,752**	**85,597**	**13,833**	**1,365**	**1,657,077**
Net U/W Profit/(Loss)	**7,362**	**1,765**	**7,023**	**9,773**	**(7,788)**	**(166,475)**	**(63,963)**	**6,608**	**(9,556)**	**18,008**	**5,254**	**(191,989)**

General Insurance Business Revenue Account For Year 2019

Class of insurance Business	Engineering	Fire Domestic	Fire Industrial	Liability	Marine and Aviation	Motor Private	Motor Comm	Workmen's Compens-ation	Personal Accident	Theft	Miscellan-eous	2019 Total
Gross written premium	79,769	25,755	172,978	42,528	289,317	799,347	648,323	198,161	20,221	100,927	31,833	2,409,159
UPR - January 2019	42,820	9,441	53,463	8,742	53,209	304,814	261,629	65,818	4,095	9,847	16,299	830,177
UPR - December 2019	47,605	8,277	56,709	5,378	66,331	311,123	196,662	53,975	6,551	9,257	10,919	772,787
Gross earned premium	**74,984**	**26,919**	**169,732**	**45,892**	**276,195**	**793,038**	**713,290**	**210,004**	**17,765**	**101,517**	**37,213**	**2,466,549**
Gross claims paid	23,638	3,686	34,010	4,595	31,087	547,626	510,313	77,610	9,594	19,442	1,958	1,263,559
At 31 December 2019	13,121	1,081	175,847	17,004	66,745	371,646	484,486	166,419	(245)	94,182	(2,900)	1,387,386
At 1 January 2019	15,786	3,626	175,633	8,516	70,039	274,584	438,743	186,961	1,493	76,329	180	1,251,890
Gross claims incurred	**20,973**	**1,141**	**34,224**	**13,083**	**27,793**	**644,688**	**556,056**	**57,068**	**7,856**	**37,295**	**(1,122)**	**1,399,055**
Net written premium	12,748	14,515	25,834	32,435	29,413	762,261	601,676	193,717	10,772	39,344	11,561	1,734,276
UPR - January 2019	5,077	6,128	23,579	3,949	12,809	291,301	246,000	64,392	2,884	6,487	4,309	666,915
UPR - December 2019	4,536	4,932	22,310	4,684	10,809	297,896	187,341	52,860	3,014	3,922	3,550	595,854
Net earned premium	**13,289**	**15,711**	**27,103**	**31,700**	**31,413**	**755,666**	**660,335**	**205,249**	**10,642**	**41,909**	**12,320**	**1,805,337**
Net claims paid	9,207	3,517	14,509	4,595	16,070	545,678	474,778	78,070	11,265	12,680	610	1,170,979
At 31 December 2019	4,645	(2,549)	95,188	16,094	37,783	376,188	447,228	161,649	3,245	52,863	(7,337)	1,184,997
At 1 January 2019	489	3,120	97,711	7,369	38,796	272,721	398,368	186,471	(320)	42,921	(7,289)	1,040,357
Net claims incurred	**13,363**	**(2,152)**	**11,986**	**13,320**	**15,057**	**649,145**	**523,638**	**53,248**	**14,830**	**22,622**	**562**	**1,315,619**
Commissions payable	14,650	4,706	31,764	4,859	31,903	76,636	60,439	37,246	3,726	13,247	2,844	282,02 19
Commissions receivable	(23,601)	(3,113)	(38,536)	(3,229)	(17,836)	(6,071)	(5,637)	(308)	(2,075)	(15,837)	(12,084)	(128,327)
Management Expenses	5,070	4,432	11,757	5,498	14,884	196,055	109,891	25,839	3,825	11,692	6,139	395,082
Total expenses	**9,482**	**3,873**	**16,971**	**20,448**	**44,008**	**915,765**	**688,331**	**116,025**	**20,306**	**31,723**	**(2,539)**	**1,864,393**
Net U/W Profit/(Loss)	**3,807**	**11,838**	**10,132**	**11,252**	**(12,595)**	**(160,099)**	**(27,996)**	**89,224**	**(9,664)**	**10,186**	**14,859**	**(59,056)**

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