Fidelity
INSURANCE

Annual Report and Financial Statements

For the year ended 31 December

2021

Annual Report and Financial Statements

31 December 2021

CONTRACTORS' ALL RISKS

Service is our DNA

Insurance you can trust.

Fidelity
INSURANCE

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

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Corporate Information

Corporate Information

Board of Directors

S. Shollei	-	Chairman
M. Koech	-	Managing Director
A. Kurji		
L. Kibet	-	Appointed on 23 September 2021
S. Merali		
R. Likami		
Tandala Investment Ltd.	-	J. Koskey (Alternate Director)
R. Kemoli	-	Resigned on 30 April 2021

Board Audit, Risk & Compliance Committee

R. Likami	-	Chairman
A. Kurji		
S. Merali		
L. Kibet		

Board Finance & Investments Committee

J. Koskey	-	Chairman
S. Merali		
R. Likami		
M. Koech		

Board Compensation & Remuneration Committee

S. Shollei	-	Chairman
J. Koskey		
A. Kurji		

Management

M. Koech	-	Managing Director
R. Marisin	-	Head of Finance & Administration
A. Kiragu	-	Head of Operations
M. Njoroge	-	Human Resources Manager
D. Wainaina	-	Underwriting Manager
S. Kamau	-	Claims Manager
J. Mboya	-	Manager, ICT
A. Andayi	-	Branch Manager, Eldoret
D. Gitau	-	Branch Manager, CBD
N. Shariff	-	Branch Manager, Mombasa
T. Amina	-	Branch Manager, Nakuru
S. Kiano	-	Branch Manager, Thika
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
Mombasa Trade Center,
8th floor 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.)

Company Secretary
ESR Kenya LLP
Certified Public Secretaries (Kenya)
P O Box 47323-00100
Nairobi, Kenya

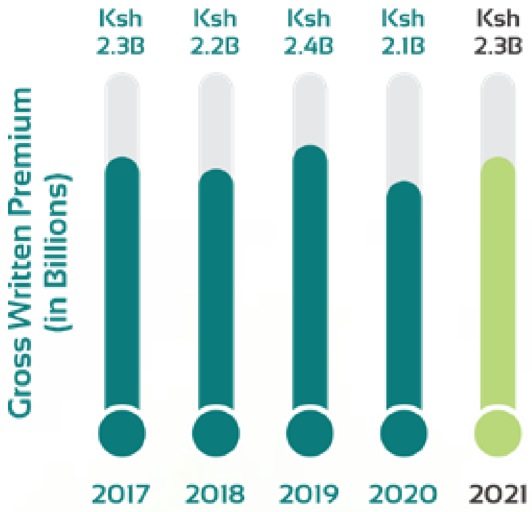
Independent Auditor
PricewaterhouseCoopers LLP
P O Box 43963, 00100
PwC Tower, Waiyaki Way, Westlands
Nairobi

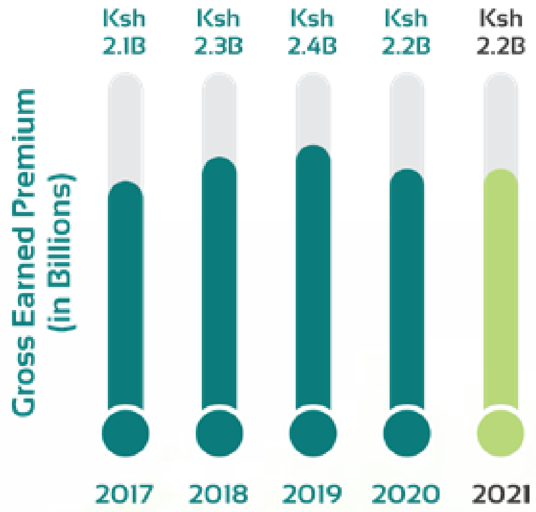
Principal Advocate
Coulson Harney LLP
5th Floor, West Wing, ICEA Lion Centre
Riverside Park, Chiromo Road
P O Box 10643 – 00100
Nairobi, Kenya

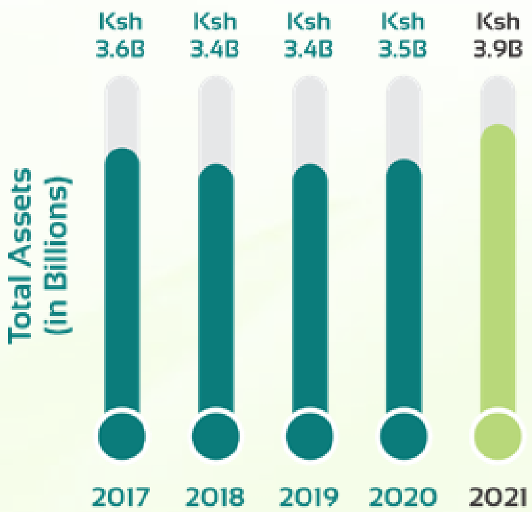
Consulting Actuary
Kenbright Actuarial and Financial Services
Ground Floor ACK Garden House
Upper Hill, 1st Ngong Avenue
P O Box 28281 – 00200
Nairobi, Kenya

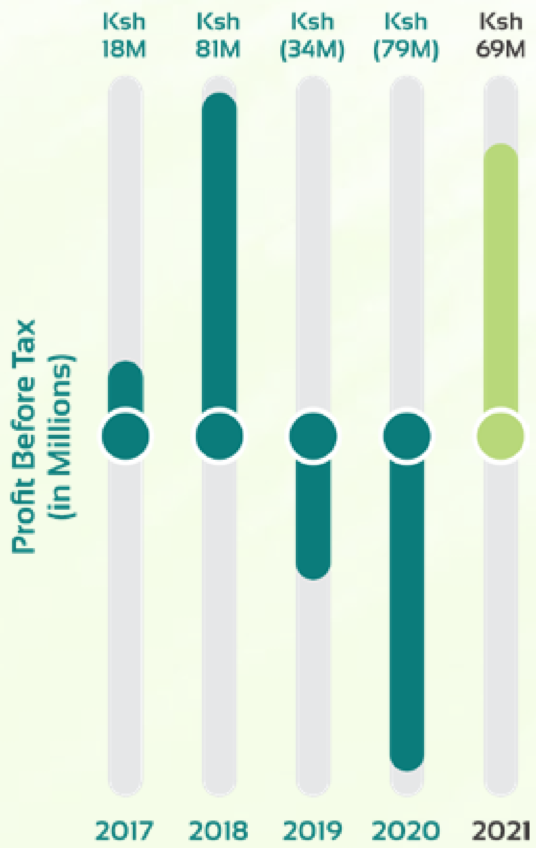
Principal Bankers
NCBA Bank Kenya PLC
Mara and Ragati Road, Upper Hill
P O Box 30437 – 00100
Nairobi, Kenya

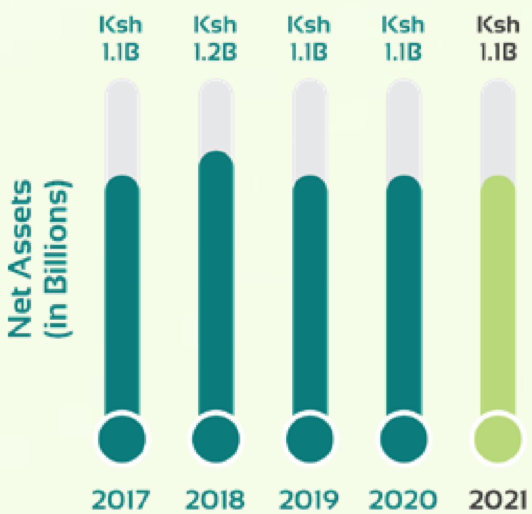
Five Financial Highlights











Board of Directors

SAM SHOLLEI
Chairman & Independent Non-Executive Director

MATHEW KOECH
Managing Director

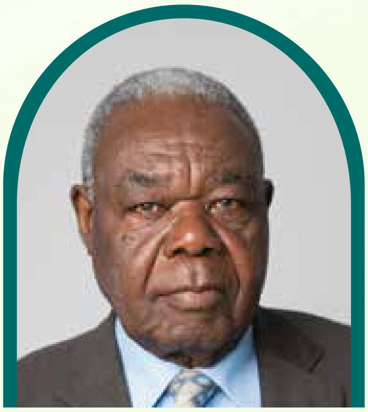
ABDULALI KURJI
Non-Executive Director

L. KIBET
Independent Non-Executive Director (Appointed 23rd Sept. 2021)

SAMEER NAUSHAD MERALI
Non-Executive Director

REBECCA LIKAMI
Independent Non-Executive Director

JOSEPH KOSKEY
Independent Non-Executive Director



RICHARD KEMOLI
Resigned on 30th April 2021

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.

01

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

02

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

03

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

04

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

05

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


LEHTINEN
VOLVO
MAN

Chairman's Statement

Chairman's Statement

Introduction
I am delighted to present, on behalf of the Board of Directors the Company's Annual Report and Financial Statements for the year ended 31 December 2021.

Economic Overview
Year 2021 marked the second year into Covid-19 pandemic with its continued unprecedented challenges and economic shocks across the World. However, following the roll out of vaccines early in the year, many economies across the world started recovering due to the gradual easing of Covid 19 restriction measures. Advanced economies are projected to expand by 5.2%, while developing and emerging markets are projected to expand by 6.4% in 2021 as per IMF estimates.

According to the National Treasury, the Kenyan economy is estimated to have grown by about 6% in year 2021. Data from KNBS indicates so far that real GDP grew by 0.7%, 10.1% and 9.9% in first, second and third quarter 2021 respectively supported by significant rebounds in economic activities in the manufacturing, education and transport sectors which had contracted during the restriction period. The performance was however slowed down by a dismal performance in Agriculture sector because of unfavourable weather condition in most parts of the Country.

Operating Environment
Inflation rate remained within the government's set upper range of 7.5% with the average monthly inflation rate of 6.1% due to the high fuel prices and unfavourable weather conditions which led to food commodity prices spiking. Yields on government securities remained relatively stable and yields with the 91-day and 364-day T-bills increased to 7.0% and 8.5% in 2021, from 6.2% and 7.5% at the end of 2020, respectively. Equities Market was on an upward trajectory, with NASI, NSE 25 and NSE 20 increasing by 9.5%, 9.8% and 1.6%, respectively. The Kenya Shilling on the other hand depreciated by 3.6% against the US Dollar to close at Kshs 113.1 in 2021, compared to Kshs 109.2 at the end of 2020. This was mainly of increased dollar demand coupled with crude price increase as economies reopened around the world.

The Insurance Industry
The General Insurance sector registered a growth of 15.5% by end of third quarter 2021 compared a decline of 0.2% in full year 2020. The growth was mainly supported the economic recovery following relaxation of the pandemic restrictions and new WIBA premiums for national police and civil servants injected by the Government through NHIF. The industry however continues to remain fragmented because of unhealthy competitions and high loss ratio in the motor private class being a major challenge due to low premium rates charged. Unfortunately, efforts by the industry to correct the pricing have been frustrated by litigation. The other challenge was that of disruption in the supply chain resulting from logistical shipping challenges especially in relation to motor spare parts supply. On the other hand, the successful roll out of digital issuance motor insurance certificates has significantly eased service delivery to clients and reduced the incidence of fraud. We look forward to full enforcement of risk-based supervision in order to moderate on some of challenges being faced by the sector.

Performance Highlights
Despite operating and trading in another extraordinary year, our business remained resilient with overall gross written premium growing by 11% to Ksh. 2,281 million compared to Ksh. 2,060 million in 2020 due to the economic recovery and our brand positioning which enable us to generate more new business during the year. Our gross claims incurred registered an improvement of 16% due to implementation of strategies aimed at curbing claims leakages. Overall management expenses reduced by 12% to Ksh 412 million from Ksh 466 million following a deliberate move to cut down expenditure and the resolute decision to preserve cash. Investment income declined

Chairman's Statement (contd.)

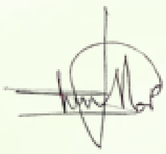
by 36% to Ksh 145 million as result of property revaluation loss of Ksh 69 million and a reduction on rental income due to reduced demands for office space as most institutions are embracing "working from home" policies. Interest income on the other hand increased by 6% to Ksh 142 million driven by increased allocation to fixed income assets. The Profit before tax improved to Ksh 69 million up from a loss of Ksh 79 million in 2020 due to improvement in claims experience and reduction in management expenses.

Future Outlook

The year 2022 started has started well following the approval of new strategic plan by the Board. We have rolled out a new vision and mission which is customer centric with the main purpose of safeguarding livelihoods. Through this, we shall strengthen our customer experience and service touch points with a view to removing uncertainties and jargons around insurance. The recent investments in building robust business processes, risk management framework, staff capacity building and technology are expected to bear fruits and bring in efficiencies in our way of doing business. Innovation will be key in our sustainability culture and such, we have set our sight on introducing health insurance by end of 2022. We shall remain flexible as we serve our clients. Towards this end, we have digitized all our files and this digital strategy will enable employees to offer service from anywhere any time. We will continue to exploit new ideas and embrace solutions which will improve our business models and profitable growth.

Tribute

I would like to express my appreciation to all our customers for the continued unwavering business support and most of all for trusting their business with us. I also wish to pay a special tribute to all employees who tirelessly worked through the difficult circumstance to deliver improved results. I am grateful to my fellow Board Members for supporting management and driving the Company's strategy in a difficult year. Finally, I would like to sincerely thank my predecessor Mr. Richard Kemoli for his wisdom, leadership, and dedication to the company for over 10 years. As we roll out the new vision and mission of the company, I look forward to seeing our customer experience being top notch and a benchmark of excellence.



Sam Shollei
Chairman
17 March 2022

Corporate Governance Statement

Fidelity Shield Insurance Company Limited views the application of good Corporate Governance practices as fundamentally key to achieving a healthy and sustainable return on investment for its shareholders, while fulfilling its social mandate to improve the quality of life for all stakeholders. The Directors therefore remain committed to the best principles of good Corporate Governance in running the operations of the Company.

The Company ensures the compliance of all the rules, regulations, and laws in the conduct of its business. The Company is administered in pursuit of earning credibility in the market and increasing value for the stakeholders. The decision making and powers are exercised with integrity, responsibility, accountability, and transparency.

Board of Directors

Composition of the Board

The Company is led by an effective Board that provides strategic direction, oversight over Management and ensures that Management is creating value for all stakeholders.

The Insurance Regulatory Authority (IRA) has in place Guidelines on Corporate Governance for Insurers. These Guidelines set out the minimum requirements for insurers operating in Kenya. The Key requirements for a Board of an insurance company is at least five (5) members, at least a third of the Board members including the Board Chairman are required to be independent professionals and Minimum Recommended Board Committees-Audit, Investment, Risk Management, Asset Liability Management, Policy-holder Protection, Ethics and Nomination and Remuneration. The Board currently comprises of nine (7) members.

Though the overall responsibility of monitoring and controlling the operational and financial performance of the Company vests with the Board of Directors, the day-to-day management of the Company has been delegated to the Managing Director.

Role of the Board

The Board's primary responsibility is that of fostering the business of the Company consistent with its fiduciary responsibility to the shareholders.

The Board of Directors meets at least quarterly and is chaired by a non-executive independent director.

Board Committees

To effectively carry out its governance responsibilities, the Board has established several standing committees as listed below and delegated specific mandates to them. These committees operate under clearly articulated terms of reference which clarify their responsibilities and scope of authority. The committees have unrestricted access to any information within the Company and have unfettered access to the Company Secretary and independent professionals to enable them effectively to discharge their functions.

All committees report to the Board at each Board meeting highlighting matters discussed at their respective meetings and recommended actions for Board approval in appropriate cases. Notwithstanding the delegated authority to these committees, the Board remains fully responsible for the areas overseen by the committees and activities of the committees.

During the year under review, the Board met five (5) times to monitor business performance against the business plan and budget. The record of attendance at the Board meetings is set out below:

Corporate Governance Statement (contd.)

Director	11.03.2021	06.05.2021	12.08.2021	11.11.2021	30.11.2021
R. Kemoli	✓	R	R	R	R
M. Koech	✓	✓	✓	✓	✓
A. Kurji	✓	✓	✓	✓	✓
S. Shollei	✓	✓	✓	✓	✓
S. Merali	✓	✓	✓	✓	✓
R. Likami	✓	✓	✓	✓	✓
J. Koskey	✓	✓	✓	✓	✓
L. Kibet	X	X	X	✓	✓

Key: ✓ - Present X - Not attended (New Director) R - Resigned

The mandates of the committees and their membership are summarized as follows:

(a) Board Audit, Risk & Compliance Committee

The Board Audit, Risk & Compliance Committee comprises of four members. The Chairman who is a Non-independent and non-executive director and three other directors. On the Audit front, its key objective is to assist the Board in providing an in-dependent review of the effectiveness of the financial reporting process and internal control system of the Company. Whereas on the Risk front, its key objective is to ensure that the Company has in place all the key elements of a sound risk management system. The Committee is mandated to set out the nature, role, responsibility and authority of the insurer's risk management function and systems and outline the scope of risk management work. It reviews the performance and findings of the Internal Audit,Risk and Compliance function and recommend appropriate remedial action at least quarterly.

(b) Board Finance and Investment Committee

The Board Finance and Investment Committee comprises of four members. Its key objective is to assist the Board in providing overall guidance to the various Management Committees so that the overall investment strategies and objectives are achieved. This Committee reviews and makes recommendations on the financial and investment business of the Company. The Committee also provides guidelines and limits for the investment of the Company's funds.

(c) Board Compensation and Remuneration Committee

The board Compensation and Remuneration Committee comprises of three members. Its key objective is to assist the Board in providing overall guidance to the various Management Committees so that the overall Human resources matters, and objectives are achieved. This Committee reviews and makes recommendations on matters salary reviews, bonus payments, staff recruitments and resignation and any dispute arising from Company's workforce.

Corporate Governance Statement (contd.)

(d) Management Committee

The Management Committee meets each month and comprises of the executive and senior staff. Its key objective is to monitor the implementation of overall strategy of the Company. The Committee reviews the performance of all departments each month and particularly financial performance and status of strategy execution.

CSR Snapshots in 2021

Branded road bump sign extended
NAIROBI (Langata Road - Junction Mall - Outbound)
#CourtesyPays #BuckleUp

Branded road bump sign extended
NAKURU (Umoja Primary School - General Kariba Rd - Inbound)
#ArriveAlive

Coach of the Month January
Nicholas Muyoti

Branded road bump sign extended
KISUMU (Central Bank - Inbound)
#SlowDown

Management Team

MATHEW KOECH
Managing Director

RICHARD MARISIN,
Head of Finance & Administration

ANTHONY KIRAGU
Head of Operations

MERCY NJOROGE
Manager - Human Resource

DIANA WAINAINA
Manager - Underwriting

SAMMY KAMAU
Manager - Claims

JULIUS MBOYA
Manager - ICT

Management Team (contd.)

ALEX Z. ANDAYI
Branch Manager - Eldoret

DAVID GITAU
Manager - Underwriting

NHAAMAN SHARIFF
Branch Manager - Mombasa

TERRY AMINA
Branch Manager - Nakuru

STEVEN KIANO
Branch Manager - Thika

SAMMY CHIRCHIR
Branch Manager - Kisumu

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 and 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 2021, 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

Some of the Company's key performance indicators are:

Performance Indicator	2021	2020
Gross written premiums (Kshs million)	2, 281	2, 060
Net insurance premium revenue (Kshs million)	1, 381	1, 465
Net claims payable (Kshs million)	901	1, 176
Profit /(loss) before income tax (Kshs million)	69	(79)
Total assets (Kshs million)	3, 872	3, 489
Total equity (Kshs million)	1, 150	1, 117

Dividend

The directors recommend payment of dividend in respect of the year ended 31 December 2021 of Ksh 50 million (2020: Nil).

Directors

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

Business Review

The Company's performance improved across the key performance indicators. Despite the challenges in the operating environment, the Company posted a growth of 11% in gross written premium. Net claims payable improved by 23% to Ksh 901 million from Ksh 1, 176 million in 2020 due to improvement in business underwriting process and proactive claims management.

Operational Risk

The Company runs a robust risk management system which ensures that all unfavourable risk exposures are mitigated against as soon as they are identified. The risk management framework involves regular risks dentification, quantification, effective monitoring and management process Key risks which are monitored by the board on a continuous basis includes insurance risks, credit, financial and capital risks. Poor performance of motor private business has continued to pose challenges, and this is gradually being addressed through increase in premium rates and proactive risk and claims management. The move towards risk-based capital regime by the Insurance regulatory Authority is also providing a positive improvement on risk management transformation journey.

Report of the Directors (contd.)

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 70 (31 December 2020: 91).

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

It is our hope that the diminishing effects of Covid 19 pandemic will allow for full and sustained economic recovery in 2022, and as such, increase insurance penetration. We are also optimistic that the renewed energy and strategic drive will keep the Company performance strong and sustained over the coming years.

Statement as to Disclosure to the Company's Auditor

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

(a) There was, as far as each director is aware, no relevant audit information of which the Company's auditor is unaware; and
(b) Each director had taken all steps that ought to have been taken as a director so as to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Terms of Appointment of Auditor

PricewaterhouseCoopers LLP was appointed during the year and has expressed their willingness to continue in office in accordance with the Company's Articles of Association and Section 719 (2) of the Companies Act, 2015. 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 auditor's appointment and the related fees.

By order of the Board

ESR KENYA LLP
SECRETARIES

ESR Kenya LLPs
Nairobi, Kenya
17 March 2022

Statement of Directors' Responsibilities

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

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

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

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

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

Approved by the Board of Directors on 17 March 2022 and signed on its behalf by:

Sam Shollei
Director
17 March 2022

Mathew Koech
Director
17 March 2022

Statement of the Consulting Actuary

I have conducted an actuarial valuation of the business of Fidelity Shield Insurance Company Limited as at 31 December 2021.

The valuation was conducted in accordance with generally accepted actuarial principles and in accordance with the requirements of the Kenyan Insurance Act. These principles require prudent provision for future outgo under contracts, generally based upon the assumptions that current conditions will continue. Provision is therefore not made for all possible contingencies. In completing the actuarial valuation, I have relied upon the audited financial statements of the company.

In my opinion, the Fidelity Shield Insurance Company Limited's insurance liabilities were adequate as at 31 December 2021.

Ezekiel Macharia Mburu
Fellow of the Institute of Actuaries
17 March 2022, Nairobi

Independent Auditor's Report to the Shareholders of Fidelity Shield Insurance Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Fidelity Shield Insurance Company Limited (the "Company") set out on pages 34 to 91 which comprise the statement of financial position at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Fidelity Shield Insurance Company Limited at 31 December 2021 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2015.

Basis for Opinion

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

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

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

Key Audit Matters

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

Independent Auditor's Report to the Shareholders of Fidelity Shield Insurance Company Limited (contd.)

Key Audit Matter

Determination of outstanding claims provisions

As disclosed in Note 28 of the financial statements, insurance contract liabilities comprise claims reported and claims handling expenses and claims incurred but not reported ("IBNR").

The valuation of insurance contract liabilities involves significant judgements in estimating the expected future outflows in relation to the claims incurred but not reported. Specifically, the actuarial assumptions and methodologies involve judgement about future events. The valuation results are also dependent on the quality, integrity and accuracy of the data used.

Claims incurred but not reported (IBNR) are determined by projecting ultimate claims losses based on current loss rates or claims experience. Changes in the assumptions and methodology can result in material impacts to the valuation of the IBNR reserve.

How Our Audit Addressed the Key Audit Matter

- *Evaluated and tested controls around claims handling, settling, and reserving.*
- *Tested a sample of claim payments and reserves to confirm the amounts recorded in the claims systems agree to the source data.*
- *Checked the consistency of reserving methods year on year.*
- *Tested the appropriateness of the methodology and assumptions used by the external actuary and management in estimation of reserves as at 31 December 2021, and performed reprojections for a sample of reserves to validate estimates.*
- *Reconciled the claims data used by the appointed actuary to calculate reserves to the audited claims data.*
- *Assessed the adequacy of disclosures in the financial statements.*

Independent Auditor's Report to the Shareholders of Fidelity Shield Insurance Company Limited (contd.)

Other Information

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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Independent Auditor's Report to the Shareholders of Fidelity Shield Insurance Company Limited (contd.)

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

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

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

Report on other matters prescribed by the Companies Act, 2015
In our opinion the information given in the report of the directors on pages 9 to 10 is consistent with the financial statements.

CPA Kang'e Saiti, Practicing certificate No. 1652
Engagement partner responsible for the audit

For and on behalf of
PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi

28 March 2022

Fidelity INSURANCE

Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 Kes '000	2020 Kes '000
Gross earned premium	5	2, 156, 131	2, 203, 355
Insurance revenue ceded to reinsurers	5	(775, 292)	(738, 267)
Net insurance premium revenue		**1, 380, 839**	**1, 465, 088**
Interest income	6(a)	140, 360	129, 229
Other investment income	6(b)	(3, 665)	73, 723
Commission earned		116, 578	116, 165
Other income	7	7, 877	21, 342
Total interest, investment income & other income		**261, 150**	**340, 459**
Gross claims incurred	8	(1, 146, 013)	(1, 361, 838)
Claims recovered from reinsurers	8	244, 669	185, 967
Net claims payable	**8**	**(901, 344)**	**(1, 175, 871)**
Operating and other expenses	9	(407, 679)	(462, 742)
Interest on lease liabilities		(3,937)	(3,722)
Commission expense		(260, 106)	(242, 355)
Total claims and other expenses		**(1, 573, 066)**	**(1, 884, 690)**
Profit/(loss) before income tax		68, 923	(79, 143)
Income tax (expense)/ credit	11	(42, 900)	29, 447
Profit/(loss) for the year		26, 023	(49, 696)
Other comprehensive income, net of tax			
Gain on revaluation of land and building net of tax		6, 793	-
Total comprehensive income/ (loss)		**32, 816**	**(49,696)**

Statement of Financial Position

As at 31 December 2021

	Notes	At Dec 2021 Kes '000	At Dec 2020 Kes '000
ASSETS			
Property and equipment	16	220, 137	240, 562
Right-of-use assets	17(a)	27, 123	20, 787
Intangible assets	18	12, 663	6, 776
Deferred taxation	31	58, 337	88, 546
Investment properties	19	964, 030	1, 015, 882
Due from the Kenya motor insurance pool		12, 767	18, 014
Equity investments at fair value through profit or loss	20	47, 340	34, 281
Mortgage loans	21	7, 585	5, 654
Receivables arising out of reinsurance arrangements		44, 284	47, 485
Receivables arising out of direct insurance arrangements	22	107, 982	132, 609
Reinsurers' share of insurance contract liabilities	23	579, 143	476, 219
Current income tax	11(iii)	27, 487	35, 868
Other receivables	24	43, 243	86, 284
Deferred acquisition costs	25(i)	91, 986	70, 491
Government securities at amortised cost	26(i)	574, 382	431, 172
Government securities at fair value through profit and loss	26(ii)	597, 065	456, 286
Deposits with financial institutions	35	211, 695	250, 747
Cash and bank balances	35	244, 426	71, 223
Total assets		**3, 871, 675**	**3, 488, 887**
LIABILITIES			
Insurance contract liabilities	28	1, 772, 973	1, 597, 980
Unearned premiums	30	754, 819	629, 622
Payables arising from reinsurance arrangements		21, 890	-
Deferred reinsurance commission	25(ii)	36, 642	31, 876
Lease liability	17(b)	31, 233	30, 523
Other payables	32	104, 215	81, 798
Total liabilities		**2, 721, 772**	**2, 371, 799**
EQUITY			
Share capital	13	600, 000	600, 000
Reserves	14	104, 163	97, 370
Retained earnings	15	395, 740	419, 717
Proposed dividend	37	50, 000	-
Total equity		**1, 149, 903**	**1, 117, 087**
Total liabilities and equity		**3, 871, 675**	**3, 488, 887**

The financial statements were approved by the board of directors on 17 March 2022 and were signed on its behalf by:

S. Shollei
Director

R. Likami
Director

M. Koech
Principal Officer

Fidelity INSURANCE

Statement of Changes in Equity

For the year ended 31 December 2021

	Share Capital Kes '000 (Note 26)	Revaluation reserves Kes'000 (Note 27)	Retained earnings Kes'000 (Note 28)	Proposed Dividend Kes'000 (Note 37)	Total Kes'000
2020					
At 1 January	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 end of year	**600, 000**	**97, 370**	**419, 717**	**-**	**1, 117, 087**
2021					
At 1 January	600, 000	97, 370	419, 717	-	1, 117, 087
Profit for the year	-	-	26, 023	-	26, 023
Other comprehensive income	-	6, 793	-	-	6,793
Proposed dividend	-	-	(50, 000)	50, 000	-
At end of year	**600, 000**	**104, 163**	**395, 740**	**50, 000**	**1, 149, 903**

Statement of Cash Flows [1]

For the year ended 31 December 2021

	Notes	2021 Kes '000	2020 Kes '000
Cash flow from operating activities			
Cash generated/ (used) in operations	36	15, 663	(169, 617)
Interest from investments in Government securities, deposits with financial institutions and mortgage loans	6(a)	140, 360	129, 229
Income tax paid	11(iii)	(740)	(3, 490)
Net cash from operating activities		**155, 283**	**(43, 878)**
Cash flow from investing activities			
Purchase of property and equipment	16	(4, 026)	(2, 803)
Purchase of intangible assets	18	(11, 984)	(4, 779)
Proceeds of disposal of property and equipment		3, 893	41, 564
Repayment of interest portion of lease liabilities	17(b)	(3, 937)	(3, 722)
Net cash from investing activities		**(16, 055)**	**30, 260**
Cash flow from financing activities			
Repayment of principal element of lease payments	17(b)	(5, 077)	(6, 405)
Net cash outflow from financing activities		**(5, 077)**	**(6, 405)**
Cash and cash equivalents at start of year		321, 970	341, 993
Increase/(decrease) in cash and cash equivalents		134, 151	(20, 023)
Cash and cash equivalents at end of year	**35**	**456, 121**	**321, 970**

1. The 2020 statement of cashflow has been restated to align the presentation of some cashflow items from investments amounting to Kes (129,230,000) previously presented as cashflow from investing activities to cashflow from operating activities. The restatement has no impact in the overall cashflow position and other primary financial statements.

Notes to the Financial Statements

For the year ended 31 December 2021

1.0 GENERAL INFORMATION

Fidelity Shield Insurance Company Limited, hereby referred to as the 'Company' is a limited liability company incorporated and domiciled in Kenya. The address of the registered office is Fidelity Insurance Centre, Waridi Lane off Waiyaki Way, Westlands, P O Box 47435 - 00100, Nairobi, Kenya.

The Company underwrites all general insurance business except for medical class.

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

2.0 SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements have been prepared under the historical cost basis except equity investments at fair value through profit or loss (FVPL), Government securities at FVTPL and investment properties which is measured at fair value.

The financial statements are presented in Kenya Shillings (Kes) rounded off to the nearest thousand (Kes '000), unless otherwise indicated.

Statement of Compliance

The financial statements of Fidelity Shield Insurance Company Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB) and with the Companies Act, 2015.

The principal accounting policies applied in the preparation of these financial statements are set out below.

Title	Key requirements	Effective date*
Covid-19-related Rent Concessions – Amendments to IFRS 16	As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions. * The relief was originally limited to reduction in lease payments that were due on or before 30 June 2021. However, the IASB subsequently extended this date to 30 June 2022. If a lessee already applied the original practical expedient, it is required to continue to apply it consistently, to all lease contracts with similar characteristics and in similar circumstances, using the subsequent amendment. If a lessee did not apply the original practical expedient to eligible lease concessions, it is prohibited from applying the expedient in the 2021 amendment. However, if a lessee has not yet established an accounting policy on applying (or not) the practical expedient to eligible lease concessions, it can still decide to do so.	1 June 2020/ 1 April 2021 *

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

Title	Key requirements	Effective date*
Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide the following reliefs: • When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement. • The hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded. Adoption of the above standards did not have a material impact on the Company's financial statements.	1 January 2021
IFRS 17 Insurance Contracts	IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of: • discounted probability-weighted cash flows • an explicit risk adjustment, and • a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying IFRS 17 to investors and others. The amendments also deferred the application date of IFRS 17 to 1 January 2023.	1 January 2023 (deferred from 1 January 2021)

Notes to the Financial Statements
For the year ended 31 December 2021 (contd)

Title	Key requirements	Effective date*
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	1 January 2022
Annual Improvements to IFRS Standards 2018–2020 The following improvements were finalised in May 2020:	The following improvements were finalised in May 2020: • IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. • IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. • IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption. • IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.	1 January 2022
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how To apply the concept of materiality to accounting policy disclosures.	1 January 2023

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

Title	Key requirements	Effective date*
Definition of Accounting Estimates – Amendments to IAS 8	The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.	1 January 2023

Apart from IFRS 17 which is expected to have a significant impact on accounting and disclosures for the insurance and investment contracts, the rest of the expected standards and interpretations are not expected to have a significant impact on the entity.

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

(a) Foreign Currency Translation

Transactions and balances

Transactions in foreign currencies during the year are translated into Kenya Shillings at rates ruling at the transaction dates. Monetary assets and liabilities which are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at the end of the reporting period. The resulting differences from conversion and translation are dealt with in the profit or loss for the year in which they arise. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

(b) Insurance Contracts

Short-term insurance contracts

The Company issues contracts which transfer insurance risk. Insurance contracts are those contracts which transfer significant insurance risk at the inception of the contract. Such contracts remain insurance contracts until all rights and obligations are extinguished or expired. Investment contracts are those contracts that transfer financial risk with no significant insurance risk. *The Company issues only short-term insurance contracts.*

Short-term insurance contracts are mainly in respect of motor business, but the Company also sells fire and allied perils, health, marine, engineering, and other miscellaneous insurance contracts. These contracts protect the Company's customers from damage suffered to property or goods, value of property and equipment lost, losses and expenses incurred during sickness and loss of earnings resulting from the occurrence of the insured events. The main classes of business that the Company underwrites are:

- Motor insurance business means the business of affecting and carrying out contracts of insurance against loss of, or damage to, or arising out of or in connection with the use of, motor vehicles, inclusive of third-party risks but exclusive of transit risks.
- Personal Accident insurance business means the business of affecting and carrying out contracts of insurance against risks of the persons insured sustaining injury as the result of an accident or of an accident of a specified class or dying as the result of an accident or of an accident of a specified class or becoming incapacitated in consequence of disease or of disease of a specified class.
- Fire insurance business means the business of affecting and carrying out contracts of insurance, otherwise than incidental to some other class of insurance business against loss or damage to property due to fire, explosion, storm and other occurrences customarily included among the risks insured against in the fire insurance business.
- Marine insurance business means the business of affecting and carrying out contracts of insurance against loss of consignment of goods during transit.
- Burglary insurance business relates to contracts of insurance against loss due to theft involving actual break in or break out.
- Medical insurance means the business of affecting and carrying out contracts of insurance against costs of otherwise non-recoverable medical and surgical expenses necessarily and reasonably incurred by a member as a direct result of sustaining accidental bodily injury and/or illness and/or disease within the period of insurance subject to the policy provisions/ terms, exclusions and conditions

Reinsurance contracts

Contracts entered into by the Company with reinsurers, under which the Company is compensated for losses on one or more contracts issued, that meet the classification requirements for insurance contracts are classified as reinsurance contracts.

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts, provided there is significant transfer of insurance risk.

The amounts that will be recoverable from reinsurers are estimated based upon the gross provisions, having due regard to collectability. Reinsurance recoveries in respect of estimated claims incurred but not reported are assumed to be consistent with the historical pattern of such recoveries, adjusted to reflect changes in the nature and extent of the Company's reinsurance programme over time.
The recoverability of reinsurance recoverable is assessed having regard to market data on the financial strength of each of the reinsurance companies. The reinsurers' share of claims incurred in profit or loss reflects the amounts received or receivable from reinsurers in respect of those claims incurred during the period. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized in profit or loss when due.

Receivables and payables related to insurance contracts

Receivables and payables are recognized when due. These include amounts due to and from agents, brokers and insurance contract holders

Impairment of insurance and reinsurance receivables

The Company has determined the insurance receivables to be under the scope of IFRS 9 and has applied the provisions of IFRS 9 for their accounting.

Premium Revenue Recognition

For short-term insurance business, Premium income is recognized on assumption of risks, and includes estimates of premiums due but not yet received, less an allowance for cancellations, and less unearned premium.

Unearned premiums represent the proportion of the premiums written in periods up to the accounting date that relates to the unexpired terms of policies in force at the reporting date. The Company uses 1/365th method for the determination of unearned premium reserve. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

Claims expenses and outstanding claims provisions

Outstanding claims provisions are based on the ultimate costs of all claims incurred but not settled at the end of financial reporting period, whether reported or incurred but not reported (IBNR). Notified claims are only recognized when the Company considers that it has a contractual liability to settle the claims. IBNR has been provided for on an actuarial method which consists of the projection of incurred but not reported claims based on the claims reporting delay pattern for the Company for less than 10 years. Claims expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties.

There are often delays between the occurrence of the insured event and the time it is actually reported to the Company, particularly in respect of liability business, the ultimate cost of which cannot be known with certainty at the end of the financial reporting period. Following the identification and notification of the insured loss, there may still be uncertainty as to the magnitude and timing of the settlement of the claim. Outstanding claims provisions are not discounted and exclude any allowances for expected future recoveries. Recoveries represent claims recoverable from third party insurers. Recoveries are accounted for as and when the right to be received is established. However, non-insurance assets that have been acquired by exercising rights to sell, salvage or subrogate under the terms of the insurance contracts are included when providing for outstanding claims. The liability is not discounted due to the fact that the exact timing and actual amount to be paid cannot be determined.

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

Incurred but not reported claims (IBNR)

The estimation of claims incurred but not reported ("IBNR") is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insured until many years after the event giving rise to the claims has happened. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variation between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility.

In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques, generally based upon statistical analyses of historical experience as provided by the Insurance Regulatory Authorities in their respective jurisdictions, which assumes that the development pattern of the current claims will be consistent with past experience. Provision is calculated gross of any reinsurance recoveries.

Salvage and subrogation reimbursements

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

Commissions payable and deferred acquisition costs

The liability for commissions' payable is recognized at the inception date of the insurance contract/endorsement. Commissions payable relating to unearned premium is recognized and released to profit or loss as and when the premiums are earned.

(c) Financial Instruments

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

Initial Recognition

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially recognised on the trade date measured at their fair value.

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

Measurement Categories

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms. The categories include the following:

- Amortised cost
- Fair value through profit and loss (FVPL)

Debt instruments measured at amortised cost

Debt instruments are held at amortised cost if both of the following conditions are met:

- The instruments are held within a business model with the objective of holding the instrument to collect the contractual cash flows

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

- The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Business Model Assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise.

The Company considers the timing, amount and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development. The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of asset sales are also important aspects of the Company's assessment.

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

The Solely Payments of Principal and Interest (SPPI) test

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

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

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

Subsequent Measurement

Debt instruments at amortised cost

After initial measurement, debt instruments are measured at amortised cost, using the effective interest rate (EIR) method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

premium on acquisition and fee or costs that are an integral part of the EIR. ECLs are recognised in profit or loss as per ECL model/approach.

Reclassification of financial assets and liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line.

Derecognition

Derecognition other than for substantial modification

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

The Company considers control to be transferred if, and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all of the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

Derecognition due to substantial modification of terms and conditions

The Company derecognises a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new instrument, with the difference recognised as derecognition gain or loss. In the case of debt instruments at amortised cost, the newly recognised loans are classified as Stage 1 for ECL measurement purposes.

When assessing whether or not to derecognise an instrument, amongst others, the Company considers the following factors:

- Change in currency of the debt instrument
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, the modification does not result

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss.

Financial Liabilities

Initial Recognition and Measurement

The Company's holding in financial liabilities represents mainly lease liability, amounts due to related parties and other liabilities. Such financial liabilities are initially recognised at fair value and subsequently measured at amortised cost. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss such as derivatives, financial liabilities held for trading (e.g., short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair values of the financial liability that is attributable to changes in the credit risk of that liability) and partially profit or loss (the remaining amount of change in the fair value of the liability);
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Company recognises any expense incurred on the financial liability.

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

Impairment of Financial Assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the appropriate effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company considers a financial asset to be in default (credit impaired) when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts. This information might be winding up of a company, company experiencing financial difficulties like under receivership etc . A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

The Calculation of ECLs

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

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

- PD - *The Probability of Default* is an estimate of the likelihood of default over a given time horizon. It is estimated with consideration of economic scenarios and forward-looking information.
- EAD - *The Exposure at Default* is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and accrued interest from missed payments.
- LGD - *The Loss Given Default* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive. It is usually expressed as a percentage of the EAD.

The Company allocates its assets subject to ECL calculations to one of these categories, determined as follows:

- 12m ECL (stage 1) - The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an appropriate EIR. This calculation is made for each of the four scenarios, as explained above.
- LTECL (stage 2) - This is recorded when an instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected losses are discounted by an appropriate EIR. The Company identifies a significant increase in credit risk where exposures have a regulatory risk rating of 'watch' or an exposure is greater than 30 days past due – this is in line with the IFRS 9 "30 Days past Due (DPD) rebuttable presumption.
- Impairment (stage 3) - For debt instruments considered credit-impaired, the Company recognises the lifetime expected credit losses for these instruments. The method is similar to that for LTECL assets, with the PD set at 100%.

Forward looking information

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

- GDP growth
- Central Bank base rates

Write-offs

Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount.

Any subsequent recoveries are credited to credit loss expense. There were no write-offs over the periods reported in these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

Recognition of interest income

The effective interest rate method

Under IFRS 9, interest income is recorded using the effective interest rate (EIR) method for all financial assets measured at amortised cost. Similarly, interest income on interest bearing financial assets measured at FVPL under IFRS 9 is also recorded using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on acquisition of the financial asset as well as fees and costs that are an integral part of the EIR. The Company recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the debt instrument.

If expectations of fixed rate financial asset's cash flows are revised for reasons other than credit risk, and the changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference to the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset in the balance sheet with a corresponding increase or decrease in interest income.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

Interest and Similar Income

Interest income comprises amounts calculated using both the effective interest method and other methods. These are disclosed separately on the face of the statement of profit or loss and other comprehensive income. In its Interest income calculated using the effective interest method the Company only includes interest on financial instruments at amortised cost or FVPL.

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

Offsetting of Financial Instruments

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

(d) Ordinary Share Capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

(e) Investment in the Kenya Motor Insurance Pool

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries.

(f) Dividends

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are paid. Dividends for the year that are approved after the reporting date are dealt with as a non-adjusting event after the reporting date.

(g) Property and equipment

All Property and equipments 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.

(h) Investment properties

Properties held to earn rentals or capital appreciation or both and not occupied by the Company are classified as investment properties. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. After initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise. Valuation is done after every two to three years given that there are no conditions or circumstances that indicate the value of the building does not reflect the fair value. Fair values are determined based on the evaluation performed by an accredited external, independent valuer.

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Transfers made to or from investment properties are only made when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party or completion of construction or development. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use. When the Company completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in profit or loss.

(i) Intangible assets

Intangible assets represent computer software costs, which is stated at cost less accumulated amortization and any impairment losses whenever there is an indication that the intangible asset may be impaired. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. If the expected useful life of the asset is different from previous estimates, the amortisation period is changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits embodied in the asset, the amortisation method is changed to reflect the changed pattern. Such changes are accounted for as changes in accounting estimates in the estimated useful life of the intangible assets is four years. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized. Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. The carrying amounts of the intangible assets are disclosed in note 18.

(j) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets

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For the year ended 31 December 2021 (contd)

or groups of assets. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the reduction is recognised as an impairment loss in the profit or loss. The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased.

If any such indication exists, the Company estimates the recoverable amount of that asset. The Company reverses an impairment loss recognised in prior periods for an asset other than goodwill if only there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable amount. That increase is a reversal of an impairment loss. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss is recognized as income immediately.

(k) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of twelve months or less. For the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits.

(l) Provisions

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

(m) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The income tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax

Deferred income tax is recognised on temporary differences between the carrying amounts of assets and liabilities

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

in the 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 income 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 are utilised, such deferred tax assets and liabilities are not recognised if the temporary difference arises from good will. 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. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

Deferred income tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates that have been enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred income tax for the year

Current and deferred income tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income.

(n) Revenue recognition

Premiums

This has been disclosed under section 2(b).

Other revenues

Other revenues are recognized on the following bases:

- Fees and commission income - on the accrual basis in accordance with the substance of the relevant agreements.
- Interest income - it is recognized using the effective interest method as it accrues.
- Dividend income - when the shareholder's right to receive payment is established.
- Rental income – it is recognized as income on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(o) Leases

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

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, an estimate of costs to be incurred to restore the underlying asset back to its original state; and lease payments made at or before the commencement date less any lease incentives received. Subsequently, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification that is not accounted for as a separate lease. The lease payments are remeasured when there is a change in the lease term, future lease payments resulting from a change in an index or rate used to determine such lease payments, the amounts expected to be payable under the residual value guarantees or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in investment and other income in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

(p) Retirement benefit obligations

The Company operates a defined contribution pension scheme for all eligible employees. The scheme is administered by Liaison Financial Services Limited and is funded by contributions from both the company and employees.

The Company contributes to the statutory National Social Security Fund in the respective countries. Contributions to these schemes are determined by local statute. The Company's obligations to retirement benefits are charged to the profit or loss in the year to which they relate.

Employee obligations

The estimate monetary liability for employees accrued annual leave at the end of the reporting period is charged to profit or loss in the year to which it relates.

(q) Fair value measurement

The Company measures financial instruments, such as equity instrument and government securities measured at fair value through profit and loss and non-financial assets such as investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

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

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

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

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

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

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

Notes to the Financial Statements
For the year ended 31 December 2021 (contd)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgments, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgments by the Company. Management considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

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

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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

3.1 Valuation of insurance contract liabilities
The uncertainty inherent in the financial statements of the Company arises mainly in respect of insurance liabilities, which include outstanding claims provision (including IBNR). In addition to the inherent uncertainty when estimating liabilities, there is also uncertainty as regards the eventual outcome of claims. As a result, the Company applies estimation techniques to determine the appropriate provisions.

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 judgments are used to assess the extent to which past trends may not apply in the future, for example: once–off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

Judgment 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. The carrying amounts of the insurance contract liabilities are disclosed in note 28.

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For the year ended 31 December 2021 (contd)

3.2 Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgement, in particular, for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled ECL scenarios, and the relevant inputs used.

Further disclosures relating to impairment of financial assets are also provided in Note 4.

The carrying amounts of the financial assets are disclosed in Note 4.
The Company adopts multiple techniques to estimate the required level of provisions, thereby setting a range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and risks involved. The carrying amounts of the liability arising from claims made under insurance contracts are disclosed in Note 8.

3.3 Income tax

The Company is subjected to numerous taxes and levies by various government regulatory bodies. As a rule of thumb, the Company recognizes liabilities for the anticipated tax/levies payable with utmost care and diligence usually by engaging tax consultants to perform tax health check, and generally by consulting the Company's tax consultants. However, significant judgment is usually required in the interpretation and applicability of those taxes/levies which may result in differences between actual and recognized liabilities. Should it come to the attention of management, such differences are recognized in income and liabilities in the period in which such differences are determined.

3.4 Useful lives and residual values of property, equipment and intangible assets

Determining the carrying amounts of property and equipment requires the estimation of the useful lives and residual values of these assets which carry a degree of uncertainty. The directors have used historical information relating to the relevant industries in which the Company's entities operate in order to best determine the useful lives and residual values of property and equipment. The carrying amounts of property and equipment are disclosed in Note 16.

3.5 Recoverable amount on insurance and other receivables

In preparing these financial statements, the directors have made estimates of the recoverable amounts of insurance and other receivables and impaired those receivables where the carrying amounts exceeded recoverable amounts. The estimation of recoverable amounts involves an assessment of the financial condition of the debtors concerned and estimate of the timing and the extent of cash flows likely to be received by the Company. Management uses estimates based on historical loss experience for each individual receivable on a customer-by-customer basis when estimating the amount of future cash flows.

3.6 Recognition of deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that is probable that taxable profit will be available against which losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

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For the year ended 31 December 2021 (contd)

4.0 MANAGEMENT OF INSURANCE AND FINANCIAL RISKS

The Company's activities expose it to a variety of financial risks, including insurance risk, liquidity risk, credit risk, and the effects of changes in property and equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the identification and management of risks and seeks to minimize potential adverse effects on its financial performance, by use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients, and defined criteria for the approval of intermediaries and reinsurers. Investment policies are in place, which help manage liquidity, and seek to maximize return within an acceptable level of interest rate risk.

4.1 Insurance risk

Insurance risk is transferred when the Company agrees to compensate a policyholder if a specified uncertain future event (other than a change in a financial variable) adversely affects the policyholder. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

The main risk that the Company faces under its insurance contracts is that actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This may occur if the frequency or severity of claims and benefits are greater than estimated.

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

Insurance liabilities

The frequency and severity of claims can be affected by several factors. The most significant claims result from accident, liability claims awarded by the Court, fire and allied perils and their consequences. Inflation is also a significant factor due to the long period typically required to settle some claims.

The Company's underwriting strategy attempts to ensure that the underwritten risks are well diversified in type, amount of risk and industry. The Company has underwriting limits by type of risks and by industry. Performance of individual insurance policies is reviewed by management and the Company reserves the right not to renew individual policies. It can impose deductibles and has the right to reject the payment of a fraudulent claim. Where relevant, the Company may sue third parties for payment of some or all liabilities (subrogation). Claims development and provisioning levels are closely monitored.
The reinsurance arrangements of the Company include proportional, excess-of-loss and catastrophe coverage and as such, the maximum loss that the Company may suffer in any one year is pre-determined.

Frequency and severity of claims

A key risk, related to pricing and provisioning, that the Company faces under its insurance contracts is that the

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits will vary from year to year from the level established based on past experience.

The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Company also manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. Underwriting limits are in place to enforce appropriate risk selection criteria. The reinsurance arrangements include excess, surplus and catastrophe coverage. The effect of such reinsurance arrangements is that the Company should not suffer total net insurance losses of more than set limits per class of business in any one year.

The Company has specialized claims units dealing with the mitigation of risks surrounding known claims. This unit investigates and adjusts all claims which are reviewed individually at least semi-annually and adjusted to reflect the latest information on the underlying facts, jurisdiction, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

Sources of uncertainty in the estimation of future claim payments

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be a different from the original liability established. The liability for these contracts comprise a provision for IBNR, a provision for reported claims not yet paid and a provision for unexpired risks at the end of the reporting period.

In estimating the liability for the cost of reported claims not yet paid, the Company considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. The main assumption underlying this technique is that the Company's past claims development experience be used to project future claims development and hence ultimate claim costs.
Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, 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.

The company's activities expose it to a variety of financial risks, including insurance risk, financial risk, credit risk, and the effects of changes in property values, debt and equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the identification and management of risks and 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. Investment policies are in place,

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For the year ended 31 December 2021 (contd)

which help manage liquidity, and seek to maximise return within an acceptable level of interest rate risk. The disclosure below summarise the way the Company manages insurance risks.

Management of insurance risk

The risk under any one insurance contract arises from the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

(a) Fluctuations in the timing, frequency and severity of claims and claims settlements
(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 inadequate reserves
(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. This risk is managed through:

- Diversification across a large portfolio of insurance contracts;
- Careful selection of insurable risks 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 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 bases 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

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

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.

Concentration of insurance risk

The following table discloses the concentration of outstanding claims by class of business, gross and net reinsurance.

Concentration of insurance risk by class of business

2021 Class of Business	No. of Claims	Gross Liabilities Kes'000	Reinsurance Share Kes'000	Gross IBNR Kes'000	Ri Share IBNR Kes'000	Net Kes'000
Motor	3, 471	836, 195	36, 565	149, 941	5, 160	944, 413
Marine	156	89, 266	49, 962	4, 586	2, 591	41, 299
Fire	95	196, 063	93,450	1, 420	3, 875	100, 158
Aviation	1	500	475	-		25
Theft	203	108, 195	65,113	2,346	1, 337	44, 090
Workmen's	1, 125	131, 292	11, 555	140, 648	1, 406	258, 978
Engineering	49	78, 734	81, 788	3, 435	131	250
Others	71	26, 529	8, 884	3, 822	856	20, 612
Totals		**1, 466, 774**	**347, 792**	**306, 198**	**15, 356**	**1, 409, 824**

2020 Class of Business	No. of Claims	Gross liabilities Kes'000	Reinsurance Share Kes'000	Gross IBNR Kes'000	Ri Share IBNR Kes'000	Net Kes'000
Motor	3, 084	812, 155	33, 393	146, 523	2, 538	922, 747
Marine	66	50,381	12,826	-	-	37, 555
Fire	80	201, 432	99, 043	894	3, 451	99, 831
Theft	192	90, 912	52, 424	2, 644	1,018	40, 114
Workmen's	1, 193	135, 554	6, 659	56, 903	-	185, 798
Engineering	40	82, 521	81, 986	1,760	(1, 938)	4, 233
Others	64	13, 057	3, 242	3,243	341	12, 717
Totals		**1, 386, 012**	**289, 573**	**211, 967**	**5, 410**	**1, 302, 996**

If the average claims settlement cost were to increase/ decrease by 10% with all other variables held constant, the effect on the gross outstanding IBNR claims and the profit or loss would be Kes. 30,619,892 (2020: Kes. 21,196,802).

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For the year ended 31 December 2021 (contd)

Maximum insurance loss

2021		Maximum Insured Loss				
Class of business		Kes 0 m - Kes 15m Kes'000	Kes 15m - Kes 250m Kes'000	Kes 250m - Kes 1000m Kes'000	Kes 1000m + Kes'000	Total Kes'000
Motor	Gross	49, 348, 763	659, 842	-	-	50, 008, 605
	Net	37, 658, 152	400, 596	-	-	38, 058, 747
Fire	Gross	5, 618, 188	46, 082, 973	67,050,510	155, 427, 771	274, 179, 443
	Net	5, 032, 871	19, 445, 482	4,715,430	957, 641	30, 151, 423
Personal accident	Gross	3, 740, 955	17, 010, 255	5,051,839	-	25, 803, 048
	Net	3, 611, 765	8,362,080	1,765,328	-	13, 739, 173
Miscellaneous	Gross	11, 605, 256	27, 285, 852	34, 838, 832	15, 671, 458, 176	15, 745, 188, 116
	Net	9, 791, 135	10, 599, 565	2, 083, 505	813, 499	23, 287, 704
Totals	**Gross**	**70, 313, 162**	**91, 038, 921**	**106, 941, 181**	**15, 826, 885, 947**	**16, 095, 179, 212**
	Net	**56, 093, 922**	**38, 807, 723**	**8, 564, 262**	**1,771,140**	**105, 237, 047**

2020		Maximum Insured Loss				
Class of business		Kes 0 m - Kes 15m Kes'000	Kes 15m - Kes 250m Kes'000	Kes 250m - Kes 1000m Kes'000	Kes 1000m + Kes'000	Total Kes'000
Motor	Gross	50, 111, 131	846, 015	-	-	50, 957, 146
	Net	37, 898, 668	460, 672	-	-	38, 359, 340
Fire	Gross	5, 899, 116	45, 731, 397	62, 490, 079	1, 886, 410, 982	2, 000, 531, 574
	Net	5, 264, 049	22, 763, 729	5, 653, 471	2, 293, 258	35, 974, 506
Personal accident	Gross	3, 849, 297	20, 105, 390	4, 491, 558	-	28, 446, 244
	Net	3, 760, 697	18, 218, 290	3, 410, 000	-	25,388, 987
Miscellaneous	Gross	12, 105, 825	34, 061, 226	40, 927, 618	5, 576, 747, 075	5, 663, 841, 744
	Net	9, 790, 993	12, 029, 725	1, 767, 574	532, 494	24, 120, 786
Totals	**Gross**	**71, 965, 368**	**100, 744, 029**	**107, 909, 255**	**7, 463, 158, 057**	**7, 743, 776, 709**
	Net	**56, 714, 406**	**53, 472, 415**	**10, 831, 045**	**2, 825, 752**	**123, 843, 619**

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For the year ended 31 December 2021 (contd)

4.2 Financial risk

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk. To manage credit risk, the Company only do business with approved counterparties within the granted limits and avoid intended &/or unintended concentrations in any one counterparty group, industry, region, product amongst others. The Company manage and control market risk exposures to be within acceptable limits, while optimizing the return on risks of market risk assets. To manage liquidity risk, the Company maintains available funding in a manner that provides a sufficient level of liquidity under various market stressed scenarios, while at the same time ensuring an adequate balance between the need to hold liquid assets, and maximization of returns on surplus funds

Market risk

Interest rate risk

Interest rate risk is the risk that the future profitability and/or cash flows of financial instruments will fluctuate because of changes in the market interest rates. The company is not exposed to interest rates risk because all its financial instruments are held at fixed interest rates.

Equity price risk

The Company is exposed to equity securities price risk as a result of its holdings in equity investments, classified as equity instruments at FVPL. Exposure to equity shares in aggregate are monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes. Quoted Investments held are listed and traded on the Nairobi Securities Exchange.

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

Investment management meetings are held monthly. At these meetings, senior managers meet to discuss investment return and concentration of the equity investments. The table below shows the concentration of equities by industry:

			2021			2020
	Cost Kes' 000	Market Value Kes' 000	%	Cost Kes' 000	Market Value Kes' 000	%
Banking	42, 996	43, 655	92%	33, 686	23, 996	70%
Energy and petroleum	-	-	-	6, 800	10, 285	30%
Manufacturing and allied	3, 738	3, 685	8%	-	-	-
	46, 734	**47, 340**	**100%**	**40, 486**	**34, 281**	**100%**

Notes to the Financial Statements
For the year ended 31 December 2021 (contd)

Listed equity securities represent 100% (2020: 100%) of total equity investments. A 10-percentage point increase or decrease represents management's assessment of the reasonably possible change in stock exchange indices. If equity securities price had been 10 percentage points higher or lower, the profit and loss before tax would increase or decrease by Kes 0.25 million (2020 – Kes 0.63 million).

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 2021, if the Kenya shilling had weakened/strengthened by 5% against the US dollar with all other variables held constant, the profit before income tax for the year would have been Kes 239, 924 (2020: Kes 477,751) higher/lower, mainly as a result of US dollar denominated deposits with financial institutions in Kenya. The only asset held in USD is cash at bank.

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

- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries; and
- Cash and cash equivalents (including fixed deposits)
- Government securities
- Due from Kenya Insurance Motor Pool
- Other receivables
- Mortgage loans

The Company manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counter party and to geographical and industry segments. Such risks are subject to regular review. Limits on the level of credit risk by category and geographical location are approved quarterly by the Board of Directors.

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

In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy. In certain circumstances, deposits from reinsurers are also held as collateral. Maximum exposure to credit risk is represented by the carrying amounts of receivables in the Statement of Financial Position.

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

Receivables from insurance and reinsurance contracts include loans receivables, receivables arising from direct insurance and reinsurance contracts.

Deposits include deposits with financial institutions.

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.

Management makes regular reviews to assess the degree of compliance with the Company's procedures on credit. Exposures to individual policyholders s of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the management.

With regard to credit exposure arising out of deposits with financial institutions, the Company has policies in place to ensure that it only deals with financial institutions which have a strong credit rating.

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

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For the year ended 31 December 2021 (contd)

As at 31 December 2021	Stage 1 Kes'000	Stage 2 Kes'000	Stage 3 Kes'000	Total Kes'000
Government securities at amortised cost	574, 382	-	-	574, 382
Receivables arising out of reinsurance arrangements	44, 284	-	-	44, 284
Receivables arising out of direct insurance arrangements and other receivables	107, 982	-	-	107, 982
Deposits with financial Institutions	211, 695	-	-	211, 695
Cash and bank balances	244, 426	-	-	244, 426
Mortgage loans	7, 585	-	-	7, 585
Due from Kenya Insurance Motor Pool	12, 767	-	-	12, 767
Other receivables	43, 243	-	-	43, 243
Exposure to credit risk	**1, 246, 364**	**-**	**-**	**1, 246, 364**

As at 31 December 2020	Stage 1 Kes'000	Stage 2 Kes'000	Stage 3 Kes'000	Total Kes'000
Government securities at amortised cost	431, 172	-	-	431, 172
Receivables arising out of reinsurance arrangements	47, 485	-	-	47, 485
Receivables arising out of direct insurance arrangements and other receivables	132, 609	-	-	132, 609
Deposits with financial Institutions	250, 747	-	-	250, 747
Cash and bank balances	71, 223	-	-	71, 223
Mortgage loans	5, 654	-	-	5, 654
Due from Kenya Insurance Motor Pool	18, 014	-	-	18, 014
Other receivables	86, 284	-	-	86, 284
Exposure to credit risk	**1, 043, 188**	**-**	**-**	**1, 043, 188**

No collateral is held for any of the above assets other than the staff mortgage loans. Properties in relation to staff mortgage loans are charged to the Company as collateral.

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

The financial assets alongside the Expected credit loss allowance are as below:

As at 31 December 2021 Financial assets	Measurement category	Exposure at default (EAD) Kes'000	Expected credit loss (ECL) Kes'000	Carrying amount Kes '000 Kes'000
Deposits with financial institutions	Amortised costs	211,724	(29)	211,695
Government securities at amortised cost	Amortised costs	574,483	(101)	574,382
Other receivables	Amortised costs	43,374	(131)	43,243
Receivables arising out of direct insurance arrangements	Amortised costs	366,646	(258,664)	107,982
Receivables arising out of reinsurance arrangements	Amortised costs	55,552	(11,268)	44,284
Cash and bank balances	Amortised cost	244,426	-	244,426
Mortgage loans	Amortised cost	7,885	-	7,885
Due from the Kenya Motor Insurance Pool	Amortised cost	12,915	(148)	12,767
Total		**1,517,005**	**(270,193)**	**1,246,664**

As at 31 December 2020 Financial assets	Measurement category	Exposure at default (EAD) Kes'000	Expected credit loss (ECL) Kes'000	Carrying amount Kes '000 Kes'000
Deposits with financial institutions	Amortised costs	250, 784	(37)	250, 747
Government securities at amortised cost	Amortised costs	431, 215	(43)	431, 172
Other receivables (Staff loans and advances)	Amortised costs	5, 654	-	5, 654
Receivables arising out of direct insurance arrangements	Amortised costs	361, 695	229, 086	132, 609
Receivables arising out of reinsurance arrangements	Amortised costs	57, 828	(10, 343)	47, 485
Cash and bank balances	Amortised cost	71, 223	-	71, 223
Mortgage loans	Amortised cost	5, 654	-	5, 654
Due from the Kenya Insurance Motor Pool	Amortised cost	18, 223	(209)	18, 014
Total		**1, 202, 276**	**(239, 718)**	**962, 558**

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Reconciliation of expected credit losses for financial assets measured at amortised cost for the year.

As at 31 December 2021 Financial assets	ECL at 1 January 2021 Kes'000	Charge through P&L Kes'000	ECL at 31 December 2021 Kes'000
Deposits with financial institutions	37	(8)	29
Government securities at amortised cost	43	58	101
Other receivables	-	131	131
Receivables arising out of direct insurance arrangements	229, 086	29, 578	258, 664
Receivables arising out of reinsurance arrangements	10, 343	925	11, 268
Due from Kenya Insurance Motor pool	209	(61)	148
Cash and bank balances	-	-	-
Mortgage loans	-	-	-
Total	**239, 718**	**30, 623**	**270, 341**

As at 31 December 2020 Financial assets	ECL at 1 January 2020 Kes'000	Charge through P&L Kes'000	ECL at 31 December 2020 Kes'000
Deposits with financial institutions	79	(42)	37
Government securities at amortised cost	40	3	43
Other receivables	-	-	-
Receivables arising out of direct insurance arrangements	242, 937	(13, 851)	229, 086
Receivables arising out of reinsurance arrangements	223	10, 120	10, 343
Due from Kenya Insurance Motor pool	224	(15)	209
Cash and bank balances	-	-	-
Mortgage loans	-	-	-
Total	**243, 503**	**(3, 765)**	**239, 718**

Notes to the Financial Statements

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Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of the Company is the obligation to pay claims to policyholders as they fall due. The projected settlement of these liabilities is modelled, on a regular basis, using actuarial techniques. The board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover anticipated liabilities and unexpected levels of demand. The following table provides an analysis of financial assets and liabilities of the company into relevant maturity based on the remaining periods to maturity. The amounts disclosed in the table below are contractual undiscounted cashflows. The balances due within twelve months equal their carrying amounts as the impact of discounting is not significant.

As at 31 December 2021: Financial assets	0 to 6 months Kes'000	6-12 months Kes'000	1- 5 years Kes'000	over 5 years Kes'000	No maturity Kes'000	Total Kes'000
Equity instruments at fair value through profit or loss	-	-	-	-	47, 340	47, 340
Reinsurance assets (Share of insurance liabilities)	-	579, 143	-	-	-	579, 143
Receivables arising out of direct insurance receivables	47, 091	21, 237	39, 654	-	-	107, 982
Government securities at amortised cost	-	40, 763	75, 851	457, 768	-	574, 382
Government securities at FVPL	-	597, 065	-	-	-	597, 065
Deposits with financial institutions	211, 695	-	-	-	-	211, 695
Due from Kenya Insurance motor pool	-	12, 767	-	-	-	12, 767
Mortgage loans	-		7, 585	-	-	7, 585
Receivables arising out of reinsurance arrangements	-	44, 284	-			44, 284
Other receivables	-	43, 243	-	-	-	43, 243
Cash and bank balances	244, 426	-	-	-	-	244, 426
Total	**503, 212**	**1, 338, 502**	**123, 090**	**457, 768**	**47, 340**	**2, 469, 912**
Payables arising out of reinsurance arrangements	-	21, 890	-	-	-	21, 890
Lease liability	-	9, 585	29, 824	-	-	39, 409
Other payables	80, 863	-	-	22, 351	-	104, 214
Insurance contract liabilities	-	1, 772, 973	-	-	-	1, 772, 973
Total	**80, 863**	**1, 804, 448**	**29, 824**	**22, 351**	**-**	**1, 937, 486**
Liquidity surplus/(gap)	**422, 349**	**(465, 946)**	**93, 266**	**435, 417**	**47, 340**	**532, 426**

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For the year ended 31 December 2021 (contd)

As at 31 December 2020: Financial assets	0 to 6 months 31.12.2021 Kes'000	6-12 months Kes'000	1- 5 years Kes'000	over 5 years Kes'000	No maturity Kes'000	Total Kes'000
Equity instruments at fair value through P&L	-	-	-	-	34, 281	34, 281
Reinsurance assets (Share of Insurance liabilities)	-	476, 219	-	-	-	476, 219
Receivables arising out of insurance arrangements	64, 103	26, 364	42, 141	-	-	132, 608
Government securities at amortised cost	-	10, 107	102, 287	318, 777	-	431, 171
Government securities at FVPL	-	456, 286	-	-	-	456, 286
Deposits with financial institutions	250, 747	-	-	-	-	250, 747
Due from Kenya Insurance motor pool	-	18, 014	-	-	-	18, 014
Mortgage loans	-	-	5, 654	-	-	5, 654
Receivables arising out of reinsurance arrangements	-	47, 485	-	-	-	47, 485
Other receivables	-	86, 285	-	-	-	86, 285
Cash and bank balances	71, 223	-	-	-	-	71, 223
Total	**386, 073**	**1, 120, 760**	**150, 082**	**318, 777**	**34, 281**	**2, 009, 973**
Lease liability	-	9, 494	30, 691	-	-	40, 185
Other payables	81, 798	-	-	-	-	81, 798
Insurance contract liabilities	-	1, 597, 980	-	-	-	1,597, 980
Total	**81, 798**	**1, 607, 474**	**30, 691**	**-**	**-**	**1,719, 963**
Liquidity surplus/ (shortfall)	**304, 275**	**(486, 714)**	**119, 391**	**318, 777**	**34, 281**	**290, 010**

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For the year ended 31 December 2021 (contd)

4.3 Capital Risk

The Company maintains an efficient capital structure from equity shareholders' funds, consistent with the Company's risk profile and the regulatory and market requirements of its business. The Company's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business.
- to maintain financial strength to support new business growth.
- to satisfy the requirements of its policyholders, regulators, and rating agencies.
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.
- to allocate capital efficiently to support growth.
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

An important aspect of the Company's overall capital management process is the setting of target risk-adjusted rate of return which is aligned to performance objectives and ensures that the Company is focused on the creation of value for shareholders. The Company has a number of sources of capital available to it and seeks to optimise its debt-to-equity structure in order to ensure that it can consistently maximise returns to shareholders.

The Company considers not only the traditional sources of capital funding but the alternative sources of capital including reinsurance, as appropriate, when assessing its deployment and usage of capital. The Company manages as capital all items that are eligible to be treated as capital for regulatory purposes.

The Company is regulated by the Kenya Insurance Regulatory Authority and is subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held in addition to the insurance liabilities. The Company manages capital in accordance with these rules and has embedded in its Asset and Liability Management (ALM) framework the necessary tests to ensure continuous and full compliance with such regulations. The Company has complied with all externally imposed capital requirements throughout the year.

The capital adequacy ratio based on the Risk Based Capital Model is as follows:

	2021 Kes'000	2020 Kes'000
Total Capital Available (TCA)	925, 841	715, 779
Minimum Required Capital (MRC)	600, 000	600, 000
Capital Adequacy Ratio (CAR)	**154%**	**119%**

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5.0 GROSS EARNED PREMIUMS

Premium earned by principal class of business.

	2021			2020		
	Gross Kes'000	Reinsurance Kes'000	Net Kes'000	Gross Kes'000	Reinsurance Kes'000	Net Kes'000
Motor	949, 482	50, 540	898, 942	1, 1 25, 658	58, 479	1, 067, 180
Fire	183, 173	150, 838	32, 335	173, 431	135, 805	37, 626
Marine	67, 763	48, 043	19, 720	63, 769	38, 642	25, 127
Personal accident	17, 514	4, 259	13, 255	83, 951	7, 909	76, 042
Theft	59, 133	29, 313	29, 820	92, 045	60, 204	31, 841
Workmen	397, 111	50, 157	346, 954	188, 281	4, 921	183, 360
Engineering	55, 319	46, 142	9, 177	70, 471	58, 351	12, 120
Liability	33,1 76	6, 089	27, 087	30, 898	5, 734	25, 164
Aviation	375, 758	375, 750	8	354, 677	354, 668	9
Miscellaneous	17, 702	14, 161	3, 541	20, 174	13, 554	6, 619
Totals	**2, 156, 131**	**775, 292**	**1, 380, 839**	**2, 203, 355**	**738, 267**	**1, 465, 088**

6.0 (A) INTEREST INCOME	2021 Kes'000	2020 Kes'000
Interest from Government securities held at amortised cost	67, 274	52, 546
Interest from Government securities at fair value through profit or loss	61, 286	59, 339
Interest from deposits with financial institutions	10, 935	16, 728
Interest from mortgage loans	865	616
	140, 360	**129, 229**

6.0 (B) OTHER INVESTMENT INCOME	2021 Kes'000	2020 Kes'000
Fair value losses on equity investments (note 20)	(2, 518)	(6, 307)
Fair value gains on Government securities (note 26(ii))	1, 306	4, 297
(Loss)/ gain on disposal of equity investments	(1, 771)	594
Dividends from equity investments	1, 082	1, 779
Rental income from investment property	67, 089	73, 360
Fair value (loss) on investment property	(68, 853)	-
	(3, 665)	**73, 723**

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

7.0 OTHER INCOME

	2021 Kes'000	2020 Kes'000
Kenya Motor Insurance Pool	1, 121	(1, 323)
Gain on disposal of assets	4, 046	4, 746
Other	2,710	17, 919
	7, 877	**21, 342**

8.0 CLAIMS PAYABLE

Claims payable by class of business.

	2021			2020		
	Gross Kes'000	Reinsurance Kes'000	Net Kes'000	Gross Kes'000	Reinsurance Kes'000	Net Kes'000
Motor	738, 708	35, 169	703, 539	963, 025	20, 195	942, 830
Fire	57, 952	39, 602	18, 350	59, 123	40, 039	19, 084
Marine	67, 493	55, 198	12, 295	17, 590	4, 988	12, 602
Workmen	124, 695	7, 250	117, 445	114, 689	986	113, 703
Liability	6, 428	- 81	6, 509	68, 490	1, 951	66, 539
Others	150, 737	107, 532	43, 205	138, 921	117, 808	21, 113
Totals	**1, 146, 013**	**244, 669**	**901, 343**	**1, 361, 838**	**185,967**	**1, 175, 871**

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

9.0 OPERATING AND OTHER EXPENSES

	2021 Kes'000	2020 Kes'000
Staff costs (note 10)	211, 711	244, 832
Auditors' remuneration	4, 800	5, 019
Depreciation on property and equipment (note 16)	7, 287	4, 130
Amortisation on the right-of-use assets (note 17 (a))	6, 644	4, 859
Amortisation on intangible assets (note 18)	6, 097	8, 649
Expected credit losses on financial assets (Note 4.2)	30, 623	(3, 765)
Operating leases	2, 684	4, 386
Marketing and advertising	20, 251	14, 992
Finance and bank charges	4, 879	6, 071
Printing, stationery and insurance	5, 768	6, 585
Consultancy fees	15, 902	18, 146
Director's fees	6, 922	6, 598
Underwriting and claims expenses	38, 609	42, 237
ICT expenses	23, 279	18, 198
Other expenses	22, 223	81, 805
	407, 679	**462, 742**

10.0 STAFF COSTS

Staff costs include the following:

	2021 Kes'000	2020 Kes'000
• Salaries and wages	187, 132	211, 851
• Retirement benefit costs – defined contribution plan	5,950	16, 483
Medical & other Staff Insurances	9, 435	10, 518
Training & subscriptions	3, 137	2, 522
Staff welfare	6, 057	3, 458
	211, 711	**244, 832**

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

11.0 INCOME TAX EXPENSE

(i) Taxation charge / (credit):

	2021 Kes'000	2020 Kes'000
Current income tax	9, 121	-
Deferred income tax (Note 31)	33, 779	(4, 134)
Prior year over provision – current tax	-	(25, 313)
	42, 900	**(29, 447)**

(ii) Reconciliation of taxation charge to the expected tax based on accounting profit:

	2021 Kes'000	2020 Kes'000
Profit/(loss) before income tax	68, 923	(79, 143)
Tax calculated at a tax rate of 30% (2020: 25%)	20, 677	(19, 786)
Tax effect of income not subject to tax	(9, 679)	(12, 606)
Tax effect of expenses not deductible for tax purposes	32, 866	7, 394
Deferred tax on other items	-	(315)
Over provision of deferred tax in prior year	(964)	(4,134)
Income tax expense	**42, 900**	**(29, 447)**

Income not subject to tax mainly relates to interest on infrastructure bonds which do not attract income tax charge. Expenses not deductible for tax purposes mainly relate to unrealised losses on valuation of investment properties.

(iii) Current income tax

	2021 Kes'000	2020 Kes'000
At 1 January	(35, 868)	(32, 378)
Charge for the year	9, 121	(3, 490)
Tax paid during the year	(740)	-
At 31 December	**(27, 487)**	**(35, 868)**

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

12.0 DIVIDENDS

Proposed dividends are accounted for as a separate component of equity until they have been ratified at an annual general meeting. The directors proposed dividends for the year ended 31 December 2021 Kes. 50 million, (2020: Nil).

13.0 SHARE CAPITAL

	2021 Kes'000	2020 Kes'000
Share capital: *Authorised share capital* 10, 000, 000 ordinary shares of Kes 100 each	1, 000, 000	1, 000, 000
Issued and fully paid for: 6, 000, 000 ordinary shares of Kes 100 each	600, 000	600, 000
Total share capital	**600, 000**	**600, 000**

14.0 REVALUATION RESERVE

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

	2021 Kes'000	2020 Kes'000
At 1 January	97, 370	106, 980
Reserve movements due to disposal of property	-	(9, 610)
Revaluation gain on revaluation of buildings, net of tax	6, 793	-
At 31 December	**104, 163**	**97, 370**

15.0 RETAINED EARNINGS

The retained earnings represent 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 Kes 327, 108, 858 (2020: Kes 402, 902, 021) whose distribution is subject to restrictions imposed by regulation.

	2021 Kes'000	2020 Kes'000
Retained earning at end of year	395, 740	419, 717
Cumulative fair value gain on property	(327, 109)	(402, 902)
Retained earnings available for distribution	**68, 631**	**16, 815**

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

16.0 PROPERTY AND EQUIPMENT [2]

	Buildings Kes'000	Motor vehicles Kes'000	Furniture & office equipment Kes'000	Total Kes'000
Cost/Revaluation				
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**
At 1 January 2021	243, 136	12, 738	172, 861	**428, 735**
Additions	-	-	4, 026	**4, 026**
Disposals	-	-	(647)	**(647)**
Transfer to investment properties	(17, 000)	-	-	**(17, 000)**
Fair value loss	3, 221	-	-	**3, 221**
At 31 December 2021	**229, 357**	**12, 738**	**176, 240**	**418, 335**
Depreciation				
At 1 January 2020	11, 019	12, 138	164, 160	187, 317
Charge for the year	-	300	3, 830	4, 130
Eliminated on disposals	(3, 233)	-	(42)	(3, 275)
At 31 December 2020	**7,786**	**12,438**	**167,948**	**188, 172**
At 1 January 2021	(7, 786)	(12, 438)	(167,948)	**(188, 172)**
Charge for the year	(3, 368)	(300)	(3,619)	**(7, 287)**
Eliminated on disposals/transfer	(3, 233)	-	494	**(2, 739)**
At 31 December 2021	**(14, 387)**	**(12, 738)**	**(171, 073)**	**(198, 198)**
Net book value				
At 31 December 2021	**214,970**	**-**	**5, 167**	**220, 137**
At 31 December 2020	**235, 350**	**300**	**4,912**	**240, 562**

2. A property valued at 17M was transferred from PPE (buildings) to investment properties during the year as it is now used for the purpose of generating rental income.

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

Buildings were valued on 31 December 2021 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:

	2021 Kes'000	2020 Kes'000
Cost	143, 767	143, 767
Accumulated depreciation	(38, 463)	(34, 869)
Net book value	**105, 304**	**108, 898**

17.0 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:

	2021 Kes'000	2020 Kes'000
Cost		
At 1 January	41, 563	46, 021
Additions	21, 534	4, 227
Disposal	(22, 452)	(8, 685)
At 31 December	**40, 645**	**41, 563**
Amortization		
At 1 January	(20, 776)	21, 596
Adjustment of depreciation on ROU	-	(635)
Charge for the year	(6, 644)	4, 859
Eliminated on disposal of lease	13, 898	(5, 044)
At 31 December	**(13, 522)**	**20, 776**
Net carrying amount at 31 December	**27,123**	**20,787**

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

(b) Lease Liabilities

	2021 Kes'000	2020 Kes'000
Analyzed as:		
Non - current	21, 648	24, 778
Current	9, 585	5, 745
At 31 December	**31, 233**	**30, 523**
The movement in the lease liabilities is as follows:		
At 1 January	30, 523	36,928
Additions	5, 787	-
Interest on the lease liabilities	3, 937	3,722
Payment of lease liabilities	(9, 014)	(10, 127)
At 31 December	**31, 233**	**30, 523**

In the statement of cashflows:

Payment of the principal portion of lease liabilities	5, 077	6, 405
Payment of the interest portion of the lease liabilities	3, 937	3, 722
Lease liabilities maturity analysis:		
Year 1	9, 585	9, 494
Year 2	9, 961	9, 898
Year 3	9, 502	10, 885
Year 4	7, 449	9, 909
Year 5	2, 912	-
	39, 409	**40, 185**

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.

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

18.0 INTANGIBLE ASSETS – COMPUTER SOFTWARE

	2021 Kes'000	2020 Kes'000
At 1 January	45, 396	40, 617
Additions	11, 985	4, 779
At 31 December	**57, 381**	**45, 396**
Depreciation		
At 1 January	38, 621	29, 971
Amortisation charge	6, 097	8, 650
At 31 December	**44, 718**	**38, 621**
Net book value		
At 31 December	**12, 663**	**6,776**

19.0 INVESTMENT PROPERTIES

	2021 Kes'000	2020 Kes'000
At 1 January	1, 015, 882	1, 015, 882
Transfer from property & equipment (note 16)	17, 000	-
Fair value loss	(68, 852)	-
At 31 December	**964, 030**	**1, 015, 882**

The Company's investment properties were last valued as at 31 December 2021 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 Kes 3.9 million (2020: Kes 2.6 million).

The fair values arising from the open market valuation of investment properties is categorised as level 3 in the fair value hierarchy. A portion of the building is accounted for as property and equipment in line with IAS 16, is owner occupied. This has been disclosed in note 16 of the financial statements.

The effects of changes in the gross annual rent yield has the following effect on the fair value of the properties.

	% Change	2021 Kes'000	2020 Kes'000
Gross annual rental	+/-5%	3, 161	3, 797
Rate of return	+/-5%	0.33%	0.37%

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

20.0 EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 Kes'000	2020 Kes'000
At 1 January	34, 281	52, 063
Additions	130, 732	-
Disposals	(115, 155)	(11, 475)
Net fair value loss (note 6)	(2, 518)	(6, 307)
At 31 December	**47,340**	**34, 281**

21.0 MORTGAGE LOANS

	2021 Kes'000	2020 Kes'000
At 1 January	5, 654	6, 583
Loans advanced in the year	2, 580	-
Loan repayments	(649)	(929)
At 31 December	**7, 585**	**5, 654**
Maturity profile of mortgage loans:		
Loans maturing:		-
Within 1 year	1, 490	-
In 1 - 5 years	6, 095	5, 654
In over 5 years		
	7, 585	**5, 654**

The mortgage loans are secured by title deeds.

22.0 RECEIVABLES ARISING OUT OF DIRECT INSURANCE ARRANGEMENTS

	2021 Kes'000	2020 Kes'000
Gross receivables	366, 646	361, 695
Provision for impairment losses	(258, 664)	(229, 086)
Net Receivables	**107, 982**	**132, 609**
Movement in provision for impairment losses:		
At 1 January	229, 086	242, 936
Bad debts written off	-	(54, 686)
Impairment charge during the year (Note 4.2)	29, 578	40, 836
At 31 December	**258, 664**	**229, 086**

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

23.0 REINSURERS' SHARE OF INSURANCE LIABILITIES

	2021 Kes'000	2020 Kes'000
Reinsurers' share of:		
- notified claims outstanding (note 29)	347, 792	289, 573
- claims incurred but not reported (note 29)	15, 356	5, 411
- unearned premium (note 30)	215, 995	181, 235
	579, 143	**476, 219**

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.

24.0 OTHER RECEIVABLES

	2021		
	Gross carrying amounts Kes'000	Loss Allowance Kes'000	Net carrying amounts Kes'000
Due from related parties (note 37(ii)	107	-	**107**
Prepayments	10	-	**(58)**
Utilities and rental deposit	3, 069	-	**3, 069**
Rent receivable	36, 534	(131)	**36, 534**
Other receivables	3, 523	-	**3, 523**
	43, 243	**(131)**	**43, 175**

	2020		
	Gross carrying amounts Kes'000	Loss Allowance Kes'000	Net carrying amounts Kes'000
Due from related parties (note 37(ii)	89	-	89
Prepayments	10	-	10
Utilities and rental deposit	3, 059	-	3, 059
Rent receivable	31, 001	(144)	30, 857
Other receivables	52, 269	-	52, 269
	86, 428	**(144)**	**86, 284**

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

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

25.0 (i) DEFERRED ACQUISITION COSTS ON INSURANCE COMMISSION

	2021 Kes'000	2020 Kes'000
At 1 January	70, 491	89, 334
Movement in the year	21, 495	(18, 842)
At 31 December	**91, 986**	**70, 491**

25.0 (ii) DEFERRED ACQUISITION COSTS ON INSURANCE COMMISSION

	2021 Kes'000	2020 Kes'000
At 1 January	31, 876	35, 848
Movement in the year	4, 766	(3, 972)
At 31 December	**36, 642**	**31, 876**

26.0 GOVERNMENT SECURITIES

	2021 Kes'000	2020 Kes'000
i. Government securities held at amortised cost		
- Maturing within 1 year	40, 764	10, 107
- Maturing in 1-5 years	75, 851	102, 284
- Maturing after 5 years	457, 767	318, 781
	574, 382	**431, 172**
At 1 January	431, 172	402, 447
Additions	186, 200	50, 000
Amortisation	(22, 582)	3, 768
Maturities	(20, 350)	(25, 000)
Impairment provision in the year	(58)	(43)
At 31 December	**574, 382**	**431, 172**
ii. Government securities at fair value through profit and loss		
At 1 January	456, 286	490, 749
Additions	420, 126	145, 448
Maturities	(280, 653)	(184, 208)
Fair value gain (note 6)	1, 306	4,297
At 31 December	**597, 065**	**456, 286**

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

27.0 WEIGHTED AVERAGE EFFECTIVE INTEREST RATES

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

	2021 (%)	2020 (%)
Mortgage loans	10	10
Government securities	12.5	12.4
Deposits with financial institutions	9.8	9.5

28.0 INSURANCE CONTRACT LIABILITIES

	2021 Kes'000	2020 Kes'000
- claims reported and claims handling expenses (note 29)	1, 466, 774	1, 386, 012
- claims incurred but not reported (note 29)	306, 199	211, 968
	1, 772, 973	**1, 597, 980**

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

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 2021 and 2020 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.

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

29.0 MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

	2021			2020		
	Gross Kes'000	Reinsurance Kes'000	Net Kes'000	Gross Kes'000	Reinsurance Kes'000	Net Kes'000
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 1 January	1, 597, 980	(294, 984)	1,302,996	1, 387, 385	(202,387)	1, 184, 998
Cash paid for claims settled in year	(1, 013, 228)	184, 819	(828, 409)	(1, 219, 874)	107, 838	(1, 112, 036)
Increase in liabilities:						
- arising from current year claims	554, 779	(126, 569)	428,210	332, 227	(18,724)	313, 504
- arising from prior year claims	633, 442	(126, 414)	507,027	1, 098, 242	(181, 712)	916, 530
Total at 31 December	**1, 772, 973**	**(363, 148)**	**1, 409, 824**	**1, 597, 980**	**(294, 984)**	**1, 302, 996**
Notified claims	1, 466, 774	(347, 792)	1, 118, 981	1, 386, 012	(289, 573)	1, 096, 439
Incurred but not reported	306, 199	(15, 356)	290, 843	211, 968	(5, 411)	206, 557
Total at 31 December	**1, 772, 973**	**(363, 148)**	**1, 409, 824**	**1, 597, 980**	**(294, 984)**	**1, 302, 996**

30.0 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:

	2021			2020		
	Gross Kes'000	Reinsurance Kes'000	Net Kes'000	Gross Kes'000	Reinsurance Kes'000	Net Kes'000
At 1 January	629, 622	(181, 235)	448, 387	772, 788	(176, 933)	595, 854
Change in the period (net)	125, 197	(34, 760)	90, 437	(143, 165)	(4, 302)	(147, 467)
At 31 December	**754, 819**	**(215, 995)**	**538, 824**	**629, 622**	**(181, 235)**	**448, 387**

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

31.0 DEFERRED INCOME TAX

Deferred tax is calculated using the enacted income tax rate of 30% (2020: 30%). The movement in the deferred tax asset account is as follows:

	2021 Kes'000	2020 Kes'000
At 1 January	88, 546	59, 099
Credit to the Income statement (note 11)	(33, 779)	25, 313
Charge to other comprehensive income	3, 570	-
Over provision of deferred tax in prior year	-	4, 134
At 31 December	**58, 337**	**88, 546**

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

	1 January 2021 Kes'000	Credited to profit or loss Kes'000	Charged to OCI Kes'000	31 December 2021 Kes'000
Year ended 31 December 2021				
Property and equipment: - on historical cost basis	13, 280	(513)	-	12, 767
Property and equipment: - on revaluation surplus	(45, 184)	-	-	(45, 184)
Provisions	75, 570	18, 878	-	94, 448
Lease Liability -IFRS 16	9, 157	213	-	9, 370
Unrealised exchange gains	(63)	7	-	(56)
Tax losses	50, 467	(51, 427)	-	(960)
Fair Value gains on investment property & equity instruments	(8, 446)		-	(8, 446)
ROU Asset - IFRS 16	(6, 235)	(1, 901)		(8, 136)
Deferred tax through other comprehensive income	-	-	3,570	3, 570
Under/(over) provision of deferred tax in prior years	-	964	-	964
Net deferred income tax asset	**88, 546**	**(33, 779)**	**3,570**	**58, 337**

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

	1 January 2020 Kes'000	Credited to profit or loss Kes'000	Charged to OCI Kes'000	31 December 2020 Kes'000
Year ended 31 December 2020				
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, 235)
Net deferred income tax asset	**59, 099**	**-**	**29, 447**	**88, 546**

32.0 OTHER PAYABLES

	2021 Kes'000	2020 Kes'000
Accrued expenses	41, 794	30, 065
Accrued leave	2, 665	-
Rental deposits	22, 612	22, 552
Payroll liabilities	3, 887	3, 146
Sundry creditors	2, 006	2, 596
Stale cheques	-	653
Other liabilities	31, 251	22, 786
	104, 215	**81, 798**

33.0 CONTINGENT LIABILITIES

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.

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

34.0 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.

	Kes'000	Kes'000
Year 1	54, 057	50, 286
Year 2	54, 810	54, 057
Year 3	42, 402	54, 810
Year 4	45, 582	42, 402
Year 5	-	45, 582
At 31 December	**196, 851**	**247, 136**

The lease income on the operating leases as at 31 December 2021 was Kes 67.1 million (2020 : Kes 73.4 million).

35.0 CASH AND CASH EQUIVALENTS

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

	2021 Kes'000	2020 Kes'000
Cash and bank balances	244, 426	71, 223
Deposits with financial institutions	211, 695	250, 747
	456, 121	**321, 970**

Deposits with financial institutions have an average maturity of 3 months (2020 : 3 months). The effective interest rate on deposits was 9.8% per annum (2020 : 9.5%).

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

36.0 NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of loss before taxation to cash (used in)/generated from operations:

	2021 Kes'000	2020 Kes'000
Profit/(loss) before taxation	68, 923	(79, 143)
Adjustments for:		
Interest on Government securities, deposits with financial institutions and mortgage loans (Note 6(a)	(140, 360)	(129, 229)
Depreciation of property and equipment (note 16)	4, 026	4, 130
Purchase of quoted shares (Note 20)	(130, 732)	
Mortgage loans repaid (Note 21)	649	929
Purchase of Government bonds at amortised cost(Note 26 (i))	(186, 200)	(50, 000)
Purchase of treasury bonds at fair value (Note 26(ii))	(420, 126)	(145, 448)
Proceeds from disposal of quoted shares (Note 20)	115, 155	11, 475
Maturity of treasury bonds (Note 26(i) and (ii))	301, 003	209, 208
Mortgage loans advanced	2, 580	-
Amortisation charge on intangible assets (note 18)	6, 097	8, 649
Amortisation of the right-of-use assets (note 17 (a))	6, 644	4, 859
Interest on lease liabilities (note 17 (b))	3, 937	3, 722
Gain on sale of equipment (note 7)	(4, 046)	(4, 746)
Change in fair value of quoted shares (note 20)	2, 518	6, 307
Amortisation of Government securities at amortised cost (note 26 (i))	22, 582	(3, 768)
Unrealized fair value gains on Government securities at fair value through P&L (note 26 (ii))	(1, 306)	(4, 297)
Change in fair value of investment property (Note 19)	68, 853	-
Adjustments on right of use assets	-	(1, 221)
Impairment provision on Government securities (note 26 (i)	58	43
Changes in:		
Insurance contract liabilities, unearned premiums and reinsurer's share of insurance contract liabilities	191, 714	(29, 470)
Payables arising from reinsurance arrangements	21, 890	(23, 078)
Deferred acquisition cost	(21, 495)	14, 872
Due from Kenya Motor Insurance Pool	5, 247	1, 307
Other receivables	43, 041	(39, 645)
Receivables arising out of direct insurance	24, 627	125, 125
Receivables arising out of reinsurance arrangements	3, 201	(35, 181)
Other payables	22, 417	(15, 017)
Deferred reinsurance commissions	4, 766	-
Cash generated /(used) in operations	**15, 663**	**(169, 617)**

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

37.0 DIVIDENDS

The directors propose payment of the first and final dividends of Ksh. 8.333 (2020-ksh Nil) per share totalling to Ksh. 50, 000, 000 (2020-Ksh Nil). The proposed dividend is not payable until ratified at the annual general meeting. Payment of dividends is subjected to applicable withholding tax under Kenya Income tax act

38.0 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.

	2021 Kes'000	2020 Kes'000
i) Transactions with related parties		
Gross earned premium:		
- Related parties – directors	378	1, 035
- Related parties – other	919	2, 392
ii) Outstanding balances with related parties		
Amounts due from related parties (note 24)		
Loans advanced to staff	12	12
Southern Shield Holdings	77	77
	89	**89**
iii) Mortgage loans to directors and key management staff of the Company		
At 1 January	5, 654	6, 583
Loan repayments received	(649)	(929)
At 31 December	**5, 005**	**5, 654**
iv) Key management compensation		
Salaries and other short-term employment benefits	45, 999	71, 031
v) Directors' remuneration		
Directors' fees	6, 883	6, 598
Other remuneration (included in key management compensation above)	45, 999	71, 031
	52, 882	**77, 629**

Notes to the Financial Statements

For the year ended 31 December 2021 (contd)

39.0 INCORPORATION

The company is domiciled in Kenya where it is incorporated as a private company limited by shares under the Companies Act 2015. The address of the registered office is set out on page 9.

40.0 CURRENCY

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

41.0 EVENTS AFTER THE REPORTING DATE

No material events or circumstances have arisen between the reporting date and the date of this report that require disclosure.

General Insurance Business Revenue Account For Year 2021

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	2021 Total
Gross written premium	48, 381	22, 436	166, 521	34, 983	451, 723	595, 807	408, 809	459, 425	11, 199	60, 291	21, 752	2, 281, 328
UPR - January 2021	43, 956	6, 953	53, 113	1, 677	93, 705	236, 425	132, 107	43,212	10, 392	3, 406	4,678	629, 622
UPR - December 2021	37, 019	6 ,500	59, 350	3, 484	101, 907	289, 715	133, 951	105, 525	4, 078	4, 564	8, 727	754, 819
Gross earned premium	**55, 319**	**22, 889**	**160, 284**	**33, 176**	**443, 521**	**542, 517**	**406, 964**	**397, 111**	**17, 514**	**59, 133**	**17, 703**	**2, 156, 131**
Gross claims paid	82, 146	2, 615	60, 179	12, 743	24, 023	434, 006	277, 243	45, 212	7, 368	25, 288	197	971, 020
At 31 December 2021	82, 169	3, 678	193, 805	29, 896	94, 351	484, 549	501, 588	271, 940	1, 209	110, 541	(754)	1, 772, 973
At 1 January 2021	84, 281	1, 262	201, 064	14, 711	50, 381	413, 781	544, 897	192, 457	2, 149	93, 556	(560)	1, 597, 980
Gross claims incurred	**80, 034**	**5, 031**	**52, 921**	**27, 927**	**67, 993**	**504, 774**	**233, 934**	**124, 695**	**6, 428**	**42, 272**	**3**	**1, 146, 013**
Net written premium	8, 119	10,811	18,903	27,894	19,114	566,105	385,906	393,058	7,002	29, 936	4, 430	1, 471, 277
UPR - January 2021	3, 439	4,348	21,949	1,241	9,704	228,714	126,018	42,003	8,095	1, 127	1, 749	448, 387
UPR - December 2021	2, 382	3,557	20,119	2,049	9,091	278,761	129,039	88,107	1,842	1, 243	2, 635	538, 824
Net earned premium	**9, 176**	**11,602**	**20,733**	**27,086**	**19,728**	**516,057**	**382,885**	**346,955**	**13,255**	**29, 819**	**3, 544**	**1, 380, 839**
Net claims paid	6, 632	1, 845	16, 179	12, 743	8, 552	426, 531	255, 341	44, 265	7, 294	14, 937	197	794, 515
At 31 December 2021	250	(223)	100, 382	22, 649	41, 324	479, 302	465, 111	258, 978	4, 583	44, 090	(6, 621)	1, 409, 824
At 1 January 2021	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
Net claims incurred	**2, 650**	**4, 001**	**14, 349**	**21, 478**	**12, 320**	**487, 584**	**215, 955**	**117, 445**	**6, 509**	**18, 913**	**140**	**901, 343**
Commissions payable	11, 049	4, 360	27, 797	5, 853	18, 105	52, 488	39, 161	90, 385	2, 949	6,556	1, 403	260, 106
Commissions receivable	(12, 686)	(3, 441)	(36, 540)	(1, 456)	(22, 865)	(3, 045)	(2, 591)	(11, 151)	(1, 176)	(7,498)	(14, 129)	(116, 578)
Management Expenses	5, 193	3, 479	9, 903	5, 380	18, 238	161, 782	64, 782	39, 596	3, 275	8,747	4, 123	324, 498
Total expenses	**6, 206**	**8, 398**	**15, 509**	**31, 254**	**25, 798**	**698, 808**	**317, 307**	**236, 274**	**11, 558**	**26, 719**	**(8, 463)**	**1, 369, 368**
Net U/W Profit/(Loss)	**2, 971**	**3, 203**	**5, 224**	**(4, 168)**	**(6, 070)**	**(182, 752)**	**65, 578**	**110, 681**	**1, 697**	**3, 101**	**12, 007**	**11, 471**

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, 620
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, 087**
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	13, 953	4, 179	26, 697	3, 637	25, 288	62, 371	46, 838	36, 525	9, 933	11, 180	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)	(116,1 65)
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)**

Notes

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