EAST AFRICA REINSURANCE COMPANY LIMITED

2020 ANNUAL REPORT & FINANCIAL STATEMENTS

SECURED SOLID PARTNERSHIP

VISION STATEMENT

To be the risk partner of choice in our markets

MISSION STATEMENT

To provide quality risk solutions, excellent service and enhanced value to all stakeholders.

CORE VALUES

Integrity, Commitment, Partnership, Excellence, Professionalism, Innovation.

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CORPORATE INFORMATION

REGISTERED OFFICE

East Africa Reinsurance Company Limited
EARe House, 98 Riverside Drive
P.O. Box 20196 – 00200 City Square
Nairobi, Kenya
Tel: (254 20) 4084000
Mobile: +254 728111041; +254 733623737
E-mail: info@eastafricare.com
Website: www.eastafricare.com

SECRETARY

K.M. Ontiti
Certified Public Secretary (Kenya)
P.O. Box 30345-00100
GPO Nairobi, Kenya

AUDITORS

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

DIRECTORS

J.P.M. Ndegwa
Alt. A.S.M. Ndegwa
M.P. Chandaria (Dr.)* OBE, EBS
Alt. M. Jha** - Appointed 04 August 2020
P.K. Maina
D.G.M. Hutchison*
L.W. Muriuki
J.K. Kimeu
S.N. Adamali
S.O. Oluoch
Alt. P.K. Mugambi
V.R. Kumar**- Resigned 04 August 2020
* British
** Indian

LEGAL ADVISORS

Kaplan & Stratton
Kaplan & Stratton
Williamson House
4th Ngong Avenue
P.O. Box 40111 - 00100
Nairobi, Kenya

LJA Associates
Cavendish Block
14 Riverside Drive
P.O. Box 49594 - 00100
Nairobi, Kenya

ACTUARIES

Zamara Actuaries, Administrators and Consultants Limited
Argwings Kodhek Road, Landmark Plaza
P.O. Box 52439 - 00200 City Square
Nairobi, Kenya

Actuarial Services (EA) Limited
26th Flr, UAP Old Mutual Towers,
Upperhill, Upperhill Road
P.O. Box 10472 - 00100 GPO
Nairobi, Kenya

PRINCIPAL BANKER

NCBA Bank Limited
NCBA House Branch
Masaba Road
P.O. Box 30090 - 00100
GPO Nairobi Kenya

BOARD OF DIRECTORS

J.P.M. NDEGWA

CHAIRMAN

M.P. CHANDARIA (Dr)

VICE - CHAIRMAN

D.G.M. HUTCHISON

DIRECTOR

P.K. MAINA

DIRECTOR

L.W. MURIUKI

DIRECTOR

S.N. ADAMALI

DIRECTOR

S.O. OLUOCH)

DIRECTOR

J. K. KIMEU

DIRECTOR

A.S.M. NDEGWA

ALTERNATE DIRECTOR

P.K. MUGAMBI

ALTERNATE DIRECTOR

M. JHA

ALTERNATE DIRECTOR

K.M. ONTITI

COMPANY SECRETARY

MANAGEMENT

P. MAINA

CHIEF EXECUTIVE OFFICER

C. OGAYE

HEAD OF NON-LIFE BUSINESS

D. KIRUI

HEAD OF LIFE BUSINESS

P. MUMBE

CHIEF FINANCE OFFICER

V. MAITHYA

HR & ADMIN MANAGER

D. KANIARU

RISK CONSULTANT

R. KOGO

CHIEF ACCOUNTANT

B. CHIRCHIR

I.T MANAGER

Short-Term and Long Term Combined Business

	2016 Shs'Million	2017 Shs'Million	2018 Shs'Million	2019 Shs'Million	2020 Shs'Million
Gross Written Premiums	3,328	4,203	4,006	4,665	4,003
Gross Earned Premiums	3,545	3,964	3,804	4,384	4,319
Net Earned Premiums	3,204	3,646	3,496	4,038	3,891
Technical Profit	285	384	436	477	299
Underwriting Profit	122	201	229	235	86
Investment Income	648	704	728	694	683
Profit Before Tax	668	817	823	835	606
Profit After Tax	466	602	616	589	410
Dividends	60	100	100	100	100
Shareholders' Funds	3,422	4,085	4,587	5,076	5,370
Share Capital	1,500	1,500	1,500	1,500	1,500
Total Assets	7,769	8,981	9,676	10,481	10,261

Short-Term and Long Term Combined Business

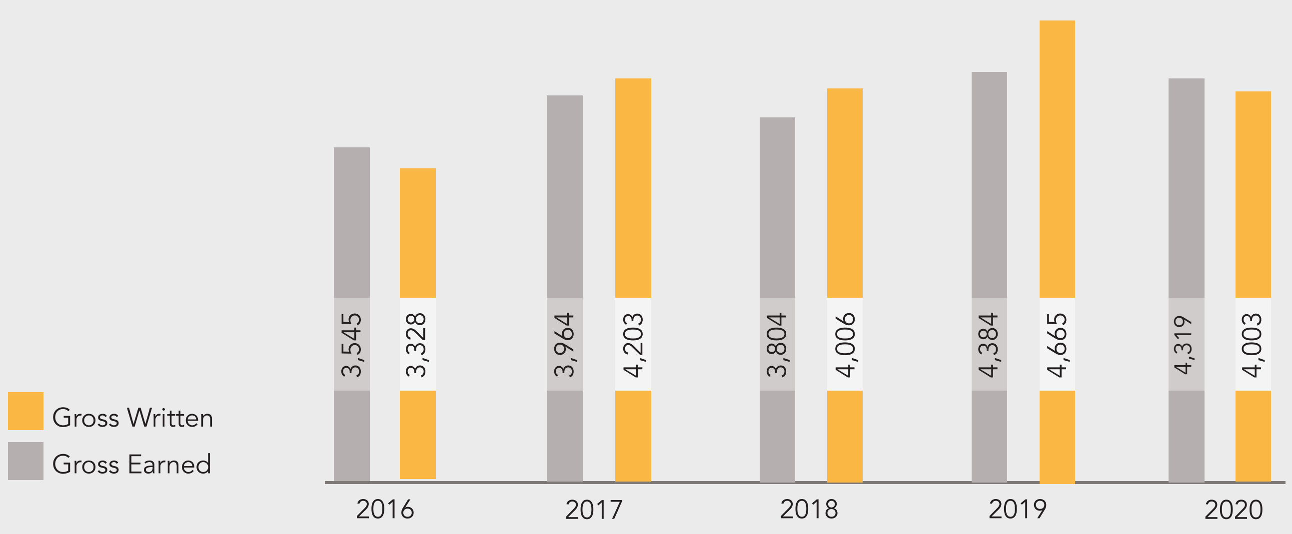
	Rate 102.56 USD'000	Rate 103.23 USD'000	Rate 101.83 USD'000	Rate 101.42 USD'000	Rate 109.05 USD'000
Gross Written Premiums	32,449	40,710	39,340	45,997	36,711
Gross Earned Premiums	34,562	38,397	37,356	43,233	39,607
Net Earned Premiums	31,240	35,316	34,370	39,813	35,678
Technical Profit	2,779	3,719	4,280	4,702	2,743
Underwriting Profit	1,190	1,945	2,245	2,324	793
Investment Income	6,322	6,824	7,153	6,888	6,269
Profit Before Tax	6,513	7,918	8,080	8,235	5,558
Profit After Tax	4,544	5,827	6,045	5,811	3,754
Dividends	585	969	982	986	917
Shareholders' Funds	33,366	39,572	45,045	50,052	49,245
Share Capital	14,626	14,531	14,730	14,790	13,755
Total Assets	75,751	87,002	95,020	103,339	94,099

Ratios

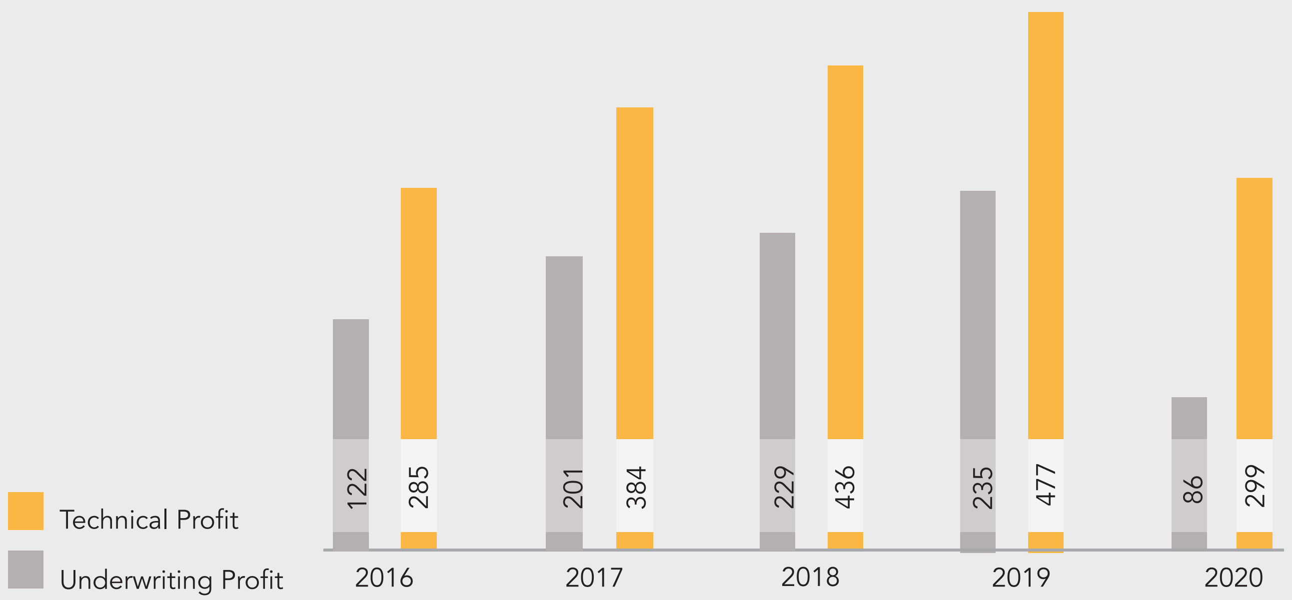
Net Technical Profit/ Net Premiums (%)	9	10	12	11	8
Loss Ratio (%)	61	56	56	56	60
Earnings Per Share (Shs)	310	401	410	392	273
Dividend Cover	8	6	6	6	4
Return on Equity Before Tax (%)	21	22	19	16	11
Return on Equity After Tax (%)	14	16	14	12	8

5 YEARS' FINANCIAL HIGHLIGHTS (COMBINED BUSINESS)

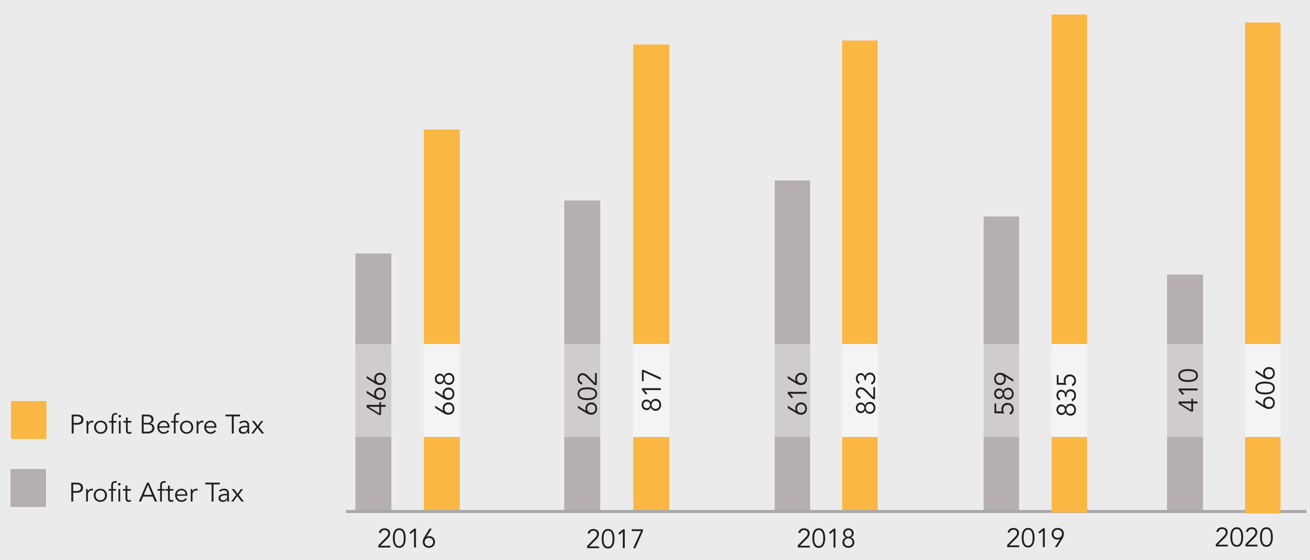
Gross Written and Gross Earned Premiums (Shs Millions)



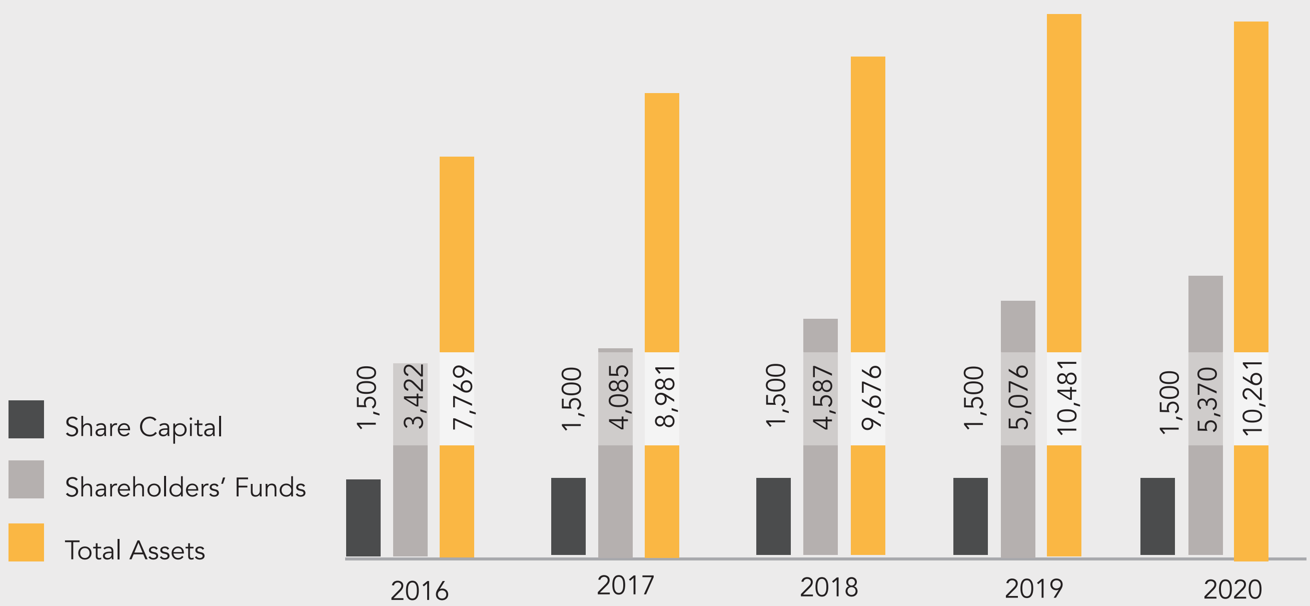
Technical Profit and Underwriting Profit (Shs Millions)



Profit Before and After Tax (Shs Millions)



Share Capital, Shareholders' Funds, and Total Assets (Shs Millions)



NOTICE OF THE TWENTY-EIGHTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE TWENTY-EIGHTH ANNUAL GENERAL MEETING OF EAST AFRICA REINSURANCE COMPANY LIMITED WILL BE HELD BY VIDEOCONFERENCE ON THURSDAY, 20 MAY 2021, AT TWELVE NOON.

AGENDA

1. To read the Notice convening the meeting.

2. Confirmation of Quorum.

3. To confirm the minutes of the Annual General Meeting held on 21st May 2020.

4. To receive, consider and, if appropriate, adopt the financial statements for the year ended 31st December 2020 and the Chairman's, Directors', Actuary's and Auditors' reports thereon.

5. To approve the payment of a final dividend of Kes. 100 million for the year ended 31 December 2020.

6. To re-elect Directors:

   (a) Mr S O Oluoch retires by rotation in accordance with Article 80(A) of the Company's Articles of Association and, being eligible, offers himself for re-election.
   (b) Mr D G M Hutchison retires by rotation in accordance with Article 80(A) of the Company's Articles of Association and, being eligible, offers himself for re-election.
   (c) Mr J K Kimeu retires by rotation in accordance with Article 80(A) of the Company's Articles of Association and, being eligible, offers himself for re-election.

7. To approve the remuneration of the Directors.

8. To authorise the Directors to appoint and fix the remuneration of new Auditors for the period to the close of the next Annual General Meeting in place of the current auditors, PricewaterhouseCoopers, who will be retiring this year after being the Auditors since 2015.

9. Any Other Business.

By Order of the Board

K. M. Ontiti
Secretary
29 April 2021

NOTE:

1) Every shareholder of the company is a corporate member and is thus entitled to appoint a proxy to attend and vote for it on its behalf.
2) To be valid, proxy forms must be deposited at the company's registered office not less than 48 hours before the appointed time of the meeting.
3) The person appointed as proxy must be well acquainted and trained on the use of "zoom" video conferencing platform. Details of the meeting ID and Password will be shared with the proxies at least 24 hours before the appointed time of the meeting.

On behalf of the Board of Directors of East Africa Reinsurance Company Limited, I am pleased to present to you the Company's Annual Report and Financial Statements for the year ended 31 December 2020.

2020 was an exceptionally challenging year for the Company, our clients and the economy at large due to the adverse effects of the COVID-19 pandemic. Despite this challenging business environment, the Company reported a solid performance, evidenced by sustained profitability and growth in shareholder funds. 2020 was the second year in the Company's 2019- 2023 strategic plan period and we continue to review our strategic initiatives to ensure the achievement of our set goals.

As a Board, we remain confident that we will continue to deliver sustainable and enhanced value to all our stakeholders.

"Despite this challenging business environment, the Company reported a solid performance, evidenced by sustained profitability and growth in shareholder funds"

J.P.M. NDEGWA

CHAIRMAN

BUSINESS ENVIRONMENT

The global economy was negatively impacted by the COVID-19 pandemic in 2020. According to the International Monetary Fund, the global growth contraction in 2020 is estimated at -3.5 percent, one of the worst recessions in recent years. Businesses around the world faced catastrophic losses as the coronavirus outbreak forced them to scale back operations or shut down entirely. This led to poor business performance across most business sectors, volatility in the stock, commodity and forex markets as well as constraints in international trade.

Locally, 2020 began with high optimism levels mainly due to the repeal of the interest rate cap in late 2019. However, this was short-lived with the reporting of the first COVID-19 case and the locusts' attack in early 2020. The Kenyan economy was negatively impacted by supply and demand shocks on external and domestic fronts, affecting Gross Domestic Product (GDP) growth. Additionally, the Kenyan investment market was characterised by a decline in interest rates and a fall in stock prices as investors sought safe havens, reported negative corporate earnings and dividends outlook. The Kenyan Shilling depreciated against the major currencies i.e. US dollar, Euro and GBP from the beginning of the year, while inflation remained low.

In light of this, the IMF projects that GDP will decelerate from an annual average of 5.7% to 1% in 2020. However, it is projected to recover to 4.7% in 2021 if COVID-19 is brought under control.

THE KENYAN INSURANCE INDUSTRY

Similar to other industries, the COVID-19 pandemic impacted the insurance industry mainly through reduced premium revenue, reduced returns from the investments and increased insurance claims in some classes of insurance business. According to the Quarter 3, 2020 Insurance Regulatory Authority (IRA) Industry Release Report, the industry recorded a marginal growth of 2.6% in gross premiums to Shs 179.41 billion from Shs 174.92 in 2019. The Life (long-term) grew by 6.6% while the Non-Life (short-term) business declined by 0.1% in premium terms. During this period, the industry recorded a 54% decline in profit before tax from Shs 9.2 billion in 2019 to Shs 4.2 billion in 2020, mainly due to subdued investment performance. On a positive note, the short-term business reported a significant improvement in underwriting results from a loss of Shs 2.66 billion in 2019 to a loss of Shs 880 million in 2020, achieving 66.9% improvement.

Further, according to Kenya Insurance Industry Survey 2019 Report, insurance penetration in Kenya has dropped to 2.43%, the lowest in the last 15 years, an indicator that the sector has not been successful in riding on the insurance opportunities presented by the expanding economy and insurance information available. Based on this industry performance, it is becoming increasingly clear that a sustainable insurance sector will need to be built on transformative technologies that drive operational efficiencies and reduce manual processes that drive up costs and the sector will need to develop insurance solutions that bring on board the uninsured market.

During the year, the IRA issued guidance notes to mitigate the impact of the pandemic on insurers and policyholders. Key to this was the exemption of insurance companies from capital adequacy requirements for the six months' period between July and December 2020.

EARe's PERFORMANCE

In 2020, the Company recorded a solid performance, sustained profitability and growth in shareholders' funds despite a reduction in gross written premiums and investment income.

Gross premiums written decreased by 14% in 2020 to Shs 4.00 billion (2019: Shs 4.67 billion). Profit before tax was Shs 606 million (2019: Shs 835 million) while the profit after tax was Shs 410 million (2019: Shs 589 million). The decline in gross premium income is attributed to deliberate efforts to scale down business from certain markets in addition to the impact of economic disruptions caused by COVID-19.

Net claims incurred in 2020 marginally increased by 2% to Shs 2.31 billion up from Shs 2.29 billion in 2019 mainly on account of strengthening of reserves in the year. This in addition to reduced premium income led to an increase in the loss ratio from 56.6% to 59.9%.

The net acquisition costs, management expenses and combined ratios in the year 2020 increased marginally to 28.6%, 5.3% and 97.8% from 27.1%, 5.2% and 94.2%, in 2019, respectively mainly on account of reduced premium income. The combined business underwriting profit amounted to Shs 86.49 million in 2020 from Shs 235.76 million recorded in 2019.

The investment income declined by 1% to Shs 684 million in 2020 from Shs 694 million in 2019. This decline is attributed to fair value losses on investment property and equity investments as well as lower interest rates on government securities and bank deposits.

Investment funds increased by 6% from Shs 7.15 billion in 2019 to Shs 7.56 billion in 2020.

At 31 December 2020, the Company's total assets amounted to Shs 10.26 billion compared Shs 10.48 billion at 31 December 2019 mainly due to a decline in receivables arising from reinsurance arrangements and property devaluations in line with market conditions, offset by growth in investment assets. Shareholders' funds increased to Shs 5.37 billion from Shs 5.08 billion in 2019.

DIVIDENDS

Based on the Company's performance, the Board of Directors recommends the payment of a total dividend of Shs 100 million (2019: Shs 100 million) equivalent to 24.37% (2019: 16.97%) of the profit after tax to the Shareholders who were on the Register of Members at 31 December 2020. This will be subject to shareholders approval at the forthcoming Annual General Meeting (AGM).

RISK BASED CAPITAL

The Company achieved a Capital Adequacy Ratio (CAR) of 387% and 207% for the Short-term and Long-term businesses, respectively. These are above the regulator's prescribed capital requirement of 200%.

SECURITY RATING

During the year, A.M. Best affirmed the Company's Financial Strength Rating of B (Fair) and Long-Term Issuer Credit Rating of "bb+" while Global Credit Rating Co. (GCR) of South Africa assigned the Company's domestic security rating at AA- and the international scale claims paying ability rating at B with a positive outlook.

CORPORATE SOCIAL RESPONSIBILITY

During the year, the Company continued to support the community in line with its Corporate Social Responsibility (CSR) pillars in education, health, environment and social welfare.

As a responsible corporate citizen and in line with our corporate values, the Company made donations to the COVID-19 Emergency Fund set up by the Government of Kenya and the National Disaster Fund set up by the Insurance Regulatory Authority and Association of Kenya Insurers to mitigate the effect of the pandemic and also cushion the more vulnerable members of the society from its effects.

Additionally, the Company admitted new students to its education sponsorship program during the year and made contributions and donations to Ghetto Classics, Faraja Cancer Support, Banda Health, Street Children's Assistance for Nakuru Networks (SCANN) and Challenge gift bags towards education, health, social and child welfare.

A comprehensive update on the Corporate Social Activities undertaken during the year 2020 is contained in this Annual Report.

BOARD AND GOVERNANCE

The Board of Directors remains committed to all stakeholders and maintains the highest standards of corporate governance. During the year, Mr. Mohan Jha joined the Board as an alternate director and Mr. Valiveti Kumar resigned as an alternate director. I wish to unreservedly thank Mr. Valiveti Kumar for his contribution to the Company during his tenure.

FUTURE OUTLOOK

Amid exceptional uncertainty, the global economy is projected to grow by 5.5 percent in 2021 and 4.2 percent in 2022.The global and local economy is projected to achieve a gradual recovery in the year 2021 as vaccine approvals raise hopes of an economic turnaround. Even with the expected economic recovery, we remain alert to the industry and investment market risks.

The current operating environment encourages insurers to continuously rethink their business and operating models and to fully embrace innovation to grow business and meet customer needs. Our strategy is to provide quality risk solutions, and solid partnerships to our customers and ultimately enhanced and sustainable value to all stakeholders.

ACKNOWLEDGMENTS

In 2020, the Company achieved 25 years of operation and remains a risk partner of choice in our chosen markets. We are proud of our achievements which we believe have laid the foundation for future prosperity. The Board remains confident that the Company is in a great position to not only realise future growth but to achieve our mission of providing quality risk solutions, excellent service and enhanced value to all our stakeholders.

To our shareholders, thank you for your unwavering support and confidence in the Board of Directors and Management, our strategy and our future.

To our clients, business partners and other stakeholders, I sincerely thank you for your business relationship which significantly contributes to our business results. As a Company, we assure you that we will strive to meet and exceed your expectations and we look forward to secured solid partnerships.

To the EARe staff, I thank you for your dedication, commitment and efforts to deliver outstanding service to our clients.

To my fellow directors, I recognise and appreciate your wise counsel, continued commitment, stewardship and service to EARe.

Thank you,

J.P.M. Ndegwa
Chairman
25 February 2021

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 31 December 2020, which disclose the state of affairs of East Africa Reinsurance Company Limited (" the Company").

1. Incorporation

The Company is domiciled in Kenya where it is incorporated under the Kenyan Companies Act, 2015 as a private company. The address of its registered office is set out as part of the Corporate Information.

2. Principal activities

The principal activity of the Company is underwriting all classes of reinsurance and reassurance businesses as defined by the Insurance Act Cap 487, Laws of Kenya.

3. Results

The net profit for the year of Shs 410,369,000 (2019: Shs 589,337,000) has been added to retained earnings for the Non Life business and to general reserve for the Life business.

	2020 Shs'000	2019 Shs'000
Profit before income tax	606,081	835,169
Income tax expense	(195,712)	(245,832)
	410,369	**589,337**

4. Dividends

The directors recommend the payment of a first and final dividend of Shs 100,000,000 (2019: Shs 100,000,000) representing a dividend of Shs 66.67 (2019: Shs 66.67) per share and a dividend payout ratio of 24.37% (2019: 16.97%).

5. Business review

The Company reported a profit before tax of Shs 606,081,000 (2019: Shs 835,169,000). This performance was largely impacted by the economic disruptions caused by COVID19. As a result, there was a significant reduction in technical profits and increased provisions in reinsurance receivables.Further, reduced interest rates and fair value loss of investment property and equities resulted in decreased investment income.The Company's financial highlights including ratios are summarized on page 5.

The Company is exposed to various risks including retrocession risk, underwriting risk, accumulation risk, concentration risk, strategic risk and credit risk. The details of the risks and how the Company manages them are discussed in Note 2.

6. Disclosure to the 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.

7. Terms of appointment of the auditors

PricewaterhouseCoopers LLP continue in office in accordance with the Company's Articles of Association and Section 719 of the Kenyan Companies Act, 2015.

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

The financial statements set out on pages 29 to 80, which have been prepared on the going concern basis, were approved by the Board of Directors on 25 February 2021.

The Report of the Directors was approved by the Board of Directors on 25 February 2021 and signed on its behalf by the Company Secretary.

By order of the Board

K. M. Ontiti
Secretary
25 February 2021

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors and Management of East Africa Reinsurance Company Limited are committed to upholding the highest standards of Corporate Governance and compliance with applicable legislation's, regulations and best practices in the insurance industry. The Company continues to fulfil its corporate governance obligations and responsibilities in the best interests of the Company and all its stakeholders. We recognise that good corporate governance is key to the enhancement of the Company's performance and business sustainability and enhances the confidence placed on the Company by its shareholders, customers, business partners, employees and other stakeholders.

The Company has in place a Code of Business Conduct and Ethics that binds Management and Staff to ensure that the Company's business is carried out in an ethical, fair and transparent manner. The Board is guided by a Board Charter which documents the constitution and responsibilities of the Board and its committees.

The Board of Directors is cognizant of the fact that the principles of Corporate Governance are continuously evolving and thus the Board continues to anticipate and respond to the corporate governance developments. We have put in place formal structures to support corporate governance.

1. BOARD OF DIRECTORS

East Africa Reinsurance Company Limited, is governed by a Board of Directors which is responsible for providing strategic direction to the Company in line with best practice while promoting and protecting shareholder value. This is achieved by setting appropriate business strategies and plans and monitoring the performance against the set strategies and plan.

The Board of Directors is accountable to the shareholders and in this regard the Board is responsible for providing overall management and leadership to the Company.

The roles of the Board include the following:

- Overall strategic direction of the Company.
- Monitoring the Company's performance and reporting this to shareholders especially at the Annual General Meeting.
- Setting policy guidelines for management and ensuring competent management of the business including the selection, supervision and remuneration of staff.
- Ensuring that the business of the Company is conducted in compliance with relevant laws and regulations.

The Board has in place three Board committees namely Audit Risk and Compliance, Finance Investment and IT and Ethics, Nominations and Remuneration Committees which ensure that proper internal controls, risk management processes, compliance with relevant laws and regulations, and the delivery on commitments to all stakeholders are adhered to.

In carrying out the above responsibilities, the Board delegates its authority to the Chief Executive Officer to oversee the day to day management of the Company. However, it retains overall responsibility for the Company's financial performance, compliance with laws and regulations, and monitoring of its operations as well as ensuring competent management of the business.

Board Composition and Appointment

During the financial year 2020, eight directors served on the board of whom seven were non-executive directors and one executive director, the Chief Executive Officer. Out of the seven non-executive directors, four are independent, as such meets the compliance requirements set out in the Corporate Governance Guidelines issued by the Insurance Regulatory Authority (IRA).

Board Composition and Appointment (Continued)

The Board is composed of directors with a diverse experience in various industries and competencies such as Insurance, Banking, Law, Accounting and Auditing. These unique experiences provide the Board with a mix of skills in discharging its responsibilities and providing a strategic vision and direction for the Company by bringing in the element of independent judgment and risk assessment in the decision making process. All the directors are in compliance with the Guidelines of Suitability of Key Persons as set out by the Insurance Regulatory Authority.

The Board also maintains a transparent procedure for appointment and induction of new Board members. Appointments to the Board are done by the Board of Directors after receiving recommendations from the Ethics, Nominations and Remuneration Committee.

All directors have a fixed tenure of office and are required to retire at least every three years with a provision for re-election subject to attaining a favourable performance evaluation by the Board.

Board meeting

The Board meets at least four times in a year to deal with all significant matters including strategic direction for the Company; ensuring competent management of the business; internal control; compliance with laws and regulations and reporting performance to shareholders.

Each year, the Board meetings calendar is prepared in advance and provided to all directors. The notice of Board meetings is circulated in accordance with the Company's Articles of Association and is distributed together with the agenda and Board papers to all the Directors beforehand through a system called Boardvantage. This ensures that the directors have sufficient time to review the Board papers ahead of the meeting and thereby have meaningful deliberations during the meetings. The Board of directors also have full and unlimited access to the Company's records.

All reports from external consultants and regulatory authorities such as the Insurance Regulatory Authority, Kenya Revenue Authority, Auditors, Actuaries and Rating agencies are reviewed at Board meetings and appropriate actions taken.

During the year, the impact of COVID-19 pandemic made holding of physical board meetings untenable. Consequently, during this period, Board Meetings as well as the Annual General Meeting were held virtually successfully.

Board Evaluation

Each year the Board undertakes a review of its performance, the Board Committees and individual directors. The purpose of the evaluation process is to help improve the Board performance while ensuring that any amendments issued by the regulator, Insurance Regulatory Authority are incorporated.

In the year under review the Board evaluation was carried out by an independent consultant, and the results communicated to the Board.

2. REMUNERATION OF DIRECTORS

The Board is remunerated fairly and responsibly based on a compensation structure aligned with the strategy of the Company. The remuneration is reflective of the role and responsibilities expected of them. This is after considering industry benchmarks and the international practices. The Shareholders approve the directors' remuneration at every Annual General Meeting.

The aggregate amount of emoluments paid to directors for services rendered during the financial year is disclosed in Note 30 (e) to the financial statements for the year ended 31 December 2020.

3. COMMITTEES OF THE BOARD

To enable the Board carry out its mandate effectively, the Board has delegated some of its powers to various board committees but still retains the ultimate responsibility for performance and corporate governance of the Company.

The committees of the Board are as follows:

- The Finance, Investment and IT (FII) Committee.
- The Audit, Risk and Compliance (ARC) Committee.
- The Ethics, Nominations and Remuneration (ENR) Committee.

Each of the three committees has a detailed terms of reference set out by Board while incorporating any amendments by the regulator, the Insurance Regulatory Authority. The Committees hold meetings on a regular basis as per the schedule defined at the beginning of each year. The Committees meet and make recommendations to the Board on matters falling under their respective mandates. The Board may delegate some of its powers to any committee and may appoint any other committee, including ad hoc task forces, as it may be deemed necessary.

a) Finance, Investment and IT Committee

The Finance, Investment and IT (FII) Committee is chaired by a non-executive member of the Board. The other members include the Chief Executive Officer and non-executive appointees of the Board. The Chief Finance Officer and Heads of Business are regular invitees to the meetings.

The Committee meets on a quarterly basis and is mainly responsible for financial, investment, information and communication technology aspects of the Company on behalf of the Board. The Committee oversees the formulation and implementation of the Company's financial and investment strategies; reviews and monitors the Company's compliance with investment strategy, policy and statutory requirements; approves or recommends to the Board for approval investment projects in accordance with the Company's investment policy, and reviews the performance of the investment portfolio and monitors special projects. It also oversees the formulation, implementation and compliance with the Company's IT policies and plans.

b) Audit, Risk and Compliance Committee

The Audit, Risk and Compliance (ARC) Committee is chaired by an independent non-executive Director. The other members are non-executive appointees of the Board. The Chief Executive Officer, Chief Finance Officer, Heads of Businesses and Risk and Compliance Manager are regular invitees to the Committee meetings.

The ARC Committee meets on a quarterly basis and is responsible for ensuring that internal systems, controls, procedures and policies of the Company including risk management processes are properly established, monitored and reported on. The Committee receives reports and reviews findings of the appointed actuaries, regulators, internal and external auditors, risk and compliance department and rating agencies and also monitors implementation of the recommendations on behalf of the Board.

In addition, the Committee is responsible for monitoring and providing effective supervision of the management's financial reporting process to achieve accurate and timely financial reporting as well as entrenchment of good corporate governance practices in the Company.

c) Ethics, Nominations and Remuneration Committee

The Ethics, Nominations and Remuneration (ENR) Committee is chaired by a non-executive Director. The other members are non-executive Directors and the Chief Executive Officer. The Chief Finance Officer and Human Resource & Administration Manager are regular invitees to the Committee meetings.

c) Ethics, Nominations and Remuneration Committee (Continued)

The Committee meets biannually and is responsible for making recommendations to the Board on remuneration and incentive policies, recruitment, retention and termination policies for senior management, remuneration framework for directors, amongst others. The ENR Committee is also responsible for development of a process to evaluate the performance of the Board, its Committees, Directors and succession planning.

4. RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors have the overall responsibility of establishing and overseeing the Company's risk management and internal control framework through the Audit Risk and Compliance (ARC) Committee. The Board has also set up a Risk and Compliance Department headed by the Function Manager who directly reports to the ARC Committee as required by the Insurance Regulatory Authority.

The Board of Directors is responsible for establishing an effective Enterprise Risk Management Framework for systematically identifying, assessing, managing, monitoring and reporting all material risks inherent in the business as it pursues its strategic objectives. An effective Enterprise Risk Management Framework ensures the alignment of Company's vision, strategic plan, operational strategies, processes, people, technology and resources. It also facilitates the evaluation and management of threats and opportunities in a structured and disciplined manner.

The Risk Management Policy establishes the Risk Management Framework to support the achievement of the Company's goals and strategic objectives. The Risk Management Framework includes detailed risk management procedures that define the governance structure, roles and responsibilities of risk management within the Company and establishes the risk management strategy. The Framework also includes various risk management tools including the risk appetite & tolerance framework, the Company's risk profile, the risks registers and the risk reporting mechanism and is aligned with the requirements of the Insurance Regulatory Authority. The Framework is regularly reviewed by the Board of Directors, Rating Agencies, Internal & External Auditors, Appointed Actuaries and the Regulator. The Board and Management reviews the risk appetite on an annual basis through the ARC Committee and any changes are proposed are presented to the Board for approval.

The Risk and Compliance Department is responsible for monitoring the Company's day-to-day risk-taking activities, assessing the effectiveness of internal controls, and ensuring compliance with applicable, contractual, legislative and regulatory requirements.

The Company has put in place adequate internal controls which are reviewed by the Internal Audit function on a bi-annual basis. All internal control improvements resulting from the audit are discussed and approved by the ARC Committee.

5. EMPLOYEE GROWTH AND DEVELOPMENT

The Company respects employee individuality within the practices of our corporate culture. The performance based culture is guided by the Balanced Score Card (BSC), a performance management system which focuses on both qualitative and quantitative performance of the team. The BSC aligns the performance of the individuals and the corporate objectives. Whereas attainment of quantitative goals can be measured by increase in shareholder value, attainment of qualitative goals is measured by personal growth of the individuals in the various departments of the Company. The Company supports staff to achieve their aspirations through training and personal development plans and initiatives. The Company also assists its staff to undertake continuous professional development training programmes to fulfil their potential and be at par with the various professional bodies' Continuous Professional Development (CPD) requirements.

The Company recognizes the need for diversity, equal opportunity, gender sensitivity and provision of a safe and conducive work environment for all its staff. In addition, the team building initiatives organized by the Company creates a sense of oneness with the team members making the working environment favourable.

6. CONFLICT OF INTEREST

The Directors are required to act in the best interest of the Company at all times. The directors of the Company have an obligation to disclose any conflict of interest at the beginning of every Board meeting in relation to matters that are brought before them for deliberation. A director must refrain from discussion or voting on matters of potential conflict of interest. The Board members are also required to declare their interest before participating in Board meetings and are excluded from deliberations in the case of any potential conflicts of interest.

Further, a process of declaration of interest has been implemented and all staff are required to declare their interest on an annual basis through filling the relevant forms. The Company's Code of Business Conduct & Ethics stipulates measures that should be taken by all employees to ensure that there is no conflict of interest whatsoever.

7. RELATED PARTY TRANSACTIONS

There have been no materially significant related party transactions, pecuniary transactions or relationships between the Company and its Directors or Management except those disclosed in Note 30 to the financial statements for the year ended 31 December 2020.

8. COMPLIANCE WITH LAWS AND REGULATIONS

The Board is satisfied that the Company has, to the best of its knowledge, put in place mechanisms to ensure compliance with all the applicable laws and regulations. The Compliance function is charged with the responsibility of tracking the Company's compliance with the various laws and regulations. Effective compliance with relevant laws and regulations is enhanced through the use of a the Governance Risk & Compliance (GRC) system.

The Audit, Risk & Compliance Committee is responsible for monitoring compliance and ensuring that significant breaches are adequately resolved. To the knowledge of the Board, no director or employee of the Company acted or committed any indictable offence in conducting the affairs of the Company nor been involved or been used as a conduit for money laundering or any other activity in contravention with the relevant laws and regulations.

9. DIRECTORS' ATTENDANCE OF MEETINGS

The following is the attendance record of the directors at the Board and its' Committee meetings. The record of attendance is kept by the Company Secretary and noted in the minutes of the respective meetings.

a) Board	Position	27 February	18 May	06 August	03 December
J. P. M. Ndegwa	Chairman	Yes	Yes	Yes	Yes
Dr. M. P. Chandaria OBE EBS	Vice- Chairman	Yes	Yes	Yes	Yes
P. K. Maina	CEO	Yes	Yes	Yes	Yes
D. G. M. Hutchison	Member	Yes	Yes	Yes	Yes
L. W. Muriuki	Member	Yes	Yes	Yes	Yes
S. O. Oluoch	Member	Yes	Yes	Yes	Yes
S.N. Adamali	Member	Yes	Yes	Yes	Yes
J.K.Kimeu	Member	Yes	Yes	Yes	Yes
K. Ontiti	Company Secretary	Yes	Yes	Yes	Yes

9. DIRECTORS' ATTENDANCE OF MEETINGS (continued)

b) FII	Position	10 February	07 May	23 July	04 November
P. K. Mugambi	Chairman	Yes	Yes	Yes	Yes
P. K. Maina	CEO	Yes	Yes	Yes	Yes
J. K. Kimeu	Member	Yes	Yes	Yes	Yes
V.R. Kumar*	Member	Yes	Yes	No	N/A
M. Jha**	Member	N/A	N/A	N/A	Yes
K. Ontiti	Company Secretary	Yes	Yes	Yes	Yes

c) ARC	Position	10 February	07 May	23 July	04 November
D. G. M Hutchison	Chairman	Yes	Yes	Yes	Yes
P. K. Maina	CEO	Yes	Yes	Yes	Yes
J. K. Kimeu	Member	Yes	Yes	Yes	Yes
P. K. Mugambi	Member	Yes	Yes	Yes	Yes
V.R. Kumar*	Member	Yes	Yes	No	N/A
M. Jha**	Member	N/A	N/A	N/A	Yes
K. Ontiti	Company Secretary	Yes	Yes	Yes	Yes

d) ENR	Position	17 February	06 November
J. P. M. Ndegwa	Chairman	Yes	Yes
P. K. Maina	CEO	Yes	Yes
P. K. Mugambi	Member	Yes	Yes
L. W. Muriuki	Member	Yes	Yes
V.R. Kumar*	Member	Yes	N/A
M. Jha**	Member	N/A	Yes
K. Ontiti	Company Secretary	Yes	Yes

*Resigned on 4 August 2020
**Appointed on 4 August 2020

10. COMPANY SECRETARY

The Company Secretary is responsible for ensuring that Board procedures are followed and that applicable laws and regulations are complied with, and ensures in conjunction with the Chairman and the Chief Executive Officer, that the board and committee meetings are held procedurally. The Company Secretary links flow of information between the Management and the Board and ensures that the Board receives adequate and timely information and that Management receives feedback in a similar manner. The Company Secretary ensures that the business of the Board meets all statutory requirements, keeps all legal, governance and regulatory requirements under review and briefs the Board accordingly about these developments.

All directors have access to the Company Secretary who is also responsible for implementing and monitoring good corporate governance practices at the Board.

The Company Secretary is appointed by the directors for a term and remuneration that they deem fit.

11. ACTUARIAL FUNCTION

The Company has set up an in-house actuarial function. This function evaluates and provides advice to the Company regarding, at a minimum, technical provisions and compliance with related statutory and regulatory requirements. The Company has further contracted an Independent Actuary who is a Fellow of The Actuarial Society of Kenya in compliance with the Actuarial Function guidelines released by the Regulator. During the year, the appointed actuary generated the technical liabilities that the Company used in its audited financial statements. In addition, the Company has appointed another Independent Actuary who comments on the Company's Financial Condition and signs off the Financial Condition Report (FCR).

12. SHAREHOLDERS

The list of the Shareholders and their individual holdings at the year-end was as follows:

	2020 Holding Number of Shares	%	2019 Holding Number of Shares	%
ICEA LION Life Assurance Company Limited	463,627	30.91 %	463,627	30.91 %
First Chartered Securities Limited	397,829	26.52 %	397,829	26.52 %
Kenindia Assurance Company Limited	239,898	15.99 %	239,898	15.99 %
General Insurance Corporation of India	221,281	14.75 %	221,281	14.75 %
GA Insurance Limited	102,870	6.86 %	102,870	6.86 %
Pioneer Holdings (Africa) Limited	45,000	3.00 %	45,000	3.00 %
Apollo Investments Limited	20,211	1.35 %	20,211	1.35 %
United Insurance Company Limited	9,284	0.62 %	9,284	0.62 %
	1,500,000	**100.00 %**	**1,500,000**	**100.00 %**

J.P.M. Ndegwa
Chairman
25 February 2021

D.G.M. Hutchison
Director
25 February 2021

P.K. Maina
Principal Officer
25 February 2021

SOCIAL AND ENVIRONMENTAL RESPONSIBILITIES STATEMENT

The Company has a long-standing commitment to Corporate Social Responsibility (CSR) initiatives. Our goal is to impact our community through 4 main pillars - Education, Health, Environment, Social, and Child welfare. Over the years, we have witnessed the positive impact that CSR has had on communities and the environment.

In 2020, the COVID-19 pandemic led to severe socioeconomic disruption across the country and in the communities where we live and serve. The Company undertook various activities over and above its CSR initiatives to support its corporate social responsibility partners in coping with the pandemic. The highlights of these activities are as follows:

Education

The Company's education sponsorship program has been our core focus area and we have seen the number of students under the program increase each year. We seek to support bright and needy students who have limited support and resources to pursue their education goal. The Company provides school fees scholarships, counseling, and mentorship support to the students in our education program. We consistently follow-up on their progress through academic reports and interacting with them during holidays. Over and above academic performance, we encourage our students to be morally upright and to engage in extra-curricular activities. In 2020, the Company sponsored a total of 40 students directly and through partnerships with various schools and institutions such as the Palmhouse Foundation and the Street Children Association Network of Nakuru (SCANN).

The Company also offers internship opportunities through its Student Holiday Internship Program. This program aims to provide a practical work experience to students who went through our education sponsorship program and have progressed to institutions of higher learning.

Health

The Company continues to partner with Faraja Cancer Support Trust in providing emotional, practical, and healing support to cancer patients. In 2020, the Company took part in the 5for5 Challenge, a fundraising campaign aimed at supporting cancer patients and caregivers during the COVID-19 pandemic. Staff members participated in the challenge and also had an opportunity to make individual contributions towards this initiative.

Additionally, the Company donated Personal Protective Equipment (PPE) to the frontline healthcare workers at Banda Health. Banda Health is a non-profit organization that empowers healthcare providers and clinics in low-income settings. In the wake of COVID-19, the small clinics needed extra support for their vulnerable frontline healthcare workers.

Staff members presenting donations to Faraja Cancer Support Trust (left) and Banda Health (right)

We value our employees' well-being, during the Covid-19 pandemic we implemented safety protocols and hygiene measures in line with the Ministry of Health guidelines to protect our staff members from contracting coronavirus. In addition, we transitioned our corporate fitness program from onsite to virtual. Our staff members also took part in other outdoor fitness activities such as cycling, hiking, yoga, and running.

Staff members maintain their health and fitness amidst COVID-19 pandemic

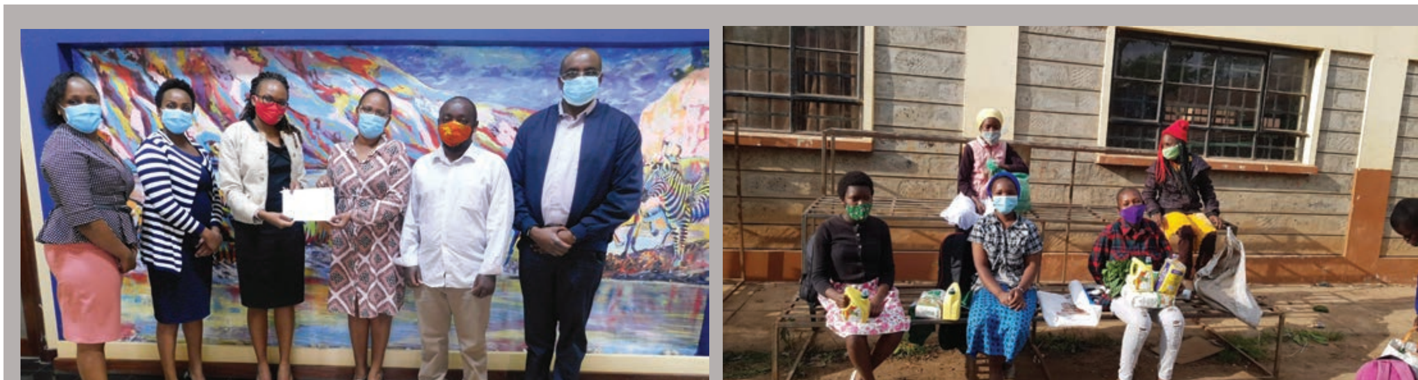
Social and Child Welfare

Through this focus area, the Company supports children and the community through various donations. Some of the institutions that benefited from the Company's program in 2020, include:

Ghetto Classics is a community-based program that supports children in the Korogocho and Mukuru Kwa Njenga slums. This year they initiated a food distribution campaign to keep children nourished during the COVID-19 pandemic. The Company donated towards this initiative and was able to feed over 200 families.

Challenge Gift Bags is a small community development enterprise that helps and supports rehabilitated street youth into the community. The institution was greatly affected by the COVID-19 pandemic in sustaining the upkeep of the youth, the Company donated towards the purchase of food items, sanitizers, masks, and toiletries.

Street Children Assistance for Nakuru Networks is a program that provides education, rehabilitation, food, and other necessities to street children in Nakuru. As part of the annual support to the institution, the Company also donated towards the purchase of food, sanitizers, and cleaning detergents to the institution.



Staff members presenting donations to Ghetto Classics

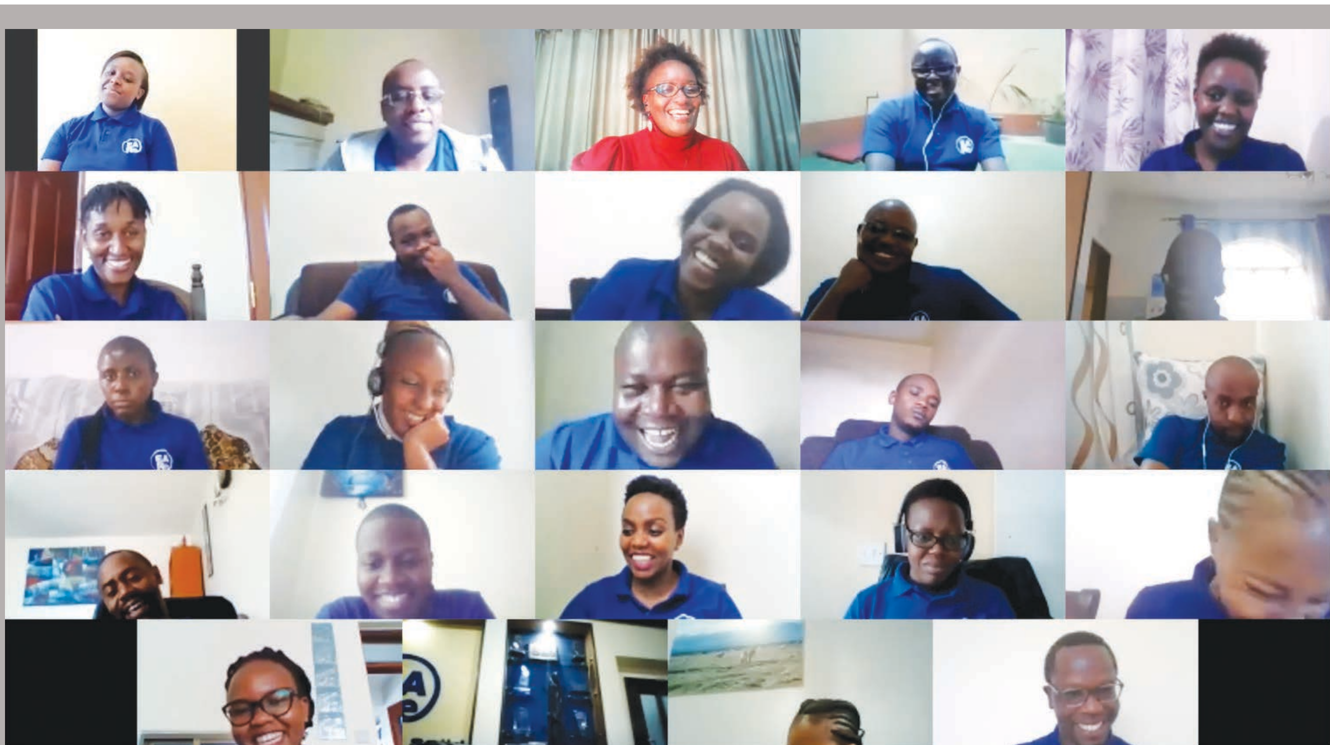
Staff members presenting donations to Challenge Gift Bags

Staff members presenting donations to SCANN

Environment

The company has put in place initiatives that aim at operating responsibly by preserving the environment. These initiatives include;

- Implementation of an electronic document management system in a bid to save trees by reducing the use of paper.
- Investing in energy-saving initiatives such as the installation of light-emitting diode (LED) bulbs which require less power than regular forms of lighting.
- Nurturing and conserving indigenous trees in addition to maintaining a natural landscape at our offices' premises.
- Installation of solar system on our investment property to reduce usage of hydro and fuel power.



Staff members having a laugh during a virtual team building

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

- Designing, implementing and maintaining such internal controls as they determine necessary to enable the presentation of financial statements that are free of material misstatement, whether due to fraud or error;
- Selecting suitable accounting policies and applying them consistently; and
- Making judgments and accounting estimates that are reasonable in the circumstances.

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

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

Approved by the board of directors on 25 February 2021 and signed on its behalf by:

J.P.M. Ndegwa	**D.G.M. Hutchison**	**P.K. Maina**
Chairman	**Director**	**Principal Officer**
25 February 2021	**25 February 2021**	**25 February 2021**

REPORT OF CONSULTING ACTUARY

I have conducted an insurance liability valuation of the short-term and an actuarial valuation of the long-term businesses of East Africa Reinsurance Company Limited at 31 December 2020.

The valuation was conducted in accordance with generally accepted actuarial principles and in accordance with the requirements of the Kenyan Insurance Act. These principles require that 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 financial statements of the Company.

In my opinion;

- the short-term business of the Company was financially sound and insurance liabilities reserves of the Company were adequate at 31 December 2020.
- the long-term business of the Company was financially sound and the actuarial value of the liabilities in respect of all classes of long-term business did not exceed the amount of funds of the long-term business at 31 December 2020.

J. I. Olubayi
Zamara Actuaries, Adminstrators and Consultants Limited
Nairobi

25 February 2021

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF EAST AFRICA REINSURANCE COMPANY LIMITED

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of East Africa Reinsurance Company Limited (the Company) set out on pages 29 to 80 which comprise the statement of financial position at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies.

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

Basis for opinion

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

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (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.

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Partners: E Kerich B Kimacia M Mugasa A Murage F Muriu P Ngahu R Njoroge S O Norbert's B Okundi K Saiti

Key audit matter	How our audit addressed the key audit matter
Determination of reinsurance / reassurance contract liabilities The valuation of reinsurance contract liabilities included in Note 23 of the financial statements is an area of significant audit focus because the calculation of the reinsurance contract liabilities involves significant management judgements and estimates of uncertain future events, claims behaviour and future economic conditions. As disclosed in Note 23, numerous assumptions are applied in determining the value of the reinsurance contract liabilities. Historical claims development factors are key judgement areas in the valuation of short-term reinsurance contract liabilities.	Tested, on a sample basis, that claim amounts as recorded in the claims systems agree to the source documents such as the quarterly statements from brokers or from cedants. Assessed the methodology and assumptions used in the estimation of reserves against generally accepted actuarial methodologies and approaches, in relation to the business written and expected risks. Assessed the validity of the assumptions used for the life business in relation to the experience of the Company. For the general business we tested the validity of the assumptions by performing an actual versus expected analysis on prior year's reserves to assess for any surpluses or shortfalls. Assessed the adequacy and appropriateness of the related disclosures in the financial statements.

Other information

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

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

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

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

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 Kenyan Companies Act, 2015

In our opinion the information given in the report of the directors on page 12 is consistent with the financial statements.

PricewaterhouseCoopers LLP

Certified Public Accountants Nairobi

29 March 2021

CPA Bernice Kimacia, Practising certificate No. 1457.
Signing partner responsible for the independent audit

2020
FINANCIAL STATEMENTS

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

	Notes	Long term business 2020 Shs'000	Short term business 2020 Shs'000	Total 2020 Shs'000	Long term business 2019 Shs'000	Short term business 2019 Shs'000	Total 2019 Shs'000
Gross written premiums	3	1,137,038	2,866,323	4,003,361	1,282,676	3,382,290	4,664,966
Gross earned premiums	3	1,286,493	3,032,649	4,319,142	1,244,391	3,140,345	4,384,736
Less: Retrocession premiums	3	(231,022)	(197,439)	(428,461)	(171,585)	(175,304)	(346,889)
Net earned premiums		**1,055,471**	**2,835,210**	**3,890,681**	**1,072,806**	**2,965,041**	**4,037,847**
Investment income	4	178,152	505,518	683,670	179,404	514,199	693,603
Acquisition costs recoverable from retrocessionnaires		45,651	24,163	69,814	33,234	7,298	40,532
Other income		-	12	12	-	120	120
Total income		**1,279,274**	**3,364,903**	**4,644,177**	**1,285,444**	**3,486,658**	**4,772,102**
Gross claims incurred	5	(940,519)	(1,668,219)	(2,608,738)	(701,659)	(1,585,586)	(2,287,245)
Amounts recoverable from retrocessionaires		273,746	4,583	278,329	120,215	(118,055)	2,160
Net claims incurred		**(666,773)**	**(1,663,636)**	**(2,330,409)**	**(581,444)**	**(1,703,641)**	**(2,285,085)**
Acquisition costs		(327,671)	(855,871)	(1,183,542)	(310,855)	(825,029)	(1,135,884)
Operating and other expenses	6	(80,892)	(443,253)	(524,145)	(108,593)	(407,371)	(515,964)
Total expenses		**(1,075,336)**	**(2,962,760)**	**(4,038,096)**	**(1,000,892)**	**(2,936,041)**	**(3,936,933)**
Profit before income tax		203,938	402,143	606,081	284,552	550,617	835,169
Income tax expense	7	(73,009)	(122,703)	(195,712)	(81,615)	(164,217)	(245,832)
Profit for the year		**130,929**	**279,440**	**410,369**	**202,937**	**386,400**	**589,337**
Other comprehensive income:							
Items that will not be reclassified to profit or loss							
Fair value loss on revaluation of land and buildings	11	-	(22,121)	(22,121)	-	-	-
Deferred tax on revaluation of land and buildings		-	6,636	6,636	-	-	-
Total other comprehensive loss		**-**	**(15,485)**	**(15,485)**	**-**	**-**	**-**
Total comprehensive income for the year		**130,929**	**263,955**	**394,884**	**202,937**	**386,400**	**589,337**
Earnings per share (Basic and Diluted)	9			273.58			392.89

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	Long term business 2020 Shs'000	Short term business 2020 Shs'000	Total 2020 Shs'000	Long term business 2019 Shs'000	Short term business 2019 Shs'000	Total 2019 Shs'000
Assets							
Property and equipment	11	-	446,594	446,594	-	489,584	489,584
Investment properties	13	-	760,000	760,000	-	800,000	800,000
Intangible assets	12	-	3,049	3,049	-	6,098	6,098
Mortgage loans	15	-	41,853	41,853	-	75,819	75,819
Government securities at amortised cost	19	1,005,954	3,050,859	4,056,813	989,962	2,245,671	3,235,633
Receivables arising out of retrocession arrangements		35,978	3,187	39,165	4,153	20,502	24,655
Receivables arising out of reinsurance arrangements		209,815	996,525	1,206,340	303,638	1,228,920	1,532,558
Deferred acquisition costs	16	113,870	351,612	465,482	140,966	401,054	542,020
Equity investments at fair value through profit or loss	14	17,040	34,256	51,296	22,475	45,335	67,810
Corporate bonds at amortised cost	18	61,150	208,239	269,389	45,826	192,805	238,631
Retrocessionaires' share of reinsurance liabilities	16	129,320	253,024	382,344	111,949	266,802	378,751
Other receivables	17	2,178	97,681	99,859	2,869	346,548	349,417
Current income tax receivable		52,468	-	52,468	-	-	-
Deposits with financial institutions	20	452,410	1,646,126	2,098,536	607,626	1,863,533	2,471,159
Cash and bank balances	26	46,437	241,847	288,284	25,037	243,512	268,549
Total assets		**2,126,620**	**8,134,852**	**10,261,472**	**2,254,501**	**8,226,183**	**10,480,684**
Equity and Liabilities							
Equity							
Share capital	21	500,000	1,000,000	1,500,000	500,000	1,000,000	1,500,000
General reserve	10	627,274	-	627,274	496,345	-	496,345
Revaluation reserve	10	-	243,434	243,434	-	281,068	281,068
Fair value reserve	10	-	1,577	1,577	-	3,950	3,950
Retained earnings	10	-	2,998,911	2,998,911	-	2,794,949	2,794,949
Total equity		**1,127,274**	**4,243,922**	**5,371,196**	**996,345**	**4,079,967**	**5,076,312**

	Notes	Long term business 2020 Shs'000	Short term business 2020 Shs'000	Total 2020 Shs'000	Long term business 2019 Shs'000	Short term business 2019 Shs'000	Total 2019 Shs'000
Liabilities							
Provision for unearned premium	22	443,985	1,172,617	1,616,602	593,440	1,338,943	1,932,383
Reinsurance/reassurance contract liabilities	23	176,315	1,624,882	1,801,197	101,420	1,612,145	1,713,565
Payables arising from retrocession arrangements		44,499	63,731	108,230	18,846	47,644	66,490
Current income tax payable		-	13,492	13,492	19,409	153	19,562
Other payables	24	24,053	480,221	504,274	253,244	467,936	721,180
Deferred acquisition cost arising from retrocession arrangements		23,104	12,373	35,477	19,796	7,495	27,291
Payables arising from reinsurance arrangements		16,942	409,839	426,781	37,665	547,226	584,891
Deferred income tax	25	270,448	113,775	384,223	214,336	124,674	339,010
Total liabilities		**999,346**	**3,890,930**	**4,890,276**	**1,258,156**	**4,146,216**	**5,404,372**
Total equity and liabilities		**2,126,620**	**8,134,852**	**10,261,472**	**2,254,501**	**8,226,183**	**10,480,684**

The financial statements and the notes on pages 29 to 80, were approved and authorized for issue by the Board of Directors on the 25 February 2021 and were signed on its behalf by:

J.P.M. Ndegwa
Chairman
25 February 2021

D.G.M. Hutchison
Director
25 February 2021

P.K. Maina
Principal Officer
25 February 2021

	Share capital Shs'000	Revaluation reserve Shs'000	Fair value reserve Shs'000	General reserve Shs'000	Total reserves Shs'000	Retained earnings Shs'000	Total equity Shs'000
Balance at 1 January 2019	**1,500,000**	**299,956**	**5,011**	**530,346**	**835,313**	**2,251,662**	**4,586,975**
Profit for the year	-	-	-	202,937	202,937	386,400	589,337
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**202,937**	**202,937**	**386,400**	**589,337**
Actuarial surplus transfer	-	-	-	(236,938)	(236,938)	236,938	-
Fair value reserve	-	-	(1,061)	-	(1,061)	1,061	-
Transfer of excess depreciation	-	(26,982)	-	-	(26,982)	26,982	-
Deferred tax on excess depreciation	-	8,094	-	-	8,094	(8,094)	-
Dividends paid 2018	-	-	-	-	-	(100,000)	(100,000)
Balance at 31 December 2019 and 1 January 2020	**1,500,000**	**281,068**	**3,950**	**496,345**	**781,363**	**2,794,949**	**5,076,312**
Profit for the year	-	-	-	130,929	130,929	279,440	410,369
Other comprehensive loss	-	(15,485)	-	-	(15,485)	-	(15,485)
Total comprehensive income for the year	**-**	**(15,485)**	**-**	**130,929**	**115,444**	**279,440**	**394,884**
Fair value reserve	-	-	(2,373)	-	(2,373)	2,373	-
Transfer of excess depreciation	-	(31,641)	-	-	(31,641)	31,641	-
Deferred tax on ex-cess depreciation	-	9,492	-	-	9,492	(9,492)	-
Dividends paid 2019	-	-	-	-	-	(100,000)	(100,000)
Balance at 31 December 2020	**1,500,000**	**243,434**	**1,577**	**627,274**	**872,285**	**2,998,911**	**5,371,196**
Notes	21	10	10	10		10	

	Notes	2020 Shs'000	2019 Shs'000
Cash flows from operating activities			
Cash generated from operations	27	42,565	210,731
Income tax paid	8	(202,401)	(256,569)
Net cash used in operating activities		**(159,836)**	**(45,838)**
Cash flows from investing activities			
Purchase of property and equipment	11	(13,439)	(3,071)
Proceeds from disposal of property and equipment		12	120
Additions to investment properties	13	(4,583)	(183)
Purchase of intangible assets	12	-	(7,507)
(Purchase)/redemption of government securities		(935,265)	255,153
Investment income received		742,294	708,883
(Purchase)/redemptions of corporate bonds		(30,770)	372,443
Redemption/(purchase) of deposits with financial institutions (maturing over 3 months)		773,751	(820,296)
Purchase of equity investments	14	-	(13,998)
Proceeds of disposal of equity investments		2,472	-
Mortgage loans advanced	15	-	(22,275)
Mortgage loans repaid	15	33,966	6,341
Net cash from investing activities		**568,438**	**475,610**
Cash flows from financing activities			
Dividends paid		(100,000)	(100,000)
Net increase in cash and cash equivalents		**308,602**	**329,772**
Cash and cash equivalents at 1 January		903,273	573,501
Cash and cash equivalents at 31 December	**26**	**1,211,875**	**903,273**

GENERAL INFORMATION

East Africa Reinsurance Company Limited is incorporated in Kenya under the Kenyan Companies Act, 2015 as a private limited liability company and is domiciled in Kenya. The address of its registered office is set out on the back cover.

The Company is organised into two main divisions, short-term (general) business and long-term (life) business. Long-term business relates to the underwriting of life risks relating to insured persons. Short-term business relates to all other categories of the insurance business accepted by the Company, analysed into several sub-classes of business based on the nature of the assumed risks.

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

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The measurement basis applied is the historical cost basis, except for land and buildings, investment properties and equity investments which have been measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 1.20.

1.2 Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Company

(a) Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of material

The IASB has made amendments to IAS 1 and IAS 8 which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

(b) Revised conceptual framework for financial reporting

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and

1.2 Changes in accounting policy and disclosures (continued)

- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

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

(ii) New standards and interpretations not yet adopted by the Company

(a) IFRS 17 Insurance Contracts – effective 1 January 2023

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured 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 contractual service margin. 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.

b) Amendments to IFRS 16 Leases – COVID-19 related rent concessions – effective 1 June 2020

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. 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.

c) Amendments to IAS 1 Presentation of financial statements – Classification of liabilities – effective 1 January 2022

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

1.2 Changes in accounting policy and disclosures (continued)

d) Amendments to IAS 16 Property, plant and equipment – Proceeds before intended use – effective 1 January 2022

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.

e) Annual improvements to IFRS Standards 2018 – 2020- effective 1 January 2022

The following improvements were deemed applicable to the Company:

- 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.

The Directors do not plan to apply the above standards, until they become effective. Based on their assessment of the potential impact of application of the above, only IFRS 17 is expected to have a significant impact on the Company's financial statements.

There are no other standards that are not yet effective that would be expected to have a material impact on the entity in the current or future reporting periods and on near future transactions.

1.3 Reinsurance contracts

(a) Classification

The Company underwrites reinsurance risk from reinsurance contracts or financial risk or both. Reinsurance contracts are those contracts that transfer significant reinsurance risk. Such contracts may also transfer financial risk. As a general guideline, the Company defines as significant reinsurance risk, the possibility of having to pay benefits on the occurrence of a reinsured event that are at least 10% more than the benefits payable if the reinsured event did not occur.

Reinsurance contracts are classified into two main categories, depending on the duration of risk and as per the provisions of the Insurance Act.

i) Short-term reinsurance business

This represents reinsurance business of any class or classes not being long term reassurance business.

Classes of short-term reinsurance include Aviation, Engineering, Fire (domestic risks, industrial and commercial risks), Liability, Marine, Motor (private vehicles and commercial vehicles), Personal Accident, Theft, Workmen's Compensation, Employer's Liability, Medical and Miscellaneous (i.e. class of business not included under those listed above). The Company's main classes, which account for over 60% of the income, are described below.

Miscellaneous Accident reinsurance business comprises the business of effecting and carrying out contracts of reinsurance which are not principally or wholly of any types included in other classes of business but shall include reinsurance of bonds of all types, reinsurance of livestock and crop reinsurance.

Medical reinsurance comprises the business of effecting and carrying out contracts of reinsurance against payment of expenses relating to both Inpatient and outpatient treatment in respect of corporate and individual clients.

Motor reinsurance business comprises the business of effecting and carrying out contracts of reinsurance 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.

1.3 Reinsurance contracts (continued)

(a) Classification (continued)

i) Short-term reinsurance business (continued)

Fire reinsurance business comprises the business of effecting and carrying out contracts of reinsurance, otherwise than incidental to some other class of reinsurance 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.

ii) Long-term reassurance business

This includes reassurance business of all or any of the following classes, namely, ordinary life reassurance business, group life reassurance business and business incidental to any such class of business.

Ordinary life reassurance business comprises the business of, or in relation to, the issuing of, or the undertaking of liability to pay money on death (not being death by accident or in specified sickness only) or on the happening of any contingency dependent on the termination or continuance of human life (either with or without provision for a benefit under a continuous disability reinsurance contract), and include a contract which is subject to the payment of premiums for a term dependent on the termination or continuance of human life.

Group life reassurance business comprises life reassurance business, being business of, or in relation to, the issuing of or the undertaking of liability under group life and permanent health reinsurance policy.

(b) Recognition and measurement

The Company incorporates actual results reported by cedant companies each year. Reinsurance income and expenditure transactions for the any unreported period of the year are based on estimates developed with the assistance of the actuaries.

The results of the reinsurance business are determined on an annual basis whereby the incurred cost of claims, commissions and related expenses are charged against the net earned proportion of premiums as follows:

i) Premium income

Gross earned premiums comprise gross premiums recorded including accrued estimated pipeline premiums (being premiums written by cedants but not reported to the Company at the end of each reporting period) relating to risks assumed in the year after accounting for any movement in gross unearned premiums. Unearned premiums for the short- term business represent that proportion of premiums written in the period that are attributable to the subsequent accounting period and are estimated, based on the internationally acceptable eighths (8ths) method for treaty business and 365th method for facultative business, net of deductions.

ii) Claims incurred

Claims incurred comprise actual claims paid as at the end of the year and accrued estimated pipeline claims (being claims paid by cedants but not reported to the Company at the end of each reporting period) and changes in the provision for reinsurance contract liabilities. Claims paid represent all payments made during the year, whether arising from events during that or earlier years. Reinsurance contract liabilities represent the ultimate cost of settling all claims arising from incidents occurring prior to the end of each reporting period, but not settled at that date. They are determined annually by the Company's consulting actuaries on the basis of the best information available at the time the records for the year are closed, and include any provisions for claims incurred but not reported (IBNR).

iii) Acquisition costs

A proportion of total acquisition costs is deferred and amortized over the period in which the related premium is earned. Acquisition costs recoverable are recognized as income in the period in which they are earned.

iv) Deferred acquisition costs

Deferred acquisition costs represent a proportion of the acquisition costs incurred and revenue receivable that relate to policies that are in force at the year end.

1.3 Reinsurance contracts (continued)

(b) Recognition and measurement (continued)

v) Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related deferred risk premium rebates. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off risk premium rebates and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

Long-term reassurance contracts are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

vi) Retrocession contracts held

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

The benefits to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due.

The Company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss through profit or loss. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortized cost. The impairment loss is also calculated following the same method used for these financial assets.

vii) Receivables and payables related to reinsurance contracts

Receivables and payables are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. These include amounts due to and from cedants and brokers. Subsequent to initial recognition, receivables related to reinsurance contracts are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment, with the impairment loss determined using the expected credit loss model, recorded in the statement of profit or loss.

1.4 Revenue recognition

i) Reinsurance premium revenue

The revenue recognition policy relating to reinsurance contracts is set out under note 1.3 (b) (i) above.

ii) Interest income

Interest income is recognized on a time proportion basis that takes into account the effective yield on the asset.

iii) Dividend income

Dividends are recognized as income in the period in which the right to receive payment is established.

iv) Rental income

Rental income is recognized as income in the period in which it is earned.

All investment income is stated net of investment expenses.

1.5 Property and equipment

All property and equipment are initially recorded at cost. Land and buildings are subsequently shown at market value, based on periodic valuations by external independent valuers, less subsequent depreciation and any accumulated impairment losses. All other categories of property and equipment are stated at historical cost less depreciation and any accumulated impairment losses.

Increases in the carrying amount of land and buildings arising from revaluations are credited to other comprehensive income and accumulated in a revaluation reserve under a separate heading in the statement of changes in equity. Decreases that offset previous increases of the same asset are charged against other comprehensive income. All other decreases are charged to the profit or loss. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset.

Depreciation is calculated on 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 as follows:

- Building 28 years
- Motor vehicles 4 years
- Computer equipment and software 3 years
- Furniture, fittings and office equipment 8 years

Property and equipment values are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

An item of property and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal. Gains and losses on derecognition of property and equipment are determined by reference to their carrying amounts. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

1.6 Intangible assets-Computer software

Acquired computer software and related licenses are stated at cost less accumulated amortisation. Acquired computer software licenses are capitalised on the basis of cost incurred to acquire and bring to use the specific software.

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year are recognized as intangible assets. Direct costs include software development, employee costs and appropriate portion of relevant overheads.

Amortisation is recognized in profit or loss on the straight-line basis over the estimated useful life of the software, from the date that it is available for use, not exceeding 3 years.

1.7 Investment property

Investment property comprise land and buildings held to earn rentals and/or for capital appreciation. It is stated at its fair value, at the reporting date as determined through an annual revaluation by external valuers on the basis of the highest and best use. Gains or losses arising from changes in fair value of the investment property are included in profit or loss in the period in which they arise.

The investment property is not subject to depreciation. Changes in the carrying amount between the ends of each reporting periods are recognised through profit or loss. On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

An investment property is derecognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no further economic benefit is expected from its disposal. On the retirement or disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss for the year.

1.8 Financial assets

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

(i) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

(ii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Debts instruments are those instruments that meet the definition of financial liability from the issuers perspective such as loans, government and corporate bonds. Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset:

Based on these factors the Company classifies its debt instruments to amortized cost.

- At amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/ (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

1.8 Financial assets (continued)

(ii) Measurement (continued)

Debt instruments (continued)

- Business model: the business model reflected how the Company manages the assets in order to generate cash flows i.e. whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel and how risks are assessed and managed.

- SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flow represent solely payments of principal and interest ('SPPI test'). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Equity instruments

The Company subsequently measures all equity investments at fair value. Changes in the fair value of financial assets at FVTPL are recognised in other gains/ (losses) in the statement of profit or loss as applicable.

(iii) Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on 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. This includes listed equity securities and quoted debt instruments on major exchanges (NSE). The quoted market price used for financial assets held by the Company is the current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

For example a market is inactive when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the dates of the statement of financial position.

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the Company at the end of the reporting period during which the change occurred.

1.8 Financial assets (continued)

(iv) Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:
  - Any adverse changes in the payment status of issuers or debtors in the Company; or
  - National or local economic conditions that correlate with defaults on the assets in the Company.

The expected credit loss impairment model applies to the following financial instruments that are not measured at FVTPL :
- Government securities measured at amortised cost;
- Receivables arising from reinsurance arrangements;
- Other receivables;
- Corporate bonds;
- Deposits with financial institutions; and
- Cash and bank balances.

No impairment loss is recognised on equity investments and financial assets measured at FVPL.

The Company recognises loss allowance at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The Company will recognise loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:

- Debt instruments that are determined to have low credit risk at the reporting date. The Company will consider a debt instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade' and investments in government securities; and
- Other financial instruments (other than trade receivables) for which credit risk has not increased significantly since initial recognition.

Loss allowances for receivables arising from reinsurance arrangements and other receivables will always be measured at an amount equal to lifetime ECLs. The impairment requirements of IFRS 9 require management judgement, estimates and assumptions, particularly in the following areas, which are discussed in detail below:

- Assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- Incorporating forward-looking information into the measurement of ECLs.

Measurement of expected credit losses

ECLs are a probability-weighted estimate of credit losses and will be measured as follows:
- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive; Company expects to receive;

1.8 Financial assets (continued)

Measurement of expected credit losses (continued)

- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;

An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset. The following are examples of such events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract - e.g. a default or past-due event;
- A lender having granted a concession to the borrower - for economic or contractual reasons relating to the borrower's financial difficulty - that the lender would not otherwise consider;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

Expected credit losses

Expected credit losses are computed as a product of the Probability of Default (PD), Loss Given Default (LGD) and the Exposure at Default (EAD).

ECL = PD x LGD x EAD

In applying the IFRS 9 impairment requirements, the Company follows on of the following approaches below:
- The general approach; and
- The simplified approach method.

The General Approach

Under the general approach, at each reporting date, the Company determines whether the financial asset is in one of three stages in order to determine both the amount of ECL to recognise as well as how interest income should be recognised.

- Stage 1 - where credit risk has not increased significantly since initial recognition. For financial assets in stage 1, the Company will recognise 12 month ECL and recognise interest income on a gross basis – this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.

- Stage 2 - where credit risk has increased significantly since initial recognition. When a financial asset transfers to stage 2, the Company will recognise lifetime ECL but interest income will continue to be recognised on a gross basis.

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

The changes in the loss allowance balance are recognised in profit or loss as an impairment gain or loss.

The Simplified approach

Under the simplified approach, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

Definition of default

The Company will consider a financial asset to be in default when:

- The counterparty or borrower is unlikely to pay their credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or

1.8 Financial assets (continued)

Definition of default (continued)

- The counterparty or borrower is more than 90 days past due on any material credit obligation to the Company and 2 years for receivables arising form reinsurance arrangements. This will be consistent with the rebuttable criteria set out by IFRS 9 and existing practice of the Company; or

In assessing whether the counterparty or borrower is in default, the Company considers indicators that are:
- Qualitative: e.g. Breach of covenant and other indicators of financial distress;
- Quantitative: e.g. Overdue status and non-payment of another obligation of the same issuer to the Company; and
- Based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Significant increase in credit risk (SIICR)

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience, expert credit assessment and forward-looking information.

The Company primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime probability of default (PD) as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

The assessment of significant deterioration is key in establishing the point of switching between the requirement to measure an allowance based on 12-month expected credit losses and one that is based on lifetime expected credit losses.

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month and lifetime ECL measurements.

Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECL. It formulates a 'base case' view of the future direction of relevant economic variables and forecast scenarios based on consideration of a variety of external actual and forecast information. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Company operates.

The base case represents a best estimate and is aligned with information used by the Company for other purposes, such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes.

Measurement of ECL

The key inputs into the measurement of ECL are the term structures of the following variables:
- Probability of Default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

To determine lifetime and 12-month PDs, the Company uses the PD tables supplied by S&P based on the default history of obligors with the same credit rating. The Company adopts the same approach for unrated investments by mapping its internal risk grades to the equivalent external credit ratings. The PDs are recalibrated based on current bond yields and CDS prices, and adjusted to reflect forward-looking information. Changes in the rating for a counterparty or exposure lead to a change in the estimate of the associated PD.

1.8 Financial assets (continued)

Measurement of ECL (continued)

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by mortgage property, loan-to-value ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is its gross carrying amount.

(vii) Write off policy

The Company writes off financial assets, in whole or in part when it has exhausted all practical recovery effort and has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity; and (ii) the Company is foreclosing on collateral and the value of the collateral is such as there is no reasonable expectation of recovering in full.

1.9 Impairment of other non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of nonfinancial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

1.10 Financial liabilities

Financial liabilities are initially recognized at fair value. After initial recognition, the Company measures all financial liabilities at amortized cost.

1.11 Cash and bank balances

Cash and bank balances are carried in the statement of financial position at amortised cost. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, and government securities and deposits with financial institutions with original maturities of 90 days or less.

1.12 Dividends

Dividends on ordinary shares are charged to retained earnings in the year in which they are approved. Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the year in which the dividends are approved by the shareholders.

1.13 Leases

The Company is a lessor. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Company as a lessee. All other leases are classified as operating leases.

When a lease includes land and buildings elements, the Company assesses the classification of each element as either a finance lease or an operating lease. In determining classification of the land element, an important consideration is that land normally has an indefinite economic life. Therefore the finance lease or operating lease classification of the land is considered a critical area of judgment. See note 1.20 to these financial statements.

1.14 Employee benefits

i) Employee entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the end of each reporting period is recognized as an expense accrual.

1.14 Employee benefits (continued)

ii) Retirement benefit obligations

The Company operates a defined contribution scheme for its employees. A defined contribution scheme is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The assets of the scheme are held in separate trustee administered funds, which are funded from contributions from both the Company and employees.

The Company's contributions to the defined contribution scheme are charged to profit or loss in the year to which they relate. The Company and all its employees also contribute to the National Social Security Fund which is a statutory defined contribution scheme.

1.15 Share capital

Ordinary shares are recognized at par value and classified as 'share capital' in equity.

1.16 Current and deferred income tax

Income tax expense represents the sum of the current tax payable and the deferred income tax. Tax is recognized as an expense/(income) and included in the profit or loss except to the extent that the tax arises from a transaction which is recognized in other comprehensive income.

(i) Current income tax

Current tax is computed in accordance with the Kenyan income tax laws applicable to insurance companies. The current income tax charge is calculated on the basis of the tax rates enacted or substantively enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, deferred income tax is not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets attributable to tax losses are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.17 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Kenya shillings, which is the group's presentation currency.

1.17 Foreign currency translation (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except for differences arising on translation of non-monetary financial assets carried at fair value through other comprehensive income, which are recognised in other comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit or loss account within "finance income or costs". All other foreign exchange gains and losses are presented in the statement of profit or loss for the year within "other gains/losses-net".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income

1.18 Provisions

Provisions for liabilities are recognised when there is a present obligation (legal or constructive) resulting from a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the monetary value of the obligation.

1.19 Comparatives

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

1.20 Critical accounting estimates and judgements in applying accounting policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

a) The ultimate liability arising from claims payable under reinsurance contracts

The estimation of future benefit payments in relation to long-term reassurance and short-term reinsurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Company will ultimately pay for such claims. The determination of the liabilities under short-term reinsurance contracts and long-term reinsurance contracts is undertaken by the Company's consulting actuaries on an annual basis.

The main assumption applied in the estimation of the ultimate claims liability is the expectation that the Company's past claims experience can be used to project future claims development and hence ultimate claims costs. Actuarial methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by event years. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved. A margin for adverse deviation may also be included in the liability valuation

Further details on this process are disclosed in Note 23.

1.20 Critical accounting estimates and judgements in applying accounting policies (continued)

b) Pipeline income and expense transactions

At each reporting period, estimates are made for; premium revenue earned but not reported by the Company's cedants, claims, insurance benefits incurred and other related expenses. Retrocession premiums payable, commissions receivable and acquisition costs are estimated by application of the appropriate ratios to the annualised reinsurance premiums receivable.

Outstanding claims have been projected using chain ladder techniques. Further details of this are presented in Note 23.

c) Impairment losses on financial assets

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of cedants defaulting and the resulting losses). A number of significant judgements are required in applying the accounting requirements for measuring ECL, such as:
- Determining the criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings for a forward-looking scenarios for each type of product/market and associated ECL;
- Establishing groups of similar assets for the purposes of measuring ECL; and
- Determining the appropriate business models and assessing the "solely payments of principal and interest (SPPI)" requirements for financial assets.

The Company uses historical data to project the possibility of default. Further, the Company uses the possibility of default tables supplied by S&P based on the default history of a particular company with the same credit rating. This also applies to unrated investments which are mapped to the equivalent external credit ratings. Any change in the counterparty leads to a change in the estimated possibility of default.

Note 2 sets out information about the impairment of financial assets and the Company's exposure to credit risk.

d) Valuation of investment property, land and buildings

Estimates are made in determining valuations of investment properties,land and buildings. The Company management uses experts in determination of the values to adopt. The current use of the investment properties equates to the highest and best use.

e) Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded securities or other available fair value indicators.

Other areas of judgement

Management exercises critical judgment in determining the classification of debt and equity instruments and considers the substance of the contractual terms of the various instruments.

22. RISK MANAGEMENT

REINSURANCE RISK MANAGEMENT

The risk under any one reinsurance contract is the possibility that the reinsured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of a reinsurance contract, this risk is random and therefore unpredictable.

For a portfolio of reinsurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its reinsurance contracts is that the actual claims and benefit payments may exceed the carrying amount of the reinsurance liabilities and the pricing is inadequate to meet its obligations. 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.

Experience shows that the larger the portfolio of similar reinsurance contracts, the smaller the relative variability about the expected outcome will be. 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 reinsurance underwriting strategy to diversify the type of 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 reinsurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

The Company minimizes its exposure by purchasing retrocession protection from credible counter parties.

The tables below provide disclosure of the concentration of reinsurance exposure by the main classes of business in which the Company operates. The amounts are the carrying amounts of the reinsurance exposure (gross and net of retrocession) arising from reinsurance contracts:

Year ended 31 December 2020		**TOTAL EXPOSURE**			
Class of business		**0 – 20 million Shs'000**	**20 – 250 million Shs'000**	**250 – 1000 million Shs'000**	**Total Shs'000**
Long term & Short-term business					
Ordinary life	Gross	3,804,047	554,690	-	4,358,737
	Net	2,467,763	409,553	-	2,877,316
Group life	Gross	220,276,932	40,928,314	-	261,205,246
	Net	204,300,370	30,420,861	-	234,721,231
Fire	Gross	2,190,067	16,464,077	18,739,410	37,393,554
	Net	2,190,067	16,464,077	8,585,143	27,239,287
Miscellaneous	Gross	1,240,021	2,219,256	-	3,459,277
	Net	1,240,021	2,219,256	-	3,459,277
Motor	Gross	1,187,503	1,007,650	-	2,195,153
	Net	1,187,503	1,007,650	-	2,195,153
Others	Gross	1,851,307	8,701,222	2,339,745	12,892,274
	Net	1,825,991	8,622,133	2,277,479	12,725,603
Total	**Gross**	**230,549,877**	**69,875,209**	**21,079,155**	**321,504,241**
Total	**Net**	**213,211,715**	**59,143,530**	**10,862,622**	**283,217,867**

The Company's earthquake exposure for the Nairobi zone is estimated at Shs 41,421,446,822 (2019: Shs 46,137,924,298).

2. RISK MANAGEMENT (continued)

REINSURANCE RISK MANAGEMENT (continued)

The Company's retention (net exposure) is protected by retrocession treaties as follows:

Class	Limit (Shs)
Property	3,500 million in excess of 50 million Facultative Facility Limit: 600 million
Marine	750 million in excess of 15 million
Miscellaneous Accident	70 million in excess of 30 million
Terrorism and Political Risks	Quota Share Limit: 808 million
Life business	Warranted minimum number of victims: 3
	Company's Catastrophe (CAT) retention: 6 million Reimbursable portion: 100%
	Reinsurer's max liability: 2 million per life,
	400 million per CAT and 800 million per period.
	Quota Share & Surplus – Quota Share limit: 1.2 million (Kenindia Business)
	Credit Life 20% Quota Share

The concentration by class for the short term business has decreased significantly as a result of a gradual reduction in the Company's involvement in the non-African markets.The underwriting limits however are similar to prior years with the exception of fire which increased by Shs 600 million owing to the facultative facility. This resulted in increased exposures in this class as we increased our facultative business volume in Africa.Long term business exposures have had a significant reduction due to a decrease in the volume of business.

Year ended 31 December 2019 — **TOTAL EXPOSURE**

Class of business		0 – 20 million Shs'000	20 – 250 million Shs'000	250 – 1000 million Shs'000	Total Shs'000
Long term & Short-term business					
Ordinary life	Gross	7,925,473	623,247	-	8,548,720
	Net	5,851,750	460,172	-	6,311,922
Group life	Gross	247,502,171	37,073,536	-	284,575,707
	Net	175,658,380	34,180,743	-	209,839,123
Fire	Gross	2,452,318	19,070,124	8,381,120	29,903,562
	Net	2,452,318	19,070,124	8,381,120	29,903,562
Miscellaneous	Gross	1,709,095	5,039,213	2,793,816	9,542,124
	Net	1,709,095	5,039,213	2,793,816	9,542,124
Motor	Gross	1,138,447	1,475,254	-	2,613,701
	Net	1,138,447	1,475,254	-	2,613,701
Others	Gross	1,851,307	8,701,222	2,339,745	12,892,274
	Net	1,851,307	8,701,222	2,339,745	12,892,274
Total	**Gross**	**262,578,811**	**71,982,596**	**13,514,681**	**348,076,088**
Total	**Net**	**188,661,297**	**68,926,728**	**13,514,681**	**271,102,706**

2. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT

The Company is exposed to financial risk through its financial assets, retrocession assets and reinsurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its reinsurance and investment contracts. The most important types of risk are credit risk, liquidity risk, market risk and other operational risks. Market risk includes currency risk, interest rate risk, equity price risk and other price risks.

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.

The Company strives to manage these positions within an asset-liability management framework to ensure that the liabilities arising from reinsurance and investment contracts are adequately covered.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn. The Company is exposed to daily calls on its available cash for claims settlement and other expenses. The Company maintains adequate cash resources to meet all of these needs and does not require overdraft facilities. Management monitors the level of call deposits to ensure their adequacy to cover expenditure at unexpected levels of demand. These call deposits are placed at competitive interest rates.

The table below presents the cash flows payable by the Company under financial liabilities and assets respectively by remaining contractual maturities at the end of the reporting period.

Balances due within 12 months equal their carrying balances as the impact of discounting is not significant

At 31 December 2020	Up to 1 Month Shs'000	1-3 months Shs'000	3-12 months Shs'000	1-5 years Shs'000	Over 5 years Shs'000	Total Shs'000
Liabilities						
Reinsurance contract liabilities	1,801,197	-	-	-	-	1,801,197
Payables arising out of retrocession arrangements	108,230	-	-	-	-	108,230
Payables arising out of reinsurance arrangements	426,781	-	-	-	-	426,781
Other payables	504,274	-	-	-	-	504,274
Total financial liabilities (contractual maturity dates)	**2,840,482**	**-**	**-**	**-**	**-**	**2,840,482**

At 31 December 2019	Up to 1 Month Shs'000	1-3 months Shs'000	3-12 months Shs'000	1-5 years Shs'000	Over 5 years Shs'000	Total Shs'000
Liabilities						
Reinsurance contract liabilities	1,713,565	-	-	-	-	1,713,565
Payables arising out of retrocession arrangements	66,490	-	-	-	-	66,490
Payables arising out of reinsurance arrangements	584,891	-	-	-	-	584,891
Other payables	721,180	-	-	-	-	721,180
Total financial liabilities (contractual maturity dates)	**3,086,126**	**-**	**-**	**-**	**-**	**3,086,126**

2. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

Fair Value Estimation

(i) Financial instruments not measured at fair value

The fair value of investment securities held at amortised cost (government securities and corporate bonds) at 31 December 2020 is estimated at Shs 4,465,467,162 (2019:Shs 3,650,459,122) compared to their carrying value of Shs 4,326,202,698 (2019:Shs 3,474,264,584). The fair values of the Company's other financial assets and liabilities approximate the respective carrying amounts, due to the generally short periods to contractual repricing or maturity dates.

(ii) Fair value hierarchy

At 31 December 2020	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Equity investments	51,296	-	-	51,296

At 31 December 2019	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Equity investments	67,810	-	-	67,810

There was no transfer between levels 1 and 2 during the year.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily Nairobi Securities Exchange ("NSE") equity investments.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There was no movement in level 3 during the year.

MARKET RISK

(i) Foreign exchange risk

The Company deals with clients in a number of countries and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Uganda Shilling, Tanzania Shilling and Indian Rupee. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities in foreign Operations. The Company's net assets are mainly dominated in the base currency (Kenya Shillings).

2. RISK MANAGEMENT (continued)

MARKET RISK (continued)

(i) Foreign exchange risk (continued)

The Company operates within and outside Kenya. In the opinion of the directors, the Company's foreign currency exposure has been adequately managed to minimise potential adverse effects

At 31 December 2020, if the Kenya Shilling had weakened/strengthened by 10% against the US dollar with all other variables held constant, the net assets for the year would have been Shs 36,547,294 (2019:Shs 33,387,299) higher/lower, mainly as a result of translation differences on US dollar denominated trade receivables, trade payables and bank balances. This is insignificant as the portion of US Dollar denominated net assets constitute only 0.68 (2019: 0.66%) of the Company's net assets.

At 31 December 2020, if the Kenya Shilling had weakened/strengthened by 10% against the Indian Rupee with all other variables held constant, the net assets for the year would have been Shs 365,048 (2019:Shs 9,442,782) higher/lower, mainly as a result of translation differences on Indian rupee denominated trade receivables and trade payables. This is insignificant as the portion of Indian Rupee denominated net assets constitute only 0.01% (2019: 0.19%) of the Company's net assets.

(ii) Price risk

The Company is exposed to equity securities price risk because of investments in equities classified as at fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity and tradable bonds securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with limits set by the board and in accordance with the Insurance Act of Kenya. All quoted shares held by the Company are traded on the Nairobi Securities Exchange (NSE) and the management of the equity portfolio is done in house with consultations with various approved stock brokers and is diversified across industries. The Company has a conservative investment policy with regard to equities. At 31 December 2020 investments in equities constituted only 0.68% (2019: 0.65%) of the total assets.

At 31 December 2020, if the share prices at the NSE had increased/decreased by 10% (2019: 10%) with all other variables held constant and all the Company's equity instruments moved according to the historical correlation to the index, post tax profit for the year would have been Shs 5,129,325 (2019:Shs 6,780,840) higher/lower, and equity would have been Shs 5,129,325 (2019:Shs 6,780,840) higher/lower.

(iii) Interest rate risk

The principal risk to which financial assets and liabilities are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps. The board of directors is the monitoring body for compliance with these limits and is assisted by risk management in its day-to-day monitoring activities.

The interest earning financial assets that the Company holds include investments in government securities, mortgage loans, deposits with financial institutions and corporate bonds.

The sensitivity analysis presented below shows how profit and equity would change if the interest rates had increased/(decreased) on the reporting date with all other variables held constant.

	Effect on equity 2020 Shs'000	Effect on profit 2020 Shs'000	Effect on profit 2019 Shs'000	Effect on equity 2019 Shs'000
+5 percentage point movement	9,776	9,776	12,910	12,910
-5 percentage point movement	(9,776)	(9,776)	(12,910)	(12,910)

2. RISK MANAGEMENT (continued)

CREDIT RISK

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company. The key areas that the Company is exposed to credit risk are:

- Receivables arising out of reinsurance arrangements both inward and outward;
- Retrocessionaires' share of outstanding claims;
- Deposits and cash balances held with banks and other financial institutions; and
- Investments in government securities.

The Company manages its exposure in the following ways:

- placing its retrocession programme with rated securities – investment grade and above;
- dealing with only credit-worthy counterparties;
- placing limits on the Company's exposure to a single counterparty or group of counterparties while placing investments.

In respect of its exposure from receivables arising out of reinsurance arrangements the Company manages this through regular analysis of the ability of the existing and potential clients to meet premium obligations and by reviewing signed treaty shares where appropriate, having close relations with cedants and intermediaries to enhance timely settlement of premiums, offsetting of outstanding premiums against claims and avoiding renewal of treaties with cedants who have poor underwriting and credit history.

For banks and financial institutions, only reputable well established financial institutions are accepted. For reinsurance receivables, the credit controller assesses the credit quality of each cedant, taking into account its financial position, past experience and other factors.

(i) Receivables arising out of reinsurance arrangements

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables arising from reinsurance arrangements.

The expected loss rates are based on the provision matrix for the receivables balances over a period of 2-5 years and the corresponding development of the balances within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the cedants to settle the receivables. The company has assessed the impact of macroeconomic factors and the impact has been incorporated in the model.

Receivables arising out of reinsurance arrangements are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a cedant to engage in a repayment plan with the company and where the cedant has been declared insolvent.

Debts that are considered to be non-performing are impaired at 100%.

(ii) Related party receivables

Related party receivable balances are assessed for impairment based on the counterparty's ability to settle on demand.

(iii) Cash and cash equivalents

For cash at bank, management assesses the expected credit loss based on probability of default attached to the various banks by external rating agencies.

(iv) Government securities

Management assesses the expected credit loss on government securities based on probability of default attached to the Government of Kenya by external rating agencies.

2. RISK MANAGEMENT (continued)

(v) Corporate bonds

Management assesses the expected credit loss on corporate bonds based on probability of default attached to the corporate entities by external rating agencies.

For instances where the external agencies ratings do not reflect the country prevailing financial conditions, ratings per the internal counterparty model developed are applied.

(vi) Deposits with financial institutions

For term and call deposits, management assesses the expected credit loss based on probability of default attached to the various banks by external rating agencies.

The table below details the maximum exposure to credit risk:

At 31 December 2020	Gross Amounts Shs'000	Expected Credit Loss (ECL) Shs'000	Net Amounts Shs'000
Receivables arising out of reinsurance arrangements	1,418,602	(212,262)	1,206,340
Government securities	4,060,871	(4,058)	4,056,813
Corporate Bonds	269,496	(107)	269,389
Deposits with financial institutions	2,110,302	(11,766)	2,098,536
Bank balances	290,182	(1,898)	288,284
Staff receivables	41,853	-	41,853
Other receivables (excluding prepayments)	88,982	-	88,982
Receivables arising out of retrocession arrangements	39,165	-	39,165
Retrocessionaires share of reinsurance liabilities	382,344	-	382,344
	8,701,797	**(230,091)**	**8,471,706**

At 31 December 2019	Gross Amounts Shs'000	Expected Credit Loss (ECL) Shs'000	Net Amounts Shs'000
Receivables arising out of reinsurance arrangements	1,715,851	(183,293)	1,532,558
Government securities	3,238,869	(3,236)	3,235,633
Corporate bonds	238,726	(95)	238,631
Deposits with financial institutions	2,482,107	(10,948)	2,471,159
Bank balances	270,263	(1,714)	268,549
Staff receivables	75,819	-	75,819
Other receivables (excluding prepayments)	339,189	-	339,189
Receivables arising out of retrocession arrangements	24,653	-	24,653
Retrocessionaires share of reinsurance liabilities	378,751	-	378,751
	8,764,228	**(199,286)**	**8,564,942**

2. RISK MANAGEMENT (continued)

Movement of ECLs 2020

	At 1 January 2020 Shs'000	Credit/(Charge for the year) Shs'000	At 31 December 2020 Shs'000
Receivables arising out of reinsurance arrangements	(183,293)	(28,969)	(212,262)
Government securities	(3,236)	(822)	(4,058)
Corporate bonds	(95)	(12)	(107)
Deposits with financial institutions	(10,948)	(818)	(11,766)
Bank balances	(1,714)	(184)	(1,898)
	(199,286)	**(30,805)**	**(230,091)**

Movement of ECLs 2019

	At 1 January 2019 Shs'000	Credit/(Charge for the year) Shs'000	At 31December 2019 Shs'000
Receivables arising out of reinsurance arrangements	(179,460)	(3,833)	(183,293)
Government securities	(3,445)	209	(3,236)
Corporate bonds	(3,920)	3,825	(95)
Deposits with financial institutions	(8,722)	(2,226)	(10,948)
Bank balances	(1,452)	(262)	(1,714)
	(196,999)	**(2,287)**	**(199,286)**

CAPITAL MANAGEMENT

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the statement of financial positions, are:

- To comply with the capital requirements as set out in the Insurance Act;
- To comply with regulatory solvency requirements as set out in the Insurance Act;
- To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders;
- To provide an adequate return to shareholders by pricing reinsurance and investment contracts commensurately with the level of risk;
- To safeguard the Company's capital by arranging adequate cover with credible securities; and
- To have an adequate level of risk based capital.

The Insurance Act requires each reinsurance Company to hold the minimum level of paid up capital of Shs 800 million. At Shs 1.5 billion (short-term business: Shs 1 billion; long-term business: Shs 500 million), the Company's share capital was in excess of the minimum capital requirement as at 31 December 2020.

The Company is subject to risk based capital requirement.

The Company's Capital Adequacy Ratio (CAR) stood at 387% and 207% for Short term and Long term businesses respectively which is above the Prescribed Capital Requirement of 200%. The Insurance Regulatory Authority required all insurance companies to have a CAR of at least 200%. The Company's level of CAR underscores the strength and resilience of its capital position.

3. GROSS WRITTEN, GROSS EARNED AND RETROCESSION PREMIUMS

The gross written premium (GWP), gross earned premium (GEP) and gross retrocession premium (Retro) of the Company can be analysed between the main classes of business as shown below.

	GWP 2020 Shs '000	GEP 2020 Shs'000	Retro 2020 Shs '000	GWP 2019 Shs'000	GEP 2019 Shs'000	Retro 2019 Shs'000
Long-term business						
Ordinary life	47,050	51,460	9,241	38,644	36,728	5,453
Group life	1,089,988	1,235,033	221,781	1,244,032	1,207,663	166,132
	1,137,038	**1,286,493**	**231,022**	**1,282,676**	**1,244,391**	**171,585**
Short-term business						
Aviation	28,136	12,079	347	2,265	1,752	-
Engineering	248,013	261,588	17,463	293,964	252,236	254
Fire	1,236,744	1,315,806	102,268	1,485,294	1,367,745	131,002
Liability	13,516	13,838	167	17,244	14,819	-
Marine	217,990	212,473	12,968	171,934	171,449	4,363
Motor	210,443	229,381	2,117	314,367	299,085	11
Personal accident	44,902	32,319	554	22,106	22,580	-
Medical	555,937	595,468	6,854	583,441	577,933	-
Miscellaneous	310,642	359,697	54,701	491,675	432,746	39,674
	2,866,323	**3,032,649**	**197,439**	**3,382,290**	**3,140,345**	**175,304**
Total	**4,003,361**	**4,319,142**	**428,461**	**4,664,966**	**4,384,736**	**346,889**

4. INVESTMENT INCOME

	Long term business Shs'000	Short term business Shs'000	Total 2020 Shs'000	Long term business Shs'000	Short term business Shs'000	Total 2019 Shs'000
Investments held at amortised cost						
Interest income on Government Securities	123,275	276,387	399,662	126,701	267,887	394,588
Interest income on Corporate Bonds	7,212	27,430	34,642	9,296	53,546	62,842
Interest income on loans	-	3,037	3,037	-	4,128	4,128
Interest income on Bank deposits	51,254	183,810	235,064	37,759	139,254	177,013
	181,741	**490,664**	**672,405**	**173,756**	**464,815**	**638,571**
Investments at fair value through profit or loss						
Unrealized fair value loss on equity investments at fair value through profit and loss	(2,867)	(7,705)	(10,572)	4,227	5,676	9,903
Dividend income	779	1,872	2,651	1,421	2,907	4,328
Realised gain on sale of equity investments fair value through profit or loss	(1,501)	(1,970)	(3,471)	-	-	-
	(3,589)	**(7,803)**	**(11,392)**	**5,648**	**8,583**	**14,231**
Investment properties						
Fair value gain on investment property	-	(44,583)	(44,583)	-	(25,183)	(25,183)
Rental income	-	66,746	66,746	-	65,555	65,555
	-	**22,163**	**22,163**	**-**	**40,372**	**40,372**
Other Income						
Other income	-	494	494	-	429	429
Gross investment and other income	**178,152**	**505,518**	**683,670**	**179,404**	**514,199**	**693,603**

5. GROSS CLAIMS INCURRED

	2020 Shs'000	2019 Shs'000
Long-term business actuarial liabilities		
Reinsurance contracts relating to fixed and guaranteed terms:		
Death benefits		
Ordinary Life	280	1,966
Group Life	865,344	693,327
Increase in reassurance contract liabilities:		
Ordinary Life	2,134	-
Group Life	72,761	6,366
	940,519	**701,659**
Short term business		
Claims payable by principal class of business:		
Aviation Engineering Fire	14,511	(4,861)
Engineering	83,864	102,990
Fire	697,201	557,749
Liability	2,763	546
Marine	111,044	53,584
Motor	214,151	300,749
Personal accident	14,558	12,514
Medical	411,076	286,084
Miscellaneous accident	119,051	276,231
	1,668,219	**1,585,586**
Long term	940,519	701,659
Short term	1,668,219	1,585,586
	2,608,738	**2,287,245**

6. OPERATING AND OTHER EXPENSES

The following are included in operating and other expenses:

	Long term business Shs'000	Short term business Shs'000	Total 2020 Shs'000
Employee benefit expense	37,133	145,194	182,327
Auditors' remuneration	814	3,762	4,576
Directors' fees	642	4,378	5,020
Depreciation of property and equipment (Note 11)	-	34,308	34,308
Provision for expected credit losses arising from investments	(878)	2,714	1,836
Net foreign exchange (gains)/loss	(6,096)	6,819	723
Provision for expected credit losses arising from reinsurance receivables	(581)	29,550	28,969
Amortisation of intangible assets (Note 12)	-	3,049	3,049

6. OPERATING AND OTHER EXPENSES (continued)

	Long term business Shs'000	Short term business Shs'000	Total 2019 Shs'000
Employee benefit expense	37,315	166,411	203,726
Auditors' remuneration	500	3,669	4,169
Directors' fees	614	5,306	5,920
Depreciation of property and equipment (Note 11)	-	34,210	34,210
Provision for expected credit losses arising from investments	(193)	(1,353)	(1,546)
Net foreign exchange loss/ (gains)	848	(12,439)	(11,591)
Provision for expected credit losses arising from reinsurance receivables	(703)	(3,130)	(3,833)
Amortisation of intangible assets (Note 12)	-	1,409	1,409

Employee benefit expense comprise the following:

:

	Long term business Shs'000	Short term business Shs'000	Total 2020 Shs'000
Salaries and wages	34,586	136,189	170,775
Retirement benefit cost	2,535	8,963	11,498
National social security benefit costs	12	42	54
	37,133	**145,194**	**182,327**

	Long term business Shs'000	Short term business Shs'000	Total 2019 Shs'000
Salaries and wages	34,881	156,875	191,756
Retirement benefit cost	2,419	9,494	11,913
National social security benefit costs	15	42	57
	37,315	**166,411**	**203,726**

The number of persons employed by the Company at year end was 22 in 2020 (2019:23)

7. INCOME TAX EXPENSE

The Company's current tax charge is computed in accordance with income tax rules applicable to composite Kenyan insurance companies

The Government of Kenya reduced the corporate tax rate for the year 2020 from 30% to 25% to cushion companies against the adverse effects of COVID 19. However the rate will revert back to 30% effective 1 January 2021 and hence the deferred tax items have been determined at the enacted rate of 30%.

a) Tax expense

	Long term business Shs'000	Short term business Shs'000	Total 2020 Shs'000
Current income tax	16,897	126,966	143,863
Deferred income tax	56,112	(4,263)	51,849
Income tax expense	**73,009**	**122,703**	**195,712**

	Long term business Shs'000	Short term business Shs'000	Total 2019 Shs'000
Current income tax	96,187	159,026	255,213
Deferred income tax (credit)/charge	(14,572)	5,191	(9,381)
Income tax expense	**81,615**	**164,217**	**245,832**

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

	Long term business Shs'000	Short term business Shs'000	Total 2020 Shs'000
Profit before income tax	203,938	402,143	606,081
Tax at the applicable tax rate of 25%	16,897	100,536	117,433
Tax effect of adjustments on taxable income			
Tax effect of income not subject to tax	-	(12,274)	(12,274)
Tax effect of expenses not deductible for tax purposes	-	34,441	34,441
Deferred tax on life surplus	56,112	-	56,112
Income tax expense	**73,009**	**122,703**	**195,712**

7. INCOME TAX EXPENSE (continued)

	Long term business Shs'000	Short term business Shs'000	Total 2019 Shs'000
Profit before income tax	284,552	550,617	835,169
Tax at the applicable tax rate of 30%	96,187	165,185	261,372
Tax effect of adjustments on taxable income			
Tax effect of income not subject to tax	-	(21,752)	(21,752)
Tax effect of expenses not deductible for tax purposes	-	20,784	20,784
Deferred tax on life surplus	(14,572)	-	(14,572)
Income tax expense	**81,615**	**164,217**	**245,832**

Key expenses not deductible for tax purposes include depreciation, provision for bad debts, bonus provision and donations while incomes not subject to tax include fair value loss on investment property, income from infrastructure bonds and fair value movement on equity investments.

8. CURRENT INCOME TAX

	Long term business Shs'000	Short term business Shs'000	Total 2020 Shs'000
At 1 January	(19,409)	(153)	(19,562)
Current income tax	(16,897)	(126,966)	(143,863)
At 31 December	(52,468)	13,492	(38,976)
Income tax paid	**(88,774)**	**(113,627)**	**(202,401)**

	Long term business Shs'000	Short term business Shs'000	Total 2019 Shs'000
At 1 January	(24,339)	3,421	(20,918)
Current income tax	(96,187)	(159,026)	(255,213)
At 31 December	19,409	153	19,562
Income tax paid	**(101,117)**	**(155,452)**	**(256,569)**

9. EARNINGS PER SHARE

Earnings per ordinary share of Shs 1,000 each are calculated by dividing the profit for the year attributable to shareholders by the weighted average number of ordinary shares issued as follows:

At 31 December	2020	2019
Profit attributable to shareholders (Shs'000')	410,369	589,337
Weighted average number of shares (Shs '000')	1,500	1,500
	273.58	**392.89**

There were no potentially dilutive shares outstanding as at 31 December 2020 and 31 December 2019. Diluted earnings per share is therefore the same as basic earnings per share.

10. RESERVES

a) FAIR VALUE RESERVE

The fair value reserve represents the cumulative surplus or deficit arising from revaluation of investment based on the market values of the investments at the end of the reporting period. This reserve is not distributable.

b) REVALUATION RESERVE

The revaluation surplus is not distributable and represents the surplus arising from the revaluation of property and equipment, net of related deferred taxation.

c) GENERAL RESERVE

The general reserve represent accumulated profit for life business after transfer to shareholders and provision of deferred tax. Distribution of the fund is restricted by the Insurance Act.

d) RETAINED EARNINGS

Retained earnings represent accumulated profit retained by the Company after payment of dividends to the shareholders. The amount is available for distribution to shareholders.

11. PROPERTY AND EQUIPMENT

	2020			2019		
	Cost or revaluation Shs'000	Accumulated depreciation Shs'000	Carrying value Shs'000	Cost or revaluation Shs'000	Accumulated depreciation Shs'000	Carrying value Shs'000
Land	410,000	-	410,000	498,000	(55,209)	442,791
Buildings	30,000	-	30,000	42,000	(4,385)	37,615
Furniture and fixtures	17,532	(12,957)	4,575	16,704	(11,715)	4,989
Motor vehicles	6,078	(4,606)	1,472	6,078	(3,140)	2,938
Computers	10,761	(10,214)	547	10,674	(9,423)	1,251
Total	**474,371**	**(27,777)**	**446,594**	**573,456**	**(83,872)**	**489,584**

Reconciliation of property and equipment 2020

	Opening balance Shs'000	Additions Shs'000	Revaluation Shs'000	Depreciation Shs'000	Total Shs'000
Land	442,791	-	(5,117)	(27,674)	410,000
Buildings	37,615	12,523	(17,004)	(3,134)	30,000
Furniture and fixtures	4,989	829	-	(1,243)	4,575
Motor vehicles	2,938	-	-	(1,466)	1,472
Computer Equipment	1,251	87	-	(791)	547
	489,584	**13,439**	**(22,121)**	**(34,308)**	**446,594**

11. PROPERTY AND EQUIPMENT (continued)

Reconciliation of property and equipment - 2019

	Opening balance Shs'000	Additions Shs'000	Depreciation Shs'000	Total Shs'000
Land	470,466	-	(27,675)	442,791
Buildings	40,424	-	(2,809)	37,615
Furniture and fixtures	4,486	1,717	(1,214)	4,989
Motor vehicles	4,405	-	(1,467)	2,938
Computer Equipment	942	1,354	(1,045)	1,251
	520,723	**3,071**	**(34,210)**	**489,584**

The leasehold land and buildings were last revalued as at 31 December 2020 by Lloyd Masika Limited, independent valuers on the basis of open market value for existing use. The valuation which conforms to International Valuation Standards was determined by reference to open market values. The Company revalues its land and buildings every 3 years.

Using the cost model the carrying amount for Buildings at 31 December 2020 would be Shs 47,249,486.

Excess Depreciation

	Total Shs'000
Revaluation net book value at 31 December 2019	424,392
Less: Revaluation net book value at 31 December 2020	(392,751)
Excess depreciation	31,641
Tax on excess depreciation at 30%	(9,492)
	22,149

12. INTANGIBLE ASSETS

	2020			2019		
	Cost or revaluation Shs'000	Accumulated amortisation Shs'000	Carrying value Shs'000	Cost or revaluation Shs'000	Accumulated amortisation Shs'000	Carrying value Shs'000
Computer software	26,715	(23,666)	3,049	26,715	(20,617)	6,098

Reconciliation of intangible assets - 2020

	Opening balance Shs'000	Amortisation Shs'000	Total Shs'000
Computer software	6,098	(3,049)	3,049

Reconciliation of intangible assets - 2019

	Opening balance Shs'000	Additions Shs'000	Amortisation Shs'000	Total Shs'000
Computer software	-	7,507	(1,409)	6,098

13. INVESTMENT PROPERTIES

	Long term business Shs'000	Short term business Shs'000	Total 2020 Shs'000
At 1 January	-	800,000	800,000
Additions during the year	-	4,583	4,583
Fair value loss	-	(44,583)	(44,583)
At 31 December	**-**	**760,000**	**760,000**

	Long term business Shs'000	Short term business Shs'000	Total 2019 Shs'000
At 1 January	-	825,000	825,000
Additions during the year	-	183	183
Fair value Loss	-	(25,183)	(25,183)
At 31 December	**-**	**800,000**	**800,000**

13. INVESTMENT PROPERTIES (continued)

Investment properties are carried at fair value and were last revalued in December 2020, by Lloyd Masika, independent valuers, on investment basis. The resultant change in fair value has been dealt with in profit and loss.

The table below analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
At 31 December 2020	-	760,000	-	760,000
At 31 December 2019	-	800,000	-	800,000

Valuation technique used to derive level 2 fair values

Level 2 fair value of investment property has been derived using the investment approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size.

Sensitivity analysis

The sensitivity analysis below is based on a change in assumption while holding all other assumptions constant. In practice this is unlikely to occur and a change in some assumptions may be correlated.

Assumptions	% change	Fair Value Shs'000	Change in Fair Value Shs'000
Gross rental income	+5	798,000	38,000
Gross rental income	-5	722,000	(38,000)
Discount rate	+2	751,000	(9,000)
Discount rate	-2	785,000	25,000

14. EQUITY INVESTMENTS - AT FAIR VALUE THROUGH PROFIT OR LOSS

	Long term business Shs'000	Short term business Shs'000	Total 2020 Shs'000
At 1 January	22,475	45,335	67,810
Disposals	(2,569)	(3,373)	(5,942)
Fair value losses	(2,866)	(7,706)	(10,572)
At 31 December	**17,040**	**34,256**	**51,296**

14. EQUITY INVESTMENTS - AT FAIR VALUE THROUGH PROFIT OR LOSS

	Long term business Shs'000	Short term business Shs'000	Total 2019 Shs'000
At 1 January	14,049	29,860	43,909
Additions	4,199	9,799	13,998
Fair value gains	4,227	5,676	9,903
At 31 December	**22,475**	**45,335**	**67,810**

15. MORTGAGE LOANS – STAFF

(a) Mortgage loans

	2020 Shs'000	2019 Shs'000
At 1 January	75,819	59,885
Loans advanced	-	22,275
Loans repayments	(33,966)	(6,341)
At 31 December	**41,853**	**75,819**

	2020 Shs'000	2019 Shs'000
Maturity profile of mortgage loans:		
Loans maturing:		
Within 1 year	-	23,260
1 to 5 years	6,890	-
Over 5 years	34,963	52,559
	41,853	**75,819**

This represents mortgage loans extended to members of staff. There were no impairment losses recorded against mortgage loans for the years ended 31 December 2019 and 31 December 2020.

Lending commitments:

There were no mortgage loans approved but not advanced at 31 December 2020 (2019: Nil).

16. RETROCESSIONAIRES' SHARE OF REINSURANCE LIABILITIES

	Long term business Shs'000	Short term business Shs'000	Total 2020 Shs'000
Retrocessionaires' share of:			
Unearned premiums	103,936	43,528	147,464
Outstanding claims	25,384	209,496	234,880
	129,320	**253,024**	**382,344**

16. RETROCESSIONAIRES' SHARE OF REINSURANCE LIABILITIES (continued)

	Long term business Shs'000	Short term business Shs'000	Total 2019 Shs'000
Retrocessionaires' share of:			
Unearned premiums	94,800	26,392	121,192
Outstanding claims	17,149	240,410	257,559
	111,949	**266,802**	**378,751**

Amounts due from retrocessionaires in respect of claims already paid by the Company on contracts that are reinsured are included in receivables arising out of reinsurance arrangements in the statement of financial position. Movements in the above retrocession assets are shown in Notes 22 and 23.

DEFERRED ACQUISITION COSTS ARISING FROM RETROCESSION ARRANGEMENTS

	Gross 2020 Shs'000	Retro 2020 Shs'000	Net 2020 Shs'000	Gross 2019 Shs'000	Retro 2019 Shs'000	Net 2019 Shs'000
At 1 January	351,612	12,373	339,239	401,054	7,495	393,559
Increase in the year	113,870	23,104	90,766	140,966	19,796	121,170
At 31 December	**465,482**	**35,477**	**430,005**	**542,020**	**27,291**	**514,729**

17. OTHER RECEIVABLES

	Long term business Shs'000	Short term business Shs'000	Total 2020 Shs'000
Due from long-term to short-term (Note 24)	-	5,870	5,870
Due from related companies (Note 30)	1,736	68,316	70,052
Prepayments and other receivables	442	19,450	19,892
Car loans (staff)*		4,045	4,045
	2,178	**97,681**	**99,859**

	Long term business Shs'000	Short term business Shs'000	Total 2019 Shs'000
Due from long-term to short-term (Note 24)	-	250,403	250,403
Due from related companies (Note 30)	2,427	67,706	70,133
Prepayments and other receivables	442	21,223	21,665
Car loans (staff)*	-	7,216	7,216
	2,869	**346,548**	**349,417**

*These are car loans extended to members of staff. There were no impairment losses recorded against car loans in 2020 (2019: Nil). The car and staff benefits act as collateral for loan extended.

18. CORPORATE BONDS

At amortized cost
Corporate bonds maturing:

	Long term business Shs'000	Short term business Shs'000	Total 2020 Shs'000
- 1 to 5years	61,174	208,322	269,496
- Provision for expected credit losses	(24)	(83)	(107)
	61,150	**208,239**	**269,389**

At amortized cost
Corporate bonds maturing:

	Long term business Shs'000	Short term business Shs'000	Total 2019 Shs'000
- 1 to 5years	45,844	192,882	238,726
- Provision for expected credit losses	(18)	(77)	(95)
	45,826	**192,805**	**238,631**

Movement during the year	Long term business Shs'000	Short term business Shs'000	Total 2020 Shs'000	Long term business Shs'000	Short term business Shs'000	Total 2019 Shs'000
At 1 January	45,844	192,882	238,726	86,393	524,777	611,170
Additions	15,000	15,000	30,000	9,000	9,000	18,000
Disposals	-	-	-	(47,750)	(327,688)	(375,438)
Movement in accrued interest	330	440	770	(1,799)	(13,207)	(15,006)
	61,174	208,322	269,496	45,844	192,882	238,726
Provision for expected credit losses	(24)	(83)	(107)	(18)	(77)	(95)
At 31 December	**61,150**	**208,239**	**269,389**	**45,826**	**192,805**	**238,631**

Movement for expected credit losses	Long term business Shs'000	Short term business Shs'000	Total 2020 Shs'000	Long term business Shs'000	Short term business Shs'000	Total 2019 Shs'000
At 1 January	(18)	(77)	(95)	(496)	(3,424)	(3,920)
Credit/(charge for the year)	(6)	(6)	(12)	478	3,347	3,825
At 31 December	(24)	(83)	(107)	(18)	(77)	(95)

19. GOVERNMENT SECURITIES

Treasury bills

	Long term business Shs'000	Short term business Shs'000	Total 2020 Shs'000
- In 91 days to 1 year	-	185,310	185,310
	-	**185,310**	**185,310**

Treasury bonds maturing:

	Long term business Shs'000	Short term business Shs'000	Total 2020 Shs'000
- within 90 days	20,929	52,310	73,239
- In 91 days to 1 year	198,985	276,173	475,158
- In 1 to 5 years	430,257	959,086	1,389,343
- Over 5 years	356,789	1,581,032	1,937,821
	1,006,960	**2,868,601**	**3,875,561**
Provision for expected credit losses	(1,006)	(3,052)	(4,058)
Total	**1,005,954**	**3,050,859**	**4,056,813**

Treasury bills

	Long term business Shs'000	Short term business Shs'000	Total 2019 Shs'000
- within 90 days	-	186,502	186,502
- In 91 days to 1 year	195,764	275,170	470,934
	195,764	**461,672**	**657,436**

Treasury bonds maturing:

	Long term business Shs'000	Short term business Shs'000	Total 2019 Shs'000
- In 91 days to 1 year	-	20,020	20,020
- In 1 to 5 years	435,205	1,033,489	1,468,694
- Over 5 years	359,983	732,736	1,092,719
	795,188	**1,786,245**	**2,581,433**
Provision for expected credit losses	(990)	(2,246)	(3,236)
Total	**989,962**	**2,245,671**	**3,235,633**

Treasury bonds include Shs 725,000,000 (2019: Shs 605,000,000) relating to securities held under lien by the Central Bank of Kenya in compliance with the requirements of section 32 of the Insurance Act (CAP 487). These securities cannot be transferred or sold by the Company without the approval of Commissioner of Insurance.

19. GOVERNMENT SECURITIES (continued)

Movement during the year	Long term business Shs'000	Short term business Shs'000	Total 2020 Shs'000	Long term business Shs'000	Short term business Shs'000	Total 2019 Shs'000
At 1 January	990,952	2,247,917	3,238,869	1,184,963	2,259,637	3,444,600
Additions (Tbills)	-	200,000	200,000	205,000	480,000	685,000
Additions (Tbonds)	230,000	1,150,000	1,380,000	40,000	150,000	190,000
Disposals (Tbills)	(205,000)	(480,000)	(685,000)	(410,000)	(485,000)	(895,000)
Disposals (Tbonds)	(24,150)	(64,850)	(89,000)	(40,000)	(160,000)	(200,000)
Movement in accrued interest	4,078	20,224	24,302	746	174	920
Movement in unearned interest (Tbills)	9,236	3,638	12,874	7,887	139	8,026
Movement in unearned (Tbonds)	1,844	(23,018)	(21,174)	2,356	2,967	5,323
	1,006,960	3,053,911	4,060,871	990,952	2,247,917	3,238,869
Provision for expected credit losses	(1,006)	(3,052)	(4,058)	(990)	(2,246)	(3,236)
At 31 December	**1,005,954**	**3,050,859**	**4,056,813**	**989,962**	**2,245,671**	**3,235,633**

Movement for expected credit losses	Long term business Shs'000	Short term business Shs'000	Total 2020 Shs'000	Long term business Shs'000	Short term business Shs'000	Total 2019 Shs'000
At 1 January	(990)	(2,246)	(3,236)	(1,185)	(2,260)	(3,445)
Credit/(charge for the year)	(16)	(806)	(822)	195	14	209
At 31 December	**(1,006)**	**(3,052)**	**(4,058)**	**(990)**	**(2,246)**	**(3,236)**

20. DEPOSITS WITH FINANCIAL INSTITUTIONS

At amortised cost Deposits maturing	Long term business Shs'000	Short term business Shs'000	Total 2020 Shs'000
Within 90 days	144,017	704,440	848,457
In 91 days to - 1 year	310,794	951,051	1,261,845
Provision for expected credit losses	(2,401)	(9,365)	(11,766)
	452,410	**1,646,126**	**2,098,536**

	Long term business Shs'000	Short term business Shs'000	Total 2019 Shs'000
Within 90 days	70,884	375,624	446,508
In 91 days to - 1 year	540,183	1,495,416	2,035,599
Provision for expected credit losses	(3,441)	(7,507)	(10,948)
	607,626	**1,863,533**	**2,471,159**

20. DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Movement during the year	Long term business Shs'000	Short term business Shs'000	Total 2020 Shs'000	Long term business Shs'000	Short term business Shs'000	Total 2019 Shs'000
At 1 January	611,067	1,871,040	2,482,107	253,760	1,183,827	1,437,587
Additions	638,042	1,968,617	2,606,659	751,430	2,329,185	3,080,615
Disposals	(792,141)	(2,193,975)	(2,986,116)	(410,752)	(1,676,722)	(2,087,474)
Movement in accrued interest	(2,157)	9,809	7,652	16,629	34,750	51,379
	454,811	1,655,491	2,110,302	611,067	1,871,040	2,482,107
Provision for expected credit losses	(2,401)	(9,365)	(11,766)	(3,441)	(7,507)	(10,948)
At 31 December	**452,410**	**1,646,126**	**2,098,536**	**607,626**	**1,863,533**	**2,471,159**

Movement for expected credit losses	Long term business Shs'000	Short term business Shs'000	Total 2020 Shs'000	Long term business Shs'000	Short term business Shs'000	Total 2019 Shs'000
At 1 January	(3,441)	(7,507)	(10,948)	(2,924)	(5,798)	(8,722)
Credit/(charge for the year)	1,040	(1,858)	(818)	(517)	(1,709)	(2,226)
At 31 December	**(2,401)**	**(9,365)**	**(11,766)**	**(3,441)**	**(7,507)**	**(10,948)**

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

	2020 %	2019 %
Government securities	11.62 %	12.24 %
Corporate bonds	13.82 %	14.02 %
Deposits with financial institutions (Shs)	9.15 %	9.55 %
Deposits with financial institutions (USD)	3.60 %	3.60 %
Mortgage loans(on reducing balance)	5.00 %	5.00 %

21 SHARE CAPITAL

	Number of ordinary shares	Long term business Shs'000	Short term business Shs'000	Total Shs'000
Balance at 1 January 2019, 1 January 2020 and 31 December 2020	1,500,000	500,000	1,000,000	1,500,000

The total authorised number of ordinary shares is 1,500,000 with a par value of Shs 1,000. All issued shares are fully paid.

22. PROVISION FOR UNEARNED PREMIUMS

The provision represents the liability for short-term business contracts where the Company's obligations are not expired at the year end. The Company uses the 8ths method to compute UPR in respect of proportional business and 365ths method in respect of facultative and non-proportional business. Movement in the reserves is shown below:

Long term

	Gross 2020 Shs'000	Retro 2020 Shs'000	Net 2020 Shs'000	Gross 2019 Shs'000	Retro 2019 Shs'000	Net 2019 Shs'000
At 1 January	593,440	94,799	498,641	555,156	56,775	498,381
(Decrease)/increase in the year	(149,455)	9,137	(158,592)	38,284	38,024	260
At 31 December	**443,985**	**103,936**	**340,049**	**593,440**	**94,799**	**498,641**

Short term

	Gross 2020 Shs'000	Retro 2020 Shs'000	Net 2020 Shs'000	Gross 2019 Shs'000	Retro 2019 Shs'000	Net 2019 Shs'000
At 1 January	1,338,943	26,393	1,312,550	1,096,998	-	1,096,998
(Decrease)/increase in the year	(166,326)	17,135	(183,461)	241,945	26,393	215,552
At 31 December	**1,172,617**	**43,528**	**1,129,089**	**1,338,943**	**26,393**	**1,312,550**

23. REINSURANCE/REASSURANCE CONTRACT LIABILITIES

	2020 Shs'000	2019 Shs'000
(a) Long term reassurance contracts		
Claims (gross) reported and claims handling expenses	176,315	101,420
Total - long term	**176,315**	**101,420**
b) Short-term reinsurance contracts		
Claims (gross) reported and claims handling expenses including incurred but not reported claims	1,624,882	1,612,145
Total – short term	**1,624,882**	**1,612,145**
	1,801,197	**1,713,565**

23. REINSURANCE/REASSURANCE CONTRACT LIABILITIES (continued)

The table below illustrates how the Company's estimate of total reinsurance contract liabilities for each underwriting year has changed at successive year ends.

Short term

	2015 Shs'000	2016 Shs'000	2017 Shs'000	2018 Shs'000	2019 Shs'000	2020 Shs'000	Total Shs'000
Accident Year	664,012	652,617	635,701	689,776	735,419	494,172	3,871,697
One year later	610,239	589,696	572,982	631,644	598,233	-	3,002,794
Two years later	213,083	219,056	218,270	233,713	-	-	884,122
Three years later	63,473	97,490	79,155	-	-	-	240,118
Four years later	71,796	46,708	-	-	-	-	118,504
Five years later	30,000	-	-	-	-	-	30,000
Current Estimate of cumulative claims	1,652,603	1,605,567	1,506,108	1,555,133	1,333,652	494,172	8,147,235
Cumulative payments to date	(1,648,650)	(1,605,567)	(1,506,108)	(1,555,134)	(1,333,652)	(494,172)	(8,143,283)
Reserve in respect of prior years	-	-	-	-	-	-	245,544
IBNR reserve	128,339	93,391	127,674	202,271	425,141	398,570	1,375,386
	132,292	**93,391**	**127,674**	**202,270**	**425,141**	**398,570**	**1,624,882**

A) Short-term reinsurance contracts

The outstanding claims reserve for the short-tern business consists of an Incurred but Not Reported (IBNR) reserve, a reserve for large losses and an unallocated loss adjustment expenses (ULAE) reserve.

The Company's external actuaries use a combination of chain-ladder, expected loss ratio and Bornhuetter Ferguson techniques to estimate the IBNR reserve for attritional claims. Chain ladder techniques are used for mature underwriting years that have a relatively stable development pattern while expected loss ratio and Bornhuetter Ferguson techniques are used for recent underwriting years. Development factors and loss ratios assumptions, based on historical claims development factors, are selected and applied to cumulative claims data for each underwriting year that is not fully developed to produce an estimated ultimate claims cost for each underwriting year. The IBNR reserve is the difference between the ultimate cost of claims and the cumulative claims paid to the reserving date.

The ULAE reserve is determined at a class of business level by applying class-wise expenses assumptions to determine the expenses that would be incurred to run off claims liabilities. The large losses reserve is an explicit reserve held in respect of outstanding claims that are expected to exceed the Company's retention.

B) Long-term reassurance contracts

a) Valuation methodology

The Company underwrites three types of long-term reassurance contracts, namely ordinary life, supplementary benefits under ordinary life and group life business. Ordinary life business is written on a 'risk premium' basis. This type of business can thus be viewed as a series of one year renewable term assurances reinsured on guaranteed risk premium rates on a specific cohort of business and hence valued as such. Supplementary benefits under ordinary life business are written on a similar basis as ordinary life business. Group life business is also written on a 'risk premium' basis but with less guarantees as the risk premium rates used at each policy anniversary date can change.

23. REINSURANCE/REASSURANCE CONTRACT LIABILITIES (continued)

a) Valuation methodology (continued)

The Company's life business is predominantly short-term group life business and short-term valuation methodologies are used, in line with the Insurance Act. The Company's external actuaries use a combination of chain-ladder, expected loss ratio and Bornhuetter Ferguson techniques to estimate the IBNR reserve for attritional claims. Chain ladder techniques are used for mature underwriting years that have a relatively stable development pattern while expected loss ratio and Bornhuetter Ferguson techniques are used for recent underwriting years. Development factors and loss ratios assumptions, based on historical claims development factors, are selected and applied to cumulative claims data for each underwriting year that is not fully developed to produce an estimated ultimate claims cost for each underwriting year. The IBNR reserve is the difference between the ultimate cost of claims and the cumulative claims paid to the reserving date.

b) Valuation assumptions

The significant valuation assumptions for the actuarial valuation as at 31 December 2020 are summarized below. The same assumptions were used in 2019.

i) Loss ratio assumptions

The loss ratio assumption in respect of recent underwriting years is based on historical ultimate loss ratios. The group life business is renewable annually and premium rates are adjusted appropriately, with no mortality guarantees.

ii) Investments returns

The rate of return achieved over the year to the valuation date, calculated using the method set out in the Insurance Regulations of the Insurance Act is 17.8% per annum.

iii) Expenses and expense inflation

The current level of management expenses is taken to be an appropriate expense base. The actuarial method used does not make explicit assumptions on the level of expenses and expense inflation.

c) Sensitivity analysis

Reinsurance contract liabilities are determined at best estimate. A sensitivity analysis was done to determine how the insurance contract liabilities balance would change when the ultimate loss ratio (ULR) per class of business was increased and reduced by 5%. The underwriting profit under each scenario is also shown. The effects of these changes are as follows:

Short-term	Outstanding claim reserve Shs 000	Impact on profit before tax Shs 000
Best estimate reinsurance contract liabilities (net)	1,415,386	-
Net reserve after 5% increase in ULR	1,465,950	(50,564)
Net reserve after 5% decrease in ULR	1,364,822	50,564

Long-term	Outstanding claim reserve Shs 000	Impact on profit before tax Shs 000
Best estimate reinsurance contract liabilities (net)	150,931	-
Net reserve after 5% increase in ULR	164,344	(13,413)
Net reserve after 5% decrease in ULR	137,517	13,413

Reinsurance contract liabilities (net) represent the gross reinsurance/reassurance contract liabilities as per Note 23 net of retrocessionares' share of reinsurance liabilities as per Note 16.

24. OTHER PAYABLES

	Long term business Shs'000	Short term business Shs'000	Total 2020 Shs'000
Due to related parties (Note 30)	-	35,010	35,010
Accrued expenses and other liabilities	18,183	445,211	463,394
Due to short-term business from long-term (Note 17)	5,870	-	5,870
	24,053	**480,221**	**504,274**

	Long term business Shs'000	Short term business Shs'000	Total 2019 Shs'000
Due to related parties (Note 30)	1,686	66,112	67,798
Accrued expenses and other liabilities	1,155	401,824	402,979
Due to short-term business from long-term (Note 17)	250,403	-	250,403
	253,244	**467,936**	**721,180**

25. DEFERRED TAX

Deferred income tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2019: 30%). The movement on the deferred income tax account is as follows:

	Long term business Shs'000	Short term business Shs'000	Total 2020 Shs'000
At 1 January	214,336	124,674	339,010
Credit/(charge) to profit or loss	56,112	(4,263)	51,849
Charge to other comprehensive income	-	(6,636)	(6,636)
	270,448	**113,775**	**384,223**

	Long term business Shs'000	Short term business Shs'000	Total 2020 Shs'000
Deferred income tax liability			
Revaluation surplus on leasehold land and building	-	117,825	117,825
Unrealised exchange gains on fair value assets	-	13,375	13,375
Life surplus	270,448	-	270,448
	270,448	**131,200**	**401,648**
Deferred income tax asset			
Unrealised exchange loss	-	(3,719)	(3,719)
Provisions	-	(11,722)	(11,722)
Excess depreciation over capital allowance	-	(1,984)	(1,984)
	-	**(17,425)**	**(17,425)**
Net deferred tax liability	**270,448**	**113,775**	**384,223**

25. DEFERRED TAX (continued)

	Long term business Shs'000	Short term business Shs'000	Total 2019 Shs'000
At 1 January	(228,908)	(119,483)	(348,391)
Credit/(charge) to profit or loss	14,572	(5,191)	9,381
Charge to other comprehensive income	-	-	-
	(214,336)	**(124,674)**	**(339,010)**

	Long term business Shs'000	Short term business Shs'000	Total 2019 Shs'000
Deferred income tax liability			
Revaluation surplus on leasehold land and building	-	127,318	127,318
Unrealised exchange gains	-	3,703	3,703
Unrealised exchange gains on fair value assets	-	7,554	7,554
Life surplus	214,336	-	214,336
	214,336	**138,575**	**352,911**
Deferred income tax asset			
Provisions	-	(12,693)	(12,693)
Excess depreciation over capital allowance	-	(1,208)	(1,208)
	-	**(13,901)**	**(13,901)**
Net deferred tax liability	**214,336**	**124,674**	**339,010**

26. CASH AND BANK BALANCES

Cash and cash equivalents consist of:

	Long term business Shs'000	Short term business Shs'000	Total 2020 Shs'000
Cash and Bank Balances	46,735	243,444	290,179
Less: provision for expected credit losses	(298)	(1,597)	(1,895)
At 31 December 2020	**46,437**	**241,847**	**288,284**
Cash and Cash equivalents consist of:			
Cash and Bank Balances	46,735	243,444	290,179
Treasury bills and bonds maturing within 90 days	20,929	52,310	73,239
Deposits with financial institutions maturing within 90 days	144,017	704,440	848,457
	211,681	**1,000,194**	**1,211,875**

26. CASH AND BANK BALANCES (continued)

	Long term business Shs'000	Short term business Shs'000	Total 2019 Shs'000
Cash and Bank Balances	25,196	245,067	270,263
Less: provision for expected credit losses	(159)	(1,555)	(1,714)
At 31 December 2019	**25,037**	**243,512**	**268,549**
Cash and Cash equivalents consist of:			
Cash and bank balances	25,196	245,067	270,263
Treasury bills and bonds maturing within 90 days	-	186,502	186,502
Deposits with financial institutions maturing within 90 days	70,884	375,624	446,508
	96,080	**807,193**	**903,273**

27. NOTES TO THE STATEMENT OF CASH FLOWS

	2020 Shs'000	2019 Shs'000
Profit before income tax	606,081	835,169
Adjustments for:		
Depreciation of property and equipment (Note 11)	34,308	34,210
Gain on disposal of equipment	(12)	(120)
Change in fair value of quoted shares (Note 14)	10,572	(9,903)
Changes in fair value of investment property (Note 13)	44,583	25,183
Change in reinsurance and reassurance contract liabilities	87,632	(158,710)
Change in unearned premium reserves and deferred acquisition revenue	(307,595)	293,435
Change in trade and other payables	(88,742)	82,010
Change in trade and other receivables	389,676	(181,523)
Investment Income	(738,823)	(708,883)
Amortisation of intangible assets (Note 12)	3,049	1,409
Gain on impairment of financial assets (excluding trade receivables)	1,836	(1,546)
	42,565	**210,731**

28. CAPITAL COMMITMENTS

	2020 Shs'000	2019 Shs'000
Approved capital expenditure	83,532	14,414

The above relates to Capital expenditure authorised but not contracted for at the end of the year. It has not been recognised in the financial statements.

29. CONTINGENT LIABILITIES

During the year, the Kenya Revenue Authority (KRA) reviewed the Company's records for the periods 2014 to 2019. The Company in conjunction with Company's tax advisors is responding to the queries raised.

The resulting tax obligation, if any, arising from the review cannot be measured with sufficient reliability and thus a quantum has not been disclosed. The directors, having sought the advice of the Company's tax advisors are of the opinion that the above-mentioned contingency will not have a material effect on the financial position or performance of the Company.

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

30. RELATED PARTIES

The Company is controlled by First Chartered Securities Limited, a company incorporated and domiciled in Kenya, which is the immediate parent company. The ultimate holding company is Asset Managers Limited. There are several other companies, which are related to East Africa Reinsurance Company Limited through common shareholdings or common directorships. In the normal course of business,reinsurance policies are sold to related parties. Transactions with related parties during the year and related outstanding balances are disclosed below:

	2020 Shs'000	2019 Shs'000
a) Transactions with related parties during the year		
Net earned premium	944,540	1,089,725
Net claims incurred	561,033	689,797
Interest earned on corporate bonds	-	24,333
Interest earned on bank deposits	51,477	28,009
Total	**1,557,050**	**1,831,864**
b) Outstanding balances with related parties		
(i) Reinsurance balances		
Premiums receivable from related parties	70,025	70,106
Loss reserves in respect to related parties	27	27
Due from related parties (Note 17)	**70,052**	**70,133**
(ii) Premiums payable to related parties (Note 24)	35,010	67,798
(iii) Mortgage loans receivables from related parties (Note 15)	41,853	75,819

Mortgage loan balances and movements thereon are in respect of loans extended to the Company's officers at terms prescribed in the Company policy. .

30. RELATED PARTIES (continued)

c) Outstanding balances with related parties

iv) Corporate bonds, fixed deposits and bank balances

	2020 Shs'000	2019 Shs'000
Fixed deposits	588,086	448,606
Bank balance	284,534	269,785
	872,620	**718,391**

d) Loans to directors of the Company

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

e) Directors' fees

	2020 Shs'000	2019 Shs'000
Directors' fees	**5,020**	**5,920**

f) Key management personnel remuneration

	2020 Shs'000	2019 Shs'000
Salaries	82,472	99,893
National social security benefit cost	18	19
Retirement benefit costs	6,133	6,600
Medical costs	1,757	1,853
	90,380	**108,365**

31. EVENTS SUBSEQUENT TO YEAR END

There were no material subsequent events after the reporting date requiring disclosure in these financial statements as at the date of the financial statements approval.

LONG TERM BUSINESS REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2020

	Ordinary Life business Shs'000	Group Life business Shs'000	Total 2020 Shs'000
Gross written premium	47,050	1,089,987	1,137,037
Change in gross UPR	5,978	143,478	149,456
Gross earned premiums	**53,028**	**1,233,465**	**1,286,493**
Retrocession premiums	(11,657)	(228,500)	(240,157)
Change in retro UPR	767	8,368	9,135
Net earned premiums	**42,138**	**1,013,333**	**1,055,471**
Investment income	80,168	97,984	178,152
Acquisition costs recoverable from retrocessionnaires	1,826	43,825	45,651
Net Income	**124,132**	**1,155,142**	**1,279,274**
Gross claims	280	865,344	865,624
Recoveries	-	(273,746)	(273,746)
Change in long-term liabilities	2,134	72,761	74,895
Net claims and treaty benefits payable	**2,414**	**664,359**	**666,773**
Operating and other expenses	27,493	53,399	80,892
Acquisition costs	13,107	314,564	327,671
Total expenses	**43,014**	**1,032,322**	**1,075,336**
Profit before taxation	**81,118**	**122,820**	**203,938**
Income tax expense	(32,854)	(40,155)	(73,009)
Long-term business profit after taxation	**48,264**	**82,665**	**130,929**

The supplementary information presented does not form part of the financial statements and is unaudited.

LONG-TERM BUSINESS REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2019

	Ordinary Life business Shs'000	Group Life business Shs'000	Total 2019 Shs'000
Gross written premium	38,643	1,244,033	1,282,676
Change in gross UPR	(1,915)	(36,370)	(38,285)
Gross earned premiums	**36,728**	**1,207,663**	**1,244,391**
Retrocession premiums	(7,354)	(202,256)	(209,610)
Change in retro UPR	1,901	36,124	38,025
Net earned premiums	**31,275**	**1,041,531**	**1,072,806**
Investment income	8,970	170,434	179,404
Acquisition costs recoverable from retrocessionnaires	1,731	31,503	33,234
Net Income	**41,976**	**1,243,468**	**1,285,444**
Gross claims	1,965	693,327	695,292
Recoveries	-	(116,546)	(116,546)
Change in long-term liabilities	39	2,659	2,698
Net claims and treaty benefits payable	**2,004**	**579,440**	**581,444**
Operating and other expenses	5,430	103,163	108,593
Acquisition costs	6,813	304,042	310,855
Total expenses	**14,247**	**986,645**	**1,000,892**
Profit before taxation	**27,729**	**256,823**	**284,552**
Income tax expense	(4,081)	(77,534)	(81,615)
Long-term business profit after taxation	**23,648**	**179,289**	**202,937**

The supplementary information presented does not form part of the financial statements and is unaudited.

SUPPLEMENTARY INFORMATION

SHORT-TERM BUSINESS REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2020

Class of Reinsurance Business	Aviation Shs'000	Engineering Shs'000	Fire Shs'000	Liability Shs'000	Marine Shs'000	Motor Shs'000	Personal Accident Shs'000	Theft Shs'000	Workmen's Comp Shs'000	Medical Shs'000	Miscellaneous Accident Shs'000	2020 Total Shs'000
Gross written premium	**28,136**	**248,013**	**1,236,742**	**13,516**	**217,991**	**210,443**	**44,903**	**-**	**-**	**555,936**	**310,643**	**2,866,323**
Gross Premiums	**28,136**	**248,013**	**1,236,742**	**13,516**	**217,991**	**210,443**	**44,903**	**-**	**-**	**555,936**	**310,643**	**2,866,323**
Change in gross UPR	16,057	(13,575)	(79,064)	(322)	5,517	(18,938)	12,583	-	-	(39,531)	(49,053)	(166,326)
Gross earned premiums	**12,079**	**261,588**	**1,315,806**	**13,838**	**212,474**	**229,381**	**32,320**	**-**	**-**	**595,467**	**359,696**	**3,032,649**
Retrocession premiums	347	19,862	115,369	166	12,967	2,116	554	-	-	6,854	56,338	214,573
Change in retro UPR	-	2,398	13,100	-	-	-	-	-	-	-	1,636	17,134
Net earned premiums	**11,732**	**244,124**	**1,213,537**	**13,672**	**199,507**	**227,265**	**31,766**	**-**	**-**	**588,613**	**304,994**	**2,835,210**
Gross claims paid	7,035	112,167	701,383	2,748	103,891	200,859	16,102	-	-	384,841	126,457	1,655,483
Changes in gross O/s claims	7,477	(28,302)	(4,182)	15	7,154	13,291	(1,544)	-	-	26,235	(7,407)	12,737
Retrocession claims	-	12	22,948	-	24	1,974	-	-	-	-	10,540	35,498
Change in Retro O/s claims	-	-	(30,914)	-	-	-	-	-	-	-	-	(30,914)
Net claims incurred	**14,512**	**83,853**	**705,167**	**2,763**	**111,021**	**212,176**	**14,558**	**-**	**-**	**411,076**	**108,510**	**1,663,636**
Acquisition costs recoverable from retrocessionnaires	-	632	3,961	-	-	(59)	-	-	-	-	19,628	24,162
Acquisition costs	3,079	85,157	413,951	3,561	63,393	26,013	11,718	-	-	132,380	116,619	855,871
Technical profit/(Loss)	**(5,859)**	**75,746**	**98,380**	**7,348**	**25,093**	**(10,983)**	**5,490**	**-**	**-**	**45,157**	**99,493**	**339,865**
Total expenses	**(5,123)**	**66,249**	**86,043**	**6,427**	**21,946**	**(9,606)**	**4,800**	**-**	**-**	**39,495**	**87,015**	**297,246**
Total expenses & Acquisition costs	(2,044)	150,774	496,033	9,988	85,339	16,466	16,518	-	-	171,875	184,006	1,128,955
Underwriting profit / (loss)	**(736)**	**9,497**	**12,337**	**921**	**3,147**	**(1,377)**	**690**	**-**	**-**	**5,662**	**12,478**	**42,619**
Net loss ratio	123.7 %	34.3 %	58.1 %	20.2 %	55.6 %	93.4 %	45.8 %	%	%	69.8 %	35.6 %	58.7 %
Net risk acquisition ratio	10.9 %	34.6 %	33.8 %	26.3 %	29.1 %	12.3 %	26.1 %	%	%	23.8 %	43.9 %	30.7 %
Total expense ratio	(7.3)%	60.8 %	40.1 %	73.9 %	39.1 %	7.8 %	36.8 %	%	%	30.9 %	59.2 %	39.4 %

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SHORT-TERM BUSINESS REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2019

Class of Reinsurance Business	Aviation Shs'000	Engineering Shs'000	Fire Shs'000	Liability Shs'000	Marine Shs'000	Motor Shs'000	Personal Accident Shs'000	Theft Shs'000	Workmen's Comp Shs'000	Medical Shs'000	Miscellaneous Accident Shs'000	2019 Total Shs'000
Gross written premium	**2,265**	**293,964**	**1,485,294**	**17,243**	**171,934**	**314,368**	**22,106**	**-**	**-**	**583,442**	**491,674**	**3,382,290**
Gross Premiums	**2,265**	**293,964**	**1,485,294**	**17,243**	**171,934**	**314,368**	**22,106**	**-**	**-**	**583,442**	**491,674**	**3,382,290**
Change in gross UPR	543	38,184	106,398	2,751	(3,766)	15,395	(1,781)	-	-	29,464	54,757	241,945
Gross earned premiums	**1,722**	**255,780**	**1,378,896**	**14,492**	**175,700**	**298,973**	**23,887**	**-**	**-**	**553,978**	**436,917**	**3,140,345**
Retrocession premiums	24	17,802	106,043	181	15,756	3,313	231	-	-	6,104	52,242	201,696
Change in retro UPR	-	-	-	-	-	-	-	-	-	-	26,392	26,392
Net earned premiums	**1,698**	**237,978**	**1,272,853**	**14,311**	**159,944**	**295,660**	**23,656**	**-**	**-**	**547,874**	**411,067**	**2,965,041**
Gross claims paid	(4,632)	98,897	780,693	850	60,950	237,282	11,591	-	-	330,281	234,750	1,750,662
Changes in gross O/s claims	(230)	4,093	(222,944)	(304)	(7,366)	63,467	922	-	-	(44,197)	41,482	(165,077)
Retrocession claims	-	168	24,184	-	8,544	3,092	45	-	-	-	17,665	53,698
Change in Retro O/s claims	-	-	(171,754)	-	-	-	-	-	-	-	-	(171,754)
Net claims incurred	**(4,862)**	**102,822**	**705,319**	**546**	**45,040**	**297,657**	**12,468**	**-**	**-**	**286,084**	**258,567**	**1,703,641**
Acquisition costs recoverable from retrocessionnaires	-	148	1,942	-	-	4	-	-	-	-	5,204	7,298
Acquisition costs	421	83,429	388,977	3,654	52,924	41,952	7,565	-	-	117,075	129,032	825,029
Technical profit/(Loss)	**6,139**	**51,875**	**180,499**	**10,111**	**61,980**	**(43,945)**	**3,623**	**-**	**-**	**144,715**	**28,672**	**443,669**
Total expenses	**4,468**	**37,763**	**131,396**	**7,361**	**45,120**	**(31,991)**	**2,636**	**-**	**-**	**105,348**	**20,873**	**322,974**
Total expenses & Acquisition costs	4,889	121,044	518,431	11,015	98,044	9,957	10,201	-	-	222,423	144,701	1,140,705
Underwriting profit / (loss)	**1,671**	**14,112**	**49,103**	**2,750**	**16,860**	**(11,954)**	**987**	**-**	**-**	**39,367**	**7,799**	**120,695**
Net loss ratio	(286.3)%	43.2 %	55.4 %	3.8 %	28.2 %	100.7 %	52.7 %	%	%	52.2 %	62.9 %	57.5 %
Net risk acquisition ratio	18.6 %	28.4 %	26.3 %	21.2 %	30.8 %	13.3 %	34.2 %	%	%	20.1 %	27.3 %	24.6 %
Total expense ratio	215.8 %	41.2 %	34.9 %	63.9 %	57.0 %	3.2 %	46.1 %	%	%	38.1 %	29.4 %	33.7 %

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25 years of Secured Solid Partnership

PROXY FORM
EAST AFRICA REINSURANCE COMPANY LIMITED

We (name in full) ____

of (address) ____

being members of East Africa Reinsurance Company Limited, hereby appoint ______________________

____

of (address) ____

and e-mail address____

and failing him/her ____

of (address) ____

as our proxy to vote for us on our behalf at the Twenty Eighth Annual General Meeting of the Company to be held on Thursday, 20 May 2021, at twelve noon and at any adjournment thereof.

Signed this ____________ day of ____________ 2021

Signature(s) ______________________

If a member however wishes to indicate their vote prior to the Annual General Meeting, please tick in the appropriate box:

Ordinary Business		For	Against
1	To adopt the financial statements for the year ended 31 December 2020 and the Chairman's, Directors', Actuary's and Auditors' reports thereon.	☐	☐
2	To approve the payment of a dividend.	☐	☐
3	To elect Directors.	☐	☐
4	To approve the remuneration of the Directors.	☐	☐
5	To reappoint PricewaterhouseCoopers as the company's auditors.	☐	☐
6	To authorize the Directors to fix their remuneration.	☐	☐

IMPORTANT NOTES

1. This proxy form must be under the hand of a director or Attorney duly authorized in writing in that behalf and properly attested or witnessed, as each of the members of the company is a corporate member.
2. A person appointed to act as proxy need not be a member of the company.
3. This proxy shall be deemed to confer authority to demand a poll.
4. To be valid, proxy forms should be completed and returned to the Company Secretary, East Africa Reinsurance Company Limited, P.O. Box 20196, 00200 City Square, Nairobi to reach him not later than forty-eight hours before the time appointed for holding the Meeting or adjourned Meeting and in default, the instrument of the proxy shall not be treated as valid, and no proxy form shall be valid twelve months from the date of its execution. An advance copy of the proxy should be e-mailed to the Company Secretary (kennedy.ontiti@fcs.co.ke)

OUR PEOPLE


P. Maina


M. Njoki


R. Kogo


R. Musembi


N. Muchunu


E. Kigen


S. Shao


B. Cheruiyot


P. Mumbe


N. Kabera


L. Njunge


D. Kirui


B. Chirchir


V. Maithya


D. Kaniaru


A. Miyogo


J. Kimondo


N. Mjomba


C. Ogaye


A. Moseti


S. Lelei


B. Maina


D. Miano


M. Wairegi

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