CIC INSURANCE

We keep our word

2009 Annual Report

& financial statements

CIC INSURANCE
We keep our word

Our Corporate Vision:

To be Kenya's most financially sound and Africa's leading co-operative insurer.

Our Corporate Mission:

To provide financial security for the people through the Co-operative Spirit.

Customer Value Proposition:

To offer to its customers unparalleled service that will satisfy and delight them. CIC's customer value proposition is build along four pillars of:

- Service of highest Quality
- Friendliest of Relationships
- Fairest Price and
- Fastest Speed

Our Corporate Values:

- Integrity
- Teamwork
- Fairness
- Dynamism
- Productivity

CONTENTS

DIRECTORS, SENIOR MANAGEMENT & PROFESSIONAL ADVISERS

DIRECTORS

J A Magomere	*Chairman*
Rev. P N Kagane	*Vice Chairman*
N C Kuria	*Managing Director*
P N Munuhe	
P N Kipkirui	
C O Ashira	
G O Owuor	
M O Wambia	
J N Njoroge	
J M Mutuku	
J P Nyagah	
E O Joseph	

COMPANY SECRETARY

Mary A Wanga
P O Box 59485 - 00100
Nairobi

REGISTERED OFFICE

CIC Plaza
Upper Hill, Mara Road
P O Box 59485-00200
Nairobi

SENIOR MANAGEMENT

N C Kuria	*Chief Executive Officer*
K Kimani	*General Manager – General Business*
P Mwaura	*Assistant General Manager – Finance*
D Ronoh	*General Manager - Life Business*
P Ngari (Ms)	*General Manager - Marketing*
J Tomno	*Assistant General Manager – Branch*
Operations	
A Wambugu	*Human Resources Manager*
M Wanga (Ms)	*Company Secretary/Legal Officer*
M Luvai	*Chief Internal Auditor*

AUDITORS

Deloitte & Touche
Certified Public Accountants (Kenya)
"Kirungii" Ring Road, Westlands
P O Box 40092 - 00100
Nairobi

PRINCIPAL BANKERS

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

CitiBank NA
Upper Hill Road
P O Box 30711-00100
Nairobi

Equity Bank Limited
P.O Box 40092
Nairobi

CONSULTING ACTUARIES

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

ADVOCATES

Oraro & Company Advocates
ACK Garden House, 3rd Floor, Wing C
1st Ngong Avenue
P O Box 51236-00200
Nairobi

SHARES REGISTRARS

Co-operative Bank of Kenya Limited
Co-operative Bank House
P O Box 48231-00100
Nairobi

NOTICE OF MEETING

For the year ended 31 December 2009

NOTICE IS HEREBY GIVEN that the thirty second Annual General Meeting of the Company will be held on Friday the 7th day of May 2010 at 10.00 am at the Amphitheatre, KICC, Nairobi to transact the following business:

1. To receive the Chairman's Report.

2. To confirm the Minutes of the Thirty First Annual General Meeting held on the 8th day of May 2009.

3. To consider and, if thought fit, to adopt the Report of the Directors, Report of the Auditors and Audited Accounts for the year ended 31st December 2009.

4. To authorize the directors to fix the Auditors fees for the ensuing year.

5. To declare a dividend. The Directors recommend a dividend of 8% for all the shareholders who were in the Register of Members as at 31st December 2009.

6. To elect Directors:

    (a) In accordance with the Company's Articles of Association, Messrs Edwin Otieno Joseph and Rev. Peterson Njue Kagane who are due to retire by rotation and being eligible for re-election offer themselves for re-election as directors of the Company.

    (b) To elect a Director from Central Province to fill a vacancy in the Board, following retirement of Mr. Peter Nderitu Munuhe, in accordance with the Memorandum and Articles of the Company under Provision No. 91 (b)

7. To approve appointment of two additional Independent Directors as required by the Insurance Regulatory Authority and approved by the Board pending substantive amendment of the Memorandum and Articles of Association.

8. To transact any other business for which the 21days notice has been given to the Company.

Delegates are requested to note the following:

On the day of the meeting, Delegates are requested to register at the Amphitheatre, KICC at 9.30 am in order to complete all formalities before the meeting.

By Order of the Board

MARY NOEL A. WANGA
COMPANY SECRETARY/CHIEF LEGAL OFFICER

Nairobi, Kenya

18th March, 2010.

BOARD MEMBERSHIP PROFILE

JAPHETH ANAVILA MAGOMERE ,OGW - Chairman of the Board

Japheth Anavila Magomere, aged 59, is the Chairman of the Board. He Joined the Board in 1988 and is the Director representing Nairobi Province Private Sector Based Societies. He has been the Chairman of Board since 2004. Mr. Magomere is also a Board Member of Bunyangu High School and Gamalenga Secondary School. He has been a Delegate to Co-operative Bank since 1986 and is a Member of the Institute of Directors of Kenya. He also serves as the Vice Chairman of Kenya National Federation of Co-operatives. He was awarded the state honours of the Order of the Grand warrior (OGW) in 2009.

REV. PETERSON NJUE KAGANE - Vice Chairman

Rev. Peterson Njue Kagane, aged 51, joined the Board in 2007. He holds a BDiv, and a Dip, Theology. He is the Director Representing Eastern Province Based Societies. He is the Vicar General and the Provost of St. Paul's Cathedral and the ACK Diocese of Embu. Rev. Kagane is the Chairman of St. Agnes Girls Secondary School and the Scouts Centre Embu.

PETER NDERITU MUNUHE

Peter Nderitu Munuhe, aged 71, joined the Board in 1995. He is the Director Representing Central Province Based Societies and has been a Board member since 1995. He is a Retired General Manager of Nyeri District Co-operative Union. He is the Chairman of Thiriku Coffee Society and Tetu Coffee Growers Society. He is also Chairman of the supervisory committee of Taifa Sacco and a Member Institute of Directors of Kenya.

PETER KIPKIRUI NYIGEI

Peter Kipkirui Nyigei aged 57, joined the Board in 2009. He is the Director Representing Rift Valley Province Based Societies and also a Director of Kipsigis Teachers Sacco. Mr. Kipkirui is a career educationist by profession, having worked as a teacher before retiring as a Principal Graduate II and Programme Officer, Bomet, DIOCECE.

GORDON ONDIEK OWUOR

Gordon Ondiek Owuor, aged 54, joined the Board in 2006. He is the Director Representing Nyanza Based Societies. Mr. Owuor is the Chairman Chemelil SACCO, a member of the Nyanza Provincial Co-operative Development Team and an Associate Member Institute of Directors of Kenya. Mr. Owuor previously worked with the East African Fresh Water Fisheries Research Organization and currently works at Chemelil Sugar Company.

BOARD MEMBERSHIP PROFILE

CORNELIUS ODHIAMBO ASHIRA

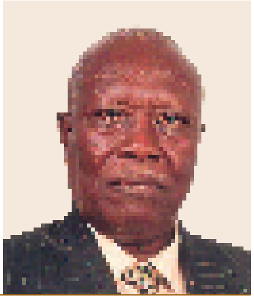
Cornelius Odhiambo Ashira, aged 45, joined the Board in 2006. He is the Director Representing Nairobi Province Parastatal Based Societies and is a board member of Kumbu Kumbu SACCO. He is a Delegate of KUSCCO.

JOSHUA NJOGU NJOROGE

Joshua Njogu Njoroge, aged 63, is trained in Executive International and Domestic Banking. He is a retired senior Central Bank official and a Director Representing Kiambu Unity Finance. He has been a Board Member since 2006 and is the Chairman Limuru Dairy FCS Limited. Mr. Njoroge is the Chairman Limuru Milk Processors Limited, the Chairman of Kiambu Unity Finance Limited and the Diocesan Treasurer ACK Diocese of Mt. Kenya South. Mr. Njoroge is also a Delegate in the Co-operative Bank and a Member of the Institute of Directors of Kenya.

JOSEPH PHILIP NYAGAH

Joseph Philip Nyagah, aged 69, joined the Board in 2007. He holds B.Com, CPS(K), a Diploma in Personnel Management & Industrial Relations, and a Diploma in Agriculture. Mr. Nyagah is a retired Diplomat and a Director Representing Embu SACCO. He is a Board Member since May 2007 and the Chairman of Embu Farmers SACCO and Nembure Farmers Co-operative Society. Mr Nyagah is also a delegate in the Co-operative Bank.



JONAH MAKAU MUTUKU

Jonah Makau Mutuku, aged 63, joined the Board in 2008. He is the Director representing Coast and Norht Eastern Province Based Societies and has been the Chairman of Mombasa teachers SACCO since 1980. He is a retired teacher and also serves as the Vicars Warden ACK Miritini Church. Mr. Mutuku is also a delegate in the Co-operative Bank.

MICHAEL ONDINYA WAMBIA

Michael Ondinya Wambia, aged 42, joined the Board in 2008. He is the Director representing Western province Based Socieites is the Treasurer of Busia and Teso Teachers SACCO. He is a teacher by profession.

BOARD MEMBERSHIP PROFILE

EDWIN OTIENO JOSEPH

Edwin Otieno Joseph, aged 52, joined the Board in 2008. He is the Chairman of Elimu SACCO. He is a retired Assistant Director at Starehe Boys Centre. He previously served in the armed forces. Mr. Edwin Otieno Joseph holds a Certificate and Diploma in Philosophy from the University of Nairobi. He is currently in his final year of his Degree Program at the same University. Mr. Otieno Joseph is also a delegate in the Co-operative Bank.

NELSON C KURIA, OGW

Mr. Kuria is 56 years old. He obtained a Bachelor of Arts degree in Economics from the University of Nairobi in 1979. Since then he has undergone extensive training in strategic management. Mr. Kuria has a total of 31 years working experience most of which have been in the insurance industry. He joined the insurance industry through the then Kenya national Assurance Company in 1982 where he worked for 12 years up to December 1993. He worked briefly for a private insurance company and as a Consultant and Investors agent after which he joined CIC in 1998. He became Managing Director and CEO of CIC in july 2001. He is a member of the board the immediate past Chairman of Association of Kenya Insurers (AKI). Mr. Kuria represents AKI in the boards of Federation of Kenya Employers and Kenya Reinsurance corpoation. He is a member of the Institute of Directors of Kenya and is a member of other Boards and Committees as follows;

- Member- Finance & development committee of College of Insurance
- Trustee- Higher Education Loans Board Retirement Benefits Scheme
- Board Member- Hope FM Radio
- Board Member- International Co-operative & Mutual Insurance Federation (ICMIF)- UK
- Chairman- Board of Governors- Nyandarua High School
- State Honors- Order of the Grand Warrior of Kenya (OGW) in 2005.

MS.MARY NOEL A WANGA

Ms.Wanga is an Advocate of the High Court of Kenya with over 13 years of experience as a practicing Advocate. Prior to joining the company, she worked as a senior associate at Archer and Wilcock Law firm and Kenya Industrial Estates as the Company Secretary. She holds an LL.B and BSL degree, Diploma in Kenyan Law and is currently undertaking diploma in insurance (AIIK) She is also a Certified Public Secretary CPS(K) and a Commissioner for Oaths and Notary public. She is a member of The Law Society of Kenya, Institute of Certified Secretaries, Kituo Cha Sheria, Fida, institute of Directors of Kenya, amongst others. She joined the company in November, 2008.

MANAGEMENT TEAM

STANDING (FROM LEFT TO RIGHT):
Mr. A Wambugu (Human Resource Manager), Mr. P Mwaura (Assistant General Manager - Finance), Mr. M Luvai (Chief Internal Auditor), Mr. J Tomno (Assistant General Manager - Branch Operations), Mr. K Kimani (General Manager - General Business), Mr. D Rono (General Manager - Life and Medical)

SEATED (FROM LEFT TO RIGHT):
Mrs. M Wanga (Company Secretary/Chief Legal Officer), Mr. N Kuria (Managing Director/CEO), Ms. P Ngari (General Manager - Marketing)

REPORT OF THE CHAIRMAN

REVIEW OF THE ECONOMY

The Kenyan economy did not recover as quickly as expected and continued to register slow growth for the second year running largely as a result of the slow global economic recovery. Agricultural activity suffered serious setback as due to the below average rainfall pattern witnessed through out the year resulting in severe food shortage and depressed power supply. Low hydro power generation pushed the cost of production to unprecedented levels making economic recovery much more difficult. Some economic sectors like transport, manufacturing and communication registered negative growth within the second and third quarter.

However, the government undertook several measures to stimulate the economy such us heavy investment in infrastructure and reduction of Central Bank interest rate to a low rate of 7% from 9%. The low interest rate regime is expected to spur the economy when the commercial banks reduce the lending rates to attract more borrowing by the business community. Growth in Gross Domestic Product (GDP) fluctuated within the year, recording a 4% within the first quarter, 2% in the second quarter and stagnating in the third quarter. The overall economy grew by 2% in 2009 against a projection of 3%. Tourism recorded considerable growth within the last quarter as the construction industry started to pick up. The inflation rate dropped from 11% in 2009 to 8% despite the rising fuel prices occasioned by use of diesel generated power instead of the conventional hydro power.

COMPANY RESULTS

Company performance in 2009 as highlighted below continued to improve in spite of the slow growth of the economy. Both lines of business registered reasonably good growth in terms of volume and overall profitability.

GENERAL BUSINESS

Gross premium income increased by 29% from kshs. 1.3 billion to kshs. 1.7 billion. Net earned premium increased by 34% from kshs. 982 million to kshs. 1.3 billion.

The claims expenses increased by 42% from Kshs. 568 million in 2008 to Kshs. 808 in 2009. Net commission expenses increased by 26.3% from Kshs. 76 million to Kshs. 96 million. Operating expenses increased by 32% from Kshs. 216 million to Kshs. 351 million. The underwriting profit decreased from Kshs. 69.1 million to Kshs. 37.2 million in the same period. This decrease in underwriting profit is largely attributable to a surge in private motor and medical claims.

LONG-TERM BUSINESS

Gross premium income increased by 12% from Kshs. 1.1 billion in 2008 to Kshs. 1.2 billion in 2009. Net earned premium increased by 15% from Kshs. 1 billion to kshs. 1.1 billion.

The life fund increased by 34% from Kshs. 748 million to Kshs. 1 billion. As a result of the positive results registered in longterm business, the Actuary recommends a transfer of Kshs. 20 million from the statutory fund to retained earnings to boost the funds available to the shareholders.

Growth in premium income increased by 21% from kshs. 2.37 billion in 2008 to kshs. 2.87 billion in 2009. Profit before tax increased by 26% from Kshs. 219 million to Kshs. 277 million.

REPORT OF THE CHAIRMAN *continued*

OVERALL GROWTH

Growth in premium income for both classes of insurance business grew by 21% from kshs.2.37 billion in 2008 to kshs. 2.87 billion in 2009 with Net earned premium increasing by 24% from Kshs. 2.22 billion to kshs. 2.76 billion. Profit before tax increased by 26% from Kshs. 219 million to Kshs. 277 million. This increase in profitability is attributable to growth in business volume, better underwriting results in life business and an improvement in investment return. Total assets grew by 16% from kshs. 3 billion to kshs. 3.5 billion in the period under review, a further testimony of increase in the company's financial strength.

DIVIDEND, RESERVES AND SHARE CAPITAL

The share capital increased marginally by 3% from kshs.413.7 million in 2008 to kshs. 427.9 million in 2009 representing a 95% capital adequacy ratio. As we draw near to the deadline of June this year in terms of insurance companies' compliance with the new capital requirement, it is very heartening that patriotic co-operative societies have continued to inject additional capital. Indeed we are confident that we shall even surpass the minimum capital requirement of kshs. 450 million by 30th. June 2010.

As a result of the improved Company performance, the Directors recommend payment of an 8% dividend to the registered shareholders as at 31st. December.

FUTURE OUTLOOK

The year 2010 being our second year of the 3rd strategic plan which covers the period 2009 to 2013, the management and the board have remained focused on improving trading results and ensuring that we retain our position of a leading and respected insurance underwriter within the Kenyan market. Continuous improvement in service to our esteemed customers will remain a key issue in evaluating company performance and growth in business.

"...Continuous improvement in service to our esteemed customers will remain a key issue in evaluating company performance and growth in business."

In line with the international trend and change in regulation, the life and business lines of the Company will be completely split and registered as separate companies. The board and management have started the restructuring process by engaging a team of consultants for advice. The recommendations for will be presented for approval by the shareholders within the second half of the year.

Although 2009 was a reasonably successful year for the Company, we expect 2010 to be much better if the political and economic stability is maintained. The enactment of a new constitution is expected to usher in a new dawn for the country and create a stable environment for prosperity as enunciated in the Vision 2030.

Lastly, I take this opportunity to thank our customers, supporting intermediaries, staff and my colleagues in the board for making it possible for our beloved company to register such relatively good results in a harsh environment.

Japheth A. Magomere
CHAIRMAN

REPORT OF THE MANAGING DIRECTOR

INTRODUCTION

The Company performance for 2009 was reasonably good both in terms of growth in the volume of business and profitability.

The insurance industry is expected to have grown modestly. The Insurance Regulatory Authority (IRA) has been keen to ensure compliance to the Insurance Act and we have seen the office of the Commissioner of Insurance become much more demanding in regulating the industry. As the deadline for the increased capital requirement draws near in June this year, we wait to see whether there will be companies which will have not be able to comply and what will happen to them.

The Association of Kenya Insurers (AKI) has been working closely with the regulatory authority to ensure discipline within the industry. Among the major achievements made recently was the implementation of new motor insurance rates and enforcement of cash and carry in premium payment.

The economic and political environment remained challenging for the second year running since the formation of coalition government. The economic recession was exacerbated by the prolonged draught and unpredictable weather patterns resulting in the worst food shortages for decades.

OPERATING ENVIRONMENT

Compared to 2008, the Company registered considerable improvement in growth of business and profitability despite the highly competitive environment. There was significant growth in the volume of business particularly in general business where we registered a 29% growth in volume of business. We also managed to retain most of the longterm business. Both lines of business continued to be profitable.

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Performance of motor private class of business continued to erode the underwriting results for general insurance business in spite of the several control measures the management has undertaken. This class of business has proved problematic in the whole industry and it is hoped that the new motor rates and underwriting guidelines will reverse the trend.
Balance Score card

The management has continued to implement the Balanced Score Card (BSC) as a modern management tool. We have witnessed major achievements made by various teams that were selected to steer several projects. Just to mention a few of the achievements: BSC has made the company make major strides in product development, communication, office renovations, improved customer service and signing of service level agreements (SLA's) among departments.

The training for all staff expected to be held within the second quarter of 2010 will cascade downwards to include all cadres of staff to ensure that all are moving in the same direction. The Champions appointed to spearhead the implementation of BSC were identified from across all levels of staff irrespective of seniority. The teams will be restructured once the second phase of training is completed so as to add impetus for accelerated goal achievements.

So far the BSC concept has enabled us make great strides in managing our increasingly complex business in an integrated manner, improve service delivery to our customers,

REPORT OF THE MANAGING DIRECTOR *continued*

increase shareholders wealth and increase staff awareness about the bigger picture of our business.

PRODUCT DEVELOPMENT

In line with our core value of innovation and dynamism, the company has continued to roll out additional products to satisfy client needs. This effort was driven by the Product Range team comprising of staff from various divisions. The new products developed in 2009 add to the six new ones launched during the 30th Anniversary Celebrations in December 2008.

Products developed and rolled out in 2009 include the following:

- CIC Board Members Insurance Plan.
- CIC Jijenge Investment Plan
- CIC Universal Endowment Plan

A few other products are in the pipeline for roll out in 2010

FUTURE OUTLOOK

The year 2010 has started on a rather good note and appears quite promising with many opportunities for business success. Firstly, the improved weather is expected to improve food production and the heavy rain is expected to improve hydro power production which is good for the economy. Secondly, there are signs that the much awaited constitution will be passed this year and thus provide a conducive political environment for business prosperity.

At CIC, the year has started well and we have been able to meet our projections for the first quarter. Management and staff are going through continuous training in order to sharpen their skills in facing the competitive environment. We shall continue to re-engineer our business processes in order to meet the ever increasing demand for quality service.

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Our ICT systems will continue to be upgraded in line with our strategic plan of enhancing efficiency in our operations through application of integrated solutions. All are branches are now connected and we are in the process of changing over from the internet to fibre-optic cables which have high capability in data transmission.

We are at an advanced stage of having our Unit Trust products licensed by the Capital Markets Authority and once this is achieved we shall roll out the products to both individuals and corporate organizations. We have already laid ground for distribution of these products using the existing individual life infrastructure. Plans are underway also to roll out the products to the Diaspora and the appropriate ICT infrastructure development will be finalized in due course.

Finally, we shall enhance our marketing strategies and activities to fully capitalize on the business potential in the co-operative and micro sectors. We shall also endeavour to work closely with the intermediaries in order to underwrite quality business to further improve profitability.

Nelson C Kuria, OGW
MANAGING DIRECTOR

CORPORATE GOVERNANCE

The Co-operative Insurance Company of Kenya Limited is committed to good corporate governance practice. The Board formulates policies and strategies that enhance transparency and accountability and aimed at conforming to guidelines of the regulatory bodies such as IRA and CMA. The Board is also responsible for the long-term growth and profitability, whilst being accountable to the shareholders for ensuring that the company complies with the highest standards of corporate governance and business ethics. The Directors attach great importance to the need to conduct business and operations of the company with integrity and in accordance with generally accepted corporate practice and endorse the internationally developed principles of good governance. Directors strive to keep up to date with latest developments in corporate governance best practice. For instance, the Audit and Risk Committee Board members attended a three days seminar on “Effectiveness of Board Audit Committees” held in Zanzibar, November 2009, and the Executive Committee Board Members attended a two days seminar on “Talent Management and Knowledge Retention” held in Nairobi, in February this year.

BOARD OF DIRECTORS

The current Board consists of twelve directors(having increased from11-12) , eleven of whom are non-executive Directors, including the Chairman and one independent director, recently appointed to represent the Permanent Secretary, Ministry of Co-operative Development and Marketing in CIC Board. The appointment of the independent director is in line with the statutory and regulatory requirements as specified under the Insurance Act and Insurance Regulatory Authority guidelines. It is meant to enhance and strengthen the governance structure of the company. The Board composition draws a good mix of skills, experience and competencies in various fields. The directors are appointed by the shareholders on a three-year term and are bound by the Company’s code of conduct.

The Directors maintain effective control over strategic, financial, operational, policy and compliance issues. Accurate, appropriate and timely information is provided to the Board to enable it fulfill this role. The Chairman is responsible for managing the Board and providing leadership to the company, while the Managing Director is responsible to the Board for running the business in accordance with instructions given by the Board and implementing Board’s decisions. The Board nonetheless retains responsibility for establishing and maintaining the company’s overall internal control of financial, operational, and compliance issues so that its objectives for increased growth in profitability and shareholder value are realized.

The Company maintains a policy of open communication between the Board and management ensuring the Board is fully informed about all major matters concerning the company and the industry. The Board and management interact on a regular basis allowing the directors to contribute their knowledge particularly relating to the company’s target market into the company’s activities.

Board Meetings

The Board meets regularly and at least four times a year to, amongst other things, agree on the company’s objectives and strategies to realize the objectives, review performance against agreed targets, consider and approve the annual and interim financial statements. The Board in achieving its mandate is guided by the Board Manual which sets out all matters reserved to it and in this regard all directors have access to the company secretary.

Board Committees

For effective running of the affairs of the Company, the Board has delegated part of its responsibilities to the three standing committees listed below, that meet regularly under the terms of reference set out by the Board.

The Committees operate under clearly defined mandates which spell out their responsibilities, scope of authority and procedures for reporting to the Board.

The Committees have access to the Company information and are authorized to get independent professional advice of matters within their scope.

During the period under review, the Committees met as per their respective mandates and through their respective chairmen, submitted their reports to the Board.

Audit and Risk Committee

Mr. Joshuah N. Njoroge -Chairman
Mr. Peter K. Nyigei
Mr. Gordon O. Owuor
Mr. Jonah M. Mutuku
Mr. Joseph P. Nyagah.

CORPORATE GOVERNANCE

The scope of this committee includes risk management, as well as compliance with the regulatory requirements. The main responsibilities of the committee include review and recommend to the Board, the company's financial information in particular quarterly and annual financial statements, as well as filing of Regulatory requirements by Insurance Regulatory Authority, Capital Markets Authority etc, compliance with accounting standards, liaison with the external auditors, remuneration of external auditors and maintaining oversight on internal control systems. The Committee is guided in its functions by a comprehensive Audit Committee Charter and Internal Audit Department Charter. These are designed to provide a comprehensive framework for the audit function within the company.

Finance and Investment Committee

Mr. Rev Peterson N. Kagane – Chairman
Mr. Peter N. Munuhe,
Mr. Cornelius O. Ashira
Mr. Michael O.Wambia.

The Committee's responsibilities include receiving and considering the Company's annual budget, reviewing the purchasing and tender regulations, disposal of major items and considering recommendations on capital expenditure. It also reviews proposals involving capital developments, financing and investment proposals.

Executive Committee

Mr. Japheth A Magomere – Chairman
Rev. Peterson N Kagane
Mr. Peter N. Munuhe
Mr. Edwin Otieno Joseph
Mr. Joshuah N. Njoroge.

The Committee's responsibilities include recruitment of all senior positions, monitoring and appraisal of the performance of the senior management and reviewing all human resource policies.

Attendance at Meetings

Table 1 below is a summary of the attendance record of the directors at the full and the board committee meetings. A record of attendance is kept with the Company Secretary. The record of attendance at meetings is also noted in the minutes of the meetings.

Table 1: Summary of Meetings Attended By Directors for the Year Ended 31st December 2009

	Board Meeting		Executive Committee		Finance and Investment Committee		Audit Committee	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
Japheth Magomere - Chairman	4	4	3	3	4	4	4	4
Rev. Peterson N Kagane - Vice-Chairman	4	4	3	3	4	4		
Peter Munuhe (d)	4	4	3	3	4	4		
Edwin J Otieno	4	4	3	3				
Peter k Nyigei (c)	4	1					4	1
Cornelius Ashira	4	4			4	4		
Gordon Owuor	4	4					4	4
Joshuah Njoroge	4	4	3	3			4	4
Joseph P. Nyagah)	4	4					4	4
Michael O Wambia	4	4			4	4		
Jonah M Mutuku	4	4					4	4

CORPORATE GOVERNANCE

Notes:
(a) Number of meetings convened during year when the director was a member
(b) Number of Meetings attended by the Director during the year
(c) Joined Board on 14th September, 2009
(d) Retired from Board on 7 May 2010

Internal Controls

The Board has collective responsibility for the Company's system of internal controls and for reviewing its effectiveness. The company has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems of obtaining authority for major transactions and ensuring compliance with laws and regulations that have significant financial implications.

The system of internal controls in place has defined operational procedures and financial controls to ensure that assets are safeguarded and that the company remains structured to ensure appropriate segregation of duties. In reviewing the effectiveness of the systems of internal controls and risk management, the Board takes into account the results of all the work carried out to audit and review the activities of the Company. A comprehensive management accounting system is in place providing financial and operational performance measurement indicators.

Weekly meetings are held by the Executive Management to give briefs on significant developments and to make major decisions collectively. Monthly management meetings are held by the Management to monitor performance and to agree on measures for improvement.

Business Ethics

The company is committed to adherence to the highest standards of integrity, behavior and ethics in dealing with all its stakeholders. A formal code of ethics has been implemented to guide management, employees and stakeholders on acceptable behavior in conducting business.

Communication with Shareholders

The company is committed to ensuring that shareholders are provided with full and timely information about its performance. This is usually done through distribution of the company's annual reports and release of notices in the press of the annual results. Company delegates are briefed at the regional level regularly.

Table 2: Top Ten Class A Shareholders as at 31.12.2009

NAME	BALANCE	%
Harambee Co-operative Savings and Credit Society Ltd	1,468,095	8.20
Kiambu Unity Finance Co-operative Union Ltd.	1,409,824	7.88
Aembu Farmers Co-operative Society Ltd	1,343,960	7.51
CIC Staff Co-operative Savings and Credit Society Ltd	1,176,963	6.58
The Co-operative Bank of Kenya Ltd	992,064	5.54
Bandari Co-operative Savings and Credit Society Ltd	540,160	3.02
Banki Kuu Co-operative Savings and Credit Society Ltd.	498,406	2.79
Afya Co-operative Savings and Credit Society Ltd.	433,134	2.42
Mwalimu Co-operative Savings and Credit Society Ltd.	257,269	1.44
Kipsigis Teachers Savings and Credit Society Ltd	214,251	1.32
	8,334,126	46.57

CORPORATE GOVERNANCE

Table 3: Top Ten Class B shareholders as at 31.12.09

NAME	BALANCE	%
Isaac Waithaka Kamunya	40,000	1.12
Teresa Wanjiru Thimba	39,500	1.10
Timothy Karungu Karanja	37,022	1.03
Leonard Obura Aloo	32,000	0.89
Gerald Mbaabu M'ikunyua	30,000	0.84
Peter Mwaura Kungu	26,350	0.74
Charles Ndonga Muchiri	26,250	0.73
Francis kamau Ng'ang'a	23,000	0.64
Weda Welton	22,200	0.62
James Mbugua Macharia	22,200	0.62
	298,522	8.34

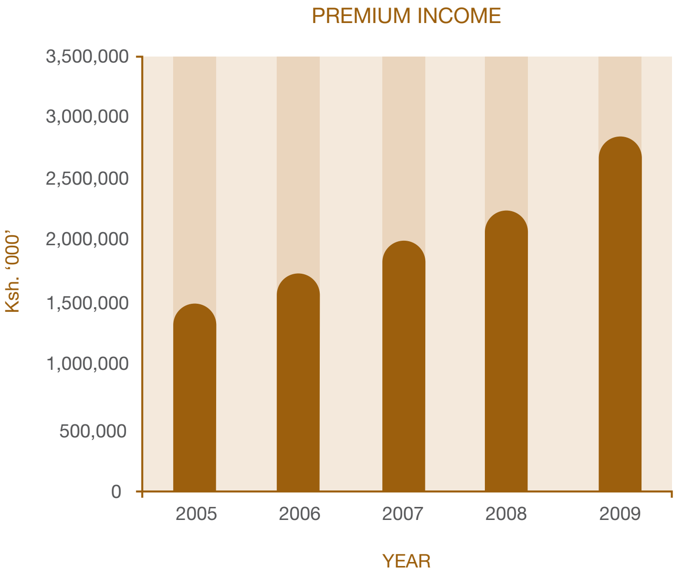
Corporate Social Responsibility (CSR)

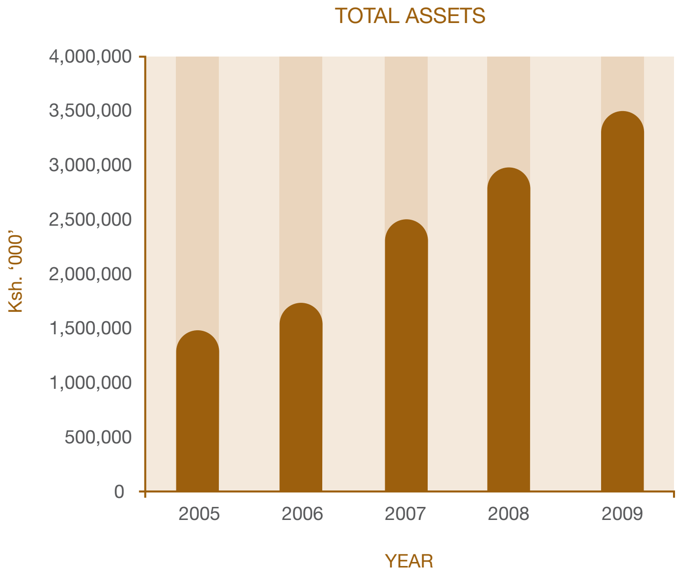
The Board is conscious of the Company's social responsibilities of achieving commercial success in ways that honors ethical values, compliance, with requirements and respect for the people, communities and natural environment. Every year the company support activities involving all our staff across the country. We also donate towards charitable causes of all kinds.

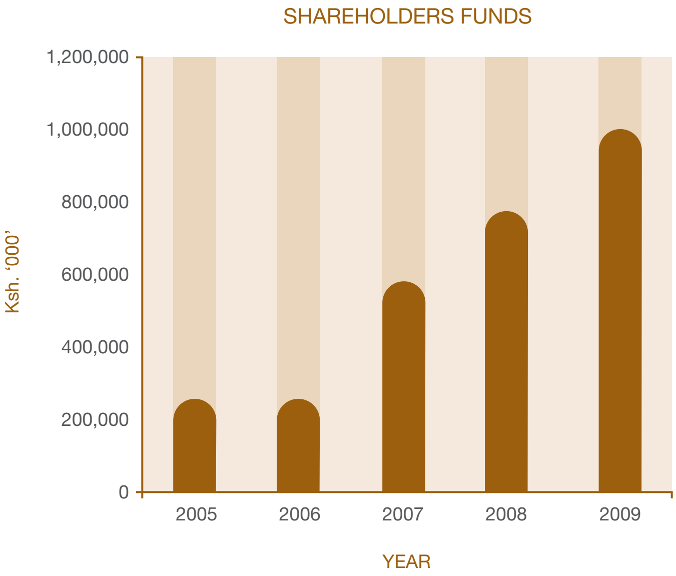
CIC CEO, Mr. Nelson C. Kuria hands over a cheque of Kshs. 600,000 to the Assoociate Director KCA University Susan Abuodha in support of the Global Financial Crisis Convention; " The ethical Dilemma," from September 22nd to 25th 2009.

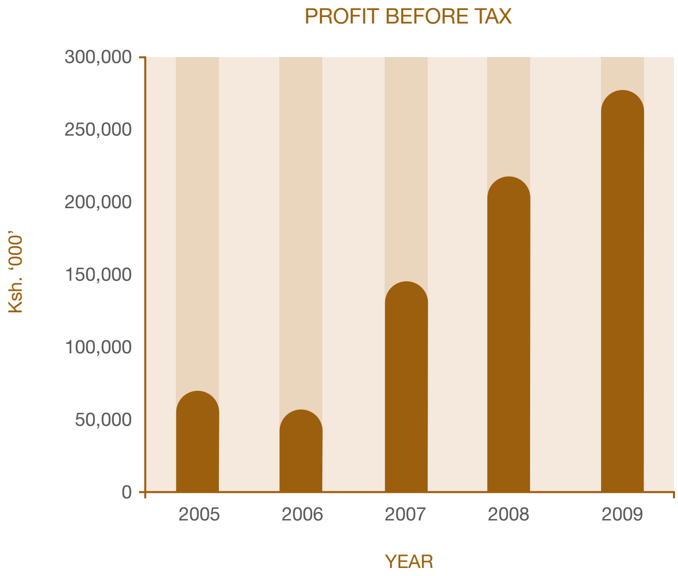
CIC Management team receives trophy for 2009 COYA Award for being the Best Debutant Company.

FIVE YEAR COMPANY REVIEW









REPORT OF DIRECTORS

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the company and its subsidiary is the transaction of general and life insurance and fund management. The group also invests in securities, properties, mortgages and loans.

CHANGES IN INSURANCE ACT

There were changes affecting insurance companies in Kenya which require the split of general business from life business under different entities and a minimum regulatory capital of Sh 450 million for composite insurances constituting Sh 150 milllion for life business and Sh 300 million for general business.

In relation to this, the company is in the process of raising additional share capital to comply with the minimum capital requirement and plans are under way to split the life and general business under different entities.

RESULTS

	General Business Sh'000	Life Business Sh'000	Total Sh'000
Profit before taxation	131,753	145,973	277,726
Taxation	(31,944)	(9,696)	(41,640)
Profit for the year	99,809	136,277	236,086

DIVIDENDS

The directors recommend the payment of a first and final dividend of Sh 34,238,000 (2008: Sh 28,952,000) which amounts to Sh 1.60 (2008: Sh 1.40) per share.

DIRECTORS

The current directors are as shown on page 2. Messrs Gordon O Owuor and Cornelius O Achira retired by rotation on 8 May 2009. Both were re-elected upon retirement by rotation on 8 May 2009 while Leornard K Siele was replaced by Peter N Kipkirui on the same date.

Messrs Rev. Peterson Kagane, Edwin O Joseph and Peter N Munuhe retire by rotation on 7 May 2010.

AUDITORS

Deloitte & Touche, having expressed their willingness, continue in office in accordance with Section 159(2) of the Companies Act (Cap 486) and subject to approval by the Commissioner of Insurance under Section 56(4) of the Insurance Act.

By order of the board

MARY NOEL A WANGA
COMPANY SECRETARY/CHIEF LEGAL OFFICER

18 March 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the company as at the end of the financial year and of the operating results of the group for that year. It also requires the directors to ensure that the parent company and its subsidiary keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and the company. They are also responsible for safeguarding the assets of the group.

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenya Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and of the company and of the group's operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the company and its subsidiary will not remain going concerns for at least the next twelve months from the date of this statement.

J A MAGOMERE
Chairman

J N NJOROGE
Director

18 March 2010

REPORT OF THE CONSULTING ACTUARY

I have conducted an actuarial valuation of the long term insurance business of The Co-operative Insurance Company of Kenya Limited as at 31 December 2009.

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

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

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

In my opinion, the long term insurance business of the company was financially sound and the actuarial value of the liabilities in respect of all classes of life insurance business did not exceed the amount of funds of the long term insurance business at 31 December 2009.

Abed Mureithi
Fellow of the Institute of Actuaries

18 March 2010

Deloitte.

Deloitte & Touche
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE THE CO-OPERATIVE INSURANCE COMPANY OF KENYA LIMITED

Report on the financial statements

We have audited the accompanying financial statements of The Co-operative Insurance Company of Kenya Limited and its subsidiary, set out on pages 22 to 65 which comprise the consolidated statements of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated and company statements of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of financial affairs of the group and the company as at 31 December 2009 and of the group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE
THE CO-OPERATIVE INSURANCE COMPANY OF KENYA LIMITED (Continued)

Report on other legal requirements

As required by the Kenyan Companies Act we report to you, based on our audit, that:

(i) we have obtained all the information and explanations which, to the best of our knowledge and belief, were considered necessary for the purposes of our audit;

(ii) in our opinion, proper books of account have been kept by the company, so far as appears from our examination of those books; and

(iii) the company's statement of financial position (balance sheet) and statement of comprehensive income (profit and loss account) are in agreement with the books of account.

Deloitte & Touche

Certified Public Accountants (Kenya)

16 April, **2010**

Nairobi

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	General Insurance Business Sh'000	Long-Term Insurance Business Sh'000	Total 2009 Sh'000	General Insurance Business Sh'000	Long-Term Insurance Business Sh'000	Total 2008 Sh'000
Gross earned premiums	3	1,538,565	1,221,620	2,760,185	1,132,690	1,089,386	2,222,076
Less:							
Reinsurance premiums ceded		(219,271)	(78,673)	(297,944)	(150,571)	(94,787)	(245,358)
Net earned premiums		1,319,294	1,142,947	2,462,241	982,119	994,599	1,976,718
Commissions earned		57,926	-	57,926	35,983	-	35,983
Investment income	4	90,879	88,223	179,102	83,832	93,415	177,247
Other gains and losses	5	3,551	18,711	22,262	(233)	16,966	16,733
		152,356	106,934	259,290	119,582	110,381	229,963
Total income		1,471,650	1,249,881	2,721,531	1,101,701	1,104,980	2,206,681
Claims and policyholders' benefits payable	6	(807,851)	(680,616)	(1,488,467)	(567,568)	(650,406)	(1,217,974)
Commissions payable		(153,518)	(61,128)	(214,646)	(102,229)	(92,535)	(194,764)
Operating and other expenses	7	(378,528)	(362,164)	(740,692)	(286,400)	(288,101)	(574,501)
		(1,339,897)	(1,103,908)	(2,443,805)	(956,197)	(1,031,042)	(1,987,239)
Profit before tax		131,753	145,973	277,726	145,504	73,938	219,442
Taxation charge	9	(31,944)	(9,696)	(41,640)	(43,495)	-	(43,495)
Profit for the year	10	99,809	136,277	236,086	102,009	73,938	175,947
OTHER COMPREHENSIVE INCOME							
Surplus on revaluation of buildings	31	-	3,646	3,646	-	11,812	11,812
Deferred taxation on revaluation	19	-	-	-	-	(2,835)	(2,835)
Reversal of deferred tax on revaluation	19	-	5,899	5,899	-	-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX		-	9,545	9,545	-	8,977	8,977
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		99,809	145,822	245,631	102,009	82,915	184,924

Consolidated Statement of Financial Position

As at 31 December 2009

	Notes	General Insurance Business Sh'000	Long-Term Insurance Business Sh'000	Total 2009 Sh'000	General Insurance Business Sh'000	Long-Term Insurance Business Sh'000	Total 2008 Sh'000
ASSETS							
Property and equipment	11	38,768	175,736	214,504	41,060	145,859	186,919
Intangible assets	12	8,481	20,336	28,817	4,862	21,798	26,660
Investment property	13	-	239,050	239,050	-	226,050	226,050
Available - for- sale investments	15	1,941	-	1,941	1,268	-	1,268
Loans receivable - Mortgage loans	16	24,492	154,931	179,423	-	119,884	119,884
- Other loans	17	46,983	94,315	141,298	-	62,434	62,434
Taxation recoverable	9(c)	52	-	52	-	-	-
Equity investments at fair value through profit or loss	18(a)	26,508	43,332	69,840	28,079	35,687	63,766
Deferred taxation	19	3,625	-	3,625	-	-	-
Deposits and commercial papers	20	30,000	49,100	79,100	65,180	25,000	90,180
Receivables arising out of reinsurance arrangements	33	247,362	31,370	278,732	299,155	12,684	311,839
Receivables arising out of direct insurance arrangements	33	229,782	42,208	271,990	198,442	12,138	210,580
Other receivables	22(a)	150,365	46,136	196,501	103,218	129,449	232,667
Government securities held to maturity	23	525,381	434,656	960,037	461,013	409,689	870,702
Short term investments	24	-	52,264	52,264	-	15,295	15,295
Deposits with financial institutions	25(a)	401,573	267,062	668,635	333,269	252,845	586,114
Cash and bank balances		80,387	24,299	104,686	24,291	-	24,291
Total assets		1,815,700	1,674,795	3,490,495	1,559,837	1,468,812	3,028,649
EQUITY							
Share capital	28	285,630	142,350	427,980	271,455	142,330	413,785
Share premium	29	26,321	1,491	27,812	24,628	1,491	26,119
Statutory reserve	30	-	277,109	277,109	-	160,832	160,832
Revaluation surplus	31	-	35,023	35,023	-	25,478	25,478
Retained earnings	32	222,184	-	222,184	131,327	-	131,327
Total equity		534,135	455,973	990,108	427,410	330,131	757,541
LIABILITIES							
Unearned premium provision	36	597,587	-	597,587	483,172	-	483,172
Actuarial value of policyholder liabilities	37	-	760,948	760,948	-	587,108	587,108
Insurance contracts liabilities	34	584,201	235,998	820,199	532,946	304,943	837,889
Deferred taxation	19	-	-	-	8,772	5,899	14,671
Payables arising from reinsurance arrangements and insurance bodies		17,502	10,438	27,940	17,701	29,387	47,088
Other payables	38(a)	82,275	206,985	289,260	56,213	196,166	252,379
Taxation payable	9(c)	-	4,133	4,133	33,623	-	33,623
Bank overdraft		-	320	320	-	15,178	15,178
Total liabilities		1,281,565	1,218,822	2,500,387	1,132,427	1,138,681	2,271,108
Total equity and liabilities		1,815,700	1,674,795	3,490,495	1,559,837	1,468,812	3,028,649

The financial statements on pages 22 to 65 were approved by the board of directors on 18 March 2010 and signed on its behalf by:

J A Magomere (Chairman) N C Kuria (Principal Officer) J N Njoroge (Director)

Company Statement of Financial Position

As at 31 December 2009

	Notes	General Insurance Business Sh'000	Long-Term Insurance Business Sh'000	Total 2009 Sh'000	General Insurance Business Sh'000	Long-Term Insurance Business Sh'000	Total 2008 Sh'000
ASSETS							
Property and equipment	11	38,768	175,736	214,504	41,060	145,859	186,919
Intangible assets	12	8,481	20,336	28,817	4,862	21,798	26,660
Investment property	13	-	239,050	239,050	-	226,050	226,050
Investment in subsidiary	14	11,000	-	11,000	11,000	-	11,000
Available - for- sale investments	15	1,941	-	1,941	1,268	-	1,268
Loans receivable - Mortgage loans	16	24,492	154,931	179,423	-	119,884	119,884
- Other loans	17	46,983	94,315	141,298	-	62,434	62,434
Equity investments at fair value through profit or loss	18(b)	24,969	43,332	68,301	26,430	35,687	62,117
Deferred taxation	19	3,625	-	3,625	-	-	-
Deposits and commercial papers	20	30,000	49,100	79,100	65,180	25,000	90,180
Receivables arising out of reinsurance arrangements	33	247,362	31,370	278,732	299,155	12,684	311,839
Receivables arising out of direct insurance arrangements	33	229,782	42,208	271,990	198,443	12,138	210,581
Due from related party	21	50	-	50	658	-	658
Other receivables	22(b)	150,113	46,136	196,249	103,012	129,449	232,461
Government securities held to maturity	23	525,381	434,656	960,037	461,013	409,689	870,702
Short term investments	24	-	52,264	52,264	-	15,295	15,295
Deposits with financial institutions	25(b)	391,570	267,062	658,632	325,882	252,845	578,727
Cash and bank balances		80,170	24,299	104,469	21,938	-	21,938
Total assets		1,814,687	1,674,795	3,489,482	1,559,901	1,468,812	3,028,713
EQUITY							
Share capital	28	285,630	142,350	427,980	271,455	142,330	413,785
Share premium	29	26,321	1,491	27,812	24,628	1,491	26,119
Statutory reserve	30	-	277,109	277,109	-	160,832	160,832
Revaluation surplus	31	-	35,023	35,023	-	25,478	25,478
Retained earnings	32	221,326	-	221,326	131,319	-	131,319
Total equity		533,277	455,973	989,250	427,402	330,131	757,533
LIABILITIES							
Unearned premium provision	36	597,587	-	597,587	483,172	-	483,172
Actuarial value of policyholder liabilities	37	-	760,948	760,948	-	587,108	587,108
Insurance contracts liabilities	34	584,201	235,998	820,199	532,946	304,943	837,889
Deferred taxation	19	-	-	-	8,772	5,899	14,671
Payables arising from reinsurance arrangements and insurance bodies		17,502	10,438	27,940	17,701	29,387	47,088
Due to related party	21	-	-	-	122	-	122
Other payables	38(b)	82,120	206,985	289,105	56,163	196,166	252,329
Taxation Payable	9(c)	-	4,133	4,133	33,623	-	33,623
Bank Overdraft		-	320	320	-	15,178	15,178
Total liabilities		1,281,410	1,218,822	2,500,232	1,132,499	1,138,681	2,271,180
Total equity and liabilities		1,814,687	1,674,795	3,489,482	1,559,901	1,468,812	3,028,713

The financial statements on pages 22 to 65 were approved by the board of directors on 18 March 2010 and signed on its behalf by:

J A Magomere (Chairman) N C Kuria (Principal Officer) J N Njoroge (Director)

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Share capital Sh'000	Share premium Sh'000	Revaluation surplus Sh'000	Statutory reserve Sh'000	Retained earnings Sh'000	Total Sh'000
At 1 January 2008	388,847	23,002	16,764	86,631	56,841	572,085
Profit for the year	-	-	-	73,938	102,009	175,947
Other comprehensive income for the year	-	-	8,977	-	-	8,977
Total comprehensive income for the year	-	-	8,977	73,938	102,009	184,924
Shares issued (note 28)	24,938	3,117	-	-	-	28,055
Transfer of excess depreciation	-	-	(376)	376	-	-
Deferred tax on transfer of excess depreciation	-	-	113	(113)	-	-
Dividends paid	-	-	-	-	(27,523)	(27,523)
	24,938	3,117	(263)	263	(27,523)	532
At 31 December 2008	413,785	26,119	25,478	160,832	131,327	757,541
At 1 January 2009	413,785	26,119	25,478	160,832	131,327	757,541
Profit for the year	-	-	-	136,277	99,809	236,086
Other comprehensive income for the year	-	-	9,545	-	-	9,545
Total comprehensive income for the year	-	-	9,545	136,277	99,809	245,631
Shares issued (note 28)	14,195	1,693	-	-	-	15,888
Transfer from statutory reserves (note 37)	-	-	-	(20,000)	20,000	-
Dividends paid	-	-	-	-	(28,952)	(28,952)
	14,195	1,693	-	(20,000)	(8,952)	(13,064)
At 31 December 2009	427,980	27,812	35,023	277,109	222,184	990,108

Company Statement of Changes in Equity

For the year ended 31 December 2009

	Share capital Sh'000	Share premium Sh'000	Revaluation surplus Sh'000	Statutory reserve Sh'000	Retained earnings Sh'000	Total Sh'000
At 1 January 2008	388,847	23,002	16,764	86,631	56,841	572,085
Profit for the year	-	-	-	73,938	102,001	175,939
Other comprehensive income for the year	-	-	8,977	-	-	8,977
Total comprehensive income for the year	-	-	8,977	73,938	102,001	184,916
Shares issued (note 28)	24,938	3,117	-	-	-	28,055
Transfer of excess depreciation	-	-	(376)	376	-	-
Deferred tax on transfer of excess depreciation	-	-	113	(113)	-	-
Dividends paid	-	-	-	-	(27,523)	(27,523)
	24,938	3,117	(263)	263	(27,523)	532
At 31 December 2008	413,785	26,119	25,478	160,832	131,319	757,533
At 1 January 2009	413,785	26,119	25,478	160,832	131,319	757,533
Profit for the year	-	-	-	136,277	98,959	235,236
Other comprehensive income for the year	-	-	9,545	-	-	9,545
Total comprehensive income for the year	-	-	9,545	136,277	98,959	244,781
Shares issued (note 28)	14,195	1,693	-	-	-	15,888
Transfer from statutory reserve (note 37)	-	-	-	(20,000)	20,000	-
Dividends paid	-	-	-	-	(28,952)	(28,952)
	14,195	1,693	-	(20,000)	(8,952)	(13,064)
At 31 December 2009	427,980	27,812	35,023	277,109	221,326	989,250

Statement of Cash Flows

For the year ended 31 December 2009

	Notes	2009 Sh'000	2008 Sh'000
OPERATING ACTIVITIES			
Cash generated from operations	41(a)	428,473	300,900
Tax paid	9(c)	(83,579)	(4,193)
Net cash generated from operating activities		344,894	296,707
INVESTING ACTIVITIES			
Purchase of property and equipment	11	(49,610)	(21,420)
Purchase of intangible assets	12	(11,762)	(11,466)
Mortgage loans advanced	16	(85,418)	(48,983)
Mortgage loans repaid	16	25,879	13,274
Purchase of available for sale investments	15	(673)	-
Purchase of quoted shares	18	(10,017)	(140,538)
Purchase of government securities		(178,000)	(433,000)
Proceeds on maturity of government securities		93,521	75,361
Other loans advanced		(78,864)	(1,348)
Purchase of other investments		(25,889)	(13,041)
Proceeds from disposal of equipment		2,139	306
Interest received		164,638	177,068
Fixed deposits with financial institutions		(36,067)	81,242
Proceeds from disposal of quoted shares	18	-	79,068
Net cash used in investing activities		(190,123)	(243,477)
FINANCING ACTIVITIES			
Issue of shares		15,888	28,055
Dividends paid		(28,952)	(27,523)
Net cash (used in)/generated from financing activities		(13,064)	532
INCREASE IN CASH AND CASH EQUIVALENTS		141,707	53,762
CASH AND CASH EQUIVALENTS AT JANUARY		552,008	498,246
CASH AND CASH EQUIVALENTS AT DECEMBER	41(b)	693,715	552,008

1 ACCOUNTING POLICIES

Statement of compliance with International Financial Reporting Standards (IFRS)

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

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

Adoption of new and revised International Financial Reporting Standards (IFRSs)

(i) Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)
The following new and revised standards and interpretations have been adopted in the current period and have affected the amounts and disclosures reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but have had no effect on the amounts reported are set out in section b(ii) below.

- IAS 1 (revised) 'Presentation of financial statements' – effective 1 January 2009.
  A revised version of IAS 1 was issued in September 2007. It prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the group presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. According to the amendment of IAS 1 in January 2008, each component of equity, including each item of other comprehensive income, should be reconciled between carrying amount at the beginning and the end of the period. The adoption does not have any impact on retained earnings.

  The group also elected to use the titles per revised IAS 1 of 'statement of financial position' and 'statement of cash flows', to describe the 'statement of financial position' and statement of cash flows respectively.

- IFRS 7 'Financial instruments – Disclosures' (amendment) – effective 1 January 2009
  The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

(ii) Standards and interpretations effective in 2009, but not relevant for the group's operations:
The following new and revised standards and interpretations are effective in the current financial year but are not relevant to the group.

- IFRS 1: First-Time Adoption of International Financial Reporting Standards - Amendment relating to cost of an investment on first-time adoption (effective for accounting periods beginning on or after 1 January 2009);
- IFRS 2 Share-based payment – Amendments relating to vesting conditions and cancellations (effective for annual periods beginning on or after 1 January 2009);
- IFRS 8, Operating Segments (effective for accounting periods beginning on or after 1 January 2009
- IAS 23:Borrowing costs – Comprehensive revision to prohibit immediate expensing (effective for accounting periods beginning on or after 1 January 2009)
- IAS 27: Consolidated and Separate Financial Statements –Amendments relating to cost of an investment on first time adoption (effective for annual periods beginning on or after 1 January 2009)

1 ACCOUNTING POLICIES (Continued)

Adoption of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(ii) Standards and interpretations effective in 2009, but not relevant for the group's operations (Continued)

- IAS 31: Interest in Joint Ventures - Consequential amendments arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 1 January 2009)
- IAS 32: Financial Instruments - Presentation amendments relating to puttable instruments and obligations arising on liquidation (effective for accounting periods beginning on or after 1 January 2009).
- IAS 39: Financial Instruments: Recognition and Measurement – Amendments for embedded derivatives when reclassifying financial instruments (effective for annual periods ending on or after 30 June 2009).
- IFRIC 15: Agreement for the Construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009)

(iii) Standards and interpretations issued but not yet effective

The following standards and interpretations have been issued and are effective for accounting periods beginning on or after 1 July 2009 or later periods:

- IFRS 1: First-Time Adoption of International Financial Reporting Standards - Amendments relating to oil and gas assets and when determining when an arrangement contains a lease (effective for annual periods beginning on or after 1 January 2010).
- IFRS 2 Share-based payment – Amendments relating to group cash-settled share-based payments transaction (effective for annual periods beginning on or after 1 January 2010).
- IFRS 3: Business combinations – Comprehensive revision on applying the acquisition method (effective for accounting periods beginning on or after 1 July 2009)
- IAS 27: Consolidated and Separate Financial Statements – Consequential amendments arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 1 July 2009).
- IAS 28: Investment in Associates – Consequential amendments arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 1 July 2009)
- IAS 39: Financial Instruments: Recognition and Measurement – Amendments for eligible hedged items (effective for accounting periods beginning on or after 1 July 2009);
- IFRIC 17: Distribution of non-cash assets to owners (effective for accounting periods beginning on or after 1 July 2009);
- IFRIC 18 Transfers of assets from customers (effective for accounting periods beginning on or after 1 July 2009).

The adoption of these standards and interpretations, when effective, is not expected to have material impact on the financial statements of the group.

(iv) Early adoption of standards

The group did not early-adopt new or amended standards in 2009.

Basis of preparation

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain property, the carrying value of investment property and investments in shares at fair value, impaired assets at the recoverable amounts and actuarially determined liabilities at their present value.

1 ACCOUNTING POLICIES (Continued)

Income recognition

Premium income is recognised on the assumption of risks, and includes estimates of premium due but not yet received less an allowance for cancellations and less unearned premium. Unearned premiums represent the proportion of the premiums written in periods up to the accounting date which relate to the unexpired terms of policies in force at the statement of financial position date, and are calculated using the 1/24ths method on net written premiums. For Marine business, unearned premiums at the end of the reporting period are calculated on the 6th basis of written premiums in the last quarter of the year.

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

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

Deferred acquisition costs

Deferred acquisition costs represents the proportion of commission expense in the periods up to the accounting date which relates to the unexpired terms of policies in force at the end of the reporting period, and are calculated on the 1/24th method on net commissions.

Claims incurred

Claims incurred comprise claims paid and related expenses in the year and changes in the provision for outstanding claims. Claims paid represent all payments made during the year, whether arising from events during that or earlier years. Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the end of the reporting period, but not settled at that date. Outstanding claims are computed on the basis of the best information available at the time the records for the year are closed, and include additional provisions for claims incurred but not reported ("IBNR") at the statement of financial position date based on the group's experience but subject to the minimum percentages set by the Commissioner of Insurance. Outstanding claims are not discounted.
Claims liability is determined through actuarial valuation which is done annually.

Receivables and payables related to insurance contracts and investment contracts

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

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the statement of comprehensive income.

Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within loans and receivables), as well longer term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under

1 ACCOUNTING POLICIES (Continued)

Reinsurance contracts held (Continued)

the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the profit or loss for the year.

Property and equipment

Property and equipment is stated at cost or revaluation less accumulated depreciation and any impairment losses.

Increases in the carrying amount of land and buildings arising on revaluation are dealt with through other comprehensive income and accumulated under a separate heading of revaluation surplus in the statement of changes in equity. Decreases that offset previous increases of the same asset are dealt with through other comprehensive income and reversed from revaluation surplus in the statement of changes in equity; all other decreases are charged to the profit or loss for the year. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the profit or loss for the year) and depreciation based on the asset's original cost is directly transferred from the revaluation surplus directly to retained earnings.

Depreciation is calculated on the reducing balance basis to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life as follows:

Buildings	40 years
Computer equipment	4 years
Motor vehicles	4 years
Furniture, fittings and equipment	8 years

Property and equipment are reviewed for impairment whenever there are any indications of impairment identified.

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

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

Investment properties

Investment properties comprise land and buildings and parts of buildings held to earn rentals and/or for capital appreciation. They are treated as long-term investments and carried at fair value, representing market value determined annually, based on valuations by external independent valuers. Investment properties are not subject to depreciation. Changes in their carrying amount between statement of financial position dates are processed, net of deferred tax, through the profit or loss for the year.

1 ACCOUNTING POLICIES (Continued)

Investment properties (Continued)

On the disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit or loss for the year.

Financial instruments

A financial asset or liability is recognised when the group becomes party to the contractual provisions of the instrument. The group classifies its financial instruments into the following categories: Financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. Management determines the appropriate classification of its investments at initial recognition and re-evaluates this at each reporting period end.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified into this category at inception if acquired principally for the purpose of selling it in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit-taking, or if so designated by management.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the group intends to sell in the short term or those that it has designated as at fair value through profit or loss or available-for-sale. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities other than those that meet the definition of loans and receivables that the group's management has the positive intention and ability to hold to maturity.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Purchases and sales of investments are recognised on trade date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Investments are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the group has also transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the statement of comprehensive income in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income and accumulated under the heading of revaluation surplus in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the statement of comprehensive income as net realised gains/losses on financial assets.

1 ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, and discounted cash flow analysis.

Unquoted investments are classified as available-for-sale investments. They are shown at fair value unless their value cannot be reliably measured in which case when they are carried at cost less provision for impairment.

Impairment of financial assets

The group assesses at each statement of financial position date whether there is objective evidence that a financial asset (or group of financial assets) is impaired. Impairment losses are recognised if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset, and that those events have an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

The impairment loss so recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities in the statement of financial position.

Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Kenya Shillings at rates ruling at the transaction dates. Assets and liabilities at the statement of financial position date which are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the statement of comprehensive income in the year in which they arise.

Employee entitlements

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

Taxation

Income tax expense represents the sum of the current tax payable and the deferred taxation.

Current taxation is provided on the basis of the results for the year, as shown in the financial statements, adjusted in accordance with tax legislation.

Deferred taxation 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. Currently enacted tax rates are used to determine deferred taxation.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilised.

1 ACCOUNTING POLICIES (Continued)

Retirement benefit obligations

The group operates a defined contribution scheme for its employees. The assets of the scheme are held in separate trustee administered funds, which are funded from contributions from both the group and employees.

The group also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions to this scheme are determined by local statute and are currently limited to Sh 200 per employee per month.

The group's contributions to the defined contribution scheme and NSSF are charged to the profit or loss for the year.

Dividends

Dividends on ordinary shares are charged directly to equity in the period in which they are paid. 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.

Accounting for leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to one of the companies in the group as a lessee. All other leases are classified as operating leases.
Payments made under operating leases are charged to income on a straight-line basis over the period of the lease.
Rental income from operating leases is charged to profit or loss for the year on a straight-line basis over the term of the relevant lease.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.
The consolidated comparatives represent the company balances being the first year of consolidation.

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

In the process of applying the entity's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key areas of judgment in applying the entity's accounting policies are dealt with below:

The ultimate liability arising from claims made under insurance contracts

The main assumption underlying techniques applied in the estimation of this liability is that a group's past claims experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved. A margin for adverse deviation may also be included in the liability valuation. Outstanding claims are computed on the basis of the best information available at the time the records for the year are closed, and include additional provisions for claims incurred but not reported ("IBNR") at the end of the reporting period based on the group's experience but subject to the minimum percentages set by the Commissioner of Insurance.

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

Held -to-maturity financial assets

The group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the group evaluates its intention and ability to hold such assets to maturity. If the group fails to keep these financial assets to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The assets would therefore be measured at fair value not amortised cost.

Impairment losses

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

Property and equipment

Critical estimates are made by the group's management, in determining depreciation rates for property and equipment.

Receivables

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

3 GROSS EARNED PREMIUMS

The group is organised in two main divisions, general insurance and long term insurance. Long term insurance business comprises the underwriting of risks relating to death of an insured person, and includes contracts subject to the payment of premiums for a long term dependent on the termination of continuance of the life of an insured person. General insurance relates to all other categories of insurance business written by the group and is analysed into several sub-classes of business based on the nature of the assumed risks.

The premium income of the group can be analysed between the main classes of business as shown below:

	2009 Sh'000	2008 Sh'000
General insurance business		
Motor	862,404	601,223
Fire	129,538	102,718
Personal accident	126,214	119,309
Other	420,409	309,440
	1,538,565	1,132,690
Long term insurance business		
Ordinary life	102,565	88,744
Group life	1,119,055	1,000,642
	1,221,620	1,089,386
Total gross earned premium	2,760,185	2,222,076

Notes to the Financial Statements

For the year ended 31 December 2009

4 INVESTMENT INCOME

	General insurance business Sh'000	Long term insurance business Sh'000	Total 2009 Sh'000	Total 2008 Sh'000
Interest from government securities held to maturity	46,915	29,478	76,393	94,278
Bank deposit interest	37,967	31,620	69,587	61,473
Interest on staff loan receivables	5,997	12,728	18,725	6,893
Other interest income	-	41	41	441
Rental income from investment property	-	14,356	14,356	14,162
	90,879	88,223	179,102	177,247
Investment revenue earned on financial assets, analysed by category of asset is as follows:				
Held to maturity investments	84,882	61,098	145,980	155,751
Loans and receivables	5,997	12,769	18,766	7,334
	90,879	73,867	164,746	163,085
Investment income earned on non-financial assets	-	14,356	14,356	14,162
Total investment income	90,879	88,223	179,102	177,247

Revenue relating to financial assets classified as at fair value through profit or loss is included in other gains and losses in note 5.

5 OTHER GAINS AND LOSSES

	General insurance business Sh'000	Long term insurance business Sh'000	Total 2009 Sh'000	Total 2008 Sh'000
Fair value gains on investment property (note 13)	-	13,000	13,000	20,550
Fair value loss on equity investments at fair value through profit or loss (note 18)	(1,571)	(2,372)	(3,943)	(11,612)
Net gains arising on government securities held to maturity	2,254	2,602	4,856	-
Loss on disposal of property and equipment	(311)	(783)	(1,094)	(232)
Miscellaneous income	3,179	6,264	9,443	8,027
	3,551	18,711	22,262	16,733

No other gains or losses have been recognised in respect of loans and receivables or held to maturity investments, other than as disclosed in this note and note 4 above and impairment losses recognised in respect of premium receivable (see note 7).

6 CLAIMS AND POLICYHOLDERS BENEFITS PAYABLE

	General insurance business Sh'000	Long term insurance business Sh'000	Total 2009 Sh'000	Total 2008 Sh'000
Claims and policyholders benefits payable:				
- Gross	971,402	552,439	1,523,841	1,356,316
- Reinsurers' share	(163,551)	(45,664)	(209,215)	(268,418)
Actuarial adjustment of policy holders liability	-	173,841	173,841	130,076
	807,851	680,616	1,488,467	1,217,974

7 OPERATING AND OTHER EXPENSES

	General insurance business Sh'000	Long term insurance business Sh'000	Total 2009 Sh'000	Total 2008 Sh'000
The following items have been charged in arriving at profit before tax:				
Staff costs (note 8)	121,667	119,699	241,366	164,629
Auditors' remuneration	1,083	1,027	2,110	2,029
Directors' fees	4,449	2,175	6,624	4,864
Directors' emoluments	11,226	11,227	22,453	19,167
Depreciation (note 11)	7,064	15,374	22,438	19,491
Amortisation (note 12)	2,827	6,778	9,605	8,889
Impairment charge for doubtful premium receivables	29,627	-	29,627	31,170
Premium tax	27,323	1,925	29,248	19,329
Other	173,262	203,959	377,221	304,933
Operating and other expenses	378,528	362,164	740,692	574,501

8 STAFF COSTS

	General insurance business Sh'000	Long term insurance business Sh'000	Total 2009 Sh'000	Total 2008 Sh'000
Staff costs include the following:				
- Salaries	109,541	109,248	218,789	141,603
- Pension costs	9,198	8,668	17,866	20,140
- leave pay	2,928	1,783	4,711	2,886
	121,667	119,699	241,366	164,629

9 TAXATION

	2009 Sh'000	2008 Sh'000
a) Taxation charge		
Current tax at 30%	52,288	41,900
Prior year current tax under provision	1,749	-
	54,037	41,900
Deferred tax (credit)/charge (note19)	(71)	1,595
Prior year deferred tax overprovision	(12,326)	-
	(12,397)	1,595
	41,640	43,495

Current taxation relates to general business only.

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

	2009 Sh'000	2008 Sh'000
Profit before taxation	277,726	219,442
Tax calculated at a tax rate of 30%	83,318	65,833
Tax effect of expenses not deductible for tax	4,008	3,468
Tax effect of income not subject to tax	(35,109)	(25,806)
Prior year current tax under provision	1,749	-
Prior year deferred tax overprovision	(12,326)	-
Taxation charge for the year	41,640	43,495

c) Taxation (payable)/recoverable

	GROUP		COMPANY	
	2009 Sh'000	2008 Sh'000	2009 Sh'000	2008 Sh'000
At 1 January	(33,623)	4,084	(33,623)	4,084
Charge for the year	(54,037)	(41,900)	(53,896)	(41,900)
Paid during the year	83,579	4,193	83,386	4,193
At 31 December	(4,081)	(33,623)	(4,133)	(33,623)
Comprising:				
Taxation recoverable	52	-	-	-
Taxation payable	(4,133)	(33,623)	(4,133)	(33,623)
At 31 December	(4,081)	(33,623)	(4,133)	(33,623)

10 PROFIT FOR THE YEAR

Profit for the year of Sh 235,236,000 (2008 –Sh 175,939,000) has been dealt with in the books of the company, The Co-operative Insurance Company of Kenya Limited.

11 PROPERTY AND EQUIPMENT – GROUP AND COMPANY

	Buildings Sh'000	Motor vehicles Sh'000	Computers Sh'000	Furniture fittings & equipment Sh'000	Total Sh'000
COST OR VALUATION					
At 1 January 2008	94,500	21,126	57,544	95,527	268,697
Additions	-	2,350	8,333	10,737	21,420
Disposals	-	-	-	(703)	(703)
Revaluation	9,450	-	-	-	9,450
At 31 December 2008	103,950	23,476	65,877	105,561	298,864
At 1 January 2009	103,950	23,476	65,877	105,561	298,864
Additions	3,354	17,942	10,981	17,333	49,610
Disposals	-	(10,582)	(147)	-	(10,729)
Revaluation	3,646	-	-	-	3,646
At 31 December 2009	110,950	30,836	76,711	122,894	341,391
COMPRISING:					
Cost	80,530	30,836	76,711	122,894	310,971
Valuation- 2009	30,420	-	-	-	30,420
	110,950	30,836	76,711	122,894	341,391
DEPRECIATION					
At 1 January 2008	-	12,665	39,602	42,714	94,981
Charge for the year	2,362	2,703	6,571	7,855	19,491
Reversal of accumulated depreciation on revaluation	(2,362)	-	-	-	(2,362)
Eliminated on disposals	-	-	-	(165)	(165)
At 31 December 2008	-	15,368	46,173	50,404	111,945
At 1 January 2009	-	15,368	46,173	50,404	111,945
Charge for the year	-	5,741	7,637	9,060	22,438
Eliminated on disposals	-	(7,496)	-	-	(7,496)
At 31 December 2009	-	13,613	53,810	59,464	126,887
NET BOOK VALUE					
At 31 December 2009	110,950	17,223	22,901	63,430	214,504
At 31 December 2008	103,950	8,108	19,704	55,157	186,919
NET BOOK VALUE- COST BASIS					
At 31 December 2009	79,474	17,223	22,901	63,430	183,028
At 31 December 2008	79,464	8,108	19,705	55,156	162,433

The building was revalued at 31 December 2009 by Lloyd Masika Limited, registered valuers, on the basis of the market value for existing use. The resultant revaluation surplus is dealt with through other comprehensive income and accumulated in revaluation surplus as a separate component of equity.

12 INTANGIBLE ASSETS – GROUP AND COMPANY

	General business Sh'000	Life business Sh'000	Total Sh'000
COST			
At 1 January 2008	33,388	31,680	65,068
Additions	-	11,466	11,466
At 31 December 2008	33,388	43,146	76,534
At 1 January 2009	33,388	43,146	76,534
Additions	6,446	5,316	11,762
At 31 December 2009	39,834	48,462	88,296
AMORTISATION			
At 1 January 2008	26,904	14,081	40,985
Amortisation	1,622	7,267	8,889
At 31 December 2008	28,526	21,348	49,874
At 1 January 2009	28,526	21,348	49,874
Amortisation	2,827	6,778	9,605
At 31 December 2009	31,353	28,126	59,479
NET BOOK VALUE			
As at 31 December 2009	8,481	20,336	28,817
As at 31 December 2008	4,862	21,798	26,660

13 INVESTMENT PROPERTY – GROUP AND COMPANY

	2009 Sh'000	2008 Sh'000
At 1 January	226,050	205,500
Fair value gains (note 5)	13,000	20,550
At 31 December	239,050	226,050

The investment property was revalued on 31 December 2009 by Lloyd Masika Limited, registered valuers, on the basis of the market value existing use. The resultant net balance of the revaluation surplus was credited to the statement of comprehensive income (note 5).

14 INVESTMENT IN SUBSIDIARY - COMPANY

	2009 Sh'000	2008 Sh'000
CIC Asset Management Limited: 550,000 (2008 - 500,000) ordinary shares of Sh 20 each at cost	11,000	10,000
Additional Shares (50,000 ordinary shares of Sh 20 each), at cost	-	1,000
550,000 Shares @ Sh 20 (2008 - 500,000 shares @ Sh 20)	11,000	11,000

Company	*Percentage Holding*	*Country of Incorporation*	*Principal activity*
CIC Asset Management Limited	100%	Kenya	Funds and assets management as regulated by the Capital Markets Authority.

15 AVAILABLE -FOR - SALE INVESTMENTS – GROUP AND COMPANY

	2009 Sh'000	2008 Sh'000
Unquoted shares		
Shares held in The Co-operative Bank of Kenya Limited, at cost	1,268	1,268
Shares held in Allnations, Inc	673	-
	1,941	1,268
The movement in the available for sale investments account is as follows:		
At 1 January	1,268	1,268
Additions	673	-
At 31 December	1,941	1,268

The shares in The Co-operative Bank of Kenya Limited were acquired before the initial public offer (IPO). Though The Co-operative Bank of Kenya Limited shares are currently listed in the Nairobi Stock Exchange, there was an agreement for the shares held by corporation's pre IPO not to be traded for the first 5 years. These shares are therefore valued at cost.

16 LOANS RECEIVABLE - GROUP AND COMPANY

	2009 Sh'000	2008 Sh'000
Mortgage loans		
At 1 January	119,884	84,175
Loans advanced	85,418	48,983
Loan repayments	(25,879)	(13,274)
At 31 December	179,423	119,884
Maturity profile of mortgage loans:		
Within 1 year	34	8,552
In 1-5 years	7,782	42,760
In over 5 years	171,607	68,572
	179,423	119,884

17 LOANS RECEIVABLE -GROUP AND COMPANY

	2009 Sh'000	2008 Sh'000
Other loans		
Staff loans	102,798	56,118
Policy loans	38,500	6,316
	141,298	62,434

18 (a) EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - GROUP

	General insurance business Sh'000	Long term insurance business Sh'000	Total 2009 Sh'000	Total 2008 Sh'000
Quoted investments:				
At 1 January	28,079	35,687	63,766	13,908
Additions	-	10,017	10,017	140,538
Disposals	-	-	-	(79,068)
Fair value loss (note 5)	(1,571)	(2,372)	(3,943)	(11,612)
At 31 December	26,508	43,332	69,840	63,766

18 (b) EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - COMPANY

	General insurance business Sh'000	Long term insurance business Sh'000	Total 2009 Sh'000	Total 2008 Sh'000
Quoted investments:				
At 1 January	26,430	35,687	62,117	13,908
Additions	-	10,017	10,017	135,889
Disposals	-	-	-	(76,068)
Fair value loss (note 5)	(1,461)	(2,372)	(3,833)	(11,612)
At 31 December	24,969	43,332	68,301	62,117

19 DEFERRED TAXATION – GROUP AND COMPANY

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2008: 30%). The movement on the deferred income tax account is as follows:

The deferred tax (asset)/ liability is attributable to the following items:

	2009 Sh'000	2008 Sh'000
Accelerated capital allowances on motor vehicles and equipment	(2,310)	8,354
Leave pay provision	(1,315)	(1,029)
Revaluation surplus	-	7,346
Net deferred tax (asset)/liability	(3,625)	14,671

The movement in the deferred tax account is as follows:

	2009 Sh'000	2008 Sh'000
At 1 January	14,671	10,241
Statement of comprehensive income (credit)/charge - note 9(a)	(71)	1,595
(Credited)/charged to other comprehensive income	(5,899)	2,835
Prior year overprovision	(12,326)	-
At 31 December	(3,625)	14,671

20 DEPOSITS AND COMMERCIAL PAPERS – HELD TO MATURITY GROUP AND COMPANY

	General insurance business Sh'000	Long term insurance business Sh'000	Total 2009 Sh'000	Total 2008 Sh'000
DEPOSITS				
Aembu Farmers Co-operative Society Limited	-	20,000	20,000	20,000
Kiambu Dairy and Pyrethrum Co-operative Union Limited	20,000	-	20,000	20,000
COMMERCIAL PAPERS				
Nakumat Holdings Limited	-	-	-	40,180
Car and General (Kenya) Limited	-	-	-	10,000
Kenya Electricity Generating Company Limited	10,000	29,100	39,100	-
Total deposits	30,000	49,100	79,100	90,180

The deposits with Aembu Farmers Co-operative Society Limited and Kiambu Dairy and Pyrethrum Cooperative Union Limited are for a period of four years each commencing in 2003 and 2005 respectively. Interest was earned on the deposits at 6% per annum. Deposits with Aembu Farmers Co-operative Society Limited were renewed for a period of two years in 2007.

21 RELATED PARTY BALANCES - COMPANY

	General insurance business Sh'000	Long term insurance business Sh'000	Total 2009 Sh'000	Total 2008 Sh'000
Due from related party				
CIC Asset Management Limited	50	-	50	658
Due to related party				
CIC Asset Management Limited	-	-	-	122

22 (a) OTHER RECEIVABLES - GROUP

	General insurance business Sh'000	Long term insurance business Sh'000	Total 2009 Sh'000	Total 2008 Sh'000
Accrued interest	33,593	33,024	66,617	55,360
Staff advances	8,492	-	8,492	6,403
Salvage recoveries	33,979	-	33,979	20,591
Deferred acquisition costs	38,044	-	38,044	24,830
Other receivables	16,257	13,112	29,369	125,483
Receivable arising out of transfer from long term insurance business	20,000	-	20,000	-
Total receivables	150,365	46,136	196,501	232,667

(b) OTHER RECEIVABLES - COMPANY

	General insurance business Sh'000	Long term insurance business Sh'000	Total 2009 Sh'000	Total 2008 Sh'000
Accrued interest	33,341	33,024	66,365	55,360
Staff advances	8,492	-	8,492	6,403
Salvage recoveries	33,979	-	33,979	20,591
Deferred acquisition costs	38,044	-	38,044	24,830
Other receivables	16,257	13,112	29,369	125,277
Receivable arising out of transfer from long term insurance business	20,000	-	20,000	-
Total receivables	150,113	46,136	196,249	232,461

23 GOVERNMENT SECURITIES HELD TO MATURITY – GROUP AND COMPANY

	General insurance business Sh'000	Long term insurance business Sh'000	Total 2009 Sh'000	Total 2008 Sh'000
Treasury bills and bonds maturing				
- within 90 days	-	30,000	30,000	20,000
- after 90 days	525,381	404,656	930,037	850,702
	525,381	434,656	960,037	870,702

Treasury bonds amounting to Sh 195.3 million (2008: Sh 105.3 million) are held by the Central Bank of Kenya under lien to the Commissioner of Insurance in accordance with the Insurance Act.

24 SHORT TERM INVESTMENTS- GROUP AND COMPANY

	General insurance business Sh'000	Long term insurance business Sh'000	Total 2009 Sh'000	Total 2008 Sh'000
Policy holder deposits	-	52,264	52,264	15,295

Short term investments relates to policy holders deposits held with Africa Alliance for Mavuno life product. This is a unit linked product whereby Co-operative Insurance gets funds from investors and has engaged Africa Alliance to invest and manage the funds.

25 (a) DEPOSITS WITH FINANCIAL INSTITUTIONS GROUP

	General insurance business Sh'000	Long term insurance business Sh'000	Total 2009 Sh'000	Total 2008 Sh'000
The Co-operative Bank of Kenya Limited	93,671	42,649	136,320	118,575
Housing Finance Company of Kenya Limited	101,584	22,006	123,590	115,303
K-Rep Bank Limited	26,318	58,419	84,737	20,000
Investment & Mortgages Bank Limited	37,422	11,928	49,350	143,165
NIC Bank Limited	55,702	12,919	68,621	115,555
Bank of Africa Limited	15,748	-	15,748	20,000
Barclays Bank of Kenya Limited	7,600	7,600	15,200	15,200
PTA Bank	10,000	-	10,000	10,000
Consolidated Bank of Kenya Limited	10,515	21,432	31,947	10,000
Prime Bank Limited	-	20,109	20,109	18,316
Kenya Commercial Bank Limited	10,000	40,000	50,000	-
Fina Bank Limited	22,524	20,000	42,524	-
Development Bank of Kenya Limited	10,489	-	10,489	-
National Bank of Kenya Limited	-	10,000	10,000	-
	401,573	267,062	668,635	586,114
Maturity analysis:				
Maturing within three months	373,333	216,016	589,349	542,895
Maturing after 3 months	28,240	51,046	79,286	43,219
	401,573	267,062	668,635	586,114

25 (b) DEPOSITS WITH FINANCIAL INSTITUTIONS COMPANY

	General insurance business Sh'000	Long term insurance business Sh'000	Total 2009 Sh'000	Total 2008 Sh'000
The Co-operative Bank of Kenya Limited	93,671	42,649	136,320	118,575
Housing Finance Company of Kenya Limited	93,581	22,006	115,587	107,916
K-Rep Bank Limited	26,318	58,419	84,737	20,000
Investment & Mortgages Bank Ltd	37,422	11,928	49,350	143,165
NIC Bank Limited	55,702	12,919	68,621	115,555
Bank of Africa Limited	15,748	-	15,748	20,000
Barclays Bank of Kenya Limited	7,600	7,600	15,200	15,200
PTA Bank	10,000	-	10,000	10,000
Consolidated Bank of Kenya Limited	10,515	21,432	31,947	10,000
Prime Bank Limited	-	20,109	20,109	18,316
Kenya Commercial Bank Limited	10,000	40,000	50,000	-
Fina Bank Limited	20,524	20,000	40,524	-
Development Bank of Kenya Limited	10,489	-	10,489	-
National Bank of Kenya Limited	-	10,000	10,000	-
	391,570	267,062	658,632	578,727
Maturity analysis:				
Maturing within three months	363,330	216,016	579,346	535,508
Maturing after 3 months	28,240	51,046	79,286	43,219
	391,570	267,062	658,632	578,727

26 WEIGHTED AVERAGE EFFECTIVE INTEREST RATES

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

	2009 %	2008 %
Government securities	12	10.93
Mortgage loans	4	4.81
Policy loans	4.17	4.17
Deposits with financial institutions	9	10.77

27 DIVIDENDS

In respect of the current year, the directors propose a first and final dividend of Sh 34,238,000 (2008: Sh 28,952,000) which amounts to Sh 1.60 (2008: Sh 1.40) per share be paid to shareholders. This is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. Payment of dividends is subject to withholding tax at the rate of 5% or 10%, depending on the residence of the individual shareholders.

Notes to the Financial Statements

For the year ended 31 December 2009

28 SHARE CAPITAL

	2009 Number of shares	2009 Share capital	2008 Number of shares	2008 Share capital
1 January and 31 December	30,000	600,000	30,000	600,000
Issued and fully paid up share capital				
1 January	20,689	413,785	19,442	388,847
Additions	710	14,195	1,247	24,938
31 December	21,399	427,980	20,689	413,785

The movement in share capital was as a result of issue of 710,000 (2008: 1,246,900 shares) of Sh 20 each which were issued and paid for in 2009.

29 SHARE PREMIUM

	2009 Sh'000	2008 Sh'000
Share premium	27,812	26,119

The share premium relates to the 710,000 shares issued during the year (2008: 1,246,900 shares) through a private placement at a cost of Sh 22.50 which is Sh 2.50 above the nominal cost of Sh 20.

30 STATUTORY RESERVE

(a) Transfer from statutory reserve relates to surplus on the life assurance business which is distributable as dividends.

(b) The statutory reserve relates to the surplus on the life assurance business which is not distributable as dividends as per the requirements of the Insurance Act.

31 REVALUATION SURPLUS

The revaluation surplus represents the surpluses on the revaluation of buildings.

32 RETAINED EARNINGS

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

33 DIRECT INSURANCE AND REINSURERS RECEIVABLES

Receivables arising out of direct insurance arrangements relate to premiums earned but not received as a result of risks underwritten but whose premium has not been received as at year end. Receivables arising out of reinsurance arrangements relate to reinsurers portion of claims incurred which had not been recovered from reinsurers as at year end.

34 INSURANCE CONTRACTS LIABILITIES GROUP AND COMPANY

	General insurance business Sh'000	Long term insurance business Sh'000	Total Sh'000
Claims reported and claims handling expenses:			
At 1 January 2008	490,727	258,306	749,033
Claims incurred in the year	567,385	566,967	1,134,352
Payments for claims and claims handling expenses	(525,166)	(520,330)	(1,045,496)
At 31 December 2008	532,946	304,943	837,889
Claims reported and claims handling expenses:			
At 1 January 2009	532,946	304,943	837,889
Claims incurred in the year	807,852	547,172	1,355,024
Payments for claims and claims handling expenses	(756,597)	(616,117)	(1,372,714)
At 31 December 2009	584,201	235,998	820,199

Movement in general business insurance liabilities is shown in note 35.

35 MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS GROUP AND COMPANY

General (short term) insurance business

	2009 Gross Sh'000	2009 Reinsurance Sh'000	2009 Net Sh'000	2008 Gross Sh'000	2008 Reinsurance Sh'000	2008 Net Sh'000
Notified claims	848,934	380,995	467,939	693,562	258,587	434,975
Incurred but not reported	65,007	-	65,007	55,752	-	55,752
Total at 1 January	913,941	380,995	532,946	749,314	258,587	490,727
Cash paid for claims settled in year	(920,149)	(163,551)	(756,598)	(727,777)	(202,612)	(525,165)
Increase in liabilities arising from:						
Current year claims	798,889	228,988	569,901	567,385	319,815	247,570
Prior year claims	326,036	88,084	237,952	325,019	5,205	319,814
Total at 31 December	1,118,717	534,516	584,201	913,941	380,995	532,946
Notified claims	1,039,368	534,516	504,852	848,934	380,995	467,939
Incurred but not reported	79,349	-	79,349	65,007	-	65,007
Total at 31 December	1,118,717	534,516	584,201	913,941	380,995	532,946

36 PROVISIONS FOR UNEARNED PREMIUM AND UNEXPIRED RISKS GROUP AND COMPANY.

The unearned premium provisions represent the portion of the premium written in periods up to the accounting date which relates to the unexpired terms of policies in force at the statement of financial position date. The movement in the reserve is shown below:

	2009 Gross Sh'000	2009 Reinsurance Sh'000	2009 Net Sh'000	2008 Gross Sh'000	2008 Reinsurance Sh'000	2008 Net Sh'000
At 1 January	483,172	28,865	454,307	335,166	28,865	306,301
Increase in the year (net)	114,415	-	114,415	148,006	-	148,006
At 31 December	597,587	28,865	568,722	483,172	28,865	454,307

37 ACTUARIAL VALUE OF POLICYHOLDER LIABILITIES

The annual actuarial valuation of the life fund was carried out by The Actuarial Services Company Limited, Actuaries and Consultants, as at 31 December 2009 and revealed an actuarial surplus of Sh 154,700,000 (2008 – Sh 93,281,000) before declaration of the interest and bonuses to policyholders. The Actuaries recommended Sh 20,000,000 transfer (2008 – Sh Nil) from the life fund to the general business.

38 (a) OTHER PAYABLES - GROUP

	General insurance business Sh'000	Long term insurance business Sh'000	Total 2009 Sh'000	Total 2008 Sh'000
Sundry payables	20,722	63,052	83,774	90,968
Advance premium	55,558	91,081	146,639	140,567
Leave pay provision	4,385	-	4,385	3,430
Rent deposits	1,610	588	2,198	2,119
Mavuno unit linked deposits	-	52,264	52,264	15,295
	82,275	206,985	289,260	252,379

(b) OTHER PAYABLES - COMPANY

	General insurance business Sh'000	Long term insurance business Sh'000	Total 2009 Sh'000	Total 2008 Sh'000
Sundry payables	20,567	63,052	83,619	106,213
Advance premium	55,558	91,081	146,639	140,567
Leave pay provision	4,385	-	4,385	3,430
Rent deposits	1,610	588	2,198	2,119
Mavuno unit linked deposits	-	52,264	52,264	-
	82,120	206,985	289,105	252,329

39 CONTINGENT LIABILITIES – GROUP AND COMPANY

	2009 Sh'000	2008 Sh'000
Bank guarantees	11,576	11,576

In common practice with the insurance industry in general, the group is subjected to litigation arising in the normal course of insurance business. The directors are of the opinion that this litigation will not have a material effect on the financial position or profits of the group.

40 CAPITAL COMMITMENTS - GROUP AND COMPANY

Capital expenditure committed for at the statement of financial position date but not recognised in the financial statements is as follows:

	2009 Sh'000	2008 Sh'000
Committed but not contracted for	409,357	81,211

41 CASH GENERATED FROM OPERATIONS – GROUP

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

	2009 Sh'000	2008 Sh'000
Profit before taxation	277,726	219,442
Adjustments for:		
Depreciation (note 11)	22,438	19,491
Amortisation of intangible assets (note 12)	9,605	8,889
Interest income receivable	(164,638)	(177,067)
Loss on revaluation of quoted shares (note 18)	3,943	11,612
Surplus on revaluation on investment property (note 13)	(13,000)	(20,550)
Loss on disposal of property and equipment (note 5)	1,094	232
Net gains on government security held to maturity	(4,856)	-
Increase in provision for unearned premium (note 36)	114,415	148,006
(Decrease)/increase in outstanding claims provision	(17,690)	88,857
Adjusted profit before working capital changes	229,037	298,912
(Increase)/decrease in receivables arising out of direct insurance arrangements	(61,410)	37,931
Decrease in receivables arising out of reinsurance arrangements	33,107	-
Decrease/(increase) in sundry receivables	36,166	(77,600)
Increase/(decrease)/ in other payables	36,881	(10,117)
Actuarial value of policyholders liabilities	173,840	130,076
Movement in amounts due to reinsurers and other insurance bodies (net)	(19,148)	(89,530)
Net movement in related party balances	-	11,228
Net cash generated from operations	428,473	300,900

41 CASH GENERATED FROM OPERATIONS – GROUP (Continued)

b) Cash and cash equivalents

	2009 Sh'000	2008 Sh'000
Bank and cash balances	104,686	24,291
Bank overdraft	(320)	(15,178)
Deposits with banks	589,349	542,895
	693,715	552,008

42 OPERATING LEASE COMMITMENTS

Company as a lessee

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

	2009 Sh'000	2008 Sh'000
Not later one year	6,388	6,735
Later than 1 year but not later than 5 years	44,981	12,198
	51,369	18,933

Company as a lessor

Net rental income earned during the year was Shs 14,356,000 (2008: Sh 14,162,000). At the statement of financial position date, the group had contracted with tenants for the following future lease receivables:

	2009 Sh'000	2008 Sh'000
Not later one year	26,260	22,801
Later than 1 year but not later than 5 years	104,953	128,911
	131,213	151,712

Leases are for a period of six years.

43 RELATED PARTY TRANSACTIONS

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

	2009 Sh'000	2008 Sh'000
Directors 'emoluments - fees	6,624	4,864
- others	22,453	19,167
Key management salaries and other short-term employment benefits	32,900	25,196
	61,977	49,227

44 RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The disclosures below summarise the way the group manages key risks:

Insurance risk

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

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

Insurance risk in the group arises from:

(a) Fluctuations in the timing, frequency and severity of claims and claims settlements relative to expectations;
(b) Unexpected claims arising from a single source;
(c) Inaccurate pricing of risks or inappropriate underwriting of risks when underwritten;
(d) Inadequate reinsurance protection or other risk transfer techniques; and
(e) Inadequate reserves

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

Core insurance risk

This risk is managed through:

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

44 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Insurance risk (Continued)

Reinsurance planning

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

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

Claims reserving

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

Life insurance contracts sensitivity analysis

The actuarial assumptions used as at 31 December 2009 are unlikely to change significantly to result in material variation in actuarial liabilities. Shown in the table below are the sensitivities of the value of insurance liabilities disclosed in this note to various changes in assumptions used in the estimation of insurance liabilities. Each value is shown with only the indicated variable being changed and holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated.

Policyholder's Liabilities (Net of Reinsurance)

	2009		2008	
	Shs'000	% change	Shs'000	% change
Main basis	760,948	-	587,108	-
Expenses plus 10%	811,379	6.63%	650,997	10.88%
Mortality and other claims experience plus 10%	761,061	0.01%	587,170	0.01%
Interest rate less 1%	764,737	0.50%	596,817	1.65%
Expense inflation plus 1%	786,463	3.35%	658,518	12.16%
Withdrawals plus 10%	760,855	-0.01%	587,043	-0.01%

The group has not changed the processes used to manage its risks from previous periods. The notes below explain how financial risks are managed using the categories utilised in the group's ALM framework.

Short-term insurance contracts

The group engages in short term insurance contracts and funds the insurance liabilities with a portfolio of equity and debt securities exposed to market risk. During the year, the group increased the portion of financial assets invested in debt securities to mitigate the impact of the volatility of equity prices experienced in recent years. An analysis of the group's financial assets and its short term insurance liabilities is presented below;

44 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

	2009 Sh'000	2008 Sh'000
General insurance business		
Financial assets		
Debt securities:		
Held to maturity:		
- Government bonds and treasury bills	525,381	461,013
Equity securities:		
At fair value through profit or loss:		
- Listed securities	26,508	28,079
Loans and receivables from insurance and reinsurance contracts	477,144	497,597
Cash and cash equivalents	481,960	357,560
Total	1,510,993	1,344,249
Short – term insurance liabilities		
Insurance contracts- short term	583,573	532,946
Less assets arising from reinsurance contracts held-short term	(247,362)	(282,269)
Total	336,211	250,677
Long term insurance business		
Financial assets		
Debt securities:		
Held to maturity:		
- Government bonds and treasury bills	434,656	409,689
Equity securities:		
At fair value through profit or loss:		
- Listed securities	43,332	35,687
Loans and receivables from insurance and reinsurance contracts	73,578	12,684
Cash and cash equivalents	291,361	237,667
Total	842,927	695,727
Long– term insurance liabilities		
Insurance contracts- short term	287,820	304,943
Less assets arising from reinsurance contracts held-short term	(45,664)	(16,703)
Total	242,156	288,240

Short-term insurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non interest bearing. However, due to the time value of money and the impact of interest rates on the level of bodily injury incurred by the group's policyholders (where a reduction of interest rate would normally produce a higher insurance liability), the group matches the cash flows of assets and liabilities in this portfolio by estimating their mean duration.

The mean duration of liabilities is calculated using historical claims data to determine the expected settlement pattern for claims arising from the insurance contracts in force at the statement of financial position date (both incurred claims and future claims arising from the unexpired risks at the statement of financial position date). The mean durations are:

44 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

	2009	2008
Net short term insurance liabilities- life risk	0.2 years	0.2 years
Net short term insurance liabilities-property risk	2.0 years	2.0 years
Net short term insurance liabilities-casualty risk	5.0 years	5.0 years
Financial assets (excluding equity securities)	3.0 years	3.0 years

The table below indicates the contractual timing of cash flows arising from assets and liabilities included in the group's ALM framework for management of short term insurance contracts as of 31 December 2009:

General insurance business

Financial assets	Carrying Amount 31.12.2009 Sh'000	No stated Maturity Sh'000	Contractual cash flows (undiscounted) 0-1 yr Sh'000	1-2 yrs Sh'000	2-3 yrs Sh'000	3-4 yrs Sh'000	> 5 yrs Sh'000
Debt securities:							
Held to maturity:							
-Government bonds and treasury bills-fixed rate	525,381	-	-	993	19,873	75,655	428,860
-Listed securities-fixed rate							
Equity securities:							
At fair value through profit or loss:							
-Listed securities	26,508	26,508	-	-	-	-	-
Loans and receivables from insurance and reinsurance contracts	477,144	-	477,144	-	-	-	-
Cash and cash equivalent	481,960	-	481,960	-	-	-	-
Total	1,510,993	26,508	959,104	993	19,873	75,655	428,860
Short term insurance liabilities:							
Insurance contracts-short term	584,201	-	584,201	-	-	-	-
Payables arising from reinsurance arrangements	-	-	-	-	-	-	-
Less assets arising from reinsurance contracts	247,362	-	247,362	-	-	-	-
Total	336,839	-	336,839	-	-	-	-
Difference in contractual cash flows	1,174,154	26,508	622,265	993	19,873	75,655	428,860

44 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The table below indicates the contractual timing of cash flows arising from assets and liabilities included in the group's ALM framework for management of short-term insurance contracts as of 3 December 2008:

General insurance business

Financial assets	Carrying Amount 31.12.2008 Sh'000	No stated Maturity Sh'000	Contractual cash flows (undiscounted) 0-1 yr Sh'000	1-2 yrs Sh'000	2-3 yrs Sh'000	3-4 yrs Sh'000	> 5 yrs Sh'000
Debt securities:							
Held to maturity:							
-Government bonds and treasury bills-fixed rate	409,689	-	52,105	55,900	53,626	19,000	229,058
-Listed securities-fixed rate							
Equity securities:							
At fair value through profit or loss:							
-Listed securities	35,687	35,687	-	-	-	-	-
Loans and receivables from insurance and reinsurance contracts	12,684	-	12,684	-	-	-	-
Cash and cash equivalent	234,348	-	234,348	-	-	-	-
Total	692,408	35,687	299,137	55,900	53,626	19,000	229,058
Short term insurance liabilities:							
Insurance contracts-short term	304,943	-	304,943	-	-	-	-
Payables arising from reinsurance arrangements	16,703	-	16,703	-	-	-	-
Less assets arising from reinsurance contracts	-	-	-	-	-	-	-
Total	321,646	-	321,646	-	-	-	-
Difference in contractual cash flows	370,762	35,687	(22,509)	55,900	53,626	19,000	229,058

44 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Life insurance business

Financial assets	Amount 31.12.2009 Sh'000	No stated Maturity Sh'000	Contractual cash flows (undiscounted) 0-1 yr Sh'000	1-2 yrs Sh'000	2-3 yrs Sh'000	3-4 yrs Sh'000	> 5 yrs Sh'000
Debt securities:							
Held to maturity:							
-Government bonds and treasury bills-fixed rate	434,656	-	-	56,670	51,614	19,000	307,272
-Listed securities-fixed rate							
Equity securities:							
At fair value through profit or loss:							
-Listed securities	43,332	43,332	-	-	-	-	-
Loans and receivables from insurance and reinsurance contracts	73,578	-	73,578	-	-	-	-
Cash and cash equivalent	291,361	-	291,361	-	-	-	-
Total	842,927	43,332	364,939	56,670	51,614	19,000	307,372
Long- term insurance liabilities:							
Insurance contracts-Long term	235,998	-	235,998	-	-	-	-
Payables arising from reinsurance arrangements	45,664	-	45,664	-	-	-	-
Less assets arising from reinsurance contracts	31,370	-	31,370	-	-	-	-
Total	313,032	-	313,032	-	-	-	-
Difference in contractual cash flows	529,895	43,332	51,907	56,670	51,614	19,000	307,372

44 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The table below indicates the contractual timing of cash flows arising from assets and liabilities included in the group's ALM framework for management of short-term insurance contracts as of 31 December 2008:

Financial assets	Carrying Amount 31.12.2009 Sh'000	No stated Maturity Sh'000	Contractual cash flows (undiscounted) 0-1 yr Sh'000	1-2 yrs Sh'000	2-3 yrs Sh'000	3-4 yrs Sh'000	> 5 yrs Sh'000
Debt securities:							
Held to maturity:							
-Government bonds and treasury bills-fixed rate	409,689	-	52,105	55,900	53,626	19,000	229,058
-Listed securities-fixed rate							
Equity securities:							
At fair value through profit or loss:							
-Listed securities	35,687	35,687	-	-	-	-	-
Loans and receivables from insurance and reinsurance contracts	12,684	-	12,684	-	-	-	-
Cash and cash equivalent	234,348	-	234,348	-	-	-	-
Total	692,408	35,687	299,137	55,900	53,626	19,000	229,058
Long- term insurance liabilities:							
Insurance contracts-Long term	304,943	-	304,943	-	-	-	-
Payables arising from reinsurance arrangements	16,703	-	16,703	-	-	-	-
Less assets arising from reinsurance contracts	-	-	-	-	-	-	-
Total	321,646	-	321,646	-	-	-	-
Difference in contractual cash flows	370,762	35,687	(22,509)	55,900	53,626	19,000	229,058

Financial risk

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

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the group primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

44 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Financial risk (Continued)

(a) Market risk

(i) Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities. The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. For financial instruments and insurance contracts described in this note, the sensitivity is solely associated with the former, as the carrying amounts of the latter are not directly affected by changes in market risks.

The group's management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to a parallel movement of plus 10 basis points in all yield curves of financial assets and financial liabilities. These particular exposures illustrate the group's overall exposure to interest rate sensitivities included in the group's ALM framework and its impact in the group's profit or loss by business.

An increase/decrease of 5 % in interest yields the profit for the year would increase/decrease by Sh 9,645,350 (2008: Sh 8,132,200).

(ii) Equity price risk

The group is exposed to equity securities price risk as a result of its holdings in equity investments, classified as financial assets at fair value through profit or loss. Exposure to equity shares in aggregate are monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes. Investments held are listed and traded on the Nairobi Stock Exchange.

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

Investment management meetings are held monthly. At these meetings, senior managers meet to discuss investment return and concentration of the equity investments.

Listed equity securities represent 97% (2008: 96%) of total equity investments. If equity market indices had increased/ decreased by 5%, with all other variables held constant, and all the group's equity investments moving according to the historical correlation with the index, the profit for the year would increase/ decrease by Sh 197,150 (2008: Sh 580,600).

(iii) Currency risk

Foreign currency exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The group primarily transacts in Kenya shilling and its assets and liabilities are denominated in the same currency. The group is therefore not exposed to currency risk.

44 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Credit risk

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

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries; and
- amounts due from corporate bond issuers
- Cash and cash equivalents (including fixed deposits)

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

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

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

The table below indicates the carrying amounts of assets bearing credit risk

	2009 Sh'000	2008 Sh'000
General insurance business		
Financial assets		
Debt securities:		
Held to maturity:		
- Government bonds and treasury bills	525,381	461,013
Equity securities:		
At fair value through profit or loss:		
- Listed securities	26,508	28,079
Loans and receivables from insurance and reinsurance contracts	477,144	497,597
Cash and cash equivalents (including fixed deposits)	481,960	422,740
Total	1,510,993	1,409,429

44 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

	2009 Sh'000	2008 Sh'000
Long term insurance business		
Financial assets		
Debt securities:		
Held to maturity:		
- Government bonds and treasury bills	434,656	409,689
Equity securities:		
At fair value through profit or loss:		
- Listed securities	43,332	35,687
Loans and receivables from insurance and reinsurance contracts	73,578	12,684
Cash and cash equivalents (including fixed deposits)	291,361	234,348
Total	842,927	692,408

The exposure to individual counterparties is also managed through other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the group. Management information reported to the directors include details of provisions for impairment on receivables and subsequent write offs.

The amount that best represents the group's maximum exposure to credit risk as at 31 December 2009 is made up as follows:

	Fully performing Sh'000	Past due Sh'000	Impaired Sh'000
General insurance business			
Agents	86,972	1,991	15,947
Brokers	59,254	23,203	6,668
Direct	43,244	15,118	11,766
Total	189,470	40,312	34,381
Long term insurance business	42,208	-	-

The amount that best represents the group's maximum exposure to credit risk as at 31 December 2008 is made up as follows:

	Fully performing Sh'000	Past due Sh'000	Impaired Sh'000
General insurance business			
Agents	54,410	18,978	15,060
Brokers	51,378	32,769	12,341
Direct	22,240	36,369	3,852
Total	128,028	88,116	31,253
Long term insurance business	12,138	-	-

44 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The default rate is low.

The debt that is overdue is not impaired and continues to be paid. The credit control department is actively following this debt. In addition, the group also owes most of the reinsurance debtors hence any default would be offset from the payables arising from reinsurance contracts.

The debt that is impaired has been fully provided for. However, debt collectors as well as the are following up on the impaired debt.

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

(c) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of the group is the obligation to pay claims to policyholders as they fall due. The projected settlement of these liabilities is modelled, on a regular basis, using actuarial techniques. The board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover anticipated liabilities and unexpected levels of demand.

The table below provides a contractual maturity analysis of the group's financial liabilities:

General insurance business

	31 December 2009				31 December 2008			
	6 months or on demand Sh'000	months and 1 year Sh'000	More than 1 year Sh'000	Total Sh'000	6 months or on demand Sh'000	6 months and 1 year Sh'000	More than 1 year Sh'000	Total Sh'000
Insurance contract liabilities	584,201	-	-	584,201	532,946	-	-	532,946
Payables arising from reinsurance arrangements	17,502	-	-	17,502	17,701	-	-	17,701
Other payables	76,280	-	-	76,280	56,213	-	-	56,213

Long term insurance business

	31 December 2009				31 December 2008			
	6 months or on demand Sh'000	months and 1 year Sh'000	More than 1 year Sh'000	Total Sh'000	6 months or on demand Sh'000	6 months and 1 year Sh'000	More than 1 year Sh'000	Total Sh'000
Insurance contract liabilities	235,998	-	-	235,998	304,943	-	-	304,943
Payables arising from reinsurance arrangements	10,438	-	-	10,438	29,387	-	-	29,387
Other payables	154,133	-	-	154,133	196,166	-	-	196,166

44 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value hierarchy

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

- Level 1 – Quoted prices in active markets for identical assets or liabilities. This level includes equity securities and debt instruments listed on the Nairobi stock exchange.

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly as prices or indirectly as derived from prices.

- Level 3 – inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

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

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

GROUP

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
31 December 2009 -				
Fair value through profit or loss				
- Equity instruments	69,840	-	-	69,840
31 December 2008				
Fair value through profit or loss				
- Equity instruments	63,766	-	-	63,766

COMPANY

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
31 December 2009 -				
Fair value through profit or loss				
- Equity instruments	68,301	-	-	68,301
31 December 2008				
Fair value through profit or loss				
- Equity instruments	62,117	-	-	62,117

45 CAPITAL MANAGEMENT

The group maintains an efficient capital structure from a combination of equity shareholders' funds and borrowings, consistent with the group's risk profile and the regulatory and market requirements of its business.

The group's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- to maintain financial strength to support new business growth;
- to satisfy the requirements of its policyholders, regulators and rating agencies;

45 CAPITAL MANAGEMENT (Continued)

- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- to allocate capital efficiently to support growth;
- to safeguard the group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

An important aspect of the group's overall capital management process is the setting of target risk-adjusted rate of return which is aligned to performance objectives and ensures that the group is focused on the creation of value for shareholders.

The group has a number of sources of capital available to it and seeks to optimise its debt to equity structure in order to ensure that it can consistently maximise returns to shareholders. The group considers not only the traditional sources of capital funding but the alternative sources of capital including reinsurance, as appropriate, when assessing its deployment and usage of capital. The group manages as capital all items that are eligible to be treated as capital for regulatory purposes.

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

Effective 14 June 2010, the Commissioner of Insurance requires that an insurer dealing with composite insurance business should have a paid - up capital of at least Sh 450 million. The company is in the process of raising additional share capital to ensure compliance with the minimum capital required.

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

	2009 Sh'000	2008 Sh'000
General insurance business		
Share capital	285,630	271,455
Share premium	26,321	24,628
Retained earnings	222,184	131,327
Equity	534,135	427,410
Total borrowings	-	-
Less: cash and cash equivalents	481,960	357,560
Net debt	-	-
Gearing	-	-

45 CAPITAL MANAGEMENT (Continued)

Long term insurance business

	2009 Sh'000	2008 Sh'000
Share capital	142,350	142,330
Share premium	1,491	1,491
Statutory reserve	277,109	162,931
Revaluation surplus	35,023	23,379
Equity	455,973	330,131
Total borrowings	-	-
Less: cash and cash equivalents	291,361	237,667
Net debt	-	-
Gearing	-	-

46 INCORPORATION

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

47 CURRENCY

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

Company Statement of Comprehensive Income

APPENDIX I

For the year ended 31 December 2009

	General Insurance Business Sh'000	Long-Term Insurance Business Sh'000	Total 2009 Sh'000	General Insurance Business Sh'000	Long-Term Insurance Business Sh'000	Total 2008 Sh'000
Gross earned premiums	1,538,565	1,221,620	2,760,185	1,132,690	1,089,386	2,222,076
Less:						
Reinsurance premiums ceded	(219,271)	(78,673)	(297,944)	(150,571)	(94,787)	(245,358)
Net earned premiums	1,319,294	1,142,947	2,462,241	982,119	994,599	1,976,718
Commissions earned	57,926	-	57,926	35,983	-	35,983
Investment income	90,108	88,223	178,331	83,832	93,415	177,247
Other income	3,019	18,711	21,730	(296)	16,966	16,670
	151,053	106,934	257,987	119,519	110,381	229,900
Total income	1,470,347	1,249,881	2,720,228	1,101,638	1,104,980	2,206,618
Claims and policyholders benefits payable	(807,851)	(680,616)	(1,488,467)	(567,568)	(650,406)	(1,217,974)
Commissions payable	(153,518)	(61,128)	(214,646)	(102,229)	(92,535)	(194,764)
Operating and other expenses	(378,216)	(362,164)	(740,380)	(286,345)	(288,101)	(574,446)
	(1,339,585)	(1,103,908)	(2,443,493)	(956,142)	(1,031,042)	(1,987,184)
Profit before tax	130,762	145,973	276,735	145,496	73,938	219,434
Taxation charge	(31,803)	(9,696)	(41,499)	(43,495)	-	(43,495)
Profit for the year	98,959	136,277	235,236	102,001	73,938	175,939
OTHER COMPREHENSIVE INCOME						
Surplus on revaluation of buildings	-	3,646	3,646	-	11,812	11,812
Deferred taxation on revaluation	-	-	-	-	(2,835)	(2,835)
Reversal of deferred tax on revaluation	-	5,899	5,899	-	-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX	-	9,545	9,545	-	8,977	8,977
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	98,959	145,822	244,781	102,001	82,915	184,916

Long Term Business Revenue Account

APPENDIX II

For the year ended 31 December 2009

	Ordinary life Sh '000	Group life Sh '000	Total 2009 Sh '000	Total 2008 Sh '000
Gross premium written	102,565	1,119,055	1,221,620	1,089,386
Less: Reinsurance payable	(8,780)	(69,893)	(78,673)	(94,787)
Net premium income	93,785	1,049,162	1,142,947	994,599
Policyholders' benefits:				
Life and health claims	(498)	482,649	482,151	507,165
Maturities	22,713	-	22,713	11,313
Surrenders	1,911	-	1,911	1,292
Actuarial adjustment of policy holders liability	(3,354)	177,195	173,841	130,636
Net policyholders' benefits	20,772	659,844	680,616	650,406
Commissions paid	21,478	39,650	61,128	107,689
Expenses of management	60,359	299,417	359,776	286,331
Premium tax	2,225	163	2,388	1,770
Total expenses and commissions	84,062	339,230	423,292	395,790
Investment income	10,495	96,439	106,934	125,535
Increase in life fund before tax	(554)	146,527	145,973	73,938
Tax charge	-	9,696	9,696	-
Increase in life fund after tax	(554)	136,831	136,277	73,938
Increase in life fund for the year	(554)	136,831	136,277	73,938

General Business Revenue Account

For the year ended 31 December 2009

	C.A.R & Engin-eering Shs.'000	Fire Domestic Shs.'000	Fire Industrial Shs.'000	Liability Insurance Shs.'000	Marine & Transit Shs.'000	Motor Private Shs.'000	Motor Comm-ercial Shs.'000	Motor Pool Shs.'000	Medical Insurance Shs.'000	Personal Accident Shs.'000	Theft Insurance Shs.'000	Workmen's Compen-sation Shs.'000	Misc. Accident Shs.'000	Total 2009 Shs.'000	Total 2008 Shs.'000
Gross premium written	53,801	36,218	107,329	5,981	3,456	495,252	485,080	-	102,482	93,555	205,937	53,724	10,164	1,652,979	1,280,698
Unearned premium b/f	3,047	6,899	18,427	2,782	92	164,980	142,224	-	11,267	54,837	56,074	22,248	297	483,174	335,166
Unearned premium c/f	(6,194)	(18,099)	(21,235)	(2,726)	(182)	(205,442)	(219,696)	-	(19,099)	(22,177)	(58,934)	(22,768)	(1,036)	(597,588)	(483,174)
Gross earned premium	50,654	25,018	104,521	6,037	3,366	454,790	407,608	-	94,650	126,215	203,077	53,204	9,425	1,538,565	1,132,690
Reinsurance premium	(30,519)	(1,308)	(60,240)	(247)	(2,592)	(20,410)	(19,990)	-	(51,551)	(14,907)	(8,487)	(2,214)	(6,806)	(219,271)	(150,570)
Net Earned Premium	20,135	23,710	44,281	5,790	774	434,380	387,618	-	43,099	111,308	194,590	50,990	2,619	1,319,294	982,120
Gross claims Paid	9,945	4,075	25,942	9,106	-	406,994	173,254	-	34,823	28,942	50,892	10,904	1,721	756,598	525,350
Outstanding claims c/f	1,854	3,836	7,166	29,877	35	231,811	173,823	2,092	9,027	15,325	73,258	31,981	4,115	584,200	532,946
Outstanding claims b/f	(7,802)	(5,492)	(19,336)	(33,710)	(6)	(191,872)	(152,604)	(2,092)	(6,362)	(23,000)	(64,525)	(22,233)	(3,913)	(532,947)	(490,728)
Net claims incurred	3,997	2,419	13,772	5,273	29	446,933	194,473	-	37,488	21,267	59,625	20,652	1,923	807,851	567,568
Commission receivable	(9,307)	(161)	(28,693)	-	(1,162)	-	-	-	(13,300)	(2,548)	-	-	(2,755)	(57,926)	(35,983)
Commissions payable	7,759	3,480	16,739	1,076	614	33,937	33,855	-	8,360	20,317	18,191	8,698	492	153,518	102,229
Net commission	(1,548)	3,319	(11,954)	1,076	(548)	33,937	33,855	-	(4,940)	17,769	18,191	8,698	(2,263)	95,592	66,246
Management Expenses	11,421	7,689	22,783	1,270	733	105,131	102,972	-	21,755	19,860	43,716	11,404	2,160	350,894	265,357
Premium Tax	889	598	1,774	99	57	8,187	8,018	-	1,693	1,547	3,404	888	168	27,322	21,043
Total	12,310	8,287	24,557	1,369	790	113,318	110,990	-	23,448	21,407	47,120	12,292	2,328	378,216	286,400
Total claims expenses and commissions	14,759	14,025	26,375	7,717	272	594,188	339,318	-	55,996	60,443	124,936	41,642	1,988	1,281,659	920,214
Underwriting (loss)/profit	5,376	9,685	17,906	(1,927)	502	(159,808)	48,300	-	(12,897)	50,865	69,654	9,348	631	37,635	61,906

Administration

EXECUTIVE COMMITTEE

N. KURIA (OGW)	B.A. Econ	Chief Executive officer
D. RONOH	MSc in Population Studies, B.Ed Statistics, Post Graduate Dip in Actuarial Science	General Manager - Life Business
K KIMANI	MBA, BSc Business Administration, ACII	General Manager - General Business
P. NGARI	MBA, BCom Marketing, Diploma in Coop-Mgt	General Manager - Marketing
P. MWAURA	BSc Int. Bus Admin, Diploma in Coop-Mgt	Assistant General Manager - Finance
J. TOMNO	MBA, BCom, ACII Diploma	Assistant General Manager - Branch Operations
A. NJOKI	BA Management, Dip in HR Mgt	Human Resources Manager
M. WANGA	LLB, CPS (K), Dip in Law	Company Secretary/Chief Legal Officer
M. LUVAI	BCom Marketing, CPA (K)	Chief Internal Auditor

HEADS OF DEPARTMENTS:

S. KITUR	BComm-Accounting, Post Graduate Dip in Computer Science	IT Manager
D. IRERI	MBA, BComm, IIK Diploma	Claims Manager - General
J. OTWORI	BA Econ, ACII Diploma	Underwriting Manager - Life Business
H. NJERENGA	Advanced Dip in Business Management	Underwriting Manager - Town Office
S. OCHIENG	Diploma - Co-operative Management	Claims Manager - Life Business
M. KIMANI	BEd Arts, ACII Diploma	Underwriting Manager - General Business
J KIONGA	B B Administration, ACII	Operations & Training Manager - Individual Life
E. MUTAI	B Comm Business Admin	Communications Manager
A. MADARA	B A, Dip in Business Administration	Manager, Medical Business
F. MUNYAO	Dip in Co-op Management	Manager, CIC Foundation

BUSINESS DEVELOPMENT MANAGERS

S. MUIA	B.A. Economics, Diploma in Mgt	Business Development Manager - Religious Organizations
J. NJOROGE	B.A. Econ, ACII Diploma	Business Development Manager - Group Life & Medical
N. MARAMBU	BCom, ACII Diploma	Business Development Manager - General Business

SALES/AREA MANAGERS

M. MUGO	B.A. Ed, COP	National Sales Manager - Individual Life
F. MUNYAO	Diploma in Co-operative Management	Public Relations Manager
R. NYAKENOGO	BCom, Dip in Co-operative Management	Area Manager - Nyanza / Western
S RONO	B.A.Econ	Area Manager - Rift Valley
F. OLOUCH	BA Admin	Area Manager - Coast
J. NYACHWAYA	BComm	Sales Manager
Z. WAMBUGU	BCom Insurance	Area Manager - Central
M. KARANI	BCom Insurance, ACII	Area Manager - Eastern

Corporate Information

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Notes

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CIC INSURANCE

We keep our word

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